"Rane Holdings Q1 FY'21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Rane Holdings Q1 FY'21 Earnings Conference Call. 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 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. Diwakar Pingle from Christensen IR. Thank you. And over to you, sir.

Diwakar Pingle: Thank you, Rayo. Good afternoon, friends. Welcome to the Q1 FY'21 Earnings Call of the Rane Group. To take you through the results and answer your questions today, we have the top management of the Rane, represented by Mr. L. Ganesh – who is the Chairman and Managing Director of Rane Holdings Limited; Harish Lakshman, who is the Vice Chairman of Rane Holdings Limited; P.A. Padmanabhan – President, Finance and Group CFO; Siva Chandrasekaran – Executive Vice President, Secretarial and Legal Services and J Ananth– who is the CFO of Rane Holdings Limited.

We have sent out the 'Press Release' as well as 'Presentation Link'. In case you have not received the presentation, it is available on the BSE and NSE website. And in case you wanted, we could mail it to you also. Before we start the discussions and the prepared statement, the Safe Harbor clause that we normally read out apply.

With that said, I will now hand over the call to Mr. Ganesh. Over to you, sir.

L. Ganesh: Thank you, Diwakar. Good afternoon, ladies and gentlemen. Thank you for dialing in. I would like to welcome you all to this teleconference. You would have seen the details of the Q1 FY'21 Performance Highlights of the group companies posted on our website.

I like to provide a few background remarks before we get into the Q&A Session. The world as you know has changed drastically with this coronavirus pandemic. This is an extreme event, one for which there is no precedence. During the Q1, the entire month of April and half of May, there was a lockdown as you know. And therefore, there was no activity in any of our plants or customers for that matter. As such, the results of Q1 FY'21 are not comparable obviously to the corresponding period of the previous year and it was effectively probably June and one week in May is what we worked.

All the manufacturing facilities are currently operating at about 50% to 80% of pre-COVID level depending on the segments served compared to 30% to 40% level in June.

Rane TRW Occupant Safety division started manufacturing masks to cater to the group requirements and we are also distributing this in Chennai and Trichy through our CSR activities.

During the lockdown and as the lockdown restrictions were relaxed, we obviously started our approach with caution to respond to the situation. We had kind of concentrated three levels --

One is the organizational preparedness, second is the plant preparedness and third was our tier-2 readiness to service our requirements. This helped us to be agile and enabled us to respond quickly to the evolving situation. Despite challenges, all the 25 plants of the group have been able to meet customer demands up till now.

We took decisive steps to minimize the impact of COVID-19 and we will continue to work on it to mitigate the impact of volume drop during the first quarter.

The first, sales maximization was the immediate goal given the current demand environment through increased share of business where possible with key customers and our readiness for BS VI programs gave us some opportunity in this regard. Also, we are increasing our focus on the aftermarket during this period.

Second, obviously was cost reduction. This is a key to sustain and to survive, I would say, given the kind of low volumes we have faced in Q1. Some of the initiatives included productivity improvements, manpower savings, optimizing every line item of manufacturing costs and the staff and management volunteered to reduce their salaries between 10% to 35%, from junior to senior level respectively.

In terms of the financial position, obviously, this was an area of focus. RHL and a few group companies availed the moratorium facility offered by the bank to restrict the cash outflow. We do not foresee any major challenges in meeting the financial obligations for the year. We are also confident of raising money if required to meet the working capital requirements as and when necessary.

I would like to provide a few details about some of the businesses, starting with Rane Madras. The Steering and Linkage division business continue to strengthen their position with customers in India. We were present in BS VI applications so that helped although the commercial vehicles segment as you know is still very subdued. The Hydraulic business saw continued traction. The Farm Tractors was very healthy and therefore the Hydraulic business serving the Farm sector helped. But the commercial vehicles cylinder still at a very low key activity. But overall the recovery in the Farm Tractor segment helped Rane Madras.

Steering and Linkage division got major breakthrough for ball joint product export. This we have been working on for some years now and we have finally made some good breakthrough in this exports.

