Lydia: Ladies and gentlemen, welcome to RAK Ceramics third quarter, and nine months 2019, earning call and webcast. I will now hand you over to Mohammed Haidar from Arqaam Capital. Sir, please go ahead.

Mohamad Haidar: Good afternoon ladies and gentlemen, and welcome to the RAK Ceramics third quarter 2019 earnings conference call hosted by Arqaam Capital. This is Mohamad Haidar from Arqaam Capital Research, and I am joined today by Mr. Abdallah Massaad, group CEO and Mr. P.K. Chand, group CFO. Mr. Abdallah over to you.

Mr. Abdallah M: Thank you Mohamad and good evening everyone. I'm Abdallah Massaad, CEO of RAK Ceramics and welcome to RAK Ceramics third quarter and nine months 2019 result conference call and webcast. The present condition in ceramics markets around the world continues to be challenging and the competition is intense due to increasing pricing pressure from the excess capacity available in the market. Taking into consideration the above challenges, we focused on maintaining brand image, differentiating our product portfolio, optimize the production lines, improve efficiencies and margins, leveraging automation and process enhancement, entering new market, reducing costs and managing the working capital.

Mr. Abdallah M: As a result of the above strategy, despite decrease of total revenue in third quarter by 5% year-on-year, we have been able to improve the overall gross profit margin by 120 basis point to 34.5%. And also lower our SG&A by 7.0 million dirhams. Coming to segment performance, our tiles revenue decreased by 7.8% year-on-year to 418 million dirhams due to lower sales in all markets except UAE, Saudi, and Bangladesh markets. Sanitary sales were stable at 126 million dirham, year-on-year driven by Saudi Arabia, Middle East, Europe and Africa market. Our tableware revenue decreased by 4.1% year-on-year to 57 million dirham due to lower sales in Europe and Saudi Arabia. In Europe, the operations were slowed down during August due to shipping of material to our new warehouse built in Luxembourg. The revenue in USA market increased by 36.8% and UAE by 3.4% year-on-year.

Mr. Abdallah M: Revenue from other businesses increased by 13.8% to 34 million dirham driven by ceramics raw material trading and paint business. In UAE market, we continue investing in revamping our own showrooms in Ras Al Khaimah headquarter, our second showroom in Dubai, our new showroom in Fujairah, and we're also opening another showroom in Abu Dhabi, in order to strengthen our retail and brand perception positioning in the UAE market. And we are expecting all these showroom to be ready by end December, 2019.

Mr. Abdallah M: We continue to supply tiles and sanitary ware to premium developers like Emaar, DAMAC, Nshama, through corporate deals. Total revenue in UAE market decrease by 1.4% year-on-year reaching 185 million dirham in the third quarter. Tiles revenue is higher by 2% while sanitary ware revenue is lower by 13%. Revenue from project sales decreased by 2.3%, retail reduced by 2.8% while distributor sales increased by 8.1% year-on-year. We are pleased to mention that initiative taking in Saudi Arabia during last year for rationalization of manpower and warehouse costs have resulted in reduction in overhead, and improve profitability of the Saudi Arabian entities.

Mr. Abdallah M: Brand marketing campaign has been well executed in Saudi Arabia and will continue. A new showroom in Riyadh is scheduled to be open in December, 2019. And we have taken a showroom in Jeddah which will be a flagship showroom, which will be open in first quarter 2020. The revenue is higher by 19.5% year-on-year on the third quarter at 59.5 million dirham. Tiles revenue was higher by 14.4% and sanitary ware revenue was higher by 124%. We are optimistic for the growth in Saudi Arabia to the increasing of construction activities. We are still in discussion regarding new set up manufacturing facilities in Saudi Arabia. In India, capacity utilization in the greenfield project to produce slab reached 65%, and in another Morbi Joint Venture to produce ceramic tiles reached 100%. Both the joint ventures are performing well with positive bottom line.

