



“Welspun India Limited Q3 FY 2017
Earnings Conference Call”

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Moderator: Good day ladies and gentlemen and a very warm welcome to the Welspun India Q3 FY2017 Earnings Conference Call, hosted by IIFL Capital Limited. We have with us today Mr. Rajesh Mandawewala - Managing Director, Mr. Altaf Jiwani, Director (Finance). 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. Avi Mehta from IIFL Capital Limited. Thank you and over to you Sir!

Avi Mehta: Thank you Ali. Good evening everyone on behalf of IIFL I would like to welcome all of you to the Q3 FY 2017 conference call for Welspun India. From the company we have with us the key senior management including Mr. Rajesh Mandawewala, Managing Director and Mr. Altaf Jiwani, Director (Finance) and CFO and I would now like to hand over the call to the management for their opening comments. Over to you Sir!

Altaf Jiwani: Thank you Avi. Good evening everybody. I would like to welcome all of you to this Welspun India Q3 FY 2017 con call. We have achieved a turnover of Rs.1500 Crores in Q3, which is a 3.9% growth over corresponding quarter last year. We are actually substantially growth in terms of volume for towels and rugs in this quarter and in this quarter practically we had one of our largest customers who was not there in this quarter, despite that we have achieved almost 4% growth.

Operating EBITDA margin actually during the quarter was 23.1%, but the adjusted operating EBITDA margin is 24.7% because there is 1.6% of margin, which is towards the insurance claim, which is coming below EBITDA whereas the corresponding cost for this is coming above EBITDA.

We are at 24.7% EBITDA margin vis-à-vis 28.2% corresponding quarter last year. This 3.5% gap is basically because of 1% impact on the contribution because of the raw material cost as you all know; raw material cost had gone up substantially during the quarter, so we were at almost Rs. 34,000 to 35,000 per candy last year, it is about Rs. 42,000 to 43,000 per candy this year.

This was mitigated partially by foreign exchange gain because of the rupee depreciation. Another 1% impact is because of the energy cost as you are all aware the coal cost has gone up substantially during this year compared to last year. Remaining 1.5% actually is the impact of the fixed cost, which could not be absorbed because of the muted topline growth so as we ramp up our volumes. You will see the impact of this fixed cost coming down.

The finance cost actually is lower by about 19% during the current quarter corresponding to last quarter. Rs 48 Crores is our finance cost. Depreciation is actually Rs. 130 Crores, which is on the back of capitalization, which we have done in both Anjar and Vapi during the current financial year. Profit before tax and before exceptional item is Rs. 188 Crores and after exceptional item it is Rs. 212 Crores, so we have once again crossed the milestone of Rs. 200 Crores of PAT during this quarter.

PAT is Rs. 149 Crores for the quarter compared to Rs. 178 Crores in the corresponding quarter last year. Cash profit during the quarter is Rs. 300 Crores. The capex, which we have incurred during the quarter is actually Rs. 110 Crores and the total capex for nine month is Rs. 562 Crores against our guidance of Rs. 800 Crores for the full year, so we might see a spillover of about Rs. 100 Crores of capex into the next financial year.

Coming to the net debt, we are at Rs. 2,800 Crores, which is about Rs. 68 Crores higher than the corresponding quarter last year and it is about Rs. 273 Crores higher compared to the beginning of the year. So this is mainly because of we had certain bunch of remittances, which had to be made, the capex program we decided to continue and keep it on track.

There are certain working capital, which has gone up which liquidate those excess inventory and debtors, which will come down by year-end. The net debt to operating EBTIDA is at 1.75x compared to 1.59x, which was at the beginning of the year and net debt we have been able to manage to maintain at 1.29x.

During the quarter, we have seen almost 35% growth in Christy sales year-on-year and all of this Rs. 1,500 Crores of revenue in this quarter our innovative sales is about 36%. So as you all know that Hygro product, which you launched year before last . Today, it has already become annualized 200 million dollar business for us.

