PPAP AUTOMOTIVE LIMITED

"PPAP Automotive Limited Q4 & FY19 Conference Call"

Transcript

28th May, 2019

MANAGEMENT: MR. ABHISHEK JAIN – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR
MR. MANISH DHARIWAL – CHIEF FINANCIAL OFFICER

Moderator: Good morning, Ladies and Gentlemen. I am Neerav, the moderator for this conference call. Welcome to the PPAP Automotive Limited Conference Call hosted by Concept Investor Relations to discuss Financial Results for the fourth quarter and year ended March 31st, 2019. We have with us today Mr. Abhishek Jain - Chief Executive Officer & Managing Director, and Mr. Manish Dhariwal - Chief Financial Officer. At this moment, all participant lines are in listen only mode. Later we will conduct a question and answer session. At this time, if you have any questions, please press "*" and "1" on your touchtone telephone. Please note, that this conference is being recorded. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Gaurav Girdhar from Concept Investor Relations. Thank you and over to you sir.

Gaurav Girdhar: Good morning everyone. Thank you for taking time out for the Q4&FY19 call of PPAP Automotive Limited. We have today with us Mr. Abhishek Jain - Chief Executive Officer & Managing Director, and Mr. Manish Dhariwal - Chief Financial Officer. We will begin the call with opening remarks by Abhishek sir and then we will have a question & answer session. I would like to just point out that certain statements in today's call may be forward looking and we have already put out a disclaimer to that effect at the end of the presentation. So, I would like to hand over the conference call to Abhishek sir. Over to you sir.

Abhishek Jain: Thank you Gaurav and Neerav. Ladies and Gentlemen, a very good morning to all of you and thank you for taking time out of your busy schedules and joining us today to discuss the performance for Q4 and the current financial year of our company PPAP Automotive Limited. We shall start with a brief overview of the automotive industry during the quarter under review. During the quarter, the passenger vehicle segment witnessed a production de-growth of 4% year-on-year in the quarter under review. A total of 1.03 million passenger vehicles were produced against 1.07 million in the same period last year. The commercial vehicle production growth was flat whereas the two-wheeler production was at 5.04 million which witnessed a de-growth of 10% compared to the same quarter of previous year. The sluggish demand has seen an impact on the performance of the entire sector including our company for the quarter under review.

Just a small recap of what PPAP is about. PPAP manufactures polymer extrusion based automotive sealing systems, interior and exterior automotive injection molded products. With its seven facilities spread across the key automotive hubs in India, the company manufactures over 1,000 different SKUs and ships over 200,000 parts every day to its customers which include the Japanese OEMs, the local OEMs as well as other major OEMs in the passenger vehicle segment as well as the commercial and the two wheeler segment. The company continues to focus on enhancing it's per car contribution. In 2014 for this purpose we have established a new joint venture for making rubber parts to increase our per car contribution in the passenger vehicle segment. The company is able to attract new opportunities in both sealing system as well as injection products, post the establishment of its facilities which are closer to the customer now. We continue to focus to build on our core competency and on achieving excellence throughout the gambit of our organization.

I am happy to share with you that we have successfully upgraded our ERP system to SAP since 1st May 2019. Now, I would like to take you through the financial performance. Revenue from operations for the current year stood at Rs. 410.98 crore compared to Rs. 397.62 crore during the same period last year registering a growth of 3.4%. The revenue includes parts sales amounting to Rs. 388.62 crore registering a growth of 9.4% as compared to flat industry growth. Tool sales contributed to Rs. 15.54 crore compared to Rs. 39.86 crore last year and Rs. 6.82 crore was the other operating income. For the Q4FY19, the company recorded a revenue from operations of Rs. 99.13 crore as compared to Rs. 127.62 crore. Out of this revenue part sales amounted to Rs. 93.08 crore registering a dip of 3.6%. Tool sales contributed Rs. 5.39 crore and Rs. 66 lakh was the other operating income which is the quarterly subsidy received from the Rajasthan government. The company derived 98% of sales from the passenger vehicle segment of the industry.

