**Mohamad Haidar** Hello, everyone, and welcome to the RAK Ceramics’ third quarter 2022 earnings call and webcast. This is Mohamad Haidar from Arqaam Capital. And from RAK Ceramics, we are joined by Mr Abdallah Massaad, the group’s CEO, and Mr PK Chand, the group’s CFO, and Ms Nadine Nasr, Investor Relations Manager. Over to you, Abdallah.

**Abdallah Massaad.** Thank you, Mohamad. And good afternoon, everyone. Thank you for joining us today, and welcome to RAK Ceramics’ third quarter and first nine months of 2022 earnings conference call and webcast. We are pleased to announce that RAK Ceramics posted solid performance building on achieved operational capabilities to-date, as we navigate through current macroeconomic headwinds. The Company was able to grow and post top-line of AED 906 million for Q3 2022 and AED 2.62 billion for the first nine-month of 2022.

Performance remained strong and were translated into reported net profit of AED 90 million and AED262 million, respectively, despite current market dynamics. Today, we see the persistent challenges affecting several markets, industries not to mention ceramic players. Energy crisis has been felt worldwide, be it in form of price increases or availability; inflationary pressures remain high, stimulated even further given high cost of production; and finally, we see today materialized slowdown in terms of global economic growth, causing as such several Central Banks to tighten their monetary policies. Consequently, a global drop in consumer demand has been felt, reflecting in terms of freight rate decrease and commodity price stabilization.

To our advantage, our significant operating presence remains in emerging markets, specifically markets with strong fundamentals such as the UAE; this has shielded our growth and allowed us to remain resilient to macro-economic conditions faced. Today’s regional environment fuels further competition amongst players, however we remain confident in our position leveraging on our brand positioning, differentiated products and complete offering.

This quarter, our initiatives were aimed to strengthen our foundation, to allow for further growth, support our strategic direction and build shareholder value. We focused on strengthening our brand positioning by launching new product ranges, by participating in international exhibitions such as Salone del Mobile and Cersaie, and by increasing our distribution network. Operationally, we remained determined on optimizing productivity and increasing efficiency, along with advancing on enhancement and expansionary projects across all core businesses. Sustainability and digital transformation remained at the core of our investments, as we continue to see the fruits of such adoption on our product, both in terms of end-product quality and sales, not to mention our operations.

Advancements strategically for Q3 2022 include allotted Yanbu land for KSA expansion, further 4% minority stake acquisition in RAK Porcelain and acquisition of land in Bangladesh for the approved greenfield project. Finally, RAK Ceramics executed contract for sale of land in Australia in Q3 2022.

Moving on to a more deeper view of our Q3 2022 business highlights, the UAE market recorded robust performance supported by growing local real estate market and solid brand positioning. We have completed in this quarter several showroom refurbishment projects across flagship and traders showroom; additionally, we saw in this quarter a pick-up in E-commerce sales as we continue to invest in expanding such channel.

RAK Ceramics’ performance in Saudi Arabia remained rigid despite slowdown in top-line growth quarter on quarter given increased competition in the wholesale division. Company continues to focus on strengthening its position in Projects and Retail as Saudi Arabia’s real estate market outlook remains optimistic following current strong economic growth.

In India, the Company saw the impact of macro-economic conditions on top-line growth, however performance remained strong as we continue to expand our sales footprint and improve productivity and efficiency to sustain current energy price increases.

Bangladesh’s devaluating currency has hindered growth potential, recording an almost stagnant top-line and affecting performance despite better brand visibility, increase in prices and product mix shift. Most recently, effective September, we have seen a disruption in gas supply, which will further influence performance going forward.

In European Markets, currency devaluation impacted revenue and reflected a YoY decline, whereas revenue in local currency increased. Despite the applied price increases and the supply chain easing seen in terms of lower - yet still higher than average – freight rates, currency devaluation impact persisted on performance.

