Operator: Ladies and gentlemen, welcome to RAK Ceramics 3rd quarter 2018 earnings results conference call and webcast. I will now hand you over to your host, Mr. Mohammed Haidar, Arqaam Capital. Sir, the floor is yours.

Mohammed Haidar: Good afternoon ladies and gentlemen. And welcome to the RAK Ceramics 3rd quarter 2018 earnings conference call hosted by Arqaam Capital.

 This is Mohammed Haidar from Arqaam Capital Research and I'm joined today by Mr. Abdullah Massaad, the group's CEO, and Mr. PK Chand, group CFO.

 I will now hand over the call to Mr. Abdullah, please go ahead.

Abdullah Massad: Thank you Mohammed. Good evening everyone, and welcome to RAK Ceramics 3rd quarter and nine month, 2018 results conference call and webcast. I'm Abdullah Massaad, CEO of RAK Ceramics, and I will take you through key business updates and 3rd quarter financial results.

 The 3rd quarter of 2018 continues to be challenging quarter due to continuous macroeconomic headwind and volatile currency scenario where crude oil is on upward trend resulting in increase in energy, freight and material price. However, our recent participation in one of the biggest fairs held in Bologna, Italy during September 2018 had confirmed the positive impact of our investment in branding and positioning.

 Major players in the industry were taking note of our new range of product and selection. This along with the Key Customer facing development, such as rolling out shop-in-shop and dealer showroom renovations, give us tools to protect RAK Ceramics against the threat of commoditization and also increasing our positioning, improving our positioning in the market. However, the positive effects of these enhancements will only start to come through in 2019.

 We continue to show the steady growth in the quarter with the core revenue growth of 1% year on year, driven by stable sales in our major markets, that is United Arab Emirates and Europe. And the growth in the tableware business. In UAE, our sale grew by 6.8% in tiles, mainly from project segments which contributed 54% of our total UAE sales , and Sanitaryware revenue was higher by 8.8% compared to the third quarter of 2017. Revenue in Saudi is lower by 8.5%, compared to the third quarter of 2017, mainly due to weak demand in the market, as well as dumping of material from China and India, which we previously mentioned, where led the local manufacturer to reduce their prices and created markets where it is very competitive. We are happy to say today, the gulf corporation council has said that it will start an anti-dumping investigation into imports from ceramic tiles, porcelain from China, Spain, as well as India.

 This for sure will have a very big positive impact on us, especially that, as we mentioned earlier, I'm proud to say that RAK Ceramics is one of the most respected brand in the project, as well as in the region. And we've been affected, our sales, especially in the GCC and our MENA area, coming from the stiff competition and low prices coming from India.

 The economic climate in our key markets, Saudi Arabia and the rest of the GCC are still volatile and will remain, so far for the coming months. We expect operating environment to improve in the region in 2019, especially from the rise in oil price, which will have a good, positive impact on the economy during the coming years. The acquisition of the remaining 20% stake in our distribution entity in Saudi, completed. And the post-acquisition integration in these entities are in progress.

 Revenue in India during the quarter is lower by 18.5%. However, revenue in local currency is lower by 6.1% compared to the third quarter of 2017. For nine months, the reported revenue is lower by 1.2%, while the local currency revenue is higher by 4.5%. The production trial in one of our joint-venture expansion in Morbi Gujarat to produced three million square meters per annum of ceramic style started in the third week of October, 2018.

 In another joint venture, where we're having a green field project, where we should produce 3.3 million square meters of bigger size and slabs, which we are expecting to start within the first quarter of 2019. With commissioning of these plans, the total capacity of India, of our capacity, of Indian capacity, set up, would increase to 18 million square meters. India of the emerging markets for our future growth.

 In Europe, our sales grew by 15.4% in sanitary ware, and in tiles it was lowered by 2.5% compared to the third quarter of 2017. The changes that have been made so far are clearly taking shape of the response from customers is positive. The turnaround in performance will see by next year, will be shown by next year as the new team and structure stabilizes, and move forward. Restructuring of RAK] Italy's sales team, including sales manager for slabs in Europe is on board. Relocation of the office and warehouse in Italy has been completed.

