"Tube Investments of India Limited Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY 2015 earnings conference call hosted by Axis Capital Limited. As a reminder all participants' line 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 this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kashyap Pujara from Axis Capital Limited. Thank you and over to you!

Kashyap Pujara: Hello good morning everybody. It is a great pleasure to welcome the management of Tube Investments on Q1 FY 2015 earnings call from the management side, we are represented by Mr. Arjun Ananth, who is CFO. Unfortunately the MD could not make it last minute because he was unwell so apologies to all of you for that without taking much time, I will now hand over the floor to Mr. Arjun. Arjun over to you!

Arjun Ananth: Thank you Kashyap. Good morning everybody what I will do is, I will first walk everybody through the consolidated results then the financial services then we will get on to the Tube Investment's standalone and segment results.

On a consolidated basis, our total income grew 13% quarter-on-quarter compared to the first quarter with previous year to 2377 Crores. Net profit grew 11% year-on-year to 89.5 Crores.

Coming out to the Financial Services business, in Cholamandalam Investment and Finance Company Limited Financial our disbursements was 3188 Crores in the first quarter. Our total income from operations was 866 versus 763 in the same quarter of the previous year and profit after tax is 96 Crores, a 4% growth over the same quarter of the previous year.

To other Financial Subsidiary, which is Chola MS Insurance, our gross written premium was 448 Crores slightly lower than 482 Crores in the same quarter of the last year, but our profit after tax increased from 21 Crores to 27 Crores.

Now coming over to our Manufacturing Subsidiary in Shanthi Gears Limited, our revenue went up from 33.2 Crores to 34.2 Crores this quarter and our profit after tax declined to 1.85 Crores compared to 3.37 Crores and this was primarily account of one-time charge that we took on account of legal dispute that amount was 3.02 Crores. The adjusted EBITDA for some of these charges and one time write off was actually 7.5 Crores.

Coming over to Sedis, which is our subsidiary in France sales was 69 Crores compared to 54.4 Crores in the corresponding quarter of the previous year and PAT was 1.3 Crores compared to 0.04 Crores in corresponding quarter of the previous year.

Now I will move on to TI standalone numbers. On a standalone basis, the total income from operations for TI for Q1 of this year was 977 Crores compared to 863 Crores in the same quarter of the previous year, which is growth of 13%.

Our profit after tax also grew from 16.3 Crores last year same quarter to 19 Crores in Q1. Margins have remained more or less constant. Our PAT margins have remained more or less constant at 2%.

Let me switch over to each of the segment. If I take the cycle segment first, our revenues grew by 18% to 361 Crores in this quarter and our PBIT which is segment result grew by 20% to 18.36 Crores compared to 15.3 Crores in the same quarter of the previous year.

Engineering business also had a very strong growth this quarter by 12% to 440 Crores, but the profits before interest and tax remain more or less flat at 29 Crores. We have incurred some expenditure in connection with large diameter project, which is expected to go on stream towards the end of this quarter or early next quarter.

Our metal forming business which consists of our chains, doorframes and railways business, also registered a small increase in revenues by 9% to 213 Crores in the quarter that just ended and the profits also were up by about 11% to 15.2 Crores.

So this is in effect the consolidated as well as the standalone and segmental results of TI. I now throw open the floor to specific questions that you may have.

Moderator: Thank you very much Sir. We have a next question from the line of Nilesh Gandhi from Destimony Securities. Please go ahead.

Nilesh Gandhi: Good morning everyone and thanks for the opportunity. I have question on Shanti Gears In previous concall the management reiterated that they have been receiving good orders from the old customers so if you can elaborate on how it is progressing and want to have to add to the outlook for Shanti Gears as such?

