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DATE: 09/02/2016

Dear Sirs

Sub: Submission of Transcript of the post Board Meeting Conference Call had with Investors on 08/02/2016 as per Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015.

This to inform that the Transcript of the Post Board Meeting Conference Call held today on 08/02/2016.

Kindly acknowledge the receipt and do the needful to update your records.

Thanking you,

Yours faithfully
For ELGI EQUIPMENTS LIMITED

VAISHNAVI PM
COMPANY SECRETARY

Encl: As Above.

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“ELGI Equipments Limited Q3 FY16 Earnings Conference Call”

February 8, 2016



MANAGEMENT: MR. JAIRAM VARADARAJ – ELGI EQUIPMENTS LIMITED

**MODERATOR: MR. KAMLESH KOTAK - HEAD - EQUITY RESEARCH, ASIAN
MARKETS SECURITIES PVT. LTD.**

Moderator: Ladies and Gentlemen, Good day and welcome to the ELGI Equipments Limited Q3 FY16 Earnings Conference Call hosted by Asian Markets Securities Private 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 '*' and 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 Markets Securities. Thank you and over to you, sir.

Kamlesh Kotak: Thanks Margret. Good morning everyone. On behalf of Asian Markets, we welcome you all to the 3Q FY16's earnings conference call of ELGI Equipments Limited. We have with us Mr. Jairam Varadaraj and his team today representing the company. I request Mr. Jairam to take us through an overview of the company's quarterly results and then we shall begin the question-and-answer session. Over to you, sir.

Jairam Varadaraj: Thank you, Kamlesh. Good morning Ladies and Gentlemen, I apologize for having to start this 15 minutes late. As usual, I will run you through our numbers, I will look at the consolidated numbers for the quarter, compare it with the previous year's same quarter Q3, take you through that and then give you a general overview of the business situation not only in India but the rest of the world and then we could engage with some questions.

Now, I am not going to talk about the sales numbers, I am going to focus on the EBITDA. The current quarter's EBITDA has been 325 million and previous year's EBITDA was 146 million. Now if we had maintained the same levels of profitability as the previous year's Q3, with the increase in sales of close to about 600 million and improvement in the contribution in material cost primarily, the EBITDA actually has been higher by 325, it would have been lower by at 315, so we have actually had an improvement in EBITDA to the extent of 10 million. Now the primary contributors for this increase in 10 million has been a combination of both increase in cost as well as benefits from certain areas. At a consolidated level the man power cost has gone down by 3 million, this is primarily because of our reorganization in China, variable cost has gone down by 6 million primarily on account of material, fixed cost has gone up by 16 million primarily in standalone ELGI and in the US and the ELGI standalone is primarily some onetime consulting charges that we have incurred. We have had a positive foreign exchange fluctuation to the extent of about 30 million, so that gives us a benefit of 10 million for the quarter and this foreign exchange fluctuation is primarily a mark-to-market, so it is just a notional thing, we have not yet realized it in the form of cash.

So that on the financials, I will wait for your specific questions to get those clarified. Generally as a business, we have done well in the US, we have done well sales wise in Brazil as well but we have had issues with a huge depreciation of the Riyal. I will come back and talk about what we are doing at a broad level. Europe continues to be challenging for us and Middle East and Africa have been extremely sluggish owing to the significant drop in fuel prices in the Middle East obviously and some of the oil producing nations like Nigeria and Africa.

India has been positive. In segments, I would not say there is a general buoyancy across the Board. Incremental investments in capacities have started, so some of our smaller machines there has been a growth. I am not extremely excited about the percentage of growth, but compared to the previous year's when things were flat or even going down this growth is a welcome change. We have had an improvement in the water well segment compared to the previous year, so that segment has brought in reasonably good volumes to our top-line.

Moving further east, Southeast Asian markets have been challenging, they have been kind of flat compared to last year. China, like I have explained to you we are going through a major reorganization, I am not even taking cognizance of their sales. Australia sales has improved and we have done significant things to cut down our losses there, we have cut down costs so things are in a better situation there.

