Company: **RAK Ceramics**

Conference Title: **Q1 2016 Results Earnings Conference Call**

Presenters: **Abdallah Massaad, CEO; PK Chand, CFO; Philippe Habeichi, IRO**

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Woman/Operator: Ladies and gentlemen, welcome to RAK Q1 2016 Results Conference Call. Today's first speaker will be Philip Kanaan, from Arqaam Capital. Sir, please go ahead.

Philip Habeichi: Good afternoon everyone, this is Philip Habeichi]…apologies for the delay in connecting to the call. I'm here for with PK Chand on the line we have our CEO, Abdallah Massaad. He is going to start this presentation and provide an overview of the Q1 results. Abdallah, if you please.

Abdallah Massaad: Thank you, Philip. Good morning, everyone, and welcome to our Q1 2016 Results Conference Call and webcast. I'm Abdallah Massaad, the CEO of RAK Ceramics and I'll walk you through the operation highlights for the quarter and review the segment performance. We are pleased with our performance and in the Q1 of 2016. We reported a group revenue of 736 million dirham, a decline of 1.1% over the previous year, but flat and confident currency term. We recorded a gross profit margin of 30.2%, it is up by 170 basis points. The improvement in margin came from improved profitability in our tile business, in our tableware business and in our non-core business. This effort shows through to the bottom line with net profit margins, that profit is coming to 66 million dirham, an increase of 10.8% year-on-year. During the quarter, we spent 100 million dirham approximately in CAPEX], this is a 100% increase year-on-year. Our CAPEX programme is in the process of winding down. Our two main capacity extensions this year, which are a capacity expansion in UAE by 20% and an expansion of our tiles capacity in Bangladesh by 42%, which started producing during this month. Finally, we finished the quarter in solid financial position. Despite the CAPEX spent and cash payments of 260 million dirham or equivalent of 30 fils per share to our shareholders, our net gearing level is higher, approximately 3.1 net debt to EBITDA, but we will reduce it during the quarter. If we look to our quarter, through the prism of value-creation plan we can see that in the first quarter of 2016 we have progressed on the strengthening of our distribution network. As we close the acquisition of outstanding states in our German and UK distribution joint ventures. We also move with brand building with new highs/hires in design and marketing. Last but not least, I am pleased to inform you that we identified new leadership in our Indian operation. You know, the turnaround in India is very crucial and important for us. It took time to find a good CEO and I'm pleased to share that last week the new CEO joined. And we are… he is a very experienced professional in the Indian tile industry and I'm looking forward to give you good news on the quarters to come. It is important to note that this juncture, the remaining initiatives we have set in the value creation plan will take longer horizon to deliver and may not have updates which we give, or which we can report every quarter. These remaining initiatives, however, are of significant importance to the direction of the company and the greater financial impact on our results in the longer term. Looking at the performance of our segment in tiles, the our Q1 sales in tiles were up by 3.3% year-on-year. The result reflects strong performance in our core market, the UAE market and a turnaround in the performance in Middle East, Northern Africa and the rest of GCC. Results also reflect the acquisition, the consolidation of the acquisition of our distribution joint venture in Germany and the UK. We can see a decline in India tiles sales, reflects lower import costs were not able to achieve and pass on to our customers as well as a lower trading activity in the quarter. We can see that our sales in the manufacturing of tiles, actually rose year-on-year and giving us the feeling that the worst is over in India. Especially now with the new hire and our new strategy in India, it will be a growing market for us in the future. Looking at Bangladesh…Bangladesh's performance it is quite nicely this quarter, which the revenue grew by 4.6%, yet the capacity which we started to show in the second quarter, so the growth came in this quarter from an increase of our average selling price. The tile margins were stronger year-on-year by 70 basis points. Despite the continuous increase in natural gas prices in the UAE and lower selling price, the tile margin grew on better performance in India and Bangladesh. As a reminder, the consolidated margins still reflect on growing losses from our China operation, which until now we have not been able to sell it. And as we mentioned earlier, we started accruing expenses on the Iran plant, which we were preparing in the first quarter [and anticipate to pay in the second quarter] we started producing and this should reflect in the quarters to come. Turning to our Sanitaryware performance, on the Sanitaryware we have a 0.5% increase in sales in the quarter. The UAE sales grows to at 0.8% year-on-year. Bangladesh sales rose 10.4% year-on-year. Offesetting the weakness in the other market. In fact, in Bangladesh as we cleared in the Q3 of last year, we had a capacity expansion. So, the expansion of the growth is showing of the expansion we made earlier. In Q1 2016, the Sanitaryware margin declined by 260 basis points year-on-year. Two, but still at more than 40.5% from 43.1%. The UAE margin fell from 42.9% to 40.6% and Bangladesh margin fell from 49.2% to 44.3%. A decline in Sanitaryware margin results from lower volume, higher labor costs, higher depreciation and unfavorable product mix, requiring more natural gas consumption. But we expect the Sanitaryware margin to return to the historical level and the quarter two. Going to the tableware, our tableware business did exceptionally well in the quarter. While the volume was down by 4.2% year-on-year but our average selling price was 10.3%. In fact, during this year we launched a lot of model which successfully different finishes and colors, which were accepted highly in the market. Especially, in Europe, which we grew. And in these ranges which we launched we had a higher margin than the normal. And this reflects that our growth profit margin increased to 62.8% from 56.1%. A year earlier and from 41.9% in the Q4 2015 when we started consolidating RAK Europe. Recent product introduction, as mentioned, it is coming from the recent product introduction. Going to our non-core, our patience with our non-core business continues to bear fruit. While non-core revenue by declined 22.6% year-on-year, this part we reflect the sales of truck logistic and last quarter of 2015. More importantly, non-core margins continued to grow and were up by 820 basis points year-on-year. Lead to by better results at the Al Hamra construction as well as RAK warehouse leasing and Kludi RAK, our taps and faucets business. Once again, our strategy on non-core is improved. The profitability of this business is to get higher value while we exit them. We continue to strive to divest our non-core business in the next 12 months, except the land business condition. You know, except the big land, which we will be working on a plan, and this might take further time, depending on the market condition. Now, I will turn it over to our CFO, PK Chand, for an overview of the financials.