Mr. Abdallah M: During nine months of 2019, export has contributed 14.2% of the total India revenues compared to 4.2% in last year. Indian operation is close to a turnaround. We are taking further initiatives to improve efficiencies and margins. We have optimized the production and pushing sales by increasing incentive to dealers to reduce inventory levels. Revenue in the third quarter of 2019 is lower by 5.6% year-on-year to 70.2 million dirham. Our priority in India is to ramp up full fledged production of slab and increase exports. Turnaround over all India operation by production cost optimization, strengthening the position by opening company's owned orientation centers, and dealer outlets to win project orders of scale from developers.

Mr. Abdallah M: In Europe, the operational performance continue to improve in third quarter of 2019 with higher gross profit margin. We are taking initiatives to build on the current strength of relationships, and increase the number of customers in central Europe. We are working on common portfolio across Europe focusing to sell high value products like slabs. We have hired a dedicated sales team for tile sales in UK to improve tile sales. Total revenue in local currencies is lower by 3.9%. Sanitary ware revenue in local currency is higher by 18.6% year-on-year, mainly driven by UK market. In Bangladesh, competition is more intense due to increasing pricing pressure from capacity built up in the market.

Mr. Abdallah M: Gas prices have also been increased effective 1st of July, 2019 by 38% for industry, and 44% for captive power. To counter these challenges, we have increased incentive to dealers to push sales, and continue improving operational efficiencies to support maintaining first choice grade production for tiles. We also focus on branding by advertising and promotion across various media channels, launching new products, as well as opening a new showroom, which is scheduled to be in first quarter 2020 in Dhaka. Total revenue in local currency is higher by 4.4% at 215 million dirham year-on-year in the third quarter. Gross profit margin has improved in tiles due to better efficiencies.

Mr. Abdallah M: In Africa revenue in nine months of 2019 have improved by 8.1% year-on-year to 64.5 million dirham. Our tableware business affirms its position in the USA tableware industry as a reliable tableware brand. USA market grew by 36.8% year-on-year in the nine months. Our Luxembourg warehouse has started operations successfully. This will help to streamline logistic operation and improve business in coming months. Revenue in nine months is higher by 1.3% year-on-year to 191.5 million dirham, on constant currency revenue increased by 3.4% driven by growth in USA and UAE market. Our consolidated SG&A costs have also decreased by 15 million year-on-year, and net finance cost increased by 1.9 million dirham despite high currency volatility, and increase in labor rate from 2.05% to 2.56% year-on-year, which impacted negatively by 4.6 million dirham.

Mr. Abdallah M: I will now take you through the main financial highlights for the third quarter of 2019. Total revenue decreased by 5% to 636 million dirham compared to last year, on constant currencies, the total revenue decrease is 3.1%. Total growth profits margin increased by 120 basis points to 34.5% driven by an increase in tiles, gross profit margin by 320 basis points to 31.1% on improved efficiencies. Reported net profit decreased by 3.9% year-on-year to 45.6 million dirham. Net profit margin is stable at 7.2%. Net profit after minority increased by 1.7% year-on-year to 39.1 million dirham with a margin improvement by 40 basis points to 6.1%. Total EBITDA increased by 4.8% to 108.7 million dirham year-on-year with margin increase of 160 basis points to 17.1%. I will now hand over to P.K. Chand our CFO, to brief you on the nine months financial highlights. P.K.

P.K. Chand: Thank you Mr. Abdallah. Good evening everyone and thank you for joining us. Mr. Abdallah has already briefed summarized financial highlights and regional performance for the third quarter of 2019. I will take you through the performance in nine months of 2019, and segmental highlights with details on the revenue, profitability, and the balance sheet items. We will start with slide six. Though our reported total revenue is lower by 6.2% year-on-year to 1.92 billion dirhams compared to nine months of 2018, but based on constant currency of nine months of the last year, revenue decrease is 2.8%. Mr. Abdullah briefed that there is continued competition due to globally excess capacity, and increasing pricing pressure, creating challenging environment and the initiatives we have taken to counter the same.

