Titan Industries Ltd

DISCUSS THE RECENT REGULATORY DEVELOPMENTS IN GOLD IMPORTS

MANAGEMENT:

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MODERATOR:

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Moderator Ladies and gentlemen, good day and welcome to the conference call of Titan Industries to discuss the recent regulatory developments in gold imports hosted by Tata Securities. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand out the conference over to Mr. Pratik Bhavishi. Thank you and over to you sir.

Pratik Bhavishi Thank you and good afternoon. On behalf of Tata Securities I welcome you all to the conference call of Titan Industries to discuss the recent regulatory developments on gold imports. We have with us the senior management team of the company. Without any further adieu, I would now request Mr. Bhaskar Bhat to make his opening remarks, post which we can commence with the Q&A session. Over to you sir.

Bhaskar Bhat Welcome all of you and thank you for being on this conference call. We have put out a note and it is on the BSE website on the notification issued by RBI last week. It is very clear that because of the the current account deficit situation and gold being one of the two large commodities of import, there is a significant situation on the hands of government of India and RBI in particular and therefore the restriction of this commodity from imports through both, on the one hand restricting credit impact, not extending any credit and consignment sales to banks etc. is what the three points that we have clarified and the most important is that RBI is firm that the implementation shall be in spirit too. This, therefore, is what the company has taken cognizance of and because initially there was some non-clarity on what the notification meant, the company, we have met with the RBI officials and they have further clarified that this is a situation triggered by certain practices of the industry which Titan Industries may not be following however has got affected by it. The industry practices which the RBI was worried about, is now being brought under control to some extent. That is the reason why this has been done. There is a national crisis on the current account deficit. That is all. Those were the three points, so we can have questions if there are any. And we are doing this as you can see in true spirits as also we are following the listing agreement requirement of informing because this does have a significant impact on the financial model of the company.

Moderator Thank you very much sir. We will now begin the question and answer session. We are going to take our first question from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta Sir I had just two specific questions. Your note kind of suggests that no credit is possible and the gold on lease itself is under question. Is it possible to still approach Nova Scotia or any other bank which some of your other peers are doing to still maintain the gold on lease model?

Bhaskar Bhat We know nothing is possible so it has been amply clarified by RBI that no options are available as far as credit is concerned. Of course the company is always examining possibilities.

S. Subramaniam Yes, see the issue which one is talking about in terms of Nova Scotia, I think this bank has been quoted and I think some of the press releases which have come recently have stated that since they are importing based on the back of their balance sheet they should be able to get credit. This is amply clear that that is not the fact. No one is entitled to take credit today. If Nova Scotia or for that matter any other bank wants to give extended credit on a domestic basis based on having imported on spot then that is a different issue. I do not think that comes into the purview of this. But essentially a back to back gold on lease that we have been enjoying so far is just not possible henceforth.

Avi Mehta Okay sir. The second thing is then what is the way forward and if for example we have to move with what suggests there is 100% cash margin, what would be the likely impact on the creditors, the interest cost, you get any ballpark number or anything you can share.

S. Subramaniam We are not sharing numbers here. We obviously are working on various scenarios of funding now. We have already commenced discussions with our bankers and I think Bhaskar mentioned earlier this is not something which was not unanticipated. We were looking at tightening of this with the current deficit account being what it is. So we have been in touch with them. Our balance sheet obviously is fairly strong today to cater to this and therefore it is not an issue. We have already moved into the 90-day scenario for the last one month plus. Therefore it is not so much of a surprise in a way and we have worked with zero credit for the past sometime. Yes, so basically it would mean that we need to change our financial model for funding this inventory which would mean that we need to go to banks and have funded facilities.

Avi Mehta So this would mean we probably have to, it will be on debt -

S. Subramaniam It would be on debt that is right therefore obviously there will be an impact on interest cost which we need to take care.

Bhaskar Bhat We are not changing, just too amply clarify, at the customer end and at the retail end. Nothing has changed to the extent that the customer still wants to buy gold jewelry so from our point of view there is of course an impact on pricing because of the customs duty that was imposed last week otherwise it is business as usual as far as customer is concerned.

The price is a pass through and the consequences of this is on the financial model and now the company deal with it there are many-many options we are looking at and we have been working on those.

Avi Mehta Okay. And just on the last point, as we were rightly pointing out, from the customer end I did understand it is more of the jeweler or the manufacturer who has to deal with it but would we be considering passing this interest cost on or changing because we have not changed our model as a percentage despite the fall in gold price, making charges percentage.

