Pantaloon Retail (India) Limited
Annual Results Conference Call for the full year ended June 30, 2009
September 26, 2009

Moderator: Good evening ladies and gentlemen. I am Manjula, the moderator for this conference. Welcome to Pantaloon Retail India Limited's Annual Results Conference Call for the full year ended June 30, 2009. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to international bridge. After that, the question and answer session will be conducted for participants in India. Now, I would like to hand over to Mr. B. Anand, Director- Finance, Future Group. Thank you and over to you sir.

Mr. B. Anand: Thank you Manjula and greetings to all of you and welcome to this annual results call of Pantaloon Retail (India) Limited. First of all I want to thank you all for joining in this call on a Saturday and privileged to have our senior management team with us today. Without much ado, I will just run you through the format of what we want to discuss today. Let me introduce you to the panelists. We have Mr. Kishore Biyani with us, the Managing Director, Pantaloon Retail (India) Limited, who will run you through our presentation and take on the business and the market environment. We have Mr. Rakesh Biyani, Director, Pantaloon Retail (India) Limited who will run you through the operational highlights and business overview of the company and Mr. C.P. Toshniwal, CFO- Pantaloon Retail (India) Limited and myself, we will run you through the financial highlights of the group. Post the presentation, we will begin the Q&A session and will be happy to answer the questions posed to the management. Let me now hand over the floor to Mr. Kishore Biyani.

Mr. Kishore Biyani: Good evening everybody and thanks for joining on this conference. I think we are looking at the retail business in the backdrop of an environment which we have witnessed and passed through and share our learning's over what has transpired as well as our vision for the future. We would like to share our plans of how we intend to maintain our leadership position and our strategic initiatives for the near future.

I think the year which has gone by has been a challenging year. Challenging year in the sense, there was lot of turmoil, there was lot of insecurity around and we saw lot of strategic shifts happening in the business. In the last two years, we saw lot of players coming in, the rentals went high, the people costs went up, everybody wanted to come into the business to gain a share of huge market and when the turmoil started, the sector was significantly affected. We learnt a lot and what we did during the course of the learning is what I would love to share. I think what we learnt is we cannot always grow on aggressive expansion. Luckily we started little early in the retail business. Lot of players came in the last two years of high cost economy and the ability to build scale in a shorter period of time was proving to be challenging. Luckily we were in existence at that time ad growing quite rapidly, except in the home business where we entered about two years ago.

We opened our 100th Big Bazaar store within a record time of seven years. We are currently at 117 Big Bazaar stores. We had experimented with quite a few formats and entered quite a few geographical territories in the country. Our eight city strategy of the key eight consumption centres in India and how we look at them, and the consumer spend has been interesting. We had probably made a few mistakes earlier in our small avatars in whichever way we started to understand how the consumer reacts to each and every format. I think this was a time to look back and time to do corrections of whether we are doing too many things, whether we are having too many formats, whether this format will achieve certain size, whether we should kill it or merge it with something, how do you bring down the cost of operation per square foot, how do we increase the productivity, how do we increase the efficiency, how do we increase the margins. I think these were questions which used to run always, but we had never before acted so swiftly on this. I think this market gave us an opportunity to look at these issues and react very swiftly and wherein we worked harder to bring down costs. We are working extremely diligently to bring in productivity and efficiency to increase square foot sales. We are working and have achieved progress in increasing margins on categories. We have also worked hard in terms of rationalizing all the resources and allocation of resources to only things which give better returns and faster breakeven and faster return on capital. I think with all these corrections we will start seeing results happening during the course of the year.

Just to give a perspective, we have passed through two seasons currently, one is the Onam season which starts in Kerala, which is the beginning of the festive season and festive season which is I would say around September to January accounts for nearly 50% of the business for a retailer, because that is the main season where full price sales do happen in the country. Onam is the beginning of the festive season followed by Pooja which is a very big season in Bengal and eastern part of India. After a long time we are looking at double digit same store sales growth. So, that is a heartening sign. We are seeing higher price points tickets, which were not selling earlier, have started selling now. Home business which was showing negative growth rates is looking better now. So we believe the sentiment which has changed. Things are coming back to normal and we have to move further from here, although we have not expanded as aggressively. We have opened Big Bazaar stores and a few Centrals lately. We opened a large Home Town in Calcutta. There are more stores coming about in October. I think we are opening up around 2 new Centrals soon along with three Big Bazaars coming up in October in addition to other formats. So while we are looking at controlled aggression, I would say we are still realistically optimistic about the business because the market size is huge. We believe the opportunity exists. Our strategy is now building up towards how we look at the private brand piece of business in a big way in the food business wherein lot of work has happened and have a separate team working on the private brand business. We are introducing a new brand called '*Ektaa'* which will be capturing around 40 SKUs to start with. We also introduced own brands which have already gained around 18 to 20% share in every category where we have entered into the private brand business. So that is another big initiative which is happening from our side. On the fashion side, which Rakesh will talk about later, we have been able to become very efficient in terms of merchandizing management systems now being in place. We are working on how we can achieve more than 75% of sales coming out of full price for which initial results have been encouraging. We have been able to up the margins on the fashion side of business and probably the industry has recognized our leadership on the fashion business in the last three quarters.

Hence, overall I think there is a feel good feeling and optimism towards a brighter future as we go forward. We believe we are more stronger in every which way and I think after the meltdown event, the company has gone through a lot of learning which has been understood by each and every one in the organization.

I think the true success of all the initiatives undertaken by us would be towards providing maximum gains for all stakeholders. I will now request Anand to take over from here.

Mr. B. Anand: Thank you Mr. Biyani. In summary of what Mr. Biyani just mentioned, the organized retail is reaching inflexion point, be it the real estate side, be it some of the aspects which Mr. Biyani addressed or the reduction in the capex costs and the competition landscape. We believe this is one of the best positions for the retail business to be in and we expect to see a significant growth from here on. Let me now ask Mr. Rakesh Biyani to run you through the journey thus far and then maybe specifically speak about the retail dominance that we have in the market.

