



“ELGi Equipments Limited Q3 FY 2017
Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the ELGi Equipments Q3 FY 2017 Earnings Conference Call, hosted by Asian Market Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kamlesh Kotak from Asian Market Securities. Thank you and over to you Sir!

Kamlesh Kotak: Thanks Rayo. Good day everyone. On behalf of Asian Markets, we welcome you all to the 3Q FY2017 earnings conference call of ELGi Equipments Limited. We have with us today Mr. Jairam Varadaraj, Managing Director of the company. I request Mr. Jairam to provide us an overview of the quarterly results and then we shall begin the Q&A session. Over to you Sir! Thank you.

Jairam Varadaraj: Thank you Kamlesh. Ladies and gentlemen thank you very much for being with us this afternoon. Like our normal proceedings I will focus on the consolidated results for the quarter and I will talk about the quarter results in comparison with the last year’s quarter.

We look at the sales number it seems like we have got a significant drop of almost 160 million, but we need to moderate that with the fact that Q3 of last year we had the sales of Belair included in the consolidated results that sales was around 115. So net-net the drop in sales is about 50 million. And bulk of the sales drop has been because of a huge lumpy order that we have got in Q3 of last year from the water well segment, which has not happened this year. So the summary of sales is from our verticals point of view India and globally things have grown reasonably, all the industrial verticals have grown. So the profitability and all are reflective of that.

Having clarified on the sales, our EBITDA should have been considering there is a marginal reduction in material cost compared to the previous year Q3, taking that in to account and the drop in sales and the loss of contribution because of loss in sales, we have actually got better than the normative range of EBITDA. Nevertheless, I would explain to you that there are certain costs which are one time in nature, which are underlying the results, one is our project that we have been working with BCG that is was not there in Q3 of last year so there is a expense relating to that, that is accounted in this quarter.

The other thing is we have gone through Ind-AS for this year and there have been a lot of restatements of various heads of accounts, two things that stand out significantly are the way we are accounting R&D expenditure and the way we are accounting foreign exchange fluctuation. So those things have had a bit of an impact, but they do not have a cash impact and they are just accounting impact and they have come into play in this quarter.

So overall my assessment is that profitability in Q3 barring these onetime kinds of adjustments and expenses continues to remain at the same positive level. Our EBITDA at 13-odd on a

standalone basis it continues to be healthy in fact on a consolidated basis compared to Q3 of last year at an EBITDA level we have kind of grown. So that is really the summary of the financial numbers.

The overall market is the biggest buzzword that has been affecting our Q3 results is demonetization, but it is a little difficult to kind of unravel the specific impact of demonetization, obviously when a significant chunk of the currency in circulation has been removed and there is a kind of a disruptive rebuild of currency supply there will be an impact, but it is very difficult in a capital goods kind of an environment to say this was the exact quantum of the impact that we have had, but the reality is compared to Q2 our sales numbers are not significantly different, but having said that normally in Q3 we will have a bit of an uptick in sales which we are not seeing compared to Q2 so probably that could be attributed to the demonetization.

Overall, in all the verticals we have grown like I said before and we continuing we think that Q4 also we will continue to grow, but I must caution that our Q4 results are not going to be as good as the Q4 results of last year, because there were certain lumpy orders in water well that came into our books in the last quarter of last year.

So this is really a summary of our numbers and current market situation. I would be happy to take the questions, but before we get into the Q&A we having our annual analyst meet on the 17th and we are quite thrilled by the overwhelming response that we have got and such of you who have not registered we will be happy to have you as well, so thank you for that and now I look forward to your questions.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Thanks for taking my question. In your initial remarks you had mentioned that the situation had get the growth flat on a year-on-year basis, which were the end verticals which had seen maximum impact was it the water well business or any other vertical which had seen more impact than the others, which are the ones I think generally it would have been the ones the sales which are routed through the dealers which would have been more impacted than the direct sale to industries if you can give an understanding on this it will be really helpful?

Jairam Varadaraj: Like I said Ravi we have grown on all compared to Q3 of the previous year as well as Q2 of the current year. Now on all verticals except water well, now water well is also a function of the seasonality and our own presence in the market. So that is why I am unable to say specifically what has been the impact of demonetization, because all the industrial verticals irrespective of whether we have moved the products directly to customers or through the channel we have grown.

Ravi Swaminathan: The water well business it is a lumpy business you had mentioned overall market does it still exist or is it that just that we did not win many?

