

Steel Strips Wheels Earnings Conference Call

MODERATOR:

Ladies and gentlemen, good day and welcome to the Steel Strips Wheels Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * and then 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohan Korde from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

ROHAN KORDE - PRABHUDAS LILLADHER PRIVATE LIMITED:

Thank you Ali. We have with us from the management Mr. Naveen Sorot who is the CFO at Steel Strips Wheels. Sir, I hand over the floor to you for your opening remarks.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Thanks Rohan. First of all I welcome all the participants who have logged in. I'll just go through the results that were released just yesterday for both annual as well as quarterly. For the quarter we have achieved a gross sale of 344 crores as against 326 crores that we achieved in same quarter last year. In terms of ebidta, company was able to achieve an ebidta of 46.82 crores in Q4 FY 16 as against 36.49 in Q4 last year. In terms of PAT, company achieved a PAT of 18.48 crores as against 11.91 same quarter last year. So a growth rate of around 55%. For the year company achieved gross sales of 1319 crores as against 1278 crores in FY15. We have done an ebidta of 164 crores as against 128 crores that we did in FY15. At PAT level company achieved a PAT of 61.18 crores as against 39.40 crores which is a growth of around 55%. There has been a commensurate jump in the cash accrual and the company has been able to garner around 103 crores as against 77 crores in FY15.

Capacity utilization have moved up across all our three facilities. We have three plants, Dappar, Chennai and Jamshedpur, and the utilization levels have moved up from 75% in FY15 to 79% in FY 16. Among these utilization levels, considerable to note is the Jamshedpur utilization level, plant which is specifically for our commercial wheels, where the utilization has moved up from 56% in FY 15 to 82.9% in FY16. In terms of volumes we did 13.16 million wheel rims in FY 16 as against 12.46 million wheel rims in FY 15 which is a growth of around 5.6%. If I bifurcate the sales value among different segments it will be 41% from car and MUV, 36.7% from CV, 15% from tractor, 6.5% from two-wheeler and three-wheeler and 0.6% from the OTR.

And if we look at the growth numbers across all the segments, the major growth came from the CV segment which grew by around 48% followed by car and MUV which grew by about 9% odd. The segment which de-grew for us was the tractor segment which de-grew by around 10.50%.

And as against this, if we bifurcate the volumes in terms of segments, 60% of the volumes came from PV, 21% from two-wheeler/ three-wheeler, 10% from CV and 6.5% from tractor.

Over to you Rohan.

ROHAN KORDE - PRABHUDAS LILLADHER PRIVATE LIMITED:

I think I'll just kick off the Q&A session. Wanted to understand in terms of the results, our gross margins have improved quite well in the quarter. But the other expenditure to sale ratio was significantly higher on the year on year basis. So is there any one off item involved over there?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yeah see you are looking at it from the quarter point of view?

ROHAN KORDE - PRABHUDAS LILLADHER PRIVATE LIMITED:

From a year on year basically, other expenses increased from 49 crores in 4th quarter last year to 69.5 crores in 4th quarter this year. So wanted to know if there was any one off element involved over there.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes see there are a couple of expenses which have gone up there. First is as I mentioned the utilization level of two of our plants is hovering at around 93%, to maintain that capacity utilization levels there was increase in preemptive repair and maintenance and store spares which has been done which is to the tune of around 5 to 6 odd crores. Further with increased profitability our provision for managerial remuneration has moved up by around Rs3cr. Other than these figures rest all figures have moved in sync with revenue growth.

ROHAN KORDE - PRABHUDAS LILLADHER PRIVATE LIMITED:

Okay. And in terms of the RM cost, now are we seeing a trend where the RM cost can get increased?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes we are. See we ourselves are anticipating an increase of around 10-15% in the RM cost in the current financial year. But that will not necessarily impact the bottom line as in any case those increases will be passed on to the customer.

ROHAN KORDE - PRABHUDAS LILLADHER PRIVATE LIMITED:

So we will see an increase in realization and an increase in RM cost.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes.

