"Schaeffler India Limited Q2 and Half-Year 2020 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Schaeffler India Limited results conference call for Q2 and half year 2020 results for the period ended June 30, 2020. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vijay Chaudhury from Schaeffler India. Thank you and over to you Sir!

Vijay Chaudhury: Thank you. Ladies and gentlemen welcome to the results call for Schaeffler India. Today we have with us Mr. Harsha Kadam –CEO, Schaeffler India and Mr. Satish Patel –Director Finance and CFO, Schaeffler India. I now hand over the call over to Mr. Kadam who will take you through a short presentation to our results. Over to you Mr. Kadam!

Harsha Kadam: Thank you Vijay. A warm welcome to all of you in the call to this second quarter presentation. I would like to take you through a presentation and I am sure all of you would be referring to the slides. I would like to start my presentation by moving to slide #2 titled "Weathering a Storm" and I am sure most of you in the call would relate to the situation we all had been going through with the current pandemic and Schaeffler India was no exception to the situation that all of us together we are in. It is like the lighthouse which we have to stand we have responsibility to all our stakeholders in spite of the storm as they say it is only the "tough get going when the going gets tough." So having said since the onset of the COVID-19 the full impact of the COVID-19 was felt to its fullest extent in the second quarter of this year starting April 1, 2020. As you all know the entire country was already in a lockdown mode since the March 23, 2020 and having said that April was the month which was total lockdown situation and the maximum impact of this entire lockdown on the performance of organization is reflected in this quarter.

I would like to move on to share with you some information about the market and then move into the second quarter and the first half of the year performance. Let me start with slide #4 and slide #4 what you see is some of the measures that we had to take during the COVID lockdown situation.

I am referring to the table to the left side what you see and what you see is the clear explanation of the impact on our operations if one was to look at the first quarter, the column Q1 and as you can see out of the 69 affected days only productive days we had for the first quarter we lost 8 productive days during the quarter and this 8 days of loss was in the month of March since the lockdown began. However, once you move into the second quarter as you can see for the month of April while we had 26 planned days of business and production you can see the effective days is 0 which means since it was total lockdown and the entire business scenario came to a halt, our customer lines were stopped and hence the entire month of April was a washout with 26 locked days of productivity.

Coming into May while we have planned 26 days and the lockdown was relaxed towards end of May as you all know and hence as you can see we had only identified 9 effective days of business and production and effectively we lost 17 days in the month of May as well. Having said that we started off in the month of May around the May 25, the first half of our plants started to operate and since the lockdown was not opened in a uniform manner across the country depending on the COVID situation and the intensity and the density of the cases different states and different cities started off at different dates altogether. Hence we will find there is a spillover effect when it comes to the number of days lost as you see the spillover into June as well.

Moving into June, while we had planned 26 days of productive days effectively we were able to deliver only 17 out of the 26 days resulting in nine days of loss because we started off the plants towards the end and some of our customers were also not yet ready customers too had challenges when the businesses were starting off in a very staggered manner. So if one were to look at the summation for the second quarter out of the 78 planned days well we lost 52 days out of the 78 days totally 67% of the productive days were lost hence I say I relate to go back to the earlier picture the Q2 was the quarter in which the maximum impact to the business was felt.

While we were in lockdown of course we still had the challenge to make sure all our employees stay motivated and wherever possible some customers the essential service customers were still operational and those customers did get in touch with us to help them with their needs on the services front so some of our sales people were still active and we had the primary responsibility to take care of the health and safety of our employees and also as the plants moved into a restart mode we had the primary responsibility to take care that we put in comprehensive safety protocols to ensure that our employees resume working in a very safe and confident manner. Now having said that, we put in a lot of actions in place in each of our plants and each of our warehouses and each of our branch offices.

