"KDDL Limited Q1FY16 Earnings Conference Call"

August 31, 2015

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Moderator: Good day, ladies and gentlemen and welcome to KDDL Limited Q1 FY-'16 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Yashovardhan Saboo – CEO, KDDL and ETHOS Limited. Thank you and over to you sir.

Yashovardhan Saboo: Good Afternoon and A Very Warm Welcome to all the Participants at this Earnings Call. As usual I am joined at this call by my colleagues Mr. Sanjeev Masown -- CFO of KDDL and Mr. Raja Sekhar -- CFO of ETHOS which is actually Retail arm and we also have with us SGA, who are our Investor Relations Advisors.

I trust you have all received our 'Financial Results' and 'Presentation,' it is uploaded on the BSE website as well as our website and now I will give you a Brief Update on the Business followed by a Commentary on the Financial Results. Let me begin with the Consolidated Results: In Q1 of FY-'16, the company registered a revenue growth of 18%, growing to Rs.100 crores from Rs.85 crores with an EBITDA of Rs.8 crores which represents a growth of 39% year-on-year. And the EBITDA margin grew to 7.8% higher by 119 basis points compared to the corresponding period in the previous year. Profit after tax in the last quarter turned positive from a loss of Rs.(-30) lakhs in Q1 FY-'15 to a profit of Rs.1.8 crores. Company recorded a positive profit after tax for the first time ever in Q1 of this fiscal year. First quarter is usually the quietest of the four quarters of the business especially in the Retail business. Therefore, we are very happy to note that our business has reached the threshold where we are profitable in the first quarter itself of the fiscal year as well. Cash PAT for the year is at Rs.4.2 crores, a growth of 39% compared to the corresponding period.

Coming to the Standalone Results: For the quarter, the standalone revenues remain stable at Rs.30 crores as was the EBITDA stable at Rs.5.4 crores and the EBITDA margin was also stable at 17.8%. This quarter has been a bit better than expected in terms of absolute EBITDA and EBITDA margin in the light of the export benefit under the focus product scheme being reduced suddenly to 0% for Switzerland which is our main export destination and also keeping in mind the overall slowing down of the market in light of disturbances in several important international markets. So in fact we have done a little bit better than what was expected at the beginning of the quarter. Profit after tax stands at Rs.1.4 crores, a growth of 32% year-on-year and the net profit margins improving by 112 basis points to 4.6%.

I now come to discussion on ETHOS, our Luxury Retail arm: In the quarter ended 30th June 2015, the company had 41 Stores across the country with 8 Summit Stores, 3 Duty Free Airport Stores, 2 Duty Free Paid Airport Stores and 28 ETHOS Stores. We continue our focus on rationalizing and optimizing our physical presence in India and augmenting it with online presence to create an Omni-Channel Retail business. In keeping with this, we have closed 5 Stores -- one in Bengaluru, one at the Delhi Airport which was a Kiosk Store and one at the Domestic Airport at Ahmedabad, one at Surat and one Summit Store at Mumbai.

I would like to give a little bit of rationale for store closures: We continue to consider closing down stores that do not contribute significantly to the top line or stores that are unlikely to become profitable in the near future. We have become a little more aggressive on store closures because our model henceforth is really to drive same-store growth through the online/offline combination, and typically we have seen that very small stores do not offer a great potential for expansion in the years to come. So therefore in general a store which either is very small without the potential of a large expansion or is at a location which is not likely to yield a good profit in the future, we are now considering it is better to close it down and concentrate on our efforts to grow the stores with more potential or to open new stores with larger areas and with more potential. And this is borne out by the fact that the closure of the stores that I mentioned early on has not had any impact on the revenue growth of the company; our revenues have grown by 26% year-on-year to Rs.69 crores. The revenue growth has been on the back of a very healthy same-store sales growth of 16% which compares quite favorably with the Retail business in general in India during this period. The revenue growth has been achieved based on continued emphasis on reaching out to our customers through our online platform.

The revenues from the lead generated from our Online platform increased by 60% and constitute 29% of the overall sales, up from 22% last year in the same period. The proportion of revenue from Online platform is enabling us to capture benefits of operating these leverage. The combined front end expenses of rental and employee costs have reduced as a percentage of sales from 14.5% to 13.5% very much on track with our long-term plan. This reduction has resulted in EBITDA margins growing by 211% from Rs.0.6 crores in the same period previous year to Rs.2 crores in the current year. As a percentage, EBITDA margin has expanded by as much as 173 basis points to 2.9% in Q1 of FY-'16.