ROHAN KORDE - PRABHUDAS LILLADHER PRIVATE LIMITED:

Okay. And in terms of demand, you already gave the growth for the year for the major segments. Can you also share the outlook for FY 17, how all the major segments are expected to do?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See if I look at the total volumes that we did in FY 16 it was 13.16 million wheel rims. For FY 17 we expect at least a 10% growth over this number. So we should easily be crossing 14 million wheel rims. Of this if we bifurcate it segment wise then major growth we expect will come again from the CV segment. Last year that is FY16 it moved by around 48% odd. In current financial year we expect it to grow again by 25 to 26% followed by the car segment which we again expect will be hovering around 8-10% odd. The only number which we are not yet sure of is the tractor. Last year it de-grew by about 10%. But considering the kind of predictions for the monsoons, if it pans out that way then probably we can see 5-8% growth in the tractor side as well.

ROHAN KORDE - PRABHUDAS LILLADHER PRIVATE LIMITED:

Okay. That was very helpful. We can take other questions now.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes.

MODERATOR:

Thank you. Participants who wish to ask a question may please press * and 1 at this time.

Next question is from the line of Mayur Malik from Anand Rathi. Please go ahead.

MR. MAYUR MALIK – ANAND RATHI:

Hi just wanted to understand some basic numbers. So do we have anything in the replacement market as well or it is all supplies to OEMs actually?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See 95% of the supplies are to the OEMs. steel wheel is not commodity which will be replaced very soon unless there is a case of accident or misuse in cases of CV or tractor. So 95% of the turnover is to the OEMs. It's a very small quantity to be doled out to the aftermarket. Now we are targeting an aftermarket but for the exports.

MR. MAYUR MALIK – ANAND RATHI:

So I am just trying to understand, you are saying that you are expecting a decent growth or a strong growth in the LCV segment, while in fact even in the last year the LCV segment overall did not really grow much as far as the LCV vehicles sales are concerned.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See the thing is I am not saying on the LCV, it is the CV segment.

MR. MAYUR MALIK – ANAND RATHI:

Okay so that is a combined you are saying, medium and heavy and LCV combined together.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes. See in any case our contribution towards LCV is very low. It's majorly into HCV.

MR. MAYUR MALIK – ANAND RATHI:

Okay. So we are again anticipating that since the industry in the commercial vehicle is expected to grow at a good 14-15%, we should see that number coming to our top line as well.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

There are two things which are happening simultaneously. One is the OEM themselves are growing at a handsome number. Second is our share of business with those OEMs are growing. Further there are a couple of more wheel sizes which are under development as well as under approval routes. Once they are through they will come on-stream very fast. So probably by start of Q2 there will be additional wheel sizes that will get added.

MR. MAYUR MALIK – ANAND RATHI:

Okay. And sir coming to your capacities, if I am not mistaken you have a 9 million wheel capacity in Dappar.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes.

MR. MAYUR MALIK – ANAND RATHI:

And your Jamshedpur facility currently has only around 2 million?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Jamshedpur see earlier at the start of the year it was 1.6 million but there were some de-bottleneck exercises that we did. That has increased it to 1.8 million wheel rims.

MR. MAYUR MALIK – ANAND RATHI:

Okay. So if you are mentioning already that the overall capacities that the two plants are at 90% plus, and we are expecting some greater demand to come with newer products, so do we really have the capacity to get all the newer demand? Or you will be struggling with capacity as such?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

We will still have capacity. If you look at the overall number for my two plants, Dappar is at around 88% odd, Jamshedpur is at 83%. I still have spare capacity which are available. Further we are still into our de-bottlenecking exercise. Like from 16 lakh odd wheels we increased the capacity to 18. We are still doing our arithmetic right and identifying the bottleneck equipment.

MR. MAYUR MALIK – ANAND RATHI:

Okay. And coming to the capex part, what are your capex plans for the next 2 years?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See last year company started two major capex. One is the alloy wheel rim project, second is the backward integration project which is HR rolling mill. This year probably the major expansion or major expenditure will be on these two projects. The alloy wheel is expected to get commissioned by Feb 2017, and HR Rolling is expected to get commissioned by December '16/ Jan '17.

MR. MAYUR MALIK – ANAND RATHI:

Okay. Sir just one last question on the margin side. Sir since you have a 95% supply to OEMs, you would have a pass on contract with them. So any increase in raw material prices should not really bother your margins per se. Am I reading it right?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yeah. Exactly. See the industry practice is to have a half yearly settlement on any steel movements. And every increase and decrease is passed on. So the movement will not actually impact the bottom line.