The company's automotive sealing products were used in 63% of the total passenger vehicles produced in India. Maruti Suzuki including Suzuki Motors Gujarat continue to remain our top customer accounting for 47% of part sales. Honda being the second largest customer for us contributed 32%. During the quarter, 23% of the part sales were derived from new vehicle launches like Honda Civic, New Alto, the upgraded Baleno and MG Motors Hector and Nissan's Kicks.

We are currently developing parts for 25 new models which are expected to start production within the next two years. The company reported an EBITDA of Rs. 17.21 crore in the quarter as against Rs. 28.68 crore in the corresponding quarter last year and a PAT of Rs. 7.06 crore in the current quarter compared to Rs. 14.09 crore in the quarter last year. The quarter's profit reflects the result of the lower sales coupled with increased cost base due to the newly setup plants which has impacted the bottom line. For the full year, the EBITDA stood at Rs. 77.20 crore against Rs. 84.88 crore in the last year. EBITDA margin for the current year stands at a robust 18.8%. The company's PAT for the full year was at Rs. 33.42 crore compared to Rs. 37.41 crore in the previous year. We were able to sustain the PAT margins of 8.1%. Earnings per share for the quarter stood at Rs. 5.04 and for the full year it stood at Rs. 23.87. Our dependence on interest bearing debt continued to fall resulting in reduction of interest cost, the debt equity ratio for the company as on 31st March, 2019 stands at mere 0.08. In the current year, the repayment of the interest bearing a term debt will be complete. We have invested a total of Rs. 43.24 crore towards capital expenditure in the year under review. Out of this Rs. 43.24 crore Rs. 20.3 crore were spent on setting up of new facility and Rs. 22.9 crore on the existing facilities. The capacity utilization stands roughly between 65% to 75%. As committed earlier, all our capex requirements are being met by internal accruals.

The Board of Directors have reviewed the performance of the company in the board meeting held on 22nd May 2019 and have decided to recommend a final dividend of Rs. 2.50 per share thereby taking the total dividend for the financial year to Rs. 4.50 per share which is 45% of the face value. The dividend payout ratio including all the taxes comes out to be 23%. Now, I will give you a brief about the performance of our joint venture company PTI which has been consolidated in the yearly results. The total income of the company stood at Rs. 74 crore which is up by 18% compared to Rs. 63 crore in the previous year. The EBITDA stood at Rs. 5.20 crore in the 12 months compared to Rs. 6.20 crore in the previous year. We recorded an EBITDA margin of 7%. I am happy to share that PTI has started its new facility in Surajpur near Greater Noida in Uttar Pradesh. This plant has been setup at a cost of Rs. 28 crore there are two rubber lines along with the assembling areas operating in this new plant. Due to the startup of this plant the cost profile saw an upside due to the rise in material cost due to product trials. The PAT stood at Rs. 65 lakh against Rs. 3.8 crore in the previous year.

Now, I will take you through the consolidated numbers. The company has consolidated its joint venture by equity method in accordance with the IndAS 28 investment, in associates and joint ventures. PPAP share of joint venture profits and OCI is included in the consolidated profit & loss statements. Accordingly, the change in the value of the investment in JV is reflected in the consolidated balance sheet. The net profit on a consolidated basis stood at Rs. 33.7 crore compared to Rs. 39.3 crore in the previous year and the consolidated EPS stood at Rs. 24.1 against Rs. 28.08 in the previous year. I am happy to share with you that the company continues its trend of receiving customer appreciation for its superior performance. Maruti has awarded us for comprehensive excellence, Toyota Kirloskar Motor has awarded us for zero defect supplies and achieving quality targets, appreciation award has also been received from Hyundai Motors and our joint venture company PTI has also won the silver award for cost from Honda. This brings me to the end of my opening commentary. Now, I would like to leave the floor open for question and suggestions that you may have. I and Mr. Dhariwal will try our best to answer all of them.

Moderator: Thank you sir. Ladies and Gentlemen we will now begin the question and answer session. The first question is from the line of Mitul Shah from Reliance Securities. Please go ahead.