Mr. Rakesh Biyani: Good evening everybody. As we were mentioning that we already have a significant amount of presence which has been created in the top 8 cities, almost 60% of our stores are now in the major cities and 25% in the tier II cities and the balance in the tier III and smaller towns. What we intend to continue doing is to build our dominance within the bigger cities for which our roadmap is clear. We have a lot more stores scheduled to be opened within the bigger cities as well as in the tier II towns. Along with geographical dominance, we want to continue our focus on the key categories which are basically fashion, food, electronics, furniture, and general merchandise. I think what we have been able to achieve in the last 18 months or so is a complete revamp of our fashion approach wherein, not only have we been able to significantly grow the overall sales within our stores but the private brand sales have been the single biggest contributor to our growth. In some concepts the growths have been as high as about 60% on the private brands. What this has resulted in is significant increase in margin contribution from there. Our focus has also been towards ensuring the fact that we are selling a lot more merchandise at full price and significant contribution coming out of our core merchandize collection. Core fashion products which used to be only about 8 to 12% of our collection now generates close to 20 to 25% and we believe that this can be settled down at about 30 to 35% kind of levels.

What is also happening is that the fact that the full price sales were somewhere getting lost when the markets were down and there was constant discounting. What we have been able to achieve is a significant growth during the full price period and that has led to an additional amount of margins coming through. We are rolling out the entire merchandizing and assortment planning system, successfully implemented within fashion to other categories such as electronics, furniture and general merchandise. What this does is the fact that it allows us to have significant amount of focus on the product itself.

With the size of the business, what we did is also reorganize our teams into verticals where people have focused on products and timely deliveries of those products, and sales and merchandizing teams led by the concept of the retail team focusing on the selling within the stores. This reorganization has allowed us to consolidate our scale which has led to better bargaining with manufacturers, significant improvement in terms of gross margin generation, in terms of promotion offerings that we pass on to the consumers and with changes in consumer footfalls, we are being able to increase our ticket size as well our conversions which had dropped by 2% points last year has now gone back up.

So overall, I think the initiatives of re-forming the teams, a more sell kind of structure supported by implementation of new technologies and services in the merchandize and assortment planning will provide the necessary traction. We also have a full-fledged perpetual inventory management system which is a fool-proof system of assuring us on the inventory levels through cycle bound processes running in the stores. We have completely revamped our business intelligence system. We are now having real time data stream coming out of our stores allowing us to react to promotions much faster, giving us a significant amount of control on the kind of promotions that we need to do for each specific store. All of this is ultimately going to lead to increase in margins as the time goes by and also in terms of the customer experience in terms of merchandize availability.

The other thing that we have been working very hard on is on ensuring replenishments happen very strongly. We are trying to ensure the fact that orders are moved out within 24 hours of the orders being raised by the stores from our warehouses. To do that, what we did is, in the last 12 months or so is to completely revamp our supply chain network. We have been able to consolidate and rationalize number of our warehouses while maintaining size. We are focused on operating six large distribution centers which are significant in this scale. 80% of the products are now running on automatic replenishment and even though the order fulfillment rates have gone up significantly, there is still scope for significant improvement. We have now enhanced uptake order fulfillment and accuracy systems being installed in the warehouses starting from the first quarter of next year. The WMS system which went live in May this year has now been rolled out to all the top 7 warehouses and what it is allowing us to do very clearly is the fact that by March next year, we will be in a position to bring down our order fulfillment time to close to about 12 to 14 hours for almost 98% of the orders. What we believe is the fact that the impact on this is going to be significantly higher availability of merchandize within the store and which will ultimately lead to better customer satisfaction and productivity.

I think with the creation of subsidiaries like Future Knowledge Services (FKS), Future Learning and Development (FLDL), Future Logistics Solutions (FLSL), Future Brands, Future Media and also concepts like KB's Fair Price, what has happened is that this whole ecosystem of ensuring the fact that we can deliver a comprehensive customer experience in the store has now come into place.

FKS and FLSL, both are powerful entities by themselves and what it is allowing to do is to improve our productivity within our store because we are now getting better trained manpower because of the programs run by FLDL. Anand, if you have anything to add.

Mr. B. Anand: The focus of the group has always been towards an inclusive approach and in that process embrace the complete ecosystem. At the outset many of you would have felt that there is too much of investments across this space, but, we believe they all are coming together brilliantly now and as these ventures start proving their mettle, a huge monetization opportunity emerges for our company. More importantly, what it offers from a retail perspective is that what are normally bottlenecks for many, are significant value add for us, because we get to access the complete eco system thereby providing cross leveraging opportunities.

Mr. B. Anand: Rakesh, if you can kindly go through the operational overview.

Mr. Rakesh Biyani: What we will share with you now is the overall operational overview. As on June 30, 116 Big Bazaars, 45 Pantaloons, 9 Centrals and 93 other stores were operational. This data is only of Pantaloon Retail India Limited and does not include data of Home Solutions and the other subsidiaries. In terms of retail space, 9.7 million square feet of retail space was operational and footfalls of 185 million registered for the year ending 2009. We believe there is scope for the footfalls to increase by 20-25% from these levels. As we have shared the average ticket sizes have moved up from Rs 750 to Rs 792 and this is looking up to be even better this year and conversions have moved up to 43% and the overall average selling price is Rs 105. This is also due to the fact that the mix on fashion has also improved significantly this particular year. EBITDA margins have been at about 10.6% and total revenues stand at Rs.6342 crores with an ROCE of 18.6% (excluding investments). The value retail sales are about 72% of total sales and lifestyle retail is at 28%. This year we expect the ratio to be similar but there is going to be a significant amount of investment happening in the Central concept this year. So the ratio may actually become 65:35. We are looking at opening nearly 14 new Pantaloon stores in the year and another about 6 odd Central stores to open.

We have also shared the sales per square foot in terms of how they have performed. We believe that with the change in product mix, that we have been able to do over the last 12 months has helped tremendously in terms of the gross margin generation. The focus now is very clearly to move the sales per square foot and the productivity per square foot at a much higher level by rationalizing the space and utilization of space at a significantly higher level. The drop in sales per square feet in Central is because of the two new stores which had opened up in the last year in a significantly higher price point bracket compared to the others. Over the year we have been able to change the mix of products at Central. Earlier about 12 % contribution was coming out of private brands. That contribution has now moved up to about 20 odd percent and with that mix we believe that the numbers are going to become significantly better. Same store growth sales have been at 7.4% per value retail and 6.0 % for lifestyle retail and the inventory per square foot has been more or less at the same level of about Rs.1,850 per square foot. On the inventory, we believe the fact that the overall inventory in the period going ahead with the rationalization of the distribution system, with less number of warehouses and the highest throughput of the stores, we will be able to cut down our warehouse inventory at a much higher level compared to in the past and this number could come down to close to about Rs.1,600 overall per square foot.