Tableware business recorded a strong performance, supported by post-pandemic recovery, increase in demand, and product offering expansion. We are continuing our project of increasing our capacity. Finally, faucet’s performance saw an impact given market turmoil and geopolitical instability, especially the Eastern European region. Integration, effective the 1st of June 2022, is currently being finalized internally and we expect the impact to be materialized in upcoming quarters.

In terms of strategic milestones, we have announced earlier this quarter the signing of a Conditional Investment Agreement with the Royal Commission of Jubail & Yanbu, stipulating the allocation of a land in Yanbu to RAK Ceramics.

We were also successful in acquiring further 4% stake in RAK Porcelain, raising our ownership position up to 91% as of 30 September 2022.

In Q3 2022, we realized advancements on several expansionary fronts including capacity addition plans and Greenfield projects. In the UAE, we are working on enhancement and additions to our Tiles, Sanitaryware and Tableware divisions; we estimate to launch commercial production, post completion of such projects, in 2023. In Bangladesh, we finalized acquisition of land for the set-up of recently approved greenfield project.

We executed a contract for the sale of land held in Australia for a consideration of AUD 28 million, which is equivalent to almost AED 65 million, recording a net gain of AED 18.5 million after tax, in the third quarter 2022.

In terms of challenges, and as mentioned, macro-economic conditions remain unstable, adding increasing pressure, as we go, on operations and performance not to mention restricting top-line growth in some markets. Be it rising inflation, energy crisis, economic slowdown or trade challenges including higher than average freight rates, we see global manufacturing players jointly facing such challenges, realizing substantial losses in some instances and halting operations in others.

That being said, RAK Ceramics was capable to withstand current market dynamics and continued recording growth in top-line and increase in profitability. We continue to leverage on our wide footprint, both in terms of production and in terms of sales, increasing efforts in key focus areas that are outperforming the market accordingly. It is truly our diversification strategy and our strong brand equity that allowed us to sustain current market dynamics. We remain committed in working toward mitigating any rising risk and towards identifying collective actions to be taken to avoid any disruption and in order to maintain our position as a reliable ceramic solution provider while the future remains uncertain and instable. I will now hand over to PK Chand, our CFO. Please, PK.

**P K Chand** Thank you, Abdallah. Good evening, everyone, and thank you for joining us. Abdallah has already briefed summarized operational highlights, Key Market and strategy update for the third quarter of 2022. I will take you through the financial highlights with details on revenue, Gross profit margin and the Balance sheet.

We will start from slide 12. RAK Ceramics achieved a solid performance in the third quarter of 2022 supported by strong operational capabilities despite navigating through challenging macro-economic conditions.

Total revenue in the third quarter of 2022 increased by 32.4% year on year to AED 906 million. KLUDI Group consolidation, added AED 112 million in the quarter. On like for like basis, revenue increase is 16.1% year on year. In 9 months of 2022 revenue increase is 24.1% year on year at AED 2.62 billion. KLUDI Group consolidation effective June 2022, added AED 162 million to revenue. On like for like basis revenue increase is 16.4% year on year. On Constant currency of last year, the third quarter and 9 months revenue increased by 39.9% and 28.5% respectively year on year.

Tiles revenue is higher by 12.2% year on year at AED 527 million in the third quarter of 2022 driven by mainly increase in selling price to partially offset increase in production costs. In 9 month of 2022 tiles revenue is higher by 12.0% year on year at AED 1.63 billion.

Sanitaryware revenue is lower by 2.7% year on year at AED 127 million in the third quarter of 2022 mainly due to currency devaluation of pound and Euro. In 9 months of 2022 revenue is higher by 6.1% year on year at AED 428 million.

In Tableware, revenue increased by 33.5% year on year at AED 90 million in the third quarter of 2022 and in 9 months of 2022, revenue increased by 55.2% year on year at AED 255 million due to post-pandemic rebound and introduction of differentiated products.

