"Tube Investments of India Limited Q3 FY2020 Earnings Conference Call"

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MODERATOR:	**MR. ADITYA BAGUL – ANALYST, AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Tube Investments Q3 FY20 Earnings Conference Call hosted by Axis Capital Limited. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Bagul from Axis Capital. Thank you and over to you.

Aditya Bagul: Thank you, Stephen. Good morning everyone and a warm welcome to the Q3 FY20 earnings call of Tube Investments. From the management, we have Mr. S. Vellayan - Managing Director and Mr. Mahendra Kumar – Chief Financial Officer. I shall hand over the call to Mr. Vellayan for his opening comments. Post which, we shall open the floor for Q&A. Thank you and over to you, sir.

S. Vellayan: Thanks, Aditya and good morning everybody. For the quarter ended 31st December, I think I will just go through the quick highlights.

Basically given the overall environment, we have been hit on the revenue front. Our revenue was at 976 crores for the quarter which is a drop of 27% over Q3 of last year, mainly because of degrowth in the auto industry. PBT, however, before exceptional items was at 95 crores. Our PBT last year for the same period was 93 crores excluding the special dividend of 29 crores that we received from Shanthi Gears. So on a like-to-like PBT basis, actually we have been slightly better off than we were last year that is predominantly driven due to kind of the efficiency drives and the bottomline focus we had in the company over the past 2 years.

The ROCE basically was at 21% that is just moved up from 20% in the corresponding period last year and free cash flow was at 341 crores which was a 133% to PAT. We have also taken the lower tax rate of 22% and we are taking that resultant benefit recognizing that over 3 quarters that gives us a benefit on the PAT side as well.

In terms of individual businesses, engineering revenue was at 502 crores compared with 747 crores in the same period last year and business has been the most hit. The PBIT for that business was at 60 crores for this quarter as against 59 crores for the same quarter last year. And ROCE for the division was at 41% as against 36% for the same quarter last year. Cyclesrevenue was at 146 compared to 298 in the same quarter last year, predominantly due to our exit from the institutional business. The PBIT for the quarter was at 1 crore as against 6 crores in the corresponding quarter of the previous year, again driven by institution and then ROCE for the division improved to 17% as against 8% for this quarter last year and that was driven predominantly by our work on reducing working capital and the overall capital employed.

Metal forming had a growth of 5%. This includes railways business. So revenue for the quarter was at 370 crores versus 353 crores in the same quarter last year. PBIT was at 33 as against 35 in the corresponding quarter of the previous year and we have had growth in railways, industrial chains and in fine blanking which basically helped compensate for some of the degrowth in auto in that segment. ROCE for the segment is 31% as against 28% in the same quarter last year.

Consolidated revenue was at 1,087 against 1,458 and PAT was at 82 as against 65. And Shanthi Gears also had a lower quarter at 58 crores versus 62 crores in the same quarter last year. And PBT for Shanthi Gears was 8 crores versus 12 crores in the same quarter last year.

So that is a quick summary of kind of our current position and we will stop now and we are happy to take questions from the audience. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ashutosh Tiwary from Equirus. Please go ahead.

Ashutosh Tiwary: Firstly, I wanted to understand that definitely we are cutting down in the institutional sales in cycles, but if I look at the engineering business also, there was a sharp decline over last 2 quarters. Obviously, industry was doing very badly in 2Q, but there was some recovery in third quarter. So is it that we also cutting down on the low margin business of engineering as well or this is more to do with our mix or OEM that we are servicing?

S. Vellayan: So, it is more driven by mix. We have a higher dependence, two-wheeler, which is basically kind of fairly large dependence for us as well. But we are seeing quite a bit of mix change. The second thing also in that business is you are right which is we are not dropping price significantly and that has led to a little bit of loss in market share, but the way we see it is that it will come back to us overtime because guys who are just dropping price again has been our preferred strategy not to do that. So those are the two factors that are driving it there.

Ashutosh Tiwary: And is it also that steel would be main raw material in this segment, and I think over last one year if we bearing last 2-3 months, there was a steep drop in steel prices. Obviously, the pricing also in terms of pass-through of steel prices would have also impacted realization a little bit, is it correct?

S. Vellayan: Correct, you are right.

Ashutosh Tiwary: Sir, secondly in this engineering segment, going ahead what will be the key drivers for us apart from industry revival. We entered this large-diameter tubes as well, so just some picture on going ahead how do we think this business will grow?