 Revenue in Bangladesh is lower by 7.3%, however revenue in local currency is lower by 3.9% compared to the third quarter. During this quarter we have been affected especially in UAE and Bangladesh due to the Eid, which came in the middle of the week, where almost we lost business for a full week. For the nine months, the reported revenue is lower by 4.4%, while in local currency the revenue is almost flat. We continue to execute also in Bangladesh our shop-in-shop and the rebranding of our dealer's showroom.

 In tableware business, revenue growth in third quarter 2018 is 5.9% year on year. The main growth drivers are Europe, USA, Africa, and Asia. Revenue from USA markets increased by 141% to 16 million in nine months in 2018.

With continued challenges in the quarter, we continued improvements in operational efficiencies. Apart from investing and upgrading of machines, installation of co-generation plants, and heat recovery system to reduce consumption of gas and power, these initiatives and higher GP margin in tableware resulted in offsetting the increased energy costs and raw material cost during the third quarter of 2018. Consolidation of Saudi entities also contributed increase in GP margin by 0.8% in third quarter 2018. All these resulted increase in core gross profits margin by 50 basis points to 33.2%, and total gross margin by 190 basis points to 33.3%, compared to third quarter 2017.

 At the end, SG&A cost increase on consolidation of recently acquired joint venture. Higher costs for freight and branding, and tableware for a higher sales in US market. Finance costs also increased due to forex losses for high currency volatility and increased libor rates. As mentioned in our last call, contribution of non-core revenue to the total revenue has gone down to 4.5% in the third quarter, 2018 due to discontinuation of rough grading business.

 Presently, the major revenue contribution to non-core is Ceramin, a raw material trading business. Now I will take you through the main financial highlights for third quarter, 2018.

 Core revenue is stable at 639.6 million, a decrease of 0.6% compared to third quarter, 2017, and - 5.7% quarter on quarter, impacted by slow down in sales during the summer months. Total revenue is decreased by 5.1% at 669.5 million, compared to the third quarter, 2017, due to decrease in non-core revenue by 51.5% year on year. Due to discontinuation of rough grading business.

 Core gross profit margin increased by 50 business points, at 33.2% year on year despite the increase in energy and raw material costs. Blend ed gross margin increased by 190 basis points to 33.3% year on year.

SG&A increased by 26.8 million mainly consolidation of recently acquired Saudi joint venture impacting of 13 million dirham, for third quarter, 2018. Back office integration for all the Saudi entities is in progress, and full benefits of initiatives taken will be seen in coming quarters. SG&A also increased for freight and branding in other entities by 9.6 million dirham, and 4.2 dirham increase in tableware for higher sales in US markets.

Financial cost (net) increased by 2.4 million due to increase in 3M LIBOR 2.32% versus 1.26% year on year. Forex loss for the third quarter, 2018 is 0.8 million dirham, against a gain of 10.7 million dirham in third quarter, 2017, due to high volatility in currency.

 Core EBITDA decreased by 24.3% to approximately 98 million dirham, with a margin of 15.3%, a decrease of 480 basis points year on year. Total EBITDA decreased by 27.3% to 108 million dirham, with a margin decreased by 500 basos points to 16.2% year on year.

 Net profit decreased to 47.4 million dirham, from 84.7 million dirham, with a margin of 7.1% due to increase in energy, raw material, SG&A, and finance cost as explained above.

Like for like, net profits, including provision and extraordinary gain decreased to 51.9 million with margin of 7.8% compared to 87 million last year.

 Now I will turn to PK Chand, our CFO, to brief you on the nine month 2018 financial highlights in more depth, unedited, on the financial. PK.

PK Chand: Thank you Mr. Abdullah. Good evening, everyone, and thank you for joining us. Mr. Abdullah has already briefed, summarized financial highlights and regional performance for the third quarter of 2018. I will take you through the nine month results, and segmental highlights with details from revenue, profitability, and the balance sheet items. We will start with slide 6.

We are pleased to report that our core revenue grew to 1.95 billion dirham, an increase of 1% compared to nine months of 2017, driven by steady growth in the UAE and Europe market and strong growth in tableware business. Effective 1st January, 2018, revenue recognition has changed, as per IFRS 15, impacting our core revenue by 25 million in the first nine months. And with this, the core revenue increase works out to 2.3% year on year.

