Operator: Ladies and gentlemen, welcome to the RAK Ceramics quarter two and half-yearly results 2019 earnings call and webcast. I will now hand over to your host Mr. Mohammed Haidar, from Arqaam Capital. Sir, please go ahead.

Mohammed Haidar: Hello everyone and welcome to the RAK Ceramics second quarter 2019 earnings conference call, hosted by Arqaam Capital. With us from RAK Ceramics are Mr. Abdallah Massaad, Group CEO, and Mr. PK Chand, Group CFO.

Mohammed Haidar: Without further delay, I will hand over the call now to Mr. Abdallah. Please go ahead.

Abdallah M: Thank you Mohammed, and good evening everyone. I'm Abdallah Massaad, group CEO of RAK Ceramics. Welcome to RAK Ceramics second quarter and half-year 2019 results conference call and webcast, where I will take you through the key business updates, and second quarter financial results. Our total revenue in second quarter has increased by 7.6% on a quarter-on-quarter basis. While it is lower by 7.2% year-on-year to AED 667 million, a constant currency of second quarter 2018, total revenue decreased by 3.1% year-on-year.

Abdallah M: Revenue got impacted due to more Eid holidays in June 2019 and weaker demand from all markets, except African markets. Most of the markets we operate remained challenging during the quarter, however, there has been growth in sanitary ware by 7% delivered by UAE, Saudi Arabia, Middle East, Europe, and African Markets.

Abdallah M: Our tableware revenue decreased by 3.9% year-on-year. Revenue from other units decreased to AED 28.3 million, mainly from decrease in ceramics for material trading business.

Abdallah M: With tight liquidity situation, we anticipate challenging scenarios in coming quarters also. Given these challenges, we continue with our strategy which include branding, specification, product differentiation, product efficiency and focus on various markets. In UAE market, we continue investing in revamping of our own showroom and our distributor showroom. We continue to supply tiles and sanitary ware to premium developers through corporate deals. Our total revenue decreased by 0.5% year-on-year to AED 191 million in second quarter 2019.

Abdallah M: Due to low dispatches during June 2019 on account of EID holidays, tile revenue is higher by 6.7% on quarter-on-quarter basis. Sanitary ware revenue is higher by 9.4% year-on-year compared to second quarter 2018. Revenue from projects decreased by 6.2% and distributors by 4.8% year-on-year in the first half of 2019. However, retail sale has increased by 3.3% year-on-year. Our project sales contribution was lower at 52.8% in the first half 2019, compared to 54% last year.

Abdallah M: We are pleased to report that initiatives taken in Saudi Arabia during last year from rationalization of man power, and warehouse costs, has resulted in reduction in overhead and improved profitability in Saudi Arabia entities. Revenue is higher by 32.4% quarter-on-quarter. Tile revenue was higher by 36.3% on quarter-on-quarter. Sanitary ware revenue increased by 30.4% year-on-year compared to second quarter 2018.

Abdallah M: Discussion for expansion of tile manufacturing are underway. We are optimistic for growth in Saudi Arabia due to increasing construction activities and the attractive cost advantages for manufacturing, due to competitive energy costs. Further ongoing the GCC wide anti-dumping investigation on ceramic tiles imports from China, India and Spain would lead to improvement in prices.

Abdallah M: In India, the commercial production of slab in a green field joint venture has started and initial development of product range is completed. Capacity utilization of slabs producing units reached 70% capacity utilization. And our other factory of joint venture of ceramics, the capacity utilization reached 92% in the second quarter 2019.

Abdallah M: Our priority in 2019 is to ramp up fully fledged production at the recently acquired facilities, turn around the operation when project order and scale from developer and production cost optimization.

Abdallah M: Reported revenue in the second quarter 2019 is lower by 14.1% in year-on-year to AED 67.2 million. We have started exporting slabs from our Morbi operation. During the first half of 2019, export has contributed 15.5% of total revenue compared to 3.5% end first half 2018.

Abdallah M: The operational performance in our European operation has also improved in the second quarter. Our revenue is higher by 8.2% quarter-on-quarter while it is lower by 8.9% year-on-year. Tile revenue is lower by 19.1% while sanitary ware revenue is higher by 6% year-on-year. Total revenue the first half 2019 is stable at AED 178 million, however, in constant currency of first half of 2018, it is higher by 7.1% year-on-year.