So overall if I look at the profitability, it is driven by two things, one, significantly better profitability in India. And that the primary reasons are, one, the top-line growth has been there to the extent of about 7%, 8%, we have had improvements in our contribution to the extent of 1.5% to 2%. We have done a very good job of raining in certain costs which have also contributed to the growth. And I would say it is more than a margin contribution it has been a volume contribution in India. Combined with that, the losses in the US have substantially come down, unfortunately that got compensated by maintaining our losses in Brazil. So what we have done in Brazil is, operationally we have been making profit but losses come from our depreciation of the Riyal and that loss has been primarily because of monies owed that has got restated because of the depreciation, so we have converted almost 60% of the money owed to either banks or back to the head office into Riyals denominated debt. In the next probably two to three months we will convert the remaining 30% to 40% also to Riyal. So the foreign exchange based losses in the future from Brazil would be pretty much eliminated.

France continues to remain a challenge for us, even though the losses are under control the business growth has been a problem primarily because of leadership challenges, competencies. So we are going through some analysis, we have identified a few directions in which we need to work on, it is a little premature for me to talk about them but I am hoping during the next quarter's conference call I will be able to give you some very concrete permanent solutions as far as France is concerned.

In Italy, our profitability has improved but overall profits have dropped primarily because of Africa, there was a reliance on Africa for certain segment sales and that because of oil prices have significantly dropped. When I say significantly it becomes zero, that segment sales. So in spite of it we have grown the sales of other products and other regions and therefore the profitability of the business has gone up. And we are working now on building certain other markets, so I am confident that the fundamentals are strong, we will come back up.

Middle East is a challenge, we are working on a few plans to improve, it continues to remain positive, it is not losing money but the sales have dropped compared to last year. But with new

products, we have introduced some new products both on the portable side and on the industrial side, we are hoping that those would give us some traction going forward.

Southeast Asia, again like I said it has been flat. There is nothing specific that we are doing there, we believe that Indonesia again is an oil producing nation, has been a challenge, but it is coming back up and I think the rest of the countries would also come back, so I am reasonably confident.

Australia, we have cut down on our costs, the loses have been significantly reduced, sales is moving up a little bit but we need to wait and see, it is not something that we are focused on right now.

So overall I think the negative results that these subsidiaries have brought in have been rained in and in and I think going forward they should be contributing positively. India business, I am hoping that it continues to grow the positive sentiments. The large projects obviously have been are all on hold or extremely sluggish, I am hoping that in the future that those would get opened up. And with infrastructural investment that is being planned by the government, if those trickle into the economy I think we should see some capital and capacity build up in the future and that should be good for us.

So that is a summary of our Q3 and now I will open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Our first question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Sir, you touched upon it in a brief way, I wanted to understand how much as a company we are exposed to one is, Middle East and North Africa, as well as even other emerging commodity related markets like Brazil, Russia, if you can highlight that will be helpful.

Jairam Varadaraj: I do not want to give you specific sales but I think that would be giving too much into the hands of the competition also. But I would tell you that the dependence of the company on oil producing nations is not very high and neither is it very high on commodity producing nations. So the oil producing, commodity producing nations would be Australia, Indonesia, whole of the Middle East, Celtic Countries and Africa and Brazil. Our total dependence is I would say on all these countries put together is less than 20%.

Madan Gopal: That is good. Do you think are things so slowing down that any impact on this front will change our kind of expectation that international subsidiaries would sort of turnaround and we were expecting them to make margins, any delay in that front would happen in your opinion?

Jairam Varadaraj: I think the plan that we had, the significant growth plan that we have made as was in the US market, that has not changed. We had made significant plans in Southeast Asia and that the problem is not so much the demand but it is basically our engagement and the inertia that the

market has for an unknown brand and an made in India label, so it is not anything that is macro, it is more micro in nature in terms of our challenge. Middle East of course is a challenge but we need to understand one thing, there are lot of these countries there are trying to shift their economy from oil dependence to industrial, so if you look at Saudi Arabia there is a big emphasis in that country to change the dependence of the economy to creating industrial segment. So those opportunities are emerging now, so those are positive, even though the oil is a negative thing.