PK Chand: Thank you for joining our financial performance in the 9 months. If you see the performance, the individual margin has increased from 18.2% in the first quarter of 2014 to 17.4% in the first quarter of 2015 and then it has increased to 18.8% in the first quarter of 2016. Generally if you see the trend, the performance of second and third quarters have been [no audio 00:11:51] quarter. Similarly, if you see the net profit in the Q1 of 2014 it was 58.7 million, the Q1 of 2015 it was 59.5 million and in Q1 2016 it is 65.9 million. On the next slide, it is showing the methodology in which we calculate our EBITDA, which is, in fact, the same as we have been doing it in the earlier years. To highlight a few items, like a high inflation impact in Sudan in Q1 2015 there was an impact 6.9 million and while in this quarter there is zero impact, as the unit has already been sold. Depreciation and amortization you will see it has reduced from 52.5 million to 47.7 million. This is, basically, because we changed the life of the asset in Iran and that had impacted the reduction. Then, as far as the finance cost is concerned there is an increase from 8.1 million to 12.3 million, that is mainly because of the increase in the labor. The last year the average 3 months Libor was 0.26, which has increased to 0.62 this year. So the EBITDA margin is better at 18.8%, compared to 17.4% in the last quarter. Turning to our balance sheet, the net debt to EBITDA level is ahead, in fact it has risen to 3.1 times, as compared to 2.7 times in the Q4 of 2015. As we invested to complete the capacity expansion in UAE and Bangladesh and paid 260 million dirham as cash dividend. We have mentioned in the past that we are comfortable around this level and we expect that this net gearing level will decrease in the coming quarter. As we previously indicated, we believe that we meet the conditions to be considered…I'm sorry… During the quarter, there is one important thing, we have converted our conventional loan of 134 million dollars, which is 495 million dirhams from conventional loan to Islamic loan and therefore, the ratio of conventional loan to the total asset has gone down from 27.3% to around 19.2% at the end of the first quarter. And we believe that we fulfil all the conditions to be certified as a Shariah compliant company and we are in the process of seeking certification. As far as our CAPEX is concerned for core business the total CAPEX is 62 million, which is 39% up compared to the same quarter of the last year. The total CAPEX programme for this year has been estimated at 300 million. Out of that, 115 million is for the growth, which includes 60 million for as of yet unapproved expansion in Sanitaryware. That is a new plan that we are thinking but the board has not yet approved and the balance is [check: 85 million in for maintenance]. Coming to the next slide, if you see the details of the working capital, there is nothing significant to report on this. The trade receivables continue to be at 108 days, while the inventory you will find at 188 days in Q4 2015, it has increased to 199, but it is not a real increase. It is, on account of the consolidation of UK and Germany. In fact, the finished goods stock in UAE on a like for like basis has gone down. The trade payable days have slightly increased from 71 days at the end of the fourth quarter to 76 days in Q1. Now, I turn over to Abdallah for concluding remarks.