Abdallah M: In Bangladesh, competition is increasing due to capacity build up. We continue focus on branding and pushing sales by providing incentive schemes to dealer. We have plans to optimize production to produce larger sizes, value added products, and maintain market leadership position. Total revenue is lower by 1.3% year-on-year, gross profit margin have improved in both tiles and sanitary ware due to better efficiencies.

Abdallah M: In Africa, revenue in the second quarter of 2019 has improved by 35.3% year-on-year to AED 26.7 million. In MENA, revenue for the second quarter continue to be under pressure due to weak sentiments in the region. Overall revenue was lower by 9.7% year-on-year to 22.4 million.

Abdallah M: Our tableware business did well in the U.S. tableware industry. Our Luxembourg warehouse has been completed with higher storage capacity, and this will help to streamline logistic operation and improve business in coming months. Revenue in first half 2019 is higher by 3.8% year-on-year to AED 134 million. On constant currency, revenue increased by 9.5% year-on-year driven by growth in USA, UAE and the Middle East market.

Abdallah M: During another challenging quarter where all our regional peers are stressed with the margin, we focused on improvement in all our operational efficiencies, and these have enabled us to increase our total gross profit margin to an all-time high at 35.5%, an increase of 110 basis points compared to second quarter of 2018.

Abdallah M: We are at a significant disadvantage compared to our peers as we pay higher gas price, that ceramics would deliver higher income growth if gas costs were competitive. As a strategy, that cost has been partially hedged by hedging the crude effective April 2019. Gain of AED 0.7 million has been recorded in the second quarter 2019.

Abdallah M: We continue streamlining our operation consolidating facilities, upgrade our machineries to lower cost of production, and differentiate our product in the market. We are optimizing production to control inventory level, introduce new product categories and increasing promotions to address changing markets.

Abdallah M: In the first half 2019, SG&A costs decreased by AED 8.2 million year-on-year and net financing cost also decreased by 2.3 million despite high currency volatility. Increase in three month labor rate from 1.93% to 2.66% year-on-year, impacted us by AED 4.5 million in the first half 2019.

Abdallah M: I will now take you through the main financial highlights for the second quarter of 2019. Total revenue decreased by 7.2% at AED 667.4 million, compared to second quarter 2018 due to decrease of 9.3% tiles revenue. Total gross profit margin increased by 110 basis points to reach all time high of 35.5% driven by an increase entire gross profit margin to 31.4% on an improved efficiency. Reported net profit was AED 73.4 million, an increase of 33.1% year-on-year. Net profit in the second quarter of 2019 includes reversal of AED 22.1 million of receivable provisions, which was created in second quarter of 2017 as money has been received. Net profit margin improved by 330 basis points year-on-year to 11%.

Abdallah M: Net profit after minority increased by 36.6% year-on-year to AED 61.2 million, with a margin improvement of 290 basis points to 9.2% year-on-year.

Abdallah M: Like for like net profit, excluding provision and extraordinary gain, decreased by 10.5% to 52.3 million, with a margin decrease of 30 basis points, to 7.8% year-on-year, mainly due to lower revenue of AED 51.8 million year-on-year. Total increase by 23.9% to 142 million year-on-year, with margin increase of 550 basis points, to 21.3%.

Abdallah M: Thank you for listening, I will now hand over to PK Chand, our CFO to brief you on the first half 2019 financial highlight and provide you with more depth analysis on the financial.

PK Chand: Thank you, Abdallah. Good evening everyone, and thank you for joining us. Mr. Abdallah has already briefed summarized financial highlights, and regional performance for the second quarter of 2019. I will take you through the half yearly results, and details on revenue, probability and the balance sheet.

PK Chand: Let us start with slide 6. Though our reported revenue is lower by 6.8% to 1.29 billion, compared to H1 2018, but based on constant currency of the first half of 2018, revenue decrease is 2.6% year-on-year, instead of reported 6.8%. Of the total revenue in the first half of 2019, tiles contributed 65.3%, sanitaryware 19.7%, tableware 10.4% and non-core 4.6%. Total gross profit margins increased by 100 basis points year-on-year, to 34.2% in the first half of 2019. Tiles margin increased by 130 business points, to 29.9%, an all- time high, driven by continued improvements in operational efficiencies.