Moderator: Thank you. Our next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Sir, can I just get an overall flavor of compressor market in India, how it has been in the third quarter? And can you just delve on the sub-segments over there, water well, construction, mining, railways, industrials, etc, how they are panning out?

Jairam Varadaraj: Well, Q3 is very difficult for me to give you an overall landscape of the compressor business, it is too short a timeframe for me to sketch. But overall, our estimate of the compressor market is about \$600 million to \$700 million and we have about five or six organized players chasing that market. And of course in the smaller machines there are huge number of unorganized players and very fragmented at the bottom. I do not want to get into, again, we have so much information about this market that we do not want to just give it away in a call like this because competitors are listening all these calls as well. So out of the 600 million - 700 million I would say bulk of it is industrial. Water well comes and goes, so I am not even taking the peak sales of water well in the 600 million - 700 million, so that would be a delta that comes in and out of this number. So bulk of it is industrial, this is a growth size, there are fix, six guys chasing it, so that is about the broad landscape that I am comfortable sharing with.

Ravi Swaminathan: This water well business is cyclical in nature, have you seen any pattern linked to Monsoon, something...?

Jairam Varadaraj: It is not a monsoon linked pattern, it is capacity build up, these machines last about three to four years by and large, so you see in industry capacity build up by a particular segment does not happen at one particular time, it happens in a kind of a distributed manner. But peculiarly in this segment capacity build happens kind of in lumps. So people buy in lumps and these machines get used over a period of time and then they come up for replacement in lumps. So that is the season, there is really no season in terms of monsoons or anything like that.

Ravi Swaminathan: And mining and construction, they are big drivers or they were used to be and they are not like that now?

Jairam Varadaraj: Yes, they are still a significant, I mean it is an important segment for us but it is right now because it is not just mining, it is construction, mining, in construction you have road building, you have all kinds of stuff. So right now the whole infrastructure and commodity business,

coal mining, steel and power plants do not run there is no coal mines and infrastructure investments in roads and all that are not happening to the extent, well they are beginning to happen but it is nowhere near what it is supposed to be, we know equipment investment does not happen. Besides, in this particular segment investments have happened in the past that are idle, so first those idle capacities have to get used up, so it will come.

Ravi Swaminathan:

Sir and what will be our growth in domestic and exports breakup?

Jairam Varadaraj:

I do not know the growth but the breakup of our sales right now between India and the rest of the world including sales, again in the rest of the world including sales made by India to the subsidiary would be about 55 to 45. It used to be 50-50 now it is kind of tilting in favor of India because India is growing, the rest of the world is kind of stagnant.

Ravi Swaminathan:

And about after sales service, how it would be this quarter or nine months vis-à-vis earlier?

Jairam Varadaraj:

It is kind of marginally better than last year, I would not say it is anything significantly, if you are wondering if after-sales has brought in the profitability, no it has not, I mean it has improved a little bit but nowhere near what we budgeted because overall aftermarket is a function of the functioning of the factories, if the factories are not functioning then there is no maintenance.

Ravi Swaminathan:

So currently how much it would be sir of our overall revenue?

Jairam Varadaraj:

Again, I do not want to share this infrastructure, rather that these things are best kept unsaid in the larger interest of shareholders.

Ravi Swaminathan:

And in the foundry division we would have largely indigenized manufacturing or is there some more scope in that, is there scope for margin expansion is what I wanted to know further.

Jairam Varadaraj:

Significant scope, I do not know what do you mean by indigenization.

Ravi Swaminathan:

I mean we used to also sell to vendors and that portion is being brought to the foundry.

