# PPAP AUTOMOTIVE LIMITED

**“PPAP Automotive Limited Q1FY9 Conference Call”**

***Transcript***

***3rd August, 2018***

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

**Moderator:** Good morning ladies and gentlemen. Welcome to the conference call of PPAP Automotive Limited arranged by Concept Investor Relations to discuss its Q1FY19 Results. We have with us today on the call Mr. Abhishek Jain - CEO & MD and Mr. Manish Dhariwal - CFO. Please note that this conference is being recorded. I now hand the conference over to Mr. Snighter Albuquerque from Concept IR. Thank you and over to you sir.

**Snighter Albuquerque:** Good morning everyone and thank you for joining us on the PPAP Automotive Limited Q1FY19 Earnings Conference Call. We have with us Mr. Abhishek Jain - CEO & MD and Mr. Manish Dhariwal - Chief Financial Officer of the company. We will begin the call with the opening remarks from Mr. Jain followed with the forum of the question and answer session. Before we start I would like to point out that certain statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would like to invite Mr. Jain to make his opening remarks. Over to you sir.

**Abhishek Jain:** Thank you Snighter. Ladies and gentlemen, a very good morning to all of you and thank you for joining us to discuss the operating and financial results for Q1 of financial year ending 2019. I am pleased to share with you that we have reported a strong operational and financial performance during the period under review. I will begin today with a brief about the company and then we will look forward to taking your questions and suggestions.

PPAP manufactures polymer extrusion based automotive sealing systems, interior and exterior automotive injection molded products in India. The company started its production by supplying automotive parts to Maruti in the year 1985. With the state of the art manufacturing facilities spread across India with plants located in UP, Rajasthan, Tamil Nadu and Gujarat, PPAP has grown its geographical presence strategically, over the years. Through our various facilities, today we manufacture over 500 different SKUs and ship over 150,000 parts every day to our customers who are located pan India. And our target is to achieve zero defect in quality and delivery. Some of the largest OEMs in India like Maruti Suzuki, Honda Cars, Toyota, Nissan, Tata Motors, are already our customers and recently we have added Hyundai & MG motors also to our customers list. We predominantly service the passenger car segment. However, we have recently started supplying to the LCV and the two-wheeler segment as well, to expand and de-risk the business while taking advantage of our core competence. In the LCV segment we have recently started supplying to SML ISUZU as well as Bharat Benz. In the two-wheelers segment, our parts are supplied to Suzuki motor cycles and Honda motor cycles. 10% of what we produce is exported by our customers as part of their CKD kits to countries like Japan, Europe, Mexico, Venezuela and others.

Now, I will take a brief moment to introduce our management. The company is led by Mr. Ajay Kumar Jain who is the Chairman and the Managing Director. He is also the President of the Toyota Suppliers' Association as well as a Director of ACMA. I am an industrial engineer and I have been a part of PPAP for the past 14 years and I also sit on the Executive committee of Honda Suppliers Association. We have established an equal equity joint venture with the company called PPAP Tokai India Rubber Private Limited or PTI in short, with one of our Japanese Technology partners Tokai Kogyo. With this in place now PPAP and PTI cater to the consolidated requirements of sealing systems for its customers, giving the company a strategic advantage of being a one shop-stop for sealing systems.

Our other technology collaboration is with Nissan Chemitec Corporation for interior and exterior injection molded products. We continue our focus on core competency, built in quality to achieve high standards of product quality as well as cost optimization with a focus on R&D, robust product portfolio with strong brand and technical partnership with international players. The company is on track to establish its presence in all the major automotive clusters in India to improve the proximity to the customer. We are extensively exploring all strategies, which meet our objective of achieving profitable growth. In that direction we are open to examine any organic opportunity as well by technical collaboration and joint ventures.

To give you a brief overview of the automotive industry, the domestic passenger vehicle segment has seen a 10.2% year-on-year production growth in the Q1, a total of 1.025 million passenger vehicles were produced against 0.93 million in the same period last year. The commercial vehicle production saw a growth of 67.74% whereas the two-wheeler production was at 6.46 million which is an increase of 14.62% compared with the same quarter of the previous year. In the FY19, the market is looking brisk and the passenger vehicle segment may grow at 8-10% based on the estimate by SIAM and ACMA.

