Pokarna Limited

November, 29, 2018

Department of Corporate Services, B.S.E Limited, Phiroze Jeebhoy Towers, Dalal Street, Mumbai – 400001	Listing Department, National Stock Exchange of India Ltd, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400051

Dear Sir,

Sub: Transcripts of the Conference call.

BSE Scrip code / NSE Symbol: 532486 / POKARNA

We refer to above and hereby submit the transcripts of Q2 & FY19 Earnings Conference Call, conducted on November, 15, 2018.

This is for your information and dissemination.

For Pokarna Limited

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Mahesh Inani
Company Secretary

Pokarna Limited

Q2 FY19 Earnings Conference Call Transcript
November 15, 2018

Moderator: Ladies and gentlemen, good day and welcome to Pokarna Limited Q2 FY19 Earnings Conference Call. Please note that this conference is being recorded. I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you, sir.

Gavin Desa: Thank you. Good day everyone and a warm welcome to Pokarna Limited's Q2 FY19 Earnings Call.

We have with us today Mr. Gautam Chand Jain – Chairman and Managing Director and Mr. Paras Kumar Jain – Chief Operating Officer of Pokarna Engineered Stone Limited.

We will begin this call with opening remarks from the management following which we will have the floor open for an interactive Q&A session. Before we begin I would like to just point out that some statements made in today's discussions may be forward-looking in nature and a note to that effect has been stated in the concall invites sent to you earlier. We trust you have had a chance to go through the presentation and financial performance.

I would now like to request Mr. Paras Jain to make his opening remarks. Over to you, Paras.

Paras Kumar Jain: Thanks, Gavin. Good afternoon everyone and thank you for taking the time out for joining our Earnings Conference Call. Trust all of you would have received the investor presentation by now.

Let me begin by discussing headline numbers for the quarter. Following which I will briefly mention the key highlights. To begin with our revenues for the quarter stood at Rs.110 crore as against Rs.85 crore reported in Q2 of FY18 higher by 29% driven by the improved performance of both granite and quartz business. EBITDA for the quarter stood at Rs.36 crore as against Rs.29 crore generated in corresponding period last year higher by 24%. Improved product mix, cost realization measures coupled with positive currency movement has offset some

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impact of rising cost. Profit after tax for the quarter stood at Rs.20 crore as against Rs.12 crore generated in Q2 of FY18 higher by 67%. Profitability expansion was not only on the back of higher topline but also was aided by a lower finance cost for the quarter. Interest expense for the quarter was lower by 10%.

Moving on to individual business starting with granite.

Revenue for the quarter stood at Rs.37 crore as against Rs.31 crore generated in Q1 of FY19 higher by 19% driven by a better product mix.

Moving on to quartz business. Demand continuous to remain strong. We continue to see encouraging traction for a product in the markets and are hopeful of maintaining the momentum. EBITDA margin for the quarter stood at 40%. In quartz business we continue to work hard on improving our operational efficiency by implementing best practices and we believe that better performance from existing production facility would be possible only with implementation of many such additional initiatives and by realigning some aspects of our operational and sales strategy. We continue to closely watch development in the US market arising out of tariff on the US import of quartz from China also a quick update on the new quartz plant coming up near Hyderabad. Work on the same is progressing well and we expect a hot and cold run of the plant to be completed by Q1 of calendar year 2020.

That concludes my opening remarks we can now start the Q&A session.

Moderator: Thank you very much.

The first question is from the line of Kaustav Bubna from Rare Enterprises.

Kaustav Bubna: I wanted to know were you able to pass on the input cost rise to the customer this quarter or also what was the volume growth in the granite and quartz business versus the total revenue growth so wanted to really understand the impact of the exchange rate in benefit on the sales numbers?

Paras Kumar Jain: In terms of giving you the details on the volume I think we would refrain from doing that at the moment because of certain proprietary reason, but what I can add is that we had a good top line coming in which was also coupled with a growth in the volume as well.