C.K. Venkataraman Let me give some kind of sense from this. As far as this regulation affects the financial model of the company, of the division it does not affect the operating model of the division. We would like to keep our competitive position in the industry as strong as ever in the near term and in the medium term and not take actions which would apparently give higher profitability to the company at the cost of losing competitive advantage. And therefore the whole thing has to be well thought through before we can conclude on a decision which we can share with you. While the subject has been boiling for a few months the actual event is just a few days old and therefore the entire gamut of specific actions that we are going to take is still unfolding and I am sure at an appropriate time and in the short term we would be sharing with all of you specific plans through which the company would claim back to the levels of profitability that it is got used to operating. But how long that would take would depend obviously on the extent of that challenge and all the initiatives that we take in the overall long term interest of the business.

Moderator We are going to take our next question from Prasad Deshmukh from DSP Merrill Lynch. Please go ahead.

Prasad Deshmukh Just to understand this overall regulation is going to just impact the credit facility whereas it does not impact the lease model as long as you are providing say 100% cash margin to the bank.

S. Subramaniam It impacts the lease model. It is not that we can put in a 100% cash margin and get 180-day credit. That is what has been ruled out and that is what has been very amply clarified by RBI when we met them, which essentially means you have to buy gold on cash as possible.

Prasad Deshmukh And nothing stops you from hedging by say selling it in forward.

S. Subramaniam Yes, hedging is a different issue. We will do whatever hedging we need to do whether it is the domestic market or whatever. We are also looking at other possible hedging options but hedging is not going to get impacted.

Prasad Deshmukh And second question, does this policy in anyway stop you from using your cash credit facility with one bank and buying gold from another bank?

S. Subramaniam I do not think so. I do not think it should impact that.

Moderator We are going to take our next question from the line of Hiren Dasani from Goldman Sachs. Please go ahead.

Hiren Dasani Just one question is that considering your exploring various alternatives in terms of gold import to mitigate the impact of this, do you think that there could be a way of reaching the original level of RoC or return ratios in terms of return on capital employed by way of any alternative arrangements which you can come into?

Bhaskar Bhat Let me explain; obviously it is a far-far cry from being able to achieve that because it is stop that the RBI has put. So to begin with we have in fact told RBI that we are fully empathetic to the situation and we will fully support what the government has in mind because this is a national problem. So therefore we would not be looking at alternatives which are not going by the spirit of RBI. Therefore to that extent there will be an impact on the ROCE. There is an interest cost etc. etc. As in if there are legitimate funding options which the RBI in a way blesses we would pursue that, beyond that we would not be. It is as simple as that. So the answer to your question is yes, there will be. Whether temporary or permanent is a matter of how the company manages its funds in the future. But as of now yes, it impacts.

Hiren Dasani The second question is that how would you look at your expansion plans in the light of this and also, whether your discussions with RBI suggest that is there any possibility of reversing this when there is a lesser pressure or I mean that is all hypothetical today?

Bhaskar Bhat As I said this action from whatever we could get a feel in RBI has been triggered by the financial situation of the country. Therefore if and hopefully the financial situation will improve and we are hopeful that the situation will be reversed or at least become more closer to what it was because the world of gold financing continues to offer gold financing options in the outside world. Therefore denying it to the country would not be right and I guess all economic experts would agree with that. So the event which triggered it, the moment that gets corrected and they see some sustainability in that I assume that it will also be reversed.

C.K. Venkataraman Coupled with other regulatory bottlenecks they can put in the way of people who are misusing the system which they do not seem to have too much control over at the moment. On the first question, see this is a very significant event in the history of the division and therefore the expansion plan of 2013-14 is one more of the things that is under review at the moment but whether we will change it or we will continue with it is a matter of some more time for us to figure out given its role in the overall immediate future of the business and the constraints that we are going to be operating under but certainly we are reviewing that.

Moderator We are going to take our next question from Dinesh Mistry from Tata Mutual Fund. Please go ahead.

Dinesh Mistry Most of my questions have been answered but there was a question on the gold on lease whether it was a valid option for us. And that in my sense will give us some comfort on the inventory and the hedging bit. So now if we were to go ahead and borrow from banks would that entire inventory risk be on us?