Faucets revenue is AED 180 million in 9 months of 2022, out of which AED 162 million is on account of KLUDI Group consolidation effective 1st June 2022. Revenue from other units increased by 64.9% year on year in 9 months of 2022 to AED 114 million mainly driven by increase in our Ceramic raw material trading business.

Now let me go through slides 15 onwards covering the end market performance in third quarter and 9 months of 2022 for the tiles and sanitaryware segments. In UAE market, revenue in the third quarter of 2022 increased by 28.2% year on year at AED 160 million and in 9 months it increased by 15.8% to AED 476 million supported by wholesale and retail business.

In Saudi Arabia, revenue in third quarter of 2022 increased by 15.1% year on year at AED 145 million mainly driven by project and retail business. In 9 months of 2022, revenue increased by 4.0% at AED 452 million. Wholesale business got impacted by 20.4% year on year on account of implementation of 12% custom duty effective 1st July 2021.

In India, macroeconomic conditions weighed in on third quarter of 2022 resulting in drop in revenue by 14.4% year on year at AED 89 million. In local currency the revenue decrease is 7.6%. However, in 9 months of 2022 revenue increased by 10% year on year at AED 299 million supported by increase in dealer’s network and price adjustments to offset the increased inputs and energy costs. In local currency, revenue increase is 16.0% year on year.

In Europe, revenue in the third quarter of 2022 decreased by 1.3% year on year at AED 97 million, however in local currency revenue has increased by 12.6%. In 9 months of 2022, revenue increase is 3.1% year on year at AED 323 million. In local currency, revenue growth is 9.4%.

In Bangladesh market revenue in the third quarter of 2022 increased by 4.4% at AED 71 million and in 9 Months it increased by 10.0% at AED 231 million due to better brand visibility, increase in prices and product mix shift. In local currency, revenue increased by 19.6% in the third quarter and 17.4% in 9 months of this year.

In Middle East, excluding UAE and KSA, revenue continued to grow by 19.3% year on year in third quarter of 2022 at AED 44 million and 33.1% year on year at AED 120 million in 9 months of 2022 mainly due to brand exposure and expanding the distribution network.

Now I will turn to slide 17. Total gross profit margin is 35.0%, in the third quarter of 2022 recording a decrease of 320bps versus last year. The margin is at 36.8% in 9 months of 2022 recording a decrease of 30bps compared to same period in last year. The margins decreased following further costs associated with Saudi Custom Duty, higher input and energy costs and Kludi Group consolidation. Excluding Kludi Group consolidation the Gross profit margin works out to 36.7% in third quarter and 37.7% for 9 Months of 2022.

Tiles margin in the third quarter of 2022 decreased by 90 bps year on year to 37.3% and remained stable at 37.7% in 9 months.

Sanitaryware margin decreased by 310 bps year on year to 32.8% in the third quarter of 2022 and by 600bps in 9 months at 35.6% due to higher input and energy costs.

Tableware margin increased by 4.3% year on year to 48.9% in the third quarter of 2022 and 10.9% at 49.6% in 9 months following top-line rebound and increased productivity.

KLUDI Group consolidation has been effective 1st of June 2022 and the margin stood at 23.4% in the third quarter of 2022 and 24.4% in 9 months .

Reported net profit is AED 90.1 million in the third quarter of 2022 compared to 63.4 million in last year. During this quarter, there is a net one-off gain of AED 18.5 million after tax towards sale of land in Australia. In 9 months net profit is AED 262.1 million compared to 221.0 million in last year. Net profit margin is 9.9% for the third quarter and 10.0% in 9 months 2022.

Like for Like Net profit i.e. excluding one off gains is higher at AED 75.7 million in the third quarter of 2022 compared to 64.8m in last year. In 9 months the profit is higher at 249.1m compared to 201.2 million in last year. Margin remained stable at 9.5% year on year.

EBITDA is at AED 145.8 million in the third quarter of 2022 compared to AED 123.2 million in last year. EBITDA for 9 months is AED 439.7 million compared to 379.2 million in last year. However, margin is lower by 120 bps year on year at 16.8% due to higher freight costs.

