



**“Tube Investments of India Limited
Q3 FY '23 Earnings Conference Call”
February 06, 2023**



MANAGEMENT:

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MR. K.K. PAUL – MANAGING DIRECTOR – TI CLEAN
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ENGINEERING**



MODERATOR: MR. ANUPAM GUPTA – IIFL SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Tube Investments Q3 FY '23 Earnings Conference Call, hosted by IIFL Securities 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anupam Gupta from IIFL Securities. Thank you, and over to you, Mr. Gupta.

Anupam Gupta: Thanks, Neerav. And welcome, everyone, to Tube Investments Q3 FY '23 conference call. From the management, we have Mr. Vellayan Subbiah, Executive Vice Chairman, Mr. Arun Murugappan, Executive Chairman at TII, Mr. Mukesh Ahuja, Managing Director, Mr. A N Meyyappan, Chief Financial Officer, Mr. K.K. Paul, Managing Director at TICMPL, Mr. Murali K, Executive Vice President Engineering business and a couple of other team members as well.

I'll hand over to Mr. Vellayan for the opening remarks, post which we can have the Q&A. Over to you, sir.

S Vellayan: Thanks, Anupam, and good morning, everybody. I'll just go with a quick opening remarks and then turn it over to you for questions. The Board of TII met and approved the financial results for the quarter ended 31, December 2022. The Board met on Friday. The Board has declared an interim dividend of INR 2 per share for the financial year 2022-2023.

The standalone results for the quarter, the revenue in Q3 was at INR 1,710 crores, compared with INR 1,701 crores same period previous year. The PBT was at INR 192 crores as against INR 161 crores in the same period previous year. And the ROIC was at 52%, compared to 50% in the same period previous year. Free cash flow for the quarter was INR 115 crores.

The Engineering business revenue for the quarter was at INR 1,081 crores compared with INR 996 crores and the PBIT was INR 134 crores as against INR 87 crores. Encouraged by the strong demand, the company has planned to expand its capacity in the large diameter precision tubes manufacturing facility at Tiruttani at a cost of about INR 140 crores.

For Metal Formed, our revenue was at INR 371 crores as against INR 330 crores for the corresponding quarter and PBIT was at INR 42 crores versus INR 32 crores. Mobility revenue was INR 174 crores compared with INR 280 crores and PBIT was INR 2 crores as against INR



15 crores. So, the cycles business continues to be sluggish for us. The others revenue was INR 166 crores versus INR 160 crores and PBIT was INR 12 crores versus INR 11 crores.

At a consol level, that includes CG Power and Shanthi Gears, revenue was at INR 3,666 crores as against INR 3,410 crores and the profit before share of profit of an associate joint venture, exceptional items and tax for the quarter was at INR 416 crores as against INR 354 crores in the corresponding quarter of previous year. GG Power in which we have a 58.05% stake registered a consolidated revenue of INR 1,775 crores as against INR 1,551 crores and PBT there was INR 282 crores versus INR 174 crores. And Shanthi Gears in which we have a 70.47% take had a revenue of INR 115 crores as against INR 95 crores and a profit of INR 23 crores as against INR 17 crores.

Commenting on the results. Mr. M A M Arunachalam, Chairman, TII said, Engineering and Metal Formed Products businesses continued their excellent performance in the third quarter as well. The bicycle industry continues to suffer from contraction in demand and our bicycle business managed its cost and operations well to remain profitable. Overall, the company has delivered excellent performance in both top line and profits. Our subsidiaries, CG Power and Shanthi Gears have all registered consistent performance and delivered strong results.

So, that's a quick summary on results. And let me stop and turn it over to you for questions.