Mitul Shah: I have question on revenue from tools which is down by almost 60% in FY19. So, what is the outlook based on the discussion with the OEMs for next year?

Manish Dhariwal: The outlook for the next year is very positive and there are a number of models that are going to be launched in the next year and basis that plan our tools sales growth will be quite substantive. This is obviously as per the plans that has been shared with us as of date.

Mitul Shah: So, in that case if the revenue from that particular segment declines by 60% so there won't be impact of utilization for the tool room?

Manish Dhariwal: No, the tools typically take about one year to one and a half year to get ready and then they are accordingly sold to the customer at the time of its SOP i.e. Start of Production. So, the tool room is continually on the job and in fact this particular quarter the tool inventory is also on the rise, demonstrating that there is lot of work that is basically in progress for the tools that are going to be sold to the customers during the current year.

Mitul Shah: Okay. Second question is on the capex. On next two years point of view what would be annual run rate we can expect?

Manish Dhariwal: Can you repeat the question please.

Mitul Shah: Second question is on the capex side from next two to three years point of view what would be our capex and capex related to new plant is already done or still something has to be spent?

Abhishek Jain: Mr. Shah, our capex is all basically lined up with the customer demand. So, if a customer is launching a new model at that time we have to evaluate whether we need a new machine based on existing capacity utilization or something. So, as far as our plants are concerned so we have set up basically two new plants, one in Chennai and one in Gujarat. So, Chennai we are not foreseeing any major capital expenditure in the basic plant except for if we have some new business with the customer we might need to buy couple of machines but all that is again tied up with the customer. Gujarat plant, our current plant has a capacity of about 500,000 cars which can be serviced from that plant. As SMG in Gujarat ramp up their own capacities we may need to ramp up this 500,000 capacity of servicing these cars to 750,000 so that might need some sort of capex.

Mitul Shah: Sir, can you give any rough number excluding any extra ordinary orders received from what would be the regular run rate?

Abhishek Jain: We look at our historic numbers so I think, about Rs. 15 to 20 crore is what is on an average what we have to spend from the capex side in all our plants every year.

Mitul Shah: Okay. My last question is on the export side which is still close to 2% of the revenue, so any target and internal ambition to reach to certain level in next two years?

Abhishek Jain: So this is not direct exports that we do, these are basically CKD exports which are done by our customer, so what we do is we make the part here and then supply it to their local warehouses and then our customers export these products globally. So, this business we are constantly in touch with the customer especially Renault Nissan and we expect to get some good order in the next one or two years. This year we might start exporting our parts to Russia also so this will be primarily for the Kwid model. We are already exporting these parts to Brazil and now Renault Nissan is finalizing their plans to make the same car in Russia also. So, we will be starting our supplies to that country as well. And of course, we are discussing for other opportunities with Renault Nissan for getting export business.

Mitul Shah: So, this 2% is almost primarily Renault Nissan?

Abhishek Jain: This is primarily Renault Nissan and it has some portion of Toyota business also and some portion of Honda business, but majority is Renault Nissan.

Mitul Shah: But, nothing major in terms of direct exports even in next one or two years?

Abhishek Jain: No, direct exports is not something which we are targeting right now, the CKD exports is more of a focus for us.

Moderator: Thank you very much. The next question is from the line of Sunny Agrawal from PNB Investment Service. Please go ahead.

Sunny Agrawal: Sir, can you throw some light on the new product launch it seems to be very exciting and you have launched few new product instrument panel cluster and so on so what is expected contribution from this new product over next three to five years and how the new product pipeline looks ahead from here on? Thank you.

Manish Dhariwal: I heard part of your question and I will answer that. In terms of the new projects we are continuingly getting new business from the customers and as of now while we speak we are working on 25 plus projects and these are across customer across products also. So, that was one, what was the other thing that you wanted to understand?

Sunny Agrawal: No, sir I was just asking in the presentation I was looking at that you have launched your new parts like front grill, instrument panel cluster and so on. So, what is expected, that seems to be a very exciting phase but that can increase our revenue from the existing client base also and as well as, can we enter the new car line so just want to know what will be our revenue contribution from this new product over next three to five years?

