



**“Tube Investments of India Limited
Q1 FY2020 Earnings Conference Call”**

July 25, 2019



ANALYST: MR. ADITYA BAGUL – AXIS CAPITAL LIMITED

**MANAGEMENT: MR. VELLAYAN SUBBIAH - MANAGING DIRECTOR -
TUBE INVESTMENTS OF INDIA LIMITED
MR. K MAHENDRA KUMAR – CHIEF FINANCIAL
OFFICER - TUBE INVESTMENTS OF INDIA LIMITED**



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Moderator: Ladies and gentlemen, good day, and welcome to the Tube Investments of India Limited Q1 FY2020 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 “*” 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 Limited. Thank you, and over to you, Mr. Bagul!

Aditya Bagul: Thanks, Neerav. Good morning and a warm welcome to the 1Q FY2020 conference call of Tube Investments. First of all, heartiest congratulations to the management team for a stellar set of Q1 results amidst challenging times. Today, from the management team, we have Mr. S. Vellayan, Managing Director, Mr. K Mahendra Kumar, CFO.

So, without further ado, I shall hand over the floor over to Mr. Vellayan for his opening remarks, post which we will open the floor for Q&A. Over to you Sir!

Vellayan Subbiah: Thanks Aditya. Thank you. Good morning everybody. Basically, just wanted to give you a quick update on the quarter.

Overall, we have had a very good quarter. The revenue though has dropped versus Q1 of last year and that predominantly has been driven because of degrowth in the auto industry. However, in terms of PBT performance we have still maintained a fairly strong performance. Our PBT before exceptional items stand at 107 Crores, which is a growth of 36% over the same quarter last year and this is excluding the gain of 19 Crores. So, we had a gain of 19 Crores, because we surrendered Shanti Gears shares in the buyback just before Mrs. Nirmala Sitharaman put in her good buyback tax and so our PBT including the exceptional items is actually at 126 Crores. So overall that performance has been fairly good.

In terms of ROCE we improved to 23% from 18% in the quarter of the previous year and all the numbers, percentages we report are excluding the exceptional items, so they do not include the 19 Crores additional income from the Shanti Gears buyback. And our free cash flow to PAT was at 120% for the quarter.

TII's revenue for the quarter like we said was slightly lower and the PAT at the standalone level was at 88 Crores versus 54 Crores in the same quarter last year.



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In terms of the individual businesses, the revenue for Engineering was at 657 Crores versus 717 Crores. The PBIT for that business was 67 Crores as against 65 Crores in the same quarter last year, a growth of 3% and the ROCE for that business is at 40%.

Cycles and Accessories had a revenue drop of 23% compared with the same quarter last year. We have lower institutional volumes and de-growth in the trade market as well. However, the profit before interest and tax for the quarter was at 12 Crores as against 7 Crores and this is because some of the cost control measures which we are taking in that business. The ROCE was at 22% for that business.

Finally, Metal form parts revenue was at 350 Crores compared to 312 Crores in the same quarter last year, a growth of 12%, PBIT at 34% versus 26% and we have had growth in both railways industrial chains and fine blanking products. The ROCE for that division is at 29%.

On a consolidated basis we had 1384 Crores in revenue and a PAT of 79 Crores. Our Shanti Gears had revenue of 72 Crores versus 62 Crores in the same quarter last year and our PAT at Shanti was at 9.5 Crores versus 8.5 Crores.

I will stop with that and turn it over to you for questions and any discussions.

Moderator:

Thank you. We will now begin the question and answer session. The first question is from the line of Meet Jain from Prithvi Finmart. Please go ahead.

Meet Jain:

Good morning Sir. Congratulations on a good set of numbers. I have a couple of questions; first regarding the cycle business. Our revenue has gone down by 23% and our profitability has improved, so going forward our main focus will be on cost rationalization or like to increase our revenue first?

