"Tube Investments Q4 FY-15 Results Conference Call"

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MODERATOR: MR. FARZAN MADON – AXIS CAPITAL

MANAGEMENT: MR. L. RAMKUMAR – MANAGING DIRECTOR
MR. ARJUN ANANTH – CFO

Moderator: Ladies and gentlemen good day and welcome to the Tube Investments Q4 FY-15 Results Conference Call hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, 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. Farzan Madon from Axis Capital. Thank you and over to you sir.

Farzan Madon: Hello good afternoon everyone, thank you for being on the call with us. We have with us the management of Tube Investments, represented by Mr. Ramkumar who is the Managing Director and Mr. Arjun Ananth who is the CFO. Sir, over to you.

L. Ramkumar: Hi this is Ramkumar, good afternoon to all of you and thank you for taking time off to join this call. I shall quickly take you through the results of the fourth quarter as well as the full year 2014-15. We shall start with Tube Investments of India Limited standalone. The quarter four, our growth in revenues was 1.5% over the same quarter last year. Overall the year we ended at something like 8.6% growth in revenues. As far as profit before interest and tax was concerned the operating level, we grew by 2% during the quarter over the similar quarter last year. Overall for the year we are roughly around the same level as the previous year. If you looked at the results we also had an extra ordinary income of 61.43 Crores exceptional item. It is largely sale of non-operating assets in real estate. We also had Rs.27.43 Crores in terms of voluntary retirement compensations paid to the various businesses during the year, partly during the quarter and partly earlier as well. With this the total profit before tax for the year stands at 155.15 Crores against 141 Crores last year and after tax is 120 versus 94 Crores the previous year. If we talk about individual segment, I shall briefly give you the quantitative numbers and then we will get into the revenues as well.

As far as quantitative numbers are concerned Bicycles division ended with a growth of 6% over the previous year in volume terms, in cold rolled strips we grew by 2%, in overall tubes we grew by 14%, sorry 14% in exports, and overall 6% including a 5% growth in the domestic market. The Metal Forming business which consists of Doorframes didn't grow because of the models for which are we are supplying door frames had not picked up during the year. Chains did fairly well, Auto-Chain we had a growth, Industrial Chain we had growth, after market we had a growth, we also had recently good growth in the Industrial Chains.

Coming to the financials – you can see here Cycles and components for the year the growth was 11% in revenue, Engineering grew by 6%, Metal Form products by 9%. Whereas in the case of profits Bicycles did much better than the previous year we had a growth of 50% in profits, Engineering there was a drop of 24%, more or less you can say the gap between last year and this year is predominantly the cost we incurred in setting up the new plant which had fixed cost, man power cost, depreciation, interest, etc.

Looking at the consolidated results, both our major subsidiaries in the financial services have done exceedingly well. We must have seen the Chola Finance results as well. In the case of insurance we have grown by 7% in revenue over the previous year. Cholamandalam Investment and Finance has grown by 13%, 10% during the quarter over the same quarter last year. Shanthi Gears has been quite flat. As a result the overall consolidated revenue has gone up by 10%, the profitability has gone up substantially in both insurance and the financial services basically Cholamandalam Investment, insurance the profits went up by 99% for the full year and Cholamandalam Investment Finance by 20%. The PBT level also they have grown quite well, gears and products there was a drop as I mentioned in the previous quarter also there have been pressure on prices and hence we had to drop the margins.

So overall business this is the situation If we were to update you on a few of the key important issues on the new project which we commissioned in October in Thiruthani we had some teething problems as we ended the year but I am glad to say that progressively the volumes from this plant is going up. We had some specific issues on the tube mill which had to roll the largest sizes, I can say at this point of time 70 to 80% to the various sizes have improved. So from the second quarter onwards definitely we will see a good improvement, we are seeing a steady improvement during the last two, three months, from April onwards and by June I think we will reach better number in terms of the volumes.