MR. MAYUR MALIK – ANAND RATHI:

Okay. So is there any further scope for improvement in margins as such for the newer products? Do we expect better margins to come in?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See if you look at probably the kind of margins that we achieved in Q4, the ebidta we touched around 14.9%. There are certain cost cutting measures that we are undertaking that will probably yield another 50 basis points. Our emphasis will be to maintain the 14.9 that we achieve in Q4, for subsequent quarters as well.

MR. MAYUR MALIK – ANAND RATHI:

So you believe we can do that 15% kind of margins going forward as well?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes.

MR. MAYUR MALIK – ANAND RATHI:

Alright great. That will be all. I will probably come back in queue. Thank you.

MODERATOR:

Thank you. The next question is from the line of Dhiral Shah from GEPL Capital. Please go ahead.

MR. DHIRAL SHAH – GEPL CAPITAL:

Yeah good afternoon sir. Congratulations for a great set of numbers. Sir I just wanted to know how much incremental revenue will these all wheel plants generate in coming years at full capacity?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

So let's say if all my three facilities run full throttle we should be easily achieving a turnover of around Rs1700 odd crores.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay this is from a steel....

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Steel....

MR. DHIRAL SHAH – GEPL CAPITAL:

And from alloy?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See alloy, since alloy will only be commissioned from Feb 2017 there is no revenue that it will be adding to the top line in the financial year.

MR. DHIRAL SHAH – GEPL CAPITAL:

Not for this financial year. But maybe in coming years like FY 18, FY 19....

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

The peak turnover from the alloy wheel project will be somewhere around 750 odd crores.

MR. DHIRAL SHAH – GEPL CAPITAL:

750 odd. And what kind of margin will it generate?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See that will again depend on the OEM to whom you are supplying and the wheel sizes. Average should be within 15 to 18% odd.

MR. DHIRAL SHAH – GEPL CAPITAL:

15 to 18 odd percent. And sir what's your outlook for export in FY 17?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See if you look at our export figures for FY 16, we did an export of around 150 crores which is 12 crores lower than what we achieved in FY 15. Major impact in decline was from Euro rate. See 85% of my export is in Euro. Last year the average realization rate was around 73-74 against 78 -79 I realized in FY 15.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Second impact came from the Russian market. Since the Ruble is down, the imports have become unviable for them. But this year we have started with a couple of new orders that we have bagged, especially with JLR which will soon be ramping up. So on an overall basis this year we are expecting an export to the tune of around 165 to 170 crores.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay this year.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay. And sir is there any plan for debt reduction?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See debt reduction may not happen this year for the time being because there are two major projects which are under execution. So there will be additional debts which we will be availing for alloy wheel as well as HR Rolling, both. In an overall we will be adding another 130 crores.

MR. DHIRAL SHAH – GEPL CAPITAL:

In coming year? In FY 17?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

In FY 17.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay 130 crores debt.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Additional this year, yes.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay, okay that's it from my side. If I have any other questions I will sure be online then.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Okay.

MODERATOR:

Thank you. Before we take the next question we would like to remind participants that you may press * and 1 to ask a question. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Congratulations on a good set of numbers sir.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes thanks Jayesh.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Sir I want to understand what is the maintenance capex that we undergo every year.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See generally the maintenance capex goes at around 20-25 odd crores

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Okay. And sir many of our contracts are such that they last for say 8 to 12 months or even more than that. So the impact of this MIP, due to which our costs will increase, raw material costs will increase, do we transfer that also?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Any movement in the raw material pricing whether there is increase or decrease is settled with the customer on a 6 monthly basis.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

So what I am understanding is even if our contract has been executed, I mean done with them, and supplies are remaining, they still pass on the raw material increase is it?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yeah. See there are two ways of settling it. One will be either through a debit or credit and second is by building it in the pricing. So let's say there is a settlement which is due between April to September and let's say we are in June, so all that shipment that I will be doing from June to September will be through the revised purchase order, whereas all the shipment that I have already done from April to June will be settled through debit and credit notes.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Okay. Sir another thing was the major capacity that we have currently is in steel wheels. While the current trend which I am looking at is more aligning towards alloy wheels. So do you think that going forward say after 3 or 4 years our steel wheel capacity will probably be more idle than the alloy?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Not exactly. On an overall basis roughly alloy wheel contributes 24% of the wheel requirement in the PV segment. Alloy wheel is only impacting the PV segment. It is not present in the scooter or tractor or CV. Even in the passenger car in FY 15 the share of alloy wheel was around 24% though that segment is growing at a CAGR of around 20 odd percent. So our best estimate is that say in another 3 or 4 years this number will rise to 35% odd. But overall market will also be growing. So that will not mean that 35% will erode or probably will keep my existing capacities idle.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Okay. And sir last question is currently are we under the anti-dumping duty of alloy wheel condition?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Anti-dumping duty is there in the alloy wheel.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

