Ladies and gentlemen, good day and welcome to the MIRC Electronics investor conference call hosted by Tata Securities Limited. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Sameer Deshmukh from Tata Securities Limited. Thank you and over to you, Sir.

On behalf of Tata Securities I welcome you all to the conference call of MIRC Electronics post Q4 FY'11 results. We have with us Mr. G. Sundar, Chief Executive Officer of the company. I now hand over the floor to Mr. Sundar to make the opening remarks, post which we can commence the Q&A session. Over to you Sir.

This is Sundar from MIRC Electronics. Our Q4 has been pretty good. We have been able to achieve our target of 2000 Crores turnover for the year. We grew by 45% in turnover terms and LCD as a category took the lead in terms of growth of 117% followed by air conditioner 72% and mobile 54%. This has resulted in our PBT growth of 56% over the same period last year and PAT growth of 49%.

Well as I said this a truly comparable quarter-to-quarter and we did our best in terms of preponing the air conditioner sales and I think that strategy did work out well. Though the air conditioner season has been not that good, with the summer being inclement with rainfalls in the north and preponement of the rainfall in Kerala. We have however made a good start and if the season has been good, then probably Q1 would have been much better. That is it as far as the last year and the last quarter is concerned. I think we could now open up for question and answers.

We will now begin the question and answer session. The first question is from the line of Mr. Grishma Shah from Envision Capital. Please go ahead sir.

Sir could you also highlight what were the growth segments for you for the full year?
MIRC Electronics Limited
May 13, 2011

G. Sundar: For the total year we grew by 28%. The LCD category grew by 121%, air conditioner by 45% and mobile by 140%

Grishma Shah: You also said that you witnessed a slowdown in the presales across industries, we have also been reading in the newspaper, so how has been that post the March quarter, if you could tell us that considering the fact that even the IFB numbers are signaling slowdown in the consumer durable segment?

G. Sundar: Well I think up to almost the mid of March people were quite buoyant. People were expecting a very good AC season this year and to that extent compared to last year people raised their inventory levels like us. We did prepone the sales, but I think what we did in the air conditioner segment pretty well was starting from the initial launch of the product, the tie up with the trade, a good inroad that we had made in terms stocking up with the dealers and finally the overall marketing campaigns in terms of “SMS gone AC on” did exceedingly well. We were able to achieve stupendous growth of 45% for Q3. To be very frank in the month of April, that we see a little bit of slowdown, but being in this business what I understand is we could have a late summer in which it will eventually pick up or we could have earlier showers in which case it would be a dampener in the segment. It is only time that would say in terms of how it is going to power.

Grishma Shah: Has you have highlighted the growth for various segments, could you also broadly tell us whether it is LCD, which contributes a majority of our revenues and profitability, or how does it pan out?

G. Sundar: Well LCD is the major growth in terms of prioritization if you look at it our priority will be more on LCD, AC and mobile in that order. We are still seen primarily as a audio visual company and this is the category, which has got good growth potential. Which is quite germane to us, we understand both the sound and the picture part very well but for the fact that in the last year we were delayed in terms of the launch and therefore could not catch up with the Diwali season otherwise last year itself would have been a good year for us.

Grishma Shah: Going ahead how do see the revenue growth and the volume growth for us if you could tell us?
G. Sundar: As you know we have this long-term target of becoming a one billion dollar company, so our growth projections would be in the range of 20%-25%.

Grishma Shah: But this is what time horizon that you are looking for?

G. Sundar: 20%-25% is on an annual basis.

Grishma Shah: The billion dollar what you are looking out for, is it on a next?

G. Sundar: Target is for FY'14.

Grishma Shah: In general apart from the categories that you are operating have you also seen slowdown or a late summer kind of as pick up in the other categories in the consumer durable segment if you could help us with that?

G. Sundar: Not really, but we are little bit apprehensive of the rising interest cost and impact of higher prices. Some kind of a slowdown could be possible because besides the interest cost going up it is also question on product prices have gone up by anywhere between 6-10% across categories and that would act as a dampener. But then the space in which we operate & the kind of market shares we have, we do not see too much of derailment terms of our growth category.