LMCI business, based out of Hyderabad, the domestic aluminum casting business, is diversifying its business portfolio. We secured a new business from new customers. Bosch with whom we have been working for some time is a strategic customer we added recently. We believe this will be a good opportunity for the future. The division won some new businesses for new products, including some battery box for electric vehicle and some gear case and other new products, which will add to the portfolio and diversify the risk in this business.

Given these new order wins, LMCI is likely to reduce the loss and hopefully achieve a breakeven performance in the year ’21-22.

The US subsidiary has been significantly affected by the COVID-19 pandemic and based on that, as you know, we had to take an impairment last year in the year-ended March ‘20. The board will review the performance of this business closely in the next 12-months. We have limited the investments and then subsequent to this review, the board will take an appropriate decision keeping in view the long-term interests of shareholders. However, recently, we are seeing some more businesses being won in the non-automotive sector and very healthy RFQs are coming from the division, but more we will see maybe during the rest of the year as we go forward.

Rane Engine Valves also was affected by COVID-19 obviously. Given the age of two of our plants with very high employee costs, the challenge becomes always tougher when volumes drop in the engine valves business. Management is addressing this issue of lowering the breakeven even further.

REVL of course strengthened its business development efforts and we have secured several new orders which will augur well for the future. Got nominations for new programs with Hyundai, with Kia, and Toyota in India. REVL want some new export business with the leading engine manufacturer in Germany and also secured some good export aftermarket business in the US. The order book position is very strong, and hopefully the company will capitalize this once the demand recovers. In the meantime, we continue to focus on operational improvements and cost reduction initiatives for the future.

Rane Brake Linings had lower volumes and lesser capacity utilization like the other businesses. But having no debt in the business, the financing arrangements are much simpler, there is no interest liability and given the robust liquidity position, we do not foresee any major challenges either. The aftermarket business continues to be reasonably good. The drop was not very severe. While the OE business, of course, dropped the volumes in the customer side. From the business development point of view, RBL is well positioned in terms of passenger vehicles with some new businesses and the penetration of two-wheeler discpad is doing some good for the business.

Rane TRW, as you know, has two divisions. The drop in volumes in the medium and heavy commercial vehicles impacted the steering division significantly. However, thanks to our preparation for BS VI, we did get a better market share in Q1, but overall, as you know the volumes of the segment are far below the pre-COVID levels. And even ‘18-19 and ’19-20 was not a very good year, so the volumes are significantly lower even than that. Although the Indian customers schedules were dropped, the Occupant Safety business continue to do reasonably well. This is due to the export business. We also won the first business for Occupant Safety products with Hyundai India and geographic diversification of exports continues. Export remains an important element of the division and it will remain so in the near future. However, we are diversifying and secured orders to supply to other geographies such as Mexico, Russia and Europe. The cushion exports are back to our partner ZF Europe is progressing very well.

Rane NSK Steering Systems: The warranty issue and related provision impacted the performance in FY 19-20. The countermeasure addressing the problem has been implemented, and the warranty provision has been made on the technical assessment of the potential number of units that may come. We see a trend beyond the countermeasures going down. Therefore, we hope that there will not be any major future provision on this issue and maybe in the next few months this issue should be fully resolved. RNSS continues to do well with customers. We have won some new business with Maruti Suzuki. We also won some new businesses with other new passenger vehicle customers in India.

In terms of industry, Q1 was a forgettable quarter for the automotive industry for the whole economy as you know. This will have a bearing on the full year performance. We expected decline across all the vehicle segments, but going into Q2 now, we see strong recovery in Farm Tractor segment driven by buoyancy in agri sector and rural demand. We see some gradual recovery in the passenger vehicles and two-wheeler segment. The worst affected continues to be the commercial vehicles segment. The numbers in July were pointing to recovery. However, we need to read these numbers cautiously as the inventory levels were very low post the BS VI migration and there could have been some pent up demand. So, while the trend in Q2 is good, I would like to view this with some caution to see whether this trend continues in Q3.

