Himatsingka Seide Limited
Investors/Analysts Conference Call
January 29, 2007

Moderator: Good evening ladies and gentlemen. I am Suresh, the moderator for this conference. Welcome to the Himatsingka Seide Limited (Himatsingka) conference call hosted by Edelweiss Securities. For the duration of the presentation, all participants' line will be in the listen-only mode. I will be standing by for the question and answer (Q&A) session. I would like to hand over to Mr. Gautam Sinha Roy. Thank you and over to you sir.

Gautam Sinha Roy: Thank you Suresh. Good evening everybody. On behalf of Edelweiss Securities, I welcome you all to Himatsingka's Q3FY07 results conference call. We have with us today Mr. Rajesh Kunnath, CFO, and Mr. Ramesh Jain, company Secretary, Himatsingka. Now, I would request Mr. Kunnath to please take over and go through the key highlights for the quarter, after which we will leave the floor open for Q&As. Over to you Mr. Kunnath.

Rajesh Kunnath: Thanks Gautam and hello everybody. To just summarise, we feel the results for this quarter have been pretty good. We had topline growing at 14%. We had PBIT growing at 34%, PBT at 42%, and net profit at 26%, in terms of overall growth. Sure, the growth in other income played a major role in the results, but I must add here that the result for the quarter also have extraordinary expenses on account of the bed linen project of ours, which we cannot capitalise as also expenses relating to scaling up of the corporate office of the company which has resulted in the overall EBIT margins dropping for the quarter, but we don't see that as a reason for worry, because we believe that is part of the conscious effort taken by the company to scale up the business as we not just kick off the bed linen facility but also look at acquiring businesses in Europe and the US. So, from a broad analysis of the results, we have every reason to believe that we have continued our good performance, which we have sustained for the last three to four quarters with the exception of a marginal decline in EBIDTA, for which, I had already explained the reasons to you. We are confident that once we have the bed linen facility on and start commercial invoicing from April 1, 2007, we would have further things under control and the acquisitions, at least two of which would have happened by then, would also give us a tremendous upside from the value chain standpoint. That is it Gautam for the summary of the results.

Gautam Sinha Roy: Can we get into the question and answers now Suresh.

Moderator: Thank you very much sir, we will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now.

Sir the first question comes from Mr. Anand Radhakrishnan from Franklin Templeton.

Anand Radhakrishnan: Good afternoon sir. I have two questions. One is on the acquisition and the other one is on *Atmosphere*, can you throw some light on if there any already announced acquisition?

Rajesh Kunnath: Pardon, I could not hear your full question, sorry?

Anand Radhakrishnan: Has there been already an acquisition done in Europe and what is the status of that? Second is on *Atmosphere* on the domestic front, can you throw some light on both?

Rajesh Kunnath: Yeah, I was actually planning to take questions on the acquisition separately, but since you have asked it I might as well clarify it upfront. We have signed a definitive agreement for acquiring a company in Italy called *Bellora SPA*. We are acquiring 70% stake in that company. As of today, as per the agreement signed with the company, we cannot share details about the value that we have paid for acquiring the stake, but I can tell you this much that the company is a luxury brand and it has a large distribution and retail presence across Europe, which we believe will be very useful to us as we scale up our bed linen business. In a different sense, it is also in line with the stated objective of the company of acquiring top end luxury brands in the bed linen space so as to enable us to drive our value realisation on bed linen higher than most of the other players who are in the Indian market. That is as far as the acquisition of Bellora is concerned.

The closing of this agreement will happen on February 19, 2007. After that we will be able to share some more figures on the value that we have paid and also on specific synergies vis-à-vis the bed linen facility at Hassan. This is the answer to the first question you had asked on the acquisition.

On the second question relating to Atmosphere, we currently expect Atmosphere to end this year in the region of 24 to 25 crores. We ended the third quarter at shade above 17 crores and we expect this fantastic growth performance of over 40% to continue, so in the second full year of operations, *Atmosphere* will not only report turn-over in excess of INR 24 crores but also would have wiped out its cumulative losses of the previous two years and will actually be paying some income tax this year. Why we feel very happy about this performance is that we have been able to through a solo exclusive store presence achieve this level of turn over without having to depend on the large format retail in India.