Grishma Shah: So, there is one additional question then I have is what your market shares currently?

G. Sundar: In most product category that we operate in the areas in which we operate we are anywhere between 8% and 12% market share in a sense in CRT we are at about 12% and in AC if you look at split segments alone we are at about 15%, in DVDs we are about 15%, in microwave about 9% and then mobiles and LCD were lower, in LCD we would be at above 4% and mobiles about 1%.

Grishma Shah: I will come back if I have my one more questions. Thank you.

Moderator: Thank you. The next question is from the line of Mr. Dhaval Gada from Edelweiss. Please go ahead sir.
Dhaval Gada: One was on the gross margins front, again I am referring back to the question that I had asked in Q3 as well that overall we are seeing an improvement in our revenue mix that is the dependency on the television category CTV segment is coming down and AC and mobile segment is going up, but if I just see the gross margins they are not improving year-on-year basis. It is almost same as we did in FY'10 so could you help me understand why is that so?

G. Sundar: What you say is right in terms of the focus shifting towards the flat panel. If you see in terms of actual turnover last year to current year color television turnover remained about the same rather in fact last year it was 683 Crores against this year - 727 Crores. So while we are saying that we are not focusing as much on the color television, the color television numbers are not going down.

Dhaval Gada: Actually my question was pertaining to gross margin, I understand that?

G. Sundar: I will come to that. The thing is this constitutes 36% of our total turnover. Color television margins have been slipping. That is where while we see the other product category especially like LCD the margins have been improving that is offset by the television margins, which have been slipping down, and television constituting such a large % of the total turnover portfolio, it does act as a dampener.

Dhaval Gada: Could you just tell me the value wise breakup of the all our product categories LCDs, CTV what is the value for the each of products for current year as well as last year, even color will do?

G. Sundar: I can tell you for the current year. Television is about 36%, LCD 9%, DVD 5%, air conditioner 21%, washing machine 6%, mobile12.5% and microwave 2%. The balance 8% is considered in others.

Dhaval Gada: In terms this is value growth and in terms of category growth you gave growth for LCD, AC and mobile. Could you give it for other as well what was the growth in microwave and washing machine?

G. Sundar: Yes microwave 2%, washing machine 11%, DVD degrowth of -2%, CTV 7%.
Dhaval Gada: As you replied on the answer that CTV margins have been coming down gross margins so what was in FY’10 and what are they currently. I mean how much dip has come in the gross margin level?

G. Sundar: Gross margins have come down by 2.5% discount.

Dhaval Gada: So it is around 11.5% gross margin CTV.

G. Sundar: More than that, it was earlier 18% it has come down to 16.5%.

Dhaval Gada: Sir could you also share margins that we currently are doing on the AC segment because I understand a lot of competition as come in the mid segment, we were like your competitors such as Hitachi and others have also entered into this segment and they are now planning to get aggressively in the mid category from the premium category as they used to operate earlier. So how was your margin situation right now in the AC segment?

G. Sundar: AC is one category where we have done quite well for ourselves this year. If you look at it actually we are at level four where if you take Samsung, LG, Voltas and Onida, because the way we look at ourselves we are operating primarily in the split segment. The other players are far lower in terms of their overall volume and it is a fact what we have been able to get in, it is correct that couple of these premium brands like Diaken etc., has come down in terms of their premiumness and then there are trying to aggressively capture into the market but we do have an advantage of network which has been built over the last four years, so this year as I said in terms of getting entry into the market we have many markets, we have done much better than the Koreans. We were able to put in our price proposition well and then we are able to do our laddering of the product. We were able to take in price increase by virtue of introduction of newer models. Like today we have almost 40% of our models incorporated with feature of “SMS gone AC on” and this feature has caught up well with the consumer and therefore besides the increase in the input cost we have been able to maintain our margins in that category.

Dhaval Gada: Sir, actually I was just referring to the Hitachi primarily because they say that the margins in the particular category air conditioner category has dipped around 200-
250-BPS in the current year and especially in last few months from December onwards they have seen sharp increase in prices so what is your sense and how pricing is panning out and how margins are at current situation Sir?