Abdallah Massaad: 2016, again, is shaping to be another challenging year on the macro front, especially in Saudi Arabia for us. While are not immune in the challenges in our second largest market, we did perform better than our publicly listed peers. The performance of our peers also lends further support to our strategy of geographically diversified. And as mentioned several times, RAK Ceramics is not a local player or a regional player. We are exporting into 160 countries. And it is easier for a player like us whenever we have any issue in the region we will be able to divert our sales or the deliveries into our market, which happened with us. We are well diversified. While macro developments are worth keeping an eye on, our challenges this year are by [large sell and bought]. Some of the major initiatives I have previously stated, we are working but which I will reiterate, includes.

Branding Project: We already mentioned that we are doing our branding project during this year. Strengthening the RAK Ceramics brand in the eye of consumers, through the right product, the right marketing approach, the right phase channel, the right positioning will drive this company development priority for the next 3-5 years in line with our vision to be the world leading [ceramics tile] solution provider. We are currently working very hard on developing a collection to coincide with the relaunch of our brand identity in the 3rd quarter of 2016 where it will coincide with the biggest trade fair, which happened in [unknown word 00:18:45], which we are doing our rebranding launch during this year.

Iran. In Iran we are working, actually, we already prepared the ground for restart the production, which we started the production in the second quarter of this year. As you know, we have a tile plant in Iran, with a manufacturing capacity of 6 million square meter, equivalent to approximately 7% of our UAE tile capacity which is almost as much as our Bangladesh and India capacity. With easing of international sanctions in Iran we are in process of reinitiating the production capacity, we hired in the first quarter, as I mentioned, more than 200 workers and we start the production by the second half of 2016.

India. Again, the turnaround in India, we already, after a long time we hired a new CEO. He joined us last week. We are working on a new strategy for India, which we mentioned earlier. India is the 3rd largest market in the world. We are the only manufacturing, which we have a manufacturing unit in India. For sure, our competitors in India grew more than us, because we restricted ourselves to have one manufacturing capacity in the south and we do not have the right leader in place, where we do believe now that we are preparing the leadership team where our growth in India will happen, we'll start our growth process.

Managing of our expansion. As I mentioned, we recently completed major capacity expansion in Bangladesh, tile and in UAE sanitary ware. Managing this additional capacity and planning for further capacity we mentioned earlier our sanitary ware margin we had that excel but it's still more than 40%. So, we are working on a plan to increase our capacity.

Our China plant fails, which we mentioned that we are still accruing expenses in this facility and China market doesn't look good. So we are still exploring but until now we did not succeed to sell it, but we put all our effort to sell this plant, it will reduce our expenses.