Vellayan Subbiah:

Thanks for the question. Definitely the focus is not going to be on significant revenue increase because basically the market is not growing at a very fast rate. So, if we get into a revenue increase game, it will end up being a bit of a price war and that is not our interest and so our focus is just going to be on maintaining good profitability or getting to good profitability in that business.



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- Meet Jain:** As you mentioned in the last concall that we are developing more suppliers from the outside market, like mostly from China, so that part has been looked into this quarter, like have we got more suppliers for our steels for our cycle's business?
- Vellayan Subbiah:** That is not for the cycle business. The supplier's discussion that we had last quarter was around steel suppliers. And that is for the tubes business. It is not for the cycle's business.
- Meet Jain:** On the Engineering business the auto sectors are not doing well right now and what is your take on this outlook regarding the auto sector?
- Vellayan Subbiah:** So, my standard response in this is there is no point in me giving an outlook. My outlook is as about 50% chance of being right, so you might as well flip a coin and decide what the next quarter is going to look like because we have no idea. So, I do not think anybody has any idea. Everybody is just flipping coins. So, our focus is a market, we are not at the peak of our demand. Our focus is basically on how we can improve internal performance. So, our focus now is turning more towards how we improve our productivity and quality and when the market picks up, we will be ready to kind of grow with it whenever it does, but I have no prediction as to when it is going to turnaround or what is going to happen to it. And I do not think that any point in any prediction.
- Meet Jain:** Right and in the large diameter pipes, can you tell me the volume sales and growth?
- Vellayan Subbiah:** I do not know how we are doing in the questions in the queue, but usually what we do is one question and then kind of it goes back into the queue, but you can come back into the queue, meet and ask the question and we will be happy to answer.
- Moderator:** Thank you. The next question is from the line of Shalu Asija from Invest Researcher. Please go ahead.
- Shalu Asija:** Good morning, Sir. Thanks for taking my question. Sir, I want to know the debt position as on today, after this quarter? What is the debt position?
- Vellayan Subbiah:** Net debt is at about 384 Crores. Basically we are kind of offsetting. We have some NCDs which we cannot pay back, so we are offsetting that with the investments we have, so net debt is at 384 Crores.
- Shalu Asija:** What is the capex during this year?



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- Vellayan Subbiah:** The planned capex I think will be in the range of between 250 Crores and 290 Crores.
- Shalu Asija:** It will be regarding which segment or it is total?
- Vellayan Subbiah:** That is the total capex.
- Shalu Asija:** Thank you.
- Moderator:** Thank you. The next question is from the line of Niket Shah from Motilal Oswal Asset Management. Please go ahead.
- Niket Shah:** This is Niket here from Motilal Oswal Asset Management. I had just one question. Just wanted to understand in this quarter the margin expansion that we have seen in some of the businesses how much you all have the product mix to do with that because I am presuming certain businesses like automotive chains, we have slightly lower margins and in fact it is closer to 1% or 2% kind of margin and if that would have degrown automatically the margins profile would have looked slightly better, so a sense on the mix versus the margin?
- Vellayan Subbiah:** You are right. Obviously there is some effective mix and basically there are a couple of businesses where we are trying to focus on higher mix profile in general and that include both in the fine-blanking business, in the auto chains business as well. The big challenge on the tubes business this quarter we have done a good job of basically keeping the mix at a fairly profitable situation because there, there is pricing pressure and because everybody has the supply available. But in general, I would say obviously there are three factors that have driven performance for the quarter. It has been a combination of mix, some of the costs in the productivity actions that we have taken, and the third is being able to manage our sourcing fairly and effectively so that we did not have to kind of take hits at that end.
- Niket Shah:** If I may squeeze one more question if you can just highlight some of the new initiatives or new businesses that you plan to do in an asset light model. How have those started and if you can just highlight a few of them that you would like to get into that will be very helpful? Thank you.
- Vellayan Subbiah:** I think the two businesses that we have talked about and kind of launched one has been the TMT business where we have got into TMT bars. The second business is the truck body business. I think I always get questions of these new businesses. What you have to realize is you have to think of them as start ups. I do not want to get into the habit of saying every



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quarter you know what the performance has been. We have to give these things a little while to grow up. So, they are tracking and what we would likely do is when we are ready to discuss them, performance wise, we will get back to you, but we do not want to start getting into discussing those businesses and growth in those business quarter-on-quarter. The one area we have started to look at obviously because everybody is looking at it is the whole space of electric and what we can do there, but it is still early days for us. So, once we evolve something there, we will discuss it with you as well.