G. Sundar: That is where if you look at it, I have said in last quarter itself that we had a preponement strategy in place and if you ask me that we have been able to plan it out well because we could see a global shortage of compressor capacity, we could see a global demand for copper moving up, and therefore most of our buying, we have completed before December and could therefore avail of the price advantage. I had said my March 31 inventory levels will be much higher. In fact I did predict it would be around the range of 350 Crores and it you look at it we are precisely in that zone. So we did the overall preponement strategy that has done wonderfully well for us.

Dhaval Gada: Got it. Sir, next question was on the advertising front, how much did we spend on advertising this particular financial year?

G. Sundar: We spent about 90 Crores.

Dhaval Gada: Sir, where do we see this spend going in FY’12 and FY’13?

G. Sundar: It should move up to anywhere between 120 and 130 depending upon the kind of margin that we would have and going forward it should move to about 150 to 260. As I said the overall strategy that we would like to adopt is we still like to pursue topline growth very aggressively, reach the critical mass of Rs. 4000 Crores, do the critical advertisement spend of 200 Crores then we would have lot of opportunities to then work on price laddering, small price adjustments improve upon ASPs and then take the margin up.

Dhaval Gada: If I just do the basic calculation, if you say Rs. 130 Crores would be our ad spend for current year then should I imply that the topline should be around 2600 to 2700 Crores for this year?

G. Sundar: As I said, it could be safe to assume anywhere between 20% and 25%. If you see then how it could pan out is anybody guess, and I would say that some account of critical loss would have happened in terms of April sales.
Dhaval Gada: Why that has happened?

G. Sundar: Because the AC industry itself is not grown to the extent that everybody had anticipated, March and April, I think most of them would predict a degrowth.

Dhaval Gada: How is the situation in May, the first 10, 12 days how is it?

G. Sundar: I need to say, but then yes the temperature has shot up, all of us are feeling the heat. It remains to be seen, as I said that how long will the summer last? What we call as a late summer is what is critical now.

Dhaval Gada: But typically if I understand currently the industry, the major junk of the sale happens in the March, April period is that a current asset?

G. Sundar: It depends upon which part of India you are in, what we say is true for south and west. In north, the summer does extend right up to June, even May end would be a good sale in the north.

Dhaval Gada: So typically for our company, what percentage of the sales would come in May, June month vis-à-vis early March, April kind of a thing? Is the proposition higher towards the May, June?

G. Sundar: It is normally higher. April, May, June is higher than January, February, March but we have been trying to look at it because what is happening is typically at the end of the season, people who have inventories and do not have the holding capacity will drop price like crazy. We normally like to avoid that situation and will like to sell everything by May and be done with that.

Dhaval Gada: And currently what level of inventory are we holding in the AC category, how many days of inventory are you holding?

G. Sundar: We would be able to exit the season with decent inventory.

Dhaval Gada: I am just trying to understand is there is a risk that we may have excess inventory at the end of the season and then we have to dispose at?

G. Sundar: No, not for this year.
Dhaval Gada: Going ahead with the distribution part of it when we met you, you had indicated that we are doing a lot of things in terms of marketing and distribution that is one area where we have lagged over the years and we want to improve on that. So how in terms of absolute numbers has the distribution network improved? If you could give some numbers in our distribution networth it will be very helpful?

G. Sundar: There is not much of a dramatic change in that area as yet. Couple of things that we would address to going forward is one is in terms of the Onida Exclusive Stores we are taking initiatives we should see some activity in that area going forward. In terms of distribution, we are in the line with what we are originally planned, primarily aided by the inroad that the AC as a product category as made our direct dealer network has grown up by about 10% to 12%. The overall strategy in terms of focusing more on modern trade has delivered. We have grown there more than 50% in terms vis-à-vis our 28% turnover growth is the growth in modern trade, it is about 60%. So these are the couple of things that we have done and of course in terms of mobile, we have got about 323 distributors. We are now the presenting sponsor for the Onida X-factor, so we would see a greater amount of visibility in the coming quarters. We would also see a greater visibility with the exclusive stores coming up and the third of the thing is with that modern trade input being better you could see a better visibility in that segment also. We also have now changed our advertising agency we have moved back to O&M so we would see a little bit more spicier and we could see getting a better value return for the same amount of money spent.