Moving forward I move to the next slide, I am on slide #5 this is just to share with you I am giving you a flavor of the some of the actions that we have put. This pandemic has redefined that way we operate our plants as well and we have seen the maximum amount of challenges in our plants, we had to institute temperature checking every day at the gate and we are now wanting to increase the intensity and frequency of the checks. Now we have also introduced pulse oximeter check once a week for all our employees and there is a safety briefing that happens before we start off each of shifts and of course we also instituted the practice of taking the pledge so that we all remain safe and we follow all the social distancing norms and also the best hygiene practices even within the canteens we have made sure the discipline is kept when it comes to social distancing as well as to provide them necessary infrastructure to make sure that we minimize or eliminate any chances of spread so to say. Even within the offices we have made sure very strictly we follow and comply with this we have put in some system to make sure that if there is a risk of spread we minimize it to a very small groups so we have a cluster system which works very well and we have been able to trace the movement of the cluster so we put in lot of practices not to mention the sanitization of the entire shop floor at regular intervals what we carry out.

I move to the next slide and I would like to touch a little bit upon the economy. As you have seen I am on slide #7 and what you see is a gradual decline in the GDP of the country quarter-on-quarter and I guess the Q2 numbers have still not been officially declared which I guess predominately is going to be sub-zero levels surely. With this decline, the slowdown as you see surely that had its impact on the index of industrial production which is clearly evident and the situation in the second quarter got worsened as you can see all the red bars and the same is the case with the core industry growth as the productivities were impacted so the entire economy was impacted when you see negative numbers coming in here.

The good thing was the inflation still continues to remain although it is pretty levels it is not at the level of pre-COVID but what you see is at least which is stable at 6% so to say. The government on its part as you all know has been trying to do and stimulate economy in its own way what with pumping in of almost Rs.20 trillion in various categories and sectors, MSMEs and the liquidity injection into NBFCs. Well we have seen the responses from some of the sectors post recovery but I guess we will have to wait and watch to see how this is going to take off going forward and in spite of the RBI trying to also chip in to help alleviate the situation that we all are in today.

I moved to the next slide which gives a little more information about each of the sectors and I would like to start with the industrial sectors and what you see are the four graphs. The first one being on the cement production in the country as we can see for the month of April due to less days of production and the total lockdown the production levels are being very, very minimal at 4 million tons whereas May once the situation started to relax you can see the numbers picking up from a production point of view with 22 million tons of cement produced in the country in the month of May.

The same is the case with steel. I will move to the graph on the right where you see a big improvement in terms of the productivity levels and million tons of steel yet the numbers are still lower when compared to the previous year obviously because we still have to see strong recovery hence you will see that the cement and the steel both are in the levels of about 25% to 30% lower than the previous year.

Mining is one sector which has been consistently doing pretty well but again that was affected partially though unlike some of the sectors which had a total shutdown. The mining sector continued to operate in pockets and as you can see they did still were at half the levels at which they were in the previous months.

Power generation dipped a bit but again it was back on track and it is picking up and it is continuing to show the level so hence you can see both mining and power generation in the country still continues to be at a such a lower level but defiantly not as bad as the cement and the steel sector what you see.

I would now like to move to the automotive sector which is on the next slide. Here the picture is very different than what you see on the industrial sector. Let me start with two-wheelers and you will see the one of the hardest hit sector in the automobile space is the two-wheelers and hence you will see the lowest numbers of vehicle production while April was a total washout month for the sector in terms of production, May just about 310000 and in June inching closer to the 1 million mark as you can see here.

All in all that was a sector which was pretty badly hit and as you can see the year on year 50% down and it is stated that 2020 would be lowest numbers of production to live in the entire country in the last decade and a half at least.

Commercial vehicle, as you all know, has been always at a lower level since a long time and there may be full impact of that you can see in the months of April and May and this sector too has been down almost 60% when compared to last year.

Passenger vehicles the same you will see in the months of April and May while April was a total washout made some recoveries with some customers did happen but some of the big customers we still had challenges to get start off business and hence that had a direct impact on the demand on our business as well.

Tractors, a strong rebound in the tractor sector and as you can see we are down 23% when compared to last year but however as you can see the month of June has been a phenomenally strong month recovery has been very good with 81500 tractors produced for the month of June alone which has been the highest in the last six months this year.