We have also been able to improve our capital efficiency by reducing our inventory carrying months to 8.7-months in Q1 of FY-'16 of this year from 9-months in the same period in the previous year and we expect this efficiency of capital to be further improved during the course of this year. Net loss for the quarter was reduced to half of that in the last year same quarter; net loss was at Rs.0.6 crores reduced from a loss of Rs.1.3 crores in the same period previous year.

Our plan for the next quarter include the opening of two important new stores -- one of them is the new store at the Terminal-2 at the Mumbai Airport Domestic Departure Terminal which is expected to be operational shortly. We will also be launching a new store in the Luxury Hotel Taj GVK at Mumbai International Airport Terminal-1. This is the only hotel at Mumbai Airport that will be directly connected with the airport terminal. We have an excellent location in the lobby of this airport hotel and it is expected to do very well with frequent travelers and business travelers.

With quality travel retail picking up in India these decisions reiterate our idea to enter into travel retail. ETHOS is the First Watch Retailer in India to open stores at an Airport and we expect many such opportunities to come our way. We have already shared with everyone that last month we had an incident of fire at one of our ETHOS Stores in the Ambience Mall at Gurgaon. Fortunately, there were no injuries. The activities of this store have been temporarily suspended and we are now commencing the rebuilding of the stores and taking adequate steps to restore its normalcy at the earliest.

During the quarter, as you all know, ETHOS has raised Rs.4 crores by way of issue of equity shares on preferential allotment basis to KDDL. The funds raised by ETHOS Limited will be utilized for expansion of its business. The total shareholding of KDDL directly and through its 100% subsidiary in ETHOS Limited on conversion of these cumulative compulsory convertible preference shares on a fully diluted basis will increase from 70.26% to 70.88%.

I would also like to share with everyone that our board of directors as well as shareholders have approved the issue an allotment of 1008400 equity shares of KDDL on preferential basis to share SAIF Partners, a foreign portfolio investor for a price of Rs.297.50 per issued share for an amount aggregating to Rs.30 crores. The funds will be utilized towards investments in existing business and other normal business needs of KDDL.

With this I would like to thank you all for the patient listening and would like to open the floor for questions-and-answers. Thank you very much.

Moderator: Thank you, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. First question is from the line of Sadanand Shetty from Taurus Asset Management Company. Please go ahead.

Sadanand Shetty: Sir, you have raised a money in KDDL also in ETHOS. Can you give details of how are you going to deploy this capital, if you can give some granular breakup of that?

Yashovardhan Saboo: So the money that we are raising in KDDL is essentially for the use in KDDL for normal activities and expansion, and as you know there are plans in KDDL to grow the KDDL business both in manufacturing of Watch Components and on the Engineering side. And on the other hand KDDL will invest as per the needs of ETHOS from its internal generation from time-to-time to finance the expansion needs of ETHOS. The needs of ETHOS now with that business turning profitable and also efficiencies starting to show up, obviously, we believe that ETHOS itself will also be able to stand on its own very soon without the need for too many external funds.

Sadanand Shetty: One would have the impression that you would really scale up and ramp up ETHOS growth substantially by investing lot. Currently, cash flow of ETHOS is not sufficient enough to go on aggressive mode considering you are truly and only perhaps national player, you had a fantastic opportunity to scale up. Is it not that something is not coming through in your conversation?

Yashovardhan Saboo: Just to tell you that I think we have got a plan for ETHOS in place and that plan really rest on this 25% to 28% year-on-year growth with an improvement of EBITDA margins. And as you can see that is something that we are very much on track. So I think it is to do with the market opportunity, it is to do with the overall plan for ETHOS expansion that we have developed. I think we are very much on track and to the extent that funds are needed I think the funds will be in place. Absolutely, no doubt that the expansion plan of ETHOS which we have shared in the past in general also I think they are very much on track. In this quarter I just want to repeat again what I told earlier we grew by 26% with 16% same-store growth. It is exceeding the projection that we had made for this quarter. So we are very much on track. I do not see this being held up for want of funds at all. What I am saying is something that will bear itself out in the months to come.

Moderator: Thank you. The next question is from the line of **Nisha Shah,** who is an investor. Please go ahead.

Nisha Shah: Is there any impact of the slowdown in China on Watch production or sale of Luxury Watches or something?