The total revenue for our own branded product is 16%, so both the innovative product revenue as well as our own branded sales revenue continues to grow, return on capital employed is 21.5% for Q3 17 and return on equity is 31.8%. With this, I leave it open for question and answer session.

Moderator:

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham:

Good evening to the entire management. My first question is that what was the growth if we exclude Target just looking at like-to-like customers?

- Rajesh Mandawewala:** The impacted on revenue was about just 12% to 15%. I would say, if you take that out Target, so which is why we are by and large it was 4%, year-on-year growth, so overall impact of that would be able to 12% and 15%.
- Nihal Jham:** Okay sir, you are saying the 12% to 15% is the impact this quarter from the Target revenues not being accounted?
- Rajesh Mandawewala:** The discontinued business including the business of Target.
- Nihal Jham:** Absolutely and coming from the next quarter there would not be any business on Target right, we have?
- Rajesh Mandawewala:** Yes, absolutely.
- Nihal Jham:** Sir, just one thing which was presently surprising is that if I look at the gross margins and we did mention about the fact cotton impacting as an year-on-year basis, but even sequentially we have seen an improvement actually despite a lot of the other players in the industry reporting a fall in margins, so is it that we have had a better product mix or is it to say that may be the consignment from Target was a lower margin business. How should we look at it?
- Rajesh Mandawewala:** Look, it is a combination of things, so a) let us say there is power plant impact is also there, so because the power plant was out, this part of the raw material got shifted to below this gross profit line, so it has created that effect and also to some extent let us say the currency again in the currency mitigated the raw material price increase, so the raw material price increase is real and on an average from Rs. 30000 to 34000 of this cotton prices last year we are currently is about Rs. 41000 and in fact the current prices are even higher so the current almost Rs. 43000 to 44000 landed, so the raw material impact is there but it is partly mitigated by this better exchange rate.
- Nihal Jham:** Sir, you are saying sequentially also you have seen a better rationalization?
- Rajesh Mandawewala:** See the prices have not changed, so this by and large prices have remained for the business that we are continuing and the by and large remain where they were, so there is on increase, there is not much reduction as well, so this is just purely exchange rate this impact a power plant some product mix impact and so these would be just buy and large the main reasons why you this next in the contribution line where it is right now.
- Nihal Jham:** Sir, just one last question, if I were to look at interest expense on a sequential basis moved up by 16 Crores, so any specific reason for that that some TUF loan has been repaid and has been replaced on non-TUF or anything like that?

- Rajesh Mandawewala:** One is the borrowing level has been higher this quarter corresponding to last quarter Q2, second is there were in last quarter we had certain accruals, which were actually with retrospective effect, which was booked, so otherwise run rate in Q2 and Q3 is almost same if we ignore this.
- Nihal Jham:** Okay, so this would be the run rate going forward at that stage is constant you are saying?
- Rajesh Mandawewala:** Yes.
- Nihal Jham:** Thank you so much. I will get back in the queue.
- Moderator:** Thank you. We will take next question from the line of Bhavin Chedda from Enam Holdings. Please go ahead.
- Bhavin Chedda:** Good afternoon Sir. Sir, can we get the volume growth in the towels and bedsheets for the quarter in nine months for Welspun?
- Rajesh Mandawewala:** Bhavin, this we will take this offline, you know we do not give out this by category this volumes, in overall basis we have by and large flat.
- Bhavin Chedda:** For the quarter?
- Rajesh Mandawewala:** Yes for the quarter, so in the overall basis you could say by and large flat.
- Bhavin Chedda:** Okay volume growth is flat in this quarter and what would be the geography mix of sales between US, Europe and Rest of World?
- Rajesh Mandawewala:** Two-third is actually US, about 17% to 19% will be Europe and India is about 6% to 7%, Rest of the World is about 9%.
- Bhavin Chedda:** If I see the results of the other textile companies also this European element has been going up so can I conclude that the Indian home textile players are entering in European market aggressively in volume and value growth for you and others is better in Europe?
- Rajesh Mandawewala:** Definitely, you would have seen this is happening over the last two or three years, so clearly let us say this is despite duty disadvantage that we have as compared to some of the competing countries, despite that, India is actually growing at a better rate in Europe as compared to the other geographies, so clearly at least we have met to the upper end of the market this India is finding more acceptance there and also generally there is working hope that somewhere down the line the FTA materializes then it could lead to a substantial advantage sourcing out of India When it comes to our business, so let us say this all innovated products are finding acceptant with our customers in Europe, which is helping us our business grow in Europe.