Sustainability of the demand is very important and also the ability to get the resources in place and no future stringent lockdown measures are all critical factors in how this pans out in Q2 and Q3.

So with these few words, I would like to conclude the remarks and we are now open for any questions that you might have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Divyesh Shah from Pragya Equities. Please go ahead.

Divyesh Shah: Sir, my question is regarding Rane Madras. Sir, I highly appreciate our management sincere effort to turnaround precision die cast our US subsidiary. But sir my real concern is that how much time and money we will burn after this company because a lot of time and money has gone into this company and we are spending our good money after the bad money, so I think as a shareholder, we are really concerned that how much more time as well as the money, is there any cap on the amount of money we plan to spend on this as well as the time, how much time do you want to give to turnaround this company?

(Harish Lakshman): So I think as Mr. Ganesh already said, we have limited the investments going forward and we have clearly communicated in multiple forums that we will take a call by end of this financial year, so by April of next year, we will be able to have a clear direction on the way forward. It is still too early to say if it is definitely good money is going into bad money, that call is what we are yet to take and depending on what transpires in the next nine months, I think we will have a clarity.

Divyesh Shah: Sir, as far as in the last year annual report, you have mentioned it will take three to four quarters for the improvement of the precision die cast and already six quarters have been passed when things have not improved at all.

(Harish Lakshman): Unfortunately, COVID has also happened which has delayed across everything.

Divyesh Shah: But sir, is management ready to accept the mistakes and cut off this company and look out for our Indian business, any hard decision is possible?

(Harishn Lakshman): Of course, if we realize that this business is not viable and there is no future, we will have no hesitation in cutting our losses and moving on.

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

Shyam S Sriram: My first question is TRW on the export side. This quarter, like you said the exports have been was close to 64 crores. So going forward from Q2, can we go back to the Rs.110, 120 crores per quarter kind of run rate because the Korean market seems to be doing very well on the passenger vehicles side, do you see that kind of a momentum continuing there and if you can indicate some broad indication on the Hyundai India new business size?

(Harish Lakshman): Definitely, we expect the export to continue to grow. And I am not able to clearly tell you when it will go back to pre-COVID levels, but it is definitely happening faster than the Indian domestic market. So I am not able to exactly tell you whether it will happen in Q2 or Q3. And as we already said, in addition to the Hyundai businesses that we are having, there are many new businesses also that have actually gone into production. As we have announced, the new plant that we set up in Trichy is also doing airbag covers for our own partner, ZF and some of that has also gone into production. So, there are also some new programs coming. Definitely, this growth will continue. New Hyundai business, I am sorry, I do not have the information with me… this is going into production only after 2022, so the sales will kick in only a couple of years from now.

L. Ganesh: I think the important thing was to make a breakthrough with Hyundai in India. Maruti, as you know, we made a breakthrough about a year ago. So far we are not in the air bag business with

Maruti and Hyundai, number one and number two in India. So that way, this is a very important breakthrough for us.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: My question is pertaining to Rane Brake Lining. So if you can please explain us the entire competitive landscape in terms of what is the market share that we enjoy, some color on the market size? And secondly, if you can also talk about the new businesses that we own in the PV division for Rane Brake Lining?

L. Ganesh: Rane Brake Lining in terms of market size, the aftermarket is very difficult to estimate but our best estimate is we have about 35% to 40% market share in India in the aftermarket. In terms of OE, in passenger cars our share is very high because of Maruti Suzuki and therefore our share is probably in the region of 65% to 70%. And in terms of two wheelers, of course, we are supplying disc pads now where the disc brakes are used, that is still a small population, but it is growing and will grow as we go forward.

Shashank Kanodia: The entire market expected worth around Rs.1,200 crores domestically OEM plus replacement?

L. Ganesh: The total market size I am not aware, but we will find out…we will have to do that estimation.

Shashank Kanodia: Secondly, on the new business wins in the PV division?

L. Ganesh: We won some new applications for Maruti Suzuki in some of the new models. I think that will add in maybe a year or two when the models are launched.

Shashank Kanodia: In terms of new clients, no addition for us, right, or have we break- in Hyundai for this division as well?