Yashovardhan Saboo: Nisha, like all Luxury and Premium products China was and is an important market for global brands. And the slowdown in China is definitely having an impact. That is something to which I think the Watch market like every other market of Luxury and Lifestyle products is not immune. So to answer your question, yes, there is an impact. We believe that in the segments with we are operating the impact is lesser than on very high-priced segments. I also believe that this impact will last for the next few months or so, but there are other markets that are doing well which will start to mitigate this impact. I believe however that it will take a couple of months for the slowdown of China and let me also add that Russia is also impacted a bit though not to the same extent as China, but the impact of these two markets will be mitigated by the recovery of other markets which is what the general feeling in the business is.

Nisha Shah: Sir, can you just give me a revenue breakup of ETHOS and Summit Stores?

Yashovardhan Saboo: Out of the total billings of Rs.78 crores in the ETHOS overall business, Rs.36 crores came from Summit Stores, about Rs.25 crores came from ETHOS and about Rs.12 crores came from Airport Stores… Airport Stores are also considered as ETHOS stores. So you could say it is about 50:50.

Moderator: Thank you. The next question is from the line of Anup Purohit from Kaviraj Securities. Please go ahead.

Anup Purohit: Our question regarding the eCommerce platform which you mentioned in the last conference call. I believe it is at a nascent stage. I just want to know at what price range are you selling the Watches on that platform?

Yashovardhan Saboo: Anup, let me once again clarify the way the business works on this platform it is a lead-generation model which means that leads come in through our website which themselves they are part of either organically growing leads or they are leads that arise out of search engine, marketing or other marketing means. The leads come to the website, we have got an information center consisting of 27 trained Watch Specialists, they interact with the customers, they help them or develop the lead and their enquiry, and eventually after a certain stage of maturity, the lead is handed over to a store which is convenient for the customer and the transaction is concluded at one of our stores. Of course, it does happen that for repeat customers, especially customers who do not live in the cities where we have our stores, the deals can also be concluded remotely when the customer does not feel the need to go and verify or look at the Watch at the particular store. Now, coming to your question which will be average price of these transactions, the average price of the sales generated through the leads is currently at about 97,000 per unit sold, that is the average MRP.

Anup Purohit: I was under the impression that you had a different eCommerce website for Watches for selling around 20,000 to 25,000, might be…?

Yashovardhan Saboo: Anup, we do have some brands that we offer for direct fulfillment without the need to discuss with our Watch Specialists. Typically, these brands tend to be in the price range below Rs.20,000, but that is a very-very small part of the overall business… it is growing well, but we see the uniqueness of our model really lying in the fact that we can offer high priced Luxury Watches to customers take them through the guidance that a customer usually need with a Watch Specialist and then eventually go and experience, look and feel, touch the watch at the location which is really the essence of Luxury Watches before concluding the transaction. So it is essentially creating a seamless model where you can research on the net and buy offline in the store, you can also go and look at the watch offline, and later at your convenience, buy it online. So it really is the seamless online-offline combination which is the success of our model.

Anup Purohit: My next question is regarding the inventory management. I think in the last conference call, you had mentioned that it was 8.4 months which was the average days for inventory and a part of it belong to sales and return. So can you tell me how much of it belongs to SOR?

Yashovardhan Saboo: Yes, that is true, we closed the previous fiscal year at about that way. In terms of number of months calculation, obviously, the inventory goes up a bit in the first quarter, in the previous year it was at 9-months, now it stands at 8.7-months. We do expect there to be a significant improvement in this capital efficiency during this year. 7.5% of our stock is SOR.

Anup Purohit: Do you have any target in mind for FY16 how many approximate months would you have because I believe you are planning to bring it down to 6-months in next 2 or 3-years, am I right?

Yashovardhan Saboo: Our goal is to bring it down to about 6-months and therefore clearly we need to bring it something below 8-months this year and I think we are confident we should be able to do it below 8-months.

Moderator: Thank you. The next question is from the line of Gaurav Agarwal from Kotak Securities. Please go ahead.

Gaurav Agarwal: Sir, what percentage of your revenues come from the Middle East side? Is there any demand threatening over there just due to the global stock?

Yashovardhan Saboo: Gaurav, all our Watches are sold in India. So we are not exporting Watches or selling Watches in the Middle East.

Gaurav Agarwal: Any further equity dilution as far as ETHOS is concerned in the next one year?

