



“ELGi Equipments Limited  
Q1 FY2020 Results Conference Call”  
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**Moderator:** Ladies and gentlemen good day and welcome to the ELGi Equipments Limited Q1 FY2020 Results 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 telephone. 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. Good afternoon everyone. On behalf of Asian Markets we welcome you all to the Q1 FY2020 conference call of ELGi Equipments limited. We have with us today Mr. Varadaraj – Managing Director representing the company, I request Mr. Jairam to take us through an overview of the quarter results and then we shall begin the Q&A session. Over to you Sir! Thank you.

**Jairam Varadaraj:** Thank you Kamlesh. Good afternoon ladies and gentlemen. I appreciate you taking the time to be with us this afternoon. As the standard, I will take you through the consolidated numbers as a comparison with previous year Q1.

The sales has increased by 5% and as a consequence of that increase in sales we should have had a higher EBITDA so normally I take the EBITDA that should have been which comes to around 617 million which includes the incremental EBITDA coming from Pulford's, which was not there in the previous year first quarter. It should have been 617 whereas our actual EBITDA is only 392 which leave a gap of close to 226 million.

The biggest cost of this 226 million has been of employee cost and certain other things costs. Employee cost has gone up by almost 160 million and other costs are around 60 so if I segment that further out of that 220 million which has gone up in other costs which are both fixed costs and employee costs, 100 million is strategic in nature. This is as a consequence of our strategic initiatives both in the US, Europe and in the Middle East. I explained to you in the last call where we said we going forward with certain initiatives in Europe where we are building a team and the revenue that are expected out of it are not yet visible in our books but we are in the process of building the team and therefore there are costs involved including recruitment cost and salaries of people who have already come on board.

I am not very concerned about that because those are planned. What I am concerned about is the balance close to 100 million that we incurred in India and in certain other market but primarily India with an expectation that there will be an increase in sales and that has not

materialized that is our biggest disappointment and that is really the story of this quarter. India did not fire as we expected in the first quarter.

Now our expected, the growth in sales has been only 5% and I think India is actually lower than that so we are looking at how to, from this story I will segway into what we think at market than what is that we need to do. The month of April and May, part of May did not give us that kind of an indication. Things seem to be continuing and we thought post elections which should actually get a little better but actually the markets are very sticky. Enquiries continue to be strong but finalizations are getting delayed and people are not putting money on the table and as far as converting their plans into action.

At this point in time, we were not able to say exactly how it is going to be, even July has not been a great month, it is been probably at a marginally better than June but I would not open the champagne based on July. So there is general stickiness in the market. What we are doing is to see where we can cutback on our costs. Some of these costs that are 100 million I am talking about has been reflected in the books as planned expenditure as well so some of it can be reversed. We will look at that. We have to manage the business for cash we got to be extremely careful about credit, so we are going to do that.

We are also going to go and look at judiciously look at capital investment and see what can be postponed, but the point here is this is just a quarter and I want to highlight to everyone, we should not do anything drastic just because of a quarter. We need to stay focused on our long-term strategic goal that is to build this business globally and reach the position of No.2, we will continue to do that, I do not think the situation is that bad for us to go and start really looking at some fundamental changes. So while I am a little disappointed with the quarter and I still remain very optimistic in terms of what we have to do for the future of the company.

Having said that typically I will take you through what is the business like from geography to geography so I will start with Australia. Australia was a very good quarter both for Pulford's as an entity. Pulford's did very well but the rest of the Australia was little muted but combined it was a very good performance. South East Asia continues to be a little stagnant. We are creating some activity there but nothing visible. India like I explained to you was a disappointment across most of the segments, particularly bad in water well. Here I would like to say we have gained market share but I do not think we have gained market share to the expectation that we had for ourselves.

We had planned that this market will come back considering the cyclical nature of it and we believe that the market had reached the nadir and it was due to climbing backup but that has not happened and that was one more contribution for why we could not have grow as much

as we should have so aftermarket is also been a little sluggish primarily because many of our customer plants are not running three shift and therefore the need for parts and services are proportionately lower. So this is really a situation in India.

Moving on to the Gulf we have a strategic initiative there of going direct. We have settled all the things with our existing distributors. We have built our team and the initial results and responses has been very positive and this quarter also we are seeing some positive results. Europe particularly Rotair has been a good quarter for Rotair and Europe so we continue to have an optimistic view for that region.