If we take the mix of businesses we have got, our tubular front fork business which is fairly large business for us which is quite linked to the two-wheeler segment in India. Now the good news with that is that as some of the new products move to with BS-VI, we are seeing some of the new products and even scooter products move to tubular front fork, so that will help us grow in that segment. So tubular front fork, I think will grow in India. What we are seeing now is kind of a near-term blip and that segment will come back. What we are focused on heavily is kind of developing a couple of new products that we think can be like tubular front fork for us going forward. We have ordered a mill for one specific product like that and delivery times for these things will be 9 months, so we placed the orders for that, but we see that the new products that we can get into are at least as large as a tubular front fork business if not larger. And the second thing like you correctly pointed out is that large diameter tubes are also down, both in India and globally, but we do see that will also come back when the demand comes back either globally or in India and we kind of open to demand coming back in either space. So we do not know when it is going to come back, but when demand picks up in either of this geography, we are ready for that as well. So basically three sets of opportunities, one is existing form, growth in the existing products that is happening by new products like scooters and all that coming in with BS-VI. The second is totally new products and the third is large diameter.

Ashutosh Tiwary: Can you just mention roughly what is the content in a scooter of this front forks for you in terms of, some colour on that?

S. Vellayan: No. I do not think we will be able to give that level of detail.

Ashutosh Tiwary: I think recently Activa has moved to front fork, so maybe that is what you are referring to?

S. Vellayan: Yes, that will definitely help us because that is a large product and we have got a share in that product already.

Ashutosh Tiwary: And sir lastly on this cycle side, will the revenue rate will be like similar to what we have seen in the current quarter in terms of going ahead or there could be variations?

S. Vellayan: No, I would say there will be a pickup from this.

Moderator: Thank you. The next question is from the line of Sachin Shah from Emkay Investment. Please go ahead.

Sachin Shah: Really nice to know that in spite of such large topline variations, we have been able to maintain our profitability, so very heartening to know that. What I would like to understand is that on this large diameter pipes in your engineering business, you did say that the demand both domestic and globally seem to be subdued at this point in time, but what exactly are the demand drivers for this product and what should we really be looking at where we will get some sense that this business is going to gain some traction for the next few couple of 2, 3, 4 years?

S. Vellayan: You are talking about large diameter in specific?

Sachin Shah: Yes, something like that.

S. Vellayan: One is as we offer broader range, right. So basically we export our product and we sell it domestically. Largest applications are in tippers and earth moving equipment. And so obviously some of that is linked to what is going on in the overall industry where both CVs and tippers are significantly down and it is linked to, we also export our product to China and we export it to some parts of Europe as well. But what we are seeing is that those markets are also down. The Chinese market is being down significantly this year. And so as a result of that, basically what we are linked to is the return of that whole construction equipment space and tipper segment and when that segment comes back, large diameter will grow with that when it comes back.

Sachin Shah: And on the metal form products, we have this decent amount of business coming from the door frames and auto, how is the outlook there because I think we have been present where these companies are there, models are actually doing quite well in the market. So is that helping us?

S. Vellayan: So actually just to give you a sense, I would say that we have seen less decline in that segment versus the others, but even our customers have seen a decline in that segment and it is the first time that kind of some of them have dropped and so that is a challenge, but the decline has been less than others.

Sachin Shah: The other thing is that we have been hearing or talking to a few large OE companies on the auto side on the domestic business. The sense that we get is that at this point in time, most of them are optimistic in terms of high single digit volume growth or so say for the next 12 months, any sense that you are getting in terms of because you are one of the key suppliers, so what is their outlook that they are giving it to you and you have some sense for the next 12 months, what do you see the domestic auto volume growth?

S. Vellayan: Honestly, we do not want to develop too much of a sense because everybody is kind of, like we have often said on calls before, kind of crystal ball gazing is not what we get. What we do, we do well. But our general belief is that even if growth did not come back into the market next year, we will deliver the next 12 months with quite a better performance than we have delivered this year. That is what we have confidence and we can do.

Sachin Shah: And can you elaborate a little bit 2-3 drivers which will do this for you?