L. Ganesh: Hyundai not yet, we are working on Hyundai, but we have not yet made the breakthrough with Hyundai in India.

Shashank Kanodia: Does BS VI transition led to increase in content per vehicle for us?

L. Ganesh: Not for friction material. I think steering is the main thing, there is a change in engine, ball joints, etc., have been modified, upgraded in technology in value terms, some upgradation but essentially not in product application.

Moderator: Thank you. The next question is from the line of Rajakumar V, individual investor. Please go ahead.

Rajakumar V: I have a couple of questions. Sir, if I look at the listed entities, I see there are three, four entities with less than Rs.500 crores market cap. So, would it not make sense to have all of them under one legal entity so that we have the scale advantage and we can look at saving some of the SG&A cost, because I look at other players like Motherson Sumi and recent entrant Endurance Technology, they are kind of getting benefited by way of the scale that they have. So I just want to know whether the management is looking at it from that angle? The second question is from fund raise standpoint. I just want to know what leverage the group has in terms of monetizing of non-monetary assets like land or if that is not significant, do we need to further dilute the capital?

L. Ganesh: In terms of listed companies, some years ago, we restructured and created this holding company structure. So, we still think that is a valid structure to hold on to. So there is one holding company and couple of listed manufacturing companies which are not joint ventures. So that give some scope maybe but we have not really applied our mind on doing this. Others, as you know some are all joint ventures, including Rane Brake Lining, we have a Japanese partner although they are a minority partner. So, that leaves only two manufacturing companies, Rane Madras, Rane Engine Valves and the holding company. We have strictly not applied our mind although we do get some feedback, like what you are giving, from other people also. So, we will see as we go forward. In terms of fundraising, land is available in Rane Madras, in Rane Engine Valves. We have not thought about it, but if need be, we can always monetize that. We have not thought about it for the short-term. But yes, in the long-term, we can always think about what time to sell. Anyway, now, of course, even if the fundraising is to be done, timing wise land sale, this is not the time and therefore we have not thought about it.

Rajakumar V: How about the SG&A? By having multiple entities, we are not creating different SG&A bucket in each of these entities, by which you are losing out the scope for leveraging the cost?

L. Ganesh: In terms of cost not so much, I mean, in terms of maybe some governance and listing costs, etc., could be there. Otherwise, businesses by themselves warrant a certain amount of management time and management resources. So, cost may not be the driver ultimately, there could be size, capital, floating, etc., could be the driver, but not so much the management costs, because the locations, etc., will still probably continue. So that may not be the real criteria.

Rajakumar V: This new initiative of going for local India production and avoiding imports from China, just want to know how much benefit Rane Group would expect to get, I know it will not be something to come in short-term, but in the long run do you see this being a game changer for Rane Group?

Harish Lakshman: Again, I think you yourself pointed out, it is very difficult to assess to try and put a number to it, other than saying that definitely, this is an opportunity. But we will have to see how it evolves. Even for us, for some of our components, we do import them from China. So obviously we are looking at some alternate sources, etc., and wherever our products are there given our current product portfolio, there is very little Chinese competition… there is a little bit, but so hopefully we can try and take over the business in the next year or two. Where we are seeing opportunity actually is in the global markets especially US market where traditionally many of the customers have been buying from Chinese suppliers, we are suddenly seeing an increase in RFQ, probably they are trying to re-source some of the business from China to other countries. But, as you know, in our business that takes about 12 months to 18 months before that actually translates into say potential sales. So, while we do see a lot of opportunities, it is still too early to put a number.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique Asset Management. Please go ahead.

Pratik Kothari: My first question around the US Die Casting business which we acquired. I think in one of the earlier calls, we had mentioned that to leave this business, it will be a huge cost for Rane Madras standalone entity. So, can you maybe quantify that number please?

Harish Lakshman: It is very difficult to quantify the number, but you can see in the annual report and the balance sheet what is the total investments we have made there. So, theoretically the entire amount is at risk.