Moving on to the US, Patton's continue to be a challenge for us, we had our strategic initiatives, we have put the processes in place but what we are realizing is the results of the process that we did in India, India produce the results of the process a lot faster than the results in the US and in Patton's. ELGi US business we had some setback not in our strategic businesses we had some OE customers who did not buy as much as they did in the first quarter of the previous year. Generally international business has been in a good track. India has been a disappointment.

Now coming to our working capital, you would notice that our net debt position is about 180 Crores. The reason why it is a such a large number is we have adopted a new accounting standard where all the rented assets, rented premises has to be restated on the basis of a owned property so I forget the name of that accounting standard, Ind-As 116 which is the lease accounting standard because of which the lease that is due for the life of the lease contract has to be brought in as debt and therefore about 30 Crores has been added to the debt position of the company. In addition, in affordable business in the US we have invested in certain inventory as a means to go direct to the customer and that has been an investment of close to about 3 million so that basically Rotair inventory that we have taken on in ELGi. So it is a one-time spike and with the sales which we have done we are beginning to see robust direct sales of portables in the US through ELGi US that will get normalized very quickly. So if you remove both of those anomalies then the net debt is only about 130 Crores and it was 115 Crores in end of March, the increase in the 15 Crores has been nothing to be worried about, those are selective increases in inventory and receivables which are being worked on and I am pretty confident in the next one quarter we will be able to reduce bottomline.

This is really the summary of our first quarter and I would be happy to answer questions. Thank you.

**Moderator:** Thank you. Ladies and gentlemen 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.

**R Swaminathan:** Thanks for taking my question. Sir, from the domestic market perspective, just wanted your views with auto's seeing some slowdown, how that would have an impact on the compressor demand industry more from a direct auto demand and from associated ancillary demand who can have an impact, not only on the compressor segment but also the ATS ELGi segment, we know that yes, it is just a quarter but for the year how it can shape up?

**Jairam Varadaraj:** I am not able to give you a specific number in terms of the impact of this auto and auto-ancillary industry specifically but in the quarter we now review our sales by industry vertical and we definitely auto and auto-ancillary contribution, expected contribution to sales during the first quarter and the actual was very low compared to our expected. I would not like to go into the specific number Ravi in the call. As far as ATS is concerned, actually we did very well considering the overall situation in the automotive industry and this is primarily because two of the automotive OEs who have entered the market namely Kia and MG are setting up the basic dealership network and we are the preferred vendor there and as a consequence of that we realized some positive growth through these two OEs. Rest of the OEs has been a significant drop compared to the previous year. Now, what do we expect? As far as the industrial is concerned like I mentioned in my preliminary remarks we really not able to decipher what the situation is going to be but my fear is that with all the stuff that is happening politically with states and it is a little worrying in terms of what will be the sentiments that will flow through the market. Internationally yes, there are problems. US has had reset the problem in the US in terms of a shootout, the economic challenges that they are talking about both in the US and the quantitative easing controversy that is happening in Europe, the markets are challenging there but like I said we are so small in these markets and the headroom is so high, I do not see that as a challenge for our growth aspiration because they are not very significant in these market. So this is really my summary of my response to you.

**R Swaminathan:** Got it Sir. In terms of the domestic market, do you see, the demand from infra side seeing any recovery at least in the second half or given the state of spend or lack of that happening so the fear can be flattish or you see only muted growth?

**Jairam Varadaraj:** Infrastructure, you know the earlier power and steel has been flat, we do not see any big resurgence or recovery from those two verticals. Cement was beginning to show some signs of it but we will have to wait and see whether they will continue through into the second quarter.

- R Swaminathan:** Got it. And would you have one market share in this quarter Sir, any sense on that?
- Jairam Varadaraj:** Market share?
- R Swaminathan:** Yes, the compressor, the overall compressor?
- Jairam Varadaraj:** Unfortunately we do not, these are all very speculative numbers we do not have a centralized pool where we share all our numbers so that we can arrive at an accurate definition of our market share, but our sense is we may not have gained any share in the first quarter but we have not lost.
- R Swaminathan:** My last question is, Rotair seems to be doing well irrespective of, last year it had seen a very good growth what is happening in that country and why we are seeing special growth there?
- Jairam Varadaraj:** I think the growth is across. It is also ELGi product, the industrial compressor business like I said we have been growing strongly in Italy and we continue to grow strong, so that is been a good contributor in the quarter. The portable business that they have been selling in the US continues to hold so that has contributed well and the other two products which the breakers and the rampicar in specialized applications that have grown, they have also contributed reasonably, I would not say a big growth but reasonably.
- R Swaminathan:** Got it, so Rotair sells to US also that portable compressors?
- Jairam Varadaraj:** Yes, that is one of our biggest markets, which now ELGi is going to be selling direct.
- R Swaminathan:** Okay, so ELGi would be directly selling the portable compressors anyway?
- Jairam Varadaraj:** Yes.
- R Swaminathan:** I will come back in the queue for more questions.
- Moderator:** Thank you. We have the next question from the line of Ranjit Shivram from ICICI Securities. Please go ahead.
- Ranjit Shivram:** Good morning. Sir if you can just give us some colour on like how much was the India growth that you expected for this quarter and how much it happened and what is your outlook there and outside India what was your growth expectation and how do you see things panning out, you told Australia is doing good, Europe is okay, US there were some stress so currently what do you see and what is our strategy?