- Bhavin Chedda:** My last question is Sir, last quarter what is the provisioning number we have done close to Rs500 Crores, how much has been the actual cash outgo from the same?
- Rajesh Mandawewala:** Yes, we are actually remitted 45% of that.
- Bhavin Chedda:** 45% of that is actually there and that is the reason the net debt levels have gone up?
- Rajesh Mandawewala:** Yes, that is one of the reasons.
- Bhavin Chedda:** Thanks a lot.
- Moderator:** Thank you. We will next question from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.
- Rajesh Kothari:** Good afternoon Sir. Sir, my question is can you tell in terms of this export incentive which were reintroduced so if you can just throw colour on that?
- Rajesh Mandawewala:** That is the new scheme ROSL that has been announced. The fine prints are still not out, if you recall this somewhere in the last year there was a scheme to rebate the state taxes which was announced for apparel, which has got now extended to home textiles as well and so the fine prints in terms of you know what the rates are going to be and things like that they are still not out and most likely I think with the elections lurking in a few states it is most likely it will get announced after perhaps the results. We are hoping that it might get announced earlier, but as of now we are still seeking clarity on the benefit.
- Rajesh Kothari:** Perfect. My second question is with regards to this Target customer whether in third quarter any revenue was there?
- Rajesh Mandawewala:** Very marginal revenue was there. We were just about making our large shipments in part of October 2016, so very, very marginal impact so you could for practical purposes consider that this quarter revenue has got very very little revenue from them.
- Rajesh Kothari:** Understood. My third question is the reference the next year what kind of capacity utilisation you are looking for?
- Rajesh Mandawewala:** As we have guided in the past, so we are looking at double-digit growth from the new base, so you could consider this as the new base and whatever business has been lost had been lost, but we are hoping to continue this our growth in double digit from the new base.
- Rajesh Kothari:** So, when you are looking for double-digit growth at company level you are talking about including the new products and everything correct?

Rajesh Mandawewala: Very right. There is no new product that will give us this revenue. So the carpet project will take a while to execute, so this even for FY2018 we are not going to see any revenue, so for practical purposes the growth will come from what we have right now.

Rajesh Kothari: I see, in the power question you said it has gone up, so on a sustainable basis how one should look at power cost?

Rajesh Mandawewala: During the course of this quarter the coal prices have significantly increased and these are here to stay because the coal prices in the past had gone down to a level where this was not sustainable to mine coal, so I think the current prevailing prices are more likely to sustain than go back to levels, which were existing the last couple of years. You know these are real increases. Our view is that this is what you will see just going forward, so this is the real increase.

Rajesh Kothari: Thank you Sir.

Moderator: Thank you. We will take the next question from the line of Nishant Agarwal from B&K Securities. Please go ahead.

Nishant Agarwal: Good evening Sir. My question is on the capex side, Sir actually we have done a capex for 5.6 billion, is it possible to tell that how much is for towels and bed linen?

Rajesh Mandawewala: This we can this offline, Nishant of this, we do not have it handy for the call, but we will be happy to let you know this offline.

Nishant Agarwal: It is already started the production also or currently what is the situation now?