Niket Shah: Thank you so much. I will come back.

Moderator: Thank you. The next question is from the line of Sagar Parekh from Deep Finance. Please go ahead.

Sagar Parekh: Good morning Sir. Congratulations for incredible number in challenging times. So firstly this cycle business the margins have improved from 2% to 4%. Just wanted to get a sense from you as to in spite of decline in topline you grew so well in margins, so in terms of sustainability of these margins going forward. Are they sustainable or there was an element of one-off?

Vellayan Subbiah: Definitely it is sustainable in our minds.

Sagar Parekh: So 4% to 5% EBIT margins is definitely sustainable in spite of this kind of topline run rate going forward as well?

Vellayan Subbiah: Yes.

Sagar Parekh: Secondly on this electric vehicles, you mentioned that you are looking at it closely now in terms of new businesses, apart from, let us say auto chains in our whole businesses, is there any risk to any of our products going forward if electric vehicle kick starts?

Vellayan Subbiah: No, the predominant thing is auto chains and besides of auto chains all of the other businesses are fairly safe in an electric world.

Sagar Parekh: How big is an auto chain as a percentage of our total sales?

Vellayan Subbiah: We do not discuss it as segmental revenue but obviously the first of the OE and the aftermarket businesses will be very definitely there because the installed base is fairly huge



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so the aftermarket is growing at a fairly good cliff. Depending on the rate of penetration, the OE business is what will get hit and the OE business in auto chains; it is definitely less than 10% of our overall revenue, but perhaps a little less than that as well.

Sagar Parekh: And you mentioned about this pricing pressure seen in tubes business because of obviously the industry not doing well, any risk to our margins going forward because of this?

Vellayan Subbiah: See, like I said, I am always with, what the market presents going forward nobody knows right now. So, a lot of people are saying second half is going to get better, and then now people are saying second half is not going to get better, so honestly that is not what we are getting into, right? All we are saying is if there is pricing pressure then I have got to do something to basically ensure that we deliver you kind of PBT growth, right? And the only thing you can do is kind of improve on the productivity side, improve on the quality side, and improve all the other things, if we are under pricing pressure. So, we have to be ready to do both. We have to be ready to take growth when growth is available and we have to be ready to manage and kind of improve our margins if growth is not available. So that is really kind of how we are trying to shift focus internally. Will we get it perfectly the first time around? Probably not, but we are trying to learn that and practice that in everything we do.

Sagar Parekh: Great. All the best going forward.

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

Aditya Bagul: Thank you. Mr. Vellayan just a couple of questions from my end. Firstly broadly on the auto sector and our key customers almost 50% of our total revenues come or somehow linked to the auto sector, so have the initial conversations begun with regards to BS-VI implementations and what all changes could we implement to ensure that we gain there? That is question number one. Question number two is if you can talk a little on the export opportunities and how the export segment has performed in the engineering segment both from European and the Asian context? Thank you.

Vellayan Subbiah: If you think of BS-VI, most players are waiting for April 2020 and we have been working. In a lot of cases, our key components like the front fork tubes are not seeing significant change in that product, a lot of it seems to be in drive chain and other components that have got changing, so there is less impact there for us. You were asking in terms of export, sorry



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Aditya, I missed your question, in terms of exports you were saying is there an opportunity, is that your question?