Dhaval Gada: Who was our ad agency earlier?

G. Sundar: Earlier it was McCann.

Dhaval Gada: Could you give me some, actually I got this number, modern trade 60% what was it last year?

G. Sundar: 60% was the growth.

Dhaval Gada: As a percentage of revenue how much does the modern trade contribute?

G. Sundar: It is about 12%, which has moved up to about 13%.
Dhaval Gada: On the air conditioners front again, now we have seen super normal growth in this category over the last year and we had indicated earlier as well that once we reach the critical mass in the segment we intent to open a factory, so what is the plan on that?

G. Sundar: Well it is still in the drawing board stage, in the sense that we are still on it but we are not in the position to announce anything at this point in time, but it is a fact that we have taken the decision & the plants will eventually come up.

Dhaval Gada: Do you see these levels as critical mass to open up a facility? Is that the level that we were looking at?

G. Sundar: Yes, that is true.

Dhaval Gada: I got it Sir. Sir my next question was on the CapEx what is the CapEx that we are planning for next year and year after that, FY'12 and FY'13?

G. Sundar: That is for the plant our normal CapEx is anywhere between 15 and 20 Crores. Last year we spend about 14 Crores in terms of CapEx. This kind of a CapEx is normally comfortably absorbed within the overall cash flow of the organization. Once we firm up our plan on this plant that we have in mind then we would like to get in the cost of project evaluated and look at various options that would be available in terms of funding it.

Dhaval Gada: That is where exactly I was coming through because if I understand correctly if we intent to open the new facility we will require some funding either to equity or debt to fund that project, so is there any plan for dilution going forward?

G. Sundar: No, not at this point in time.

Dhaval Gada: Coming back to working capital, last year we did a phenomenal operating cash flows, this year we are at around 20, 21 Crores of operating cash flows. So how do you see the cash flows panning out because we have built an inventory this year, so how do you see cash flows for the company in coming years?
G. Sundar: Cash flows will only improve going forward. In the first quarter itself we could see a sliding down of the inventory level coming down. Debtors are also very much in control one will have to factor in that this debtor is on the backdrop of almost 200 Crores of sales in the month of March. So if you see in terms of working capital management we are pretty very much in control and if it all it has come up by more than anything else and as I explained to you earlier also that post season, I do not think we would have inventories that would concern us? In fact we should see a sharp drop in inventory in the Q1 results itself.

Dhaval Gada: Final question on certain categories, which is the LCD segment and the mobile segment and the AC segment, I believe these are the growth drivers for coming years, so could you just help me understand the industry situation as of now in all these categories and do we see any margin pressure, because I believe everyone is talking about growth but we somewhere get the feeling that when we speak to companies that margin or something which will be under pressure even going forward as well, so what is your take on margins for all these three categories?

G. Sundar: As I said, each product is on a different ball game all together. One is if you look at AC, AC is the one which has got the maximum impact in terms of cost increase because as I said it has got too much of plastics and steels more than any other product category and in this product category primarily with the launch of the “SMS gone AC on”, we have been able to push up our margins and therefore our cost increase are passed on to the consumer and therefore you do not see much of a margin erosion. I do not see much of a margin erosion going forward also except for in case there is very weak summer this year, in which case people could be dropping prices steadily except for those players who have huge inventory in their hand, in which there could be a marginal drop but which would eventually caught up with once the people get over the stock. If you look at LCD as a product category, the final prices have only come down vis-à-vis Q3 to Q4 the balance prices are now stabilizing at a particular level but there is not too much of a cost increase so to say, despite the fact that we did not have the Tsunami in Japan. What we are trying to do in this is slowly, slowly the acceptance of Onida Flat Panel is gaining and with greater investments into the brand we feel that this is one product category which we could be able to focus and we should take care of the declining colour television sales as well as the decline in the margin of colour
television. I like to just emphasise here that the colour television margins have also been impacted by an anti-dumping duty, which has been revised by the government in terms of the colour TV.