**Jairam Varadaraj:** Without compromising the company's position in the eyes of the competition, I will try to give you some broad numbers. In my earlier call, last quarter's call I said our expectation of growth is in the teens, we said we will be in the teens, somewhere in the middle and that kind of reflects our budget number. We expected a higher growth from outside India and a lower growth in India, against that we have grown 5% of that 5% growth a bigger chunk of growth has come from outside India than from inside India, so our proportion of revenue which was kind of 45 outside 55 India is now almost become 50:50 so the gap between our expected growth outside of India to actual that gap is actually very relatively small compared to the gap between what we wanted to grow or budgeted to grow in India and actually what India grew.

**Ranjit Shivram:** Okay, so for the full year now given this scenario how much do you expect now?

**Jairam Varadaraj:** I wish I had a crystal ball Ranjit. Right now, you know in the last quarter's thing I said things look good and I expected post election that there will be some people coming back into the market to invest but I have been wrong so therefore I do not want to take any, I do not want to speculate on what you expect. But whatever it is I think the company in terms of its plans, its process, its strategy we are now going to waiver and kind of dislocate the entire parts that we have taken, we will make some judicious choices in terms of cost control but continuing down the path of what we have chosen.

**Ranjit Shivram:** Europe actually in the last analyst meet you had mentioned that you had still to frame up a strategy for Europe?

**Jairam Varadaraj:** In the analyst meet in February process of getting a leader, European leader we have got the leader and in the last call I said the leader is in place, our strategy is in place, we are in the process of putting the team together to execute that strategy. So that is where we are right now. We have finalized the strategy of where all we were going to play in Europe. We have also identified at a broad levels what will be the specific strategies to win in this market that we have chosen to play, the leadership team required to deliver and execute on this strategy is falling into place even as we speak most of the critical leadership either are all already on board or have signed the contracts to come on.

**Ranjit Shivram:** Okay and railways, in the budget also railways the allocation continues to be good so is that something which we see than be a driver because most of the expenditure of this will happen in the second half, so do you see any activity improving in the railways front?

**Jairam Varadaraj:** Railways has not dropped like the industrial has dropped. Railways have not let us down in our budgeted growth but that is because the orders for what we are selling right now were already in the books when we start off the year. You are right the budget for railways has

been a quite healthy but it is not like a path breaking change that is going to give us like a 100% growth or 50% growth and the segment and the contribution of railways to our total business is not that big for us to make any big material change.

**Ranjit Shivram:** In your opening remarks there were some 10 Crores you mentioned as cost which we had incurred expecting a higher sales, now that the actuals has come down so going forward you expect a claw down on that because of that the margins can improve at least the fixed cost can come down in the second half?

**Jairam Varadaraj:** Absolutely, may be not the second quarter but definitely in the second half.

**Ranjit Shivram:** I will join for further questions. Thank you.

**Moderator:** Thank you. We have the next question from the line of K P Jain from Sundaram Mutual Fund. Please go ahead.

**K P Jain:** Sir when we see like-to-like growth what would have been Sir like excluding say Pulford which is not been there in the base period, any idea can you give Sir?

**Jairam Varadaraj:** In terms of revenue?

**K P Jain:** The like-to-like growth Sir?

**Jairam Varadaraj:** I do not have the number in front of me I can give it to you offline.

**K P Jain:** Sir in terms of additional costs, in employee line item this cost is mainly particularly to European thing Sir or is there any one-off in this employee cost line item Sir?