On this backdrop of the sector performances how did we do and that is what I would like to step in to slide #11 and what you see here is our total revenue as you can see as against the first quarter seeing revenue of 928 Crores in the second quarter due to the 52 days of lockdown which was 67% of our productive days lost we hosted 438.9 Crores of turnover which predominately came between the months of May and June.

With that the second quarter performance when you compare it with the previous quarter just with the previous quarter that is the first quarter of this year we are down 52.7% and when you compare that with the same quarter of last year we are down 61%. So the market volatility certainly and the demand slowdown certainly did hit us sales revenue in the first quarter.

With respect to the sales mix, when the business began to recover we did see some faster recovery in some of the industrial sectors hence you see a demographic shift that has happened normally the mobility sector which is around 80% to 81% shifted to 79% and the other sectors which is on the industrial side moved to about 1% because we had a faster recovery on the industrial sectors.

With this revenue from operations which was severely impacted in the second quarter due to the COVID and the resultant loss of productivity due to the shutdown obviously our earnings before tax was impacted pretty severely and as you can see from a positive level for the first time in many, many years we have been posting a negative EBT, earnings before tax of 12.9% negative and that takes us to an year to date level of +3.9 so at an absolute value we have posted minus 567 million of earnings before taxes in the second quarter alone vis-à-vis the first quarter where we did 1101 million rupees.

The substantial drop on the earnings before taxes predominately coming on the back of underutilized capacity is in the second quarter and also the loss of resultant loss of sales. While all this was there we did get into severe cost reduction mode and we have been aggressively driving cost savings to minimize the margins losses and I would say the entire team at Schaeffler India including the plants we were able to flex our costs and minimize eliminate a lot of waste cost in the system which helped us to minimize and contain the losses to this level else the result could have been worse than this.

I now move to the next slide which gives you the performance indicators and as I mentioned earlier for the second quarter of this year with 438.9 Crores of revenue which is down compared to the same quarter of last year at 60.7% and previous quarter of 52.7% we posted an EBITDA of negative 196 million that is -4.5% EBITDA margin.

The PBT margin stood at -695 million rupees and the EBIT margin was -15.8 and the earnings before tax I did already share this in the previous slide and the profit after tax we closed the quarter with -425 million rupees at a negative margin of 9.7%. So at a half yearly annualized level the sales revenue is down -40.3% when compared to the previous year. EBITDA margin we registered at 8.6% which is much lower than last year at 15.2% as you can see and EBT margin for the first half of the year is at 1.7% which was 11.8% same period last year. The profit after tax is 2.6% which was 8.2% the same period last year. So not much information to share as lot of activity had come to a halt across the country and Schaeffler India was no exception to that.

With this I would like to also move on to while we were in lockdown mode we were actively pursuing new ventures and new opportunities and there was one important announcement that I would like to share in this forum. We got together along with our technical teams Schaeffler has been proud to launch to product on the July 1, 2020 which is going to be a revolutionary product in the market. This is predominately applicable in the steel, cement, the wind and the power and energy sector and this is the product which is used to raise the uptime of the operations. This is helping us to predict early failures in the critical equipments and this is also helping to manage the efficiency of the plants and being a new product with high level of digital technology comes in with wireless battery operated sensing solutions and works on cloud based technology and very user friendly and the official launch for this in India is scheduled for the October 1, 2020 and we expect this is going to create waves in the market soon.

So with that I come to the end of my presentations and I open the floor.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Nishit Jalan from Axis Capital. Please go ahead.

Nishit Jalan: Thank you for the detailed presentation. I have two questions. Firstly if I look at your first half you have done a capex of 185 Crores now obviously domestic demand is struggling so just curious to understand the reason for the capex are we looking to start exporting from India in a much, much bigger or do you think that this capex is largely to drive localization in India because from what I understand that around 30% was still import content that we have or thirdly you believe that you have won a lot of products could be introduced in India which are not present and since we have moved to BS6 vehicle there is a lot of scope of that so just wanted to understand what is the growth capex exact need you are foreseeing because of which you are incurring this capex this instilled a lot of confidence that you are putting up on the company? Secondly while things were really bad in the last quarter what kind of outlook are you getting from your customers OEM customers as well as in the replacement side of it as to how things are shaping up for the remainder of the year?