Mr. B. Anand: Thank you Rakesh. Now we will proceed to the financial highlights of 2009. The various initiatives corroborated earlier has resulted in an increase in the revenues for FY 09. There has been a 25% increase in the overall revenue and this is in the backdrop of very difficult markets where there has been huge amount of down trading and erosion in the consumer sentiments. Despite that, because of our presence across the country and formats, and a constant focus towards creating value propositions for customers, we managed to show this kind of impressive growth over the last year.

The clear focus has been on profitable growth and the consequence of which we also see a significant increase in the overall EBITDA levels. The EBITDA levels over last year have grown up over 45% and this we achieved despite the adverse factors and due to the initiatives which Mr. Rakesh Biyani covered in the business overview and a very focused cost shrinkage measures. Austerity is what we focused on significantly during the year. There were lot of innovative measures which we undertook in the course of the year in terms of supply chain, negotiations across the levels and bringing greater efficiency and developing overall strategy on how we need to grow. There were significant reductions in the staff costs including voluntary reductions in salaries taken by the senior management. The focus was on removing redundancies wherever possible. The earlier aspect of the journey was obviously growth based, so the tight markets gave us an opportunity to introspect various aspects of the operations and other growth parameters, as well as rationalizing in terms of space management and overhead management.

The fact that we spent the capex in an environment where there was significant scaling down happening across our sector and spent significant amounts on the back-end side of the business, I believe augurs very well for us in the near term, both in terms of market leadership and profitability. Despite very tight liquidity the company managed to raise resources both from capital and debt markets. Consequently, significant part of the asset growth was through raising new debt and also rationalizing some of the debt i.e. moving it from a shorter end to a medium end of the maturity curve. There is a significant interest increase, but for which again, there is a strategy on how to bring down the leverages and the cost moving forward. Result of all these measures, we continue to grow even in our bottom line with PAT increasing from Rs.126 crores to Rs. 141 crores which attributes to 11.6% increase in the overall earnings for the company. Alongside that, from liquidity aspect we enhanced our cash profits and they grew by about 34% over the year.

The balance sheet remained very aligned with the growth of the overall business and the focus was in trying to maintain the balance sheet robust from liquidity and growth perspective. Net worth increased by about 23%, consequence of capitalization of over Rs. 235 crores which we did at a fairly attractive price despite the market backdrop that we are operating in. Debt, we have already discussed. There has been a significant increase in debt, but the fact is we managed to do this in the most difficult times and enhanced the maturity profile which augurs well from a liquidity point of view. Working capital has been one of the large focuses over the last one year and despite the growth of 25%, the net working capital was relatively less, it was around 20% and the clear focus ahead is to see how we can keep squeezing that and work on reducing our overall current assets. The debt equity ratio currently at about 1.2 level and the focus is to see how we can bring down the leverages to sub 1 levels. From overall cash flow point of view, a significant part of the earnings was ploughed back into investing into the business, be it into the existing retail formats or into funding the subsidiaries which are benefiting from the scale. We closed the year with closing cash of about Rs. 109 crores while we continue to invest in our gross block and growth opportunities.

We move onto some of the subsidiary performance over the year. The slide down shows the various holdings in the key subsidiaries. Our key subsidiaries are Future Capital, HSRIL, Future Agrovet, Future Logistics, Future Brands, Future Media, Future Knowledge Services, Future Learning and Development, Future E-Commerce and Winner Sports. While the overall capital employed in the subsidiaries is close to about Rs.2200 crores, the key thing to note is that PRIL's overall investment in this would be about Rs.500 crores which means that while these are still at a growth state, we have already managed to significantly derive value. Many of the subsidiaries managed to raise resources externally without relying significantly on Pantaloon Retail and have reached self-sustenance. In terms of profitability, some are turning cash flow positive and benefiting from growth in scale of PRIL, so we expect to see significant improvement in the overall returns and the opportunity from hereon would be to monetize many of these as they reach matured return levels. On consolidated revenues, we have an overall increase over FY 08 by over 31% in FY 09. Profit After Tax (after minority interest) stands at about Rs.10 crores. There has been a de-acceleration there, but this is on account of many of the businesses still achieving its scale. Mr. Biyani would like to add something.

Mr. Kishore Biyani: We had a setback in our home business this year and a lot of negative growth while entering into the home business in a high-cost economy. I think electronics and furniture businesses did suffer a lot, especially the independent formats and we thought if markets would have been reasonably good we would have broken even definitely on this business, but I think that has added up to our issues this year. I think, that has been a major contributor to loss. Second business has been our telecom business wherein we are in partnership with somebody where it was again on the growth phase and a very high cost area, so these two businesses had lowered our consolidated profits. Anand, back to you.

Mr. B. Anand: To summarize the year that went by for Pantaloon, we showed impressive growth at the top line and continue to grow the model in terms of bottom line and one of the key strategies for us is to see how alongwith growth we build a robust balance sheet and, the focus therefore will be on growing it profitably. With this I will ask Mr. Kishore Biyani to conclude with his overall remarks.

Mr. Kishore Biyani: I believe the group's vision is to grow on what it has built so far. Learn from all the events in a journey of being reasonable sized modern retail player. We believe that retail is all about scale and efficiencies and how do you manage the value chain after you achieve scale. The company is currently working on building up strategy on the food side in terms of private brand and in terms of quite a lot of commodities and how can we go up to the source and manage the entire value chain which can result into disproportionate benefits for the company. I think this strategy should start unfolding as we go forward. We are also looking at efficiency as Rakesh mentioned in terms of technology, in terms of systems, in terms of processes, and bringing in stability and building in consistency to whatever we do. I think we are reasonably happy with the way things are shaping up there and I believe we need to work on how to deleverage ourselves further from here. How do we reduce our interest cost, how do you look at consolidating our businesses into various groups, can we build up a retail group, can we build up a financial services group and can we build up a support group and how all these three business can grow on its own with their own capital and generate good returns for the stakeholders. We are also looking at how we look at the value business in terms of whether that can be used to monetize and to expand further because of the reasonable leads. There also have been talks with various strategic partners to look at the value retail business for us. I believe we should be able to work around something with some strategic partner out there, so that is something which we will be looking forward to.