Now, I would like to take you through the financial performance for the quarter under review. The detailed slides have already been shared with you. I will request you to kindly refer to them. Consequent to the introduction of GST, with the effect from 1st July 2017, central excise, VAT etc. has been subsumed into GST. In accordance with the Ind AS 115 on revenue and Schedule III of the Companies Act, 2013, unlike excise duty GST, VAT etc. are not part of the revenues. Subsequently the revenue figures of June, 2017 quarter include the excise duty whereas June, 2018 figures are net of GST.

For the Q1 ended FY19, PPAP recorded revenue from operations of Rs. 99.69 crore as compared to Rs. 82.09 crore in the corresponding quarter of last year, registering a growth of 21.43%. Part sales amounted to Rs. 96.03 crore whereas the tool sales contributed Rs. 3.66 crore. EBITDA grew by a healthy 26.56% in the quarter which was at Rs. 19.88 crore compared to Rs. 15.71 crore in the corresponding quarter last year. We could achieve a sustainable EBITDA margin of 19.94% in the quarter compared to 19.13% in the previous year. The stability of EBITDA is primarily due to the constant efforts of the company in achieving excellence across all the various facets of the organization. Profit after tax recorded a jump of 49.28% year-on-year and stood at Rs. 8.85 crore in the quarter compared to Rs. 5.93 crore in the same quarter last year. We recorded a PAT margin of 8.88% in the Q1 compared to 7.22% in the previous year same quarter. The EPS for the quarter stands at Rs. 6.32, which is an increase of 49.41%. Our capacity utilization has been at 75-80%, CAPEX for the Q1 stood at Rs. 15.27 crore. Our debt equity ratio stands at 0.13 with a repayment of Rs. 2.5 crore of the existing term loan in the quarter. This brings me to the end of my discussion, now I would like to leave the floor open for questions and suggestions that you may have. Mr. Dhariwal and I will try our best to answer all of them.

**Moderator:** Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Ankit Merchant from SMC Global Securities. Please go ahead.

**Ankit Merchant:** I would like to understand what is the utilization across all the plants right now? And second, you talked about getting into CV for this new compliance norms, so can you help us understand what is it and how are we going to benefit out of it?

**Manish Dhariwal:** I will take up the first question, our capacity utilization on the extrusion side which is the automotive sealing has been about 70% and on the injection side it is around 80-85%.

**Manish Dhariwal:** On your second question, I request Mr. Jain to answer about these CVs.

**Abhishek Jain:** We have entered this Commercial Vehicle segment primarily with SML ISUZU and we are making their complete instrument panel, so this is a new segment of product that we have entered into, in the new commercial vehicle segment. So right now, we are doing only SML ISUZU and now we are trying to get in touch with the other commercial vehicle players so we can get similar business with them. This policy changes that you were talking about they don't really have any impact on us or our business because we are not doing any engine technology products for any OEMs.

**Ankit Merchant:** I meant it from point of view of sealing systems considering that the small commercial vehicles are likely to have compulsory A/C in their cabins.

**Abhishek Jain:** So, whether an A/C is required or not required the sealing systems remains same. So it doesn't really depend on that.

**Ankit Merchant:** Sure, just wanted to know about the utilization, what is the peak utilization, you can reach and revenue you can drive, for both extrusion and injection parts?

**Manish Dhariwal:** We can nearly go up to about (+) 90-95% peak utilization on the injection and on the extrusion as well.

**Ankit Merchant:** What is the revenue derivation if at peak capacity?

**Manish Dhariwal:** We are not looking at capacity requirements significantly in this year.

**Ankit Merchant:** I meant how much revenue can you derive, if you run the plant at full utilization?

**Manish Dhariwal:** We do not have an exact calculation of how much revenue we can go up to but looking at the business expectation, we are fairly comfortable on our capacity.

**Moderator:** The next question is from the line of Varun Bakshi from Equirus Securities. Please go ahead.

**Varun Bakshi:** My question is pertaining to the growth rate, we have seen a very good number of 26% on our part sales growth. I just wanted to understand, was it purely on the basis of the volume growth or what all factors lead to such a good number and what is the sustainable rate going ahead?