Aditya Bagul: What I was wondering is in the last few quarters, we have seen a very healthy growth in exports, just wanted to get your views on how you are looking at this both from an European point of view where we have some key customers and last quarter talked about some customers in Asia as well?

Vellayan Subbiah: So, definitely exports are still our biggest focus area. We have to start developing new products that we can start exporting both in the tubes business and in the chains business and in our fine-blanking business as well. So, all of the businesses have a huge export thrust and that is why we are putting significant effort against both on product development because that is the first thing, so those would not result in immediate growth. We are starting with product developments so that we can get sustainable growth in the future. And like I said in Asia we have had a good penetration because two-wheeler penetration is there in Asia as well, but we are also pushing heavily into Europe, so both of those thrusts continue and I would say that is by far is the biggest focus right now for the company.

Aditya Bagul: If I may just squeeze in one more question, can you share some outlook in terms of what is happening with the railway segment in the metal form?

Vellayan Subbiah: Railways is doing very well actually. We are seeing a lot of good growth in that segment and it looks like with the new regime or should I say the continuing regime they have really kind of come back and they really want to push that business at a very rapid pace. So, we are quite bullish on that business on the growth opportunities it presents and it has been doing quite well for us in the last quarter and we think that this will sustain. As a matter of fact, one of the biggest that has helped offset and kind of helped us to grow from a growth perspective has been improved performance from railways and industrial chains and fine blanking and all of the non-auto businesses that we have so we are definitely looking at seeing how we can start growing those businesses more aggressively.

Aditya Bagul: That is very helpful. Best of luck.

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



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Shyam Sundar Sriram: Very good morning. Congratulations on an excellent performance during the quarter despite very challenging circumstances. Sir, on the metal forming division, we have seen growth this quarter despite I will presume the OE chains on the auto side should have seen a strong decline. Which subsegments, you did talk about railways, other than that on the door frames business also there has been a good pickup. If you can just give some colour on the subsegments that have driven this growth?

Vellayan Subbiah: Basically there are three subsegments that has contributed the largest and like I told you in the note, it has been railways, industrial chains and fine blanking. Industrial chains are growing significantly both domestically and overseas. We see that has a continuing good opportunity going forward. Fine blanking we are getting more customers and our existing customers are growing very well with us and so that has seen significant growth compared to last year as well. So, honestly those three are the three largest growth areas in metal forming. Hyundai has always been consistent with us as they have been our other door frame customers. So, that business continues and it is a very good relationship that we would like to continue to develop as things go forward.

Shyam Sundar Sriram: Sir, on the industrial chains business just continuing on the prior thing, on the industrial chains business, you are seeing good growth because of better utilization at the factories, what is contributing to this Sir?

Vellayan Subbiah: The new products. It is new products. There are all kinds of new products in that business that are growing fairly well.

Shyam Sundar Sriram: Okay and this will largely be aftermarket?

Vellayan Subbiah: No, it depends on the kind of application. It can be OEM as well. Some of them are OEM applications and some of them are aftermarket.

Shyam Sundar Sriram: Sir, broadly on the aftermarket business between industrial and auto, you did mention auto continues to grow well, but if you can just give some numbers. Is it like 10% to 12% growth on the aftermarket chains business, both auto and industrial?

Vellayan Subbiah: In combination, it will be 10%.

Shyam Sundar Sriram: And the industrial would have grown better, is that a better assumption?