Pratik Kothari: Not the investment, right, I meant to leave that business there will be some liability, is anything on those lines too, is it that the investment that we lose?

Harish Lakshman: So there will be investments and the liabilities on the balance sheet of the US entity.

Pratik Kothari: My second part of the cost cutting measures that we have taken, you mentioned on the presentation in terms of improving our productivity, in terms of manpower saving for manufacturing projects, etc., if you can maybe qualitatively talk about what have we done apart from the salary cut, which you have mentioned in the presentation and maybe on the quantitative side too, I mean, what have we done, what is sustainable, your thoughts on the same?

Harish Lakshman: We have taken initiatives across all elements of the fixed cost. Of course, salary being the largest component; salaries almost contribute about 50% of our total fixed costs. So, as Mr. Ganesh said, we have taken cuts there. Over and above that, obviously, I think anyway travel budgets have been completely eliminated with what is happening and I think that has been a big benefit we actually are finding, we have been able to have many, many customer meetings, even new business sourcing meetings all over video conference. So, I think that our travel budget will probably not come back again to pre-COVID levels for a long-long time, I think we are very clear that we can be far more efficient. So I think the travel is a good example of what will continue to stay even after things return to normalcy. There are elements like repairs and maintenance and certain other professional charges, tax consultants, legal consultants, all those we have cut, renegotiated contracts, etc., Of course, I think once market returns to normalcy, some of these elements will come back to pre-COVID levels which is inevitable, but we do see opportunities in certain elements where it will continue. And our teams are closely reviewing all these cost items on a monthly basis.

Pratik Kothari: And the last question is around chairman's initial remarks, he mentioned his cautious stance on slight improvement in CV numbers that we witnessed in July. Do we hold it stand for other parts to like a passenger vehicle or two wheeler and we would have some order visibility for the month of August or September? Also on the CV side, are those numbers discouraging for us to have such a stand?

Harish Lakshman: I am not sure whether there is some miscommunication. Actually, what we said was, we are seeing improvement in the two wheeler segment and passenger car segment. And of course, tractors is already at its peak. We are not seeing enough of a pickup in the commercial vehicle segment. So, CV segment is where we are seeing a lag. In fact, compared to what we anticipated two months ago, we have not seen, whereas in passenger car and two wheeler, we are seeing slightly better sales than what we anticipated. Having said that, we would like to wait till end of October, early November to figure out whether this is sustainable. We do have a fear in our minds, whether this is just some pent up demand that happened during lockdown, and that is generating during the month of August and September. And of course, October is the festival season. The key is whether this will sustain in Q3. If this will sustain in Q3, then I think it is good news for all of us.

Pratik Kothari: Sir, what would be the root of a concern for this to not sustain beyond Diwali or November, December?

Harish Lakshman: Honestly speaking, the overall economic activity is down. Classic example in Rane itself, and this is not unique to Rane, almost many most large corporates have cut salaries of all management. So obviously discretionary spending is going to come down in the economy, people wanting to buy car, buy two wheelers, etc., we will have to wait and see if with salary cuts, are people still going to buy some of these products? I guess everything is a vicious circle. Everything is connected. If economy continues, we will also reinstate the salaries back. So we will have to wait and see.

Moderator: Thank you. The next question is from the line of Manish Goyal from ENAM Holdings. Please go ahead.

Manish Goyal: A few questions from my side. On the Rane NSK, in opening remarks, it was mentioned that henceforth no incremental warranty provisions would be required. If you can just kind of elaborate in terms of like have you been able to identify the problem and has it been resolved as on date? And second question is, do we expect basically any recoveries from the past provision?