Rajesh Mandawewala: yes, see all capital expenditure that we are incurring is all Brownfield. Every day something or the other is getting commissioned on a regular basis, so this new and new capacity is being made available, so for example with the money that we have spend on towels we have already at 72000 tonnes, so because it is a Brownfield so on a week by week and month by month basis as equipments come in and get commissioned so all the times some capacity debottlenecking improvement is happening, so yes as we incur capex there is almost direct impact on capacities.

Nishant Agarwal: What kind of utilization of this new capacities were expecting by FY2018?

Rajesh Mandawewala: Let us say on the bath side, the utilizations will remain high, so they will be in the 90s and this on the bedding side for obvious reasons the utilizations will actually come down but as I said on the new base we hope to continue growing our business in double digits.

Nishant Agarwal: Towel we can expect that 70% kind of utilization in FY2018?

- Rajesh Mandawewala:** No, towels we are already in the range of 90% plus and we hope to continue this run rate at high levels only.
- Nishant Agarwal:** Sir, this new rugs capacity when it will be available and what kind of utilization going forward, we can expect?
- Rajesh Mandawewala:** Rugs we are currently at about 80-odd and you are talking about the new plant that we are wanting to setup?
- Nishant Agarwal:** Yes, yes for the new facility.
- Rajesh Mandawewala:** That will be available in FY2019 second quarter.
- Nishant Agarwal:** This new 2 million square meter that I am asking?
- Rajesh Mandawewala:** That may be in March or this quarter.
- Nishant Agarwal:** What kind of utilization in FY2018 we can expect?
- Rajesh Mandawewala:** As of now as I said this you take it on an overall basis that for our business we are looking at double-digit growth, so it could come from many of the products so this all in all let us say this growth comes from our clients and it could from the multiple products that we do so, you should take let us say a double digit growth in the next FY from all our products put together.
- Nishant Agarwal:** One more question Sir, about the capex side that we have 6 billion capex in flooring solution what is our exact plan and second thing the entire capacity will come up in 2019 or in some part it will be available in 2018 also?
- Rajesh Mandawewala:** I doubt there is anything so we are right now in the planning stages and so nothing that will come in FY2018. We are almost certain of that so it will get available in FY2019 and this will be somewhere in the second or third quarter that is the timeframe we are looking at. So this second quarter more realistically FY2019 would be the right timeline for us.
- Nishant Agarwal:** Sir asset turnover what can we expect from this?
- Rajesh Mandawewala:** It will be about 1.5 times, as we reach this optimum utilization levels the turn should be about 1.5 or thereabouts.
- Nishant Agarwal:** Sir, it would be for the export purpose or for the domestic purpose?
- Rajesh Mandawewala:** We are looking at both markets.

- Nishant Agarwal:** For both market, it would be for the new customers or for existing customers, do you have any plan whom you will target?
- Rajesh Mandawewala:** We will also of course have this market the product to our existing customers and over and above that there will be new markets, new customers that we will want to explore as we get into this product.
- Nishant Agarwal:** What kind of margin we can expect?
- Rajesh Mandawewala:** We are looking at 20 plus ROIC on the investment that we are making and which by and large is guiding principle for us when we make capital expenditure, so we are looking at 20% kind of ROIC over this reasonable period of time.
- Moderator:** Thank you. We will take the next question from the line of Sahil Doshi from Birla Sun Life. Please go ahead.
- Sahil Doshi:** Good evening Sir. This to predominantly we need to understand where is the growth coming from so this quarter despite a loss of Target report 4% growth which is very encouraging so is it possible to share a volume detail excluding Target and what is the growth like?
- Rajesh Mandawewala:** On a totality basis as I said the impact is between 12% and 15%, so if you take the discontinuing business we have grown at about 12% to 15% in the quarter just over the corresponding quarter of last year.
- Sahil Doshi:** Sir, would it be fair to say this is also like it is like to like sales growth of same client or it is also driven by new client addition?
- Rajesh Mandawewala:** Look, we have new client additions as well. We have introduced new geographies into the mix. There are new channels that we are working on including hospitality, including e-commerce, so the growth is coming from this multiple level of initiatives that we have taken including let us say also some of the innovative products that we have introduced to the market so it is coming from all quarters including of course the business with our clients and existing clients is also growing.
- Sahil Doshi:** Sir, just wanted to get more sense into this we just oscillate the numbers which we see from OTEXA and also been reported by peers, we are sensing some kind of slowdown in US for the bed linen side is that the case also with us Sir or, how is the volume growth be between towels and bed linen, an approximate number if you could share?
- Rajesh Mandawewala:** So from here on if you take the new base as I said we look at the business as a whole, so we have a client relationship and the business with the client grows in totality, so the growth could