Kaustav Bubna: In the quartz segment this big jump in top line was it because I mean is this sustainable even if you see the rupee coming down back to below 70 level, is it because of the improved efficiency in your quartz plant could you give us some detail on that?

Paras Kumar Jain: See if you look at one of the mentions which I made in the opening remarks. We are working on improving certain aspects of our operations and if the results as we have foreseen remain to continue and also if the sales strategy alignment which we have done if that is panning out well then the maintenance with whatever adjustment to the currency factor is possible, but of course we do not know exactly what level the dollar would settle but definitely dollar would have an impact, but it is not that it is only the dollar impact which has resulted in the revenue.

Kaustav Bubna: I wanted to know on Q3 now we have a lower crude oil price and the rupee has remained relatively weak so do you expect Q3 rupee stronger than Q2 based on

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this like how do you look at it I mean how do we relate rupee and oil prices to your performance that is what I am trying to understand?

Paras Kumar Jain: It is a time lag between the impact of crude prices when it comes to the other by-products which are some of them used by us, but in general there has been some together situation of the raw material availability also in the market. So, input cost I do not think would typically be moving so dramatically on the lower side with the crude coming down. So, what I can say is that as I said we see that the business continuous to remain positive and we continue to see the momentum in the near future.

Kaustav Bubna: And any update on your converting Indian debt to foreign debt?

Gautam Jain: Already we have converted the entire currency loans from Indian rupees to foreign currency loans.

Kaustav Bubna: So, is that noticeable in this quarter?

Gautam Jain: Ultimately the fluctuation will always remain we may get advantage on the interest front but we may lose on the loan on valuation of the foreign currency at every end of the quarter. So, very frankly I do not see more than a 1% or 2% delta in terms of advantage for us, but since we have a natural hedge that 1%, 2% is also a big amount that we think we will always be benefitted.

Kaustav Bubna: Sir one last question on the demand scenario in the US with interest rates rising there are some fear on housing market slow down, so I mean how are we looking at this because and what is our approach towards how we analyze the housing environment and which trickles down to our product demand because a new plant is coming up next year and we do not want to repeat a situation where the plant comes up and then there is a demand problem, so how are we looking at that to avoid previous problems?.

Gautam Jain: No there is no previous problem of course there was a problem in the beginning of the recession. We do not foresee that kind of recession in the near future looking at today's housing market boom happening in US market, but we will have to face the situation as it comes. We cannot say that because of future any expectation we will not do growth or we will not improve our working. So, this is part of the game that we have to be worried, we have to be prepared for it.

Kaustav Bubna: But what is your view as of today?

Gautam Jain: I do not think there is anything of a concern that I should worry about a new plant coming because plants can come but making a product is a long-drawn process. With our experience we can tell that even if few more new plants come the market for quartz in US is not going to deteriorate because the China effect which is playing a big game now. There is a tremendous duty impact on the imports of quartz coming from China. But then each and every product that we develop is proprietary. So, once the product is stabilized market it is difficult for other people to make the same product or eat away that share. It will all depend on the growth of new products. Let us see what happens, but the plants are always coming up either in Indian now coming finally, but as far as in other part of the world there is always some expansion or the other happening.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investment Managers.

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Pritesh Chheda: Sir just going back to your past calls whenever the revenues were in the Rs.50 to Rs.55 crore run rate we were always communicating that the plant is largely fully utilized. There was one quarter in the past 14, 15 quarters where you had done Rs.60 crore and if I just take the currency at that time you would have done about 8 odd million dollar of revenue in dollar terms and when I look at the Rs.72, Rs.73 crore today in this quarter you would have done about 10 million dollar of business, so just wanted to understand in this increase from Rs.50 crore to Rs.73 crore would there be any volume increase if yes then is it sustainable and how does it then correlate with your past comments on full utilization of capacity and is there a mix led changes if yes then is it sustainable?