Yashovardhan Saboo: As I mentioned earlier that KDDL is going to acquire more shares in ETHOS, so KDDL will be investing as per the needs of ETHOS and is based on KDDL's own internal generation. So that is the likely change in the ETHOS capital structure.

Moderator: Thank you. The next question is from the line of Sadanand Shetty from Taurus Asset Management. Please go ahead.

Sadanand Shetty: Mr. Saboo, I have some specific questions: Overall number of Watch Specialists currently that you have… that you used to normally share with us?

Yashovardhan Saboo: 27 is our strength of Watch Specialists.

Sadanand Shetty: What is your target for year-end?

Yashovardhan Saboo: That is a very good question. So it is not that we have a very-very clear target. Personally I am pushing to increase this number to 40 because I am extremely bullish as to how the increase of specialists is going to actually be able to offer better service. The trouble is that it takes a long time to train the Watch Specialists and we need brands to commit these resources. So depending on how much that happens I believe anywhere between 35 to 40 Watch Specialists is what we would want to end the year with.

Sadanand Shetty: Would you be able to share with us the number of lead generated and transferred to stores in the last quarter?

Yashovardhan Saboo: So in the last quarter we generated shade over 27,000 leads.

Sadanand Shetty: And the number of Club ETHOS Membership base today?

Yashovardhan Saboo: Club ETHOS Membership today stands at 99,700.

Sadanand Shetty: How are all these numbers growing quarter-on-quarter basis?

Yashovardhan Saboo: So let me tell you, for example, leads has actually come down from the previous year same quarter. The number of leads this year in Q1 of FY-'16 is 27,000 as I told you, in the first quarter of last year it was 32,000. Now this is not at all a cause of alarm because what we are starting to do is starting to let us say weed out completely non-serious leads… there were leads coming in who would want to ask for a Rolex and who will be surprised when we told them the price because they expect Rolex to be available at Rs.10,000. That was not only instead of occupying a lot of time of our Watch Specialists but also generally occupying resources. So the quality of leads has gone up a lot and where this is reflected is in the conversion percentage of the leads; the conversion percentage of leads which stood at 4.5% last year same quarter has jumped to 8.6% this year, it is almost a doubling of the conversion percentage. And this has not been something sudden; in the last year first two quarters it was 4.5% and then it increased to 7%, 8.3%, now it is 8.6%. So that is really the way we want to go. It also means that we use our marketing money on the search engines and other marketing much more effectively.

Moderator: Thank you. The next question is from the line of Richa Shah from KPH Investments. Please go ahead.

Richa Shah: Sir, just have a few questions on our various products: Can I get a broad breakup between Watch Dials and Precision Engineering and how that sales have come?

Yashovardhan Saboo: I am just going to let Sanjeev, our CFO, answer this question, he has figures in front of him.

Sanjeev Masown: Basically, in case of KDDL manufacturing business, we have three businesses – one, relating to the Watch Components which comprises Watch Hands and Watch Dials, almost 80% of revenue is from the Watch Components and the rest is the Precision Engineering Stamping business, which again is around 15-16% and the 4-5% is the Ornamental packaging which we have.

Richa Shah: Sir, if you can share something how I can break up the Dials and the Hands between 80% revenue?

Sanjeev Masown: Almost 50:50.

Richa Shah: Sir, how different would our margins be from each of these segments – have we seen any change in this quarter?

Sanjeev Masown: I do not see quarter-to-quarter there is any change, but yes between both the products there are different contributions and margins are there.

Richa Shah: Can you give me a broad idea about how the margins differ between these products?

Sanjeev Masown: I think that is something the price sensitive information, we would not like to …

Richa Shah: Just wanted to check on our exports. How much would that be in this quarter?

Sanjeev Masown: Out of our total revenue, we have exports in the range of 60%.

Richa Shah: It is a standard 60% every time or has it been more for our…?

Sanjeev Masown: This quarter there has not been any major growth in the revenue, it has been at the same level, and the contribution of export is also in the same range.

Richa Shah: Sir, in the exports segment, do we have any order book visibility that you can share with us?

Yashovardhan Saboo: Richa, it is not a standard product, so every product is made to order and the orders are placed based on specific designs and the designs are part of either repeat orders or new product development. That is the process that is followed. That is the same whether it is for Watch Components or for the Engineering Components. That means we do not manufacture for stock, we only manufacture order. Over the last couple of months, there has been a softening of the order foresight, typically we look at about 3 to 4-months of orders being in hand, that has gone down marginally. The reason is something that we discussed sometime back is the softening of two important markets in the Watch segment which is China and Russia. So because of that specially export customers there is a sense of stocks being a little inflated which leads to a slowing down of orders. We believe this will sort of dry up over the next 3 to 4-months after which the order position will become normal again.