actually come from either of the product categories that we have and just coming back to your OTEXA numbers you know India has got almost 40% share in imports of towels and almost 50% on the sheet side, so for the last four for five year have been phenomenal growth for the country as the whole. I think it will continue to grow considering the fact that we have cotton advantage, geopolitical advantage, favorable regulatory environment, no geopolitical security tensions things like that, so I think that there is still room for our share to grow and over and above that I think there are channels where India can better penetrate including this healthcare, hospitality, ecommerce as growth rating in these channels also to happen for India.

Sahil Doshi: Sir, just particularly on bed linen do you sense some kind of a slow down in the current environment or how do you see?

Rajesh Mandawewala: Not really. I strongly believe that the competitive advantage of the country continues to be there by account of as I said this abundant availability of cotton, the huge spinning capacities in fine counts, this I think the right work culture regulatory environment, so I think our cost structure is quite favourably aligned in favour of India, so you know this from a share perspective I do not see that diluting.

Sahil Doshi: Sir, just one more question on the rug side could you quantify what is the kind of growth because that is where we are envisaging the next leg of opportunity meaning what is the growth this quarter and nine months, etc., if can you share?

Rajesh Mandawewala: So, it is in double-digits and we will share this more with you as we come to the end of the year, but it is pretty strong growth of high double digits and there is also the traction that we are seeing let us say a decent traction, so mind you this it has taken us five years to built the business and now I think this will started seeing traction so we are pretty hopeful, which is why we are also growing the capacity in this category.

Moderator: Thank you. We will take the next question from the line of Abhilasha Satale from First Global Securities. Please go ahead.

Abhilasha Satale: Sir, I have few questions again regarding the growth numbers what you have seen that you will grow in double-digit on the new base, so I would like to know what will be strategy towards this growth and double digit is it in the high double digit growth or low digit growth, what we are looking at exactly? Secondly how much will it be contributor from US itself or what were the losses from the US will be borne by the other clients from US itself or there will be geographical diversification wherein we will see more revenue coming from the other countries as well?

Rajesh Mandawewala: As I said we look at our growth as a basket and this comes through our client relationships, through channel service like for example hospitalities, e-commerce through the innovative products that we have, through the brands that we own, so this is all the combination of all these

initiatives actually lead to a double-digit growth. I wish I had a crystal ball and could see little more this in granularity in terms of exact growth that we could achieve, but our business will continue to run the way it has been running for the past several years, barring this the reset that we have just recently undergone, but otherwise this all products and all other businesses are continuing to see the same level of traction that we have been seeing in the past few years, so we feel reasonably confident that our business will continue to also perform in terms of growth in the same way that we have done in the past.

Abhilasha Satale: Sir, can you give any example the clients you have added in US in last two quarters or outside US in the past two quarters?

Rajesh Mandawewala: There are several clients and we can take this offline. There are several clients in distinct geographies that we have added and we will be happy to answer your questions in more granularity offline.

Abhilasha Satale: Sir, can we know what are the capex plan for FY2018 once this is over after that?

Altaf Jiwani: So, FY2017 we have guided Rs. 800 Crores. We believe there will be a spillover from this. We will not spend the entire Rs. 800 Crores that we have guided so there might be some spillover effect from 2017 to 2018. Over and above this there will be regular routine capital expenditure, but on our existing product portfolio the capex will be restricted to within the depreciation that will be available to the company plus this capital expenditure on the carpet project.