As far as plans for *Atmosphere* is concerned, we currently have 11 stores in India, we plan to open three or four more stores in India as of now. There is one store planned in Mumbai, in addition the two that already exist. We are also planning stores in other cities like Cochin, which is currently under the scanner. We are planning to open one more store in Delhi and one in Chandigarh, so that would take the total number of stores to about 15 in India. The store at Dubai will be commissioned in March 2007 and will become the first overseas store of *Atmosphere*. In addition to this, we plan to open at least three to four more stores in other parts of South Asia like Hong Kong, Singapore, Malaysia, so we are betting big on the overseas stores. As per our preliminary estimates, a store like Dubai can by itself command a topline of almost INR 10 to 12 crores.

Anand Radhakrishnan: Okay, and you said that they have broken even or may be making profit by this time?

Rajesh Kunnath: Yes we have already for the nine months ended December 2007. Atmosphere is reporting a PBT of 2 crores on a 17 crores topline.

Anand Radhakrishnan: Can you also give a status update of the bed linen facility, what is its progress and where it is now and things like that?

Rajesh Kunnath: Bed linen facility is in its final stage or erection and commissioning. We expect trial production to start in the last week of February or the first week of March, but we definitely expect the commercial production to start by April 2007.

Anand Radhakrishnan: Okay thanks.

Rajesh Kunnath: Okay, thank you.

Moderator: Thank you very much sir. Participants are requested to please press *1 to ask a question. Next in line, we have Mr. Krishnakumar from BNP.

Krishnakumar: Good afternoon sir.

Rajesh Kunnath: Good afternoon.

Krishnakumar: Yeah there is a question on the acquisition. You mentioned of 29 million Euro revenue, could you give some indication about the profitability of Bellora? And second is in terms of the retail outlets in Europe, what is the kind of presence, the number of outlets do they have on their own, and how is the sales spread between own outlets and departmental stores etc, so how the sales look like?

Rajesh Kunnath: Yeah, Krishnakumar, I would not be able to share data on the profitability of that business till February 19, 2007, because we are bound by certain norms of the agreement, but I can share details with you on the retail footprint of the company. They have 17 exclusive stores, most of which are in Italy, they have some stores in Barcelona and in Spain, Portugal, and Switzerland. Now in addition to these own stores, they have almost 350 points of sale presence across Europe. When I mean points of sale, I mean like presence in large retail departmental stores and also franchise stores in various places. When I say large retail departmental stores, we are talking of Harrods, we are talking of Le Bon Marche, and departmental stores like that, which are typically up-market department stores and not the cost saving model stores.

Krishnakumar: Okay, and those of revenue split between own outlets and other outlets, could you give some idea?

Rajesh Kunnath: Of their total sales, almost 60% comes from their own stores and 40% comes from the department store and franchise store outlets.

Krishnakumar: Fine sir, and sir just for understanding you know if you were to look at couple of other similar companies, could you give us some idea about similar companies in that space?

Rajesh Kunnath: You mean Bellora, see you have companies like *Zuki*, I am not sure if you have heard of the name. You have companies like *Zuki*, you have companies like *Frete*, which are present in Italy and are also active players in this market. See the important thing about this market is that it is not as if you have one or two large players who command toplines of 200 – 300 million. Most of these companies have toplines under 100 million and are essentially family-owned companies who run their business by sharing some part of it through their own store formats and the balance through shared franchise outlets.

Krishnakumar: Okay, and in terms of the 30% remaining revenue stake in the company, do the existing promoters have any option on that?

Rajesh Kunnath: They have an option to sell out that stake at the end of the second year and the fifth year, in two tranches of 15% each.

Krishnakumar: Oh fine sir, and in terms of Bellora brand by itself, what is the kind of products at this point that they are retailing?

Rajesh Kunnath: Predominantly in the bed linen, they retail bed linen, 90 to 95% of their products are bed linen, the balance 10% is taken up by products like bathrobes, then this bathing solution, soap solution which is used for bathing, candles, and perfumes used on the bedspreads and the like, but almost 90% of their products are bed linen.

Krishnakumar: Okay sir, and coming into the Indian operations, you just mentioned that your commercial operation will start from April 1, 2007, so could you just take us through the kind of volumes and ramp up that you expect in the next two year from the new facility?