**Jairam Varadaraj:** Say that again I am sorry I did not understand.

**K P Jain:** In employee cost line item is there any one-off or is it the difference of say 17 Crores on a year-on-year basis is fully due to Europe?

**Jairam Varadaraj:** The employee cost at a consolidated level is looking at around 160 million correct, is that the number you are talking about?

**K P Jain:** 101 Crores Sir?

**Jairam Varadaraj:** Are you looking at consolidated?

**K P Jain:** Yes, consolidated Sir.



- Jairam Varadaraj:** Okay.
- K P Jain:** 101 Crores as against 78 Crores on a year back level?
- Jairam Varadaraj:** I am trying to look at, 101 versus 78 so the main increase in employee cost like I explained to you, was about 50:50 that increase of around 120 roughly which is 12 Crores half of it, close to half of it is strategic in nature close to half of it is regular increases that have happened in India, US Patton, Rotair everywhere.
- K P Jain:** Sir then with regard to the benefits of motor plant, when we will see that in our cost line item Sir or we seeing that already in the current quarter?
- Jairam Varadaraj:** No, we do not see that in the current quarter. The benefits will really in any significant way it will only be in the Q3 onwards. We have already started the production, we have already started using those motors but they will go through a field validation, field prove out in larger sample sizes so I expect it contribution of a sizable number of motors only in the third quarter.
- K P Jain:** Next year we will see a full year benefit?
- Jairam Varadaraj:** Yes, in India.
- K P Jain:** That is it from my side. Thank you Sir.
- 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 delving again on the employee cost I think a bit mix up, so what you are right now referred to 12 Crores increase was on a quarter-on-quarter basis which you mentioned that half of it is related to normal cost increase and half is related to strategic in nature and larger part of that is from Europe, am I right Sir?
- Jairam Varadaraj:** The strategic part the biggest chunk is Europe, yes.
- Manish Goel:** Okay, so a couple of questions here, one is that if I look at the standalone operations again the increase has been like 6 Crores on a quarter-on-quarter basis so is this normal or is there a some element of higher recruitment and which you are referring to that was probably related to looking at higher sales and now you look to curtail that, if you can explain that and clarify?

- Jairam Varadaraj:** That additional in the standalone what you are seeing is not only the actual increase Manish but also we book the projected headcount cost that will come during the year into that, even though it is a budget and not an accounting number we project it because we do not want surprises when that had actually happens, so to that extent the 6 Crores has a certain higher number than it would actually be, so that you will see that in the balance of the quarters the difference is not 6 Crores it is a lot less and certainly we are working on some of the headcount planned that is sitting in that 6 Crores we will go and review it very carefully. So to that extent it is not going to get replicated in the other quarter.
- Manish Goel:** On the Europe's incremental cost in last call you mentioned that you are gradually building up and eventually it will lead to a number between 3 million and 4 million additional cost so is it that we will continue to see this kind of increase on quarter-on-quarter basis for next couple of quarters?
- Jairam Varadaraj:** Yes, you will see the increases happening but you will also progressively start seeing some sales coming in as well.
- Manish Goel:** Because now like on a consolidated basis employee cost is now roughly 22% of the revenues, that is quite a large base now and probably all the benefits on the contribution increase is getting offset by this?
- Jairam Varadaraj:** Like I explained during the investor meet as well as in the last quarter thing there will be some blips that we will go through in terms of our profitability but these are being, you got to get people on-board first in order to get generate revenue later, right, so we are going through that transition so nothing to be worried about it.
- Manish Goel:** Okay, on the contribution side we are fairly comfortable that we will be able to maintain what we have seen in the Q1?
- Jairam Varadaraj:** But Manish you should at least compliment us, we have improved our contribution.
- Manish Goel:** I agree Sir. You did in last call you had mentioned that we had taken a price hike and you had a better revenue mix.
- Jairam Varadaraj:** We have done it all around in spite of the tough market somewhere a little bit of a pat on our back every once in a while it is good.
- Manish Goel:** I really appreciate that Sir and just taking a reconfirmation from you that hopefully it continues.
- Jairam Varadaraj:** Absolutely.

**Manish Goel:** In your opening remarks you did mentioned about, you spoke about on the capex side so what is the plan in the current year Sir on that?

**Jairam Varadaraj:** See, like I have explained in the past our capex plan is to always to invest one year ahead of our planned growth, basis that we have made certain budgets based on a certain growth expected for next year so with the current market being volatile we got to go back and recalibrate and see what are all there, see there are some asset that you have committed you cannot go back, correct, there are some assets that we have to commit may be we will look at it and say okay, this was our commitment by a six months or eight months to see how the market goes, so to that extent whatever advance money that we put on the table will get deferred.