P.K. Chand: Tiles revenue decreased 9.5% year-on-year to 1.26 billion, mainly due to decrease in revenue from UAE, Middle East, Europe and India markets. Sanitary ware revenue increased by 4.4% year-on-year to 380 million dirham mainly driven by Saudi Arabia, middle East and Europe market. Tableware revenue on reported basis has increased by 1.3% year-on-year, to 191 million dirham. The revenue has increased mainly in UAE, USA, Middle East, and African markets. Revenue from other business decreased by 11.9% year-on-year to 93 million dirhams due to lower sales in our ceramic raw material trading business. Of the total revenue in nine months, tiles contributed 65.4%, sanitary ware 19.8%, tableware 10.0%, and others 4.8%. The total gross profit margin increased by 110 basis points year-on-year to 34.3% in nine months.

P.K. Chand: Tiles margin increased by 200 basis point to 30.4% driven by continued cost reduction and improve operational efficiencies by leveraging automation. Sanitary ware margin is stable at 38.7%, tableware margin decreased by 4.2% to 54.0% due to change in the product mix. The reported net profit decreased to 155.8 million with margin of 8.1% compared to 167.9 million in the last year. The last year net profit included 18.9 million being the gain on sale of contracting assets. This year also, the nine month net profit includes the reversal of 22.1 million of receivables provision, which was created in the second quarter of 2017 as money has been received. Net profit after minority decreased to 129.3 million, with margin of 6.7% compared to 139.3 million dirham in nine months of last year.

P.K. Chand: Like-for-like net profit decreased by 12.9% year-on-year to 139.5 million with margin of 7.3%. Total EBITDA increased by 6.9% to 348.5 million year-on-year with margin increase of 220 basis point to 18.1%. Net debt increased from 1.43 billion in December '18 to 1.47 billion in September '19. However, net debt to EBITDA reduced from 3.23 X in December '18 to 3.16 times in September '19. Now we come to slide seven, which shows the net profit bridge for third quarter and nine months of 2019 result, briefing on operational performance. Net profit from operation in nine months reduced by 15.3 million year-on-year despite higher GP margins, and lower SG&A , mainly due to lower revenue.

P.K. Chand: Details of revenue by segment and end market for the quarter have already been briefed by Mr. Abdallah, so I will skip slide number eight, nine, 10 and go to slide 11 on the gross profit margins. Total gross profit margin in the third quarter increased by 120 basis point to 34.5%. Tiles margin increased by 320 basis point to 31.1%. Sanitary ware margin are stable at 39.2%, tableware margins decreased year-on-year to 52.3% mainly due to the product mix change. Slide 12 shows summarized financial highlights with details of performance on operations. On the cash] front, the capital expenditure in nine months amounted to 143 million compared to 147.5 million in last year. Major spending has been for our joint venture in Morbi for 38,000,000, tableware 21,000,000 for Europe warehouse, and 75,000,000 has been spent for planned upgradation and maintenance in UAE and other plants.

P.K. Chand: Capex for 2019 is expected to be in the range of 175 to 200 million. Now we turn on the operating cycle. As far as quarter on quarter is concerned, there is an increase in inventory days from 256 days to 261 days. While in absolute terms, it increased by 3,000,000 dirhams only. The stock includes materials worth 45 million dirhams for newly launched model for tiles this year. In absolute amount, the trade receivables decreased by 10,000,000 dirhams, while trade receivables days is a stable quarter on quarter at 114 days. Trade payable days decrease from 84 days to 68 days, mainly on account of payments relating to Capex. Increase in overall working days is mainly due to lower last 12 months sales by 4.6% year-on-year. Now I would turn back to Mr. Abdallah for final comments before we answer your questions.