Jairam Varadaraj:

Insourcing has been, most of the opportunity for insourcing has been completed, there are certain castings which do not lend themselves to the technology that we have chosen, that is a marginal stuff, that we continue to buy from outside vendors but in our overall tonnage of procurement that is less than 3% - 4%, so bulk of it has been brought in. As the industrial stuff as a market grows I think the capacity utilization in the foundry will also grow, as you know this foundry was specifically meant for in-house consumption and not for selling castings to others. So it is closely linked to the growth of our compressor business. So there is evidence of movement in the casting demand because there is an increase in the movement of compressors. So the losses that we had last year are significantly diminished this year.

- Moderator:** Thank you. Our next question is from the line of HR Gala from Panav Advisor. Please go ahead.
- HR Gala:** I just wanted to know how is the competitive scenario emerging in the market, I mean what are the our areas of specialization which the other people like Kirloskar and Ingersoll at last will not be having?
- Jairam Varadaraj:** I will try and answer that question to the best what I have understood. If you ask me, in India there are probably only three or four serious players which is Atlas Copco, Ingersoll Rand, ELGI and maybe 0:23:03.3 entered the country about 10 years ago and they have done a reasonably good job of growing their business. but in terms of the technology and the product with starting from a 0.5 horsepower piston all the way to a 2000 horsepower centrifugal, there are only three of us, the rest of the companies do not have it whether it is India or globally. So in that sense we belong to a club of three companies which have the capability to serve pretty much the entire range of what the customers need. So that is my understanding of your question.
- HR Gala:** So sir together these three to four companies would be controlling how much of the Indian market?
- Jairam Varadaraj:** They would control probably close to 90% of the organized market.
- HR Gala:** Can you give us some flavor as to what will be the size of Indian market for compressors?
- Jairam Varadaraj:** I just mentioned it, it is between \$600 million to \$700 million.
- HR Gala:** That is the Indian market?
- Jairam Varadaraj:** Yes.
- HR Gala:** And another question is, sir how are the capacity utilization since our production volumes have now started to grow, do you envisage any major capital expenditure either this year or in the coming few years?
- Jairam Varadaraj:** Right now if you look at our capacity that we have, at a rate of about 15% to 18% growth we do not have to make any investments for the next three years, but that is purely on a capacity point of view. But we have some plans in terms of changing the overall structure of this company in terms of preparing it for a scenario where India is not cheap anymore. Now we can keep quiet and say Indians are cheap therefore Indian operations are cheap so we have as many as possible that we can hire and run a business on that basis or anticipate that Indians are going to be expensive in the future and therefore change the complexion of the operation to reflect that future reality. So some amount of investment we will do progressively towards that, it is

not automation but it is very intelligent kind of configuration of production to be able to use people more for their brain rather than for their brawn.

HR Gala: So can you just put a broad number as to what could be the range of capital expenditure that we maybe having?

Jairam Varadaraj: We have an international plan that we would not exceed more than about 30 crores in a given year across all including IT, including manufacturing, including HR type of investments, all that put together I do not see it going beyond 30. This year we are probably going to be less than about 20.

HR Gala: So that will include India as well as our overseas operations?

Jairam Varadaraj: Yes.

HR Gala: Broadly, just last question from my side, what kind of growth trajectory you will have in mind, because you did narrate some of the improvements which are taking place in different markets, so from the negative to muted growth do you expect significant growth in the next couple of years?

Jairam Varadaraj: In most of the markets that I mentioned that are key for us, we have kind of hit the bottom. So if you look at Southeast Asian markets we are at the bottom, so Indonesia for instance that I gave as an example is beginning to come back up; Middle East has also hit the bottom, we are beginning to see signs of it coming back up; Africa, I cannot make any big statements but Africa is not a significant contributor to our revenue. You look at, I explained to you about Italy, we got hit in Italy because of the Algeria which is an oil producing nation which was contributing a significant amount of sales, but again, we have hit the bottom and we are coming back up. So India of course is climbing like I explained to you. So all that put together, the future is going to be definitely very positive in terms of top-line growth. So right now our costs are under control, I do not see any big changes in commodity prices at least for another year or two, so with prices and costs under control price we are able to maintain top-line growth I think we are in a good wicket.