Restructuring our joint ventures. As mentioned we already acquired our distribution joint venture in UK and Germany in the quarter. Our focus now is to turn around and to integrate this unit. We are also pursuing the acquisition of other distribution joint venture like Italy, which we have the logistics center, which covers the whole Europe.

We will continue with non-core disposal. We are expecting to continue our non-core asset disposal in 2016. In the first quarter we can see that we did not have, we did not close any deals, but we have, we are working on more than deals and discussions with several companies. We expect during this year at least to cover or to close 1 deal, I can expect 1 to 3 deals can be closed during this year.

On the inventory management, while we finished the first quarter of 2016 with slightly lower finished goods inventory and slightly better working capital days. We need to better coordinate our production, sales and logistic to optimize our stock level.

During this year we mentioned that there will be opportunistic acquisition. The current economic environment presents us with opportunities which we never had. So as mentioned, we have our focus market, we have our value market and we have our frontier market. We are studying on or we are looking at opportunities in our value market and core market. Core market, which will give us more market share and value market if we can optimize the logistic of and grew, while especially in Europe today the market is growing and we are strengthening and organizing our joined venture. I would like now to turn the call over to the operator and open the line to questions.

Woman/Operator: Thank you. Ladies and gentlemen, we will now start our Q&A session. If you wish to ask a question, please press 0 on your telephone keypad. Thank you for holding. And we have our first question. We have a question from Nora Al Ajeel from Al Ahli Capital. Please, go ahead.

Nora Al Ajeel: Hello, and congratulations on the performance for the first quarter. I have a couple of questions today, say them all together and then you answer them, or say them each by each?

Abdallah Massaad: If you list the questions then we can answer them.

Nora Al Ajeel: Okay. On the Iranian factory, you used to couple China, Sudan and Iran's performance all together. Now, for us to estimate or forecast the impact of Iran, can we know the revenue from Iran itself? What was operated or if you may give us some guidance on the price per square meter in Iran. The accepted size, if you have it. [is asked to repeat the question]. Okay. Can we know how much was the revenue in Iran, when it was operating or if you can give us some guidance on the average price per square meter in Iran, after it started operating in 2017.

PK Chand: When the plant was operating the revenue was around 60 million dirhams. You can carry on with the next question and in time we will find it out.

Nora Al Ajeel: Yes, Sir. My second question is, if you have any tiles capacity additions in the UAE. And the last question would be, on India's operation. When do you expect the full recovery to start?

Abdallah Massaad: The tiles expansion we already fully utilizing our assets in the UAE plants. Regarding India, as we mentioned, we already hired a CEO and we accept, you know, it will take us another two quarters and we can see the growth happening.

Nora Al Ajeel: So, by 2017 would you say?

Abdallah Massaad: Look, let us have, you know, by Q3 of this year or beginning Q1 of 2017 the results should be, the turnaround should be happening…

PK Chand: As far as Iran, historical data is concerned with the plant is fully operating. The revenue at that time was ranging from 100 million to 115 million dirhams.

Nora Al Ajeel: Okay. Thank you very much.

PK Chand: Thank you.

Woman/Operator: Our next question is from Vijay S, from Gulf Baader Capital Markets. Please, go ahead.

Vijay S: Good evening. I have a couple of questions and I just need some details on this [inaudible 00:29:01]. On both the tiles and the sanitary ware segments [inaudible 00:29:07] closing sentence. And my second question is on your [inaudible 00:29:13] cost. Is it likely to continue? And my third question is on the lower [inaudible 00:29:20] prices. Lastly, you showed that on [inaudible 00:29:26] procured at the higher prices and the same has been passed to the consumer and in this year I think you mentioned that the prices have gone down and I just want to know if this is likely to continue? And on the performance rebate, this is because of the volume, or on what basis there has been a decline in performance rebates?

PK Chand: Your first two questions are not clear. Can you repeat them?

Vijay S: Yeah. Is on utilization for both the tiles and the sanitary segment.