In the mobile category, if you look at it there is a pressure on the low-end with increasing the number of players who are entering into the segment. We are trying to reposition ourselves, one of the debates that we have been is normally is to reposition ourselves and move away from the Micromax, Karbonn, Lava, and move up into a higher platform. What we have done is we have two product offerings, which are coming out this month. One is which has already been launched in the market and that is what is called as a KY Studio Phone. It has a very unique feature, which is called movie king feature, it has ability to compress more than 20 films into a 2GB micro card and therefore you carry a library of movie wherever you go. The phone has a beautiful stand so you can sit anywhere and watch a movie. The other we are launching an Android with a Touch & QWERTY. So we are trying to take the brand positioning up and move away from the Karbonn and Lava’s of the world so we could get into a higher market, but this is one area to be very frank wherein we will have to work hard and get the brand up rather than get stuck with the inventory and margin pressure.

**Dhaval Gada:** Coming to the final question on EBITDA margins, how do you see EBITDA panning out in the next year?

**G. Sundar:** As I said, if it all we make a higher gross margins we will invest it back into the brand.

**Dhaval Gada:** So it should be at the same level as we saw in the last year. Just one final question on this new mobile phone, what is the pricing of this mobile KY Studio?

**G. Sundar:** KY Studio's aggressively priced at about Rs.3500 if I am not mistaken, it should be around that zone.

**Dhaval Gada:** Is there any other phone in that particular segment?

**G. Sundar:** We have a unique terminology what we called as a “first in world type feature”. A unique which can compress 20 movies into 2 gigabytes of memory space. We
have official license for 20 movies, which we are putting into the phone and giving it as a standard mobile. Fairly in terms of a Android nobody has yet come out with an android with a QWERTY pad. There is one such phone by Motorola, but it is not launch in India, so in terms of India we will be first to offer such a product. Blackberry is also thinking of one product on these lines but our product is well ahead of its term in the sense that is could be launched by the end of this month.

**Dhaval Gada:** Sorry, I actually missed the volume growth in each category, I took the revenue mix but I did not take the volume growth, if you could share?

**G. Sundar:** Wanted for the quarter or for the year?

**Dhaval Gada:** For the year and even for the quarter if possible?

**G. Sundar:** For the year, colour television grew by 13%, LCD 121, DVD minus 1, AC 41, washing machine 9, Microwave 6, and mobile 174. For the quarter, CTV 32, LCD 165, DVD minus 12, AC 59, washing machine 25, Microwave 17, and mobile 74.

**Moderator:** Thank you. The next question is from the line of Yuti Dalal from Corporate Database. Please go ahead.

**Yuti Dalal:** Just one quick thing on what percentage of sale for each of the categories would be coming from new products. So AC especially where you did launch the new SMS service for AC what proportion come from that as well as other new products that were launched. What proportion of sales comes from the new launches as opposed to existing products?

**G. Sundar:** Well if you look at the way we have gone about in this product category and that has been one of the hallmarks in terms of the way we have been successful is we virtually launched in a new range every year, so if you look at it virtually almost more than 60% of sale would come from the new products launches.

**Yuti Dalal:** That would be the same for reason LCD?
G. Sundar: Yes that would be true for more products category. At least in the three prime movers for us, because if you look at it like every season we are launching new features like e.g “SMS gone AC on” was not there last year. Today, virtually 60% of our model range provides in the feature and besides this we have the twin cool feature also, which is also another innovation.

Yuti Dalal: Just two things to clarify you were talking about the three different strategies that are using to increase visibility, first one being ONIDA Exclusive Stores, second one is on modern trade and I missed the third one that we are talking about?

G. Sundar: Third one is as I said that we are now partnered with a new agency so in terms of communication the punch and tonality of the communication will change.

Yuti Dalal: Could you talk with a little about your market share where they have moved at the end of the quarter?

G. Sundar: Going forward if we look at our own growth targets, for these growth engines, we are more than market growth, therefore we could see an improvement in market share going forward.

Yuti Dalal: Currently your LCDs you said is about 4%, mobile 1% and how much of the AC?

G. Sundar: AC is 15% if look at in the split segment alone.

Moderator: Thank you. The next question is from the line of Riken Gopani from Infina Finance. Please go ahead.