- Moderator:** The first question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services.
- Jinesh Gandhi:** My first question pertains to the Engineering business. We have seen a Q-o-Q decline in revenues for Engineering business. So, is this a reflection of the two-wheeler industry performance? Or are we seeing any further pressures beyond two-wheeler segment as well?
- SVellayan:** You're talking about quarter-on-quarter, is it?
- Jinesh Gandhi:** Quarter-on-quarter, yes, vis-a-vis previous quarter.
- SVellayan;** Okay. Mukesh, why don't you go ahead?
- Mukesh Ahuja:** Yes. You are right. Particularly if you see there is seasonality in the demand, December month, generally, model change in all these things will be slowing down the production and two-wheeler contract, flat demand has resulted into this. But however, it has been recovered by the PV as well as commercial vehicle strong demand. So, a little bit slowdown is on account of two-wheeler industry, you're right.
- Jinesh Gandhi:** And exports continue to do well. Can you share how big is exports now for Engineering business?
- Mukesh Ahuja:** Yes, exports continue to do well. But as we are aware, Europe is going through some little bit slowdown along with the US, particularly because of the pile up of inventory due to energy crisis



there. Otherwise, maybe there is a good progress on account of OEMs getting awarded new businesses and the new programs getting launched. On that side, there is a good performance.

Jinesh Gandhi: And on the Engineering business, again, I mean the margin contraction on Q-o-Q basis, that would be on account of operating leverage only or there is something else there as well?

Mukesh Ahuja: Like we shared in the last quarter, there was a customer price settlement happens generally in the quarter, sometimes it happens due to delay. So, there was a one-time item. Otherwise, there is a consistent maintaining of the margin. There is no issue.

Jinesh Gandhi: In Q2, we had one-time item on price settlement. And can you quantify how big that was? Or adjusted for that, what were the margins in Q2?

Mukesh Ahuja: Generally, we don't quantify that, but it is on account of that only.

Jinesh Gandhi: And second question on the cycle business. So there, we are continuing to see pressure on volumes. So, can you indicate what kind of decline we saw in the cycle business? And where are we in terms of the export ramp-up in cycle business?

Mukesh Ahuja: Yes, cycle is going through a little tough times because after COVID, there was a really escalation in demand and post-COVID getting streamlined, the bicycle business is getting into a little bit stress and there's a huge contraction in demand. So, we are trying to optimize internal costs and work on logistics and all those stuff so that we can pass through this.

Jinesh Gandhi: For the industry, what would be decline? And for us, are we in line with the industry in terms of decline or...

Mukesh Ahuja: Yes. We are maintaining market share as of now. We are focused on the cash flow in this business along with the capacity rationalization. Those steps we are taking.

Jinesh Gandhi: And broadly, the Mobility business level, can you indicate what have been the losses on the electric three-wheeler business because the margins, again, here have corrected quite materially? I'm presuming that could be partly because of or largely because of the increased activity for the electric three-wheeler launch?

SVellayan: So, Meyyappan, do we have the data? Can you share?

AN Meyyappan: Yes. Since it's been consolidated sir, the difference in the Mobility, INR 37 crores that is the loss, which we have shown and INR 39 crores is on account of e-Mobility.

Moderator: Next question is from the line of Abhishek Ghosh from DSP.

Abhishek Ghosh: Sir, just one question in terms of the slight softness in the top line is also on account of some amount of pass-through of the lower commodity prices. Is there also an effect of that?



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- Mukesh Ahuja:** Yes, that's right.
- Abhishek Ghosh:** And that would be to the tune of 5% to 7%? Would that be a fair estimate?
- Mukesh Ahuja:** Generally, we don't quantify, but you can assume it is around those numbers.
- :** .
- Abhishek Ghosh:** So, where we were coming from the volume growth is fairly healthy. The moderation is largely because of the commodity pass-through. That's the way to look forward?
- SVellayan:** Yes, exactly.
- Abhishek Ghosh:** Sir, the other thing is, in the last con call, we were talking about some amount of inventory pile up at the global levels and that's why there was a little bit of destocking, which was happening. So, how is the situation now? Obviously, you have an advantage of catering to many countries. But just from a broad level of exports, which was about 20%, how should one look at the outlook on that?
- Murali** This is Murali, Head of Engineering division. The stocks are getting slowly liquidated and we are seeing the signs of recovery from the month of January onwards. So, we see that in the coming quarters, the volume requirement of most of the export customers, mainly in North America and Europe will get revived.
- Abhishek Ghosh:** Sir, just one other thing, railways, if you broadly look at it, which is part of the Metal Form, there's been a lot of upbeat in terms of the overall outlook and that's a segment which after the crisis didn't do well. Any thoughts in terms of how should one expect the contribution from there in terms of growth rates and other things and given the overall outlook on the order book there?
- Mukesh Ahuja:** KRS, you will take this? KRS, you're there?
- SVellayan:** Mukesh, maybe you answer.
- Mukesh Ahuja:** Yes, I will take care. As of now, the Government of India has started rewarding the new contracts, which are in the pipelines and contracts are getting confirmed. But scheduling there is a bit of delay. We are optimistic about these factors going forward. But as you know, in Q3, there was not much of progress. But the good news is new contracts have started getting released and we have participated in that and we are hopeful, coming quarters will be better in the railways.
- Abhishek Ghosh:** So, railway has still not started contributing to the volume growth? It will only come in, in the coming quarter. That's a fair assumption?
- Mukesh Ahuja:** That's right.