PK Chand: About the plant utilization?

Vijay S: Yes, plant utilization.

PK Chand: Yeah, plant utilization is almost 100% at all the plants. But in tiles industry what happens is that it all depends on the product mix. If you make higher priced tiles then the requirement does [inaudible 00:30:30] down. But, otherwise, we have been increasing the price of the tiles, both in UAE, as well as in Bangladesh. Otherwise overall utilization is 100%.

Vijay S: Okay. In terms of the sanitary ware?

PK Chand: In Sanitaryware It depends on the product mix that you are manufacturing. It largely depends on the product mix otherwise, utilization is always between 95% to 100%, you can say. Except in India's plant.

Vijay S: …there has been a decline. Is this likely to continue in the coming quarters or…

PK Chand: Your voice is not clear. Can you repeat that, please?

Vijay S: Yeah, raw material costs in Q1 have declined, as compared to the last year. So, this is likely to continue, or this is likely to remain stable at this level?

PK Chand: We are trying our very best to achieve better efficiencies and that is [inaudible 00:31:43] obviously at the lower procurement cost. [inaudible 00:31:48] of substituting the material without the effecting the quality. So, obviously, [inaudible 00:31:55] but there is a limit by which all these things can be done. So, I will say that there will not be any significant further reduction in the cost of raw materials.

Vijay S: Okay. And, finally, on the performance rebates , this has declined compared to last year. This is the because of the [inaudible 00:32:19] the volumes or the [inaudible 00:32:23]

PK Chand: You see, the performance rebates has gone down AED18 million to AED14.9 million. That is basically because of the consolidation of UK and Germany. That is the main reason why it has gone down.

Vijay S: In Europe you are saying.

PK Chand: Yeah.

Vijay S: Okay. Okay.

Abdallah Massaad: Actually, it's there because earlier we had acquired the joined venture. Before that we had, like, Agents in between. So, at least when we acquired we saved on the [inaudible 00:33:11].

Vijay S: Okay. Okay, thanks a lot.

Woman/Operator: Our next question is from Alia El Mehelmy, from Ci Capital. Please, go ahead.

Alia El Mehelmy: Hi there, thanks for the call. Actually, two questions from me. One, UAE gas prices you mentioned earlier in the call that you continued to see an increase in gas prices in Q1. So, when does the company expect to benefits from the drop in prices globally?

Abdallah Massaad: In fact, earlier if you see that, if we are comparing Q1 2015 with Q1 2016h the price increased, but if we consider the last quarter of 2015, our price is less. In fact, we explained it several times that we buy from RAK Gas which buys their gas from several sources. So, we don't control ourselves but we mentioned earlier that with international prices going down so it is not yet reflected into our prices, but logically it should happen but we cannot give any guidance. We don't have guidance on this as we procure it from RAK Gas.

Alia El Mehelmy: Okay. Perfect, thanks. So, the second question is, you mentioned, you know, your targeting reduction in inventory. Inventory balance, which went up quite a bit in Q1 and I got [inaudible 00:35:06] in India, but can you be a bit more specific with regards to the timeline and maybe the target number of days you have for inventory. Given, you know, Saudis could stay weak and you mentioned earlier that India could take another two quarters before it starts to turnaround.

Abdallah Massaad: You know, if you see with all our peers the inventory level is increasing. If you see us from the last quarter, our inventory levels, especially the finished goods, was slightly lower. You know, it depends on the market, but we're trying our best but as you can see the market, especially in Saudi, is difficult, which is the volume market for us. We are performing better in the high value market, especially in the UAE and Europe, which we're still growing. So, we're still keep monitoring and putting pressure to control our inventory level. But we don't have guidance on anything.

Alia El Mehelmy: Okay. Just a follow-up question on that you previously started looking further on an expansion in the UAE. Is this now unlikely to happen. Given that, you know, Saudi weakness and probably the need to redirect some of those sales elsewhere.