S. Vellayan: Like in existing businesses, we have done a lot of work to turnaround and start strengthening cycles. So those cycles revenue will be down, we are convinced that cycles will deliver better bottomline numbers for us next year. By the way, I am talking about bottomline, I can't predict topline. I am saying bottomline wise, cycles will deliver stronger numbers than it will do this year. Second is that auto chains, we made a significant change in strategy and started focusing on the aftermarket. That as a strategy is beginning to pay off and we are getting better margins from that business, so that will begin to pick up as well. In our fine blanking businesses, we have started gettingexternal customers who are nonauto. I should say export customers that are non-driven by the Indian auto environment, so that will also help us on the growth side. Railways as a business will continue to grow, industrial chains will continue to grow and on our existing businesses where there is no growth, we still focus on lot of the efficiency drivers that we have been talking about for the last 2 years, so that will continue to yield results. So as a combination of those things, we feel quite convinced that we will deliver a stronger year next year even if there is no market growth.

Sachin Shah: Thank you and this is really heartening to know that in spite of not taking topline growth into consideration, you will be able to manage your cost and efficiency so well that we will not be hurt on the bottomline which is very heartening, congratulations, thank you so much.

Moderator: Thank you. The next question is from the line of Aditya Bagul from Axis Capital. Please go ahead.

Aditya Bagul: Two questions from my end. Firstly, Mr. Vellayan if you can talk about how is our capacity utilization moving towards in terms of the first two segments, you know your engineering and your metal form product, what was it in may be FY19 and what is it today?

S. Vellayan: In both, I would say, you are talking about engineering and metal form right?

Aditya Bagul: Yes.

S. Vellayan: So I would say definitely the good thing is that on engineering, we do have capacity plus, we added some more capacity in Rajpura as well, so now, not only do we have capacity but we have better geographically balance as well, so now over 80% of North’s demand has been satisfied by Northern production this year which again helps so with that efficiency, we are spending less on transporting tubes from the South to the North and we have got adequate capacity in the North to handle growth of our Northern clients as well. That number from 80% will go to North of 90% next year, so pretty much all Northern demand will be catered for in the North. That trend gives us excess capacity in the South to push into export markets as well because we are positioned well on the coast in Chennai to export, so I will say kind of across large diameter and the South, North and West geographies. In all areas, we have got adequate capacity for the next 2 year’s growth and then in addition to that, we have ordered a new mill for a new product that we are basically going to get into on the tube side. That mill will come on stream as well in the next financial year towards the end of it because it takes 9 months for them to get the mill to us, so that will also help us on capacities on the engineering segment. On metal form, obviously we are going to break that down a bit. Auto chain is adequately capacitized given the current environment. As far as railways is concerned, we continue to add capacity for various products and we are seeing growth, so there the capacity utilization is high but we are continuing to add capacity and then fine blanking, I would say that we have kind of unleashing more capacity with productivity improvement as well and finally on the door frame side, right now because I would say we have got adequate capacity across all of our products catered to the customers, we are currently servicing in those lines.

Aditya Bagul: So that is very helpful and quite encouraging as well that you got sufficient capacity to fuel growth as and when that comes in. Sir, my next question is actually on the newer growth opportunities that you talked about previously, the TMT bars and the truck body parts, etc. So if you can just dwell a little more as to what are the new developments that have happened over the last 3-4 months? What is the size of the opportunity and which are the customers that we are targeting?

S. Vellayan: Like I have said those businesses is best because they are more like venture capital size of the businesses at this stage, they are not going to move either our topline or our bottomline in the near term. So the main question is, are those businesses starting and kind of, but I don't think they are going to have any significant impact on topline or bottomline for even the next financial year. There are some, if you take for example, we have talked about this business in the optic space, that facility we think that in the current quarter or early next quarter, we should start getting output from there but again in these early years, the revenue that comes from these businesses is going to be fairly small. So I won't factor that into models right now. We have started talking about how we need to drive growth and what we see potentially coming up if the environment continues like this is we see opportunities for inorganic growth coming up. So Aditya clearly one of our advantages this stage with a stronger balance sheet is like you know our net debt is down to 103 crores at the end of last quarter and we continue to pay down net debt, so we should have a fairly strong balance sheet in the next two quarters, I would say, potentially we can also go debt free and if the environment continues to be very tough, as a matter of fact, quite a few based on early discussions, we have been approached with a couple of few opportunities for inorganic growth as well, so that is not an option we will rule out as a potential avenue for growth for us going forward.

Aditya Bagul: Sir and just digging a little deeper into this inorganic opportunity, what are the key attributes that you would look for in the target, right, would you go for a geography or would you look for a product niche or?