Gautam Jain: I want to recall the earlier discussion we always had that the top line and bottom line both depends on the product mix that we make during that quarter in terms of design and also in terms of thicknesses where the margins vary from time-to-time. So, there can never be forecast where we can say that this is going to happen and this has happened because of this reasons. There could be a reason that we have sold higher price product in one quarter, but we have sold lesser thickness there can be a reason that we have sold thicker quality product but cheaper products. So, honestly to quantify every quarter why there is an increase and why there is a decrease this is going to be a permanent affair nobody can predict what is going to happen in the quarter though volume may grow but possible that the top line may not growth though the volume can grow but possible that bottom line may not grow and it is possible both grows in one quarter due to the product mix. We make various products, so it cannot be justified, why there is a mix, why there is more top line and why there is less bottom line and all that.

Paras Kumar Jain: Adding to what Mr. Jain said so it is a function of product mix. When we say product mix we are looking at a realization, we are looking at the thickness of the product as a factor and also other aspects of the business. As I said in the beginning of my call there has been improvement in the product mix and also to some extent dollar has helped and also in the last paras of my opening remarks that I mentioned we are working on improving certain aspects of operational efficiency which we believe over a period of time will give an additional capacity we implement as we like and that can bring in whatever it can bring in.

Pritesh Chheda: Based on your order backlog is there a sustainability factor in any of these drivers?

Paras Kumar Jain: We largely believe so.

Pritesh Chheda: Borrowing the currency part obviously but the product mix part and whatever volume increase you would have seen in this quarter there is a sustainability part in it?

Paras Kumar Jain: We believe it largely.

Pritesh Chheda: Just trying to correlate one more question on quartz now this import anti-dumping duty etc. has been implemented on China by US, how does it change for our business what can be the near term benefits if any which can flow to us and are we prepared for any of those benefits if you could highlight the new business regime?

Paras Kumar Jain: See we continue to closely watch the developments which are happening on the tariff front. So, it is a double edge sword so you cannot say that always it is going to be positive for other countries because there can be some substitution of the product happening, there can be some new product coming as a replacement which can come through, but definitely with the situation becoming tight in the US

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market for the imports from the China market there would definitely a situation where customer would be looking out for other avenues of purchase and that demand even if it comes to us today we would not be able to fully handle it because we already have our existing commitment. So, we do not see that is a spillover which we are actually scheming.

Pritesh Chheda: So, volume is not the spillover which you would be scheming because your capacities do not have that scope?

Gautam Jain: Till the new plants comes into production.

Pritesh Chheda: But there is incremental scope whatever scope, but there is incremental little scope with the plant or there is no scope at all?

Gautam Jain: There is incremental scope of demand coming definitely from the customer.

Paras Kumar Jain: See basically scope and hope are all correlated. As long as you hope there is a scope then that comes in.

Pritesh Chheda: Is there a case for even on your current portfolio of products whatever you are selling is there a case for better realization by virtue of this change in business.

Gautam Jain: See we are into fashion business, we are into a product driven by customer demand and we have to make the product which customer demand. So, we cannot move away from existing customers and say that because there is a scope we want to increase the pricing. We are on a long term relationship, long term business and also outlook. So, it all depends where we find an opportunity obviously we will encash the opportunity but without disturbing our relationship with the customers, we have long standing relationship for us that is more important also.

Paras Kumar Jain: Also the pricing contract are long term, they are not short term on a monthly basis. So, with long term pricing you do not have the scope of adjusting as you like.

Pritesh Chheda: So, these pricing are renewed annually that is how it would be?

Paras Kumar Jain: Yeah different arrangement if they come they are long term in nature.

Pritesh Chheda: But what part of your portfolio would be non-contracted?

Paras Kumar Jain: See typically if you ask me more than 90% of the portfolio is contracted.

Moderator: The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: Just had couple of questions on the granite side now if you look at this quarter our gross margin was still low while the sales was quite strong. We would have received probably a higher currency benefit in this quarter which should ideally have led to a better gross margins sequentially but that was not the case, so with this 10% top line growth would also be currency while the realization were low is that one should look at it?