**Manish Dhariwal:** The growth rate is largely volume driven. We have been maintaining our growth which has been an alpha over the growth rate of the industry because of the new part and the new customers that we have been acquiring. We are expecting the same trend to continue.

**Varun Bakshi:** Okay, so can we expect the growth rate of (+) 20% going ahead?

**Manish Dhariwal:** While I am not putting a number to this, we are fairly confident that our growth rates will be fairly healthy.

**Varun Bakshi:** My next question is pertaining to our gross margin on quarter-on-quarter basis, like, we have seen a growth of about 380 basis points over the last quarter. Our raw materials are anyways not linked to the crude oil and all, so what has lead to this growth basically in gross margins, when comparing to March 2018 quarter numbers?

**Manish Dhariwal:** In the March quarter we reported a significant Tool sales, on account of which our raw material cost was showing on the higher side. In this quarter the tool sales has been significantly lower, so the raw material is primarily reflecting our Parts business.

**Moderator:** The next question is from the line of Kalpesh Parikh from Prabhudas Lilladher. Please go ahead.

**Kalpesh Parikh:** Finally after good effort that we have put in, we have started supplying to Honda Car for this new Amaze and Toyota Yaaris. So basically just wanted to understand what could be the opportunity for these two products and what is there in the pipeline for new vendors as such and how you see growth, you did mention for SIAM figure for 8-10%, but for us how you are seeing a growth prospect in this year?

**Abhishek Jain:** Honda Amaze was a very big project for us, which has started commercial sales in this quarter and then Yaaris also was an important model that started this quarter and while I am not at a liberty to say right now, we are continuously working with Maruti and other customers also for their new models. We are very much working closely with all the customers for all their new models. So, there is not going to be a single model where we are not going to be present, unless and until it is a CKD kind of a model which is only assembled locally in India.

**Kalpesh Parikh:** Any other such supplies for any new product which will come in during this year, which can give a delta swing in the coming years?

**Abhishek Jain:** There are couple of models from Suzuki which are under development now, I think 3 models are slated for production this year. So that will further boost up the revenues.

**Kalpesh Parikh:** Should we expect at least double digit type of growth, since you are saying for the industry there will be 8-10% growth for passenger vehicle segment. Should we expect to be growing at least 20% type of thing for next couple of year?

**Abhishek Jain:** Double digit growth is more favorable, but I would not put a number to it right now. But what I can guarantee is that we will be growing at a rate higher than the industry for sure.

**Kalpesh Parikh:** On the margins front, we are enjoying quite healthy margins of 19.94% so are we seeing that as a sustainable thing or there are more pressures coming in?

**Abhishek Jain:** In the complete last year, our EBITDA margin ranged from 19-21% so we are quite comfortable in maintaining that EBITDA level. Any changes in the macroeconomics or in case of any other challenges, we have a very strong focus on offsetting those cost increase by optimizing costs somewhere else. There are lot of opportunities further for us to grow our cost efficiencies in the Company and going forward that is our strong focus. So we are quite comfortable in achieving these margins, going forward also.

**Kalpesh Parikh:** And my last question will be on this CAPEX front, because you mentioned we are already at utilization level of 75-80% in auto and injection mold space, so what type of CAPEX we will have to do? Whether we will have to do bigger CAPEX now or probably we can still continue for 1-2 years with a normal CAPEX?

**Abhishek Jain:** For this year we are planning to spend about Rs. 30 odd crore in total capital expenditure and we only invest in machines once we have a visibility with the customer. So in case any new model or any new project is on the way for any of the customer we might need to invest in new machineries for that. But 1-2 years I don't have visibility right now, but it is a very floating kind of a situation that whenever we get business we review our capacity utilization and in case if there a gap somewhere then we decide to invest in it. Doing CAPEX basically is a very serious and a much focused thing for us, so we are careful of spending any sort of money on our capital expenditure now.

**Kalpesh Parikh:** You already have reached 80-85% on the injection molding space and probably at the most we will be reaching 90-95% as Manishji mentioned on the call, so then probably you will have to take some call on CAPEX in the near term only because if you are trying to get more orders from some of the vendors then you will have to be ready right?