Mr. Abdallah M: Thank you P.K. Looking ahead to last quarter of 2019 we see continued challenging market condition. However, we will remain focused on our key priorities. We're focusing investing more in sales and marketing to support our brand perception. We will continue to maintain our market share in the UAE, in Bangladesh, in Saudi Arabia, India and Europe. We will continue investing in our branding and positioning with focus on media, digital marketing, revamping our showroom, shop-in-shop concept, social media, visual merchandising portal for B2B and B2C market. Brand, seasonal, and campaign and participation in exhibitions to maintain market position. We have launched new sizes in ceramics wall and floor tiles, a new collection in porcelain tiles during CERSAIE Fair in 2019 exhibition at Bologna, Italy in September.

Mr. Abdallah M: Our brand marketing campaign has also well executed in Saudi Arabia, which will continue to support our brand positioning and the opening of the showrooms in Riyadh as well as in Jeddah. In Bangladesh, which is also one of our focus markets, we will continue to focus on improving B2B sales. And as I mentioned also a new showroom is scheduled to be open in Dhaka. As far as performance of India unit is concerned, we anticipate a turnaround on standalone basis supported by the additional sales of slabs, cost efficiencies across all plants. As mentioned, export from India has been satisfactory and we will continue to focus on the same.

Mr. Abdallah M: Our focus on our tableware business, and faucets and tap business will continue as usual. To improve further the overall performance of distribution entities in Europe and Saudi Arabia, we will continue to implement our strategy and we expect to yield positive results. We will continue investing in upgrading our machinery to reduce costs of production, and product differentiation by investing in R&D through collaboration with known design houses, and the introduction of new marketing tools. I would like now to thank you for listening and also for your time. I would like to hand over the call over to the operator and open the line to question. Thank you.

Lydia: Ladies and gentlemen, the Q&A session starts now. If you wish to ask a question, please press zero, one on your telephone keypad. Please be informed that there might be a short silence while questions are being registered. Thank you. The first question comes from [Harmerel Bareek 00:22:38] from NCB capital. Please go ahead.

Harmerel Bareek: Hello guys. Thank you for the call. My first question is, any update on the anti-dumping case?

Mr. Abdallah M: Thank you for your question, is very important these days. Honestly till now, it is not yet implemented. We are hearing a lot and if you see in the media, there is a case and for sure something is going to happen but till now as implementation, it is not yet implemented on the ground. But for sure if it is implemented, it will give a boost and it will benefit the whole GCC factories including RAK Ceramics, which you know as our capacity and positioning also this is important.

Harmerel Bareek: Then you'll see that have been released, is not officially yet.

Mr. Abdallah M: It is not yet implemented. It is there where I believe there's appealing also in process. Today if you import materials, you don't pay the taxes which was released to reach 106%, depends on the factories. And if it is from China or India, it is there, but it is not yet implemented.

Harmerel Bareek: Did you confirm that there is a duty of 42% on the Indian products or not?

Mr. Abdallah M: As I told you, we are aware. This case is there or started almost a year back. I believe now they reached to segregate the factories and ... But as I told you and also some measurements started. But today in the custom, if somebody's importing is not yet implemented the taxes which is there.

Harmerel Bareek: How do you see them backed on the Saudi market and UAE market?

Mr. Abdallah M: Look, I told you if there's ... Look as a RAK Ceramics we worked on differentiating our ourselves and because of our service, our product, our quality, we're able to sustain. And if you see from our results, at least we're still maintaining our margin. Yes, we lost volume. No doubt, when the anti-dumping happen, it will impact positively the whole factories in the GCC because the volume in-flow will review that the whole company can have a better revenue achievement. This is for sure in Saudi, in UAE, in Oman. In all the GCC, this will have a positive impact.

Harmerel Bareek: In volume and on the price as a whole, right?

Mr. Abdallah M: It should be on both sides.

Harmerel Bareek: Okay. By how much? Do you have an estimation?

Mr. Abdallah M: There's no quantification. It depends the market, if the demands and supplies. How many square meters is available in the markets? Which segments? There's no quantification of this. It could be on the lower commodity products, you can quantify it, but it is too early to decide. It's a matter of demand and supply.

Harmerel Bareek: What was that current market price of the tiles in Saudi markets? Is it going up or going down currently?