Gautam Jain: Actually now with the Chinese duties coming in US market there is effect of little bit of growth in terms of volume in US market for granite but at the same time the

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finance cost that we are incurring because the conversion of loans into foreign currency loan have impacted our this quarters balance sheet. So, margins of course are still under pressure, but growth of volume is happening but then sometimes it is from the quarry's sale or sometime it is from the processing unit sale. So, we do not see any big growth happening, but at the same time we see little positive movement on granite front in terms of the US market because of the Chinese duty effect because the lower end market is improving because of prices of Chinese product going up.

Viraj Kacharia: This kind of gross margin which we reported in this quarter, was there any currency benefit at all which we incurred?

Gautam Jain: That was actually currency loss this quarter.

Viraj Kacharia: If you look at the sustainable run rate of Rs.40 crore can that be achieved considering the fact that you have seen in Brazil in Peso appreciation compared to rupee what we are seeing vis-a-vis the dollar and also considering the fact that there is a duty on Chinese granite so do we see volume now more shifting towards earth and hence we can continue with that Rs.40 crore run rate?

Gautam Jain: We hope to continue, but we do not know what happens tomorrow.

Viraj Kacharia: Last question was on the other expenses and depreciation for granite those have increased quite a bit, so just want to understand what is the reason behind that?

Gautam Jain: No only the foreign currency expenditure because of the negative foreign currency impact that is the main impact in the granite because of the revaluation of the currency loan which is converted to foreign currency loan in this quarter.

Viraj Kacharia: So, that is reflected in other expenses is it?

Paras Kumar Jain: Exchange loss is other expenses only.

Viraj Kacharia: Basically, my earlier question was more to do with the contribution level kind of margin contraction we have seen sequentially in granite, so that was I was trying to understand excluding the currency also we have seen kind of a moderation in months?

Gautam Jain: See as I told you what we told in quartz as also holds good for granite. It all depends on which quarter, what material, what thickness we sent because we have a portfolio of 30, 40 colors which we regularly sell. If the sale is coming from where the profit or contribution is insignificant then you do not see big profitability, but if the product what we are selling has a good profit then the profit will go up. Honestly in this business we cannot qualify or quantify what is affecting the profitability or what is not matching the profitability.

Moderator: The next question is from the line of Pranav Mehta from Equirus Securities.

Pranav Mehta: Sir, just wanted to check how sustainable are the margins in the quartz business so this time around the margins were very strong, so how much would be the impact of depreciating rupee in the quartz and how sustainable are the margins?

Paras Kumar Jain: See if you go back to our comments we have always said on the quartz side that the EBITDA margin our target is to maintain 35% with this quarter we had about

40% of EBITDA margin coming in. So, we continue to hold our previous comments of working towards maintaining 35% margins whatever comes through for various reason is an additional thing, but our focus at the moment is to maintain 35% plus.

Pranav Mehta: Sir what was the contribution of the depreciating rupee for the quartz business the total sales, so any percentage wise if you can highlight how much was the impact of depreciating rupee?

Paras Kumar Jain: Pranav I would not be able to give you that number for certain reasons but I would say that it did an impact on the overall numbers.

Pranav Mehta: Sir the new capacity that is coming in so it would be up running by second quarter by FY20 right?

Paras Kumar Jain: We expect that the hot and cold run should be completed by Q1 of calendar 2020 and if hot and cold run as you plan then I think we can commercialize in Q2.

Pranav Mehta: Sir the other thing this anti-dumping duty that has been imposed on the Chinese quartz so are you hearing anything of similar sort being done for other importing countries like whether Cambria has approached US trade department for imposing such duties on other countries as well, is there any discussion?

Paras Kumar Jain: We are not privy to any such move as and when you hear I think we will hear as the same. We at the moment do not know anything of that sort coming in the market.

Moderator: The next question is from the line of Karthikeyan VK from Suyash Advisors.

Karthikeyan VK: Couple of things. One is can you indicate this pending schedule on the new project what is already in the balance sheet and what is the plan for spending and is there a change in the borrowing mix given the improved profitability on the quarter side, do you think that is possible?