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- Vellayan Subbiah:** We will not get to that level of granularity.
- Shyam Sundar Sriram:** No problem Sir. On fine blanking side also auto constitutes a good portion of that business; I mean that that business has seen a good growth. Is it new customer addition or new products that have contributed to the growth?
- Vellayan Subbiah:** Yes it has been both. So, obviously we have got new products and new customers and like I said, there has also growth with our existing products and customers because some of those are dependent on auto domestically; some of it is also dependent on auto exports.
- K Mahendra Kumar:** We also created additional capacities recently.
- Shyam Sundar Sriram:** Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Funds. Please go ahead.
- Abhishek Ghosh:** Thanks for the opportunity. Sir, just wanted to understand one thing that how are you looking at your capex given the overall slowdown and other things? Is there any rationalization into that?
- Vellayan Subbiah:** No. I think this is an overall slowdown that is the right time to spend. So our plan for the year Abhishek, we will stay intact like I have guided, it will be somewhere between the 250 Crores and 290 Crores. I do not think we will slow that down, because I honestly feel where it is focused. We are not spending. There was an earlier question on auto chains. So, it is not like we are not putting new capacity on the ground in auto chains and things like that, it is just our focus is in on how we can get into businesses. In our minds they are going to growing with us in the future. So, those businesses we want to invest in, so we would not slow down on those businesses in terms of investments.
- Abhishek Ghosh:** In the metal form division, fourth quarter we had seen some amount of margin drop and again we are clawing back, so it is a function of reprising with OEMs or it is a function of more of aftermarket coming. So how should we look at it?
- K Mahendra Kumar:** It will be a mix of segments also. Mix of segment is different this time. Some of these growth segments like our MD explained they have started growing well in the current quarter.



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- Abhishek Ghosh:** And just one thing, everybody has been talking about adversities because of auto and other things, but I think adversity also at times bring in lot of opportunities. So from your segment particularly maybe from Engineering because of lighter tubes and other things, do you think your EV can also come out as an opportunity for you guys?
- Vellayan Subbiah:** Definitely. I think there is no shortage of opportunities right now and definitely I think EV is an opportunity. It is a huge opportunity.
- Abhishek Ghosh:** If you can just lastly help me with the exports growth for the quarter?
- Vellayan Subbiah:** We will get you the number.
- K Mahendra Kumar:** On the whole it was about 24%.
- Abhishek Ghosh:** Thank you so much. All the best.
- Moderator:** Thank you. The next question is from the line of Chetan Ginodia from AlfAccurate Advisors. Please go ahead.
- Chetan Ginodia:** I just had one question. I wanted to ask what has led to the decline in our other expenses. Our other expenses have declined both in absolute terms both compared to the June 2018 quarter and the previous quarter. So, what is the factor that has led to this decline? Thank you.
- Vellayan Subbiah:** Basically that is part of the focus we also had in cost reduction both manpower cost and fixed costs have come down and our logistics cost as well. So, we talked about some of these initiatives we were driving last time, so those three have all begun to kick in and we have managed some of our manpower cost as well.
- Chetan Ginodia:** So, is this likely to be the run rate going ahead or we will have the cost savings?
- Vellayan Subbiah:** Yes it is.
- Chetan Ginodia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Augustya Dave from CAO Capital. Please go ahead.



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- Augustya Dave:** Thanks for the opportunity Sir and congratulations. Sir, most of my questions have been answered. I had one broad question. In autos and in railways can you describe a bit about the range of products you already have and what you plan on introducing Sir, to the extent you are comfortable? I just need to understand what are the sensitivities we have to let us say OEM sales versus aftermarket and also two-wheelers, four-wheelers and off highway vehicles and also a similar breakup in railways, so, if you are not comfortable sharing the actual broad range, if you could give some indications where you are aligned more competitively, in which vertical?
- Vellayan Subbiah:** That is fairly granular. To give you a broad sense in auto chains we do drive chains and CAM chains, then we do industrial chains. So industrial chains obviously it has nothing to do with the auto business. Then on the tube side, one business is the tubular front fork business, which goes into two-wheelers, but then there are a lot of other businesses in tubes. Actually, our Annual Report has a pretty decent listing of what you are talking about, so I think that is probably the best sources versus me go through it on the call.
- Augustya Dave:** I was more thinking about quantification, but perfect, Sir. I will just take that.
- Vellayan Subbiah:** We would not quantify that.
- Augustya Dave:** Sir, for railways any new areas that you are looking to enter? You sounded positive on it, so any other expansion?
- Vellayan Subbiah:** Definitely, we are more and more products, we have started off. Previously we have focused just on MCF here. Now we have setup a new facility which is close MCF and Rae Bareilly and we have started supplying them and that facility is beginning to, I mean, it has just started off in this quarter, but we feel fairly bullish about that facility continuing to scale as well. We are also supplying components for the metro business now and that is beginning to pickup well too.
- Augustya Dave:** Sir, if I can squeeze one last question. Last quarter, you were mentioning something about a target growth rate of around 17% for this year. Obviously it is not under your control because the external environment is so bad and I agree it is unpredictable. Sir, but you also guided towards a pathway to 10% margins. So is it dependent on volumes more or value more? I mean, can you throw some light there, because as you said, your cost saving exercise would not stop, your new product addition exercises would not stop, your capexes clearly are not stopping, so how much of that 10% guide path is at risk, if at all?