PK Chand: Sanitaryware margins remained stable at 38.4%, while tableware margin decreased by 3.3% year-on-year, to 54.8% due to change in the product mix. Reported net profit has decreased to AED 110.3 million, with a margin of 8.5% compared to AED 120.5 million in the first half of 2018. Last year, net profit included AED 18.9 million, a gain on sale of contracting assets. This year half year net, profit also includes reversal of 22.1 million of receivables provision, which was created in second quarter of 2017, as money has been received.

PK Chand: Net profit after minority decreased to AED 90.2 million with margin of 7.0% compared to AED 108.3 million, in the first half of 2018. Like-for-like net profit, that is excluding provisions and extraordinary gains, decreased by 16.5% to AED 90.4 million, with a margin decrease of 80 basis points to 7% year on year, mainly due to lower reported revenue by 93 million year-on-year. Total EBITDA increased by 8% to 24 million year-on-year, with margin increase of 250 basis points, to 18.6%. Total debt has reduced from 1.53 billion in March '19, to AED 1.43 billion in June 2019. Net debt to EBITDA decreased from 3.54 times in March '19, to 3.11on 30th June 2019.

PK Chand: Our net debt to EBITDA was 3.23 times at the end of 2018. Now we come to slide 7, which shows the net profit bridge for the second quarter of 2019 and the first half of 2019, briefing on the operational performance. Net profit from operation in the first half of 2019, reduced by 13.4 million year-on-year, despite higher DP margins, mainly due to lower revenue year-on-year. Details of revenue by segment and end-market for quarter has already been briefed by Mr. Abdallah, so I will skip slide number 8, 9 and 10, and go to slide 11 on gross profit margins.

PK Chand: The total gross profit margin in the second quarter 2019 increased by 110 basis points year-on-year, to reach all time high of 35.5%. Tiles margin also increased by 110 basis points year-on-year, to 31.4% driven by continued improvements in operational efficiencies. Sanitaryware and tableware margins are stable at 38.4%, and 56.8% respectively.

PK Chand: The first half 2019 the gross profit margin increased by 100 basis points year-on-year, to 34.2% which is also all time high. Tiles margin increased by 130 basis points, to 29.9%, due to continued improvements and efficiency.

PK Chand: RAKs ceramics would deliver higher income gross if gas costs were competitive. As a strategy cost, gas cost has been partially held by hedging the crude oil, effective April 2019, and we have recorded again of AED 0.7 million in the second quarter of 2019.

PK Chand: Now we come to slide 12, which shows this summarized financial highlights with details of performance on operations. On the cash front, capital expenditure has been relatively high in the first half of 2019, compared to the first half of 2018 at 109 million. Major spending has been for our Morbi joint ventures. Tableware, warehouse in Europe, and in UAE for plant gradation and maintenance. The total capex for 2019 is expected to be in the range of 250 million, including maintenance capex of 100 to 125 million.

PK Chand: Now we turn on operating cycle slide 13. As far as quarter-on-quarter is concerned, there is an increase in the inventory days, from 244 days to 256 days mainly due to increase in raw material stock by AED 22 million. However, in absolute terms the inventory has gone down by 1.2 million, but as the revenue has been lowered in terms of number of days, it has increased.

PK Chand: Similarly, trade receivables also increased from 106 days to 113 days quarter-on-quarter, due to higher sales by 47 million in the second quarter of 2019. On absolute number basis, the receivables have increased only by AED 9.4 million in the first half of 2019, that is compared to December 2018 levels. With increase in payable days from 7 to 9 days to 84 days, overall operating cycle has increased by 14 days to 285 days quarter-on-quarter.

PK Chand: Now I will turn back to Mr. Abdallah for his final comment before we answer your questions.

Abdallah M: Thank you for that, PK. Looking ahead for the rest two quarters of 2019, we are focused on enhancing our brand, and optimizing operational across the group. We will continue to protect our strong market share in the United Arab Emirates, India, Bangladesh and Saudi Arabia. We expect 2019 to continue to be challenging, but we will remain focused on our key priorities.