- Abhishek Ghosh:** And sir, just one last question. In terms of the new capex that you've announced, of that INR 140 crores, of capex, what should one assume that peak revenues that you can do from that plant?
- Mukesh Ahuja:** As of now, we are running on the full capacity, the utilization is getting close to 100%. So, we generally take a proactive step in doing the capacity expansion in terms of the foreseen growth in that sector. And as you are aware of that infrastructure spend by the Government of India is multiplying and we expect the construction industry to do pretty well going forward and this is going to result in the more volume for large diameter plant. And that's why we decided proactively to expand the capacity and which will help us not only with the capacity even on the capability front also to contribute for the current time.
- Abhishek Ghosh:** Sir, my question was more around, can you do a peak revenue, something like INR 400 crores out of this plant whenever it gets fully operational?
- Mukesh Ahuja:** We can assume that.
- Moderator:** Next question is from the line of Nishant Jalan from Axis Capital.
- Nishit Jalan;** This is Nishit from Axis Capital. My question was primarily on two fronts. One, on the EV side, just wanted to understand, we had launched our three-wheeler, so any initial feedback? And last call, we mentioned that we will launch our electric tipper in December. Has that launch happened or what is the new time line? So, if any update you can give us on the EV business that will be great.
- And second question is, what are our net-debt levels now in both standalone and consolidated entity? Just wanted to understand because we have done some acquisitions and making seed investments for the EV business. So, I wanted to understand how is the balance sheet looking like?
- SVellayan:** Sure. So, first on EV. So the EV three-wheeler, we did have the marketing launch for it. We will start manufacturing and put out the first set of products in March with our current plan and then start selling, increasing volumes from April onwards. On the EV truck, the 55-ton truck will follow a similar time line. The EV tractor is something that will still need a full homologation. So that time line, we're estimating that we'll get homologated in the March-April time frame, which means that sales will only happen in the July time frame. The EV tractor time line is a delay from what we had anticipated in the past. So, that is in terms of when we assume the revenue on these three products will start.
- Your question on net-debt as a standalone and consol level, is it INR 170 crores of net debt, Meyyappan?
- AN Meyyappan:** Yes, sir. INR 170 crores, standalone. Correct, sir.