Mr. Abdallah M: [inaudible 00:26:48] were unfortunately or fortunately. We were lucky that we developed tiles in a big time. Tiles, at least for us it's not any more a commodity. You have 50 sizes which we produce and multiple finishes. You can find tiles in the market from a 10 dirham to 200 dirham. There is no ... It depends on the segment and which products. Some of our products of the 20 to 40 is sold at more than 100 dirham.

Harmerel Bareek: On average, can we assume the trend is-

Mr. Abdallah M: [inaudible 00:27:30].

Harmerel Bareek: ... about [inaudible 00:27:31]-

Mr. Abdallah M: Every factory has his own average.

Harmerel Bareek: Okay, thank you.

Mr. Abdallah M: Okay, thank you. Our average is 24 dirham, [inaudible 00:27:41], this I can tell you.

Harmerel Bareek: And last year is how much?

Mr. Abdallah M: It was at the same level.

Harmerel Bareek: Okay. Thank you.

Lydia: Thank you. The next question comes from Anu Fernandez from SICO please go ahead.

Anu Fernandez: Hi. Good afternoon and thanks for hosting this. My first question is on the SG&A, there's a decent decline in this year, what's been happening there and how much of this is sustainable? The second question is on your Saudi project. Is there anything that you could share on your funding strategy for this? And lastly, specifically from UAE demand point of view going into 2020, what are the challenges you're seeing for the industry? And amid these challenges, do you see any opportunities for RAK Ceramics? Thank you.

Mr. Abdallah M: Thank you for your question. SG&A we can say that on many fronts. It is on a staff cost, on automation, which we implemented on the saved channel, which we implemented. It is a combined effort. If you want detail for you, P.K. can even highlight on this point. And especially on what we said on combining our Saudi entities, which we had mentioned earlier that we had two joint ventures. We acquired both of them and we merged them. We had the paving on this aspect. In the Saudi expansion honestly, we applied for our license, which is still pending. We did not yet got allocation. We're still in discussion, but till now there's no development to update.

Mr. Abdallah M: In regard of UAE construction market, we hope things change, but we see that there's a decline and will be decline in the construction activities. And as a company, we hope that 2020 will be good and we'll see the results. Meanwhile, as a strategy, we are opening ... If you see in our speech that we are revamping our showrooms, we are opening new showrooms. We are entering new segments where our dealers and retail say it's picking up. And we are hopeful that we're gaining more market share. If you see that even this year there's a decline in our sales in UAE, but our decline is less than 5%. We hope that things change with the Expo 2020.

Anu Fernandez: Just a follow up, India exports ... You mentioned that there's a big increase there. Could you please highlight which markets are you exporting to?

Mr. Abdallah M: Look, as we mentioned earlier, our strategy to go into the joint venture in Morbi, that from Morbi, we can export. And from there we put the latest technology to produce some slabs and with our vision to also have another base for export. As you know that before the whole export was coming out of UAE and we wanted as a group to have two basis for export, and mainly some markets like the UAE, markets like Europe, markets like South America and Asia. These are the markets where we are exporting to.

Anu Fernandez: Okay. Thank you very much.

Mr. Abdallah M: Thank you.

Lydia: Thank you. Ladies and gentlemen, just a reminder, in order to ask a question, please press zero, one on your telephone keypad. The next question comes from Sameer [inaudible 00:32:38] from EFGMS, please go ahead.

Sameer: Hey. Thanks Abdallah and Chand for this call. I have a question on your Europe market. Despite lots of investment recently in setting up warehouses and stuff, your nine month [inaudible 00:33:00] says it still down more than 15%. What are the challenges you face in those markets and when can we expect a turn around, although I agree that your sanitary ware has gone up significantly. And my second question is on the Indian production. With the ban off called the occupiers and a subsequent price increase six months back, have you seen any shift in the demand to organized sector from unorganized sector? That's it.