Manish Dhariwal: See, in this quarter the new cars have given us the revenue of 23% so we are observing that 23-25% of the revenue comes from the new launches. And, there we are getting newer parts also so, that can give an idea about how our continuously improving products profile is helping us build a bigger relationship with the customer.

Sunny Agrawal: Understood sir. And, just outlook on raw material cost how gross margin is going ahead?

Manish Dhariwal: Raw material cost we obviously have seen increase in the last year that is FY19 and we believe that maybe a percentage or two percentage points higher cost could be there in the raw material side.

Moderator: Thank you. The next question is from the line of Sunil Shah from Turtle Star Portfolio. Please go ahead.

Sunil Shah: Sir, just one suggestion or some kind of a question as well. That right now you stated that this new car launches accounts for almost 23% of our business, however in number terms so if we can get some data from next quarter onwards in terms of the number of vehicles and what I am asking is that on a quarterly basis let say about 6 or 7 lakh cars are getting sold, out of that total sales of passenger vehicles how many cars would have our component. So, we can say that out of 6 lakh cars which are getting sold, let say 5 lakh cars are ones where our products are applied whether it's the new launches or the legacy sales. So, if you can get that data that will give us an understanding of what is our addressable market still left out that is one which can give us on the number terms and the second can be in terms of the content because in some of the vehicles we will be selling our sealing systems and in some of the cars we will giving our injection molded products. So, thereafter how much could be the opportunity to cross sell if you get the content also or the value of content per vehicle as well that would also help us to understand because your new products also which are there like instrument panels and front grills, etc. so how are we increasing our addressable market as well. So, #A on the volume how much is left out? #B on the content how much is left out? If you can get that data on a quarterly basis that would help us it's very kind that you have shared all this names of new Maruti Swift and all the new companies that new products they are selling but going forward if you can do that, am I able to communicate what exactly is the requirement?

Manish Dhariwal: Yes, in fact Sunil I would like to share that we have given this input that 63% of the cars that were made in the quarter had our parts. So, basically our extrusion parts are found in more cars as compared to the injection parts so we supplied parts for 6.49 lakh cars on the extrusion side in this quarter.

Sunil Shah: Okay. So I could not see it in the presentation if you could just include it in the presentation going forward that would help us.

Manish Dhariwal: Okay.

Sunil Shah: And also on the value wise, so if you could tell us that number as well that would also help us.

Manish Dhariwal: Okay.

Sunil Shah: Thank very much and all the best on the new 25 projects which are going to come in and see going through the future.

Moderator: Thank you. The next question is from the line of Suvarna Joshi from Axis Securities Limited. Please go ahead.

Suvarna Joshi: I had a couple of questions. The first one was, you mentioned in one of the earlier question that gross margins are expected to be impacted by another 100 to 200 basis points so would that mean that the EBITDA margins that we clock for FY19 will stood at 18.8% or so will also see a similar impact of 100-200 basis that was my first question. My second question was, again to do with the EBITDA margin, we had been maintaining a plus 20-21% kind of EBITDA margin for a fairly long period of time and now we see since the last two quarters that is Q3 and Q4 we have seen that our EBITDA margins have actually come down to less than 20% so what are your thoughts on the EBITDA margin front so that was the second question. My third question was on the inventories that we have seen an increase in the balance sheet both on the consolidated side and the standalone side. So, is this mainly to do with the tooling inventory that was mentioned during your opening comments or there is something to do with these inventories so that was the third question.