So, there are many other initiatives which are happening as we talk, which we believe will result into some further unlocking and help us to look at deleveraging our balance sheet.

Mr. B. Anand: Thank you and Manjula, we will be happy to take questions and are open for the Q&A session now.

Moderator: Thank you very much sir. At this moment, I would like to hand over the proceedings to the International Moderator to conduct the Q&A for participants connected to international bridge. After this we will have a Q&A session for participants at India Bridge. Thank you and over to you.

Moderator: As there are no questions from the international bridge, I will go ahead with the India bridge. Participants who wish to ask questions may kindly press * followed by 1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First in line we have Mr. Nikhil Vohra from

IDFC – SSKI. Please go ahead with the question.

Mr. Nikhil Vohra: Thanks. Kishoreji, just 3 or 4 questions. One is you did mention quite extensively on restructuring of lot of our businesses over the last couple of years. Which are the business which have seen a material correction over the last year or so and second parallel question on the same is, do you still see a fit for Future Capital and Future Generali in this scheme of things right now.

Mr. Kishore Biyani: I will answer your second question first. I believe the objective of financial services business was to look at the credit piece of business in terms of how do we increase consumption which can help our retail business in terms of credit and also if you look at assets or the liabilities side, in terms of financial services retailing. In hindsight insurance business production is definitely not what we intended, in the sense it was more about distribution of financial products and for being part of the consumption frame. I think after a lot of events, one can look at whether it is right, but I think it is all about what we have built and how do we capitalize on that and I believe that is a significant opportunity of looking at the entire business together and looking at what benefits we can derive out of the same. We have done well in terms of building up the team. We have done significant progress in terms of our insurance business and we have made significant progress, except for the credit business where we have slowed down. I think we have created an organization to look at the financial services business. I think there can be some satellite view which we can take on this business.

Mr. Nikhil Vohra: Coming from the fact that given that consumer credit has not taken up so much, possibly Future Capital and Insurance now no longer possibly fits in as well as it was possibly was thought about earlier.

Mr. Kishore Biyani: I think in hindsight, we can relook at the business in terms of how can we look at getting more out of the same. I believe that is reasonable fit which we have created. If you look at Future Capital in terms of our real estate funds, we have done reasonably well as well as on the private equity business and logistics fund. In terms of the current market business we have some partnership along with Centrum on the forex and the wealth management side. On retail of financial services, we have to get back to the drawing board and relook at it and how do we further make it more objective for the group and how can we generate a lot of the business which we have created. You have a point Nikhil and I accept the point.

Mr. Nikhil Vohra: Second is on the operations itself. Midway through the presentation obviously one gets a fairly good sense about a calibrated growth approach which at the pace at which we have grown will obviously slow off as we move forward at least in terms of fair price reducing and so on. Does it also mean that our requirement of capital will go down significantly from what was earlier envisaged, say 6 months or a year back? If the growth of capital will be significantly lower, then do we necessarily need to look at material capital rates in the future?

Mr. Kishore Biyani: According to whatever simulations we have done internally, based on our revised projections up to 2013-14 what we can do in terms of square foots, what business we can generate, what efficiency we can achieve, in a given good scenario, I would say another Rs.1200 crores of equity, if we want to retain our ambition of what we wanted earlier, i.e., 30 million square foot of retail space. That is the way we looked at it,. I think it depends on our appetite for growth and how much we want to grow. We would be nearly 12 million square feet currently as a group and we believe we have spaces signed up to 20-22 million square feet of retail space. There is a market demand and there is a scope of increasing the whole pie. Again it depends on our fund raising ability. It depends on how much we want to deleverage. We are looking at controlled and calibrated expansion, that is for sure, we are looking at return on investment much more sharper than we ever looked at and we are looking at anything which will give us faster returns. So, I think we are going to put capital to best of use now than ever before.

Mr. Nikhil Vohra: This is more in the context of also maybe the ground operations where if you look at most of the retailers, mostly they are significantly lower in scale, compared to us, but most of them seem to be operating more on internal cash generation now rather than external capital generation.

Mr. Kishore Biyani: I think we will be using capital to deleverage to a great extent. So that will help us in terms of debt equity, raising our profile of various debts and how do we decrease the interest cost. I think it is an overall play which we have to do. I am talking about an ambition of 4 to 5 years when I am talking of that kind of amount.

Mr. Nikhil Vohra: Lastly, what is the consolidated debt right now?

Mr. Kishore Biyani: Rs.3800 crores.

Mr. Nikhil Vohra: Kishoreji, just one more thing. If you were to look at monetizing say three of your businesses over the 12-18 months or so, which would be those three business if you had to place an order of square feet.

Mr. Kishore Biyani: I think it is a hypothetical question, but we would love to consolidate the financial services business. We would love to consolidate the retail business in a form wherein we look at value retail separately and also look at the support business where I believe they are few businesses which are building up lot of value for us - One is the Future Logistic business wherein we have got in an external partner and Future Knowledge Services and Future Learning and Development. I think these three businesses are something which I believe can generate some decent of traction as we go forward.

Mr. Nikhil Vohra: Thanks and all the best.

Mr. Kishore Biyani: Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Percy from HSBC. Please go ahead with the question.

Mr. Percy: Hi Sir, I have a couple of questions. Firstly when you say that your average selling price is increasing because you have a better mix in terms of fashion being higher. Plus couple of other things, private brands going up etc. Lot of things which point to an increasing gross margin profile, but those are not reflected in the financials. Gross margins are more or less flat. What is the reason for that?

Mr. Kishore Biyani: It is a component of the fact that expansion in value retail has been more than the other expansion. In value expansion we have 2 or 3 categories like electronics and food which have lower gross margins. I think the challenge is always to maintain a mix despite the increase of the category sales. Had the Big Bazaar expansion not been there, the margin increase would have been very different.

Mr. Percy: The question I got from your presentation is that your mix in terms of either the store formats or the value versus lifestyle has not changed much.

Mr. Kishore Biyani: I think there is a slight change last year. Last year Big Bazaar was much bigger and increased in space by over a million square feet over the previous year. The food business in Big Bazaar is also on the increased side. If you look in the downturn, the food business increased more. The furniture business which is higher volume business, did drop.