Overall working capital cycle decreased from 155 days on 30th June to 149 days on 30th Sep 2022. In absolute terms, working capital decreased by AED 25 million QoQ to AED 1.43 billion on 30th September 2022, mainly due to reduction in trade receivables.

Inventory days reduced from 205 days to 201 days QoQ. Trade receivable days decreased from 91 days to 85 days QoQ. Trade payable decreased from 67 days to 63 days QoQ.

Net debt increased QoQ by AED 89 million to AED 1.41 billion on 30th September 22 due to payment of interim dividend of AED 99.4 million and AED 22 million towards 4% minority stake acquisition in RAK Porcelain. Net Debt to EBITDA increased from 2.37 times on 30th June 2022 to 2.48 times on 30th September 2022.

We were also successful in maintaining an adequate liquidity position during third quarter of 2022, in spite of consolidation activities enabling Company to comfortably meet pay-out commitments.

Capital expenditure for 9 months of 2022 was AED 144 million out of which ~ AED 79 million are for expansion capex in UAE and Bangladesh and 65 million for maintenance capex. We maintain our estimate for capital expenditure during 2022 around AED250 million.

The slide 21 shows the share price movement during last 12 months. The shares are currency trading at P/E multiple of 11.3 times on LTM basis.

Now I would like to turn back to Abdallah for final comments on 2022 priorities before we answer your questions .

**Abdallah Massaad** Thank you, P K. Finally, and to reiterate our priorities previously set for this year, we continue focusing on protecting and growing our market share, expanding our production capabilities and differentiating our brand with the use of technology and in terms of offering while operating efficiently and sustainably.

We strongly believe that our continuous efforts and our proactive risk mitigating approach has solidified our position today. We remain committed to being a reliable ceramic solution provider internationally, and we leverage on our strong operational presence in emerging markets, especially in the UAE, to support our vision and to allow us to withstand disruption in activity midst current market conditions.

We continue to look forward to the future with a cautiously optimistic eye, as we constantly aim to explore further untapped potential through organic and inorganic opportunities. Despite today’s ongoing challenges, we see solid market fundamentals and trade easing in key focus markets, especially in export markets following freight rate drops, hinting to potential upside in the future and allowing the Company to materialize truly the post-pandemic pick-up previously hammered by supply chain disruption. As such, we remain at the forefront, highlighting our brand competitiveness supported by a complete product offering, innovative capabilities and a strong financial position. Thank you for your time. Now I would like to hand over the call to the operator and open the line to questions.

**Operator** Thank you. If you would like to ask a question today, please press star followed by one on your telephone keypads. If you have joined online, please use the questions tab above the slides. If you choose to withdraw your question, please press star followed by two. When preparing to ask your question, please ensure your phone is unmuted locally. And our first question today goes to Anoop Fernandes of SICO. Anoop, please go ahead. Your line is open.

**Anoop Fernandes** Yes, good afternoon, gentlemen. And congrats on another great quarter. I have four questions. The first is on your other income. The notes say that there is about AED 42 million of proceeds from property sales, so I understand AED 18.5 million is related to the gains from the sale of land in Australia. Could you please tell us where the rest comes from?

The second question is on… You’ve mentioned that prices and the gas price in Bangladesh is up. How much are you paying for gas currently? And just while we’re on gas, you mentioned the allocation of gas in your Saudi project. Is this methane, or is it LPG? And the last question is on raw material prices. Considering that a lot of your raw material is imported from Europe, and given the fall in the euro, and also closure of plants in Italy and those places because of the energy crisis, are you seeing any drop in the price of raw materials? Thank you.

**P K Chand** As far as other income is concerned, this AED 42.23 is before tax. What we said was, this AED 18.5 million gain on sale of the property in Australia is net of tax. So, because the tax element comes after the other income, therefore this is before tax.