- SVellayan:** INR 170 crores standalone. And obviously, like CG Power had, I think, has INR 600 crores in net cash. So, at a consol level, we're still positive. And CG and Shanthi are both cash positive and to the extent of about, I would estimate between the two, about INR 650 crores. And Meyyappan, if you have the exact numbers, Meyyappan you can give us, but standalone net debt for TII is INR 170 crores.
- AN Meyyappan:** Yes, INR 170 crores.
- Nishit Jalan:** Just one follow-up. I was not very clear on exports, comment on exports. You did mention that -- I think in the last quarter, you had mentioned that exports are weak because the markets are not in a good shape right now. So, how did it pan out for us in the third quarter? And I just understood that you mentioned that the outlook is getting better now from January onwards. Did I hear you correctly?
- Mukesh Ahuja:** Correct.
- Nishit Jalan:** And any numbers you can share for the nine months, how has the exports panned out for us in the nine month time frame? Has it grown, declined and what percentage of revenues for the standalone entity are coming from exports?
- Mukesh Ahuja:** Standalone on the TII basis, because the domestic demand was pretty strong, there is a decline of about a percentage, 1% in overall, that's why. But overall, in terms of absolute numbers, maybe we are able to maintain it.
- Moderator:** The next question is from the line of Hardik Doshi from White Whale Partners.
- Hardik Doshi:** So, I just wanted to ask a question on the three-wheeler electric vehicle that you are launching in April. Can you give an update in terms of who are the -- like how many distributors have you gotten on board or dealers you've gotten on board? What is the geographic distribution? And what is the profile of these guys because obviously, we are launching on the OEM side for the first time. So, how are you convincing them to come on board?
- SVellayan:** So, we have Paul or Sushant on, can they answer that?
- K.K. Paul:** I'll answer that question. This is Paul here. I think in the first phase, we are looking at the southern states for our launch for the commercial production and the supply, which, as Mr. Vellayan said, commences from March onwards and then steadily we ramp-up. The distributors around these areas have been selected. And currently, we have about 42 distributors with us, along with the service center and the year-end, we plan to be at about 75. That's the plan. We are going systematically and then we go state-by-state.
- We've had very good interactions with the distributors. We've sent some products to a few of them and this has been tested and they are quite positive about it. We are getting into the final



stages, because we battled the homologation one part from the change on standard had to be done, which we have obtained.

And the last part is what we are obtaining, at February, we hope to get that. And so in March, we should be full scale supplying the plans that we have made. While selecting the dealers also, we have been very careful in working out the ROI carefully so that there is -- based on the volumes that we estimated, so that we could sufficiently fit them are motivated. Does that answer your question?

Hardik Doshi: Yes, just a follow-up. I mean, what is the profile of these distributors? I mean, are they existing OEM leaders already? Or are they like part of the Murugappa Group?

K.K. Paul: Some of them are existing, some of them are new. Some of them have experience, not in three-wheelers, but in the OEM business of vehicles, etc. So, it's a good mix of people, predominantly a little younger in nature and wanting to make a difference is the kind of people in terms of the profile that we have taken?

Hardik Doshi: Just one follow-up question on the other parts of the business, like you mentioned the optical lens and then possibly looking at medical equipment. Can you just give maybe a more broader overview as to like how are we looking beyond EVs in terms of the new areas that we are looking to diversify into?

Mukesh Ahuja: Vellayan, sir you want to take it, this question or shall I go ahead?

SVellayan: Mukesh, you can go ahead.

Mukesh Ahuja: Regarding Medtech, maybe we are still exploring and at appropriate time, we'll announce it to the market, what are the areas we are going to enter it. And in optic lens we have acquired a facility in Noida, which we are happy to announce that it reached breakeven levels now. And we are increasing our share of business with the low pixel volumes as of now. And at appropriate time, we will even expand the business to do camera modules for even the higher...

Moderator: The next question is from the line of Vimal Gohil from Alchemy Capital.

Vimal Gohil; So sir, my question is on industrial chains exports, if you could just highlight how have they done and even highlight what is the domestic picture looking like over there? And I'm sorry to make you repeat this, but I missed out on your electric three-wheeler costs that you probably highlighted earlier in the call, if you could just probably mention that again?

Mukesh Ahuja: First, I'll take on industrial chain. Industrial chain exports, particularly in Europe, there is a bit slowdown because of the issues related to Europe. But otherwise, all other geographies are doing pretty well. And we also announced in that particular business also to do more OEM acquisitions on the new product development side and forecast seems to be good going forward even for



industrial chains and the domestic business is also doing pretty well in industrial chains. EV, Paul sir, you can take it.

K.K. Paul: Sorry, I didn't get your question on EV.

Vimal Gohil: Paul sir, you mentioned something on electric three-wheeler cost that came about in this quarter earlier in the call, if you can just highlight that once again if it's okay.

K.K. Paul: The figure, I think Meyyappan shared there. I'd ask him.