And if I am not wrong it was somewhere in 2015 that this was imposed. Can you give me – and I think it was for 5 years right?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Do you have the dates sir?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Not exactly the dates but I have the rates. It is roughly around \$2 a kg which is imposed for all the imports which are coming from China. Then it's \$1.18 per kg for all the imports which are coming from Korea. And \$1.05 a kg for all the imports which are happening from Thailand.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Okay. That's it from my side. Thank you very much and best of luck for future.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Thanks.

MODERATOR:

Thank you. Participants who wish to ask questions may please press * and 1 at this time. Participants who wish to ask questions may press * and 1. Next question is from the line of Dhiral Shah from GEPL Capital. Please go ahead.

MR. DHIRAL SHAH – GEPL CAPITAL:

You just said that you know you will see a 55 improvement in margin in the coming year. So that will be a peak margin or do you expect a further improvement in margin maybe you know in the years coming ahead?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See margins are directly linked to the sales mix that I will be doing. Going ahead we will also be having incremental revenue coming from my alloy wheels. And alloy wheel segment the average margins that we are seeing is in the range of 15 to 18%. So once the alloy wheels starts contributing the numbers, these margins are expected to move up.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay means in the coming year it will be 15-16% right?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes, yes.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay but do you have any contract in hand for alloy wheels?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See we have a couple of RFQs and RFIs. See the thing is OEM we will not dole out contracts till they do the audit of the facility. Currently my facility is not yet available. What we are trying to do is we will setup the facility in Feb 2017. For another 3 or 4 months plant will be under trial run for sample as well as audit. Post audit the Po's will be issued. But yes we have definite RFQs and RFIs in hand.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay, okay, okay. And sir is there any plan to increase OEM, I mean to expand OEM? Are you in talk with other OEMs?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

For the alloy wheel?

MR. DHIRAL SHAH – GEPL CAPITAL:

No, for the steel wheel.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Steel wheel see one of the major OEMs that probably could get added in this financial year will be Toyota. It is under discussion and it is not yet finalized but we might get it added.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay in a year term or by FY 17?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Sometime in between.

MR. DHIRAL SHAH – GEPL CAPITAL:

Sometime in between. Okay, okay sir that is it from my side.

MODERATOR:

Thank you. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Sir currently I think in the last entire one year we have seen a de-growth in tractor wheel segment. Now the forecast from what we are reading and hearing is that we are going to have a good monsoon this year. So do you see this tractor wheel segment becoming a dark horse for you?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

It may. What we could make out from let's say if the monsoon pans out as currently been indicated we may see a growth of around 5 to 8% in tractors.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

And sir can you help me in understanding which segment of yours gives you more ebidta margin? Is it two wheeler? Is it tractor?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Thumb rule is heavier the wheel better will be the realization as well the margins. So if you look at it from the point of ebidta rupee per wheel it will be higher in case of CV, OTR and tractors back wheel. Tractor front will be as good as PV. It will be CV and tractor back wheel, followed by OTR, car and MUV followed by two wheeler and three wheeler.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Okay sir that's all from my side.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

So what I was thinking was fortunately this time maybe along with CV maybe tractor will also turn.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes.

MR. JAYESH GANDHI – HARSHAD GANDHI SECURITIES:

Yeah. Okay sir thanks.