**Anoop Fernandes** Okay, that is why there is a AED 30 million tax. It’s higher than usual there.

**P K Chand** Correct.

**Anoop Fernandes** Okay, understood. Understood, yes.

**Abdallah Massaad** The gas prices in Bangladesh today is still the cheapest if we consider it within the whole group. It’s approximately $3.5. But as we mentioned, we are facing now an interruption in the gas supply, whereas we receive 50% of our capacity, and this is not on a consistent basis. But during the beginning of this week, we saw an announcement from the Prime Minister’s Office, that they will allow now to import the gas and sell it at a higher price to industry. So, this is for that part.

In terms of the allocation of gas, we in Saudi, we use actually natural gas, so the allocation is on what we are now getting initially on gas, and that’s why in the land which we took, to get the gas connected, it is on the first quarter of 2025.

In regard to the raw material, and I mentioned it in my opening, that we see the opportunity in front of us, previously the supply chain disruption led to an unprecedented increase in freight, which really increased the cost of operation; now we see that this freight is dropping. We are not yet at the pre-COVID average, but at least we are at 50% from the peak, and this will allow the cost to reduce as well as support also the increase of the export, increase our competitiveness in export.

And for the euro, RAK Ceramics, somehow, we say we have a natural hedging, because we buy raw materials from Europe, but we sell also to Europe in euros. I hope we answered your questions.

**Anoop Fernandes** Yes, but your imports of, for example, sanitaryware, you mentioned that the cost of imported raw material has gone up. So, I’m assuming that what you produce from UAE feeds into all of the markets, not just Europe. I understand that in Europe your exposure is hedged, but in the other markets, are you seeing a tangible benefit from this drop in raw material prices? Or is there a drop in the first place?

**P K Chand** There is not a natural hedge, fully. As far as euro is concerned, we hedge also. So, we do the currency hedging also, and what we ensure is that whatever is our exposure from the sale side, either it is through the natural hedge, or we do the hedging through manually. That means through banks we keep on hedging, from time to time.

**Abdallah Massaad** And regarding the raw materials that you are asking, yes, we started seeing benefit, as we said, in the reduction from the lower demand worldwide. The prices started to drop.

**Anoop Fernandes** Okay, thank you very much.

**Abdallah Massaad** Thanks you Anoop.

**Operator** Thank you. And as a reminder, if you would like to ask a question, please press star followed by one on your telephone keypads. If you have joined online, please use the questions tab above the slides. And our next question goes to Sameer Kattiparambil of EFG Hermes. Sameer, please go ahead. Your line is open.

**Sameer Kattiparambil** Thank you, Mr Abdallah and P K, for the presentation. I have two questions. Firstly, it’s on your Bangladesh. You mentioned about the gas shortage. Since how long this shortage is there, that you’re facing? And is there any contingency plan in place? And would this impact your new CapEx plan?

**Abdallah Massaad** Thank you, Sameer. Regarding Bangladesh, honestly, we are facing this issue as all the factories are, 900-plus factories facing the same problem, almost the last one month. Fortunately, till now we have some backup stock which we have, and that’s why our sales were not impacted as the impact in reduction in manufacturing.

The problem of the energy or in the gas, as I mentioned, we are hopeful that this will soon release, and the price, we expect that the price will increase, but this will increase for the whole market. Regarding the expansion, look, the first expansion will start, honestly, on the faucets, and in all cases in our existing premises, we have on the second quarter will come with the efficiency we started in the project last year. So, in regard to the expansion, which will start with the faucets, this will not I think restrain us, unless something big happens in Bangladesh, which we hope not. And then we will monitor the market before going into the ceramics expansion.

**Sameer Kattiparambil** Got you. And on the Saudi side, we have seen the tiles revenue contracting by 22% sequentially, and you mentioned in the report that there’s been some competition in the market. So, could you give more colour on that? Who is competing so significantly, and how long do you think the competition is going to sustain? And how do you see the pricing side?