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- Vellayan Subbiah:** I think I have articulated this. We have talked about it in the last call as well. See, broadly the point is this, like you yourself articulated some of the sales growth will be in our control, some of the sales growth will not be in our control. We can launch new businesses and we do believe that between the new businesses and growth in the existing businesses we can hit those growth rates, but clearly it is dependent on markets. What we are first focused on is kind of delivering year-on-year profitability growth. So, our profit, our bottomline has to grow year-on-year. That plan is intact. Now, that plan has to happen whether the market grows or the market does not grow. I have always articulated that in the in years, that means for the next couple of years, we are going to get more of a kicker from improving our PBT this year's margins and in the out years, we will get more of a kicker from increasing our sales. So that thesis remains intact and that is what we are focused on.
- Augustya Dave:** Perfect Sir. Thank you very much Sir. Thank you for your time Sir. Congratulations. Thank you.
- Moderator:** Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.
- Shyam Sundar Sriram:** Thanks again for the opportunity. Sir, on the export side, we are continuing to see very good growth if you can highlight some of the drivers that are leading to this? I understand it is mostly from the engineering side, the tubes business, but if you can just elaborate on the export strategy that we are following now and where do we want occupational therapy be in terms of export perspective?
- Vellayan Subbiah:** Like I said, our first target definitely our intent over time is to bring exports to north of 30% of sales, but that will take a while because given the exports are so small for us right now. So, the two businesses right now that we export in are engineering business and our industrial chains business. Both have seen good growth compared to the last year and both we are heavily investing in exports and like I told you earlier, a lot of that investment is going into new kinds of products that we are developing. So these are products that we have never done before, but which are large globally, not so present in India. So there are lots of applications in both industrial chains and engineering and we are investing significantly in the product development because we know that there are some products outside that are like tubular front fork for example on a global basis. And our intent really is to get into products, try and get a global market share as similar to what we have in some of these products in India and our belief is that we will be able to get there, so that is why we are investing in the product development. And every year we hope to see ideally, we will like to



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see north of this 24% growth, part of the reason for the 24% growth only in exports this year is because the exports markets are also down, but we think that this will pickup as we go forward.

Shyam Sundar Sriram: On the export side, are we displacing local suppliers or how does it work, because I mean, I presume anyway there will be a good pricing differential? Are we displacing local suppliers there and is that a reason how we are growing and gaining share of business?

Vellayan Subbiah: Yes, it is. The Chinese are there, but luckily for us the Chinese are not there in these two spaces as much. When we get into the smaller chains, the Chinese are there, but the larger industrial chains we do not see the Chinese as much and similarly in our engineering business, we do not see the Chinese as much.

Shyam Sundar Sriram: Sir Do we have a separate business development team, in terms of our organization structure we have separate team that looks after this?

Vellayan Subbiah: Yes, it is a whole different business unit. So, I think Shyam, like I discussed the last time, we have broken down into 18 business units and exports is a separate business unit. They have an office in Belgium for Europe, we cover Asia and basically it is a separate BUs, it is only 100% focused on that.