 The total revenue of 2.05 billion dirhams decreased by 2.7%, compared to nine months of 2017, as a result of decrease in non-core revenue by 41.9%, to 105.8 million, mainly due to discontinuing of our rough business. Core gross profit margin increased by 30 basis points, to 33.3%, compared to nine months of 2017. Blended gross profit margin increased by 110 business points to 33.2%, year on year. Continued improvement in operational efficiency, and higher gross profit margin in tableware, resulted in offsetting most of the increased energy and raw material cost. Consolidation of Saudi entities also contributed increase in gross profit margin by 0.7% in nine months of 2018.

 Core EBITDA decreased by 14.2%, to 312 million dirhams, with margin of 15.6%, a decrease of 280 basis points year on year. The total EBITDA are decreased by 17.9% to 337 million dirhams, with margins decreasing to 16.4% year on year. Reported net profit has decreased to 167.9 million dirhams, with margin of 8.2% compared to 262.3 million dirhams in nine month of 2017. Nine month of 2017 net profit included net gain of 38.6 million as extra ordinary gain on sale of RAK warehouse and Electro RAK Entities

 Like for like net profit, that is excluding provisions and extraordinary gains, decreased by 28.2%, to 160.2 million dirhams, in the nine months of 2018, with margins of 7.8% due to unabsorbed SG&A expenses on consolidation of Saudi joint ventures, more expenses in India for branding, and tableware for US operations. Finance cost also increased due to higher 3M LIBOR and forex loss compared to forex gain in last year.

 Net debt increase by 5.5% to 1.48 billion dirhams, compared to December 2017. Net debt to EBITDA increased from 2.6times, to 3.23 times, mainly on account of payment of dividends amounting to 235 million.

 Turning to slide 7 on revenue highlight, tile revenue is decreased by 2.7% compared to the third quarter of 2017, and quarter on quarter by 5.9% due to decrease in revenue from Saudi, India, and Bangladesh markets. Sanitary ware revenue increased by 4.8% year on year, and 5.8 percent quarter on quarter, driven by UAE and European market. Tableware revenue increased by 5.9% year on year, due to a strong growth in US and European market. In nine months of 2018, both tiles and sanitary ware revenue are flat year on year at 1.39 million dirhams, and 365 million dirhams respectively. Tableware revenue increased by 11.4% year on year to 189 million dirhams due to growth in Europe and US markets.

 As mentioned, revenue recognition has been changed, effective 1st January 2018, as per IFRS 15. Based on the this practice, tile revenue grew by 1.2%, sanitary ware by 1.8%, and tableware by 12.8% in the nine months of 2018 year on year. Details of the revenue by end market have already been briefed by Mr. Abdullah, so I will skip slide number 8 and 9, and go to slide 10.

Of the total revenue in nine months of 2018, tiles contributed 67.8%, sanitary ware 17.8%, tableware 9.2%, and non-core 5.2%. As informed in our last call, our rough grading business contract, which was one of major contributors for non-core revenue and profit, is over effective 1st of January 2018.

 Now, the major contributor to non-core revenue is Ceramin, a supplier of raw materials for ceramic business. We do not expect any significant exit of non-core in coming months of 2018.

On slide 11, where we have shown the details of gross profit margins, total gross margin increased by 190 basis points, to 33.3% compared to the third quarter of 2017. Core gross margins increased by 50 business points, at 33.2%, despite of an increase in energy and raw material prices. Continued improvement in operational efficiency and higher GP margins in tableware, resulted in offsetting most of the increased energy and raw material cost.

 Consolidation of Saudi entities also contributed increase in GP margin. Tile gross margins decreased by 40 business points, to 28%, while sanitary ware margins also decreased by 130 basis points to 39.7%, due to increased cost. Tableware margin increased by 840 business points to 58.7% year on year, mainly due to growth in US market.

 Slide 12 shows the summarized financial highlights, with details of performance on core operations. On the cash front, capital expenditure has been relatively high in the third quarter compared to second quarter, at 63 million. Total capital for nine months in 147.5 million dirhams. The major addition during the quarter is the equipment for Co-generation plant, in UAE and India, mainly for joint ventures in morbi. Total capex for 2018 should be in the range of 250 million, out of which 75 million will be for ongoing expansions in Morbi, India.

 On slide 13, shows quarter on quarter, core net profit performance, and a return on equity to shareholders. Core net profits decreased by 14.6 percent compared to last quarter, with margins decreasing by 70 basis points, quarter on quarter. Return on equity is lower quarter on quarter, from 8.4% to 7.2%, due to lower profit in the quarters.