Harsha Kadam: Satish you want to take the capex part of it and I can take the second part of it.

Satish Patel: Thank you Harsha. So as for as your first question about the capex is concerned the amount of that you read as we have published in the cash flow statement is 185 Crores; however, I have to also clarify that since we have adopted the Ind-AS 116 standard effective January 1, the assets which are on lease are required to be transferred to capital account. That constitutes 64 Crores. So effectively out of 185 Crores, 64 Crores is marked for year cash outgo or not the real capex it is more of a reclassification from leasing to capital. To that extent there is also a liability booked so there is no impact either on the financial position or on the cash flows so effectively we have capex outgo during the first half of the 120 Crores. This 120 Crores capex is not because of the significant focus on exports at least in this year. This is largely for the adjustment for the maintenance and to a certain extent for localization. We had already announced that we would spent about 1000 Crores in three year's time span this year last billed about was 330 Crores although we have outlined that sort of plan we have actually being growing very cautiously in this direction and we have minimized the capacity in the first six months. So the first six months capex is mainly for the replacement and to certain extent localization. As far as the second half of the year is concerned, we will continue to focus not significantly on the export except that export situation is not significantly going to change at least in this year. When we talk about exports we are talking about more for 2021 going forward. So this year situation is not significantly going to change because of the pandemic impact all over the world; however, going forward this situation is going to be favorable to us because of the market which we are being offered particularly in the Asia Pacific those are markets that offers some opportunities for us the for the exports. So coming back to the capex my clarification once again is that is we need to request made and the overall link and the capex spend that we have for the first six months is 120 Crores.

Nishit Jalan: Sir just a quick followup on that when I was asking about exports I was not asking about this year what my point of view was from the next three to five years do you think exports can become a big opportunity for us we read a lot of news flow that companies are reducing dependence on China, India is very attractive on cost front so my question was more on that front that can exports grow in a more meaningful way or can exports become a more significant proportion of our total revenues over the next three to five years?

Satish Patel: Certainly as far as our midterm plans are concerned and looking to the development around this pandemic and also looking to the developments within our organization and our own focus in the strategies, yes exports actually offer a good opportunity going forward from 2021 so next three to five years that is one of the focus area as well in our strategy localization is one of the important strategy, export is another important strategy and we have the sort of opportunity in Asia Pacific market and some of the markets for the product portfolio where we have competence and we have critical mark as well and that is the largely the large size bearings, the cylindrical roller bearings, large portion of the roller bearings where we have the competence and there are opportunities exist in Asia Pacific as well as other part of the world so certainly export is going to actually be one of the focus area and it would be very difficult to say that would it significantly change or our focus would be significant and the export is going to contribute significantly higher than as of

March that would be very difficult to confirm but yes export is going to be actually in terms of the growth higher than what we have in the past.

Harsha Kadam: Nishit, I would like to add another point here to what Satish just mentioned if you see the country today and what we do there are two kinds of export that happens one is directly what we export to our sister facilities outside India, second is our customers also have started to make a lot of export increase their export from India to the outside world and we also see a significant increase in this hence the investments and the capacity additions what we are doing is going to address both the means.

Nishit Jalan: That is helpful, second question on the outlook front?

Harsha Kadam: On the outlook front yes we do see some green shoots already in some of the sectors. We have started to see a little bit of better recovery on some of the industrial sectors like we have seen wind recovering faster, railways recovering faster, tractors and farm equipments definitely it was way ahead of its recovery already. We are seeing now signs of some recoveries coming into the passenger vehicle segment as well. Two-wheelers, was a little slow in getting back on track. We still are optimistic and we will have to wait and watch hopefully August will be a month that is going to a show a turnaround of the two-wheeler business which is literally hit the rock bottom. So all in all you have a mixed recovery happening in the market place some sectors have started to look upfront and started to move up some of have still not recovered. The machine tool industry does still see is languishing; no signs of recovery, yet but commercial vehicles, are another sector where we see still no signs of recovery as such.