AN Meyyappan: I think it's not about the cost. It's a profit. That it's a loss, which the three-wheeler, that is total TICMPL made during the quarter, its INR 39 crores. You're referring to that?

Vimal Gohil: Yes. And sir, in industry, within industrial chains, if you can just tell us how much is auto at this point in time?

Mukesh Ahuja: Industrial chains is nothing to do with auto.

Moderator: Next question is from the line of Anupam Gupta from IIFL Securities.

Anupam Gupta: The first question is relating to the three-wheeler launch delays, which have happened. You have mentioned two standard changes which have happened. Can you just highlight what were those changes? And what is -- that is reflecting in the delayed launch versus the September marketing launch which happened?

K.K. Paul: I'll take that question. I think in the interim, if you know that there have been two standards on battery that has got announced by the Government, MORTH, which we had to comply with. And therefore, that entailed doing, revising the specifications on the batteries and having adhering to those safety standards, which are the new ones that they are regulated. And that's what has been one of the reasons where we had to raise on, for example, there was a CAN enabled charge there and many other stuff that they mandated, which resulted in the delays of the launch.

The other thing also was that we took that opportunity to do a far a lot more reliability tests further to just ensure ourselves. So, these are the two reasons. The other one was also the ramping-up of the supplier volume and aligning them with the quality and delivery standards and having everything up to date to be -- for them to be capable to ready just-in-time supply. So, this combination of factors is actually resulted in this delay from the launch. And now going forward, as we already mentioned, in March, we should see the first vehicles rolling out for sales.

Anupam Gupta; Sir, the second question is slightly, if you look at the medium term for EVs, I think as of now, your -- it's more of assembly with some structural doing yourself, battery and cells being, I think, even motors being outsourced and acquired on third party. If you can highlight what will be the path to indigenize, not indigenization, in-sourcing for yourself for both three-wheelers as well



as trucks. So, from what are we at right now? And how will we change that in terms of sourcing? How much will come in, in-house if you can highlight that?

K.K. Paul:

I think we have to break this question down into two parts. The first part would be in terms of three-wheelers, we are sufficiently indigenized, excepting for cells, which we have to import, not only us, everybody else. Battery is assembled here. The motor and controller is local. There is nothing to import there. That's the first part on the three-wheelers.

On the heavy commercial vehicle, there is a huge opportunity of indigenization and we are working around those plans to materialize or in the first half of next year in stages with that cost reduction program related with batteries related with the motor controller, related with cabins and a few other items, things of that. There is an internal plan that we are monitoring. And the way we look at it in the first half of next year, there will be substantial reduction in cost some and also in terms of the lead time for supplies because it will get indigenized in terms, that's the way we are working around this.

Anupam Gupta:

And just maybe more from a slightly longer term in the same aspect, what part of the three-wheeler or trucks will you want to retain with yourself and not do even on an outsourcing basis to ensure that you are competitive versus in the longer term? So, what portion of the supply chain will you want to have with yourself?

K.K. Paul:

Yes. I think the first part would be gradual, we would like to see that the software and associated hardware, we are largely controlling because the vehicle is going to get more-and-more software driven. And so those differential advantages we would want to retain with ourselves. And actually, we are arming ourselves to be able to get to that stage to be able to do that. That's the phase that we would do.

The second is with the volumes ramp-up, we should be able to get far a lot more suppliers who we can synergize with each other and thereby look at stable supply chain and stable costs. That's the second thing.

Third thing is in terms of how we look at which components in the supply chain would be outsourced, which components do we manufacture ourselves or assemble ourselves is another view that we have taken and we are working around to that to get to a much more leaner and cost-effective supply chain.

Anupam Gupta:

And just one last question from my side on the optic lens business, what is the update on that? Have we got the full validation or what's the time line for that?

Mukesh Ahuja:

In optical lens, our sample has been given and it is approved and we have received the first set of orders and now we have to deliver that to entire commercial production and we have interest there. We hope to deliver that in this quarter.