Mr. Percy: Secondly my question sir is we have standalone net profit of about Rs.140 crores and consolidated net profit of about Rs.10 crores. Which means that in the subsidiaries, totally there is about Rs.130 crores of loss. Can you give broad breakup of this at the net profit level. Which are the entities contributing to how much loss?

Mr. Kishore Biyani: Yes, I will address that in a while once I have the figures. I would say it is Future Media, Future E-Commerce, Insurance and Mobile Telecom business.

Mr. Percy: Do you have quantification of the amounts for each of these entities?

Mr. Kishore Biyani: Future E-Commerce is around Rs.19 crores, Future Media is around close to Rs.8 crores.

Mr. Percy: Future Logistics, sir does it have any loss as of now? As of FY'09.

Mr. Kishore Biyani: Future Logistic was positive by Rs.24 lacs.

Mr. Percy: Okay and Home Solutions will be around 30 to 40 crores?

Mr. Kishore Biyani: Home Solutions is around Rs.6 crores.

Mr. Percy: Okay, so that is very near to break even now. Okay. My last question is if I look at your investment that is required per square feet. Basically it is the gross block plus your working capital. It comes to approximately about between Rs.4,000 and Rs.4,500 a square feet, that is just taking your last reported numbers and dividing it by about 10 million square feet which is your year ending square feet. So do you think that for every new square feet, this would of course include back-end etc.

Mr. Kishore Biyani: It should be around Rs.1800 crores of working capital. That is stock minus whatever credit we get plus around fixed assets and deposits of around Rs.1,800 rupees there also, on an average.

Mr. Percy: Okay so Rs.3,600 on an average is something that we can go ahead with the future expectations.

Mr. Kishore Biyani: I think the working capital needs don't grow in that proportion because we believe that is where the difference will happen now. We believe that efficiency mostly we will be able to achieve out of whatever we have talked about it.

Mr. Percy: So that Rs.1,850 can come down to what levels and let us say in the next two years?

Mr. Kishore Biyani: Next two years we are looking at around Rs.1,400 to Rs.1,500 level. This year we are looking at around Rs.1,600 level.

Mr. Percy: Okay because of the new warehouse structure that you have created?

Mr. Kishore Biyani: We were working on multiple warehouses earlier, now we have consolidated it, plus we are working on automatic replenishments. With all these efficiencies, the order response time will be brought down to 12-14 hours from current levels of around 48 to 72 hours.

Mr. Percy: Okay, in terms of the sales growth, although your growth is around 8 to 9 % approximately.

Mr. Kishore Biyani: 6 to 7%.

Mr. Percy: Yes, about 6 to 7% and the overall growth rate of your square feet has also slowed down in FY'09, in spite of that the average sales per square feet is still dropping at a significant pace. What do you think is the reason for this?

Mr. Kishore Biyani: Firstly, there has been a drop on square foot on sales, especially with newer stores. Secondly, we opened some large sized stores which have been rationalized subsequently especially Big Bazaar stores. Thirdly, Central I think as a format, which is actually a risk free format for us as we do not lose EBITDA levels out there because we are covered up in terms of rent. It is kind of a rent arbitrage with the various brands. The higher price point products dropped over there and two of the new stores which we opened were at a higher price point and where we had lot of international brands. I think subsequently after this meltdown, we changed the configuration of all their products.

Mr. Percy: Do you think the sales per square feet could decline in FY'10?

Mr. Kishore Biyani: No way. I think we are already on the upswing and we can say it with confidence that while we end next June we should be very very close to Rs. 9,000 overall. I am talking at the end of the month.

Mr. Percy: Okay. Thank you very much.

Moderator: Thank you very much sir. Next in line we have Mr. Harrish from Deutsche Equities. Please go ahead with the question.

Mr. Harrish: Kishoreji, just profitability on the home store part. At what level do you actually start making profits. My basic question is how much is the corporate overhead cost in the home store itself. So at what level of sales do you start taking big money there. That is the first question. Secondly, in the current assets part, we did see sales grow by 35%. So just give us a clarity on that one. The third question is we keep reading in the newspapers about Bain and Carrefour. If you could just clarify on those two also. Thank you very much.

Mr. Kishore Biyani: Regarding your third question, I do not think I am in a position to take any names, but we do discuss things and we will look at various options to raise capital and to raise our leadership positions in whichever ways, so a strategic partnership is definitely not ruled out. We do discuss and we are in discussion and we are also looking at options on raising capital in some other form also.
Regarding home store corporate overheads, I do not have the numbers at the moment and can be addressed separately. I think in home, the biggest challenge for us is the electronic business. The margins we thought we will be able to improve on has not

been very successful till now, despite reaching reasonable amount of scale. The other challenge is the amount of capital deployed and the stock levels we have to keep for electronic business despite being a low margin business. I think these are two challenges which we are facing in that business and which we are addressing.

Mr. Harish: One sir, on the inventory or the current asset part which we saw in the balance sheet also expanding by 25%. Was it due to inventory or was it something else?

Mr. Kishore Biyani: I think we would have done some space expansion. So space expansion requires that amount of inventory to be kept and there is always, if you look at after June also, you would have opened significant number of stores, so what we are today, we would have opened two or three large centers. This year what has happened is the fact that because the festive season has shifted by a month, so the stock buildup for the season had to be started off much earlier, so what happened is the fact that stocks were coming into the warehouse all through the month of June as compared to normally this would otherwise happen in the month of July and that is purely because of the shift in the festive period.

Mr. Harish: Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Hozefa Topiwalla from Morgan Stanley. Please go ahead with the question.

Mr. Hozefa Topiwalla: Good evening Kishoreji, Hozefa here.

Mr. Kishore Biyani: Hello Hozefa.

Mr. Hozefa Topiwalla: Just a few questions from my side. Sir, first is in your opening speech, you did mention that the group has gone through a lot of learning curve and a lot of learnings that you will plan to implement. Can you just share some more details on which are the businesses that you plan to now conclusively restructure, which are the businesses that you are going to take forward significantly and what are the key learnings that you had that you want to implement?