Nishit Jalan: Harsha thank you that is very helpful. Sir just one followup what would be the annual maintenance or replacement capex that will need to incur?

Harsha Kadam: Approximately 50% to 60% is what we spend is on replacement it changes slightly year on year, but approximately half to little over half of what we spent on total capex towards replacement.

Nishit Jalan: Thank you so much Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: Very good afternoon. My first question is on the diesel versus petrol mix if you can share that how that has been shaping up over the past two years and in the first six months what would be that ratio as compared to 2018 and 2019?

Harsha Kadam: Looking at the development in the last two quarters with all the volatility and the challenges that the passenger vehicle sector has been facing and also the transition from the BS4 to BS6 and hence the resultant technology shift happening from diesel to petrol. What we feel is yes there is definite percentage reduction in the number of diesel vehicles that are being produced. Last year the percentage stood at something like 36% of the vehicle and it is further going down. Now having said that customers are also working on making the diesel engine technology compliance to BS6 norm and there have been fair amount of success as well. On the one hand you have a continuity of the diesel engines as well in especially some of the higher CC of vehicles so to say. On the other hand, you do also see a reemergence of petrol in the smaller CC of cars so both these technology trends are now moving and having said that Schaeffler India we are very strongly positioned in the diesel technology, we definitely have products of the year in the petrol technology and it was only a matter when the shift happened that we have to bring those technologies for the petrol engines and configure them to adapt to the Indian needs which we have successfully done with our customers and they are at various stages of evaluation some we have already started in terms of business so the direction in which we are going is the right one and be the petrol or the diesel for the engine application. I must say that we are well geared up to meet the market needs as it is today. We are also seeing that the light commercial vehicles as well have improved the diesel engine technology both in the engine and the transmission application and that is where we have seen a higher level of success when compared to the passenger vehicle because fundamentally the light commercial vehicles or the light passenger vehicles were the once that were under high pressure because a lot of it was being sold in India and it was also the customer's prerogative to initiate changes in technology in this sector as well which we have also gained a lot from.

Sandeep Tulsiyan: Any mixed number that you can share for first half and last year?

Harsha Kadam: In terms of percentages, well I would say our target and measure has always been the content per vehicle which we will measure and I must say that we have achieved very good improvement and success in the content per vehicle light commercial category, passenger vehicles too has seen improvement but still it has fallen a little short of our expectations fundamentally because of project delays from the customer's end and we have the technology, we have the product, and we are also working on localization plans which is exactly a related to the question that came up first one in terms of capacity investments going forward so content per vehicle defiantly we have seen a good jump on the light commercial vehicle side, passenger vehicles used to have some room to go.

Sandeep Tulsiyan: Second question since you mentioned on CPV side wanted to understand when a parent company is giving an indication that typical content per vehicle is close to 130 ROs per vehicle what could be that number for India and which all products do they will include, the products currently catered by us through different unions or the potential basket that Schaeffler has for that particular customer when you referred to that CPV?

Harsha Kadam: The number what you mentioned 100 to 130 whatever that is the total potential content per vehicle that is there in the application be it the passenger vehicles or be it the light commercial vehicles and that is the average across. Now as Schaeffler certainly we have a target internally to keep improving the content per vehicle so what does it mean for us we would have to get into some specific applications within the engine, also we may have to get into some new product portfolios to increase our portfolio offering within that engine. Whether it is a diesel or the petrol it does not matter but it is just adding up more product portfolio so clearly we do have strategic plan looking at our core competency in the engine application and the transmission application. Those product portfolios which add value in terms of bringing down emission norms is the high focus area for us right and because obviously that is the need of the hour to get down the emission levels and as the country is progressing towards the CAFE norms it becomes all the more important that the builders in our strategy to say focused on these products which help achieve those norms. So exactly in line with that strategy we are going to continue to invest, yes out of the 130 there could some product portfolios where we may decide not to be participating at all because we have strengthened some portfolio when we would like to stay focused on it.