Abdallah M: To protect our growth in the UAE, India, Bangladesh, Tableware and faucets business, we will continue investing in our branding and positioning, with focus on media digital marketing revamping of our showroom, shop and shop concept etc. And participation in exhibition and maintain market leading position. In UAE, we continue to supply tiles and sanitary ware to premium developers like EMAAR, DAMAC, NSHAMA, etc. through corporate deals.

Abdallah M: In Bangladesh, which is also one of our focus markets, we continue to focus on improving B2B sales, we optimize the dealers network to promote the product in the premium segments, digital advertising and media campaign has been continued. As I previously mentioned we anticipate a turnaround in India which will be supported by the additional capacity and slaps production. We continue focus to increase performance in tableware and faucets business, to improve overall performance of distribution entities in Europe and Saudi Arabia. We will continue to implement our strategies, and we expect to yield positive results in 2019. Further, we will implement the extension project as early as possible.

Abdallah M: We will continue investing and upgrading our machinery to reduce cost of production, we will continue product differentiation by investing in R & D through collaboration with known design houses, and the introduction of new marketing tools. We will be participating in upcoming fair in Cersaie Italy, and it is our pleasure to invite you to the fair where we will display our new product launch, like wood collection maximus slabs, collection with marble, stone, cement, design and so on.

Abdallah M: Thank you for listening and for your time, I would like two hand the call over to the operator and open the line to question, thank you.

Operator: Thank you. Ladies and Gentleman, we will now start our Q&A session. If you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding until we have our first question...

Operator: Our first question comes from Ibrahim Ifyan, HSBC Saudi Arabia. Please go ahead.

Ibrahim HSBC: Hi. Thank you on the call, congrats on your continuing delivery of course and cost efficiency. I do have a couple of questions, especially Saudi Arabia. First, can you give us an overview on the Saudi building construction market? And if there is any pick up, any demand, specifically on tiles? And if you have a view, how much do you think will be the demand, or the volume on tiles by the end of 2019? And if there is an improvement in prices in Saudi Arabia? So if there is an improvement in margin, is it coming from cost efficiency or is it coming from pricing?

Abdallah M: Thank you for your question. First, in terms of improvement in margin I'll start from that. It is basically coming from cost. As you know that the market is a tough, competition is very high, and therefore increasing prices in the market is not something, which is easy, so we work backwards from efficiency from improvement. And in fact, all our work was to differentiate ourselves from local producers, especially here you are talking about Saudi, you know the local manufacturer in Saudi, they have advantage on us by having a much, much, lower cost of production from the energy cost. Therefore-and also we have to pay transportation costs- so competing with the local manufacturer at the same level of product, it is very tough for us. So what we did, we differentiated the sizes which is not produced in Saudi Arabia, as well as the typology of product, and from here we did not reduce our prices, we did not increase it but we did not reduce also, we're able to maintain it by differentiation factor.

Abdallah M: Second, it was from our cost of production. And third, of the construction activities, this here from our discussion and our interaction with traders as well as contractors in Saudi this year is much better. You can see there is a positive momentum which was not there the last two years. You know when construction start, it does not mean that immediately the demand in ceramics will be there, because it will come at a later stage as a big project. Meanwhile, we saw a lot of movement in the private housing where we can see our sales didn't come from big project as, or a government project which was earlier the case. It's coming through the wholesale network where it means that it is going to private use.

Abdallah M: In terms of us, you know we opened one showroom in Al Kharj, we are opening another showroom in Riyadh, we are opening another showroom after Eid to complete by September in Jeddah, where it will be targeting-the first showroom was for the wholesale, the second would be for retail as well as project. In addition, we already found a contract for a showroom, 2800 square meters in Jeddah where we will start to work after Eid. We will open by beginning of next year.

Abdallah M: In terms of the consumption of tiles, it will be around the 200 million square meter, as you know that local factory produced almost more than 100 million and they have lots of import. But the imports you have, the anti-dumping which might be implemented by October, especially from India, China and Spain, which we are optimistic that this will lead to a relaxed price pressure, and the dumping issues.

Ibrahim HSBC: Perfect. I do have a couple more questions. You answer even more than my questions but, my question will be, who are your main competitors that have the same high-end target consumer? So your target in Saudi Arabia is more of a high-end, so who are your main competitors? Are you competing directly with European products, or are you competing with Saudi ceramic, or are you competing with other GCC players, as well in Saudi?