Richa Shah: So we normally have around 3-4-months of order that we work with any given time?

Yashovardhan Saboo: Correct.

Moderator: Thank you. The next question is from the line of Nohsita Kankaria from New Berry. Please go ahead.

Nohsita Kankaria: My question is more around the business model. Last week we informed the exchange that we have done some additions and deletions in our MOA basically around the main object and the ancillary objects of the company. So, are we trying to steer the business into some other direction or something?

Yashovardhan Saboo: There is no change in the business direction at all. So if you go into the details of the changes it is actually to focus our energies much more on the businesses that we seek. So there is absolutely no change in direction; however, our board felt that the MOA the businesses that we could deed in that is extremely wide, those were MOAs that sort of made in early days when pretty much you put every business under sun into the schedule of what you could do. So, in the interest of focusing our energies making sure that we remain focused on the chosen businesses, a decision was taken, and this was also in line with the recommendations of the new companies bill as I am informed which suggests that we need to curtail the structure of the businesses in the MOA. So to answer your question again there is no intention to steer the business to any new direction other than what we are doing at the moment.

Moderator: Thank you. The next question is from the line of Anup Purohit from Kaviraj Securities. Please go ahead.

Anup Purohit: I did a quick calculation and I realize that 32% of the sales for this quarter online. In one of the previous calls you had mentioned that your aim is to get it to 30%. So well done on that. Since you are increasing your specialists from 27 to 45 down the line, where do you see these online revenues going like -- say around 50%?

Yashovardhan Saboo: I am not sure how you calculated 32%, I will just give you, our calculation is about 29%, but you are right we are close to what we had said as a target 30%. Anup, it is a little difficult to say where this will land up, clearly it will go up, there is no doubt about that. We are seeing the quality of the leads, we are seeing the kind of questions that they are asking, and we believe that by increasing our offering quality and number of Watch Specialists we will be able to increase the business. Whether it will reach 50% or not, I really cannot say but clearly it will go up beyond 30%, for example, let me tell you we have now started a 'Chat Service' which is 24/7. So people can actually reach out any time of the night and their questions will be answered, and surprisingly there were huge amount of traffic that comes in between 10 p.m. and 1:30 a.m. So clearly people are out there, that is the time of the late at night when they get time to sort of enquire about it. And what is very surprising is of course between 1 a.m. and 4 a.m. there is a little bit of quite period, but after 4 a.m. the enquiry starting to come in again. So these are all things which we believe that by adding more Watch Consultants we will reach out to and offer a service which will be very different from what anybody else is offering. So I think all of this is going to make a difference. Whether it will go from 30 to 40% or even beyond I think in the next three quarters we will come to know.

Anup Purohit: Do you have any enquiries from anyone outside India or it is just that from people…?

Yashovardhan Saboo: No, it does not really work that way because our sort of advertising is not visible to people sitting outside India; however, that said I must say that for many non-resident Indians who are living in the USA or Australia or whatever and they want to make a gift of a watch to someone in India, it could be a friend, it could be a brother, could be a parent, could be a nephew, that is something which happens quite a lot, is very-very interesting, they call him, they send a mail and they send a payment, and a watch is then delivered as a gift to someone that they want in India. So those queries do come from people outside India.

Moderator: Thank you. The next question is from the line of Sadanand Shetty from Taurus Asset Management. Please go ahead.

Sadanand Shetty: The pace of visitors coming into your portal has come off very sharply quarter-on-quarter basis, not on quarter-over-quarter basis?

Yashovardhan Saboo: We had 16.76 lakhs in Q4, 18.12 lakhs in Q1 this year and this was 11.57 lakhs in Q1 of the previous year.

Sadanand Shetty: Yes, you used to grow at sub-20% Q1, Q2 of last year, even at Q3 you grew at 16%, if one look at Q4, it has come off and again now it is under 10% even if I take 16,76,000 in Q4 and 18,12,000 in Q1 this year?

Yashovardhan Saboo: Could be, you are right, but as I mention to you, our focus is much more on getting quality leads and being able to improve conversions. Given the fact that we really want to protect our average price also what we are selling I think it is important to distinguish ourselves let us say from the model followed by some of the big e-commerce retailers and we spend much more time with customers who come on to the website.