MODERATOR:

Thank you. Participants who wish to ask questions may please press * and 1 at this time. Next question is from the line of Aditya Biyani from Reliance Mutual Fund. Please go ahead.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Hello sir?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Hi.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Sir can I get OEM wise market share segment? Like for passenger cars plus UVs what would be the market share on the OEM side, plus for two wheelers/tractors? If you can discuss that?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See I cannot disclose OEM wise market share. What I can discuss is the segment wise market share.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Yeah segment wise if you could give it to me.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Okay segment wise if you look at the PV segment we are somewhere close to 50%.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Okay.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

For tractors and CV we are around 38 to 40 odd percent. Our two wheeler it is very difficult to quantify because we are only supplying to scooters.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Okay.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

And in the scooter there are a couple of OEMs who have captive facilities for wheels. Thus difficult to ascertain what is the share of business in scooters.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Okay. Sir in motorcycles currently we don't supply?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

No, no. Motorcycles we don't supply. It is a different kind of alloy wheel which is used there.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Okay.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Okay. Sir on the truck basis what is the OEM market share over there?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

38%.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

38%.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

38 to 40.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

And tractor also you mentioned is 38-40%.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yeah.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Sir on the domestic side there is no replacement market where we cater to?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See generally over a life span of a motor car a steel wheel will be hardly replaced unless there is an accident case. Replacement is more visible on probably on the CV side or the tractor side where the wheels are being abused either due to overloading or over capacity. Other than that there is no major after market which is available at least in the domestic side. Whereas there is the concept of winter wheels which is there in countries where temperatures fluctuate widely. Where alloy wheels are being replaced with steel wheel during winters because salt is sprinkled to melt the ice which generally corrodes with alloy. There is a concept of winter wheels and there is a market for steel wheels as aftermarket abroad which we are trying to tap.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Okay. And for which you have won significant orders also right?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yeah. There are a couple of orders but we are getting a big order from that side.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Okay. Sir how do you rate the domestic comparative intensity in terms of OEM competition? Because is Wheels India a big competition compared to our SSW, steel Strips Wheel?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Wheels India is like our mentor and is in the industry for donkey's years. So they have been our mentor and guide. But since we started off late we are aggressive in our approach. We are not willing to loose out on any businesses which is on offer.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Sure.

MR. ADITYA BIYANI – RELIANCE MUTUAL FUND:

Okay, okay. Okay sir that's all from my side. Thank you very much sir.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Thanks.

MODERATOR:

Thank you. The next question is from the line of Dhiral Shah from GEPL Capital. Please go ahead.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay. And sir as you just said that your CV has the highest margin in a potential and currently your CV contributes around 36% of your total revenue. So is there any plan to increase your contribution of CV in the overall revenue?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

It is there. It has been our endeavor for the last 2 or 3 years. If you look at the utilization level 3 years back, Jamshedpur was hardly 30-35% utilized in FY 14. This number has now moved up to 83%. So our endeavor has been continuously to improve the utilization level of the CV plant that will probably add to the top line as well as bottom line.

MR. DHIRAL SHAH – GEPL CAPITAL:

And sir how much was this number 3 years back? CV contribution to your overall revenue.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Not more than 15%. Our overall utilization was around 35%.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay now it stands at 36% right?

MR. DHIRAL SHAH – GEPL CAPITAL:

And sir the contribution to overall revenue?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

It will not be more than 12-13% odd.

MR. DHIRAL SHAH – GEPL CAPITAL:

3 years back.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yeah.

MR. DHIRAL SHAH – GEPL CAPITAL:

Now it is 36% right?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Yes.

MR. DHIRAL SHAH – GEPL CAPITAL:

Is there any plans to increase to maybe you know 50% or even more?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

See there is a limit by which we can increase. My capacities are already 83% utilization. Though de-bottleneck any exercise is already on but that will probably add another 1 lakh numbers of wheels. Beyond that it will only be asking for setting up on another line.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay so is there any plan for that?

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Nothing as of now. Couple of OEMs have come back to us for delivering additional wheel rims and to increase our SOB. But this is on the discussion table.

MR. DHIRAL SHAH – GEPL CAPITAL:

Okay, okay sir that's it from my side. Thank you so much sir.

MODERATOR:

Thank you. Participants who wish to ask questions may please press * and 1 at this time. As there are no further questions from the participants I now hand the conference over to Mr. Rohan Korde for closing comments.

MR. ROHAN KORDE – PRABHUDAS LILLADHER PVT. LTD.:

Thanks a lot Naveen for sparing your time for attending the call and thanks a lot to all the participants as well.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Thank you .

MR. ROHAN KORDE – PRABHUDAS LILLADHER PVT. LTD.:

Thank you and best of luck for the future.

MR. NAVEEN SOROT - CFO, STEEL STRIPS WHEELS:

Thanks.

MODERATOR:

Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.