 Now we turn on operating cycle slide 14. As far as quarter on quarter is concerned, there is an increase in inventory days, from 249 days to 256 days. The finished gross inventory has also increased from 157 days to 164 days, due to decreased sales in quarter on quarter. Trade receivables is slightly lower at 116 days. Payable days has also decreased from 78 days in the second quarter, to 75 days in the third quarter. Now I will turn back to Mr. Abdullah for his final comments before we answer your questions.

Abdullah Massad: Thank you, PK. Looking ahead to last quarter of 2018, we can see challenging scenario with a number of external factors like cost increases, mainly in energy and raw materials, increased competition, and geopolitical headwind. Seeing the challenges, we continue focus on certain priority which I will take you through.

We will continue focusing on increasing our market share in the UAE, with a focus on project channel penetration and enhanced retained channels. Various trader's showroom are being renovated as far as the branding's positioning. These will have positive results and improvement in retail sales. We already discussed earlier we opened our flagship showroom in sh. Zayed road Dubai.

 In Bangladesh, which is also one of our focused markets. We continue to focus to improve our B2B business base. We optimize the dealer network to promote the product in the premium segment. The design and the shop-in-shop concept, where it is running out in all our dealers' showrooms. We continue to focus, to agree the performance in our tableware, RAK porcelain and Kludi RAK faucets/Tap business. The tableware warehouse and showroom in Luxembourg are expected to complete by end of the first quarter of 2018. We will focus on improving the performance of all our European business. We are continuing focus to increase sales and lower cost, restructuring of various agreements to improve efficiency. Cost reduction, of consolidating the back-office function is in progress. In India, as informed earlier, the production in the third joint venture started. The second joint venture, which we will be producing a big slab, will be ready by first quarter of 2019. We are focusing on increasing our market share, phase, and positioning in India, as well as we are trying to benefit because India is lower the base of production, to turn India to support the UAE plan, the export hub, catering to markets where, would improve our margins going forward.

 On acquiring stake in Saudi distribution entities, several post-acquisition integrations, by focusing on head count reduction and warehousing rationalization have already started taking place. Also in Saudi, we closed some previous warehouses. We moved, we consolidated the warehouse and one other house in Riyadh, and one warehouse in Jeddah. As well, started flagship showroom in Riyadh, one for wholesale and one in for the project and specifications, and we will be stopping by a showroom in Riyadh, and Jeddah. And after our own showroom, we will roll out the shop-in-shop.

 When we start to build out the shop-in-shop in our distribution and ... in order to reduce the cost of energy, a two co-generation machine, with a 9.5 megawatts, involving a capex of 57 million dirham, are commissioned in October 2018. We already discussed earlier several times, but we already moved some machinery from our plant in China to modify two plants in UAE, where the commissioning will be completed by 2019. Our aim with this is to focus on producing ceramics, bigger tiles, which the local manufacturers in the region are not producing. We already started with one size, 80 by 80, which was a great success, and I would imagine, by far higher than the normal sizes which we are selling. So we would be focusing on renovating the two plants, and then launching different sizes in the market.

 For the product portfolio optimization, we continued differentiation of our product by investing in R&D design, sourcing from known design houses and new marketing tools. We launched a new collection in different sizes, patterns, to keep us away, as you mentioned, from the prices of competition. We continue to focus on our brand supported by the shop-in-shop concept, at our distribution network. Last week, despite our growth in core business, we continue looking for opportunistic acquisition.

 Next, I would like to turn the call over to the operator, and open the line to questions. Thank you again.

Operator: We will start now our question and answer session. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. Ladies and gentlemen, we will start our question and answer session. If you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding until we have the first question.

 Our first question is from Anoop –SICO Please go ahead.

Caller 1: Yeah, good afternoon, gentlemen, and thanks for the opportunity. My first question is on the anti-dumping investigation that you spoke about earlier. Do you think there's a genuine case here? How strong do you think the case is, you know, for a favorable verdict in this regard? Is that genuine, them dumping from Indian producers, or is it just that, you know, they're more efficient, they're able to produce at a much lower cost? That is one.

 And secondly, let's assume there is a favorable outcome in this regard. How does this affect your India business, given the fact that you've gone ahead with expansions a little bit, and are looking at exports as one of the options? Thank you.