Mr. Abdallah M: Sameer, thank you also for your question. If you see as a company, we shifted our focus from a volume to margin. Because we do believe that the whole demand supply, except supply in tiles in all market, it is significant. And to sell, it is either you reduce your prices or you differentiate yourself. Also Europe is the base of manufacturing. And to produce in UAE follows sell to Europe, and you sell only volume. This not going to happen. And if you see how we sustain our margin and even improve this in the GCC, while others have taken different strategies. And you see that year-on-year we have a slight or same of sales or slight decline, but our margin is improving. It is the same in Europe. We are changing our strategy to market a differentiated product where we can get better margin.

Mr. Abdallah M: Sanitary ware it is easier because our biggest two markets in sanitary ware is in the UK, where today barely there is anyone who produces them and we have a good position and the good quality. And Italy, in the top three, we are the third largest supplier of sanitary where in Italy and we are able with the new development which we've done already in the sanitary ware to have more demand and tiles will follow. But what's in the good and what is good is the improvement in margin, which we're focusing rather than the increase in top line. This is in Europe, I hope I answered it. The whole India market this year, internally it's tough.

Mr. Abdallah M: And if you see the biggest companies where they were growing double digit, they're only barely at the same level. Yes, there's a nudge and advantage to the organized player, but unfortunately its coming was a bit crisis and the real estate sector still in India. But we are going also the right direction as we see that we transform part of it to be export. And we are also investing in our branding and distribution, and our B2B sales where for sure it will pay back.

Sameer: Oh, okay. Thanks for that Abdallah. I have one more question on your Bangladesh operation. Since you mentioned that the natural gas price have already increased by 40%, did you get any chance to pass on this additional cost to your customers?

Mr. Abdallah M: Look, also Sameer, we have 20 factories in Bangladesh now and we are toward increasing, we started increasing, but it is gradually increasing. Meanwhile, we always as mentioned, we differentiate ourselves from a product and different products. You can launch it at a higher price. We will ... Of the [inaudible 00:37:32] not all the increase has been transferred to the end user. But it will happen in due time.

Sameer: Okay. Thanks a lot Abdallah.

Mr. Abdallah M: Thank you Sameer.

Lydia: Thank you. Ladies and gentlemen, just a reminder, in order to ask a question, please press zero, one on your telephone keypad. Thank you. The next question comes from Eshendra Perera from FALCOM Financial Services. Please go ahead.

Eshendra Perera: Yes, thank you so much for organizing the call. My question is, we took out the anti-dumping. I want to get some more clarification because you're saying that currently ... Is it just a rumor that these numbers like 40 to hundred percent tax rate, is it just a rumor, or actually, it was approved and not implemented? Currently, what is the exact stand? And based on your feedback, you were saying that some people are appealing for this rule as well. It was not exactly clear [inaudible 00:38:53]. Is it just a rumor, or there is some thing that has been approved at this stage?

Mr. Abdallah M: Oh no, it's not a rumor. Don't take me wrong. I said there's a case which was there since one year almost. And there's already, what we call it at somethings where it came, it is there maybe at any time it can be implemented. What I'm telling that, till then it is not yet implemented. [crosstalk 00:39:31]. This is not a rumor, so there's a finding report on anti-dumping investigation. It is there and the governments at any point of time they can implement, but till now it is not yet implemented on the ground.

Eshendra Perera: Right. But this tax rate of like 26 for China, then 40 to 106% on India from the year. Is it coming? Is it also mentioned on the [crosstalk 00:40:09]-

Mr. Abdallah M: It is coming from very poor is published. I cannot say it is not a rumor, it is a fact. But this fact, it is not yet implemented on the custom side. We don't know. Maybe tomorrow morning it will be implemented but till now it is not yet implemented. Don't take me ... I'm telling you it's a rumor. It is something written reports but the report has been published and if you see it depends. In some Indian factory it goes from almost 17.7% to 106%. Some companies where their finding is more dumping, it is 106, some Chinese coming from 23.5 to 76. It's not a rumor it's a report. It is a fact but not yet implemented.