**Abhishek Jain:** That is the normal process. So whatever we have to do this year, our capital expenditure will be more or less in this Rs. 30 crore range only and in case over the next couple of months, if we get some new business or some other kind of opportunity from the customers then obviously we need to invest in other capacities.

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

**Suvarna Joshi:** Just one clarification on CAPEX requirement, you mentioned in your opening remarks that we have already incurred about Rs. 15.27 crore worth of investments in the Q1 of FY19 and the total CAPEX requirement will be Rs. 30 crore for FY19, so are we then saying that in the balance of the 9 months, we will probably incur another Rs. 15 crore or this Rs. 15 crore is over and above the Rs. 30 crore that you just mentioned?

**Abhishek Jain:** The total CAPEX for the entire year is expected to be about Rs. 30 crore and see our capital expenditure is basically tied up with the customer and when the production of their vehicles is going to start. So, in this Q1, we have almost done 50% of the CAPEX for the entire year and that is primarily because of the launch of new models. In the balance of 9 months we would be very comfortable doing another Rs. 15 crore only.

**Suvarna Joshi:** So then, could you just highlight how much is the maintenance CAPEX we would need, or it is not more, I mean hardly anything about Rs. 2-3 odd crore?

**Manish Dhariwal:** No. The maintenance CAPEX will be in the region about say, Rs. 8-10 crore and basically we are looking at our overall budget of about Rs. 30 odd crore based on the analysis and the reviews that we have done so far. Now this basically includes a variety of efforts: Maintenance CAPEX, debottlenecking, kaizen and whole lot of initiatives are included in this, including certain capacity additions which would involve maybe buying one or two specific machines where we are facing constraints.

**Suvarna Joshi:** My second question was on the EBITDA margin front, could you just break up the margin profile for us as in how much of it is coming from cost optimization efforts that we are putting in, in our organization and how much of it is coming from the raw material pass through or so, just a broad understanding on the components of our EBITDA margin would be really helpful.

**Manish Dhariwal:** It is actually not possible to give you a break up as to how much is because of this? How much is because of that? The process of improvement and increasing efficiencies is across the board, across the functions. Now, with the FOREX going up, with the crude also going up, although we are not significantly impacted but that obviously there is some impact that we are facing. However, that is getting matched with the other optimization efforts that we have made, and these are like micro in individual efforts but then on a collective basis they give results.

**Suvarna Joshi:** So I was just coming to this, given that we have seen some raw material price increases, some unfavorable FOREX movement so just wanted to understand that, how much of that has been offset by the internal efficiencies? Is it that, I understand that internal efficiencies are all across the year as we conduct our business, but what makes us stop from probably bettering our EBITDA margins, even in a scenario where these cost pressures are there?

**Manish Dhariwal:** It is a continuous process, if you research our historical trend on the EBITDA margins you will find that they have reflected the efforts that the company has been making on a continuing basis.

**Suvarna Joshi:** I mean we have a pass through for both raw material cost and FOREX and now we are seeing some bit of an uptick in both these components. And as we work with OEMs and the contract gets renewed only after a year, is what I understand. Please correct me if I am wrong there. So basically in this kind of a scenario we are probably observing the cost pressure right now, and working with internal optimization.

**Manish Dhariwal:** I am actually not able to understand where the gap is appearing. Say a Yaaris or maybe a Honda Amaze project that has come up, we have basically negotiated and discussed the pricing and everything has been arrived at and on the basis of which our sales is getting booked. Now, there are certain clauses in the arrangement whereby the FOREX pass through takes place and in most cases the raw material pass through takes place. But then you will observe that there is a lag effect in that. So, in case of FOREX there is a quarter lag. So that happens.

**Suvarna Joshi:** My last and final question is on the Gujarat plant, I believe we have started commercial supplies from that plant to SMG that is Suzuki Motor Gujarat and in the previous concall we mentioned that we have got entry into SMG for one of their existing models which was earlier done by some other player in injection molded part. So have we seen traction for other models as well from Maruti, for their existing models?

**Abhishek Jain:** At Suzuki Motor Gujarat they are currently producing Swift and Baleno models, so we have got business for both of these models for our Gujarat facility and we are already supplying for them.