L. Ganesh: In terms of the root cause and the countermeasures, we have identified, it was a complex problem having multiple dimension. So, that is one of the reasons why it was last so long drawn out, but we believe that those causes have been identified and countermeasures in place. But what happens is because this problem manifests after certain mileage, it keeps continuing, depending on the owners, who bought the vehicles, before the countermeasures, and when they complete near this mileage, it is showing up and then it is being replaced by Maruti and being debited to us. So, that is the reason of uncertainty I am not able to forecast. But having said that, the positive trend is that post countermeasure, the trend of defects and claims have come down, that is very clearly seen. But, when this mileage will clearly be exceeded by all the pre-countermeasure customers may take next few months but the trend is positive. That is the reason we believe that no major provision may be required. We may be able to manage. In terms of recovery on the provision, the only possibility is insurance. We have lodged a claim with the insurance company. But being a major claim, it is going to be a long drawn affair. So, we do not expect any quick results there. Nevertheless, we will do our best to try and convince the insurance company on the claim.

Moderator: Thank you. The next question is from the line of Rajakumar V, who is an individual investor. Please go ahead.

Rajakumar V: I basically want to know what would be the debt level of the group compared to the March '20 number, where do you see the overall debt moving the delta. And the second question is of all the four listed, leaving aside the holding company, the three operating companies entities that you have, I would like to know which entity has better prospects in terms of showing positive bottom line and coming out and getting into the growth mode compared to the rest of the entities?

L. Ganesh: In terms of debt, of course, group level consolidated debt is kind of an academic figure. Actually, the first quarter lot of working capital efficiencies and the moratorium helped to some extent, there was not much of a movement. I am just looking in the figures, will get back to you on this. In terms of growth, I think all the companies in line with their growth in Indian auto industry and export market will grow. So, our objective is to try and grow every business, only the segments and the strategies are different, some are more export-oriented like the engine valves business, some are more domestic like the steering gear division, but all the businesses once the negative effect of this COVID is gone, should grow in line with the Indian market and the exports where we are planning. So, the idea is to grow all our businesses. I will get back to you in the debt figures.

Rajakumar V: Do you expect all the entities to recoup the losses incurred in Q1 and will show up positive PAT for 2021?

L. Ganesh: Recoup the losses? No. I think the idea is if we can stop bleeding from Q2 and improve further in Q3, Q4, that is the idea but the impact of Q1 I am afraid will be there in the annual results also. So, our debt to capital employed in June, totally is about 38.6% and in March it was 36.1%. So there is no significant change, because while some capital borrowings were done, the working capital efficiency was improved during the quarter. So overall the debt to capital employed has moved up by only 2%.

Rajakumar V: And sir, you are not planning to restructure your debt because you said you have already availed the moratorium?

L. Ganesh: As of now, the moratorium has helped and business seems to be improving. So we do not think that will be required, we will see how the business goes in Q2, Q3.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Investment. Please go ahead.

Sunil Kothari: Sir, my question is on this external opportunity of manufacturing, maybe replacing China or creating second source of supply globally by global player. Are you getting any enquiry, any sale, any scope of opportunity, any development, so that will be helpful, if you can explain on this?

Harish Lakshman: As explained, Sunil, for India, we are not yet getting any significant enquiry but for supplying to especially US market and some to Europe, we are getting a lot of enquiries. So, the RFQ pipeline in Rane Madras, in Rane Engine Valves, even Rane Brake Lining, we are getting enquiries for the global markets. In India, as I mentioned earlier, whatever product portfolio that we are already supplying to the Indian market, there is very little Chinese and that there is a potential for us to remove them by increasing our share of business. But, we are not seeing anything new as far as Indian market is concerned.

Sunil Kothari: But globally you are getting this good enquiry from?

Harish Lakshman: Absolutely ever since the trade war between China and US has escalated especially in the last four months, so the RFQ pipeline that we had six months ago till now has increased.

Sunil Kothari: This must be a very big opportunity?

Harish Lakshman: Yes, yes, but a lot of it also depends on finally what happens between China and the US and what kind of understanding they reach, etc., but right now it looks like it is not heading in the right direction, therefore, it is going to favor countries like India.

Moderator: Thank you. The next question is from Jaimin Desai from ICICI Direct. Please go ahead.

Jaimin Desai: My first question was, we are hearing from some ancillaries that truck demand has picked up well on the aftermarket side over the last couple of months. So, are you seeing something similar in your businesses also, can you provide any color in terms of fleet utilization levels or something like that? And do you think it is sustainable for the coming months? And secondly, specifically to Rane Brake Lining, do we have any plans to reduce our dependence on the MHCV space?