Arjun Ananth: As we reiterated in all our previous calls, our initiatives in Shanti Gears were broadly along the following lines, one was to revamp the sales force and increase the number of distributors. Two was to go back to customers and increase the momentum in our order booking. Third was to improve our shop floor execution capability and therefore the topline. If you look at I think the question was specifically related to order booking and I will just point to two data points. One our order book at the end of June quarter was 74 Crores and when you compare this to the order book at end of the March, it shows an increase of about 10 Crores. The order booking for the quarter was 48 Crores, which again quarter-on-quarter basis has shown a fairly healthy sign. So what we believe is the increase in the distributors as well as the placement of sales people in all strategic locations is slowly beginning to increase the momentum in our order booking, which is reflected in the order book that we have as on date.

Nilesh Gandhi: Sir if you can throw some I mean, is there any some specific industries that are witnessing increase in momentum or it is across that you are witnessing increasing order booking something specific that you can throw some light on that?

Arjun Ananth: Shanti Gears basically caters to all the industries that benefit from infrastructure. So there is steel, cement, sugar, off high-way mining, railways and metro and general engineering to some extent textiles. We do not break out the numbers by industry, but all that I can tell you is there is lot of efforts that has been taken by the company in business development across all these sectors particularly in the case of cement, steel, sugar and so on, our order book of 74 Crores is spread across all these industries that I just talked about.

Nilesh Gandhi: Sir now coming to tube investment, this engineering and MFD division, I mean, can you so throw some light on?

Arjun Ananth: Which division?

Nilesh Gandhi: Engineering and MFD, metal form?

Arjun Ananth: Our engineering business basically consists of tubes and strips. On a volume basis, the growth in our tubes business was totally 9%, strips business 7% in volume terms. In our engineering business the topline growth was fairly good. We have mentioned the number is about 12%. The PBIT growth was more or less flat and that was as I mentioned, there have been some expenditures that was incurred in connection with the large diameter tubing project,. The second division that you asked about is our metal forming division. In the metal forming division, Hyundai is a bright spot. The volume of many of the other OEMs barring a couple of models here and there seemed to be down. I think everybody is eagerly waiting for the launch of Tata Zest and Bolt to see if the Tata volumes get spurred by those two models. In our railway business we have seen some signs of wagon orders coming towards the end of the quarter. So as far as chains business is concerned, we saw growth in volumes, automobile chains grew 23%, our aftermarket grew 19% so all that has contributed to the topline growth in the metal forming business.

Nilesh Gandhi: Sir something on the Japanese JV on developing dyes?

Arjun Ananth: We have invested 2 Crores and our JV partner has also invested 2 Crores in the joint venture with Tsubamex of Japan. This is mainly to manufacture dies that go into body in white parts. Most of these parts today are imported so this is to a great extent an import substitution project What we have done in the last few months is basically get our engineers trained on site at Tsubamex in Japan so that they acquire design skills and more importantly the design methodology that Tsubamex is known for in the OEM circles. Having done that I think we are exploring how to go into what we call phase II to set up die manufacturing subsidiary in India, but we will come back to you with exact plans on that at a later point of time.

Nilesh Gandhi: Thank you.

Moderator: Thank you. We have next question from the line of Prashant Shah from First Consultants. Please go ahead.

Prashant Shah: Thanks for taking my questions, just had one clarification of the insurance bill passed, would you all be looking to sell the stake in the insurance subsidiary to reduce the debt?

Arjun Ananth: Two things, one bill is yet to be formalized, but assuming that bill will be formalized soon, what we have consistently said is we will take a suitable decision at the right time. There is no concrete plan on the table today either on the percentage of stake to be sold or price at which it will be sold. We will take a suitable decision and certainly come back to you at the right time

Prashant Shah: Given all situations we were to assume that the insurance bill will be passed, can we safely assume that there will be at higher valuation then what was the last promotor infusion somewhere on 3200 to 3500 Crores?

Arjun Ananth: I am in no position to comment on the valuation because I think that is something that will be decided between two partners at the right time. Like I said even the exact timing of any divestment of stake if any will be decided when we believe that the time is right. There is no concrete plan on the table as of today.

Prashant Shah: Appreciate that. Thanks.

Moderator: Thank you. The next question is from the line of Ankit Sancheti from Kotak Mahindra. Please go ahead.