S. Vellayan: So we are very clear that we want to focus it on acquisitions in India only, so we don't want to look for manufacturing assets at the outside of India right now. The second is that we are also very clear that we don't want to get into either auto supply to Tier-1 or Tier-2 auto supply. Unless there is tremendously compelling reason to do that, our preference is to move tosome key themes that we are working on. One is looking at more B2C businesses and in our our current B2b businesses, our customers are much larger than we are, so we would like to kind of look at businesses where our customers are either consumers or small businesses. That is one aspect that we are looking at. The second is that we are looking at is nonauto segment and we are clearly interested in export markets. We see businesses that manufacture here for export markets and we are quite keen on developing that. And the third also that we have said is that we don't want to go out and pay top dollar for a business, so our preference is to acquire a business and do similar t to what we have done in TI for the last two years, there is an opportunity to improve performance characteristics like PBT, free cash flow in the inherent business itself.

Moderator: Thank you. The next question is from the line of Shyam Sunder Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sunder Sriram: Sir, just on this engineering business, you have spoken about it but if you look at it on year-on-year basis there has been 33% kind of decline, how would you split between the volume and the value, any colour on that? Just trying to, you did talk about the steel price being cut but if you can, if it will be possible to quantify that will be helpful?

S. Vellayan: So basically, the volume drop has been significant for us. Last quarter, at the same time was our peak quarter, so basically volume is off, almost it is like close to between 25 and 27% is the volume drop and we do believe that this is a combination of because basically exports volumes, domestic volumes, all got hit in the last quarter. Now, there will be some pickup because export markets will begin to get a bit better. In the last quarter, in general, it can be a bad quarter for export markets, being the last quarter of the calendar year and the second thing is that even if we see a little pickup from domestic market, we see this number is coming back. The second thing, obviously there is some base effect because when you take that last quarter, the comparable quarter last year was a strong quarter versus then is when kind of things started to go off a bit, so that is also going to change things going forward.

Shyam Sundar Sriram: Sir, you did talk about some market share loss is it on the two wheeler side is that where we have lost the market share in the engineering market?

S. Vellayan: All I was saying that we were not dropping price, but it has not been on the two-wheeler side. Like we said you know we see some opportunities in two-wheeler front fork because products are now in BS-VI there are products like somebody mentioned it was scooters which are now adding two-wheeler front fork so that is a good opportunity for us.

Shyam Sundar Sriram: And sir broadly on the export side you have spoken about export being weak so sequentially obviously as you mentioned December will be weak, any outlook on the export sir exports will be around 8%, 9% of our consol sales and are you seeing that improving going forward either because of our actions or the market picking up anything on that?

Mahendra Kumar: Yes exports consist of about 8% to 9% of our total sales and we are seeing that it could pick up in the coming quarters and on top of that we are also introducing certain new products which will take some time, it would not happen immediately, but in the next 12 months' period there is another uptick which we can expect to see.

Shyam Sundar Sriram: Sir, on the new product that you spoke about in engineering that you have ordered a mill also for that, that is on the two wheeler side itself sir or is it on the non-auto side?

S. Vellayan: It is auto, but not two wheeler, PV plus CV.

Shyam Sundar Sriram: And this will be more like a structural part per se for the vehicle?

S. Vellayan: It is a safety critical part. It is a good opportunity for us because we are going to take a different strategy where we are going to focus on export markets first and then bring the product to India. So initially all the production from that mill will be exported.

Shyam Sundar Sriram: Sir, on the metal forming side on the railways I believe railways contribute s roughly 25% of the metal forming what has been the kind of growth and the opportunities that we are seeing there as you have spoken about that, anything you can talk about on the railways side?

S. Vellayan: We had about 60% growth from last year on railways.

Shyam Sundar Sriram: Is there a shift from weaker players to us is that what is driving this?

S. Vellayan: No basically we are adding new products. For example metro that we were not in before and within the railways itself we are adding new product offerings to our current customers. So it is not a shift in share, but it is basically new products that are causing. Also by the way also railways volumes are picking up. So though our share remains the same we are getting increase in railways volumes as well.

Shyam Sundar Sriram: And one thing on the margin front we have seen very good improvement in the gross margins either we see on a sequential basis or on a year-on-year basis, is it more because of a function of a mix with a cycles going down is that one of the reasons for the gross margins improvement in that sense or has it something got to do with the supplier changes that you have spoken about in the past if you can comment on that please?