Sandeep Tulsiyan: Understood Sir. Thank you so much Sir for taking my question.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union Asset Management. Please go ahead.

Vimal Gohil: Thank you for the opportunity. Sir can you just provide what was the breakup between auto and industrial for OEMs and after market respectively for this particular quarter? What is the mix?

Harsha Kadam: You mean in terms of our business with these broad areas, business areas?

Vimal Gohil: Yes between auto industry and if you can just provide the breakup between OEM and aftermarket for both these segments?

Harsha Kadam: I guess this was quarter where as you know the industry and when you look at the industry per se the automotive sector was most hardest as you saw in my earlier presentations as well. So generally Schaeffler had a very good balance of having almost an equal share between the automotive and the industrial up until last year end of last year I guess the industry was about 47% and automotive was about 53% of the total portfolio which moving into this year particularly in this quarter the second quarter of this year that has got a little bit skewed. I see that the industrial part of the business I think is more of 57%, the rest of it has been automotive, the shift has happened primarily because of the good recovery of some of the industrial sectors during the second quarter and slow restart of the auto sector that is fundamentally defining it.

Vimal Gohil: Sir how much of your auto business would be aftermarket and same for industry Sir?

Harsha Kadam: It would be about 20% to 25% total.

Vimal Gohil: The aftermarket?

Satish Patel: Aftermarket business is 10% of the total revenue and since automotive is about 44% so off automotive aftermarket should be about 20 to 23%.

Vimal Gohil: So it can be about 10% of the total aftermarket business?

Satish Patel: Yes.

Vimal Gohil: What about industrial, how much is the industrial aftermarket?

Satish Patel: Industrial aftermarket is about 20% of the total so it should be around 35% of industrial business.

Vimal Gohil: Export would be included with this breakup right?

Satish Patel: No that export definitely is not included.

Vimal Gohil: How much is the exports? How much is export for us?

Satish Patel: Export is about 12% to 13%.

Vimal Gohil: Second question was actually on this gasoline product. Last quarter we had said that there are several products that we have kept ready in the pipeline and we are in the process of introducing it to the OEM so what has been the initial respond from OEM side to our gasoline products are we getting share, what is the kind of acceptance we have had especially with the top OEMs in passenger vehicles?

Harsha Kadam: See the response has been very good because the OEM Schaeffler builds in the German technology to the Indian market and certainly the performance and the quality both of the product and solutions that we have for engine application is definitely in its own league altogether so having said that the acceptance has never been an issue with the customers. We still have to go through the homologation and validation process and different applications have different time periods to homologate and validate and it is underway, it is work in progress as am speaking some I have already concluded and we have started to make supplies yes some of them we still continue to import and offer to the Indian market. Fundamentally, once the volumes start to pickup definitely that is the part of our pure localization plan as well.

Vimal Gohil: Last concall that India will be sort of a firm base for the exports especially in the Asia Pacific region so is there any sort of capex that you have sidelined only for that what is the kind of investment that you are going to make so that you have a firm foothold on the kind of opportunity that you see in exports going forward?

Harsha Kadam: Yes the first thing is I would like add, Satish I will hand it over to you let me just make a comment here. As you know Schaeffler India was regrouped under Asian Pacific region starting January of this year and well we began to get our bearings in this direction with a new structure and then we had a lockdown so while we took the opportunity in the last six months to understand and explore the market in Asia Pacific for our export business while that is already done investment plans are also being drawn and it is not that we will not be investing because we do find that there are lot of opportunities within the Asia Pacific region we have found lot of opportunities in Australia which is a big continent and certainly today Australia being catered all the way from Europe they find it much easier and much more economically competitive to take products from India. So rightfully we will be investing in those product lines also taking cognizance of the fact that we have the similar businesses in India which there is a domestic need as well. Certainly it is a part of the plan if there is more details Satish you want to share something more.