Eshendra Perera: Right. There's a report. That is clear for me. That report, anything's approved and it will be implemented at the same time. Or you're saying currently there's a report because approved as well, but it's not implemented. Currently there's a report for sure. Someone has come up with the report on anti-dumping. Is it approved as well or it's not approved?

Mr. Abdallah M: It is a report, but it is appealable report. Based on this maybe some appeal is biased and then there will be some decisions which will get implemented.

Eshendra Perera: There's no decision still made on this report?

Mr. Abdallah M: Yes.

Eshendra Perera: Okay. Okay. And how did they come up with this 40% or 100%? How was this tax rate calculated based on ... What were the guidelines? Do you have any idea?

Mr. Abdallah M: Look, if it's anti-dumping case, honestly, we don't know the detail, we are like you. We are asking the authorities. The question came, it is not yet in the implementation. As I said, there's a report, there's an investigation, it depends on the prices of material imported based on from where the investigation came. It's a full report where you have 60 or 70 pages there and from there, there's a finding. Honestly we will be waiting till it will be implemented, but this is the case.

Eshendra Perera: Right. Then do you think like for RAK Ceramic given that GCC is imposing taxes, maybe you might have some issues in foreign countries, maybe they might also not like ... Because they can't export it. There might be some restrictions on your side as well when you're doing business in those countries.

Mr. Abdallah M: We were not initiating. As I said, we are a company with ... I don't know if anything happens we will see it, but we cannot predict or prevent. But in all cases our export to India is very, very, very, very minimal. We have our facilities there. As RAK Ceramics, we have a facility in India and we have facility here. In all cases we'll see, but we do not perceive any issues or any problems, especially that our export from UAE to India, or to China, or to Spain, very negligible.

Eshendra Perera: Okay. Okay, right. Thank you so much gentlemen. That's it from me.

Mr. Abdallah M: Welcome.

Lydia: Thank you. The next question comes from, Anu Fernandez from SICO. Please go ahead.

Anu Fernandez: Hi. Just to follow up on this anti-dumping, from what I understand, is it the company specific? For certain companies the 40% for those who didn't submit their samples is 100. Where does the RAK's India operations standard in this? Is there a possibility that the India operations will be exempted from duty or will there be a minimum duty of 40% for anyone who exports out of India? To understand, is there's an opportunity for you guys from the India operations?

Mr. Abdallah M: Honestly, we were not participating from both sides. I don't know where we are falling. But in all cases it does not matter for us because we're producing anyways. Honestly, any implementation between India and UAE or the GCC, it will not have an impact on us because in India we have our manufacturing unit, and in the GCC we have our manufacturing unit. From both sides, it will be beneficial for us.

Anu Fernandez: No, but also the GCC is still a huge market, it's still under suppliers. If most Indian exporters tax is being levied on them, and if your company is exempt from it, it's still an opportunity. But is that the case-

Mr. Abdallah M: I agree with you-

Anu Fernandez: ... just a question.

Mr. Abdallah M: ... I agree with you but we have our facility here, so we can supply from our facility. Honestly, we don't have much detail because if we have detail ... The ant-dumping case, we read about but till now it is a lot in the news, but on the implementation side, honestly it is not yet implemented or we don't have the clarity on how, which where, but for us we take it that it's an opportunity if it comes.

Anu Fernandez: Okay. Thank you. Thank you very much.

Mr. Abdallah M: Welcome Anu.

Lydia: Thank you. The next question comes from Mohammad Al Harami from FALCOM Financial Services. Please go ahead.

Mohammad A H: Yes. Thank you for arranging the calls. Just I would like to ask about the growth in total revenue in Saudi Arabia. Could you explain the elements behind the growth year-over-year.

Mr. Abdallah M: Thank you, Mohammad for your question. We mentioned already that in Saudi we changed our strategy and we had the two joint ventures and distributors. We bought the joint ventures and we opened our own showrooms or our own entity. And in Saudi we identify some sizes in certain segments where it is not supplied by local manufacturer. And with the technology and differentiation factor, we have it as RAK Ceramics.