HR Gala: So do you expect about 10% to 15% type of normal growth over a period of time?

Jairam Varadaraj: At a consolidated level I would say that would be a very minimal kind of a thing.

HR Gala: So it can be better than that?

Jairam Varadaraj: Yes.

Moderator: Thank you. Our next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

- Manish Goyal:** Sir, couple of questions, first on the US market, you did comment that it has done well, but you also said losses in US have come down, so were you referring to patterns or the US subsidiary, if you can just give a brief on the US.
- Jairam Varadaraj:** Pattern was never making a loss Manish, the profit had significantly come down because of what happened with Quincy and Atlas Copco, we got dislocated, our operations got dislocated. So there was a significant erosion of the top-line and therefore the profits, but never went into loss. Now ELGI USA which is the company that does the business in the non-patterns area which is the patterns works in the five southern states and ELGI USA has distributors in all the other states. Now that business was incurring a loss because it was in the initial stages, now that is not making a loss anymore and we expect that it will continue to that trajectory in the future.
- Manish Goyal:** And in patterns you were probably building up the sales and marketing team, so have we started seeing the benefits of the same, are we through with the process of reorganizations over there?
- Jairam Varadaraj:** It has been done and we are beginning to see results, but there sometimes when a damage is done to an organization, some of it becomes permanent in nature. So we are trying and we were hoping that we will even undo those kinds of permanent damages but we are beginning to realize that certain things are permanent in nature. So we are working on alternate methods by which we can grow. So to answer your question, organization is by and large in place in most of the key markets, there are some markets in which we still have some talent gaps, we are filling them up. The sales in bulk of the verticals of the patterns has come back up, there are certain verticals in which it is still a little sluggish. But overall I think it will come back, it is just a matter of time. We thought we will be able to get it back on to its original track earlier but we are realizing it takes a little longer.
- Manish Goyal:** And sir coming to India, you have seen a decent growth in the current quarter and how do we expect that with the low business already there going forward we will be able to maintain double-digit growth going forward?
- Jairam Varadaraj:** At an consolidated level?
- Manish Goyal:** No, at India operations what we saw as a standalone, we saw a 17% growth YoY in the current quarter and 14% on sequential basis. So do you expect this double-digit growth to continue going forward?
- Jairam Varadaraj:** See, quarter-on-quarter compared to last year we have grown 17% but if you take year-to-date I think we have grown about 7%, 7.5% something like that. Now this quarter we have grown on the back of a strong water well market, now water well still the season is on so we can probably write it for a few more quarters. So keep that aside because that is an opportunistic thing that happens in the market. Besides the water well market, if you look at the other

businesses right from the beginning of the year there are some businesses that have steadily grown, not at 15% and 16% but they have steadily grown. I expect that in the next year the growth of some of these businesses would be better than what it has been this year, so that is expectation. On top of it you add whatever comes from water well. So if I take both these into account, I think a low double-digit is possible.

Manish Goyal:

So sir when you refer to some businesses, are you referring to say railways and second the pickup in road construction and other construction activity?

Jairam Varadaraj:

See, railways is a budget based thing, we have to wait for how the railway minister plans his budget end of February and that is a result. So there is nothing, if you are sitting we are sitting on a market share which is quite significant in railways. And our engagement, our after sales thing, our responsiveness, the quality, the service that we provide is at a very high level. So whatever is the commitment of growth that the government has for this segment we will get a fair share of it. Can we on our own increase the sales, it is very difficult, I mean locomotives produced, there are only so many locomotives produced, we cannot induce the government to produce more locomotives. So that is one part of it. The other part of the industrial side you split it into two, the small and medium size businesses as well as even in the large companies incremental capacity balancing, capacity balancing kind of investment we have seen that happening in the whole of this year, that I expect to continue in the next year. But large projects whether it is in steel or power, everybody is kind of cautious, I do not see any activity at all. With a lower industrial activity and the huge investments in power that has been done over the last three four years, nobody wants to even talk about a power plant. So many of the power plants are running at 30%, 40% capacity, I do not see with that scenario any huge investments in power. The same with commodity prices being what they are and I do not see them changing for the next year or two, I do not see any investments, steel plants wanting to look beyond this because there is a uncertainty of where the global markets are going, so I do not see that either. But that could be cement investments in this country, there seemed to be some indications of that. So we need to wait and see those kind of projects but general capacity balancing kind of investments I think is going to increase in next year.