Automotive sectors as all of you know continues to be flat, there has been some growth in passenger cars in last month I think otherwise we are not seeing a great traction in terms of growth in volumes schedules, Bicycles I think we did well last year in terms of both volumes and profits and across TII we had very good effort on cost reductions on operating cost and other cost which has helped us to maintain or keep our margins closer to what it was the previous year, despite the pressure on prices. Again this is the season for Bicycles in terms of the speciality Bicycles, kid’s Bicycles. We have started off well as we are speaking today and the Chain business is again dependent on automotive, the Fine Blanking business is dependent on new programs for which we are getting approved by various four wheeler manufacturers. As far as Shanthi Gears is concerned we are definitely tightening our selection of orders in terms of criteria for contribution and there has been an ascent in looking at higher topline as well.

Broadly as discussed, this is what we have to tell you on the current status as what happened last year, we will be definitely glad to answer any questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Ronak Agarwal from Catamaran Capital. Please go ahead.

Laxmi Narayan: Hi this is Laxmi Narayan in here. I have two questions one on the Cycles and components in the second on the Chains division. So Cycles and components are what kind of volume growth you have seen on a year to year basis?

L. Ramkumar: It is 6%.

Laxmi Narayan: And on the premium Bicycles how that thing had been.

L. Ramkumar: Premium end growth is better, it will be double digits actually higher than 40% in some cases in the Bicycles of value above Rs.5000.

Laxmi Narayan: Okay, And our average realization on the premium Bicycles is how much sir?

L. Ramkumar: We are selling from Rs.5000 to 40,000 could be may be 12,000 or something like that.

Laxmi Narayan: And the institutional business on Cycles because some time back there were some governments order, etc I think couple of quarters back elaborate on how it is shaping up?

L. Ramkumar: It is doing well in fact we have got one more institutional order from the Tamil Nadu government which we are executing now. We just started the execution in the month of March, we should complete in the month of May.

Laxmi Narayan: And what is your profit profitability range in these institutional orders?

L. Ramkumar: Its reasonably comparable to what we do in say standard Bicycles.

Laxmi Narayan: I would say in single digit of it, 5 to 7% range sir?

L. Ramkumar: Sorry?

Laxmi Narayan: Is it in the range of 5% in operating profits margin level?

L. Ramkumar: Operating profits you have to define because everybody uses different terms so I must be careful in telling you something.

Laxmi Narayan: I think you take it at PBIT level or at EBITDA level whichever you classify according to your financials in that its' better for me to understand.

L. Ramkumar: It will be below the average of the PBIT to the business percentage.

Laxmi Narayan: Sir on the Chain business it has been last year 2013 to 14 on domestic in terms of volume we had 18% growth, what is the growth for domestic this year and how much for exports?

L. Ramkumar: See Automotive Chain I think I mentioned that we grew by 11%.

Laxmi Narayan: I am referring to your last year financial presentations where you have actually mentioned that the domestic Chain for in 2014 was in lakh ESS feet was 715 and you think that as a benchmark…

L. Ramkumar: That is including Industrial Chain, what I just told is automotive. So, overall if you were to compare like this probably would have gone by 9 to 10%.

Laxmi Narayan: So auto has grown at 16% that means the industry would have kind of de-growth. And what is the split of auto and domestic?

L. Ramkumar: Industry has not de-grown, to get a 9% there must be lesser than the average of 9% so something has to be less than that.

Moderator: Thank you. Next question is from the line of Anik Das from Microsec Capital. Please go ahead.

Anik Das: Sir I have few questions on Shanthi Gear, like what is the current order book for Shanthi Gear?

L. Ramkumar: Current order book is Rs.79 Crs.

Anik Das: Okay, sir. Sir for the last two to three quarters actually we have been going for low margin order, had the situation change from the previous quarter, are we going for higher margin order?

L. Ramkumar: I would say the mix of the higher margin is improving. So progressively it will go up. It's not going to shoot up immediately but we would see the quarter on quarter the margin should improve.

Anik Das: Sir what is the current utilization level?

L. Ramkumar: Utilization level is same as whatever we have been telling you, because as you know we have not grown much 35 to 40% you can say.

Anik Das: Okay sir. In quarter we have like spike in inventory to almost 65 Crores.

L. Ramkumar: Sorry?

Anik Das: Sir in this financial year we have a spike in inventory to almost 65 Crores.