- Jairam Varadaraj:** Well the market compared to last year it is a little subdued the market and our position right now is not a strong execution to be, but we are working on multiple things to get that and we are very confident we will get there.
- Ravi Swaminathan:** But can you give a sense as to how big was the market at least if not for us, how big was the water well market?
- Jairam Varadaraj:** You know Ravi that is one question that keeps getting asked over the last multiples of years and I have preferred not to go there.
- Ravi Swaminathan:** Sir regarding the international business if you can give an outlook on the revenue and profitability of the major subsidiaries Titan, Ropier, ELGi USA etc., it would be really helpful?
- Jairam Varadaraj:** Since this is very specific and very detailed Ravi is it possible for us to do this offline?
- Ravi Swaminathan:** Sir definitely and at least is they profitable or not directionally are they improving in terms of growth etc., if you can?
- Jairam Varadaraj:** Compared to last year we had significant losses in Belair, we had significant losses in Australia, we had losses in Brazil, and we had losses in China. Today the only subsidiary that is making a loss is China and that to one-tenth of what it used to be so all the other subsidiaries are profitable.
- Ravi Swaminathan:** Sir regarding our new products likes Oil Free Screw Compressors and Centrifugal Compressors how has been the traction for them and are they growing faster than the overall company level growth if you can give a sense that will be helpful Sir? Thanks that was my questions.
- Jairam Varadaraj:** Centrifugal compressors are we are still in the development mode. We have sold a few machines, but they are more of validation and testing machines and like I mentioned in the past calls it is a two-year programme by the time we complete the entire product range. So for us centrifugal is compressors not about current revenue it is a build up for the future. As far as Oil Free Compressors are concerned there are two segments, there are project type of segments which goes into power plants and steel plants that segment of the business is literally almost dead in India, you know that the investments in power assets are highly stressed and nobody is really expanding on that segment and the same case with steel and cement we are waiting for that large project investment cycle to happen but we do have growth we have grown more than last year but is it better than the lubricated thing I would not say it is better it is almost at the same level, but we have gained traction what is important to understand we have gained traction in the non-project related business, which are more sustainable and do not have huge cyclicity.
- Ravi Swaminathan:** This would be the replacement ones of equipments?
- Jairam Varadaraj:** No these are one-off purchases not part of a big project.

- Ravi Swaminathan:** But would there be largely dependent upon projects only, centrifugal?
- Jairam Varadaraj:** Big chunk of you get lumpy sales in centrifugal and oil free that are linked to projects.
- Ravi Swaminathan:** And if these projects start kicking off today when will compressors demand would come in?
- Jairam Varadaraj:** It depends, depends on the size of the project if you look at a cement project they order probably about four to five months before their actual requirement if it is a power project sometimes it is a year before so it all varies.
- Ravi Swaminathan:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Ruchir Khare from Kotak Securities. Please go ahead.
- Ruchir Khare:** Thanks for taking my question. Sir on the margin front you mentioned that there were quite of one-off items which led to the margins come down in Q3 I understand it would be difficult to quantify especially in terms of BCG, but overall like if you could give what was the contribution of R&D and other forex expenses the margins coming down in this quarter, if not specific in terms of percentage, if you could give it?
- Jairam Varadaraj:** It is not actual expenses, Ruchir I explain to you these are accounting issues in terms of the foreign exchange it was close to about 15 million in the quarter and in terms of R&D it is probably around 20.
- Ruchir Khare:** Sir now coming to the strategy part typically in the international business, now with losses coming down in most of the subsidiaries and I think hiving off there is loss making subsidiaries so what is the roadmap going ahead like two years down the line or maybe a little longer timeframe you shared earlier that you shared an encouraging outlook that there is a clear-cut thought available in the global market which could be achievable. So from here on what would be our ambition number one and number two the medium-term targets which you would have set for achieving the same?
- Jairam Varadaraj:** We talked about this a few calls ago. Let me summarize it. We believe that there is an opportunity for to be a significant player and we believe that significance is to be numbers two in the world. The question really was do we have the products and will our products to be acceptable, will our products be capable of delivering all that that has been proven and unequivocally in the last year or in the last couple of years. The kind of attention our products are getting and the kinds of appreciation our products are getting are leavers with no doubt that the product readiness is absolutely there. Now having a product alone does not mean that you can turn the switch on and start getting customers for buying a product, so two things the thing that was it is critical for us to build is the front end of the company. All these years we have spent a lot of effort in building the backend of the company today our manufacturing systems, our

quality systems our technology and our products are truly world-class so we do not have any doubt or any concerns that there will be any shortcomings there, but it is also true that we had a very probably a very trivial and superficial understanding of the challenges in the front end and we are discovering that we need to do a lot more in terms of process in terms of specific initiatives to get traction in the front end. We are testing that project out in India and we are getting some extremely positive results through the BCG initiative.