Manish Goyal:

And last question on the debt side, last call you had mentioned we are targeting to reduce debt by 50 crores to 60 crores I current year, so are we on track for that?

Jairam Varadaraj:

Yes, we are in fact ahead of it. We hope to close the net debt including the cash that is sitting in eight year would be at 220 crores.

Manish Goyal:

I think you had given 230 crores for...

Jairam Varadaraj:

Yes right, so we should be at 220 crores comfortably, we started at around 280 or 285.

Moderator:

Thank you. Our next question is from the line of Jinal Sheth from Multi-Act Equity. Please go ahead.

Jinal Sheth:

Sir I have been tracking your company since some time and especially from the time that you guys have gone international, sir based on that the question I had is that, since you guys have expanded into a global base how has it changed from a people perspective as previously it was very top heavy and where I am coming from is because hearing you in your past calls we have seen that things have gotten postponed in terms of expectations of either from a profitable point of view or consolidation in a particular market. So if I could hear your thoughts on that.

Jairam Varadaraj:

Sure. I think you have a very valid quarter on that, I mean our biggest challenge for growth, if you split an organization into two basic segments, the backend which is really the technology, the quality, the manufacturing systems and the front end which is the sales marketing and service segments, over the last many years we have invested a lot of time, effort and resources on the backend. Today, I would like to claim that we are world class and cutting edge, in fact better than most and I can justify that claim by sharing with you the response that we have been getting for our products in very challenging markets like Europe and America, the response from distributors and customers has been absolutely positive. So it is a vindication of the kind of direction we have taken in the backend, so I am very confident about the backend. Now when we expanded internationally, we were naïve to think that one you have a solid backend, meaning we have a great product, high levels of efficiency, cutting edge performance, great quality, comparative delivery that the customers will flock to us. Now that was a very naïve and a very India centric view of the world because in India we have a brand, we have distribution, the customers will pull us. Now we are beginning to realize that our entire sales marketing service that is a front end needs to be revamped to the same extent that we have revamped our backend. So since the last almost a year we have been working on multiple initiatives, one is the branding of the company, increasingly you will see that the company's look and feel will be more and more consistent with what is aspirational as a global brand. We are engaging with agencies outside to build very strong go to market processes for our products and after market. And a third piece that we are looking at is, what we are really engaging again with an external agency to say what should be our organizational structure to fulfill our global aspiration. So in next, starting from now by March of 2017 which is one year we would have put in place some fundamental stuff, foundational stuff both on our go front ending capabilities and processes as well as our organizational capabilities for our global aspirations which includes by the way the key pillar of that is our talent and our segmentation, talent segmentation.

Jinal Sheth:

So from what I understand from your answer, you are clearly focusing on that because I do agree that the product is very strong but we need to focus on the other side as well. So can I understand that what you are trying to say in a way that we would have faced those challenges and we are clearly working on those to...

Jairam Varadaraj:

Absolutely, if you look at many of the areas where we have been hit by lack of sales in line with our aspirations when we went into those markets is not because of the product, it is because of both lack of leadership and a lack of process. So both of these will be addressed now.