Moderator: Thank you. We will take the next question from the line of Sumant Kumar from Emkay Global. Please go ahead.

Sumant Kumar: Sir, I would like to know what is the source of your coal purchase?

Rajesh Mandawewala: We are importing our coal considering our power plant is in Anjar, which is close to both Kandla and Mundra Port, so we bring in and we import our coal from Indonesia, from South Africa so these would be the two big countries from where the coal would come in.

Sumant Kumar: So it is 100% coal we import?

Rajesh Mandawewala: Correct.

Sumant Kumar: For both the plants?

Rajesh Mandawewala: Correct. Even if we buy locally, it would be imported coal, so we would buy through a merchant, but it would be imported, but by and large, I would say this bulk of our requirement is actually directly imported.

- Sumant Kumar:** If Indonesian coal price is at the same level, so the power and fuel cost for the year will be high?
- Rajesh Mandawewala:** For FY already this quarter there is a 1% impact as Altaf said and this 1% is because the cost has actually grown higher than 1% so since we had old price coal that we consumed in this quarter consequently the impact is only restricted to 1%, but the current price of the impact would be slightly higher and I could be about 1.5%.
- Sumant Kumar:** There is a power plant set up also?
- Rajesh Mandawewala:** No, the power plant was under breakdown in the last quarter, so on January 15, 2017 we have recommissioned the plant and it is operating quite smoothly.
- Sumant Kumar:** Second question is regarding what are the key initiatives to compensate the existing cotton bed linen business, what are the key initiatives we have taken till date?
- Rajesh Mandawewala:** All the same key initiatives that we have been discussing with you, so a) this we are continuing to sharply focus on innovations, so as you would see that our revenues have actually from innovative product has increased from 33% to 36% in this quarter. We are sharply focused in the domestic market as well as on the brands that we have. Christy has actually delivered spectacular growth this quarter for us, likewise our domestic business has grown in double digits and branded business share has moved up from 13% to 16%. This is the new product that continues to grow, Bath Rugs has done slightly better, we are actively pursuing business on decorative products. The channel business is improving so our e-commerce business is growing very nicely although of a very small base, also our hospitality business is doing much better so we are relying on the same initiatives also let us say the geographical growths are moving into more countries, there is more customers across different country, so we are following the same path that we have followed in the past and it is leading for growth of business in the way that we expect.
- Sumant Kumar:** What you said the branded business gives 16%?
- Rajesh Mandawewala:** Yes.
- Sumant Kumar:** So branded business in India?
- Rajesh Mandawewala:** This includes India and international both, so the apparel brands that we own and we also license so this includes both domestic as well as international.
- Sumant Kumar:** For quarter?
- Rajesh Mandawewala:** For the quarter 16% of our revenue has come from the brands.

Rajesh Mandawewala: Last year it was 13%, corresponding quarter of last year we have 13% and this year we are at 16%.

Sumant Kumar: 16%, so nine month of contribution?

Rajesh Mandawewala: Yes, we are talking about nine month.

Sumant Kumar: Nine-month contribution you are talking about?

Rajesh Mandawewala: Correct.

Sumant Kumar: Thank you so much Sir.

Moderator: Thank you. We will take the next question from the line of Sagar Karkhanis from Nirmal Bang. Please go ahead.

Sagar Karkhanis: Thank you for this opportunity. Just want to understand when I see the US retail they are selling linen bed sheets at \$40 to \$50 a piece, so in India can we not have a market like that because we do not have a substantial business in the domestic market in these price points if we offer good quality product and thought on this?

Rajesh Mandawewala: You have a very valid question. We are present in the domestic market and very sharply focused. Of late the last few quarters we are seeing better propensity of the consumer here for higher value and better quality products, so I think like every product there is a inflection point in time, as the inflection comes and may be higher value products sales as the percentage of overall sales here will grow, but I think the time is arriving so we are sensing that the consumer here is looking for better quality with higher in products and we are introducing those products in the market here in India.