L. Ramkumar: This is for whom, TI?

Anik Das: For Shanthi Gears.

L. Ramkumar: Shanthi Gears one second let me see. With reference to what are you saying in that sense?

Anik Das: What I saw is sudden increase in inventory.

L. Ramkumar: No, I just want to know, I am just getting a hold of our sheet also. What is the number you referring and saying it?

Anik Das: It is around 65 Crores.

L. Ramkumar: End of March you are saying?

Anik Das: Yes, end of March.

L. Ramkumar: And with reference too?

Anik Das: With reference to previous year.

L. Ramkumar: Previous year is how much?

Anik Das: Previous year is around 48 Crores.

L. Ramkumar: So there definitely we have been keeping some more inventory and work in progress in order to complete the jobs better because the variety has become quite high so that is the reason why this inventory has gone up.

Moderator: Next question is from the line of Chintan Sheth from SKF capital. Please go ahead.

Chintan Sheth: Sir can you just give me some data points on balance sheet side from gross on standalone basis as well as on a consol basis. If you can bifurcate in terms of your Financials General Insurance and Shanti Gears.

L. Ramkumar: You want to know what are our debt positions with TI standalone right?

Chintan Sheth: Yes.

L. Ramkumar: Okay, we will give you the number. Next question please.

Chintan Sheth: Sir regarding the equity side, is there any requirement to infuse any equity in your financial services insurance side?

L. Ramkumar: Nothing significant of that is what we are thinking off.

Chintan Sheth: And what kind of CAPEX we did in the core business last year and next year any expected CAPEX?

L. Ramkumar: On 31/3/2015 our debt was 1420 Crores including short term and long term.

Chintan Sheth: On standalone basis?

L. Ramkumar: Standalone basis correct.

Chintan Sheth: Okay.

L. Ramkumar: Your other question was on CAPEX.

Chintan Sheth: Yes, sir.

L. Ramkumar: CAPEX last year we ended at 135 Crores.

Chintan Sheth: So will it be, for that tubing facility I assume.

L. Ramkumar: Sorry?

Chintan Sheth: Predominately for the tubing facility?

L. Ramkumar: Yes large expenditure is there plus there has been some replacement and some expansion of Bicycles in Nashik and may be around 12-13 Crores. Then there has been some other regular expenditure for replacement and others.

Chintan Sheth: Okay. And what's the estimation for the next two year if you can provide?

L. Ramkumar: I think this year we will look at 200 Crores something like that, for 15-16 it will be around 200 Crores.

Chintan Sheth: Okay. And sir on the gross debt side you gave me the standalone number can you bifurcate on the console side what is the debt on the insurance financial services Shanthi Gear business so that I can compute the entire.

L. Ramkumar: Shanthi Gears has got no debt but the financial service business will have lot of debt actually because it is the financial service company. No, it will be there in their annual report. So you can look that on the 2nd. Yes any other question you can ask.

Chintan Sheth: And on the business side. Just give me a brief color on each of the segment you are operating right now and how was the strategy for the company for the growth like, when I see the core business you are growing on a CAGR of say 6 to 7% in the single digit business but profitability has been steadily declining so what is the strategy on the core business side and what is your outlook on the financial services as well your insurance business any strategic reason you want to, what was your strategy in terms of how to grow those business and come in the similar lines like institution basically?

L. Ramkumar: First, I will address the profitability question, the overall company has come down. If you look at Cycles and components the profit is more, you can also see in the segment results we grew by 50%.

Chintan Sheth: Yes, through this year it has grown quite.