Abdullah Massad: Thank you for your question. First, regarding the anti-dumping, the reality is, especially the Saudi market is flooded with a cheap Indian product. As regards of how strong is the case, I believe that it will be a good case. There is a big chance that the anti-dumping will be implemented. Now regarding us, as the RAK Ceramics for sure, this will benefit us. Because we have a big capacity, the ranges which we have, we can gate it, and we're already 55, and the branding which we have.

 Regarding our extension in India, in fact our turning India into an export hub is not for the region, because we have the factory here. But India will support our growth in Europe, in Asia, in Africa too. And this will not have--for us at least, for our strategy--any major impact on our expansion in India.

Caller 1: Just a follow up, if you look at the fuel prices currently, are Indian production costs substantially higher than what they are in the region, or are they sort of comparable?

Abdullah Massad: Look, it depends, because the price of gas is different. You know, it's not a standard pricing. For sure, nowadays, the Indian manufacturers, they get a hit from an increase also in oil price, and therefore if you are following the market, you can see like, out of the total and full capacity in India, about 60 to 70% running, you have 30% from the capacity of shutting down, for pressure on demand also. And look, depends on the quality also. So if you're not ... there is an efficiency, no doubt, in producing in India, especially you have that cluster over there where raw material is nearby and machinery to have a factory in India, as the supplier of that ... not a reliable or ... you can see there are lot of machines which get imported from China or even produced in India, so the lower cost of production is there, but also there is the selling somehow on the costs of production, or even less than the cost of production, somewhere [inaudible 00:37:02] cash in the system.

Caller 1: Okay, just a last one, Abdullah. You mentioned opportunistic acquisitions. So would that apply to this season as well? Will you be looking at potential targets within the region?

Abdullah Massad: Look, for sure. That's why, I mean, last year we did what we have to do in India. We are working in Bangladesh because now the land which we have is already separated, as well as looking at our area or our region, we are looking ... as you know, most of our competitors are suffering in this period. Yes, we are not doing great, but we are doing, I believe, by focusing on the branding and the differentiating that we send, we are doing fairly well. But yes, we are looking also in our region, whenever we have any opportunity.

Caller 1: Okay, thanks a lot, and all the best for the year ahead.

Abdullah Massad: Thank you, if you'll allow me here ... you know, and while you're searching, you see that our revenue continues stable, our margin improved, but with the hits of energy costs and raw material transportations, this is eating from the bottom line. So the time where we will be able to have another factory closer to the markets, and where we can get a cheaper energy cost, this will give us a great benefit.

Operator: Our next question is from Samish [inaudible 00:38:54]. He is [inaudible 00:38:56]. Please go ahead.

Caller 2: Hi, good afternoon gentlemen. Thanks for the presentation and taking my call. I have a question on the ... how the US policies is impacting your growth plans, especially in the US and Europe, how the competition in those markets are changing. And also, what's your plan for the Iran operation?

Abdullah Massad: So sorry, the line was not clear. Can you repeat the question?

Caller 2: Yeah, my question was on, how the US policies will impact your growth plans, and how you plan for your Iran operation.

PK Chand: Look, in Iran, our factory and ... you know, it's ... turned into at least a positive, and it's expanding within Iran, where it is also financing and ... [inaudible 00:40:10], and we are studying ... we are studying very well the sanction which is coming in place, and it is too early for us to say. But for us, like, the Iran operation is very small, and it is functioning in Iran, so we don't have ... we should not have any impact as a group.

Caller 2: Okay, so how is the US policies impacting your other markets like US, Europe, because the all-over competition scenario has been changing because of the new US policies. So how do you see that part?

PK Chand: So maybe your ... I think your voice is not clear. So you want to know on the US market or the European market?

Caller 2: Sorry guys. So I hope ... is it clear now?

PK Chand: Yes, yes, a little better. Go on.

Caller 2: Okay, so I just want to understand how the new US policies is impacting your growth in the US and Europe markets.

Abdullah Massad: Look, for the time being, we don't see any impact. As I told you, all the export is happening from the UAE or India, at land which we have, and we don't have ... I mean, we could not have any impact on this.

Caller 2: Okay, that's it. Thanks guys.

Operator: Our next question is from Mikhail Sayed, CI Capital. Sir, please, your line is open.