**Manish Goel:** Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Aditya Bagul from Axis Capital. Please go ahead.

**Aditya Bagul:** Good afternoon Sir and thank you for taking my question. Sir couple of questions from my end. Firstly, you mentioned in your opening remarks that certain strategic initiatives that you have taken in the US the results are being little more prolonged vis-à-vis what you saw in India, can you help us understand I mean what is the key difference between the two geographies in the way they are approaching to the same sort of a tactics?

**Jairam Varadaraj:** There are a couple of reasons Aditya. One is the brand ELGi in India is well known so the inertia for accepting the brand through a more involved process of deeper penetration in the market happened a lot more faster in the Indian market. The second is we have a very mature sales and service organization already in place in India both at a distributor level and at the company level and almost 100% of our distributors in India are exclusive with us, they do not deal with another brand of compressors, so when we execute a go-to-market strategy in that context well known brand, well established distribution which is exclusive and a mature sales and service organization of the company, we were able to overcome the inertia that the new process always brings in. A new process means change changes uncomfortable, there is inertia but we were able to overcome that. The same situation in the US the brand is not as well known. We are just beginning to gain some recognition. Out of probably 74-75 distributors, not more than eight or ten are exclusive with us, the others carry other brands as well so any go-to-market process has an inertia by virtue of the fact that they will be stragging multiple brand and the organizations in both at Pattons, which we are now changing as well as in the US operations, they are all relatively new, they are getting into the market, they are trying to get engaged in the market so it is taking a little

bit more time. So we did not factor in the impact of these factors in the velocity that we expected the change to happen.

**Aditya Bagul:** Is it fair to assume that a lot of issues that we faced especially Patton's and to some extent in ELGi US is largely an account of more nascent brand and a regular churn in our employee force there and going forward with a stable team in place I do not think that this would be a recurring phenomenon is that a fair assumption to make?

**Jairam Varadaraj:** I think it is a fair assumption. See a lot of companies faced the problem of growing because their products are not good, product fail, performance is not to the mark, service is not to the mark, we score more than 100% on these in the US market so that is a strength that we should not discount. So once you have that strength in place then it is a matter of just pushing through on our presence in the market, staying there and making it happen and our track record in the US has been pretty good in terms of growing, we have been growing consistently. Now each level of growth takes you to the next orbit and the next orbit what worked in the previous orbit is not going to work so there is a new set of activities that are going through, that again goes through a set of change, all that will happen so trajectory wise we are in the right trajectory, timing wise we will have some ups and downs which I am not too worried about.

**Aditya Bagul:** Sure Sir, that is quite comfortable. Sir in my second question is on your oil free screw compressors, it is almost a year and a half that we have sort of introduced in the market both from a test point of view and actual introduction as well, how is the market feedback and now does it contribute a meaningful chunk to our industrial sales?

**Jairam Varadaraj:** Let me correct your observation a little bit. We have been in oil free screw compressors for almost now 15 years that is the conventional oil free screw compressor.

**Aditya Bagul:** I meant the new one.

**Jairam Varadaraj:** Now what we have launched, what we launched in India may be eight nine months ago and what we formally launched in Germany which is our AB series which is oil free disruptive and is one part, the other part is even for our oil, the overall oil free business we have a created a strategic initiative in India to improve our presence and penetration and I am very happy that in the last six months that we have been running this program we have been able to penetrate. Earlier if you look at our oil free business a big part of it was the tender, the project, the power, steel, those kind, that has shifted drastically in the last six to seven months where we are now participating in one of customer requirement which are not projects and the profitability on these are a lot better the customer acceptance and the terms are lot better so that is a general observation on the oil free. So I believe that our market

share in oil free has improved, overall. Our AB series the kind of engagement we have had in the market, I can say in the last three to four months has been very, very encouraging and we are beginning to see installations with customers who would have never considered ELGi and who would have never considered this technology and we are demonstrating to them a significant lifecycle cost savings, which is now prompting repeat orders from many of these customers, which is ultimately that is the absolute proof after validity of this product and the attractiveness of the product for the customer. So if I have to summarize it we are very pleased with the way we are progressing with oil free and with the AB.