L. Ramkumar: If you look at Metal Form products we have grown by 21%. We have dropped in Engineering by 24% I mentioned largely because of the additional cost which we incurred for establishing the plant. So we are hoping that by the end of the year, this should produce and go beyond the breakeven, our profitability should improve substantially in this business in Engineering. Now, in the Engineering business we are major player in the precision steel tube, they are continuously looking at market share in the automotive side because the growth there is directly related to the passenger cars and two wheelers. So if that growth is sluggish, we are directly affected. We are also looking at good growth in exports, you will see that as we go along. The new plant is meant for non-automotive sectors which is for the infrastructure sector, mainly import substitution. So, as that starts and as exports starts, I think our growth will be better than the domestic market growth. Coming to Bicycles, I think we had a reasonable growth this year considering the market is almost flat and all of our new models have done well. The standard Roadster Bicycles is declining. Speciality, fancy Bicycles are selling more. So, we are emphasizing more on these high end cycles, which are with gears and alloy Bicycles and all that where I think, we have a very good share, our growth is also very good. So going forward our emphasis is going to be in product differentiation as well as in growing the high end market where the margins are good in the bicycle business. We have also started some exports of kids Bicycles, we did a small quantity last year, I think it’s likely to grow as we go along. Coming to the Metal Form business we have a fairly strong position in the Chain business, Automotive Chains, we are virtually leaders in the categories in which we are selling to two wheelers. Going forward we are going to increase the presence in the aftermarket where the prices would be better because we are selling to the dealers. And the Industrial Chain business along with our subsidiary Sedis, we have got some programs to further improve our profitability. There is also a Fine Blanking business which again is driven by lot of import substitution and has very precision components, so the value will be good in that business. So, broadly these are all the areas where we are entering into the current businesses where we are dependent on the domestic environment. We are trying to improve the market share. We have done significant cost reduction we will continue to do it. We are also getting into newer areas like import substitution areas where it is not entirely dependent on the current market growth but dependent on ability to deliver products to these people. So these are various strategies the company is going to follow to improve the top line and the bottom line.

Chintan Sheth: Generally in the insurance side and financial services side any thought process of value unlocking because it's most.

L. Ramkumar: Nothing has been planned or decided, once we do it we will definitely let all of you know.

Chintan Sheth: It is still under the board room side the discussion or thought process going on, just.

L. Ramkumar: Thought process is always there.

Chintan Sheth: Okay. And one more thing sir on the capital employed side on the cycle in component business so there is huge jump from 60 odd Crores to 170 Crores this year is it related to inventory or just?

L. Ramkumar: Actually during the period we have, now we are executing an order for the government of Tamil Nadu. What happens is, in trade, we collect much faster. In government it takes 45 to 60 days. We deliver some 3 lakh Cycles in two to three months. So we need to hold inventory in advance. In the beginning of this, because this whole order started getting executed from March, plus we also have stocked up for the current season, we see a very high fluctuation in our demand. In certain months, our demand is some 30-40% more than our capacity. So, we don't want to lose the orders.

Moderator: Next question is from the line of Aditya Sundaram from Edelweiss Financial Advisors. Please go ahead.

Aditya Sundaram: My first question was on the VRS side I just wanted to know this expenditure that we have incurred just for which division per se are we still continuing with the cycle in a Metal Forming division like last quarter or we moved on to the Engineering division as well.

L. Ramkumar: Largely I think in the last quarter it is Engineering division.

Aditya Sundaram: Okay. It is Engineering division. Sir my next question was on the margins front actually if you look at the margin on a quarter on quarter basis our Metal Forming division has done really well, they increased about 260 bps and so has our Engineering division about 150 bps it has increased. I just wanted to know the drivers for both of them.

L. Ramkumar: Metal Forming business one is the growth in the Industrial Chains, Aftermarket Chains, etc. The other one is containing cost in the business where we have Doorframes and Railways. Railways you know, that we invested but we have not got any orders at all. So, in some of the businesses it is totally cutting cost including fixed cost, in the businesses I told you it is looking at the upside in terms of selling more products in Fine Blanking, another areas where we get relatively better margin. Engineering is lot of product mix in favorable segments to higher margin products plus good cost reduction. There has been a good cost reduction across TII. This has also helped the margin actually.

Aditya Sundaram: Okay, and sir currently what is our large diameter tube utilization level, we were 5% utilization last quarter what are we now?

L. Ramkumar: We are doing better. We should do something like we said peak capacity for cold drawn welded tube is 3000 tons. We have not planned 3000 tons per month for this year, so we are first targeting to go to 1000 tons. We have come up to 400 tons from first few months of 100, 200 etc. We have some teething problems but I am happy to say that we are progressively coming out of it. Soon we will stabilize in all sizes. We have got many of the customer approvals on our samples. So once we ramp up we are confident that we should do a good volume.