Rajesh Kunnath: Yeah, the installed capacity of that plant is 20 million meters. As of April 1, 2007, we would be ready to process 10 million meters, but that would not happen straight away. I guess by June, July, we would have the capability to process 10 million meters, but by the end of the year, we would have put in some more capital expenditure to ensure that our installed capacity or rather the actual capacity is up to 20 million meters, so if you ask me in terms of number for FY07, FY08, that is the year ended March 2008, we would have processed about 10 million meters, and that would go up to 17 to 18 million meters in March 2009.

Krishnakumar: Okay, and sir in terms of the realizations in these kind of premium bed linen, could you give us some idea in terms of how the market is and where you are positioning the product?

Rajesh Kunnath: See the average realization in this market is predominantly on the bed sheet, which is the largest in terms of value. If you leave aside the pillow covers, the quills and the like, the bed sheet typically realizes between four to five dollars, depending on the type of customer profile you have, per meter. And just to give you a sense of why we are looking at acquisitions, this can retail at the point of sales at something between 20 to 25 dollars. Meaning, if a retailer in the US buys this product from me at 5 dollars a meter, he can retail it at something like 20 to 25 dollars a meter.

Krishnakumar: Okay, so through an acquisition you would be able to capture the entire value?

Rajesh Kunnath: Exactly, we try to get most part of that value chain into our P&L.

Krishnakumar: Okay fine sir, and in terms of the product mix I remember that you said that probably you will have 30% of the volumes at a premium end and the rest in the mid market kind of positioning, so average realization for the entire mix of what you are seeing is four to five dollars per meter?

Rajesh Kunnath: Yeah if the acquisitions that we are talking of come through by April or May, then we would be at least 50% of our capacity would get locked in at realizations of almost five dollars a meter, and I would say that the mid end will give us something like 4.5 dollars a meter.

Krishnakumar: Okay, fine.

Rajesh Kunnath: This is assuming a steady state and honoring transfer pricing issues, meaning that if I hold subsidiaries in those countries they will obviously be capturing the upside, so from a legal consultation standpoint I will actually be locking in that value also into my numbers.

Krishnakumar: Yeah, and when we talk about an acquisition, would you look at a majority kind of a stake?

Rajesh Kunnath: Yeah, that has been our call from day one that wherever we are looking at the target we are looking at our first step is to ensure that we are having a majority controlling stake in the company.

Krishnakumar: Okay, and in terms of the existing operations of the company could you just share some highlights in terms of how do you see the realizations moving and other than the one time or other initial expenditure if you exclude that are you maintaining margins from the base business?

Rajesh Kunnath: Yes, I would say that as I mentioned even when we have had a previous call, for the last quarter I said that holding on to a 34 to 35% EBIT margin is something that we will be comfortable with. Getting to margins of 40% I think it is not possible, but holding on to 35% for the core business after eliminating all extraordinary items is quite possible, and we are there may be just one or two percentage points off if you add back the extraordinary items for this quarter. So if you ask me how the trend on this business is going to be, this business if you exclude the volumes being given into *Atmosphere*, would grow at 5 to 6% in volume terms and would grow by 2 to 3% in value terms, so we don't expect going forward CAGR in excess of 8 to 10% on this business.

Krishnakumar: Okay, I understand sir, and in terms of the balance sheet could you give us some idea in terms of what is the cash available on the books?

Rajesh Kunnath: As of today before we complete this acquisition, we currently have around 345 crores of free cash with us which includes the GDR proceeds.

Krishnakumar: What would be the TUFF loans probably the loans that you have taken?

Rajesh Kunnath: 300 crores is going to be the TUFF loan?

Krishnakumar: Okay, that is basically drawn in now fully?

Rajesh Kunnath: No, we have hardly drawn 50% of it, so we are currently at 158 crores. I guess that the balance will get drawn in over the next four months.

Krishnakumar: Okay, and sir in terms of the forex could you just give us some idea in terms of how the quarter was for, you did you make some loss or do you have a profit on the forex front?

Rajesh Kunnath: If you ask me to make this comparison vis-à-vis the previous quarter because that is the point, I mean the quarter of December 2005, which is how we can understand the forex better, is to say that my forex helps me in improving my realizations by around 2%.

Krishnakumar: Okay fine. Thank you very much sir, I will come back later for questions.

Rajesh Kunnath: Yeah.

Moderator: Thank you very much sir. Next in line we have Mr. Siddarth from Motilal Oswal.

Siddarth: Good afternoon sir, this is Siddarth here.

Rajesh Kunnath: Yeah, good afternoon Siddarth.