Gautam Jain: The things are moving as we wanted we expect the production to happen.

Karthikeyan VK: Sir, i am asking the question from outflow point of view?

Gautam Jain: We have already told we will maintain right now the committed amount of spending so I cannot give a breakup how much I am spending day-to-day on the plant. We maintain that Rs.330 crore is the project outlay and as things move maybe we find something more to add we may add, but today we have committed to Rs.330 crore investment on this project and we will go ahead with this.

Paras Kumar Jain: And just adding to what Mr.Jain said we have already contracted for the substantial part of our spending. Now depending upon the type of the financing arrangement whether it is going to come at the balance sheet in the near future or the next half of the year that would follow. We have different financing arrangement and slightly proprietary in nature. So, we will not be able to give you the numbers on how we finance it, but as Mr. Jain said the project outlay continues to be maintain at Rs.330 crore at the moment and if we see some additional thing coming in then that would be updated as and when that happens and the large part of the project is already contracted and investments and expenditures are continuing to happen.

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Karthikeyan VK: Another question just for perspective the anti-dumping duty imposed on Chinese quartz products you would not be selling comparable products what you have described in the past your products are of a higher quality and therefore relatively a premium to what Chinese possibly be selling, is my understanding correct or is there a difference?

Paras Kumar Jain: Basically let me just give a perspective to this whole so that there is no same thing coming often. China has been selling before the anti-dumping or tariff situations because they are different aspects of this tariff there is a countervailing duty, there is a trump tariff which is coming in and there is an anti-dumping which was announced yesterday. So, every different aspect which together we call it as a tariff for the import on quartz from China. Our products we were selling before even this tariff were there on the product and we do not compete with China on the price front. We have a different level of experience which we offer to the consumer on various aspects of the product be it the product quality, be it the product asset, product performance or relationship of that matter many other aspects of the business. Even if the anti-dumping was there or not there our experience offering would continue to be what we have been doing in the market in the past and for the matter with the new proprietary things which we are doing in the new plant coming up. We would rather increase or elevate the level of experience what we are looking to offer to the consumer.

Karthikeyan VK: Just continuing on the same theme, would you want to talk about any specific business development initiatives to observe the new capacity. I am sure you would make good progress, but I am just asking could you give us the flavor of the kind of business development initiative we are understating in order to create visibility for yourself on the new capacity?

Gautam Jain: First we will continue to service our existing customer and existing moods. If we find spare capacity available obviously, we will have to search for new customers.

Karthikeyan VK: And what you are suggesting is that there is sufficient demand from existing customer for absorbing the new capacity as well?

Gautam Jain: Yeah of course how much they will buy I cannot tell you today because the market situation after one year can be different.

Moderator: The next question is from the line of Sachin Kasera form Lucky Investment Managers.

Sachin Kasera: I understand you are not giving a separate breakup, but if you could give us a sense of what was the realization of rupee to the dollar in Q2 vis-à-vis say Q1 at least that would help?

Gautam Jain: I would like to again tell you that earlier we had no competition, but we are looking at a competition coming up. We would like to refrain giving numbers and breakups as far as possible.

Sachin Kasera: I am not talking of the pricing and dollar I am just saying when we exported because the currency has changed because otherwise it is difficult to figure out, so if you could just tell us what was our realization of rupee to the dollar in this quarter vis-à-vis a June?

Gautam Jain: Again, realization rupee to dollar changes every day when we do our balance sheet on 30th of September we have to look at the dollar valuation of our loans and

realization receivable and then what we have sold by the time we realize the money it can change. So, it is very difficult to give a day-to-day or number what you expect is not possible.

Sachin Kasera: Secondly on this new plant what is the type of ramp up plan do you think we can have in the sense if the hot and cold trials go as per expectation, can we expect a good utilization in financial year 2020.

Paras Kumar Jain: Let me just that if the hot and cold run gets completed in Q1 of calendar 2020 we think that commercialization can happen under best conditions in next one to two quarters maximum and then you have to again see for other condition, but this is what we foresee for the moment.