Abdallah M: Actually we are not competing anyone, so we are a trendsetter. As you know, or if you don't know I hope if you can pass to our showroom, so we are more than 30 years in this industry, our strengths and advantages was in our R&D and innovation, so our products are really different. We are competing on the world map, and we are considered a trendsetter.

Abdallah M: In Saudi itself, I cannot tell you that only we are targeting to take more market share on the high segment from a retail perspective. But projects are very important, and when it comes to projects, you need to provide the full range so therefore, with our capacity and our diversified product portfolio and product mix, we are able to offer products similar to what is produced locally, but extended to the full range where it comes also not on ceramics where we are producing product which is absolutely the same of marble, wood, cement, granite, where we are able to take market share not only from the ceramic producer, but as a full building products.

Ibrahim HSBC: Great. So after 200 million square meter in 2019, how much are you targeting? And do you think you will benefit from minister of housing project or not?

Abdallah M: Look, our export to Saudi, or what we sell in Saudi is around 14 million square meter on a yearly basis. So if you see out whatever is imported, we also play around the 15% from the imported material. So, we are hopeful when the market improves. We were initially at a much higher volume in Saudi, but I feel with the new division 2030, and the change in the consumer behavior in Saudi, and the young generation selecting. And with our innovative product we are hopeful to play a bigger role, especially that we also realize that to go into the volume we need to have a manufacturing facility in Saudi, and therefore we are working on this direction.

Ibrahim HSBC: Perfect. And how about minister of housing?

Abdallah M: Sorry?

Ibrahim HSBC: How about ministry of housing? Are you going to benefit from this efficient project, or not?

Abdallah M: For sure. You know any product comes, or any financing for the housing or any activities will all benefit from it, and for sure also will benefit from it.

Ibrahim HSBC: Thank you very much. Thank you.

Abdallah M: Thank you.

Operator: Our next question comes from Michael Said, CI Capital. Please go ahead.

Michael Sei: Good afternoon gentlemen, and thank you for the presentation.

Michael Sei: I have a couple of questions; the first one as you mentioned, the slow down or decline in revenue is more due to decline in volumes, not average selling prices, I believe. And volumes it was more attributed to the Eid holidays, which more or less comes every year, more or less in the same period of time. So in [inaudible 00:34:16] we have Eid, in [inaudible 00:34:16] we have Eid. So are you feeling it's more like a contraction in the market? Or a slowdown that we are already witnessing on the construction, which is now affecting the ceramics and tiles consumption, which should continue until the end of the year, or 2020 until we see it pick up, or revival in construction activity in Saudi, or other markets? So this will be my first time more on the micro side of the UAE and Saudi in terms of consumption of tiles.

Michael Sei: The second one will be on the gross margin sustainability. So we've seen the 35%, now what level of gross margin do you feel like it's more sustainable? Should we be expecting 33, 34% going forward, or 35 was it exceptionally high? There is a fundamentalism behind that we can see it in the upcoming period.

Michael Sei: Last question, you mentioned during the presentation that you expect for 2019 to yield positive results. So, are you referring to comparing with 2018 numbers, or just that you expect a good set of results? Thank you.

Abdallah M: First, thank you for your question, but there is many questions so I hope you have to help me go on all points.

Abdallah M: On the volume, I agree with you that every time Eid comes, I absolutely understand. But this time, Ramadan came early but it is not only due to Ramadan. If you go into all the market, the construction activity this year is more down from last year, and if you see also from our [inaudible 00:36:31] working capital, we also work out on avoiding, or playing around the liquidity in the market where we are playing very cautious in terms of receivables.

Abdallah M: You could, as you said, consider it as a market [inaudible 00:36:52], but we are doing our best. We are aggressively following the market in a structured way, and we do believe that despite our revenue is down, we are gaining market share because the market is in total, down.

Abdallah M: In terms of gross profit margin, yes you are right, the prices remain stable and efficiency. We are today-with not a project which we started today but- in the last few years we are working on efficiencies and we almost two years back. We defined that we identified areas where we will bring some pressers, modifying [inaudible 00:37:49], working on especially our higher cost of production in UAE is the energy, so we got a lot of consultants, few ideas and we were able to reduce the consumption of gas per square meter, or energy per square meter, which lead for an optimization in the cost.