Siddarth: Yeah hi, sir you mentioned that there is some extraordinary cost item that relates to home textiles and some other segments, so could you just quantify the exact detail?

Rajesh Kunnath: See INR 90 lakhs is the cost taken into the quarter for the bed linen business. We have also taken in around 20 to 25 lakhs of higher corporate expenses because now that is not a extraordinary in the truest sense because that is part of our scale up, but I was only looking at this as a point of reference to December 2005, and we have also taken in a provision of 50 lakhs towards leave encashment in this quarter. Because the new accounting standard that has come in, where most of the companies preferred to create the liabilities in the last quarter, they have decided to take on that liability in this quarter itself.

Siddarth: Okay sir, if you were to just account for these then your EBIDTA margins would have been around 34 to …..

Rajesh Kunnath: Yeah almost two to two and half percentage points you can add back.

Siddarth: Okay, and sir this relates to question you know someone was asking just sometime back. On the forex side, exactly how much is the forex gain or loss during the quarter, you mentioned something with respect to realisation, but is there any forex gain or loss in this quarter?

Rajesh Kunnath: We have a marginal gain of about 60 lakhs.

Siddarth: 60 lakhs.

Rajesh Kunnath: Yeah, see I said that I have got a 2% gain on my topline. Almost I got a 1.62 to 1.7% hit on my raw material also as well, so the net gain is around 60.

Siddarth: Correct, and sir this acquisition that you have announced, by when can we have more details as to what is the consideration being paid for this and other..?

Rajesh Kunnath: After February 19, 2007.

Siddarth: After February 19, 2007, and during your opening remarks you had mentioned that you expect to complete two acquisitions, is there some other acquisitions which you like..?

Rajesh Kunnath: Yeah there is one more acquisition where we are in a fairly advanced stage as far as negotiations are concerned, so we expect to come out with some news on that by the first week of March or thereabouts.

Siddarth: Sir you know now that you would be spending on these two acquisitions, how do you see your other income like what was the break-up for other income during this quarter?

Rajesh Kunnath: For Q4 you mean?

Siddarth: Yeah Q4.

Rajesh Kunnath: For Q4, I think we will still earn around 4 crores.

Siddarth: You still earn around 4 crores.

Rajesh Kunnath: Yeah.

Siddarth: Okay, and probably once you are through with your second acquisition also would most of these free cash which is lying in your book, how ….

Rajesh Kunnath: Yeah most of the GDR proceeds would be used up.

Siddarth: Most of the GDR proceeds would be used up?

Rajesh Kunnath: Yes.

Siddarth: Okay the earlier cash that you are holding on would still be plus the accruals which would happen this year?

Rajesh Kunnath: Yeah, so I would have accrued in totality I would had around 350 to 370 crores as against that the GDR proceeds would get used up.

Siddarth: Got it sir, thank you so much.

Rajesh Kunnath: Yeah.

Moderator: Thank you very much sir. Next in line we have Mr. Sudeep Kedia from ASK Raymond.

Sudeep Kedia: Good evening sir.

Rajesh Kunnath: Good evening Sudeep.

Sudeep Kedia: Sir could you please give us a break up for your other income.

Rajesh Kunnath: Break up as in it has mainly interest.

Sudeep Kedia: It is only interest income.

Rajesh Kunnath: Yes, 95% of it is my interest income.

Sudeep Kedia: Okay, thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1. Next in line is Mr. Aditya from Religare Securities.

Rajesh Kunnath: Hello.

Moderator: Sir, we have lost Mr. Aditya.

Rajesh Kunnath: Yeah.

Moderator: Participants who wish to ask questions, please press *1. Next in line, we have Sangeeta from Anand Rathi.

Sangeeta: Hello sir.

Rajesh Kunnath: Yes Sangeeta.

Sangeeta: Sir I would just like to know about the trends in the raw material prices, how are they growing now?

Rajesh Kunnath: You want to know about the current cost of purchases or the charge in our P&L?

Sangeeta: The charge as well as right now what is going on the inventory at what level are we holding, and how the trend is looking forward?

Rajesh Kunnath: The charge in the P&L is about 28 dollars. We are currently buying yarn at around 24 dollars.

Sangeeta: Currently buying at 24?

Rajesh Kunnath: Currently at 24, and that gain of 3 to 4 dollars will be seen only around July, which means that we are holding about six month's inventory.