S. Subramaniam No, which is what we are trying to tell you that as of now for the gold which is lying with us we have the credit period which is there and therefore the natural hedging on the 180-day part will automatically happen. On the 90-day part, obviously we have mentioned this earlier, we will resort to hedging with the domestic MCX market. Now going forward we are as I said exploring both the domestic one and possibly will be some other options on hedging, if you are talking to our bank and the fact is that our aim to hedge does not change.

C.K. Venkataraman The options for hedging also do not change.

S. Subramaniam Yes, they do not change except there might be, it would not be a perfect hedge as possibly that we were having at the 180-day but nothing otherwise changes from our side.

Dinesh Mistry And just to clarify your 180 days was for the domestic and 90 days was for the foreign.

S. Subramaniam Yes, that is right.

Moderator We are going to take our next question from the line of Vivek Maheshwari from CLSA. Please go ahead.

Vivek Maheshwari On this just to get a better understanding what essentially you are saying is the inventory is 120 to 130 days, if I look at Fiscal 2013 you would have an inventory of Rs 2600 to Rs 2700 crores with a cash balance of Rs 1100 crores. Does that mean that incrementally Rs 1500 crores will be what you will need to borrow?

S. Subramaniam I am not giving you those numbers. The fact is that the cash balance is currently is much higher than the figure which is on the balance sheet. So that is one thing because obviously we had good sales in April and May but having said that we obviously will turn a net borrower in may be about 3 to 4 months time.

Vivek Maheshwari And what will be the typical hedging cost when you do it through MCX? Any sense at this point of time?

S. Subramaniam Well it depends, we have already been doing with MCX. Wherever we have fixed inventory we have been doing it. It is already part of our cost structure so I do not think that is a big issue.

Bhaskar Bhat It is operationally little different because you have to do it like at a very detailed level everyday. I mean it depends on what instrument we choose.

Vivek Maheshwari At this point of time any sense on the total cost of funding the inventory and all that?

S. Subramaniam No, we would not want to share that at this point in time. Let us work out the model entirely based on what sort of funding we are going to get and on that basis we will know. May be in July, August when we have our next earnings call we can possibly come forward.

Bhaskar Bhat See what you said is right from your own back of the envelope you should be able to figure out but we have to look at our projections and the reality of sales because right now to share that number it is not possible to share that number because we have not looked at what options are available at funding.

Vivek Maheshwari And second in terms of leverage one, cost side leverage that you have is your own import license so would you be importing on your own license which can provide some help?

S. Subramaniam Yes, that is what we will be doing. We will be using the license that we already have and import it.

Bhaskar Bhat And the cost will be to that extent mitigated to some extent and that is almost on-spot purchase you get that benefit.

Vivek Maheshwari But if I understand correctly on a full year run-rate basis say the license will be just about your half year's requirement, so any visibility beyond that whether it will be renewed or not?

C.K. Venkataraman As far as DGFT is concerned they are open to renewing?

Vivek Maheshwari So there is no risk to that bit?

C.K. Venkataraman No, not as far as at the moment but on the subject you can never say.

Vivek Maheshwari I see. And could you quantify what kind of savings we can see if we import on our license?

C.K. Venkataraman You save the VAT totally.

Moderator We are going to take our next question from the line of Nilay Shah from Morgan Stanley. Please go ahead.

Nillai Shah Sir two quick questions. First one is on the Golden Harvest scheme, can you use that proceeds to show up as collateral in terms of 100% margin required?

S. Subramaniam Nilay technically yes, that cash is still free cash so yes, we could do that but we also need to be careful about how much we use that. So that part of the discussion we are having internally on terms of how much we need to borrow. But from your point of view I do not think there is anything wrong in doing that.

Nillai Shah Correct, so that will be in the spirit of the overall notification

Bhaskar Bhat Very much, this is cash which the company has generated. See this is in real term both by definition and in spirit it is an advance that the customer has paid for future purchase of jewelry. Therefore, while this is his or her cash there is an obligation to provide jewelry at the end of the 12 month or whatever period. Therefore the cash is really yours unless some circumstance demand which is very rare where she comes back and says I want my cash back. By contract you are not expected to return the cash. It is an advance against future purchase. Therefore it is like any other advance we would receive on a customer order. So it is our cash. The only thing is how we will deploy that in terms of de-risking the company whether we will use all of it or part of it is a debate we are having.

Nillai Shah Correct, and you will be still able to earn other financial income on that deposit?

S. Subramaniam That is right. If we assume that we keep that entire cash here, there will be income from that cash.

Nillai Shah And the second question is on the question that Vivek had in terms of the VAT component, will the savings on that be about a percent or less than that?