Abdallah M: In terms of sustainability of gross profit, we are working hard, we'll continue to work, as I said that the macro economy is not the most stable factor these days. But we are, from a micro perspective, we will continue to do our effort.

Abdallah M: I don't know what else in the question because several questions there, maybe I slipped something if you remind me please.

Michael said: Thank you. Just, the last question was regarding 2019, the outlook or how do you see the trend when comparing to 2018, cause you mentioned during the presentation you expected to yield a positive result so when you mentioned it, you were mentioning a gross comparing to 2018, or just a good set of results?

Abdallah M: As you know we don't give any guidance on the result, and maybe it was related. I'm telling about the distribution entities in Saudi, and Europe will be in 2019 better than 2018. But this is not the outlook of the whole company, so if you see from our priority, we take our business so we have the UAE business here means the factory which we sell locally and we export, so we looked at it, how we can improve the margin, increase revenue. India itself, how to absorb the capacity this year, as well grow in the market, which in the longer term it will be a great opportunity for us.

Abdallah M: And also from India starts the activity of export which supports us in a product where it will cost us cheaper in India and this started, and if you see out of the total revenue in India, we improved 50% of the total revenue gone into export. So this strategy we're able to do it, so we focus after this on the distribution entities which are mainly Saudi and Europe. And how this performance will be better, therefore I expect the 2019 our distribution entities will be better but this is what I was talking about.

Michael Sei: Okay, thank you very much.

Abdallah M: Thank you.

Operator: Our next question comes from [crosstalk 00:41:10] Samir. Go ahead.

Samir: Hey, thanks gentlemen for the presentation. I have a couple questions, first on your Indian operations. You mentioned that your equities in India have improved after a production ramp up in Moby, and also your export has also been increased. But you mentioned in your presentation that if you look at the quarterly revenue, it is almost down 10% quarter-on-quarter, and almost 15% year-on-year. So, any specific reason why it is down?

Abdallah M: Samir, thank you. First, the local currency translation plays a role so this is the first. And second, the first half year in the Indian market was stuck. We expect the second half will be much better.

Samir: Okay. I have a second part of that question. So what kind of volume growth have you seen in the India market, including the exports? Plus, which are the major export markets you are targeting from India?

Abdallah M: If you see export for sure gone out of our operation in India. In India, operations locally it was down because there was a lot of dumping and a lot of issues in the construction sector, but now it is much clearer and better. From India, we are exporting to south America, to Asia, in all Asia where we are able to support our growth which will give us some favorable agreement from a tax perspective. And also, the proximity of the place.

Samir: Okay. So how do you see the growth opportunity in Indian local market, since you mentioned things are getting [inaudible 00:43:44], so what kind of growth are you expecting, especially after the coal, gas [inaudible 00:43:50] ban, how are you seeing that situation?

Abdallah M: Obviously Samir, I don't have a figure to give you. As a head, we are continuing to improve we are trying our best. And if the economy helps us the demand will be there, we are expecting to capture more market share.

PK Chand: Samir just to add to what Mr. Abdallah said, in fact we are also optimizing cost of production in our Indian plant. For that expect that H2 is going to be better than the first half, and that will enable us to sell more volume. So that is going to come.

Samir: Okay. One last question from your balance sheet, since you're on the working capital [inaudible 00:44:57] in creating, in the last quarter. Is there any concentration risk on your receivables?

PK Chand: No the receivables are controlled. So as I mentioned in absolute terms, the receivables have gone up by AED 9 million only, compared to the level of 31st December 2018. So in absolute terms it has not gone up, but since our revenue has been lowered, therefore in terms of number of days, it has gone up. In addition, we are strictly monitoring the receivables exactly what Mr. Abdallah also mentioned. So we are very, very cautious when we sell the material as far as the recoverability of the money is concerned.

PK Chand: So frankly we are not worried as far as the receivables conditionally is concerned.

Samir: Ah okay. Thanks a lot gentlemen.

PK Chand: Thank you.

Abdallah M: Thank you.

Operator: Our next question comes from Hamad Al Durak, at CB Capital, please go ahead.