Now the idea the strategy for India and the process for India is very different because in India as a brand we have known and we have huge amounts of references and strengths in the market, but nevertheless we have described in spite of it the lack of clear structured process was we were losing opportunity we were in a market like India where we have a significant share. When you take this and go into international markets you not only need a process but you need to be the process as part of a subset or a part of a larger strategy, which is what we have now working with BCG in phase II to really look at we are in India we are reasonably we have a good market share in India now we have put the processes in India to be able to strengthen our presence in India how do we take this gain to some of the key markets in the world, what is the strategic posture that we need to build and under that strategic posture what are the specific processes that we need to have, so this project is going to start in April of this year and we expect that by October, November we will have a very clear the how part of our ambition. In terms of the financial numbers for phase I of our journey, which is really ending in I think in 2018-2019 is our first phase we are looking at we are our aspiration is about \$480 to \$500 million. Right now we are at probably around 230 so doubling it in two years is really an ambition maybe we will miss that number in 2018-2019 but we are definitely on the trajectory to get there.

Ruchir Khare: That was helpful Sir. Thanks a lot. Sir again the numbers regarding the losses in various international geographies I would also shoot a mail I would be requiring those numbers if that would be fair?

Jairam Varadaraj: You can take it offline with our CFO, Sriram.

Ruchir Khare: Thank you Sir. Thanks a lot.

Moderator: Thank you. We have the next question from the line of Kashyap Pujara from Axis Capital. Please go ahead.

Kashyap Pujara: Good morning Sir. I just wanted to check with you is some of your thoughts on how the current situation in US would kind of imply on our business going forward especially where they are talking of being more inward focus and how would our what do you see readings on our business because we would predominantly be exporting to the US in that sense so do you see any risks what are your global issues that you would like to which you see on the landscape?

Jairam Varadaraj: The global trend seems to be extremely parochial and protective behavior whether it is Brexit and now with this what is happening in the US under Trump. We kind of recognized not that the

world's behavior will change but we recognize that we have to be a global player we need to be able to be closer to the customer in terms of manufacturing. Now we also recognized that today the market is supporting our product, not just because of the performance of the product but there is also a price incentive that we need to put on the place, that is because we have made in India unknown brand and whatever else. Now in order for us to manufacturer in a high resource cost nation but still retain our cost competitiveness we need to re-imagine our manufacturing process itself, which we started even two years ago. So we believe in the next two to three years we will have a manufacturing model, which will enable us to produce products in high resource cost nations at the same cost that which we are building in India. Now in the interim in the next two to three years will there be a huge dislocation to our operations in the US? I do not think so because most of the large players in the US market are importing their product into the US. Now they will be impacted and as a consequent they will have to correct their prices to reflect whatever provisions or duty that are levied on imports. So I do not see there will be any differentiated or very specific impact to our company.

Kashyap Pujara:

Okay but when you are talking so in the interim what you are implying is that other competitors also have a similar model and they would also get impacted so it would be a similar impact so it will not be something adverse just for ELGi but overall when you are talking of production centers in US geography or in any of these high resourced geographies should we read this and this would be assembly points the air end would get made in India which would get exported and front end will be assembled there should we basically think of this setup or should we think that you will do right from the machining and everything at that level?

Jairam Varadaraj:

Like I said air end production is not going to be done anywhere else other than in India for the foreseeable future, the air end typically in a compressor the air end represents less than 30% of the total cost of the machine. So that going from India is not going to materially or significantly alter our competitiveness but what is really going to impact us is the assembly cost but again the point is we recognized even before all these that not for these reasons, but for the reasons of being able to swiftly respond to customer requirement that we had to manufacture in some of the larger markets so we will do that, we will do the assembly not the air end production.

Kashyap Pujara:

But overall the warehousing strategy would not work you do not think that having different points warehousing and inventorizing products there would not help, you would still need to have assembly points across different markets?