Abdallah Massaad: We mentioned earlier that we want to increase our capacity in sanitary ware and we never said it would happen in tiles in UAE. And, we, in sanitary ware we are still pursuing the option of increasing our capacity.

Alia El Mehelmy: Okay, thank you.

Woman/Operator: Our next question is from Anoop Fernandes, from SICO Bahrain. Please, go ahead.

Anoop Fernandes: Yes, good evening gentlemen and thank for the opportunity. My first question is related to your Europe sales. We've seen a 56% increase in tile revenues from Europe. Was this almost entirely due to, you know, the consolidation of the UK and Germany distribution?

PK Chand: Yes. (Interrupted).

Abdallah Massaad: But, if you allow me here, PK, we, if you go other than the consolidation, our sell out increased by more than 7.5% as a volume in Europe. But from the consolidation it shows that it grew more than 50%.

Anoop Fernandes: Okay. So, if I get this right, I mean, this is the sale from the previous inventory that the distributor had. Is it that? Because, I mean, 56% seems to be quite a big number. If I understand it correctly, it's... initially we used to book a sale to the distributor and now the… so that was basically marked as inventory in the distributor's book. And now the distributor makes a sale from the inventory, so they add up to the sales? How does it work?

PK Chand: Let me explain. When the UK and Germany JVs] were not consolidated, at that time whatever's been used to sell to these [inaudible 00:38:51] to UK and Germany, that [inaudible 00:38:54] to be considered as sales in the books of UAE. Now, once these unites are getting consolidated [inaudible 00:39:00] whatever product has actually been sold by UK and Germany, we say that [inaudible 00:39:07] back in the inventory. Then, apart from that, from the UAE [inaudible 00:39:13] sell to the 3rd party customers in UK and Germany or even in Italy. So that is also considered a sale [inaudible 00:39:22]. So, these are the two basic adjustments.

Anoop Fernandes: Okay, so, is there's [inaudible 00:39:28] double counting of previous sales. I mean, that's not how it is right now.

PK Chand: [inaudible] double counting?

Anoop Fernandes: No. My understanding was that [inaudible 00:39:41] sold to UAE it was in the books, in all the inventory distributed and now that is being accounted for sales. That is not how it is.

PK Chand: Yes, yes. To that extent you are right.

Anoop Fernandes: Okay. My second question is related to Bangladesh. There was an increase in labor cost you mentioned in the presentation. I mean, this is the fixed course related to the sanitary ware expansion. Is that the [inaudible 00:40:09] is coming from or is there an increase in wages, you know, the wage rate in Bangladesh?

PK Chand: [inaudible 00:40:19] in Bangladesh is the wages increased by about 8% to 10%. That is because they are keeping [inaudible 00:40:24] inflation rate and that is generally the trend. But the increase in the labor cost is concerned, that is compensated by the increase in the selling price as well. So, the question here is where the percentage of labor cost to the percentage of the total cost. Will it increase or not, my answer to that will be, it may not significantly increase.

Anoop Fernandes: And so the last question is related to Iran. They are in the process of restarting the capacity, but so are, you know, the other Iranian producers. So, once the sanctions are lifted yourpeers get into the market, how do you see the competitor landscape changing? Within the region, anyone in the export market and in general.

PK Chand: Would you like to answer?

Abdallah Massaad: Look, for sure, you know, the market in Iran before the sanction was the top 5 biggest market in the world. Yet, there is a capacity in which it needs time to pick up, But also, the market is big. For us, it's an opportunity, as you know we are having good brand, you know, perception, in the market, expertise and the right and proper technology available in Iran. For the Iranian market we are only multinational company having the access to technology, design and R&D, which we have it in the group level. And, again, it's supposed to be what we consider an extension to our plant in UAE. In UAE we have available raw material, which is red clay Iran we have the [inaudible 00:42:21]. So, for us, I believe we already mentioned, the Iranian market is good enough to absorb the quantity from Iranian producers.