Harish Lakshman: So your first question was specifically relating to the aftermarket of M&HCV correct? Q1, there has been no sales at all pretty much and a lot of our dealers and distributors; they basically work on working capital efficiency and how they manage cash. So, the business has gotten hit quite badly. Having said that, very clearly, we are seeing signs of the aftermarket recovering much faster than the OE segment. And we are seeing sales picking up a significant portion, I mean, we are almost at last year levels, but not there fully as yet, but we are almost there. So, on the whole, our guess is for the aftermarket sector, I am talking specific M&HCV also, will grow about 9% to 10% in the remaining part of this year is what we are estimating. And your second question was in terms of RBL.

L. Ganesh: In terms of RBL, I just want to clarify, nearly 40%, 45% of our business is aftermarket, the nature of the product is such and we have a very strong position in the market. And in the aftermarket, commercial vehicles users consume much more friction materials than passenger car because of the utilization of the vehicles and long distance driving, the wear and tear is much more. So traditionally, commercial vehicles brake lining is a big part of the aftermarket and that will continue. Today, utilization may be low, therefore market is somewhat dull. But once the utilization comes up, the nature is such that there is always more parts consumed especially friction materials by the commercial vehicles segment compared to passenger cars and light vehicles.

Moderator: Thank you. The next question is from the line of Manish Goyal from ENAM Holdings. Please go ahead.

Manish Goyal: I missed on the Rane Madras new business opportunities we spoke about in terms of aluminum die casting the Indian business. If you can highlight again that please?

Harish Lakshman: Two things. So one is during this COVID time itself, we have won three new businesses. And as Mr. Ganesh said including we have broken into Bosch. As you know, traditionally, one of our largest customers has been ZF and then of course Nexteer. Now, we have also penetrated Bosch and we have won an order from Bosch. And in addition, we have won two more orders, one of which includes from ZF. So, we have not only booked some businesses that will go into production next year. Over and above that, RFQ, I think Sunil Kothari was asking earlier, so, the RFQ pipeline has also increased for the casting business in India to export to both Europe and US. So, a lot of them are in advanced stage of negotiation. So, looking at all these, as you know, we have told in multiple calls last time, the number one problem of our die casting business is capacity utilization. Having set up the second plant and some things went wrong, and we could not utilize the capacity fully, now we are seeing clear visibility of better capacity utilization which will automatically help achieve break even in the next financial year.

Manish Goyal: So at what levels of the revenue will be breakeven in domestic die casting sir?

Harish Lakshman: About Rs.160 crores.

Manish Goyal: Something also mentioned on the order in case for EV.

Harish Lakshman: We won one order for an electric two wheeler manufacturer in India where we are going to be making the battery cover.

Manish Goyal: Last question on the US subsidiary like have we availed or applied for any subsidy scheme offered by the US government for our US operations both from the employees front as well as company level?

Harish Lakshman: Of course, during the month of April, we had laid off almost 95% of the workforce for one full month. As a result of which, there was no expense for us and the government paid the salary. In addition to that, we also have applied and successfully got the Payroll Protection Program (PPP) as a part of that government was giving loans. We also successfully applied for that and got the loan. And if we meet certain criteria, that loan will also be forgiven as per the government what they laid out. So, we are reasonably confident that whatever we borrowed from the government on US, a substantial portion of that is going to be forgiven in the coming quarters. So, definitely, that program has helped our business to some extent, otherwise, we would have had to foot that bill.

Manish Goyal: So that credit we have taken in our P&L?

Harish Lakshman: Not yet.

Manish Goyal: So, what loan amounts which we have been got approval for?

Management: It is a little in excess of $2 million.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

L. Ganesh: Thank you very much and thank you for your interest and we definitely hope that when we meet after Q2, there will be more positive news and we look forward to improvement from a very, very difficult quarter. Thank you, all.

Moderator: Thank you very much. On behalf of Rane Holdings Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.