Ankit Sancheti: Couple of questions Sir. First on the cycle division, can you throw some light on the margins I think FY'13 and FY'14 were difficult for us in terms from margin perspective. This quarter I think EBIT margins are roughly around 5%, is this a normal margins or margins can move up to 6%-7% in this segment?

Arjun Ananth: Firstly I think in Q1 of this year, the cycle has seen a volume growth of 11.8% compared to the same quarter of the previous year. That was an encouraging sign for us. So far as the margins are concerned what we did in Q1 was, we spent a little bit more on demand creation, be it below the line or above the line activities. I am sure you would have seen us on TV and in some of the children channels as well. So I think all that has helped us to take advantage of the demand during the season. Some of the demand creation expenditure may taper down as we go through the rest of the year. We do not specifically comment on margin guidances but if we will continue to execute with an improving supply chain as we go through every quarter, we hope to obviously improve up on the performance over the last two years.

Ankit Sancheti: I am talking from a margin perspective because when I met you last you mentioned that you guys have taken some increase in the cycle prices in the month of April and this being the main season for the cycle sales, there would be margin decently good margin pickup we should have happen, intuitively speaking but I am just trying to understand that whether that price increases which we were planning or we had already taken in April is already reflected into these numbers?

Arjun Ananth: A portion of it is reflected. We did take a price increase in April, you are right, obviously there is a stock that is sold at the old prices as the new price starts to work its way into the system during the quarter

Ankit Sancheti: Just slightly more on that because supply chain, supply chain was an issue I think one-and-a-half or two years back where we missed out on revenues if I am not mistaken that was at rest sometime back so that should be already in the price of obviously there might be incremental whatever supply chain efficiency which comes in but most of it would be already there so is it more that revenue increase will lead to EBITDA improvement apart from that?

Arjun Ananth: Obviously.

Ankit Sancheti: Even if the sales remains so you are saying it is EBITDA improvement will me more link with the revenue increase rather than anything apart from that. You guys have taken price increase as the industry followed you or the differential between your price Hero has widened?

Arjun Ananth: The industry has taken price increase along with us and while there is small premium in certain models compared to some of our competitors, I think the differential is more or less maintained.

Ankit Sancheti: Now coming to the engineering division, you mentioned that there was some preoperative expenses or whatever initial expenses because you have set up this large dia tube mill, can you throw some light on what kind of traction do you see in this large dia wheel and if you have some order book on that, can you throw some more light on it, how do you see ramp up? What is the capacity and stuff like that?

Arjun Ananth: The plant will get commissioned like I said may be early part of the coming quarter. We have over the last one year engaged in intensive business development for the large tubing. Most of this is import substitution. The end applications are mainly hydraulics and while many of the customers are actually customers we supply to even today, we just supply smaller sizes. So in terms of proving out while there will be some timeline to it, we intend to compress the timeline because some of these customers we do supply today from our existing plant. While I cannot comment specifically on what is the order that we have in hand for the large dia business I can tell you there is indication of interest which is sufficient to meet our capacity ramp up that we have planned for this year as well as the next year.

Ankit Sancheti: What are the key and customer for this large dia tube mill?

Arjun Ananth: This will be your entire hydraulic cylinder and off-road excavator manufactures.

Ankit Sancheti: These will be more domestic manufacture. It will be more India sale?

Arjun Ananth: The mix will be domestic and exports.

Ankit Sancheti: Does it take a timeline that once you supply it has to be approval so that from plant commissioning to products approval itself is one year timeframe so actual benefit of this will actually come in next year?

Arjun Ananth: There is product of approval process, the PPAP process that all customers will follow. Like I said there are customers to whom we supply these tubes even today albeit of a smaller size. So we hope that some of the samples we can go through the approval process quicker than what would have been in the case otherwise.

Ankit Sancheti: How much capex we did for this large diameter tube and what is the capacity?

Arjun Ananth: 250 Crores.

Ankit Sancheti: 250 Crores and what was the capacity, the new capacity which has come up of this large dia?

Arjun Ananth: Approximately 50,000 tonnes of CDW.

Ankit Sancheti: Typically the margins and these will be higher than the rest of the tube?