Manish Dhariwal: Okay, I will take the last question first. On the inventory side, basically it is the inventory for the tools that is one reason, the second reason also is that our raw material inventory in March was on the higher side on account of the lower sales and then there was some shipment that got aligned in such a way that those will book to inventory. So the tooling inventory obviously is desired outcome, the raw material inventory is expected to get corrected as we proceed forward. That is one, actually on the EBITDA margins this year we have had fair amount of environmental change I would say on the raw material cost side, the FOREX cost was up, then obviously the base prices also went up on account of the increase in the crude not as much as the crude went up but still it did have a bearing on cost then the steel prices also went up so is what has been reflected in the EBITDA margin as you have seen. Now, going forward we remain very committed towards the margin of about 18 plus which is what we have been kind of saying that 18% to 20% is the band in which our EBITDA margins are expected to move. So, what basically happens is that we take up our business in such a way that we basically are able to maintain this kind of a margin. So, yes the pressure on the raw material cost side has been felt in the last year and that itself have basically increased the cost by about 100 to 200 basis point. So, given that we are stating that this gross margin is lower. Going forward 18 to 20% is something that we are fairly committed and we are working toward and barring any unforeseen issues that happen we are fairly confident that we will be able to maintain that.

Suvarna Joshi: Sir, just a follow up here. But, in our contracts I believe we pass on the raw material price impacts to our customers so, just wanted to understand how is it that it's with a lag of three month or how do we do it because if FOREX and steel prices and higher accrued prices impacted us so that we would see any volatility we would see in any of these, they will always keep a check on our margins in that case then?

Manish Dhariwal: Cost to most cases on the raw material cost side in some cases it's a pass through in some cases it is not a pass through as you are already aware. So, totaling all of it there is a net effect on the raw material cost that was seen.

The second point was on the lag effect, see the lag effect typically is about a quarter but then the delays have also happened.

Suvarna Joshi: Alright sir. Sir in the last question; any updates on the Hyundai partnership that we have seen because in this presentation I have seen that we have highlighted Hyundai to be one of the contributors to the overall revenue I understand it's very small but if you could just share what is the update on the Hyundai business front as such?

Abhishek Jain: Suvarna, we started our relationship with Hyundai last year, so last year we developed one model with them and now we have developed our second model and today in fact yesterday and today my team is sitting in Hyundai plant waiting for the final, getting all the final approvals in place. And, first week of next month we should be starting our supplies for their model. Now we have started, we are also developing one more part for them which is due for production somewhere in August, September. And, now based on our performance for these two parts now Hyundai is getting confidence on the company that they can deliver good quality and delivery performance and now we are starting to get more enquires from them including from their sister concern Kia Motors.

Suvarna Joshi: Sure. So, how much do you expect in terms of revenue that Hyundai should contribute in FY20 a rough ball park number?

Abhishek Jain: In FY20, I would assume that Hyundai would contribute about 3% odd to the total revenue.

Suvarna Joshi: Okay. And would these models be the Creta and the likes or they are completely new models?

Abhishek Jain: No, these are basically what currently we are doing with them is localizing the existing models, so this will basically be what we are developing is for Creta. And, once all these things are done then they will start giving us opportunity for new models.

Moderator: Thank you very much. The next question is from the line of Deep Shah from Motilal Oswal Financial Services. Please go ahead.

Deep Shah: Could you please talk about in the demand scenario in the near term what the OEMs are actually communicating to you guys let say from the production cuts perspective have they kind of recalibrated all the products related stuff and maybe some comment on that will be helpful for us?

Abhishek Jain: This new financial year 2019-20, looks like a difficult year for the industry. I mean because of the launch of the BS VI norms which are going to be implemented from 1st April 2020. So, this year we are going to see a lot of disruption in the market specially with the question mark on diesel technology whether it is sustainable in India at these prices or not. So, I am sure you must have heard in the print media and news media that a lot of like Maruti has taken a call that he will be stopping production of diesel vehicles completely from next year onwards. So, there are a lot of challenges which are seeming about in this year. Especially, with the NBFC tightening their process and not letting out money making the situation all the more difficult.

Deep Shah: Sir maybe I can ask let say in Q1FY20 how is the communication from their end has the production cuts still continues or how do you read very near term scenario?

Abhishek Jain: See, Maruti has again confirmed that they will be growing at about 4% this year. So, 4% is the minimum that they are expecting, they have given us a range of 4% to 8% growth. Second customer for us Honda, so Honda has basically told us their production numbers will be more or less similar as last year and Toyota again will be adjusting their production plan because primarily they are not upgrading their old model for the BS VI upgrade. As far as the new business that is coming out this year so that will be a primarily growth driver.