Jairam Varadaraj:

It depends on the size of the market when you if the market size is small and your presence in that is very small even a warehouses not viable so there are multiple types of countries and your presence in the countries. So if you look at large country small presence warehouse is fine, but large country large presence warehouse will not work because the inefficiencies and wastages of having inventory of every specific model in sufficient quantity will just not be financially viable and Murphy's Law always kicks in the customer will always want what you do not have so in large markets where your presence is big you need to have manufactured.

- Kashyap Pujara:** Just to understand the numbers that we have sighted at the aspiration to be a \$500 million in the next two or three years, for that our current capacities basically can take us there we do not need incremental capex?
- Jairam Varadaraj:** We would not need, if you look at our gross block to sales ratio today it would not move up proportionately to the sales number. There could be some marginal balancing investment of very small numbers it is not going to be proportionate, so we have enough capacity of the large machine tools or investments we have enough capacity there.
- Kashyap Pujara:** Sorry to just extent this but when you are talking of these numbers, I understand what would your conservative view be of the Indian business of this because whatever said and done we still been seeing pretty anaemic capex growth in the country over the last few years though we did grow last year and in the first half but how do you see India shaping up in the next two years based on what you are seeing on the ground?
- Jairam Varadaraj:** Well right now everybody is there is a mixed feeling about where this country is headed. I think everyone acknowledges that demonetization was a good thing for the country but how it is going how the dust, the dust has been kicked up quite a bit. How the dust is going to settle down and what will be revealed once it settles down it is very difficult to predict but the fact is it is a good thing. Now the positive impact of all this when it will happen is very difficult to predict in terms of the other fundamentals I think everything seems to be okay people who had invested a lot of capacity they are surely seeing capacity being utilized more which means they are going to come around in terms of the next round of capacity buildup, but unfortunately, predicting the timing is becoming very difficult, but overall I am quite optimistic that India will grow only one way it is going to grow up but when is that inflection is difficult to say.
- Kashyap Pujara:** Thank you so much and all the best and I will see you at the on 17th at the visit.
- Moderator:** Thank you. Next we have a follow up question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.
- Ravi Swaminathan:** Sir I had a few more questions just wanted to know what is the ratio of after sales service?
- Jairam Varadaraj:** Sorry.
- Ravi Swaminathan:** After sales service as a percentage of overall revenue a ballpark number would be helpful sir and how it is directionally headed?
- Jairam Varadaraj:** After sales varies Ravi. Our India after sales business is far better than our after sales in the rest of the world because we have a lot more feet on the street, we have more process we have more distributors so if I take after sales I can give you a range, I do not want to say which market how much but if you look at it we are anywhere between 25 starting at the best down to about probably 8% or 9% in some markets.

- Ravi Swaminathan:** But patents would be having a higher?
- Jairam Varadaraj:** No I would not take that as after sales of ELGi it is more a patents which is a distribution company that is I have exclude I am excluding patents from that.
- Ravi Swaminathan:** But potentially globally after sales is like around 30%, 32% know.
- Jairam Varadaraj:** Yes about 33% yes.
- Ravi Swaminathan:** But India also can go up to those levels.
- Jairam Varadaraj:** It can. The Indians are still cheap so therefore the service cost that we charged on our customers is reflective of Indian resource cost whereas if you look at the service revenue in international markets the service element not the parts element is pretty significant and that is because the resource cost there are high.
- Ravi Swaminathan:** Numbers related you had mentioned the R&D and the forex expense during this quarter, forex was 15 million and R&D was 20 million can you give the corresponding number last year that is for the 3Q FY2016 and also the payment the expenses related to the consultancy charges with respect to BCG?
- Jairam Varadaraj:** BCG consulting I would like to keep it out of this conversation, Ravi because I said that earlier there is certain agreement with them that neither of us reveal that. As far as forex is concerned it is about last previous year same quarter because previous year we did not follow Ind-AS so we had to restate previous year to this the equivalent thing will be 2 million.
- Ravi Swaminathan:** Forex was 2 Crores and R&D expense.
- Jairam Varadaraj:** R&D was zero because this is an accounting treatment.
- Ravi Swaminathan:** Okay thanks.
- Moderator:** Thank you. We have the next question from the line of Manish Goel from Enam Holdings. Please go ahead.
- Manish Goel:** Very good afternoon Sir. Sir looking at India numbers not quarterly but on a say nine months what has been reported where we see a revenue growth of 6% if I were to then broadly if we were not to account for water well compressor excluding that what is the sense that our growth would have been?
- Jairam Varadaraj:** Can you repeat your question Manish?
- Manish Goel:** Sir what I am trying to understand is that if we remove water well not only for quarter three which was lumpy in the last year you had a good inflow but I am more looking towards nine

month numbers that overall sales are up 6% but if I were to remove the impact just trying to get a sense that how was your rest of the business growth has been in first nine months?