Hamad Al Durek: Hello. [crosstalk 00:46:03] Any update on the anti-dumping case? This is my first question. The second question is are you expecting any increase in gas prices, specifically in Saudi Arabia? And thank you.

PK Chand: He asked prices in Saudi Arabia.

Abdallah M: Regarding the anti-dumping case, according to our knowledge that it could be implemented by the 4th quarter of this year. In terms of gas, I don't know honestly. So we don't have...there are some talks about it but I don't have any accurate answer for this.

Hamad Al Durek: So the % by how much do you think?

Abdallah M: What is there, it is between 40 to 80%, so they selected parties where there are dumping as a dumping factories, where it will reach 80% custom, and the minimum 40%. This is where we get information, but there is nothing confirmed.

Hamad Al Durek: And expected to conclude November?

Abdallah M: What we heard, it is mid of October, but we never know so that's why I'm telling it could be by 4th quarter.

Hamad Al Durek: Okay, thank you.

Abdallah M: Thank you.

Operator: Our next question comes from Anoop Fernandes Chico. Please go ahead.

Anoop Fernandes: Yeah good afternoon gentlemen, and thanks for the opportunity.

Anoop Fernandes: My first question is on the Indian operations; how much are you paying for gas currently there, and has there been any decline quarter on quarter in the cost of gas?

Anoop Fernandes: The second question is related to the captive power plant in UAE; what is the status of the project there, is it ready? What are the timelines? And would you be able to quantify the benefits that you expect we'll accrue?

Anoop Fernandes: And my third question is on the dividends; is there any plan to increase the frequency of pay out, maybe to semi-annual, or to quarterly, sometime in the future? Thank you.

Abdallah M: Samir what is the captive plant? I heard you saying captive plant? What-

Samir: I think it was a captive [inaudible 00:48:42] recovery plant that [inaudible 00:48:42] yes, yes the captive [inaudible 00:48:42] recovery plant, yes.

Abdallah M: In India, the gas price is moved up to 13 dollars per million, million DTU. So now this is the rate which we are doing. In terms of the heat recovery as well as the...captive power plant, it is part of our efficiencies in manufacturing so it is functioning, and I believe we are able to generate about 13 mega out of this project.

Abdallah M: And in terms of dividends, it is a board call which allows it, we don't have anything on it.

Anoop Fernandes: Okay. Just a follow up on the gas cost, it's 13 per million now, and how much was it in the previous quarter? Has there been a substantial increase? Because all prices have been down.

Abdallah M: Look, last quarter to this quarter-because they take the average, yeah?- so last quarter to this quarter it is not much different. Yes it has been increased from last year. Last year we had an average of 9 dollars, and approximately now it is 13. So from last quarter to this quarter, I don't think know any major changes. It's a dollar, plus or minus.

Anoop Fernandes: Okay. In addition, globally, L&G prices have fallen quite a bit, I mean the Japanese LNG prices are down to about 4.5 dollars. How does that leave...is there any erosion of your ability to compete in the market? The fact that you're paying 13 dollars for gas when gas is cheaper in the other Asian markets. Is that a cause of concern for you right now?

PK Chand: So, honestly this is where we always say that not only we do not have a subsidiary, but also we are at a disadvantage in our cost of production, from the gas cost. And despite this, we are able to improve our gross margin. So what we did, we were able to move our product from a pure commodity to a benefit, where we are able to compete. So that's why when we declare that our aim is to move part of our production to Saudi, where we can get an advantage from the energy prices, will support the growth of our company as well as our margin. So from our existing operation as you can see, we are paying the maximum. So with this, this is our result. I hope that any improvement in gas oil, because on the end we buy the gas oil from Rogers, which compile depends on the contracts. Now if the contract or the gas price reduces, this will only give us advantage.

Anoop Fernandes: Okay. Thank you, thank you.

Operator: Ladies and gentlemen. I would like to remind you if you have any further questions, please press 01 on your telephone keypad.

Operator: We have no further questions. Just be conductive for the conclusion.

Mohammed Haidar: Abdullah and PK Chand thank you so much for your time today and thank you everyone for participating. We hope to see you again next quarter.

PK Chand: Thank you.

Abdallah M: Thank you. Thank you Mohammed, thank you everyone. And thanks for the time given.

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