**Abdallah Massaad** Sameer, actually if you see, yes, we sell in Saudi in wholesale business, and wholesale business is mainly the ceramics business. And we were seeing that a lot of competition’s coming by the local factories, are increasing capacity, but mainly there are three factories almost, owned and operated by Chinese investors. And the latest one, the third one operated during this quarter, and they started by dropping heavily the prices.

So, we as a company, we did not drop our prices. In fact, we benefited from the positioning and we benefited from the less supply from the European manufacturers, and our target is to replace these players from the high-end side. And we can see that we shifted, and our sales to the projects increased. And therefore, we see in our factory more demand on the porcelain, what we call as the vitrified tiles, with less competition in the region. So, this is the strategy which we are following, and we are able to remain competitive in the segments we are working on.

**Sameer Kattiparambil** Yes, understood. And any concrete turnaround plan for KLUDI Europe?

**Abdallah Massaad** I’m sorry, any…?

**Sameer Kattiparambil** Concrete turnaround plan for KLUDI Europe.

**Abdallah Massaad** Okay. Yes, we see a lot of potential in the long term, but we bought it with a turnaround plan in mind. We recently finalised that actually, and tomorrow we have the initiation of the programme. We have started with a manufacturing footprint, where we will close the divisions in Germany and in Austria, move part of this production to Hungary, which is a cheaper cost, to feed Germany and Austria.

And we started with our expansion in the UAE, which will be ready by the second half of next year. And with this plan in place, which will start the implementation, because we have to prepare for it, tomorrow the implementation will start, this will initiate the manufacturing footprint which we mentioned. And we started simultaneously with a phased synergy.

The European manufacturers all got heavily impacted from energy prices as well as demand, coming from the conflict of the war in Russia-Ukraine, which affected the demand in Europe. So, we are heavily concentrating and focused on the turnaround strategy in KLUDI, and to create a value in the long term.

**Sameer Kattiparambil** Okay, great to know that, and wish you all the best, and thanks for your answers, Abdallah.

**Abdallah Massaad** Thank you.

**Operator** Thank you. And as a final reminder, if you would like to ask a question today, please press star followed by one on your telephone keypads. If you have joined online, please use the questions tab above the slides. We will pause for just a moment to wait for any questions. We have a follow up from Sameer. Sameer, please go ahead.

**Sameer Kattiparambil** Thank you. Yes, just to give more clarity on the Australian land. What kind of asset was that? And are there any similar small assets that you are thinking of liquidating?

**Abdallah Massaad** We started operating in Australia in the year 2000, and at that time we bought a warehouse with a big land actually with it. And by having it for a long time, we had to pay on maintaining this asset, and our operations reduced in Australia year-on-year.

So, we took the initiation to sell this property and buy or have a warehouse for us. And we got the offer to sell the land and the warehouse, and we got two years’ free rent to stay operating in Australia. So, we have another company, which we are still in operation, which they have assets, but we are not planning to sell on the short term.

**Sameer Kattiparambil** Okay, got it. And any updates on the RAK Land?

**Abdallah Massaad** Till now, honestly speaking, nothing, Sameer. But what we see is a lot of activities and projects around the area, which we feel that’s more comfortable. There is nothing yet materialised, but if there is anything, we will update you.

**Sameer Kattiparambil** Okay, great. Thank you so much.

**Abdallah Massaad** Thank you. Thanks.

**Operator** Thank you. We have a few questions from Mohamad Haidar of Arqaam Capital. Mohamad, please go ahead.

**Mohamad Haidar** Hi, Abdallah. So, just a follow up to Sameer’s question. How should we read the appointment of the new board member, who is the CEO of Marjan, sitting on the board of RAK Ceramics now, given the land that RAK Ceramics owns in Ras Al-Khaimah? Do you have a read-through into that?