Moderator:

Next question is from the line of Mahesh Bendre from LIC Mutual Fund



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- Mahesh Bendre:** Sir, about the optical lens, from whom we have received orders?
- Mukesh Ahuja:** Generally, we don't share the name of customer, but it's basically in China and Korea.
- Mahesh Bendre:** And from which industry side?
- Mukesh Ahuja:** It's for the optical lens, maybe for automobile industry if you're talking about the Segment.
- Mahesh Bendre:** And sir, the second question is regarding the investments in electronics and medical devices. Is it possible to share what kind of at least investment we are looking for a medium-term perspective over the next two, three years in terms of growing this business organically, inorganically? Any time line and budget on this?
- SVellayan:** No, I think it's too early in some of the new businesses to give any forward-looking statements. So, we will refrain from that. It's kind of, till we get more comfort with the business.
- Mahesh Bendre:** But sir, if I look at for next three years, do you think this business can materially add more than 10% of our sales?
- SVellayan;** Yes.
- Mahesh Bendre:** And if the investments required for these businesses, this will come internally? Or is it that we need to raise cash for these businesses?
- SVellayan:** So, we've said that we will continue to take. So yes, I mean in a situation where we do believe that it does not make sense. See, because basically what we've openly discussed with you is that we don't want to go more than 2x free cash flow as debt. So, we believe that a business is better funded by bringing in external investments, yes, we will pursue that one.
- Mahesh Bendre:** And sir, last question is from Tube Investments perspective. Our company, we will keep developing businesses in our subsidiary and Tube Investments will act as a holding company? Or is it that we will keep -- we can develop the business inside the company as well?
- SVellayan:** So, it's going to be dependent on the nature of the business. In some cases, they will develop in Tube Investments. But like you know, in specific areas like in Clean Mobility because it makes sense to keep that as a separate standalone entity or kind of like, when we go down the path of perhaps a totally different business like Medtech or something like that then we will basically push it out as a separate entity, as a subsidiary, basically.
- Mahesh Bendre:** And electronics and medical devices will be the same thing, whenever we will develop those businesses?
- SVellayan:** Right now, like you know, electronics, I mean, is -- well, the Moshine acquisition is different. But then otherwise, kind of electronics, we're not kind of created a standalone subsidiary for



that. So like I said, it's going to depend on the nature of each business that makes sense for that business to standalone as a separate subsidiary, then we will do that.

Moderator: The next follow-up question is from the line of Abhishek Ghosh from DSP Mutual Fund.

Abhishek Ghosh: Sir, few questions. Just we've seen a very sharp moderation in the overall shipping rates and supply chains have gotten normalized. Are you seeing any impact of that on the imports for certain of your segments because import substitution was also a big theme? Any sense on that?

SVellayan: To your question on import substitution, when we talked about some of these new businesses, that's what we talked about import substitution from reference to. And I think that thesis definitely continues to hold. We don't see any change in that thesis because there are two things driving it. One is the pricing. The second is clearly India wants to make a lot of this ourselves within the country. So, I think that, that will continue.

I think to your second question, if you were also talking about just imports in general and what's happening on that front. And I mean, the size of steel, which we import a small quantity of, I don't think we'll do anything much more significant on that front.

Abhishek Ghosh: No, sir, my question was more around generally across when we are seeing where people had benefited because of lower imports because of higher shipping costs. I think those benefits are going away. So, I was more trying to understand are you also seeing those impacts or benefits going away. That was my question, but I think you've made it clear. So, that's clear. Yes.

SVellayan: Yes.

Abhishek Ghosh: And the second thing is, sir, in the last year's annual report, you had articulated that broadly in small bits and pieces, you'll be putting up four new plants, which either had just got commissioned towards the year-end or through the year, it will get commissioned in terms of the four new plants which were there in terms of the Aurangabad industrial chain, new tube mill at Chennai. Just in terms of have they been able to ramp-up or what is the status, or should we assume growth coming from those in the subsequent years, just your status there?

S Vellayan: Mukesh, these are plants of existing business?

Mukesh Ahuja: Yes, existing businesses. Whatever the investment we have done in the Rajpura on the tube mill side, we are able to ramp-up and it is getting fully stabilized. In terms of -- we took some initiative for putting a capacity on the exports capability development side. That is ramping-up. New programs are getting awarded on the export business. And it's a question of time we will start increasing the capacity utilization. All other capex are work-in-progress like on industrial chains and on the CRSS side, which will take about industrial chain, we expect it to be over by next quarter, and CRSS will take about another few quarters to get it commissioned.