**Suvarna Joshi:** So these are the two models that we are working on? Besides these have we got any other existing models of Maruti for any of the parts in NCR?

**Abhishek Jain:** In NCR, like I told Mr. Kalpesh, there are couple of models which Maruti will be launching this year, so we are already working with them on those models.

**Moderator:** Thank you. The next question is from the line of Dhruv Kashyap from Edelweiss. Please go ahead.

**Dhruv Kashyap:** First of all thanks for the sort of awesome stuff that you guys have been doing. I think, all of our shareholders are pretty indebted to you for the value that you have been creating. I just have two very specific questions; one is that I want to understand this change in inventory a bit better from Manish ji.

**Manish Dhariwal:** Yes tell me, what is your question?

**Dhruv Kashyap:** There is 788.54 figure versus a 9.32 in the base quarter and a 256.44 in the Q-o-Q. So there is a significant change in inventory of finished goods, work in progress, stock in trade. The numbers are from the statement of unaudited financial results for the quarter ended 30th June 2018, under the head expenses, marked: 2C. The kind of figures we have stands out from everything else, so from 9.3 to 256.44 to 788.54, so just wanted to understand these figures because it stands out a bit compared to all other figures.

**Manish Dhariwal:** This is largely on account of the inventory build-up that has taken place towards the molds that we are working on. There are two aspects to the business; one is the Parts which is the main activity and there is other activity of building the Tools, i.e. the moldings, building the tools as the molds for the purpose of making these parts. So basically the mold inventory has been on the rise and that is being reflected in these figures.

**Dhruv Kashyap:** Is it on the rise for specific business reasons or is it on the rise because you are holding inventory that is not getting liquidated?

**Manish Dhariwal:** These are all for very, very specific projects. In fact just a couple of minutes ago, Mr. Jain shared with you about the various projects that we are working on, so this inventory is basically reflecting the work that is being done on them. At the time of SOP, (start of production), the customer buys the tools from us which is being reflected as the sale of the tools, which we speak about. So the figure you see is of the inventory of the tools that we are making right now.

**Dhruv Kashyap:** If I have understood you correctly, you are saying that there are certain projects which are going to see the light of the day, in terms of production starting of new models, etc. and as soon as they are ready to start a lot of this inventory of yours will go to them so it will not sort of really reflect the same amount in the subsequent quarter or as and when the production starts. So this is just a build up for a production that is going to happen very quickly in the future?

**Manish Dhariwal:** Exactly. Typically the projects take about anywhere between 18-24 months, so the process of building the molds is a long process and then there are lot of customer activities that are involved, until then the molds will remain on our balance sheet and they will be reflected in the stock in trade.

**Dhruv Kashyap:** So in layman's term, the way to understand it is actually a good thing because that means a lot of business action happening and you are developing a lot of things, for a lot of products for customers that are going to sort of come on stream and hence, as and when their production starts you will keep sending this stock to them and your inventory will accordingly increase or decrease.

**Manish Dhariwal:** Absolutely. Your understanding is totally correct.

**Dhruv Kashyap:** So it is actually a positive thing, great. The second question which was slightly more generic question and Abhishek I want to put this for you, over a period of time you have been doing sort of tremendously good job in expanding your customer base both in terms of segments as well in terms of the names of the customers, so, whether it is passenger vehicle or whether it is commercial vehicle, two-wheelers and so and so forth. Now, I wanted to understand both from a sort of XY metrics of the graph that in terms of the customers within a segment let's say, passenger vehicles or commercial vehicles or two-wheelers, are you looking at expanding significantly more and within existing customers are you also pitching and trying to get more of their models to come to you and I understand that there is a factory wise matrix so Gujarat might be making something, Manesar might be making something else and so on and so forth. So my question really being that across segments where do you see your entries happening, commercial vehicles, two-wheeler and passenger vehicles and within each which are the companies that you still don't supply to and you think you can crack. And third, the companies that you supply to but you are not supplying for all their models right now and where is an opportunity there?

**Abhishek Jain:** Basically we are following the Ansoff model where the XY matrix is plotted on basis of products and customers, which is further sub-divided into new and existing. Look at the products on the X-axis and the customers on the Y-axis, and existing on the lower part and new on the higher part. Our strategy is to attack new customers for existing product range and finding new opportunities with them. For the existing customers how do we expand the market more and get additional parts from them.