S. Vellayan: I think the biggest drivers are some of the efficiency thing that we have been working on for the past couple of years and that is the biggest driver of the margins.

Shyam Sundar Sriram: And cycles if completely exited from institutional business, institutional business earlier it would have been around 400 crores per year now it is completely zero is that how to look at it?

Mahendra Kumar: There will be few which are left out which are being supplied this year also so it would not be zero and also it was not 400 crores last time it was about maybe 250 crores to 300 crores.

Moderator: Thank you. The next question is from the line of Sreemant Dudhoria from Unifi Capital. Please go ahead.

Sreemant Dudhoria: Sir, firstly on the aftermarket business you highlighted there is a shift in the strategy and there is a lot of focus on that so what initiatives are being taken in the aftermarket segment, is there a kind of a new product launch in the aftermarket or there is a change in distribution, can you please highlight sir what is happening there?

S. Vellayan: Yes Shrimant good question and I think both of those things are true which is first off it is significantly deepening our distribution right. So when we look at kind of the country there was almost like you know almost let us say 40% to 50% of the country where we did not have deepen up distribution. So we are definitely deepening our distribution and that will continue I would say over the next 2 years right where we will focus on getting much stronger in the distribution side and then second yes, we started with several new product launches both catering to the higher-end of the market, catering to higher CC bikes and totally new products including kind of new types of chains that we are introducing to the market as well so all three it is a combination of both.

Sreemant Dudhoria: Is it possible to share which product share launching sir in the aftermarket?

S. Vellayan: No I think we prefer not to have a specific level, but I think a lot of that information will be out there you can kind of go out to the market you can kind of see.

Sreemant Dudhoria: And on an absolute level for the 9 months what has been the contribution from the aftermarket and where do you see this number going?

S. Vellayan: Again, we do not share contribution at that level of granularity obviously like you know it is kind of much higher contribution for us than our OEM business.

Sreemant Dudhoria: And on the new product launch which you talked about the Optics just wanted to understand a bit more on this is it for the automobile sector or its non-auto product?

S Vellayan: Yes it is for the auto sector, but it is a 100% export. Initially, we would not focus it on the Indian market. So even the first 2 years capacity is fully bought out at this stage, it already contracted for. But definitely is there a demand for it in India, yes and so we will basically bring it to India also at the right point in time.

Sreemant Dudhoria: And what kind of investment are we making to this specific product?

S Vellayan: So initially it is smaller, but basically the way we see it is if we can start producing this product successfully and our export customers like it we will start investing more into that product in the near future, but right kind of it is a sub-50 crore investment.

Moderator: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh: Sir just couple of question in terms of sharp revenue decline that we are seeing continuous to begin it is also because OEM the channels the auto everybody has destocked for the BS-VI preparation that is why the magnitude is a little higher?

S. Vellayan: Is your question saying is the magnitude a drop higher because destocking?

Abhishek Ghosh: Yes.

S. Vellayan: So definitely I think yes we saw a lot of production days that were basically kind of cut so though we did not see it in retail sales, our belief is that production in that quarter was even worse than sales number drop in that quarter and that I think is beginning to kind of pick up a bit. I do not know if we kind of add to that anymore, but whether it was in turn kind of globe destocking kind of which caused what I am not in a good position to comment on that.

Abhishek Ghosh: And you also mentioned that in the BS-VI now you will have also lot of these products now, so will there be apparently better margins product, or would you continue to have similar margins on those BS-VI products as well?

S. Vellayan: Similar margins.

Abhishek Ghosh: So while your gross margins have improved sequentially so it is a very positive sign, but if I look at your margins have been constant just largely because if negative operating leverage but what I see in the metal form division is quarter-on-quarter your margins have declined on a EBIT level so how should one read into it because there we have seen some amount of revenue growth as well so how should one read into it?

S. Vellayan: The way I look at it is there are couple of businesses within there that got a bit more hit predominantly, like auto and fine blanking businesses. Like I said that is driven because of kind of significant volume drops in those businesses and the other businesses I have seen either margins are being steady, or margins grow, so if you take the chain business, industrial chains and auto chains, railways all of those have growth. So these two got hit and our belief is that as some volumes begin to come back in those businesses those margins will pick back up again.

Abhishek Ghosh: And just last one in terms of if you look at the free cash that you have generated implied free cash generation for the quarter is almost about close to 200 odd crores, would that be a correct number?

Mahendra Kumar: It is about 186 for the quarter ended.