Mr. Abdallah M: We were able to have our own segment where we are able to sell and to grow our sale far away from the competition of the commodity in the market. We have our one showroom opened in Al-kharj. Another showroom in Takhassussi will open. We have our own showroom in Jeddah, which we started working on. We have our dealer network around the kingdom, and we have the shop-in-shop concept and our specification and project team in place. With all the effort, we are able to increase our sales in Saudi.

Mohammad A H: If you can [inaudible 00:48:27] growth, how much could you attribute to the increase in the average price, or is it mainly due to volume increase?

Mr. Abdallah M: It is increased in both in volume, as well as in prices, but mainly in prices.

Mohammad A H: Why did you increase the prices?

Mr. Abdallah M: Different products. We launched different sizes, which local factories they're are not supplying. We were able to have some unique product which we were able with the marketing effort and our sales effort to create demand on a product which we have less competition.

Mohammad A H: Internally, you mentioned that there's growth in the construction activities. Do you mean the housing segments or the mega projects?

Mr. Abdallah M: Look, we can see a lot of increase in demand from our distributors. Mainly distributor who sells to end users where we can say there's a growth in South of kingdom. We have seen growth in majority of the places in kingdom. In the mega projects, there are a lot specially in the housing projects. But this we will see because this follows a low price, or a competitive price where we are following, we are taking some of these projects but with the differentiation. But we're growing into the private sector, the main.

Mohammad A H: Is there a difficulty when you compete for government projects, or is it like a huge competition from local suppliers?

Mr. Abdallah M: Look, whatever is ... If we say on the basic product or in a commodity, it will be difficult for us if it is a commodity, because we pay a higher gas prices or energy prices, plus we pay transportation costs. Our ability to compete on the commodity product is there, but it is difficult. Why? We have a good chance and a good potential where there's a higher level, or residential, or a project, for not a low standing for a high standing where our product and the brand and reliability come in play.

Mohammad A H: In Saudi Arabia they did Saudization of tiles shops, and et cetera. Do you see consolidation in the market and you are gaining a market share?

Mr. Abdallah M: Sorry, can you repeat the question?

Mohammad A H: Yeah. In Saudi Arabia they implemented Saudization of tiles shops. And-

Mr. Abdallah M: [inaudible 00:52:01].

Mohammad A H: ... I was wondering how is this impacting the market share? Do you see a consolidation in the market?

Mr. Abdallah M: [inaudible 00:52:12], you're telling me Saudization in the shop means employing Saudis in the retail shop?

Mohammad A H: Yeah. Yeah.

Mr. Abdallah M: It goes that we have also in our showroom Saudis working and in an efficient way, and we don't have any problem there.

Mohammad A H: No, no. I mean, do you see consolidation in the market like some shops they're closing and you're gaining market share from this?

Mr. Abdallah M: Look, some clients as you said, some shifting. We sell not only in our showroom, we sell to dealers. Yes, we can see some dealers who were big, now they are downsizing and you see some dealers where they are growing specially the Saudi clients. Yes, we see this shift but this is something where it is noticeable. Yes.

Mohammad A H: Okay, okay. There's societal standards implemented I think from September, 2019. Does this have an impact in the market in Saudi Arabia?

Mr. Abdallah M: Yes, it has an impact for sure, because this is where the more impact is coming because not all the factory are able to get the SASO Certificate and this cannibalizing the import, as you said, till now, the anti-dumping duty is not implemented, but the SASO certification which is not there. This is the main drivers for local factories now.

Mohammad A H: Okay. Okay. Okay. Thank you very much.

Mr. Abdallah M: Thank you.

Lydia: Thank you. Ladies and gentlemen, there are no further questions. I will now give back the floor to Mr Mohammad Haidar. Thank you.

Mohamad Haidar: Thank you, Lydia. Thank you everyone for joining the call. Thank you Mr. Abdallah and P.K. Chand, and looking forward to speak soon next quarter. Thank you.

Mr. Abdallah M: Thanks to everyone. Thank you, Mohammad.

P.K. Chand: Thank you.