So, this commercial vehicle project that we did was actually a new customer and a new product segment completely for us. So that on the top right of that matrix. For our existing customers like, Maruti, Toyota and Honda, we have a leadership position in the sealing systems space. In the injection space we still have a leadership position with Honda but we have very limited presence in Maruti and Toyota and other customers for our injection molded products. So that is one clear focus for us, that going forward we want to increase our association with Maruti, especially for the injection molding products. And with that effect we have established a plant in Gujarat, which caters to the SMG part of Maruti.

On the NCR front, before 2014 we were primarily a sealing system supplier to Maruti. When we established this Pathredi plant in 2014, so that time we were competitive enough of competing with the injection molding supplies of Maruti and then we started some parts supply to Maruti Suzuki for their Manesar plant. So this is the way primarily which we are going ahead. So we are trying to expand our existing products to whatever customers we are not catering to right now, like for sealing systems we were not doing any business with Hyundai which we have started last year and this year we are again working on a couple of more models for them. And apart from Hyundai, now we are also looking at the European maker especially Volkswagen for our sealing system growth. For injection growth, we are looking at opportunities in SMG and opportunities in Nissan as well as expanding more opportunities in the commercial vehicle space, where we have entered this instrument panel business. So we are not leaving any stone unturned for scouting of business opportunities but only condition is that we are going at is that we need a profitable growth to come along. So that is kind of a deterrent, why we are not able to achieve a higher growth probably but, we personally feel that a sustainable growth has to be a growth which is profitable, we just don't want to chase top line and achieve a higher growth where nothing gets value-added to the company. As long as the value addition is happening, we are chasing that opportunity in a very serious way.

**Moderator:** The next question is from the line of Kushal Shah from Dolat Capital. Please go ahead.

**Kushal Shah:** On the capacity front how much of a lead time does it take for you to start with the CAPEX and for the completion of the full CAPEX?

**Manish Dhariwal:** There are two aspects to this, one is when we have to set up a plant, as in we have to set up the building, we have to construct the building and then we have to install the utilities and the complete infrastructure. The second is that we just have to add a machine. Now as you are aware that we have just completed our CAPEX and the setting up of plant in Chennai and Gujarat, so going forward, very less time will be taken in adding a machine, which will be about 3-6 months.

**Kushal Shah:** And do you have the space, like at the current plants to get machines, setting up and all?

**Manish Dhariwal:** Yes, as of now we are not facing any challenge.

**Moderator:** The next question is from the line of Sagar Kharicha from Chartered Capital. Please go ahead.

**Sagar Kharicha:** My question is on PPAP Tokai, the joint venture that we have, so, we have invested around Rs. 49 crore in the company. So my question is that has the JV partner invested the same amount? Second is that, what is the IRR that you have planned in this project? What is the maximum top-line that you can do in this project and how has the performance been in the Q1FY19?

**Manish Dhariwal:** It is an equal equity joint venture so an equal amount has been invested by Tokai Kogyo who is our technology partner and is the joint venture partner in PTI. We are having a reasonably good growth in the business. We will share the numbers at the end of the year, the investment is doing good, it is on a fairly good growth trajectory.

**Sagar Kharicha:** At maximum capacity could you just give us a number as in what is the kind of top line that you can do going like 2-3 years ahead, I understand that it takes time for a company to set up a good top line revenue, so if you could just throw some light on that, so we can understand the potential of that business as well, beyond the standalone company that you are already running?

**Manish Dhariwal:** It is a normal growth trajectory we are trying to get more and projects in that business and as can be seen over the last couple of years, we have consistently grown at a good clip.

**Sagar Kharicha:** In FY18 how much top line did you do from this company?

**Manish Dhariwal:** We did over Rs. 60 crore there.

**Moderator:** The next question is from the line of Kirtan Chapalkar from Sapphire Financial. Please go ahead.

**Kirtan Chapalkar:** We are expecting more launches from Maruti, do we expect tool sales to go up, in the next few quarters?

**Manish Dhariwal:** Absolutely, tool sales in an integral part of any model launch.

**Kirtan Chapalkar:** Since the part sales have actually grown like 26% in this quarter, so do we expect significant jump up in revenues going forward also?