Mr. Kishore Biyani: I think the first key learning is that there are very limited resources, management and financial, and nothing is infinite as what we might have thought once upon a time. I think that is one of the big learnings. Secondly, we are not in a long haul mode forever. I think we now need to be working on shorter durations and we have to perform much faster than what we thought we should earlier. Thirdly, we should not be worried about competition. We should keep on doing what we feel is right and our mission is going to be now profitable growth henceforth. Sometimes we react to competitive pressures, we react to other people in terms of hiring, in terms of signing spaces, in terms of growing faster. I think in hindsight, maybe we have to be independent in our thinking and not be carried away with what is happening in the market. In terms of businesses, I think we are looking at retail businesses. Earlier we thought maybe we will be in every category of spend, so that has changed. We believe we want to be in four category of spends which Rakeshji explained – food, fashion, general merchandise and home. Home includes consumer durables and furniture. So I think rather than concentrating on each and every category which we had originally thought, we will not spend disproportionate time or resources on any other category. That is where we have concluded and in terms of cost build ups, I think we have realized one has to look at a calibrated move rather than building up cost together. I think that is another shift in our thinking which has happened.

Mr. Hozefa Topiwalla: Any thoughts on the support companies?

Mr. Kishore Biyani: I think they are looking at three businesses to be very honest - retail, financial services, and support businesses. Whatever does not fall into this is something which we are definitely not looking at continuing.

Mr. Hozefa Topiwalla: So are there any businesses that you definitely want to discontinue at the moment?

Mr. Kishore Biyani: I think whatever will not fall under this we will not like to continue. I cannot give you specific names as such Hozefa, but I think the intent is clear, we have to consolidate these three buckets and that is the way we will look at things.

Mr. Hozefa Topiwalla: Sir, on the medium term outlook you mentioned, can you share some numbers on what is your targets and plans for fiscal 2010 and 2011 in terms of square feet rollout because newspapers have been throwing up lot of numbers including numbers and margins which is creating confusion, so what do you think are your realistic target and rollout plans?

Mr. Kishore Biyani: I think as a group we have a target of around 3 million square feet of addition each year for the next 3 to 4 years. That is the way we are looking at it as a group.

Mr. Hozefa Topiwalla: This is as a group, so this is including home solutions?

Mr. Kishore Biyani: This is including home and sports and whatever businesses are there below so we are looking at a 3 million square feet kind of expansion, each year.

Mr. Hozefa Topiwalla: What about investments in subsidiaries, because this year I saw that investments in subsidiaries, total investment number went up dramatically. You mentioned that you want most of the subsidiaries to be self funded, but you know, this year because of the environment.

Mr. Kishore Biyani: I think except for the insurance business, I do not think so. There was another property which we have taken which is two mills in Bombay which are Gulmohar and Apollo. I think that has taken an investment of Rs.130 crores if I am not wrong. So, these were the two major additional investments. I do not think any other subsidiary has got a major equity from us besides these two in the current year. All are independent in a sense, such as Future Logistics where we have got an investor or a strategic investor to do that funding for us.

Mr. Hozefa Topiwalla: Sir, the other question is on the funding plans. You mentioned of course that you cannot mention names, etc in details, but you did mention that you are looking at 6 to 7 different strategic options and you will be executing that over the next few years. Can you just tell us the philosophy on how are you choosing, what is the thought process behind that, what kind of leverage you are looking at over the next 2 or 3 years. You know, when you look at partners, what is the philosophy behind the partners, why do you want partners, particularly in context with the FDI regulation right now. So what is the broad philosophy and what should we expect for the next two years.

Mr. Kishore Biyani: I think we continue with the theme of the categories and leadership in whatever we have established and so whatever we are doing reasonably well where we believe we have gained decent traction is something which we want to grow. If you ask us about the hypermarket business, we believe there is a scope of increasing consumption, creating categories, creating demand, and we would love to be a leader in this space. In terms of fashion business, we believe we have achieved something and the entire group feels very confident about this business and we want to continue building it. This is a very high margin business, we have got efficiencies, we have got first price sales right, and so feel more confident than ever before on that business. To site an example, if you look at our eastern zone numbers on Pantaloons during the Pooja season, I am told the same stores sales growth is up by more than 23 to 24% which is a very heartening sign coming after a long time. So, that gives us more confidence in terms of how things are shaping up. We are also looking at building up a brand called Fashion@Big Bazaar which is definitely a Big Bazaar brand but also in terms of fashion leadership. We opened our own independent stores which are giving us good square foot returns and very good margins too. The emphasis on fashion would remain and the emphasis on particular places where we believe leadership and scale can be created, that is the hypermarket business will also be strengthened.

In fashion, if you look at it, we originally started as a fashion manufacturer, so we still manage the entire value chain for fashion which is like sourcing of fabric, to garmenting, to branding, to distribution, to ultimately retail including designing and virtually everything and our private brands sales has increased significantly. The entire value chain definitely helps us to run the business more profitably I would say. We would love to do this similar exercise in the food business which might take a little longer, maybe 1 year, or maybe 18 months, maybe a little longer. To give an example of rice, if we can sell maybe 2000 tonnes of rice a month, how can you look at an entire value chain right, starting from a paddy field, to a miller, or to look at contracting and how do we get the entire benefit of the value chain. It is something which we will be exploring during the course of the year. It is a business we are trying to understand. We have some strength, but we need more knowledge to get into it more deeply.

Mr. Hozefa Topiwalla: Sir, what kind of debt equity will you be comfortable with from the current level of 1.2:1?

Mr. Kishore Biyani: I think if you would have asked me this question one and a half years ago it would have been a different answer, and today it will be a different answer. So, I think the maximum comfort level is 1.33, 1.4, but definitely we are not looking at that also. We want to bring it down to less than 1.

Mr. Hozefa Topiwalla: Less than 1. Okay. I have 2 questions for Anand particularly. Anand, the difference between consolidated and stand alone and the number that you gave in the presentation, at the EBITDA level, the EBITDA loss appears to be Rs.155 crores but from the presentation I cannot add up these numbers and also the net profit loss is about Rs.130 crores and the numbers that you gave were adding up to Rs.25 to Rs.30 crores so can you really cover the gap between which are the most significant loss contributing subsidiaries.

Mr. B. Anand: The significant loss would be coming from the insurance business, Life would be about Rs.84 crores.

Mr. Hozefa Topiwalla: Okay.

Mr. B. Anand: Non-Life would be Rs.22 crores.

Mr. Hozefa Topiwalla: Okay, that explains it. The other question is that you know, the breakup of investments, because investment number went up dramatically this year. Kishoreji mentioned some investments in mills as well. Can you give us a break up of the increase in investments in fiscal 2009?