Arjun Ananth: It is an import substitution product, so margins could be slightly higher.

Ankit Sancheti: Marginally or it is decent marginally higher?

Arjun Ananth: I would just restrict myself to saying that they are higher than the existing margins

Ankit Sancheti: Just couple of things on capex how do you see the capex and which part of your business are you looking for capex for 15-16%?

Arjun Ananth: For 2015-2016?

Ankit Sancheti: No for this year and next year, are you looking to any capex?

Arjun Ananth: There is no significant capex proposal on the table for 2015-2016 as of today. We will always explore opportunities, but as of now I can tell you that there is no major capex proposal for 2015-2016. Capex for 2015-2016 should be in the normal range.

Ankit Sancheti: Normal range is what 150 Crores or 100 Crores?

Arjun Ananth: Around that.

Ankit Sancheti: 150 Crores. In terms of wagons you mentioned that you have got some orders of they will be wagons, can you throw some more light and how much is your capacity in wagons and these orders are from Indian Railways or you have got it from private players like Concor, can you throw some light on?

Arjun Ananth: We got the order from some private players. In capacity I think we have done as high as 3000 wagons in the past.

Ankit Sancheti: 3000 or 4000 wagons in a quarter year?

Arjun Ananth: In a year. This order we received goes through the year and also little spills over into next year as well. It is a fairly small order, more work shop orders, than the real what they called infrastructure building order. So we will wait and see how the spending takes place by the railway board for wagon business and then we can take a call, but as of now at least it is encouraging that compared to the previous quarter, there is set of orders that we can start executing this year.

Ankit Sancheti: So the railways come under which part of your business, engineering?

Arjun Ananth: It will come under metal forming.

Ankit Sancheti: Metal forming products and how biggest this business railways for a year as a whole, if not for the quarter for the year, typically in FY'14 how much you notice?

Arjun Ananth: Revenue from the railway business was 44 Crores if I am not mistaken.

Ankit Sancheti: 44 Crores Okay and is it profitable business for you? Is it profitable business for you or because we see other railways manufacture reporting losses so I do not know depending on your utilization of capacity and where are we?

Arjun Ananth: In the past business has been profitable.

Ankit Sancheti: FY'14 it has been profitable, is that you are saying?

Arjun Ananth: In FY'14 business was very small

Ankit Sancheti: I am just trying to understand at what so obviously last two years have been very, very difficult for all wagon manufacturers but at what scale is it really becomes let us assume 4% to 5% margin business. It is 200 Crores 100 Crores.

Arjun Ananth: If you go back and see the volume we have done in 2011-2012 and 2012-2013 the business was profitable. 2011-2012, 2010-2011 you will find that the business has been fairly profitable. If you see the PBIT of the metal form business it has been higher than now

Ankit Sancheti: Thank you very much.

Moderator: Thank you. The next question is from the line of Nilesh Dhamnaskar from Religare Invesco. Please go ahead.

Nilesh Dhamnaskar: Thanks for taking my question. Couple of questions on Shanti Gears again. You mentioned that there was one onetime expense during this quarter. Could you elaborate on this expense of 3 Crores?

Arjun Ananth: I cannot give you the name of the party but it was a legal dispute that we had, which was actually the case even before we took over. So we knew about this at that time but we just decided to settle it. On a commercial expediency basis we decided that settling the disputes through arbitration was the way forward. The impact of that was 3.02 Crores.

Nilesh Dhamnaskar: So any other such legal cases you have or pertaining this was the last one?

Arjun Ananth: This is the last major one, In any business there will be small niggling issues but this was a big one.

Nilesh Dhamnaskar: A connected question is if I were to adjust what this onetime expense even then the EBITDA margins works out to 19% in your general trends. So it is can you interpret that the margins on your new businesses are at a lower level?

Arjun Ananth: Margin of?

Nilesh Dhamnaskar: Of your incremental whatever business you have got in the recent quarters is at a lower margin?