Abhishek Ghosh: Large part of it is also driven by working capital release because your depreciation is only about 120.

S. Vellayan: Yes, definitely we have been working a lot on working capital.

Abhishek Ghosh: And just last one the steel price what we were seeing a downtrend has not reversed quite sharply at least in the last one month or so, so in terms of you think some amount of efficiency gain that were there will go away or you will have to go to the customer to get your pricing reset again?

S. Vellayan: Yes, we will have to go to the customer for that. There are lot of our customers that is the pattern we usually follow and that is what we will continue to follow.

Moderator: Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: So I just have one small question we have seen substantial improvement in the gross margins, and you alluded to this was efficiency gain, is it fair to say that this is sustainable and going forward whenever growth comes back we will look to build upon these margins I am talking about company as a whole?

S. Vellayan: So the answer is yes definitely, I do believe that if volumes comes back, we will be able to hold on to this and gain on that.

Prateek Poddar: So just one last clarification mix has nothing to do with these, in the sense if like in your commentary also you talked about cycles coming back strongly next year and would mix have an impact or this is purely efficiency gain which we have seen and there is nothing to do with mix?

S. Vellayan: So the gains that we have seen has very little to do in mix. If things like cycles come back like you know cycles is traditionally been a low margin business for us. So we can improve the margin on those business that is why in my earlier commentary I do feel confident that we will be able to deliver a better year next year than we have done this year.

Moderator: Thank you. The next question is from the line of Nimesh Shah from Emkay Investment. Please go ahead.

Nimesh Shah: I just wanted to have few data points from you, so what will be the non-auto mix in the engineering segments?

Mahendra Kumar: We have about 25%

Nimesh Shah: And this non-auto mix is largely Large Dia tubes?

Mahendra Kumar: Yes Large Dia and regular tubes also.

S. Vellayan: We also do boiler tubes and things like that.

Nimesh Shah: So apart from off-road vehicles where else will this be used?

Mahendra Kumar: It is used in refineries, boilers.

Nimesh Shah: And in the metal formed division the mix for railways and non-auto will be this quarter?

S. Vellayan: You want percentages.

Nimesh Shah: Yes.

Mahendra Kumar: It will be 70% auto and 30% non-auto.

Nimesh Shah: And if you could give railway mix as well?

S. Vellayan: We do not discuss railways specifically

Moderator: Thank you. The next question is from the line of Ashutosh Tiwary from Equirus. Please go ahead.

Ashutosh Tiwary: Sir, you talked about entry in a bigger way in the auto chains aftermarket, can you throw some light on aftermarket price parse what is the current share roughly?

S. Vellayan: Our belief is that we have auto aftermarket size for auto chains we have a sense of the share that we have. Our share in our estimate about 10% and 15%.

Ashutosh Tiwary: And market size roughly?

S. Vellayan: We will try and get you that number. We do not get it on the call we can get it to you after this.

Mahendra Kumar: It is 70-30 the total metal form products.

S. Vellayan: To your point on the market sizing we will try and get you an answer if we do not get it during the call we get it to you after the call.

Ashuthosh Tiwari: But also wanted to understand roughly in this aftermarket what would be the share of unorganized players roughly?

S. Vellayan: No, the unorganized guys are actually I mean if you take the unorganized guys in our segment chains maybe like 10%, 15% most of it is organized.

Ashutosh Tiwary: So when you talk about taking away more share basically the major will come from the competitors only.

Mahendra Kumar: That is correct.

Ashutosh Tiwary: And what would be the CAPEX number that you are looking for FY21 also how much we spend in this year and what is the plan for full year?

Mahendra Kumar: This year so far we spend about 140 crores next year it could be in the range of about 200 crores.

Ashutosh Tiwary: And out of this 140 crores what would be on the new product development roughly?

Mahendra Kumar: I mean most of it is for new product only except the capacity expansion which we did in Rajpura about 30 crores. So 110 crores is new products.

Ashutosh Tiwary: I mean not this year maybe in future or next one or two years.

Mahendra Kumar: Yes that will only come in next year.

Ashutosh Tiwary: And sir I mean we obviously have very well in terms of cost cutting and ROC improvement, but if you look at further going ahead over next one or two years do you think you have still opportunities to cut cost and which will be the main areas?