**Aditya Bagul:**

Sure Sir, that is quite helpful. Just one last question I know it is difficult to look at FY2020 and H2 in the context that we are in; however, if you can give us some color as to which is the segment that you believe, you are most optimistic at, you have talked little on cement, you have talked little on railways which is the segment that you believe probably the first to revive?

**Jairam Varadaraj:**

Two segments that I think will not be go down one is railways for the obvious reasons the other is one our portable compressor and non-water well stuff there, commitments have been made also for road construction and some infrastructure development so government funding has gone into it, we are hoping that the financing for these will also flows through so these two, I do not see them letting us down but both of them are not huge contributors to our topline. Aftermarket there is an opportunity, yes, the customers are not running the compressors the plant as much and therefore the requirement for service has also come down but there are opportunities internally in the company to expand our presence, engage better with our customers so I think the recurring revenue model of aftermarket should improve and not let us down in the second half. Industrial, like I said I am not able to say what is going to happen and water well is another question mark. What I can say is if the water well market picks up our position with customers is stronger than last year, so to that extent we will get a fairer or larger share of the market but the overall business has to pickup. That is the India story. Like I said Europe is going to continue to grow with the additional team that we have put in place. They will start contributing to the topline. I expect Australia to continue to grow at, if not first quarter levels but they will continue to do better than last year. US I am waiting and seeing. It would not be very bad but the kind of growth that we expect may be takes a few more quarters to kick in.

**Aditya Bagul:**

Sure Sir, that is helpful and best of luck for the quarters to come Sir.

**Moderator:**

Thank you. We have the next question from the line of Nishit Seth from Anvil Shares. Please go ahead.

**Nishit Seth:** Thanks for taking my question. Sir one question I had with respect to the cost. Now as you mentioned in the call that because of the new accounting standards, the operating leases, there are some part of it is calculated in debt. Now if I were to look at the cost structure absolutely right where you say that the contribution have improved and hats off for that but the cost structure I think the fixed cost other than employee cost have also risen significantly, so could you just help us with the kind of operating profit at the standalone level on a comparative basis to last year because reported operating profit is 26.6 Crores versus 29 Crores in Q1 of last year in the standalone business. What would this figure have been if we had accounted the leases as per the old standard?

**Jairam Varadaraj:** The lease accounting, so let me try and see we can get the number but to explain like I said when there are strategic costs, there are two elements to our strategic costs, one is the employee costs and one is cost that we have paid for consultancy for specific geographies. Those geographies are primarily US and Europe, in Europe the consultancy was for the recruitment of people and in the US it is for our go-to-market project that we embarked in a year ago. So, in India and the rest of the geographies, actually the fixed costs have either remain the same or actually gone up so the other fixed cost besides people cost in very good control in the regular context. Now to answer your question, how much of the lease accounting can you take it offline you can get in touch with our people I will give it to you.

**Nishit Seth:** That is okay, Sir one question what you mentioned on that was that the strategic cost with respect to the consultancy charges do we book it in the standalone or it is a mix in standalone and consolidated?

**Jairam Varadaraj:** It is a mixture of both because the position we have taken is in standalone, there are certain benefits that we get because of the strategic initiatives by virtue of increased sales to our subsidiaries to that extent we are able to be justify booking in the standalone.

**Nishit Seth:** Sure. I will take it offline. Thanks.

**Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Kamlesh Kotak for closing comments. Please go ahead Sir.

**Kamlesh Kotak:** Hi Sir, just one point if you can help us understand, how the aftermarket when you say was slightly (inaudible) 48.36 is it degrown or is it relatively lower growth compared to the previous quarter and how has been the contribution from that?

**Jairam Varadaraj:** It is not lower than the previous year but it has not supported our growth as much as we expected. So it is a double whammy because the one is the hitting growth as much as we expected it to grow and an aftermarket is a lot more profitable than the rest, so if it had

kicked in we would have even seen a even better contribution at a contribution level we would have seen even better percentage.

**Kamlesh Kotak:** Thank you Sir. On behalf of Asian Market we thank everyone for joining for this call. A special thanks to Mr. Jairaman for providing the insights about the company's business and financial performance. Any closing comments Sir you want to make?

**Jairam Varadaraj:** Nothing specific Kamlesh, I just hope that things settle down in our country and we get back to business.

**Kamlesh Kotak:** Sure. With that we conclude the call. Thank you and have a good day.

**Jairam Varadaraj:** Thank you.

**Moderator:** Thank you gentlemen. Ladies and gentlemen on behalf of Asian Market Securities that concludes this conference, thank you for joining us and you may now disconnect your lines.