Sangeeta: Okay sir, and as far as the acquisition is concerned only after February 19, 2007.

Rajesh Kunnath: Yeah, we will give you all the details.

Sangeeta: Okay sir, and as far as this retail business is concerned, the *Atmosphere*, this 11 crores which we have right now can I get a store to store break up like the initial stores, that means the stores which were there from the starting at five to six store, what type of increase in sales per store they have contributed to the total revenue?

Rajesh Kunnath: Almost all the stores have been in existence for the two years, between 18 months to 24 months, so I am not sure how the comparison will help?

Sangeeta: So right now if I see the per store sales, sequentially they have grown at 20%, I mean when I compare last quarter to this quarter they have grown at 20%.

Rajesh Kunnath: No but if you take last year from this year?

Sangeeta: They have grown by 38%, year on year.

Rajesh Kunnath: Yeah that is the point I was trying to make, that type of growth we will see going forward as well. When I mention that we are going to see a 30 to 40% growth in Atmosphere, I did not mean each store is going to grow at 30 to 40%. I meant the topline of Atmosphere will grow by 30 to 40% for two reasons, one is few more stores in India and the three to four stores that we are going to open overseas.

Sangeeta: Okay, and this Dubai stores that you are talking about, it is going to clock sales around 10 to 12 crores.

Rajesh Kunnath: As of today we expect it to cross 10 to 12 crores for a full year that is the potential we are talking of.

Sangeeta: In 2008, okay sir, thank you.

Rajesh Kunnath: Yeah.

Moderator: Thank you very much mam. Participants who wish to ask questions, please press *1. Next in line we have Thoral Munshi from ABN Amro.

Thoral Munshi: Good evening sir.

Rajesh Kunnath: Good evening.

Thoral Munshi: Sir I would like to know the kind of capex that we have done so far and what it will be as on for the next quarter and for the next year sir, excluding the acquisition?

Rajesh Kunnath: Excluding acquisitions, the name capex that we currently have on the table is the bed linen facility at Hassan, for which the total capex is 400 crores, but of 400 crores as of March 2007, we would have spent about 250 crores.

Thoral Munshi: Okay, and the balance would come in?

Rajesh Kunnath: The balance 150 will clock in the following six months.

Thoral Munshi: Okay sir, and just to get an indication what is the first store investment in the retail stores, how much investment goes into one *Atmosphere* store?

Rajesh Kunnath: The running expense of a store, if I may use that word, because we hardly have any capital expenditures, mainly the fixtures that we put in, it is a lease hold property most of them, barring the store at Bangalore which we own, would be in the region of 80 lakhs to a crore.

Thoral Munshi: This includes the inventories.

Rajesh Kunnath: No, inventories are not held in the store. In Atmosphere, there is no inventory being held at the point of state. In fact there is hardly any inventory being held, even at the Atmosphere factory godown.

Thoral Munshi: Okay.

Rajesh Kunnath: It is per order on the basis on each order material fabric is transferred from HSL to the Atmosphere business from where it then gets shipped. It is only if there is a product which is high in demand where higher production is indented for that they will hold some inventory.

Thoral Munsh: Okay, and sir for the international stores would the investment be slightly higher than this?

Rajesh Kunnath: Actually Dubai is turning out to be cheaper than Bombay, but I would not say it is very cheaper, it is about cheaper, but the initial cost of interior decoration is quite expensive. It is about one and half crores.

Thoral Munshi: Okay sir, thank you.

Rajesh Kunnath: Yeah thank you.

Moderator: Thank you very much mam. Next in line we have Chinmay.

Chinmay: Yeah, good evening sir.

Rajesh Kunnath: Good evening Chinmay.

Chinmay: Sir sorry I joined late, but could you give me the volumes and realizations for this quarter and corresponding quarter.

Rajesh Kunnath: Seems to be a standard question from you Chinmay.

Chinmay: Sorry sir.

Rajesh Kunnath: No problem. The realization on fabric you want? The total volume of fabric was 414,071 meter for the quarter, which represents a 14.04% growth over the same quarter previous year.

Chinmay: Okay sir.

Rajesh Kunnath: The realization on fabric again is Rs. 951 as against Rs. 887 last year.

Chinmay: 887.

Rajesh Kunnath: 887, represents a 7.2% growth over previous year. And on yarn the total sales of 51,263 kgs, it is down from the previous year about 16,267 kgs and the realisation on yarn is 1884 as against 1675 last year.