Sachin Kasera: I believe we already have the experience of having the line number one for a few years, so this time maybe the stabilization and the ramp up should be much faster than what happened for line one?

Gautam Jain: Based on that experience he is giving you the numbers.

Paras Kumar Jain: See the experience say that we should be able to do that.

Sachin Kasera: Sir one thing on the cost of plants I believe there is really lot of element of imports in that and we know the currency fluctuating so when we say Rs.330 crore, can you give us some sense are we covered also on the currency or tomorrow if the currency were to depreciate further we will have our cost go up because the currency is moving very widely last few weeks?

Gautam Jain: Because we do not do a forward currency contract because of our natural hedge being into exports and almost 100% coming from export realization. We do not do that and it can effect depending on that time what the currency will be. So, that is a risk that we have to consider which will be there all the time and we always feel that if we end up spending more we will end up earning more also because of the remittances foreign currency.

Sachin Kasera: But sir this import will be in dollar terms or in Euro terms the cost of the import for the new plant?

Gautam Jain: It does not really matter foreign currency because sometimes we buy something in dollar terms some things, we buy in Euro terms. So, it all depends on individual contracts, individual vendors time-to-time. It does not really make difference because sometimes dollar is more appreciated, sometime Euro is more appreciated. We concentrate more on our business frankly rather worrying more about the foreign currency because as it is our remittance is in foreign currency. So, whether it is dollar or Euro it depends which part of the world we are selling when and what is the remittance going to be.

Sachin Kasera: Secondly sir on the tax front how do we see the tax rate this year and next year, is it going to move up from what we are seeing currently in the P&L?

Paras Kumar Jain: See basically whatever tax rate that we had here historically we would continue to be in the same bracket.

Sachin Kasera: Because I thought earlier, we had some unabsorbed losses so our tax rate was lower as we now make more profits the tax rate would go up?

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Paras Kumar Jain: I think that is already done.

Sachin Kasera: And for the new plant sir also going to be having a tax benefit or it will not have because this also it is not in the SEZ so the tax benefit would be there?

Gautam Jain: It is not in the SEZ this will be EOU export-oriented unit.

Sachin Kasera: And lastly one question one the tie up that we had with IKEA for supplying to the India store if you could give us some sense as to how are things progressing on that front because I believe IKEA is now looking at opening stores in the next 12 to 18 months quite a bit if you could share us little bit on that how are things progressing and what is your sense on that?

Gautam Jain: We have already started executing IKEA orders, but the growth is going to be gradual. It is not going to be overnight growth and it is going to be spread over the time and also the location. So, only one store is opened yet in Hyderabad and we are already servicing their customers. I will not put numbers today because it makes no sense, but we look forward for a long term association with IKEA and obviously it is going to be beneficial to the company.

Sachin Kasera: But sir when we are supplying from the plant in SEZ the suppliers will basically treat like inputs and therefore the cost of the customer is very high because of the duty and all and will that change once the new plants comes in because that will be more like EOU?

Gautam Jain: Our sales is ex-factory price but the customer pays the taxes.

Paras Kumar Jain: To be more precise whether we sell from SEZ or EOU whatever is the applicable taxes. Now SEZ may have certain level of different taxes compared to EOU so whatever is the different that is anyways part of the contract and the tax is borne by the customer at the end of the day. So, there could be a slightly change in an EOU scenario at the moment as the situation stands.

Sachin Kasera: I understand that point sir. Technically I was trying to figure out because today if we have to pay higher taxes as we are supplying from the SEZ then the cost of the customer is high so in that case the pricing we all know so pricing to the customer will change once we start supplying from the new plant vis-à-vis the plant that was the preferred question?

Paras Kumar Jain: So, what we get is only what we have contracted no customer gives you a difference in the tax.

Gautam Jain: And the tax component does not come to us the tax is actual which is applicable and payable by the customer. What you are talking about is the price differentiation in the product.