- Jinal Sheth:** Because one of the reasons why I did ask this question is because when I spoke to a few consultants who deal with your company they also felt the same, I am not trying to raise any negative point, just highlighting the same. Okay great, thanks a lot.
- Moderator:** Thank you. Our next question is from the line of HR Gala from Panav Advisor. Please go ahead.
- HR Gala:** I just wanted to know what is our strategy on the automotive side, it is relatively small segment, so what are we doing in that?
- Jairam Varadaraj:** Just to give you a background to it, we make equipments to service cars, so if you go to any automotive dealership you will find all our equipment in their service base. Now that business rides very strongly on the strength of the automotive industry and primarily our focus is on two wheeler and the passenger cars and commercial vehicles, not so much on the two wheelers. So we are highly dependent on that, so last year and the year before this there has been a slight uptick in the Indian automotive industry and we have grown as a consequence of that, our growth overall has been from year-to-date we have grown about 10%, 8% - 9%. Now we have about 40% - 42% market share in that segment, we do not have one big organized competitor, in the second round there are some reasonable sized individual owned companies and then there are a lot of fragmented players. But in terms of who is the only manufacturer of these equipment, we are the only one, the rest of them import equipment from all over the world and many of them import stuffs from China which today as you know is questionable in terms of whether they are selling on a fair pricing or whether they are dumping. Now we have multiple strategies for that business, one is, we can cry till the cows come home about how the Chinese are dumping but what we need to do is go back to our drawing board and say can we build the product which will compete against the Chinese and we have taken certain segments. So if you take this business it is not just one product like compressors, we are probably straddling about 10 different products, so there are lifts, there is wheel alignment systems, there is AC recovery systems, there is collusion repair, there is paint systems, there is lubrication, washing system. So each one of them internationally is one vertical whereas because of the size of the Indian market is so small we have taken a one stop solution by offering our customers all these products from one location. So what we have done is we have picked a few products, verticals to go back to the drawing board and really use our knowledge and engineering capability to come up with products which can compete with the Chinese under whatever circumstances. So we will begin to see the impact of this work and this work has not just started few months ago, it has been on the board for about a couple of years, this in the coming years we will be introducing some of these products into the market and we will start seeing the results of that. So that is one part. The other part is, we are taking some of the products and saying can we become a global source of an extremely competitive nature not just on cost but cost and technology and build that globally for that vertical alone. The third business that we are experimenting with is a brand called Auto Show which we have launched in Coimbatore alone as a test case last October, this is like a test laboratory so people can bring a used car before they buy, for a very nominal fee they can get their car tested in our facility, we will give them a

complete certificate of the car with respect to what is a new car. So this we are trying to bring in complete transparency in a used car purchase. Now this is still early days, business traction we are still waiting to see if it will pick up. So that is a service kind of a related business which the equipment used in these facilities are our own or we have the capability to do it and we believe if this succeeds there is an opportunity for creating 300 such centers in our country. So we are working on multiple strategies to build this business.

HR Gala: So any significant investment we will be making in setting up our own center?

Jairam Varadaraj: No, I do not think so, the biggest cost is going to be the cost of real-estate, so we need to engineer solutions which is very thrifty on real-estate in places like Delhi and Bombay. So this is not a significant investment. And we are also exploring the possibility of a franchise model here.

HR Gala: Sir a little while ago you said that in this quarter and nine months there have been some one-time expenses for this consultant, so that is I think what you said in a previous question.

Jairam Varadaraj: No, that is a different thing, you will see in the coming years a significant expenditure that we will incur on consultants, unfortunately I do not have the liberty to disclose it because we have confidentiality agreement signed but till such time the project is done there would not be any disclosure. So these are small consulting assignments that we did in Europe, so they are not significant in nature.

HR Gala: But now what you will be doing will be something significant?

Jairam Varadaraj: It will be a significant one, that is to build our sales, service capability and our organizational structure.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Kamlesh Kotak for closing comments.

Kamlesh Kotak: Thanks Jai for providing us opportunity to host the call and for the insightful discussion that we had. So that is very useful. So on behalf of Asian Markets I sincerely thank everyone for joining for this call and with that we conclude the call. Thank you all. Thank you sir.

Jairam Varadaraj: Thank you Kamlesh for hosting us and thanks to everyone for participating. Thank you.

Moderator: Thank you. On behalf of Asian Markets Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.