Sagar Karkhanis: Any estimates you would have of the size of the market in India and would be able to maintain our margins if we sell it in India market?

Rajesh Mandawewala: Of course, of course, so the domestic market is as profitable as the international market is and definitely we have much better opportunity to grow and we are very, sharply focusing as I said on the brands that we have here, we are behind the brands, the marketing spend is increasing and we are getting behind the brands with the expectations that this business in the domestic market will actually disproportionately grow for us and it is growing disproportionately, although the base is small, but it is actually this is growing much faster than our international business.

Moderator: Thank you. We will take the next question from the line of Abhishek Mehra from Mittal & Company. Please go ahead.

- Abhishek Mehra:** Sir, in your recent press release the Company announced it entering into the flooring solution with Rs. 600 Crores capex, Sir could you throw some light on this project?
- Rajesh Mandawewala:** This is an extension of the bath rug business that we are in. We have invested a significant amount of time to understand what the flooring business is about and this to add a few product categories that we are currently not capable of doing, which is where this capital investment is being entailed. We feel very good about this opportunity and the company has been working on this for the last 12 to 18 months and we believe that this is from a timing perspective this is a good time for us to enter this new product category.
- Abhishek Mehra:** Sir to confirm, are we entering into yarn manufacturing that will be used to produce the carpet or will be manufacturing the carpet as a product?
- Rajesh Mandawewala:** This is a vertically integrated operation that we are intending to setup including some of the yarns that we will consume, not all but some of the yarns that are likely to get consumed.
- Moderator:** Thank you. We will take the next question from Giriraj Daga from KM Vesaria Family Trust. Please go ahead.
- Giriraj Daga:** Sir, just two queries, if I remember correctly, in our earlier, like about a year and a half year back, we used to have pass on our cost basically raw material and energy so is that no longer the case like?
- Rajesh Mandawewala:** I am sure that is still the case, but in terms of all fairness, you have to look at the whole basket, so see there is a currency factor that comes into play and everything and it needs to be a meaningful for a couple points here and there you cannot keep jumping back to the clients and vice versa, it is still there, but that has got to be level of reasonableness and whilst the cost has gone up, but a good part of that has also been taken care by favorable exchange rate movement that has happened over the past this several quarters.
- Giriraj Daga:** Earlier the number was 5% like beyond the 5% we used to get it to pass on?
- Rajesh Mandawewala:** No, we do not see a 5% effect in this cost structure and as and when that happens I am sure this will go back to our clients and like we have been going back them in the past, so as of now we do not see ourselves at that point.
- Giriraj Daga:** My second question is look at the market share we have decent market share overall country in the US, but when I look at the overall global market share we are still lower, are you putting extra efforts now and will you see investment in the country where we are not having sizable stake or we still focus on US and Europe that is the primary market as of now?

Rajesh Mandawewala: Look, as of company now this geographical diversification is a big part of our growth strategy. There is no question on that. Two-thirds of our business in the US we have a level playing field there, so we comes to European market now you have a disadvantage over both Pakistan and Bangladesh, our products attract 8% to 10% import duties whereas products from Bangladesh and Pakistan do not, despite that we do 17% of revenue of our revenue in Europe, likewise the other bigger markets like China and also prohibitive import duties, so from a level playing field perspective this US is where all countries that export have a level playing field there which is why you have a dominant share there, but as of company we are very sharply focused on all other geographies and we are doing what it takes for our business to grow in the other part of the world as well.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to the management for closing comments.

Rajesh Mandawewala: Thank you very much all of you for patiently listening to us and we will be happy to answer more questions you could reach out to our investor relations team for any further questions that you will have and we will be very happy to take them. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of IIFL Capital Limited, that concludes today's conference call for today. Thank you for joining us. You may now disconnect your lines.