C.K. Venkataraman It will be around a percent because we will not be paying VAT at all. That is you are paying today when we buy from a domestic -

Nilay Shah But it is only the component to the extent that it is gold based, right, not on the entire value, right?

C.K. Venkataraman Right. So you may not want to try calculating all that now. You can wait for our call a little later on the subject.

Moderator The next question is from the line of Puneet Jain from Goldman Sachs. Please go ahead.

Puneet Jain My question will be with respect to what is the size of gold hedging market that exists? Is there a larger market that exists in India to take care of needs of various jewelers?

S. Subramaniam See I do not know the size of the gold hedging market entirely in India. The only thing we know is that while you have frequent monthly contracts etc for up to 100 grams, you do not have the same when it comes to 1 kilo contracts. You only have all 10-month contracts. To that extent therefore for larger volumes there is some limitation in the existing domestic market, so which is why I am saying we are looking at alternate options also in addition to the domestic hedging options to see how we can hedge our gold better.

Puneet Jain But suppose if some bank offers you a hedging option, would that be in the spirit of the law independent of the funding cost?

S. Subramaniam See what we understand is that when it comes to payment it has to be on spot basis. That is the spirit of the law and that has been clarified amply. It has also been clarified to us that if we need to and we have explained this to RBI as well about our hedging requirements and hedging is something that they actually encourage us to do and therefore if we do not believe any of that hedging should be against the spirit of the law.

Puneet Jain Second thing will be with respect to borrowing cost, now can we borrow in the overseas market? Alternatively suppose if you borrow in the domestic market what is the kind of interest rate you have paid in the past?

S. Subramaniam We are not giving you that at this point in time in terms of interest rate and cost etc because we are working out what sort of strategy we should have to borrow. We would I think be better positioned to talk about this when we do our first quarter earnings call.

Puneet Jain With respect to diamond have there been changes, or is it some impact on the diamond side of import etc?

S. Subramaniam No.

Moderator We are going to take our next question from the line of Akshit Gandhi from Aviva Life Insurance. Please go ahead.

Akshit Gandhi Have the regulators expressed any concern on the gold harvest schemes or the advance schemes which we are running?

S. Subramaniam No.

Moderator We are going to take our next question from the line of Sreedhar Nishtala from T Rowe Price. Please go ahead.

Sreedhar Nishtala My question was just on fair value of the gold that you take, I mean given that your hedging will there be any impact from the fair value changes of gold prices?

S. Subramaniam We have been doing a cash flow hedge, so, so far we have not had an impact on that. But having said that I think we do have one challenge which can happen anytime in the future which is that because the gold rate would be fixed, if the gold rates were to drop at the end of any particular period, accounting standard too requires that we value at cost or market price whichever is lower and when though there is a hedge which is available which is protecting the price it is possible that there could be impacts on quarterly numbers because of this. It is possible. Now we are discussing this with our auditors as well to see whether we can take care of this fluctuation and this normally would happen only when gold rates fall. When they go up, there is no impact. So this is something that we are still discussing with our auditors and trying to see whether we can sort of even out this issue if at all there is a problem.

Sreedhar Nishtala I am not sure whether you have the option, but do you do it just once a year or do you need to actually do it at the end of each time that you close the books? Do you have the option of doing this fair value adjustment once a year or you need to do it -

S. Subramaniam See it is actually done periodically. Month end when we close the year we are supposed to do that.

Moderator We are going to take our next question from the line of Amit Sachdeva from HSBC. Please go ahead.

Amit Sachdeva Could you please clarify what is the recycle gold component in your re-cycled gold usage throughout the year and would that help you in any way minimizing some part of the impact that comes through this margin requirement?

C.K. Venkataraman Not really. We exchange about 15% of our total sales but that is from cash. So to the extent that we continue to buy gold from customers on cash, whether you buy more or less it would not be different from buying from banks.

Amit Sachdeva And since it is an industry wide issue, whether the cost of procurement is rising or if import duty is rising, now since this is an industry wide issue, would it be fair to assume that implicit cost of borrowing should be at bundled with the gold price itself and may be sort of pass on to consumer easily? I am just asking your reaction how would you think industry is responding to this.