Jairam Varadaraj: Well if I give you that number you will be able – you are a brilliant mathematician, Manish you will be able to figure out the size of water well market, right.

Manish Goel: Okay so let me rephrase it Sir, has the rest of the market grown in double digit?

Jairam Varadaraj: Yes.

Manish Goel: At least that trend is continuing?

Jairam Varadaraj: Absolutely our growth in industrial verticals is healthy mid double digit.

Manish Goel: How is the market growing then are we gaining market share or is it that we are growing in line with our market?

Jairam Varadaraj: I think probably in certain segments if I take this mark this thing I would say we are probably holding on to our market share. I do not think during this period we have gained any share in the market, but in the future that is what we intent to do, but we will have to wait and see.

Manish Goel: Because where I am coming from is Sir the Cummins sales reported compressor sales growth of 25% so that is where there has been a mutual disconnect because for even nine months they have grown at 15%, 20% on compressor so that is the I am trying to correlate with?

Jairam Varadaraj: See Cummins sales of compressors is not just to water well Manish, it is also to construction.

Manish Goel: No overall I agree.

Jairam Varadaraj: And our construction and mining has also grown at that level, so I do not see any inconsistency between our numbers.

Manish Goel: No I was not referring only to water well. I was generally looking at the overall market as a compressor.

Jairam Varadaraj: Right, that it is not about market share we have grown market share in our after markets.

Manish Goel: Sir on the ambition doubling revenues in two years this is you are saying after completing the implementation of BCG program, which is likely to happen in October?

Jairam Varadaraj: No see the BCG first phase programme which was India centric is already completed. Now we have rolling that out pan India. We have completed it in three, four diffident locations now we are rolling it through all our distributors all our sales offices, so it is a pretty comprehensive programme it is not something that can happen in a few months and by the time the whole thing

is rolled out, it will be probably September 2018 so that is India centric. Now that we have seen the results that we are getting out of this programme even in a short period, we believe that we need a similar program but not the same programme because the same programme can worst where you have a good contractor, distributors etc. So that rest of the world we need to understand which are the markets that we need to focus on and from those markets what are the specific strategic initiatives we need to take and then tie those strategic initiatives two specific processes that we have implemented like what we have implemented in India. So that will start in April and move up till October.

- Manish Goel:** So just to clarify the India implementation has been completed?
- Jairam Varadaraj:** Yes.
- Manish Goel:** Both of these initiatives will then take our revenue doubling our revenue right Sir?
- Jairam Varadaraj:** That is the intent.
- Manish Goel:** Ideally today the international revenue share would be around 45%?
- Jairam Varadaraj:** It is kind of hovers month-on-month it is around 45%.
- Manish Goel:** Potentially we will be looking to somehow manage this ratio going forward as well?
- Jairam Varadaraj:** Yes, because if Belair had stayed on it would have crossed 50 so there are that was a bit of a setback, China was a setback but then we are now working on other programmes, which will accelerate the market outside as well.
- Manish Goel:** So then Sir that means ideally for us if we want to maintain that market share then India should ideally also double the revenues, which looks to be quite challenging?
- Jairam Varadaraj:** Well like I said when I mentioned that the \$500 million nutshell it looks like doubling in the next two years which may seem a little ambitious but we are in that trajectory whether it takes two years or whether it is going to take three years but we are in that trajectory and today India is not in the most robust of states so in all the stuff that is being talked about kicks in, then growth of at one point we used to grow at around 20%, 25% on the industrials that kicks in then there is a good opportunity for us to do it if at 20%, 25% growth we can double in three years.
- Manish Goel:** Agreed Sir and you will probably by that time probably a year or so you will probably have centrifugal and other products also in the pipeline?
- Jairam Varadaraj:** Yes.