S. Vellayan: Like I said earlier, we have the advantage that some of these will improve efficiency, but still there is bandwidth for growth so obviously with utilization going up, then we will benefit from our margins in those businesses.But second thing as of now I would say that clearly as our focus is now turning to how we deliver revenue growth. So that is kind of the bigger that is basically what we are beginning to spend more time on because out of the four parameters that we have kind of defined earlier that is the one that we have definitely not delivered on this year. So we need to basically kind of figure that out and we definitely see that one of the challenges in delivering it with our current business mix is the huge order dependency that is why I talked about some of those approaches earlier to start focusing on the revenue growth which is now what we are moving our attention to. I mean we started almost like 6, 9 months ago, but it takes a little while just to do that.

Ashutosh Tiwary: Sir, in the large diameter tubes which will be the key export market that we are looking at what would we have currently?

S. Vellayan: So there we serve like three geographies right now we serve Europe, China and not US but North America so I mean like basically some spots in Latin America.

Ashutosh Tiwary: So is China big over there?

S. Vellayan: China is a big export market for last year.

Moderator: Thank you. The next question is from the line of Priti RS from UTI Investment. Please go ahead.

Priti RS: So I have two questions one on the cycles business so last time we did talk about some asset rationalization to happen since both the plants are operating at sub optimal utilizations, so any update on that topic?

S. Vellayan: Basically we said that this is something that we will evaluate overtime. It is nothing that we have basically taken a specific call on at this point in time. We already have one facility that is not being used which is our Nasik facility, but we have not done anything beyond nor are we committing to do anything on the specific assets with kind oftimeframe, but broadly we see that we have to kind of address the issue of low asset utilization across those two things. One of the ways we might do it Preety is use some of the assets for other things as well as new growth opportunities.

Priti RS: And sir second question on the door frames business I want to broadly understand who are the customers and what will be a broad market share because I am into the impression that some of this is actually made in-house at OEMs or this product is actually optional in some of the models correct me if I am wrong?

S. Vellayan: No, I mean obviously door frames are needed in all the models. It is only a question of kind of how they are done which is you can either have them rolled form or either have them pressed. So some customers choose to press them and in which case obviously kind of would not use roll form some customers, but obviously it is a required products and if customers choose to press them we tried to convince them that there are technologies better and that takes development cycles which we are obviously focused on some of the larger customers as well and in terms of market share you know we do not discuss specific market shares with individual customers.

Priti RS: But do we supply to the largest OEM Maruti?

S. Vellayan: So Maruti Presso is their door frames.

Priti RS: So we are in the rolled formed part of the business?

S. Vellayan: Correct.

Moderator: Thank you. As there are no further questions I now hand the conference over to Mr. Aditya Bagul for closing comments.

Aditya Bagul: So thank you so much everyone for participating on the call. Before we close the call Mr. Vellayan if you could just share your outlook over the near term and possibly over the next three to five years where do you see tube going?

S. Vellayan: Aditya thanks. I think I eluded some of it during the conversation itself.It is definitely tough in this market to predict where the overall market is going and so like the broad commentary I made is that, even if we do not see, you know the market growing next year we feel fairly confident and we will be able to deliver better bottom line results and we will deliver in this financial year and you know I think that is kind of something that we have a good level of confidence on. So that is a first comment obviously over a three to five years I continue to remain significantly bullish both for kind of the country and for the company. I think there is a lot of opportunity for TI in the present mix of business it is in and some of the businesses that we want to get TI into in the future as well. Growth will have to come from both organic and potentially inorganic means over that time period and like I said you know we are staying focus on the set of businesses that should hopefully kind of reduce our dependence on the auto sector and therefore kind of reduced some of the cyclicality that we are seeing in terms of the performance that we are delivering from year-to-year in terms of top line performance, but overall kind of story remains intact which is we want to deliver a company we have committed to within three years kind of articulating a clear path to deliver a company that will be able to give us 17% revenue growth, move our PBT to sales to double digit you know we have committed within a three year period as well and we are getting pretty close to their deliver free cash flow to PAT of 85% that will then allow us to pay down our debt and strengthen our balance sheet and push the ROCE to about 30%. So that kind of continuous to our focus and we feel convinced that we can do that and continue to deliver an engine that does that over a 3 to 5 year period.

Aditya Bagul: Thank you so much for taking out the time and answering all our questions. Thank you to all the participants.

S. Vellayan: Thank you Aditya thanks a lot.

Moderator: Thank you. Ladies and Gentlemen on behalf of Tube Investments that concludes this conference. Thank you for joining us and you may now disconnect your lines.