Arjun Ananth: No, that is not the case. I think what we find is the margins are function of the topline. The margins on the gearbox per se there has been no significant variation in the operating margins but this last quarter we had a onetime expense. You will find that the topline is also 34 Crores. The operating leverage in the business is quite high. So when topline does go up, the margins can improve.

Nilesh Dhamnaskar: So it is more of a function of the operating leverage. So also on your expense part you have been regularly reporting in terms of your quarterly runrate your other expense used to be in the 7 Crores runrate, now this quarter onwards it is become this quarter as well as last quarter around 10 Crores.

Arjun Ananth: 3 Crores is the issue that spoke about and included in other expenses.

Nilesh Dhamnaskar: So barring that it will again fall back to the 7 Crores quarterly runrate?

Arjun Ananth: It should ideally.

Nilesh Dhamnaskar: On this order book when you gave some order booking trend during this quarter. Basically order booking was 48 Crores in Q1. So could you give us a sense on how they have been in the recent quarters? I mean 48 Crores is what may be two to three quarters two three quarters example that will be helpful?

Arjun Ananth: I think we said that even in our press release. This quarter the order booking was 48 Crores. The same quarter in the previous year it was 40 Crores. So there is a 20% increase in the order booking.

Nilesh Dhamnaskar: In general have you seen good pickup over if you extend your horizon over the last year or so how is this order booking trend be?

Arjun Ananth: It is certainly encouraging.

Nilesh Dhamnaskar: One last question on your annual report. There was again your other expense service fee in additional part basically expenditure of service fee was visible during this quarter so any particular aspect to that expense?

Arjun Ananth: Service fee in this quarter?

Nilesh Dhamnaskar: In your FY'14 annual report.

Arjun Ananth: You are talking about TI or Shanti Gears?

Nilesh Dhamnaskar: No Shanti Gears. All my questions pertain to Shanti Gears. 3 Crores was again the expense and it was given to part of the Murugappa Group. So is it a one time or it is also some recurring in nature or expense?

Arjun Ananth: It really depends on services that as a group we provide to Shanti Gears and on that basis there is recovery of fee from Shanti Gears.

Nilesh Dhamnaskar: That is all from me. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Raghvendra Reddy from Ambit Capital. Please go ahead.

Raghvendra Reddy: Can you take us through the passenger segment of the metal formed products business. How do you see the demand? Who are your top clients?

Arjun Ananth: The passenger size of the metal forming business is basically our doorframes business. Our biggest customer is Hyundai to whom we supply primarily for the Xcent and Grand i10 models The other model that we supply to unfortunately the volumes are fairly low be it the Tata Nano or the Maruti Omni. We also supply to GM Tavera, which has picked up in the recent past. We have received a new business from Mahindra's, the shipment of which will start shortly. These are some of our big customers in the doorframe business. The business is quite model specific. It is not passenger car industry dependent but it is really model dependent.

Raghvendra Reddy: Do you see your EBIT margins in that business going up over the next let us say 6 to 12 months because you said you mentioned in your previous commentary that Tata Motors launch of Zest and Bolt kind of give you more volumes. So do you see with margin going up in that business from currently I think we are at probably around 7% to 10% I do not know. So that could go up significantly from this level?

Arjun Ananth: The metal forming business per se is an amalgam of the doorframe business, the chains business, the casings business and the railway business. So I think there are lots of factors that will affect or impact or drive the margin. So I do not think one Tata Zest and Bolt will shake the margin so much.

Raghvendra Reddy: So the metal formed products business also includes here automotive chains business. It is a transmission component business right?

Arjun Ananth: Yes in automotive chains the drive chains and cam chains that go for motorcycles.

Raghvendra Reddy: Which is the diamond brand chain correct me if I am wrong?

Arjun Ananth: Correct.

Raghvendra Reddy: So it is the mix of all of that?

Arjun Ananth: Correct.

Raghvendra Reddy: That is all from my side.

Moderator: Thank you. The next question is from the line of Kashyap Pujara from Axis Capital. Please go ahead.

Kashyap Pujara: Arjun, I have some questions on behalf of some funds could join in and the questions are essentially firstly could you give us the breakup of the divisions like say cycles could you let us know what was the volumes that we did this quarter?