Aditya Sundaram: Okay. Sir I just wanted to know one data point how much would Fine Blanking on the Metal Forming side be as a percentage of Metal Forming sales?

L. Ramkumar: Metal Forming, we don’t give that number but it will be approximately Rs.100 Crores.

Aditya Sundaram: Okay, you are talking about Fine Blanking, I am only talking about Fine Blanking in a Metal Forming thing, would be approximately that much?

L. Ramkumar: I understood your question that is the answer yes.

Moderator: Thank you. Next question is from the line of H R Gala from Panav Advisors. Please go ahead.

H R Gala: Can you help me with assets under management under Chola Investment & Finance?

Arjun Ananth: Yes, Chola Investment and Finance. So it is 25,453 Crores.

H R Gala: Ad how much would be he equity and the debt if you have got the breakup?

Arjun Ananth: Yes, for the total debt is 19,475 Crores.

H R Gala: Okay, so the debt is a major one. And around 6000 and odd will be equity?

Arjun Ananth: Shareholder fund is 3173 Crores.

H R Gala: Okay, and what is the balance? This adds up to about say 22-23,000 Crores right?

Arjun Ananth: Yes. Remaining is current liability.

H R Gala: Okay, fine. And sir in insurance business do we have plans to monetize it partly now since the insurance bill has been passed?

L. Ramkumar: We have not decided anything. We have to find out the interest of the partner and then we will have to think how to go about it then we will see.

H R Gala: Currently how much equity we have?

L. Ramkumar: We have 74%.

H R Gala: Okay. And did we pump in any money in this year?

L. Ramkumar: No, we didn't.

H R Gala: Nothing?

L. Ramkumar: Nothing.

H R Gala: Sir overall how do you see the prospects for our company as a whole on a standalone basis in this coming year looking to the uncertainty which is surrounding the GST and things like that.

L. Ramkumar: I suppose you can hear the answers we give to other participants.

H R Gala: Yes, I did.

L. Ramkumar: Okay, so I don't want to repeat the same thing that is why I asked you. As I said in all the businesses definitely we are looking at growth in value-added areas so in the case of tubes it will be the new project which will have a better value as exports will be better. In the case of Bicycles we are talking about the gears and higher-end Bicycles which are growing faster. Probably, exports as well we are exploring which can get us better value. Then in the case of Chains and Metal Formed products, we have the Fine Blanking which is good value. We are also getting into some automotive parts like motor casing, etc., which are all now today not in an organized sector or are being imported. Then we are also looking at more exports of Industrial Chains. So broadly if you see our accent will be on the top line to look for more value-added products, in the import substitution or giving customer some more value than just giving whatever products we give, tubes also we make tubular components. Simultaneously we are trying to keep a tight control on the cost, during this year itself as I said 2014-15 we reduced quite a bit of cost which has helped us to maintain whatever we have reported. So broadly if you ask me this is our strategy. So we have said that yes we definitely would like to see a growth which everybody is waiting for but in the meantime all our guys in the field and everybody is focused on maintaining and improving the market share from where we are. As you know most of the products we have a very significant market share, so we do think that we cannot be complacent. We want to be very vigilant to see that we hold to our customers, our position is maintained and when there is an upturn, we are ready to grow. We are quite optimistic about overall long term. We don't know whether things will improve in the second half of this year but things have to improve is the view we have taken. Accordingly, we are getting prepared.

H R Gala: Okay. So sir overall it's possible that our revenue growth, etc will higher than what we achieved in FY15?

L. Ramkumar: That is the plan, I wish I knew and I wish it happens also.

H R Gala: And you also hope to improve the EBITDA margin from the current level of 9%.

L. Ramkumar: Correct.

H R Gala: Sir just last question from my side how is the e-scooter doing?

L. Ramkumar: It's almost like it's not there, there is not much demand, and I think I don't know about competition also there is not much. So, virtually I would say it is dormant.