Mr. B. Anand: Yes, significant one has been actually in HSRIL wherein we have about Rs.118 crores invested and again on the insurance side we would have about close to about Rs.100 crores put in Life and

Non-Life.

Mr. Hozefa Topiwalla: Kishoreji, you also mentioned some investments in mills.

Mr. Kishore Biyani: Two mills, Goldmohur and Apollo.

Mr. Hozefa Topiwalla: Correct, correct. Okay, that is one investment. That is a small investment right?

Mr. Kishore Biyani: It is a significant investment of about Rs.130 crores split between 2 years.

Mr. Hozefa Topiwalla: How much was invested this year?

Mr. Kishore Biyani: Around Rs. 65 crores.

Mr. Hozefa Topiwalla: One quick question for Rakeshji. He did mention that lot of initiatives have been put in place for improving efficiency, productivity, etc. You of course mentioned turn around time etc, can you give us some more examples and numbers on where we are currently on the efficiency parameter tracking and where do you think the company can go in the next two years on the efficiency parameter you have been targeting.

Mr. Rakesh Biyani: Sure. Let me give a number in terms of our order fulfillment rate which is basically not the fulfillment rate but more like the order commitment rate. The order commitment rate has now moved up to 72%. What does this mean basically is the fact that this is a requirement at the stores and the stocks are available only for 72% of the orders in the warehouse at the time of raising of the order and out of this 72%, what is happening is the fact that about 85% of them is getting delivered within the first 48 hours. What we really want to do is to move the commitment rate to close to about 88% to 90%, and that will happen as an when the assortment management system and assortment definition becomes stronger. The collaborative work that we are trying to do with our vendors will fall in place in the next 3 to 6 months. The other thing that we will also do as I mentioned earlier is that the 48 hours we want to bring it down to 12 to 14 hours and move that rate to about 95 to 98% kind of levels. So, that is the real benchmark as far making products available in the store goes. What this will also lead to is an improvement in consistency in terms of availability of merchandize and improvement in conversions which will follow through and thus leading to a higher productivity. Our assumption today, based on the small sample analysis that we do in terms of potential loss of sale that can be covered by this exercise, could be as high as 12% to 14% in terms of lost sale getting recorded. Now which simply means the fact that you can just through these measures move 14% in higher same stores sales growth and coupled with our work that we are currently trying to do on category management and product offering by itself within the stores, we think that there is a significant amount of opportunity to create more consumption in different product categories which is what we are working on.

Mr. Hozefa Topiwalla: You were also mentioning another area of improvement which was full price sales. Can you throw some numbers on that as well?

Mr. Rakesh Biyani: What happens is that the fact that simply when your merchandize is available consistently and your conversions happen, your stock does not lie in the warehouse but it is more available in the store and when the customer is there during peak times we are able to sell him lots more at the full price rather than wait for the end of season sale to happen and discount that same merchandize because of our inefficiencies.

Mr. Hozefa Topiwalla: Where are those numbers today and where were they a couple of years ago and what is the target for the full price sales?

Mr. Rakesh Biyani: Full price sales have actually moved up by about 30 to 35% from the earlier levels.

Mr. Kishore Biyani: Let me explain. I think the planning cycle what we used to have earlier has now pre-poned by virtually 90 days. We have stocks before the sale ends for the season and they are already in the warehouses to be moved in the store the very next day. In earlier sales, I would say when the sale ends on a particular day, to get 70% fresh stock would have taken 10 to 15 days, maybe more.
Earlier, the fill rate post the season would be about 4 weeks, now it would be three to four days. We fill the warehouse four weeks before the sales starts so when the store goes off sale within the first week, 60% of the store merchandize is fresh. Further, core merchandize which is otherwise on offer is also now selling significantly higher.

Mr. Hozefa Topiwalla: Rakesh, one last question if I am permitted is on the fashion initiative that the group has taken. Can you also elaborate more on the initiatives and you know, what kind of numbers that you expect to achieve just because of fashion initiatives. If you can collaborate,you know, there are 2 or 3 numbers. First is what was the percentage of private labels in fashion a few years ago, currently what is the plan going forward. Number two is what was the gross margin on fashion last year, what is it current year, and how do you expect gross margins to move ahead, and what is the contribution of fashion to the overall sales of Pantaloon group and how do you expect that to move?

Mr. Rakesh Biyani: On fashion as a business, the group brands within Big Bazaar and Pantaloons concept would start contributing close to 80 to 82% of total sales, whereas in Central this number is going to move to about 25 to 26% up from about 12 to 13% in the past. So that is the direction in terms of the share of the sales. What we are also trying to do is clearly build a significant amount of core merchandize lines or the never out of stock merchandize, merchandize which we are capable of selling all throughout the year, which basically de-risks the business to a significant level. We have created certain significant power articles which are well priced and ensure the fact that we have volume throughput happening on them. What we do is that with these volume throughputs coming out of it, we are now running replenishment cycles on a weekly basis directly with the vendor, thus reducing the overall inventory in the pipeline.

Mr. Hozefa Topiwalla: In terms of gross margins, what do you expect gross margins in the fashion business to do with the initiatives?

Mr. Rakesh Biyani: The gross margins are again for different concepts, they behave differently. On the Big Bazaar business, the fashion gross margins are currently at around 32 to 34%. We believe we can move them to about 36 to 38%. Last year it was significantly lower, it would be around 28 to 30%. Within the Pantaloon's business, the net margin after the mark down will move to about 57 to 58% on the fashion component.

Mr. Hozefa Topiwalla: Okay thank you very much.

Moderator: Thank you very much sir. I request the participants to ask 1 or 2 questions at the initial round and then come back for the followup question. Next in line we have Mr. Abneesh Roy from Edelweiss Securities. Please go ahead with the question.

Mr. Abneesh Roy: Sir, my first question is on private labels. Could you tell us which segments we are seeing a success and if you can tell in terms of percentage for our sales, what is the percentage coming from private labels and second is in which segments we have not done well and lastly in terms of the new brand which you are introducing in private, Ektaa come inside which segment, what is the strategy in that particular brand sir?