Arjun Ananth: The cycle volume this quarter was 11.2 lakh compared to 10 lakhs in the same quarter of the previous year.

Kashyap Pujara: Second would be in terms of tubes and strips combined. If I look at the tonnage I think last time same quarter was I think in the range of 47000 to 48000. What was in this quarter around?

Arjun Ananth: Last year if you add up the strips and tubes you had about 49000 to 50000. This time it is around 54000.

Kashyap Pujara: So you have seen volume growth in both the divisions clearly. Now in metal formed products that is a combination of quite a bit of elements. So could we get a breakup like what was the chains division, which is including the fine banking? So change the banking is the division what was it in terms of revenues this quarter?

Arjun Ananth: I do not believe we have broken out that in the past, Kashyap.

Kashyap Pujara: Okay but on a conceptual level we were at 13% to 14% margin in this division and which is now at 7%. Obviously it is at 7% due to your volumes not clearly meeting up and intuitively I think chains is still doing a fair bit because you are always mentioned the chains has grown chain is doing well. I think there we are running at a reasonably good utilization levels. So essentially large part of the profitability here would have been coming from chains and clearly the doorframes and railway business would have slipped with one making meagre profits and one making losses probably. So question is that are we seeing significant operating leverage that can come in play once you start getting orders, can you if look at margins going back to 13% to 14% eventually and are you seeing some traction from the industry side which is more positive?

Arjun Ananth: I will take questions in two or three parts. One is your observation is correct in the sense that being an amalgam of multiple business the chains business today is primary profit driver for the division. Having said that in metal forming business there are two factors that have affected it. One is the volumes in the doorframe, which due to some of the unsuccessful models did not meet our expectations and as you know the railway business has over the last one or two years been almost non-existent. So in the past when many models were doing well and the railway business was also doing fairly well the division has been with double digit margin. So we cannot comment on whether what will be the margin going forward, but I think that if there is an improvement in the railway business and really depends on the commercials also the pricing and so on, depending on all that we could certainly see a scope to earn more margins to cover our cost.

Kashyap Pujara: In the doorframes going back go customers where the models they have failed because essentially you give them cost based on certain level of volumes, so would you be going back to those customers saying that okay let us sit and negotiate the price?

Arjun Ananth: Those kinds of negotiations and discussion are always going on with every customer

Kashyap Pujara: Coming back to the cycles division, I mean on top, I think, clearly volume growth has been encouraging, but the margins have been at 5%, so with this kind of volumes probably I was expecting that the margins could had headroom to be slightly more better than what we did report. Having said that, so what is the view there that you can share and second is that in the last two quarters, we actually troughed out in terms of 0.4% margins in this division, so structurally for the full year is the margin profile going to remain at the current level?

Arjun Ananth: We certainly hope so. Like I said the volume growth in the first quarter has been encouraging. We did spend a little additional on demand creation. As somebody had pointed out many of the supply chain issues are behind us. Having said that we are restructuring the supply chain to service a larger volume of demand. We have increased the capacity in Nasik plant for example.

Kashyap Pujara: The tubes business essentially the large diameter plant that would be basically at higher margin than the traditional margins that we have enjoyed while I understand that there are some initial setup costs, which are probably waving on the current margins, but having said that when do we expect the plant to come on stream and what is the delta of margins if you can give in some percentage terms that okay if one is at X and this is say 15% higher, 20%

higher, what could be the margin profile of the new plant that can once it gets proper ramp up?

Arjun Ananth: Understand your question. We cannot breakout margins for the new product.All that I can tell you that it is higher than the existing product. The plant goes on stream September or October timeframe, there is a couple of months delay as compared to what we have told you the last time

Kashyap Pujara: Clearly the softening of margins in this quarter or so is not a structural factor, it is just a temporary adjustment?

Arjun Ananth: The difference in operating margin in engineering business compared to the same quarter previous year was 0.5 or 0.6%, so do not believe that it is anything structural.

Kashyap Pujara: That is all from my side.