H R Gala: Okay, so there is not much activity on that.

L. Ramkumar: Yes.

H R Gala: And sir on Shanthi Gears do we have any definitive plan to improve the business? Because I we were laying great hope on that company when we acquired it.

L. Ramkumar: The great hope we laid continues. I think we have not performed or delivered as per our expectations or as per expectations of our shareholders. While environment is one of the reasons we don't want to give that as an excuse. I think there has been some issues related to the transitions. From previous times to now the basic skill still remains. So we will have to fight back which we are definitely doing, we stay still confident there are certain facilities, and capabilities only Shanthi Gears has got. But if we get too much niche then I think the top line is getting affected. But, I can tell you that we are doing all that is required. We are also looking at the senior management, what kind of capability we should bring in and I can tell you that regardless of the size it is receiving maximum attention from the Murugappa Group and from TI. They are putting our best resources there, I am hoping in couple of quarters, we would be able to say that we can see very positive signals.

H R Gala: Very good. And sir beyond the traditional areas in which these people have been supplying gear, gear boxes, and other product do we have plans to get into say areas like wind energy and things like that?

L. Ramkumar: Yes, there are some very specific products like you said. Wind energy, defense applications, gear boxes are required. We are definitely looking at people who can help us with this in terms of technology where the company has not done earlier. Potentially everything is big in India right? Everybody calculates per capita steel, per capita everything from chocolate, biscuits and its' very low so the potential is huge but on the ground it has to happen. We are getting prepared, we are strengthening our Engineering, R&D and also we are talking to a few people who are willing to help us in this respect.

Moderator: Thank you. Next question is from the line of Apoorva Kumar from Jefferies. Please go ahead.

Apoorva Kumar: Just wanted to understand the impact of GST on your three business segments, if you can highlight that.

L. Ramkumar: I will request the CFO, Arjun, to answer this questions.

Arjun Ananth: I think it is still too early to pass a definitive comment. We have done little bit of thinking in-house. We think the benefits will be positive to us but until the rates come out and the exact details are known, we really don't want to comment on a particular number. It's too premature.

Apoorva Kumar: Would you be able to share any details on how big do you think is the unorganized sector in the segments you operate?

Arjun Ananth: I don't know whether to call it unorganized. We have component vendors in our cycle business but as you know Cycles today has no excise duty in the business. So, to the extent once GST is there, there will be a cascading effect of rates from our component vendors all the way to our customers and that is why I said premature because we don't know what kind of rates are going to come out and what kind of negotiations will happen at that time.

Apoorva Kumar: Okay, and answer just one more question on the Bicycles business can you give a broad figure as to what is the share of urban sales versus rural sales if you look at the bicycle sales in that way.

L. Ramkumar: May be urban sales will be around 40%.

Apoorva Kumar: And have you seen any diversion trends in terms of growth in the two areas?

Arjun Ananth: Urban the higher value bikes are growing, rural the medium value bikes are growing you can say, the lowers value bikes which are the roadsters are dropping which is also predominantly rural.

Apoorva Kumar: Okay, and if you can give any from sense on the percentage growth?

Arjun Ananth: Percentage growth in the high-end will be offers of 10 to 12%, the percentage growth in the medium will be what I am calling non-roadster will be around 4 to 5%.

Moderator: Thank you. Next question is from the line of Aditya Sundaram from Edelweiss Financial Advisors. Please go ahead.

Aditya Sundaram: I just had one final question which I forgot to ask you initially. Sir how do we see the outlook of the two wheeler industry affecting our various divisions because that is a big component of our end users segment. So going forward I think it's a pretty gloomy picture people have painted so how do you see this playing out for our company?