Mr. Kishore Biyani: Okay, I will start with Ektaa first. Ektaa is a brand which is going to be launched in the next 30 to 45 days and around 40 SKUs. I think we have done some good amount of consumer understanding in terms of communities in India. We have broken down India into eight major communities. The Tamilians, Kannadigas,and Telugus in the south. Bengalis, Maharashtrians, Gujaratis and Marwadis together and Punjabis and Baniyas. We have gone into consumer insights of each and every community and what kind of food they eat. Ektaa would represent the community food of all these communities and is packaged and designed to attract a particular community. There is a lot of work which has gone in terms of building this community insight and accordingly we have created a whole packaging and a design. For example, if the Maharashtrian wants to eat Ekadashi food, we would have a commodity play on Ektaa brand for that community.

Mr. Abneesh Roy: So that would be basically ready-to-eat?

Mr. Kishore Biyani: No, it is going to be commodity foods. It is like Poha, a particular kind of rice which is only eaten by a particular community. So these are the kind of products which are being introduced in Ektaa. Community staples as we call it.

Mr. Abneesh Roy: So currently there is no player in this right? Branded?

Mr. Kishore Biyani: There are players, but they are very skewed or very regional, you will not find a national player on this who is looking at all the communities. There are like Bedekar would do very well with Maharashtrians but we need a specific player for specific communities. That is what the intent of Ektaa is.

Mr. Abneesh Roy: But sir, how will you position this in metros because in metros you will have all the communities and brands.

Mr. Kishore Biyani: What we have also done is for every store, we have mapped the community. What we have discovered surprisingly is that for every store, there are not more than 3 communities which is comprising of 65 to 75% of its core customers except in Mumbai.

Mr. Abneesh Roy: Okay okay.

Mr. Kishore Biyani: And in very few stores in Mumbai or Thane there are only 2 patronising communities and in Kalyan only 1 community is dominant. So we have been able to narrow down to some communities in most of the stores.

Mr. Abneesh Roy: Sir, on the private labels.

Mr. Kishore Biyani: On the private brands, I think fashion Rakesh did talk about it. Food, we are working to increase our share as much as possible. We have got some very good success in whatever products we have launched. If you look at the last product we launched was a soup and soup was launched on a very simple consumer insight which we discovered that in India if we have to grow consumption of soup and how can soup beat tea as a category or coffee as a category at home. We have discovered that until the time we drink soup in a bowl, in a English way with a spoon, I think the consumption of soup cannot grow, so we introduced the soup packets and along with it we gave a mug free and created a whole aura around how to drink soup in a mug and I think we have a share of 30 to 40% when we launched a product, it was 40 to 42%, after that I think every brand became aggressive. You will see all the brands advertising soups now in a big way.

Mr. Abneesh Roy: Yes, Knorr has become very aggressive.

Mr. Kishore Biyani: I think it has happened only after we launched it. So our margins have increased. All the soup companies are getting us better margins.

Mr. Abneesh Roy: Any new segments in food you will enter.

Mr. Kishore Biyani: I think the next big product which we are launching is toothpaste. I think that will be our ultimate litmus test of category per se as such.

Mr. Abneesh Roy: You know, that is one of the most difficult categories.

Mr. Kishore Biyani: I think that will be a litmus test for us.

Mr. Abneesh Roy: Sir, one question on Future Media. We have Rs.8 crores loss in that. Do we see that as a sustainable business? Is it ahead of times and what is the game plan there sir?

Mr. Kishore Biyani: I think to be very frank, we have to admit that we made some investment in the television network in which we thought we will generate a lot of revenues like what Focus Media does in China. Unfortunately it did not work in this country as much as we thought it should and the advertisers did not change, although we have got better traction than earlier. I think the amount of capital we have put in along with a prior equity investor, is yet to commensurate with the kind of investments we have made till now, although we are trying to make it profitable in this year, but I wish it could have been better.

Mr. Abneesh Roy: So, you will not be expanding too much now in that particular business.

Mr. Kishore Biyani: We are not making major capital investment in that business in any which way and we are using whatever resources we have to the best traction out of this. We have aligned with TAG Media to look at the revenues, so we have coordinated the back end and we are sourcing clients on television together. I think the television revenue is very important for us to make this business profitable.

Mr. Abneesh Roy: Sir, just one last question just for housekeeping. What is the fully diluted equity shares we have currently?

Mr. Kishore Biyani: We have class A shares and class B shares.
The subscribed shares is around 17,43,91,521 equity shares of Rs. 2 each and class B shares is. 1, 59,29,152 of Rs. 2 each.

Mr. Abneesh Roy: Okay sir, all the best.

Mr. Kishore Biyani: Thank you.

Moderator: Sure sir. Next in line we have Elsa from CLSA. Please go ahead with the question.

Ms. Elsa Hi sir, just a very quick question. Consolidated debt is Rs.3,800 crores?

Mr. Kishore Biyani: I think we have to exclude a debt of Future Capital which is an NBFC of about Rs.473 crores, so the consolidated debt will be around Rs.3,385 crores.

Ms. Elsa: What about the consolidated cash?

Mr. Kishore Biyani: Consolidated cash is over Rs.200 crores.

Ms. Elsa: Standalone cash is Rs.109 crores. What about standalone debt?

Mr. Kishore Biyani: Rs.2,800 crores.

Ms. Elsa: Okay and sir what is the average interest rate on our standalone debt?

Mr. Kishore Biyani: Around 11%.

Ms. Elsa: Around 11%. And sir the last question. In Pan India Foods, what was the subsidiaries loss or profit?

Mr. Kishore Biyani: That is not a subsidiary now because we have an investor there who has taken a major share. There is a private equity investor who has come in. There was a partner called Blue Foods earlier with us but the private equity partner is a major investor now and we have a 5% residual stake now.

Ms. Elsa: Right. Sir, what was the loss or profit sir?

Mr. Kishore Biyani: It was at par.

Ms. Elsa: Okay sir, alright.

Moderator: Thank you very much sir. At this moment I would like to hand over the floor back to Mr. B. Anand for final remarks. Please go ahead sir.

Mr. B. Anand: Thank you very much everyone. I think we are available for any further questions. You can e-mail it to us at investorrelations@pantaloon.com and my team and me are available for any follow-on questions which you may have. I request you to kindly mail it to us and we will respond to you accordingly. Thank you once again for the time and for participating in this call.

Mr. Rakesh Biyani:	Thank you.
Mr. Kishore Biyani:	Thank you.
Moderator:	Thank you very much. Ladies and gentlemen, thank you for choosing WebEx's conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.

END OF TRANSCRIPT