Satish Patel: I just wanted to comment that when we talk about our capex of about 1000 Crores in three years that includes all types of capex inclusive of the capacity that we have to build for exports. The market that Harsha talked about and when we talk about the capex that does include exports as well.

Vimal Gohil: So this year will have no sort of impact on your long term capex plan, would that be right understanding?

Satish Patel: No extra impact whatever we have in terms of the overall capex plan improves exports so no extra impact.

Vimal Gohil: Glad to know that. Thank you so much.

Moderator: Thank you. The next question is from the line of Prakash Goel from ICICI Prudential. Please go ahead.

Prakash Goel: Thanks for taking the question. I have two question one with respect to this product OPTIME what is the opportunity size, within India and outside what has been the experience?

Harsha Kadam: Well as I showed in my presentation OPTIME is the new product that is launched just this month in Europe, the officially launch happened on the July 1, 2020 and now we are scheduling the official launch in Asia Pacific on the October 1, 2020 and in India as well. As I mentioned during my presentation this is predominately will be focused on it is a condition monitoring device which is focused on the raw material sectors like steel, cement, copper, aluminum, any process industry which is also focused on many of the food and beverage industries, it is also on material handling industries as you can see the scope of application is pretty vast and wide. The wind sector is another sector that we have been looking at with the wind equipments out there in the fields and sometimes in inaccessible places this technology is working on cloud based with mesh net so having said that and it is very easy to install it takes less than 3 minutes to install it on the equipment and configure and sync it with your smart phone that is a very user friendly technology that now Schaeffler is bringing it to the market so we do not need a highly skilled and trained engineer to learn to use it so it has been brought down to a level where an operative level person can start to use it. As you can see the application is so wide that we are targeting all the sectors.

Prakash Goel: Who would be your closest competition with this kind of product because it is very different than you current product pipeline if I am not wrong?

Harsha Kadam: We do have similar product already with us which is already there in the market but this was based on a little older technology which you needed data be downloaded and then analyzed offline. Now what OPTIME does is it does a real time analysis the algorithms are so designed that it does a real time analysis and gives a feedback then and there. So this brings up a big improvement in the speed of response and this also helps our customers to understand quickly what is going on in the equipment and that will help them to plan and that will help them to plan their maintenance schedules in a much better manner which today would take a few days for us to revert back with our analysis.

Prakash Goel: That is wonderful and who is the closest competition for this product any other company?

Harsha Kadam: There are many competitors in the field both in the organized sector and some unorganized sector as well and each one is trying to differentiate their own solutions and offerings so yes we have worked on this with keeping factoring in all the relevant expectations from our customers and we do find that we have one of the best technology now that we want to bring this change here.

Prakash Goel: Thank you. My second question your experience with respect to July and August are things improving compared to June or how is it seen for you? Does the thing look like shutdowns are hurting a lot of companies that is the reason this question is?

Harsha Kadam: Yes I do understand that it is a challenge even for us but defiantly looking at the production numbers from our customers we have seen a big step up improvement in the month of July itself and going forward to August we see that production numbers particularly in the passenger vehicles sector we are looking at numbers which may be at January/February levels which were almost pre-COVID levels so that is very heartening to see but you know one never knows with this volatility in terms of lockdowns sporadically happening in pockets it can throw up some unexpected surprises which we will have to be prepared for how we reap that, but otherwise definitely we see all our customers turning around and starting to climb the curve now.

Prakash Goel: That is very heartening Sir. Thank you so much and all the best.

Harsha Kadam: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to management's pressing commitment that will be the last question. I now hand the conference over to Mr. Vijay Chaudhury for his closing comments.

Vijay Chaudhury: Thank you so much. Ladies and gentlemen that is it from our side. Thank you for your participation and if you have any further questions please do reach out to me or drop an email at vijay.chaudhury@schaeffler.com. Thank you and have a good day.

Moderator: Thank you. Ladies and gentlemen, on behalf of Schaeffler India that concludes this conference. Thank you all for joining us and you may now disconnect your lines.