Sadanand Shetty: Yes, but we are talking about traffic sir right now…the number of people comes to your site or portal, the lead generation would happen later on. That communication strategy has changed.

Yashovardhan Saboo: So what I am saying is for example traffic comes in various ways, right. I do not have to break up here, but there is organic traffic, and there is paid traffic and paid traffic you can obviously pay a lot and get traffic in. So that paid traffic is something which we are having, we do not want to pay for clicks, and traffic comes and it leads to a low conversion. So I think there is perhaps a change in thinking as to how much we should be spending on what website or what marketing tool in order to get the right kind of traffic. The goal is much more to focus on conversion than just on raw traffic which of course you can pay your way to get, there is a pretty direct connection as the advertising spend and the traffic that you can get, but what you must also know is that the cost per click has been going up steadily, so with eCommerce sort of going up, with other people competing for the same works, the cost per click or let us say a word like Luxury Watches is going up. So if you are not circumspect about it, we may see our marketing budgets being absorbed much more than expected without yielding the right results. So I think we are really focusing on the conversions more than the traffic.

Sadanand Shetty: You also wanted to explore other luxury products which are synergistic to overall operation. Any status on that?

Yashovardhan Saboo: So Sadanand, we are still very intent on that, we are looking at various opportunities, I think in the previous discussions I have mentioned the jewelry, we are looking at that. We are also very clear that whatever we want to do has to be an asset-like model and especially if the margins are low, then that has to be a very asset-like model, or on the other hand it has to be a model with extremely high margins. So with these two considerations we are looking at various options. I think that is going to be a future direction without doubt.

Moderator: Thank you. The next question is from the line of Dhavil Shah from I Wealth Management Pvt. Ltd. Please go ahead.

Dhavil Shah: Pledging of the shares have increased for us in this quarter. So, if you could just throw some light why was that created?

Yashovardhan Saboo: I think it is for short term unsecured loan.

Dhavil Shah: I think it was a 7% before, now it has gone to 14%, so it was for the short-term for the bank guarantees assuming?

Yashovardhan Saboo: Yes, it is as a guaranteed for short term loans for collateral.

Dhavil Shah: It would not go up more than this right or …?

Yashovardhan Saboo: Yes, I do not expect it to go up, but again for the needs of business if short-term capital is required I think this is a legitimate way to do that.

Dhavil Shah: Margins on the ETHOS side, where we clearly said that the store closure is what you are doing aggressively, and the stores which are not profitable we are shutting down that. So if you can just throw some light on margins where do we see ending this year and probably next year once eCommerce comes into play?

Yashovardhan Saboo: It is difficult to specify something so concretely; however as I shared in previous meetings as well our goal is to go to something like 10% EBITDA over the next 4-years and from the last year we closed at about 5.1% I think and this is going to be a steady improvement over the next 4-years and we believe to be on track for this improvement. As regards the closure of stores is concerned, I mention two things – one is stores that are not profitable, the other is also stores that might be profitable or might be breaking even but we do not see a great opportunity for growth. Our model rests quite significantly and we are being able to generate more than 15% same-store growth. So holding on to a store where we are unlikely to get that growth, does not seem to be a valid point and those stores we are taking the opportunity when it comes to close those stores. Corollary of the same is that the new stores we are opening are with the view a store with a long term potential, they are to be larger in size. So therefore this becomes a part of the strategy going forward, it fits into the strategy that we are developing.

Dhavil Shah: If you could just tell me the CAPEX for the FY16 which we are planning for both, manufacturing and non manufacturing side?

Yashovardhan Saboo: In the KDDL in the manufacturing side, we have CAPEX plans of about Rs.10-12 crores and about Rs.11-13 crores in ETHOS.

Dhavil Shah: So total around Rs.25 odd crores for this year?

Yashovardhan Saboo: Correct.

Dhavil Shah: Rs.11-13 crores would be more for the new opening of stores, right, and certain inventory?

Yashovardhan Saboo: The major portion of that is actually for stock.

There seems to be no more questions in the queue. I just want to thank everyone for joining on the call and I hope we have been able to respond to your queries adequately. If there are any further information you want, please get in touch with SGA, our investor relations advisors. Thank you very much and have a great evening.

Moderator: Thank you very much, Mr. Saboo. Ladies and Gentlemen, on behalf of KDDL Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.