Anoop Fernandes: Okay, that answers my question. Thank you very much.

Woman/Operator: Our next question is from Nora Al Ajeel, from Al Ahli Capital. Please, go ahead.

Nora Al Ajeel: Hello. I just wanted to know if you think about the percentage increase in prices in Bangladesh?

Philip Habeichi: Sorry, the percentage increase in what in Bangladesh?

Nora Al Ajeel: In prices. You said you [inaudible 00:43:05] your prices in Bangladesh, right?

Philip Habeichi: Yeah. What we're saying, in Bangladesh that basically because we are, you know, we didn't finish the tile expansion until just now. So what you saw in the Q4 in terms of revenue, was driven by prices and not volume. And if I recall correctly, it's about 4%.

Nora Al Ajeel: Okay. Thank you very much.

Woman/Operator: Ladies and gentlemen, as a reminder, if you wish to ask a question please press 0 on your telephone keypad. Thank you for holding until we've got further questions. We have a question from Alok Nowani, from Ghobash Trading & Investment. Please, go ahead.

Alok Nowani: Good evening, gentlemen, and thank you for the call. Just two questions from my side. The first one was on the revenue weakness seen in Saudi. As I recall correctly, the pickup in Saudi revenues happened in the Q2 of 2015. Please correct me if I'm wrong. And accordingly if that's right then the Q1 of 2015 was a lower base. So, hence I'm questioning the decline in revenues, given that your distribution capabilities have been enhanced. And if you would think that this is a good quarterly run rate to go forward. And the second question would be in terms of revenue growth potential for your core segment. What kind of growth would you be targeting and what would be the source and market's driving this growth. Thank you.

Abdallah Massaad: If we look at Saudi during this quarter, for sure the Saudi market is difficult [inaudible 00:45:12]. And you can see it from our [inaudible 00:45:13], which they increased, the revenue declined and the inventory increased. For us, as mentioned earlier, yes, the Saudi is a very important market for us, but we have other markets which are available in 160 countries. So, the focus earlier when the [inaudible 00:45:35] was in Saudi, or the projects [inaudible 00:45:40] was to capitalize on this big project in place. So we can see that the Q1 we diverted our GP capacity, which kept sold in Europe in order to increase our market share and present it there, while our red body tiles in Saudi grew in the Q1. So, we are changing strategy, mixing by giving the other markets to develop a project to [inaudible 00:46:14]. Regarding the core business growth, as mentioned, we are putting all our effort in order to take the right decision maintaining our margin, which our margin, as you see is improving. So, honestly, we don't give it as a guidance.

Alok Nowani: That's not a problem. I appreciate that. But in terms of key markets, which ones are you most hopeful for, for this year?

Abdallah Massaad: Look, the UAE market, if you can see, is a market where it is our home market where it's still growing. We are even increasing our specification team and so on. In Saudi we're not expecting a growth this year in Saudi, but we increased our staff, we are putting pressure in order to increase our market share, which is almost more than 10% in Saudi. Europe, which the Q1 showed a growth besides the other gulf countries and the MENA area, which we are concentrating on. And, finally, if you can see that for sure Bangladesh, India as well as Iran remain focus markets for us during this year.

Alok Nowani: Much appreciated. Thank you.

Woman/Operator: Ladies and gentlemen, if you wish to ask a question please press 0 on your telephone keypad. Thank you for holding until we have a further question. As a reminder, if you wish to ask a question please press 0 on your telephone keypad. Thank you for holding. We have no further questions. Please, speakers, back to you for the conclusion.

Abdallah Massaad: Thank you, thank you very much. Thank you very much, again, for your attention and I will give back to Philip for the closing.

Philip Habeichi: Thanks, everyone, for attending the call. As usual, you can find the Earnings presentation on the website, you know, find the call replay, put the slide deck on the website as well, starting on Sunday. Thanks a lot for your attention everyone.

Woman/Operator: This concludes today's conference call. Thank you, all, for your participation. You may now disconnect.