Deep Shah: Sure. That was my first question, my second question was again related to PPAP in that sense, if you can provide some color on what proportion of the components that you manufacture is still getting imported or 100% is localized maybe some sense on that, that will be helpful for us to understand you.

Abhishek Jain: See, as we have mentioned in the opening commentary. So, sealing system would be made, we are currently making for about 63% of the total market. So, our primary focus was on the Japanese OEMs when we started this business and then we ventured into the local OEMs like Tata Motors. So, currently we are not supplying too many parts to Mahindra so that is a big opportunity for us. We just started our relationship with Volkswagen so that opportunity we have already taken. Korean OEMs in India were not our customer so Hyundai we have made an in-road now so Hyundai also but our, what we are catering to right now is not even 10% of their total volume. So, there is a huge scope for that and that was the primary reason why we setup a plant in Chennai. There is a lot of opportunity for us and then for these, we are focusing on CKD exports as well like we spoke just about 15-20 minutes back so that on Renault Nissan. So, that is again a very important focus for us.

Deep Shah: So, if I understand correctly just want to get a sense for example the OEMs which are still not your customer or where you have not made a good intro yet are they procuring from the local market or they are still kind of someone is kind of still importing from outside maybe that sense can help us more to understand?

Abhishek Jain: Hyundai was primarily importing all these parts from Korea only. So, some models were being locally produced but most of it was coming from Korea so that we have localized for them.

Deep Shah: Okay.

Abhishek Jain: Similarly for Volkswagen, primarily what we are developing for them was being imported from Turkey so that we have localized. For Mahindra, where we are not present these parts are being made by our competitor they are again local parts only so they are not importing it from Korea or somewhere but these are local parts, but I am sure we can show our good quality and delivery and good technology to them and get business.

Deep Shah: Sure. Sir last question, anything that you are working with the initial stage with Kia Motors, etc. Synergy of status applying to Hyundai so is the Kia next in target?

Abhishek Jain: Yes, as I told you we are not leaving any stone unturned to increase our market share from 63% maybe 85% or something in the near future. So, Kia Motors also is on our radar and we have just received one RFQ from them yesterday itself.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from Honest and Integrity Investment. Please go ahead.

Vaibhav Badjatya: So, for Mahindra and Tata Motors as you said we don't have much of the business from these guys and these guys are procuring from competitors.

Abhishek Jain: For Tata Motors we have full business now. Tata Motors all the car's sealing systems (outer and inner) are being developed by us.

Vaibhav Badjatya: Okay. So, for Mahindra who is the competitor from where they are sourcing the parts and secondly, is it to do more with the pricing or with some other factor that they are still root on to that competitor?

Abhishek Jain: The competitor which is supplying to Mahindra the company name is Anand Nishikawa or ALP Plastics I don't know which company he deals in, deals with couple of companies. He is an old vendor of Mahindra. He started with rubber products and then ventured into these plastic products as well. So, a good relationship with the customer but not very sure of whether the customer would like to have, if they have a two vendor policy or something for each commodity. If they have two vendors policy then we can get business.

Moderator: Thank you. The next question is from the line of Harish Shiyal an Individual Investor. Please go ahead.

Harish Shiyal: My question is regarding your JV PPAP Tokai. Can you elaborate why the performance was not good for this year? And what would be the next year revenues guidance of the new plant being put up over there now. What are the opportunities available for the next year now with the new plant?

Manish Dhariwal: We have been consistently growing well, this particular year the margins were impacted and one of the big reasons was the shifting to the new plant that was set up the details we have already shared and when you are shifting the production to a new facility the trials and all those costs were significant which was one of the main reason for the weak performance. Going forward the coming year is promising and we should be able to get good growth.

Harish Shiyal: Okay. So, so far we are doing their contract in our plant is it that way?

Abhishek Jain: Sorry?