Shyam Sundar Sriram: Sir, if I may squeeze one more question on the utilization front between capacity utilization across the different business units, some broad ballpark numbers if you can please share?

Vellayan Subbiah: We have got enough capacity right now. That is not the challenge in this year. There is enough headroom there.

Shyam Sundar Sriram: I understand it. I am not saying you have capacity constraint, Sir, I would presume there would have been a fall in the utilization levels. How is it between the chains?

Vellayan Subbiah: 70% to 75%.

Shyam Sundar Sriram: On the chains business?

Vellayan Subbiah: Yes, and engineering.

Shyam Sundar Sriram: Thank you.



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- Moderator:** Thank you. The next question is from the line of Raghu V from B&K Securities. Please go ahead.
- Raghu V:** Thanks for the opportunity. Sir, I got just one question. Out of this 220 BPS gross margin expansion in the current quarter; how much of the portion is sustainable going forward? In the sense how much we would have got from the steel price decrease and what is the sustainable portion?
- Vellayan Subbiah:** First of all we do not discuss at that level of granularity. In our minds, we have to sustain at least this much. So, if your question is how we are going to be able to sustain in the next quarter, in our minds we have to, right? So, I think there are too many factors that move every quarter to talk about what is sustainable and what is not, right? See, what you have to be able to do is be able to sustain a bottomline growth number which is what we are focused on now.
- Raghu V:** Thanks.
- Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research Technologies Private Limited. Please go ahead.
- Jigar Shroff:** Congratulations Sir on excellent set of numbers. Sir, would you like to shed some light on another new division that you are looking at the automotive vision and other vision systems?
- Vellayan Subbiah:** Yes, like we have said, I mean, we have started construction of that facility. It is going to take at least till the end of the year to get that facility up.
- Jigar Shroff:** So, I mean, it will reflect more so in FY2021 and maybe throw some light in the quarters going ahead regarding the opportunity and etc.?
- Vellayan Subbiah:** Absolutely. First let us start making something and selling something and then we can talk about it.
- Jigar Shroff:** Thank you so much. All the best.
- Moderator:** Thank you very much. Ladies and gentlemen that was the last question for today. I will now hand over the conference over to Mr. Aditya Bagul for closing comments.



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- Aditya Bagul:** Thank you. A big thank you to the management team for taking their time out. Mr. Vellayan just one question from my end if I may, you have talked about some inorganic growth in the distant future. Can you discuss some key attributes of the targets that you might have? I mean what is that you would look for in the key target?
- Vellayan Subbiah:** That is a good question. Basically what we said is first we have to bring down our leverage, so we are not fully deleveraged yet. Our networking capital is about 325, so first we have to bring down our leverage to under networking capital. Once we are there and by the way kind of in general, we have been opportunistically just looking around. What I think will make sense is kind of the stressed deals that offers kind of a turnaround opportunity. One of the things we feel we are decent at is taking an entity and improving its profitability and if we have a strong balance sheet then we will basically take a look at the stressed deals where we can improve its profitability. That is one segment. Then obviously the segment is something that can offer the opportunity to get into export markets or markets that fit the criteria that we talked about earlier, B2C versus B2B, exports, import substitution and fairly asset light. So it is not like we are in any rush. It is like I have always said it is like you guys and investing. You have to be patient and we are patient, but if a good distressed opportunity or something else like that presents itself we are definitely open to it.
- Aditya Bagul:** Great Sir. On behalf of Axis Capital, we thank you for taking the time out. Would you have some closing comments?
- Vellayan Subbiah:** That is great. Like we have always articulated our focus is going to be how we continue to improve the bottomline for this company. We have to show that we can compound profit growth on an ongoing basis. And that thesis for us remains as intact as ever. And we continue to remain very confident of being able to deliver that thesis to the markets as we go forward.
- Aditya Bagul:** Great Sir. Thank you so much.
- Vellayan Subbiah:** Thanks Aditya. Thanks so much for having us.
- Moderator:** Thank you very much. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.