C.K. Venkataraman It is too early to say. We are, in some sense, hoping that it may be but given the way in which many of the operators in the industry operate, one does not know how exactly it will pan out and whether the implicit additional cost of operation of financing which is coming up for us will come up for others and they will therefore pass it on as price increase and therefore it will give us also an opportunity on that front. I think in the next few weeks we will get a much better sense on that. To some extent certainly the organized sector players of whom there are a few more now than earlier, which I think they would certainly get affected as affected by this price rise.

Moderator We are going to take our next question from the line of Atul Patel from ICICI Prudential. Please go ahead.

Atul Patel My question is would you continue to source your gold through direct import route which you have started since last one month or would you resume your sourcing from local domestic banks or international banks?

Bhaskar Bhat We will maximize the direct import, so there is a benefit now which is the VAT benefit and that would stand up in good stead because we are perhaps the only jewelry company which is importing directly. That stands us in good stead for the future because should regulation change in favor of bona fide manufacturers of jewelry because the bona fide nature of our operations has been certified in a way by the DGFT giving us a license to import without going through the canalizing agency. Therefore we will push that and maximize the utilization.

C.K. Venkataraman Because if we were able to pay cash, we will pay cash where it is cheapest.

Atul Patel Sir as of now you have a license for 10 tonnes only, right, which is your 6 months requirement?

C.K. Venkataraman **Yes,** but it is because they give a license like that, not in one shot.

Moderator We are going to take our next question from the line of Rajasa K from Jefferies. Please go ahead.

Rajasa K Sir I had one doubt on the notification, if there is no possibility of credit at all then where is the question of putting up 100% margin in getting letter of credit. Is that moot point so to speak?

S. Subramaniam If you were to buy gold on the LC basis, you need put in a 100% cash margin. While buying it, you buy it as well if the bank is okay giving you a clean limit you need to still pay on cash upfront. So you are right, the cash margin really is not so relevant here, but you are pretty much paying it upfront.

Moderator We are going to take our next question from the line of Vicky Punjabi from JM Financial. Please go ahead.

Richard Liu Just to follow up on what the previous caller had asked, I just wanted to clarify this. It is not that it is double impact, right? I mean you do not have to give a cash margin as well as be on cash whenever the goods arrived.

S. Subramaniam No, no it will not be a double impact. It is only once. See if I were to buy gold only on LC purposes then I need to put the 100% cash margin, right and takes may be 10 days on a shipment to come to us. Now if I have line with a foreign bank I do not need to put the basis. As soon as the shipment is made I need to transfer the money. So frankly there is no double impact.

Richard Liu Okay. And just following about what you mentioned a while back regarding in case of bank needs to pay off whenever a good arrives in India. But you also mentioned that there is an option that a bank might be able to extend credit to you separately. How exactly will this work and do you think this is in the spirit of the regulation?

S. Subramaniam See let me put it this way, if the banks were to import on cash basis, exactly how RBI has asked them to do and then they choose to give credit to domestic, it is pretty much a domestic borrowing. If they choose to do that I mean there may be some banks who want to do that. It is not that many may do it but then the question also is about their hedging, how are they going to hedge and so on and so forth. So they could possibly just sell the gold to us on spot basis and extend this credit, which is any credit that they may have got from any other banking channel.

Bhaskar Bhat Richard the point #2 in this notification is relevant in this case. What it says is sale of any kind from suppliers or Bullion banks for import of gold for domestic use is prohibited. This also affects import of gold through all non-consignment routes. Therefore with their letter and spirits what it means according to us is that even if the bank imports full margin having paid brought for it cannot extend credit in the Indian market. Now if there are banks who are willing and it is above board cleared by the RBI obviously we would make use of those. As of now our reading is that that is not -

Richard Liu One last question, would it be possible for you to elaborate on what exactly would be the modest operandi for direct imports as in I mean when the goods are in transit do you really need LC to really protect the credit risk for yourself and after that when it arrives you pay everything on cash? I mean if you can elaborate on the modest operandi on it?

S. Subramaniam See we have actually both clean limits with some banks and we also have limits with the requirement for FBLC or LC to be established. So obviously when it is clean limit we will only make the payment when the goods come in but if the LC is required – we need to do that in which case the cash margin will work.

Richard Liu Okay and what happens when, the cash margin is so long as the goods are in transit. Once it arrives into – comes through and -

Bhaskar Bhat That is right, Yes.

Moderator We are going to take our next question from the line of Kuntal Shah from Axis. Please go ahead.