- Manish Goel:** Last question on say if I take nine months and if I want to look at it that if I want to exclude the BCG onetime expenses and Ind-AS impact would our margins adjusted for that would be higher than what we would have reported?
- Jairam Varadaraj:** At a contribution level our margins are better than the year to date is better than last year.
- Manish Goel:** And how so this BCG expenses will continue till Q2 FY2018 right Sir?
- Jairam Varadaraj:** Right.
- Manish Goel:** Wonderful Sir. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Kashyap Pujara from Axis Capital. Please go ahead.
- Kashyap Pujara:** Just one follow up question because I think I just missed a point in-between could you just give an breakup as to what is the total industrial revenue mix on the India business, on the standalone how much is industrials?
- Jairam Varadaraj:** I do not like to share that because in the rest of it is portable right.
- Kashyap Pujara:** Yes.
- Jairam Varadaraj:** Giving a way that is the piece of information that is too segmentally sensitive.
- Kashyap Pujara:** Sure, but did I hear you right when you said that industrials have grown at mid double digits?
- Jairam Varadaraj:** Yes.
- Kashyap Pujara:** Okay fine. Thank you.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.
- Vipul Shah:** Sir has BCG identified that the focus international market for us?
- Jairam Varadaraj:** No the project will start in April.
- Vipul Shah:** Once they identify what will be the capex guidance for those markets over medium-term over next two years.
- Jairam Varadaraj:** We will have to look at it Vipul I do not know what it is only when the complete analysis is done it is certainly clear that our aspiration to be number two is not going to happen purely with organic growth. There will be a combination of both organic and inorganic growth. Now what

will be the size complexion and complexity of the inorganic growth is very difficult to even state it now because we need to go through this entire project and study so it is very early to say.

- Vipul Shah:** Sir regarding the analyst meet, which is being held on 17th is it in Coimbatore?
- Jairam Varadaraj:** It is in Coimbatore in the new plant.
- Vipul Shah:** So for registering we will have to send a mail to Company Secretary right Sir.
- Jairam Varadaraj:** Yes.
- Vipul Shah:** Thank you Sir all the best for it.
- Moderator:** Thank you. Well as there are no further questions I would like to hand the conference back to Mr. Kamlesh Kotak from Asian Market Securities for closing comments.
- Kamlesh Kotak:** Mr. Jai just couple of points, I wanted to just have your view on. Sir any color on how the railway business is shaping up for us?
- Jairam Varadaraj:** Railways is pretty flat for us compared to last year Kamlesh so in terms of but the investment have not gone into building rolling stock but last year was a good year for railways so maintaining that itself means growth.
- Kamlesh Kotak:** So we find more of our product application in rolling stocks or engines or where exactly?
- Jairam Varadaraj:** No were in the roll, what I call as rolling stock in the locomotive.
- Kamlesh Kotak:** Sir secondly last time you told that the capex will be very minimal so any change in that how much did we incur this year in terms of the investment?
- Jairam Varadaraj:** In terms of the actual cash outflow is about 16 Crores and we will probably commit another 14 but actual cash outflow will go next year this 16 bulk of it is was maintenance or just general upkeep little bit of IT investment so nothing significant on the capacity we did not need it?
- Kamlesh Kotak:** So 14 Crores you said would go in the next year right.
- Jairam Varadaraj:** 14 Crores in terms of cash will go on and we may get commitments this year but the cash outflow will be in next year.
- Kamlesh Kotak:** Nothing significant in this quarter as well?
- Jairam Varadaraj:** No.
- Kamlesh Kotak:** And we are on course to our debt reduction programme?

Jairam Varadaraj: Now our net debt is at around 170 and we expect that by close of the year it could be at around 160 conservatively. Our plan was if India grew at around 10% to 12% if it had grown 10% to 12% in terms of overall in 2016-2017 and I maintained that in 2017-2018 our plan is watch that we will be zero debt by around September, October of 2018 and even if let us say India grew by 13% or 14% for 2017-2018 and it continued on into 2018-2019 we are still on track we can still make it.

Kamlesh Kotak: Great Sir that is very useful. There are no more questions Rio any questions.

Moderator: No there are no further questions.

Kamlesh Kotak: On behalf of Asian Markets I sincerely thank everyone for joining for this call. Special thank to Mr. Jairam and his team for providing us the opportunity and providing the insight about the company's business and financial performance. With that we conclude the call thank you and have a good day.

Jairam Varadaraj: Thank you Kamlesh.

Moderator: Thank you very much. On behalf of Asian Market Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.