Moderator: Thank you. The next question is from the line of Surjeet Arora from Prabhudas Lilladher. Please go ahead.

Surjeet Arora: Good afternoon Sir. I had two questions. One was on automotive chains. If you can give us your market shares both in OEM and replacement for this two-wheeler chains transmission business?

Arjun Ananth: I do not know whether we track market share in the replacement business. We have always said in the drives business we are in the mid 40s, in the CAM business we are in the mid 50s.

Surjeet Arora: Sir second thing is if I look at I mean the new client additions, who have given you more orders in last that is six to eight months, who are your new clients addition in this chain business?

Arjun Ananth: We supply to all the major two-wheeler manufacturers, be it Hero, Honda, Bajaj, TVS, Yamaha, it is really spread over. I think the bright spot in the automobile market has always been the motorcycles and the scooters in particular. So it has been a general offtake from all the players from the industry to whom we cater to.

Surjeet Arora: Sir, can you share the volume growth for this quarter in that particular segment?

Arjun Ananth: I think I already mentioned the number. The automotive sale is 23% and aftermarket business is 19%.

Surjeet Arora: But this would include the four-wheeler business also?

Arjun Ananth: We do not make chains of the four-wheeler. We make chains only for two-wheeler.

Surjeet Arora: So that 23% growth in OEM is basically two-wheeler chains?

Arjun Ananth: Correct.

Surjeet Arora: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Vishal Saraf from SBI Mutual Fund. Please go ahead.

Vishal Saraf: Sir, earlier the main problem company had was with respect to power cost where we were not able to pass on the cost to customers and we ended up with high power cost, how does this scene work now?

Arjun Ananth: As you might have seen in the last quarter itself one of the resolutions we brought is to invest in captive private power producer. In Tamil Nadu you have to be a shareholder of private power producer to get unlimited supply of power. We found that the rates in some of the exchanges were fairly high, so we invested in the captive power producer. We invested 2.4 Crores in the last quarter of the previous year and as a result of that, two things have happened, the reliability of power has improved and the cost per unit of power has also come down, all of which is reflected in the numbers that you see for the quarter.

Vishal Saraf: So that has already happened?

Arjun Ananth: For the most part.

Vishal Saraf: Do we see any further benefit on this account?

Arjun Ananth: I mean it will be an ongoing benefit,.

Vishal Saraf: You said as of now we continue to buy power from grid or from this power producer?

Arjun Ananth: From both. So we buy power from the Tamil Nadu Electricity Board. We buy power from the captive power producer who we have invested in and we also in limited circumstances use our generator.

Vishal Saraf: What portion of our power requirement comes from grid and from this captive unit and the rate if you could broadly indicate?

Arjun Ananth: The rate from the electricity board and captive power typically are Rs.7 to Rs.8 per unit range. Diesel power would be about Rs.15 to Rs.20 per unit range.

Vishal Saraf: This company in which you had acquired stake from there what rate the power is coming at?

Arjun Ananth: It is about Rs.7.

Vishal Saraf: Thanks a lot Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Falguni Datta from Jet Age Securities. Please go ahead.

Falguni Datta: Good afternoon Sir. I just have one question. Which are the company from which Shanthi Gears sources its steel rods?

Arjun Ananth: I will have to come back to you about it. I do not know the names.

Falguni Datta: Thank you.

Moderator: Thank you. The next question is from the line of Nilesh Gandhi from Destimony Securities. Please go ahead.

Nilesh Gandhi: Thanks for the opportunity again. I just had one followup question on Shanti Gears. In earlier question you said that there was 3 Crores charge in current quarter other expense, was there any similar charging March quarter expense also?

Arjun Ananth: There was no similar charge in the March quarter.

Nilesh Gandhi: That is all from my side.

Moderator: Thank you. As there are no further questions, I now hand the floor back to Mr. Kashyap Pujara. Over to you!

Kashyap Pujara: Thank you all for participating on Tube Investments Q1 call and thanks to Arjun for being there on the call.

Arjun Ananth: Thank you everybody.

Moderator: Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.