Chinmay: Okay, sir in this quarter have you been impacted by raw material at all in this because your operating margins were down?

Rajesh Kunnath: If you ask me as a context to the previous year same quarter, yes, but if you ask me quarter on quarter, not much.

Chinmay: Okay, no because even on a quarterly basis.

Rajesh Kunnath: Yes, but then if you look at it on a quarterly basis, as I was saying before you came in, there are certain extraordinary expenses that we incurred.

Chinmay: No, no, that I got sir, all that I got.

Rajesh Kunnath: If you add that back and you see EBITDA are almost the same.

Chinmay: Yeah, okay thank you sir.

Rajesh Kunnath: Thanks.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1. Sir we have a follow up question from Ms. Sangeeta of Anand Rathi.

Sangeeta: Sir.

Rajesh Kunnath: Yeah Sangeeta.

Sangeeta: Sir just one more clarification. While I was going through the website of the Bellora, this company also has 50 looms.

Rajesh Kunnath: They are looms which they have in a manufacturing facility at the outskirts of Milan which has been discontinued from June last year.

Sangeeta: Okay sir, now it is only a brand. They don't have any manufacturing facility.

Rajesh Kunnath: No, the land is available as in real estate on the books, but there is no manufacturing activity.

Sangeeta: Okay sir, thank you.

Rajesh Kunnath: Thank you.

Moderator: Thank you very much mam. Participants who wish to ask questions, please press *1.

Rajesh Kunnath: Are we through?

Moderator: Participants are requested to please press *1 to ask a question. At this moment, there are no further questions from participants. I would like to hand over the floor back to Mr. Gautam Sinha Roy for final remarks.

Gautam Sinha Roy: Before we close, a couple of quick questions, because you are targeting the high end of the market in bed linen, who would be your competitor from India in this particular segment?

Rajesh Kunnath: I don't think any of our competitors have actually been able to acquire the business in the high end. Most of the acquisitions that people like Welspun or GHCL have done, have either been of brands in the mid-end space or distressed asset sale.

Gautam Sinha Roy: Correct.

Rajesh Kunnath: So to us, I think the differentiating factor has been to drive the luxury brand acquisition more than the mid market.

Gautam Sinha Roy: Okay, another question sir in terms of margins this would be the first year of operations for your bed linen manufacturing part, how would you see margins panning out in the first year, because I believe substantial part of your cost base would be fixed cost, so how much would that impact margins in the first year of operation?

Rajesh Kunnath: If you ask me on a business which should typically be earning 18 to 20% margins, I am talking of EBIT margins, this business will earn only about 8 to 10% in the first year.

Gautam Sinha Roy: Okay.

Rajesh Kunnath: Right, but while saying that I have to reiterate that if I have the acquisitions in my pocket the value upside between 5 dollars and 25 dollars is mine on a legal consultation.

Gautam Sinha Roy: Okay, and in terms of margins for Bellora and the other acquisitions that you would be doing, would that continue to be steady from where they are currently plus the transport charges?

Rajesh Kunnath: We actually see the margins improving, because currently these companies source from various places.

Gautam Sinha Roy: Yeah.

Rajesh Kunnath: Now since they would have only one large preferred supplier, we believe that synergies would come through.

Gautam Sinha Roy: If you look at the integrated margin that you will capture across the value chain, including Bellora, what would that be on a steady state?

Rajesh Kunnath: As I said, if you look at how our competitors are performing in India right now on bed linen based on whatever data is available, it looks like they are able to get EBIT margins of 18 to 20%, but we believe that if we are able to synergies well with the acquired companies we will be able to push up that EBIT margin to 25 to 30%.

Gautam Sinha Roy: Okay, so that would be the integrated margin?

Rajesh Kunnath: Integrated margins to me will be in the region 25 to 30%.

Gautam Sinha Roy: Okay, and that should pan out in FY09.

Rajesh Kunnath: Yes, not in March 2008, but in March 2009.

Gautam Sinha Roy: Yes, okay sir, thanks a lot.

Rajesh Kunnath: Thanks Gautam, so are we through?

Gautam Sinha Roy: Yeah, we are very much through sir. Thank you very much for participating in this conference call. I would like to thank everyone participating in the call for their participation. Thank you very much.

Rajesh Kunnath: Yeah thanks Gautam.

Moderator: Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a pleasant evening.