Riken Gopani: One thing I wanted to understand is are you seeing any impact of one of the key modern trade players wants to scale down the business in electronics. How much is according to you the impact that you could have if there is some scale down from modern trade?

G. Sundar: Our perception is the modern trade is growing and if you look at it, it will equate the larger retailers like Vijay Sales etc.. In fact you have seen the bigger guys becoming bigger and the smaller size becoming smaller. This is the phenomena, so the eventuality of these guys scaling down would on the contrary work in our
favor because where we have been focusing on earlier as been vis-à-vis smaller retailers. So our presence there is in case pretty good but to be very frank we are not sensing that what you are saying in a sense that we still see the bigger guys are still growing bigger.

Riken Gopani: Is your margins that you give to the dealer similar in a modern trade versus the other stores or is there any difference in that?

G. Sundar: Modern trade would enjoy the margins that the large retailer would command.

Riken Gopani: Just to understand is there any big difference between the same or how would it work?

G. Sundar: Yes there is a difference but what we also have is, over a period of time developed some exclusive models for them and that is how we still manage within the overall margins.

Riken Gopani: Would your margins be similar to the big guys specifically for the AC and the color TV segment or it would be different from that?

G. Sundar: By and large will be the same percentage.

Riken Gopani: It could be the same percentage and just to understand the sourcing strategy for the mobile phones, how are we currently placed. Do we have any domestic manufacturing or it is just buying it from China and selling it over here?

G. Sundar: Actually, the business model that we operate on is that we own the design and the tooling. All products that are launched in the market R&D is done by us. We also invest in the tooling to ensure that they are proprietary driven. We then get it made wherever it is cost efficient and specifically talking about mobile, the mobile R&D itself is based in China.

Riken Gopani: So you have your own team, which is based out?

G. Sundar: Absolute and then you identify the parts & component & define the bill of material and get it manufactured with any OEM.
Riken Gopani: You are not facing any shortage in any of the component as of now?

G. Sundar: Certain areas there have been shortages but we have been able to manage it well, but I think this shortage period are over now because Japan is slowly getting back to normalcy.

Riken Gopani: Do you plan to have any manufacturing facility locally or you would keep the same strategy as of now?

G. Sundar: We had planned to come out with one mega facility here but as I said that it is still in a conception so we have not firmed up the plant. Once we firm up then we would be in a better position to share it.

Riken Gopani: What is our current monthly run rate Sir in terms of cellphones that we sell as of now?

G. Sundar: We sell about 1.5 lakhs.

Riken Gopani: Our average selling price would be Sir?

G. Sundar: Average selling price will be about 2200.

Riken Gopani: This would be the end retail price right you are saying our realization?

G. Sundar: This is our price. Price to trade. Price to distributor.

Riken Gopani: Do you think you can as of now give you similar margins to the other segments or this would be the lowest just to understand?

G. Sundar: In fact we enjoy pretty good margins in the mobile category. We are not operating in the sub-1000 category phones based on our product. We enjoy the same 20% margins that we have in across product category.

Riken Gopani: What would be our working capital cycle over here Sir?

G. Sundar: We are on negative working capital because the buying is on credit and the sale is in cash. Absolutely we operate like an FMCG as far as the mobile phone is
concerned the distributor not only to pay the money, he has to RTGS into our account or if he has given us a cheque, once the cheque is realized or the RTGS is realized then only the shipment is affected from our factory. This is a very pretty tightly controlled situation.

Riken Gopani: In the other devices also is the working capital situation similar or there it is how would it be in the air conditioning business?

G. Sundar: Air conditioners also it would be negative.

Riken Gopani: It is negative over there as well. Just to understand you said this new innovation, which you had is yet to lot of sale now happening from that particular segment but just to how is our pricing basically in the market with such innovations are we able to price our products similar to the competition or we would be still how are we place over there?

G. Sundar: These innovations help us to improve upon our pricing position. Like say for example my pre-cool AC would priced higher than an LG or a Samsung. So wherever the innovation has caught on well we are able to have a better pricing if the innovation has not caught that well than it would be on par or depending upon our own internal situation we will price it accordingly. By and large what happens is because of our innovative nature we have been able to have a better pricing.