**Manish Dhariwal:** Yes, that is what the effort is all towards.

**Kirtan Chapalkar:** Do you expect getting more and more business from Maruti like current contribution is around say 48% to the total revenues, do we expect this to go up significantly in the coming few quarters, from Maruti side?

**Manish Dhariwal:** No.The revenue will go up but the percentage to the total sales will hopefully not go up because other customers will also give us more business.

**Kirtan Chapalkar:** So you are expecting more and more growth even from Hyundai, in that case?

**Manish Dhariwal:** Yes, absolutely, all customers.

**Moderator:** The next question is from the line of Agam Shah from Raj Trading. Please go ahead.

**Agam Shah:** I just had a small question in terms of working capital. Your number of days on a quarter-on-quarter basis has been increasing annually, so as our business increases our working capital will increase or will it remain at these levels?

**Manish Dhariwal:** Our working capital increase that is being shown is basically because of certain specific factor and the level that we are having now is going to be maintained. Before the start of the GST, the number was significantly lower but then post GST our debtor days increased and there after our inventory for a couple of quarters has increased on account of certain specific events, like, in March the inventory was up because of the starting of this E-Way Bill, we wanted to keep the inventory so that there was no problem in the supply chain side. The e-way bill was started from the 1st of April 2018. So there a fair amount of disruption was expected. To protect the company against that we had raised the levels of inventory in March. This quarter there has been a significant buildup of the tool inventory, which we discussed just a couple of minutes back, so there have been these specific reasons for the increase of the working capital cycle but then it is not expected to go significantly more than this, in fact it should come down.**Agam Shah:** Right now in Q1 of FY19 we have presently 53 days, so will it be in the range of 50-55days or sharp 50 days?

**Manish Dhariwal:** This time it is because of the increase in inventory on account of the tooling. So, as the tooling gets disposed of, the number is expected to come down. So you could say it will be around 50 days.

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

**Suvarna Joshi:** Just had two quick questions, one was on Hyundai; you mentioned that we are working with Hyundai on a couple of more models so could you just help us understand that as per the commercial relationship that has been build up with Hyundai, how is that fairing and how much does it contribute to our revenues? I understand it will be very small, but still if you could just help us understand with that number. And, the second one was on the Volkswagen project that you mentioned, that is in the pipeline or so, will we see something happening on that front in the upcoming financial year or will it take about 2-3 years to materialize really speaking?

**Abhishek Jain:** For Hyundai business we started our relationship with the Eon model and now we are developing parts for another two models for them, which are supposed to start production this year. So, I am not at liberty to disclose the models right now because they are under the confidentiality agreement with Hyundai but we are developing two models with them.

**Suvarna Joshi:** What kind of revenue potential can we see from Hyundai in FY19? Because I understand over the coming few years the potential will really be large but if you could just give us some sense of how FY19 looks like in terms of Hyundai will be helpful.

**Abhishek Jain:** Hyundai could basically contribute in single digits to the complete turnover for this year. It would not be in double-digits.

**Suvarna Joshi:** Should be higher single digits?

**Manish Dhariwal:** It is too early to say. The engagement is proceeding on pretty well and we are expecting to see very improved off take with Hyundai. We are not at liberty to share more.

**Suvarna Joshi:** Just an update on Volkswagen if you could share your thoughts there?

**Abhishek Jain:** Volkswagen is recently pushing a new model through Skoda relationship. So we have been discussing with Volkswagen about that model and how to start production for those models.

**Moderator:** I hand the conference over to the management for their closing comments, please go ahead.

**Abhishek Jain:** Thank you Liz Anne and thank you Snighter from Concept 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 schedules to listen to us today. Please feel free to contact Concept or us in case you have any further questions. Also, if you happen to be in the NCR, do give us an opportunity to show you around our world-class operation. Thank you so much for today.

**Moderator:** Thank you sir. Thank you all for being a part of the conference call. If you need any further information or clarification, please mail at snighter@conceptpr.com. Ladies and gentlemen, this conclude your conference for today. Thank you for using Chorus Call Conferencing Services. You may now disconnect your lines. Thank you and have a pleasant day.

- Ends -

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