Harish Shiyal: So far we were manufacturing in our plant for them?

Abhishek Jain: No, they were operating out of a rental facility and now they have moved to their own plant.

Harish Shiyal: Okay. And one more thing, from current year the quarterly result will be on a consolidated basis because of the SEBI guidelines?

Abhishek Jain: Yes.

Moderator: Thank you. The next question is from the line of Vallabh Kulkarni from Motilal Oswal Securities Limited. Please go ahead.

Vallabh: There are two questions, first I wanted to understand what is the exports opportunity and are we competitive there, what is the pricing differential and who are the current suppliers to some of the global OEMs right now?

Abhishek Jain: So, these plastic sealing systems we are looking at exports and currently also so our strategic customers in this business is Renault Nissan, and we are already exporting to countries like Japan, Mexico and Europe also for their model. The way this business has developed is initially they were looking at whatever parts we are making for them for the current models produced in India. So, those parts were being exported to other countries. So, when we started production of this Sunny model for them so that time we started exporting parts to other countries. Then they developed a very special model called Note that model unfortunately was canceled in India but it was initially supposed to come to India also. So, there that part we developed for them and then it got supplied to other country and now since Kwid is being developed by Renault in India and the same car is being produced globally in Russia also and in Brazil also, so Brazil we have already started and Russia we are expected to start soon. So primarily, this business goes on if you develop parts for the existing for a new model in the Indian industry and that part is being used by somewhere aboard in any other country so that same part is exported so that the customer can reduce their investment cost in tooling's and of course can have a better price. Generally, what we have studied is that we are at 0.7 ratio of Thailand I think and about 0.8 compared to Indonesia. So, we are still competitive than Thailand and Indonesia for this CKD export business. Any opportunity that comes through will depend, once the OEMs decides that which model, what is their model strategy so that business should definitely come to us.

Vallabh: Sure. My second question was more on the technology front, or more of a maybe longer term but are you hearing anything from your customers on the technology that is used or being carbon neutral or being the type of material used, etc and is there anything that we are doing different from the players maybe in Thailand or the way you indicated right now?

Abhishek Jain: See first of all, our products that we make so they are primarily engine neutral. So our products basically go in an IC engine also and in a vehicle which his EV or HEV or PHEV, any type of vehicle which will utilize these sealing systems and injection products. So, from the engineside we are immune to any sort of change which is there. On the technology front, when we started this extrusion business that time we used to use PVC and steel as raw material. Over the years, this technology has changed from PVC to steel to thermoplastics which we introduced in the market in 2004. After that, there has not been any major shift in the material site except for the finishes of these products like instead of a black surface the customer might require a bright surface which maybe of steel or maybe of some glossy finish of black color so all those finishes we are already developing for them. Then the major focus for our customers was on the technology side was the light weighting. On the light weighting side also we have done lot of projects with our customers wherein we have reduced the wall thickness of the injection products and we have reduced the cross sections of our sealing system and that has resulted in good weight reduction and ultimately cost reduction for our customers. So, we recently tried to benchmark on this new technology by going to Paris motor show and we have also visited China to study what is going on, on the technology front for our products. So, we did not find any new technology coming through which is not being done by us in India today. So, we are quite capable of making all these parts for all the major OEMs in India going forward as well.

Moderator: Thank you. As there are no further questions I will now hand conference over to the management for their closing comments.

Abhishek Jain: Thank you Neerav and Gaurav for organizing this conference call. I would like to pay my sincere gratitude to all my analyst and investor friends who have taken time out of their busy schedule to listen to us today. These are challenging times and lot of uncertainty and disruption is expected but I am sure we will come out with flying colors. Please feel free to contact Concept or us in case you have any further questions. Also, if you happen to be in the NCR region do give us an opportunity for you to show around our world class operations. Thank you.

Moderator: Thank you. And, thank you all for being a part of this conference call. If you need any further information or clarification, please mail at gaurav.g@conceptpr.com or irfan@conceptpr.com. Ladies and Gentleman this conclude this conference today thank you for joining us you may disconnect your lines now. Thank you.