Sachin Kasera: If the price for the customer goes down ultimately the customer look at his end buying price so if the taxes go down from the new plant then the purchase price customer comes down so in that case we can do better volume that was my query.

Paras Kumar Jain: Actually we do not fix the resale of IKEA. What is the sales strategy of IKEA it is their strategy. So, we would not be able to talk about what they would do with the cost of purchase coming down or not coming down.

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Moderator: The next question from the line of Dipan Mehta from Elixir.

Dipan Mehta: Could you give us the capacity utilization in the cost division for the September quarter?

Paras Kumar Jain: Dipan we always said that we would not be able to give you an absolute number on the utilization side, but we have always maintained that we are optimally utilizing our capacity.

Dipan Mehta: Second question is for the cost division if you could give us a geographical breakup of the revenues?

Paras Kumar Jain: See largely our revenues comes from the US market, other geographies at the moment typically do not really add any decimal to the whole sale.

Moderator: The next question is from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.

Nikhil Upadhyay: Paras this question is more towards you now as you said that most of our contracts are longer term in nature and when the price renegotiation happens now if I understand correctly in our previous call what we had always mentioned that our price vis-à-vis the Chinese price there was a difference of almost 50% to 60%. Now with the anti-dumping duty and that price differential going down, when the negotiation happen do we expect that our end pricing will go up because of the Breton technology which we are providing and all because that price differential has to be there other there is no difference between mass product and premium product?

Paras Kumar Jain: See we never compared our pricing when we did a pricing with the customer also saying this is Chinese price and you add an additional x percentage and arrive at my price. My price was always my price and that would continue to be the situation. So, our price would not be largely driven by the tariff situation coming in. We have our own system of costing and we have our own system of contracted way of arriving at the cost or negotiating the cost and that is never done considering what happens to one country or one producer so we would not be able to answer fully because that does not really come into the picture or the scenario in what we are today.

Nikhil Upadhyay: Secondly when we go for renegotiation on the pricing at the end of the calendar year for most our customers how does the customer work with the currency benefit which we are getting, so now if the new pricing would it be set at Rs.73 do we need to share the currency benefit with the customer or how does the currency benefit come in when we go for the negotiation on the price?

Paras Kumar Jain: Nikhil these are highly sensitive and proprietary subject what we can tell you is that there is a set formula for negotiation which we follow now what is the dollar how it will impact what he do, what I will do that is I think very difficult to answer or share on a call but I can say that there is a fixed formula and discussion and that is being followed.

Nikhil Upadhyay: Paras why this question is basically if this is also a question which earlier participant asked if I look at our revenues over the last eight to ten quarters sometimes we have done Rs.50 crore, Rs.55 crore, Rs.60 crore this quarter it is Rs.73 crore I am not asking that whether Rs.73 crore is consistent no that is the product mix will change and that will effectively change the realization and all, but if

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we consider on a dollar based revenue profile and the volume which we can produce, is there scope for us to continue with the current volumes which we are doing which has basically given us the $10 million kind of a revenue for this quarter in the quartz business and similarly in the granite also because all are contract which are longer time in nature and we get a fixed schedule in terms of when the product has to be provided for the full year, how should we understand how the things because you would have a clear idea about the next second half?

Paras Kuman Jain: Whatever I could share on the call I already shared I do not have anything more to add I understand that you are looking for something unfortunately I will not be able to answer please bear with me on this.

Moderator: The next question is from the line of Nisarg Vakharia from Lucky Investment Management. Please go ahead.

Nisarg Vakharia: Just wanted to clarify that there will be no spillover effect from the anti-dumping duty imposed by the US government on Chinese products on our products so basically there will be no price increases because of that it will be only because of the quality of products that we deliver?

Paras Kumar Jain: See we will seek price increase for factors which are relevant for us not coming from the other market or for other reason.

Moderator: Thank you. Ladies and gentlemen that was the last question I now hand the conference over to the management for closing comments.

Paras Kumar Jain: I thank you all for taking the time and joining the Earnings Conference Call look forward to talking to you again.

POKARNA LIMITED Sec'bad.