Kuntal Shah Our golden harvest scheme can be viewed by RBI as a NBFC taking a deposit because in the sense we are taking in 11 installments and 12^{th} is free. So that 8% can be considered as an interest payout from us. They can balance totally from accepting deposit on a systemic plan because a lot of smaller players are accepting 3 years deposits and all.

S. Subramaniam Well these questions have come up in the past. I think we have mentioned this. We have also clarified to RBI itself about two years back on the whole scheme and how it operates and we have not got any response from them after that and they will be assuming that they are satisfied with the response we have given. Essentially it is an advance against payment. That is all it is.

Kuntal Shah No sir, the point to the question is we are giving that one installment off. Can it be considered as a deposit taking NBFC? The operations of Titan – because it is unsecured deposit.

Bhaskar Bhat No, no I am sorry it is not. Very clearly advance against future purchase only of gold jewelry, only from Tanishq, so it is not a financing scheme. It is an advance order booked by the customer. The twelfth bit is a discount we are giving against an order. The identity of that piece of jewelry the customer has not made a choice. She makes the choice in the twelfth month. It is as simple as that, so it is not a financing scheme.

Kuntal Shah Sir, again just from the viewpoint of you have seen smaller players offering three years of this kind of scheme. You think RBI intention would be on these directions?

S. Subramaniam Well we do not know. We cannot comment on that.

Bhaskar Bhat We have not yet questioned our response, which is now more than a year old, two years almost. So they have not questioned our intent or our business models.

Moderator We are going to take a follow-up question from the line of Vivek Maheshwari from CLSA. Please go ahead.

Vivek Maheshwari Sir a quick question on unorganized segment. RBI's motive by all this is basically to curb gold demand. Any thoughts on how can it impact an unorganized segment which can benefit organized segment?

C.K. Venkataraman Very difficult to comment. Even as they are doing this the customs duty has gone up to now 8%.

Bhaskar Bhat I want to correct you before Venkat continues. It is not to curb gold demand, it is to curb import of gold. See the RBI or the government of India does not want to discourage the consumption of gold for conversion into jewelry where value addition, employment both at retail, backend everything is encouraged. It is when imported gold goes and fits in homes or as a financial instrument not working for the country or it gets used for round tripping which is a phenomenon we are not aware but it has been spoken about is which the RBI is worried about. Therefore it is not about demand, it is about the balance of payment. It is about the current account deficit. Nobody is worried about. In fact if anything they should be encouraging demand because it adds to the GDP growth of the country.

Vivek Maheshwari But is it possible that the unorganized guys find it difficult to get gold and which means that some of these guys get out of the business or whatever are not able to stock up as much as they were doing in the past?

C.K. Venkataraman It is very difficult to be sure about it at the moment, only a few months it has been there.

Vivek Maheshwari Understood.

Moderator: We are going to take our last question from the line of Kulbhushan Kalia from Canara HSBC Life Insurance. Please go ahead.

Kulbhushan Kalia Continued from the last caller's question, how easy or difficult will it be for the unorganized players to actually work around these regulations? Is it possible to work around this?

C.K. Venkataraman In India anybody can work around anything, so that way it is very difficult to comment on that. They choose to work out. We are not clearly competing with the really unorganized jewelers also. Tanishq would typically compete with the organized jewelers out of the unbranded industry so it will be the big jewelers in each city and state that we compete with. And those people behave differently from the really small guys I guess. They would be from a very of taking risk of that nature.

Kulbhushan Kalia Right. So where I am actually coming from is that TITAN, we are sure that follow the rules and regulations both in letter and in spirit. And whether if our competitors are not willing to follow these rules in spirit, is it possible for them to do it? If it does happen then how does it -

C.K. Venkataraman No, I would know that because frankly we do not work like this, we would not even be able to visualize what all can be done to subvert the system. Obviously it is possible for somebody to subvert the system and if they do do that then they do not have the cost that comes with this new regulation to pass onto the customers and there then competitive disadvantage may develop and all that. But till some actual action happens on the ground it would be only hypothesis and nothing else. So we would need to wait few weeks and perhaps a few months because there will be pipeline of stock and money that you have made or not made on it and all that. So another three-four months we will know whether the prices are going up and then we will know that we could also go up and so and so.

Moderator Okay. I would now like to hand over the floor back to Mr. Pratik Bhavishi for closing comments. Thank you.

Pratik Bhavishi Thank you. On behalf of Tata Securities, I thank all the participants in the management team of Titan Industries. Thank you sir.

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