 Ladies and gentlemen, as a reminder, if you wish to ask a question, please press 01 on your telephone keypad. Ladies and gentlemen, as a reminder, if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding until we have the first question.

 Our first question is from Mohammed Haidar. Sir, please go ahead.

Mohammed Haidar: Thank you. Abdullah, a quick question on the remaining topics for 2018. So PK Chand mentioned that [inaudible 00:42:57] will be around 250 million for the year, versus 150 or 147 now. So where is the remaining 100 million, is gonna be spent on? And two, we've seen ... consolidated costs are up because of the Saudi JV consolidation. But if we look deeper into Thailand [inaudible 00:43:19] sales in Saudi, we don't see any increase there. So is Saudi JV generating any revenues at the moment, or should it be contributing to revenues later in the future?

Abdullah Massad: Look, regarding the ... thank you for your question ... regarding the topics, as I mentioned here, we already found the topics in our first joint venture in India. We will continue expanding on the second plant, which is due to commission by first quarter of 2019, so some of the capital, at least in India again, as mentioned in the UAE we are also the ... shifting machinery from China, and we are bringing also some machinery to modernize, produce bigger products, as well as [inaudible 00:44:20] in energy and cost of production. Also you see, as a group, we are building the warehouse of struck porcelain in Luxembourg, which will be ready by first quarter of 2019. So this is the major spending will happen.

 On regards of Saudi consolidations, you know, as we said, it was not easy for us to acquire, and not especially in Riyadh. The last acquisition had 20%, the remaining occupation happened in first quarter, so we had issues in warehousing and pay. Yes, with here we are selling. It is ... we are not able to absorb, and this was in our business plan actually, for the first year of acquisition we will not be able to absorb all the LGNA of the Saudi operation. But we are betting on next year, by having made the two showrooms now in Riyadh, and the one showroom which we'll do it in Jeddah. As I said, we started with a shop-in-shop. This will give us an advantage in the long term.

Mohammed Haidar: Understood. Thank you very much.

Abdullah Massad: I hope I answered your question.

Mohammed Haidar: Thank you.

Operator: Yeah, we have follow up question from Samir [inaudible 00:45:57]. Please go ahead.

Samir: Yeah, I've kind of ... follow up questions. First, on the ... your working capital cycle. Now it's increased to 297 days. So, what's your actual plan for your inventory days? It has been keep on increasing. What could be a normalized level, or when are you expecting to normalize?

PK Chand: See, inventory production is in our focus now, and every month we are ensuring that the production is lower than sales. And we have set ourself a target production of about 90 to 100 million dirhams in about a year's time. So the total inventory level, which is, adds on maybe about 256 days, we are targeting to come down to 240 days by the end of 2019.

Samir: Okay. And over the last two years, you booked some large impairments in the fourth quarter, and partly due to the inventory. Are you expecting any kind of inventory for this year, for the fourth quarter?

PK Chand: No. That it is some decrease in the fourth quarter, but obviously as I mentioned, we are targeting to decrease inventory by 90 to 100 million, but that will happen by late 2019. This year, some reductions will happen.

Samir: Okay. And I have some other housekeeping questions. Your third quarter effective tax rate is like, 2.4%, which is much lower than your historical areas of 6 to 7%. Any specific reason for that?

PK Chand: What is your question? Somehow your voice is not very clear. I'm not able to understand exactly your question.

Samir: Oh, sorry for that. Your effective tax rate for this quarter is 2.4%. [crosstalk 00:48:07]

PK Chand: Effective tax rate, okay.

Samir: Yeah. So it is lower than historical [crosstalk 00:48:12]

PK Chand: Yeah, [crosstalk 00:48:12]. Yeah, yes, I mean, what is happening is, that the tax is coming mainly from which [inaudible 00:48:22] location, if it comes from Bangladesh, from India, and European operations. So India somehow did not perform well, and the end, the property [inaudible 00:48:32] why you could see the results, even Bangladesh property, because the sales were either increased due to increasing costs, it's slightly lower compared to last year, and that is why it is back ... and before export, therefore the total tax in [inaudible 00:48:48] in this quarter is lower. So the average rate of tax is also lower.

Samir: Okay. Okay, great. And your foreign exchange loss during the quarter is 522,000 versus 12.7 million in the second quarter. So there's a big ... you know, variation in the foreign exchange. Any specific reason for that? Because when I looked into it, most of the emerging market currencies are still continuing to depreciate.