**Abdallah Massaad** Look, Mohamad, honestly, there is nothing. Mr Abdullah Al Abdooli is a very thorough engineer from Ras Al-Khaimah, and he was working on the real estate sector from the municipality and, later, to the CEO of Marjan, that did a very good job by attracting many investments in the island and the Emirates, which you can see from the announcement of the megaprojects coming in place. And he is the guy behind this, so I see a lot of added value of him being on our board, and yes, especially I hope that he will be a support for us in concentrating, with his experience, on liquidating that land.

**Mohamad Haidar** Amazing. That’s very clear. And another question on the expansion in the UAE, in tiles and tableware. Do you think there’s enough demand for this new capacity to be absorbed by the market next year?

**Abdallah Massaad** Mohamad, look, we always say, and I mentioned it very clear, that, yes, we see a lot of competition. We see all of us, we are questioning what will happen within the recession coming.

A lot of disruption around the world. But for us, we see what is happening newly, especially on the freight going down, this will help us in being more competitive in supplying tiles. And especially, you have tiles, sanitaryware, tableware factories around the world, but mainly you have the European-branded products, then a few branded products around especially in our region, and we are proud to see that RAK Ceramics is a reliable branded manufacturer.

We see a good opportunity to fill the gap of lower production and difficulties which are happening around the world and especially in Europe, and I believe that we will put our pressure and efforts in order to make sure that we gain more market share. And this is our intention.

**Mohamad Haidar** Thank you very much, Abdallah. Very clear.

**Abdallah Massaad** Thank you.

**Operator** Thank you. And we have a follow-up question from Anoop Fernandes of SICO. Anoop, please go ahead. Your line is open.

**Anoop Fernandes** Yes, in response to Sameer’s question regarding those capacities in Saudi, you mentioned three new Chinese companies. Do you have any sense of what is the total capacity that these companies have added, especially the one that started producing in this quarter? And maybe two, three, four years hence, do you see a situation, even with your capacity coming online, let’s assume everything goes as planned, that the Saudi market will end up becoming self-sufficient? There’ll be a lesser need for imported material going forward?

**Abdallah Massaad** Look, we hear, and honestly it is happening, that, as I said, the whole factories are increasing their capacity, but the capacity which we hear day-by-day on the Chinese newly suppliers is increasing and ramping up. But it is mainly concentrating, as we said, on the ceramics entry-level products, more than the differentiated project products till now, which is more difficult to produce.

And therefore, it was our strategy to differentiate ourself from specification to a solution provider, to a nice display with good products. And yes, they will be, especially now with the gas, which is cheap in Saudi, and the real estate activities is happening, plus the customs and antidumping happening by promoting the sector.

I see that, yes, there will be more capacity in place, but we are not honestly worried in our factory opening in Saudi, because from the beginning we planned it to be five-million to ten-million increase later, which is a share in the market where we are sure we can cover it easily from the plant, going to the project directly. And I can see later even export out of the Saudi, which from the competitiveness, at least till now in the energy price and the available raw materials.

**Anoop Fernandes** Okay, thank you. All the best.

**Abdallah Massaad** Thank you.

**Operator** Thank you. And we’ve had a chat question come through. Question one. How many Chinese manufacturers are in Saudi Arabia that are distributing the market with lower prices, and how did you mitigate it? Number two. Is Saudi considered an oversupplied market? As there are a number of competitions. Thank you.

**Abdallah Massaad** Look, from the number of factories, I don’t have it in mind, but there are 13, 14 factories in Saudi available, producing tiles and sanitaryware. In terms of as of now, the market is still bigger than the capacity installed in Saudi, and even though there will be more capacity, there will be always demand and there will be always a differentiator factor, where different products and imported material will always have a space in the market.

**Operator** Thank you. We have no further questions. I will now hand back to Abdallah for any closing remarks.

**Abdallah Massaad** Thank you very much. Thank you for all your support.

**Mohamad Haidar** Thank you, Abdallah and P K Chand. And thank you, everyone, for joining. We look forward to having you with us the next quarter.

**Abdallah Massaad** Thank you, Mohamad.