Moderator: Thank you. The next question is from the line of Ashish Malhotra from Ventura Securities. Please go ahead.

Ashish Malhotra: Congrats on good set of numbers. Just two quick questions that I recently read an article in the newspaper that ONIDA is going in rural areas whether it is a IGO category of products in the washing machine segment so just wanted to know what will be your strategy and how do you plan to pan it out over the next one or one-and-a-half or two years?

G. Sundar: This year you must have read the newspaper article wherein we are tied up with the post offices and made our products available in the post office. Igo should be able to capture that market in growing that business. Once we have the critical
margins in terms of color television as the category in the lgo brand then we will be able to get newer and newer products and scale up.

Ashish Malhotra:  Do you think that the washing machines can also be one of the focussed segments for your company?

G. Sundar:          Yes.

Ashish Malhotra:  Secondly, just wanted to know that your raw material cost has gone up significantly I think it has risen from 75% of the sales from the last year to around 78% to 78.5% this year. So what do you think with the rising commodity cost and in this kind of higher interest rates scenario where do you see your RM cost going up for the next one year?

G. Sundar:          I personally believe that this year the RM cost would not go up significantly. I think most of the material prices are all time peak and with the increasing interest rates there would be some kind of a slowdown overall in terms of the consumption therefore I believe that beyond this that cannot be much of increase in terms of material cost. But there should be a similar increase going forward next year then we will have to pass on most of the cost increase to the consumer. Somewhere down the line markets will then slowdown and automatically when the market slowdown then the consumption demand will slow, & then definitely price has to come down. My personal perception is that not much of cost increases is anticipated and the product, which impacts most is the air conditioner and in most of the product category the raw material price increases is factored in.

Ashish Malhotra:  Basically, you are planning out on passing on the prices to the consumers as such. One last question that what will be your tax rate going forward?

G. Sundar:          Growth rate we are planning anywhere between 20% and 25%.

Ashish Malhotra:  Tax rate percentage would be?

G. Sundar:          Tax would be at about 25%.

Ashish Malhotra:  For the full year right sir? Thanks sir.
Thank you. The next question is from the line of Vishal Jain from Alfa Enterprises. Please go ahead.

Just a small insight from your end could you update us as part of our rural strategy the IGO brand what are the penetration levels and what makes us confident of tapping the rural markets?

Well as I said this IGO has been from day one targeting the rural if you look at it we have a strategy in terms of penetration at 1 lakh population town than 50,000 population in town so we are now going into 50,000 population town. We are also trying to enter areas, which we does not have a consumer durable shop, tying up with post office. We are also trying to tie up with the ITC Choupal and these kind of things. There is nobody working on a focus manner in terms of this rural penetration and what comes from our stable is no frill but a solid product, but which meets their basic requirements and are targeted for this kind of customer. This is an opportunity. Say for example, color television as long as the price difference between a color television and LCD remains in the range of Rs.3000 to Rs.5000 there is still enough potential for a color television player and what this does is basically take that kind of products and pushes it down into the rural markets and we have been able to see that this brand has been able to not only maintain on a declining color television markets has been able to increase their sales and that is what has given us the confidence.

Last year what were our sales from rural markets for FY'11 for the company as a whole?

We do not have the clear segmentation in terms of what is rural to non-rural.

A ballpark number percentage is at least 5% to 10%?

Much more, because if you see the IGO sales alone is in the range of about 250 odd Crores.

Almost 11% to 12% of our sales. These would be across our categories or it is restricted to TVs and washing machines?
G. Sundar: At this point in time restricted to be TV and washing machine.

Vishal Jain: The washing machine is it the top loaded or the front loaded machine?

G. Sundar: These are washers and semiautomatic machines.

Vishal Jain: Especially developed for the rural market. Thank you.

Moderator: Thank you. I would now like to hand the floor over to Mr. Sameer Deshmukh for closing comments.

Sameer Deshmukh: On behalf of Tata Securities Limited. I thank Mr. Sunder and all the participants' for attending this conference call. Thanks a lot sir.

Moderator: Thank you. On behalf of Tata Securities Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.