Abdullah Massad: No, we were very closely monitoring the movement, and when we picked that somewhere we should [inaudible 00:49:28], we cover ourselves for the impact, does not come as foreign exchange, that is what we insure. Fortunately for us, third quarter has been better compared to the second quarter, and I would say it is the ... somehow we have been able to manage it just so.

Samir: Okay, so how do you expect that in the fourth quarter? Will it be flat-ish, quarter on quarter, or ...

PK Chand: Yeah, fourth quarter, if the current rates of exchange remain, then I do not foresee any major divisions, and we are very closely monitoring ... because Indian currency has already bottomed out. So in fact, I personally feel there should not be any foreign exchange lost in the fourth quarter as well.

Samir: Okay. That's it from my side. Thanks a lot for your answers.

Operator: Our next question from Mikhail Sayed, CI Capital. Sir, please go ahead.

Mikhail: Hi, good evening everyone. Had a couple of questions from my side. The first one is regarding the e-market. When should we start seeing the positive impact coming from the expo 2020? I believe, as any ... the [inaudible 00:50:49] in one year and a half now, so should we see any pickup during 2019, in growth coming from your "e" especially? Or not ... in the horizon.

Abdullah Massad: Look, if you see our phase, it is growing in the UAE last year and this year. And all of this supported by project ... and we mentioned the 54% of our sales in the project. So honestly, we ... the market is ... responds whether, you know, it's either Saudis or the region now is not performing, well, but we're still doing well in UAE because of the continuous progress and project in expo 2020, and we hope that next year, the market will be even better. And I can assure you that we are well-positioned. Even in the expo our size is 55, and most of the building around it. So if the project ... whatever, we can see that next year, the markets should be also good.

Mikhail: So assuming there is a slow down in projects and growth beyond the expo 2020, should it be a risk for the business?

Abdullah Massad: No, that's why, if you see ... as I mentioned, that we opened our flagship showroom in Abu Dhabi, and Dubai is just right at this showroom. It's doing very well. We are also now planning for another showroom, and Dubai will have the three showrooms. We started renovating our [inaudible 00:52:42] with a shop-in-shop concept. We are doing a lot of specifications with ... here, like the showrooms, the McLaren logos ... Land Rovers, all are 55 and supplied RAK Ceramics. So look, project comes and go, we are focusing in all segments. We hope ... no one knows what will happen in here, but we are doing all our best, and RAK Ceramics is available in more than 150 countries, and we create many ... apps that we released in 2008. Our [inaudible 00:53:28] does not slow down. Now with the old ones, our biggest market was ahead of Saudi Arabia to go [inaudible 00:53:36] focus on Europe, so I hope that we are preparing well ourself, and with the best thing to do is the rebranding and positioning of our brand, investing in our brand, which is paying us during this tough period.

Mikhail: Okay. I got it. Is there any updates regarding the [inaudible 00:54:04]?

Abdullah Massad: [inaudible 00:54:10]. No, now nothing is there. We are working, but til there, it's still there.

Mikhail: Okay. Okay, thanks. I have just one last question. Following the recent cuts in electricity seized for industrial plays in UAE, my understanding is that you have 50% of the power of your energy is generated from the internal generators. So is there any plans to shift this energy to ... with the ... it's just, you can be getting from fewer, going forward, given the current ...

Abdullah Massad: Look, we ... our energy, we have our power plant. And we have invested in cold generation plant, cold generation plant means take out the heat, reuse the ... and also we have in there the FEWA connection. So we are ... I can tell you that we are working on ... for sure, whenever the cost of generating is cheaper than FEWA, we are doing it. Otherwise, we are taking from FEWA.

Mikhail: Okay. Okay. Thanks very much. Thanks so much.

Abdullah Massad: Thank you.

Operator: We have no other question at this moment. Mr. Mohammed, back to you.

Mohammed Haidar: Thank you, Mr. Abdullah. Thank you, Mr. PK Chand. Thank you everyone for joining the call. We hope to see you at the next time, next quarter. Thank you.

PK Chand: Thank you so much. Thank you everyone.

Abdullah Massad: Thank you.

Operator: Ladies and gentlemen, this concludes our conference call. Thank you for your participating. You may now disconnect.