L. Ramkumar: As you know scooters are growing. Our content for motorcycle is more than scooters. But we must not forget the base has become quite big. We are talking about slow down but the thing is they are talking about 5% growth and very healthy growth in the last 10 years. I think the last year was 5%-6%, previous year was 10% when every industry was doing badly these guys grew at 12%. So, I think they have a very healthy volume base now. This has also created opportunities for aftermarket. Now, the aftermarket demand is equal to or slightly more than the OEM demand. So even if we put in some more two wheelers every month and every year aftermarket will grow faster than the OEM. And secondly I think there is also a lot of new models that are going to be introduced. So whoever is faster on new product development can get a little better share and better price rather than doing the same old models. So this is what we are looking at and it is true that it's a very high volume and hence we need a growth in order to absorb all the cost. So we are basically looking more at reducing costs or investments that we need to produce. So, we are thinking how to go about it in terms of enhancing our capability, debottlenecking, etc., without completely investing everything afresh, very specific machines we get, improve the productivity etc.

Aditya Sundaram: Okay, sir how is our aftermarket market currently?

L. Ramkumar: Aftermarket if you know bulk of it is handled by the OEMs themselves so compulsorily we have to sell to them for the aftermarket. So that will be a huge market, I suspect it may be 50 to 60% of the total market, like Hero, Bajaj have their own service centers right? Balance 30-40% is split amongst the basic manufacturers of Chains. I would think that we have a significant share. We are not the biggest but our shares are growing.

Aditya Sundaram: Okay and just one final question sir. If I could trouble you for the utilization levels at our three basic divisions Engineering, Metal Forming, and Cycle.

L. Ramkumar: Engineering and Chains almost everywhere our Chains and Engineering were fairly full of capacity. There is very little room, in the case of Cycles also in the season we are not having capacity at all. Somebody asked that is why we are building up inventory. So we have to expand capacity in Cycles. In the case of Chains and Engineering also we are looking at enhancing capacity without great investment. Probably in the case of Doorframes we have capacity, Railways we have capacity. These are all businesses which are not doing well. Otherwise, our main stream businesses are I would say (+90%). On months it could be very tight because of little fluctuation.

Moderator: Thank you. Our next question is from the line of Pritesh Cheddha from Emkay Global. Please go ahead.

Pritesh Cheddha: Sir I just joined the call a bit late just wanted to check what were the volume of tube sold in FY15 and second has our large dia capacity come on stream and what is the feedback there?

L. Ramkumar: Total quantity of tube is 154,000 tons.

Pritesh Cheddha: And the large dia capacity?

L. Ramkumar: Coming up, progressively we are stabilizing. We took a little longer than we expected. We hope by the end of the first quarter we would approve all the sizes and then we will see a good volume growth.

Pritesh Cheddha: With this capacity how much does the CDW capacity become.

L. Ramkumar: These all are different products. Large dia will have a capacity of 36,000 tons of CDW per annum. It is 3000 tons per month so we will reach there in year two or year three not in the first year.

Pritesh Cheddha: And your ramp up plan in large dia should be what and at what level does the capacity become profitable for you at the P&L?

L. Ramkumar: May be at 50% capacity utilization.

Pritesh Cheddha: So that is year two when it becomes profitable?

L. Ramkumar: No, I didn’t say that. I said in year two or three we will reach full capacity. Hopefully, we will do that before end of this year.

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

Ankit Sancheti: Can you give more breakup on your CAPEX of 200 Crores plan for FY16 between the various divisions?

Arjun Ananth: Broadly speaking there will be about Rs.75+ Crores towards a Cycles plant that we are planning in the North in Punjab which will replace our existing Northern facility in a couple of years. Then we have some capacity additions in our Fine Blanking business. We have some left over investments in our large dia business of about roughly 20-odd Crores. All that and with maintenance CAPEX will add up to the number.

Ankit Sancheti: Okay, and second thing is on your Chains business, can you give a breakup of overall in terms of Aftermarket, Automotive, and Industrial Chains?

Arjun Ananth: We don't give that exact breakup Ankit.

Ankit Sancheti: Okay, so if I can put it differently, is 70-80% of our Chain business is automotive including aftermarket and OE suppliers, or is it split 50-50 between Automotive and Chains.

L. Ramkumar: It is no brainer because we gave you the total number already but I think you can say major portion 60 to 70% is automotive.

Moderator: Thank you. As there are no further questions in queue, I would now like to hand the floor over to the management for closing comments.

L. Ramkumar: Thank all of you for evincing interest in our company. And for your time and participation. Thank you very much.

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