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- Abhishek Ghosh:** And sir, the other thing is whatever margins that you've reported in the current quarter, that does not include any one-off or anything. This is ex of that? Is that a fair assumption?
- Mukesh Ahuja:** That's right.
- Abhishek Ghosh:** So, margins from here on, these are base margins and margins should improve from here on, given the operating leverage and overall benefits of the project LEAN and other things? Is that the way one should assume?
- Mukesh Ahuja:** Yes, that's what maybe, but generally, we don't give forecast, but that's what the attempt we are driving it internally.
- Moderator:** Next question is from the line of Rohit Ohri from Progressive Shares.
- Rohit Ohri:** I've got three or four more questions related to Shanthi Gears. If you allow me, then I should ask.
- SVellayan:** No, I think we've said this side, which is we do -- maybe we can just take one question from you, but our preference is to do with subsidiaries independent meetings, even those are independent listed companies on their own. We can take one question from your side.
- Rohit Ohri:** Okay. So, Shanthi Gears is exploring some opportunities which are related to some buying of plant in Sanand and there's an agreement that Shanthi Gears has entered into. So, if you can just take us through that what area is there available in that plot? What is the amount that you intend to spend? And which is the area where you see that there will be stronger demand coming from the GGB business?
- SVellayan:** Mukesh?
- Mukesh Ahuja:** So like you said that we already signed the agreement in the west for expansion. Today, Shanthi Gears is more of a south-based manufacturing company. We want to actually expand our operations to get the operating leverage as well as getting into new sectors like renewable energy, that's the intent, we want to do it in west and hopefully, that plant should be up running in the next one or two quarters.
- Rohit Ohri:** And the spends, if you can share and which segment do you intend to focus on?
- Mukesh Ahuja:** I mentioned that maybe it will be renewable energy and the gear business, whatever we do it in Shanthi Gears that will be done in the west.
- Rohit Ohri:** But if you just help me with the cash levels or bank balances that Shanthi Gears has as of nine months?



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- SVellayan:** Again, you're trying to go through all of this level of details. So, I appreciate it. We are happy to take your question offline and answer it offline. So, you can contact us kind of Investor Relations, we'll absolutely get back to you, we'll respond to you.
- Moderator:** Next question is from the line of Vipulkumar Shah from Sumangal Investments.
- Vipulkumar Shah:** Sir, my question is, what is our cumulative investment till date for electric three-wheeler, that truck and tractor and what will be the capex for next financial year in all these three products?
- SVellayan:** So, we are not discussing our capex number yet for the next financial year, because that plan is evolving. We're in the middle of our business planning cycle. We will have a number for you on that by March, when we take our business planning cycle to the Board. In the three businesses to date, the total expenditure that has come off as internal accruals has been to the extent of about INR 500 crores.
- But we'll share that with you. We'll share our capex estimate with you after we finish our March quarter. So, it will be in the next earnings call.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.
- SVellayan:** Nothing from our side. I think, so I mean, we continue to be bullish on the overall outlook. I think like, we told you in the past, some of the new businesses will take time to set route and start growing. But we continue to be extremely bullish about both our new businesses and the existing businesses.
- The two segments in which we are seeing a certain level of sluggishness obviously is bicycle business and currently on railways and TI, though we do see that changing with some of the new announcements in the budget as well. And overall, we are quite excited about the outlook for the next financial year, which seems very promising at this stage. Yes. And that's it from my side. But I'm happy to turn back Anupam to you and take the questions on that.
- Anupam Gupta:** Sure. Thanks. Thanks, Vellayan. Thanks for the time and we can end the call here. Thank you.
- SVellayan:** Thank you.
- Mukesh Ahuja:** Thank you very much.
- K.K. Paul:** Thank you.
- AN Meyyappan:** Thank you, everyone. Bye.
- Moderator:** Thank you, everyone. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.