"Tube Investments of India Limited Q2 FY 2017 Earnings Conference Call"

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MANAGEMENT: MR. L. RAMKUMAR – MANAGING DIRECTOR, TUBE INVESTMENTS OF INDIA

MODERATOR: MR. KASHYAP PUJARA – AXIS CAPITAL LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 FY 2017 Earnings Conference Call of Tube Investments of India. 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 "*" 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, sir!

Kashyap Pujara: Hi, good afternoon, everyone and thank you so much for standing by. It is a great pleasure to have with us the management of Tube Investments of India and from the management side we are represented by Mr. Ramkumar who is the Managing Director. And without taking too much time, I now hand over to the floor to Mr. Ramkumar. Sir, over to you, sir!

L. Ramkumar: Thank you, Kashyap. Good morning to all of you. I have great pleasure in addressing you, thank you for good participation. We had another good quarter, the quarter two of 2016-2017. You might have seen the numbers and read our press release and other documents.

Just to recap – Our total turnover of the standalone company TI increased by 2%. The EBITDA went up by 8.5%. The EBIT went up by 21% and PBT went up by 90% and the PAT, as a result went up by 113%.

In terms of individual segments – we did not have a good quarter for bicycles. I will come to the numbers of volumes of each of these divisions a little later. In the case of bicycles division, we had shortfall in the trade volumes largely due to the floods in the Eastern parts of the county Northeast and West Bengal, this is phenomenon for the entire industry, it is not only for us the market did go down.

In the case of institutional orders, the government orders, we did have our lowest sales during the current year but it will make up subsequently which I had been talked about. Hence, there has been a drop in the volume and value. The drop in turnover was 23%, the drop in the overall PBIT was 73% because there has also been an impact of the new plant which is being commissioned in Rajpura the additional cost, we just pushed up the cost.

Engineering division had a good run again for the second consecutive quarter while the turnover went up by 12%, the PBIT went up by 72% largely driven by help from the auto industry as well as good exports. Exports there has been a significant movement in terms of volume and value. In the case of metal form products it is dependent on both two wheeler and four wheeler, the doors frame sections which we have been supplying to car makers made a good improvement. There has been an improvement in some of the other auto parts which we supply like motor casing and also the coaches we supply to ICF. Hence, the turnover went up by 19%, the profit before interest and tax went up by 30%. This is as far as the segmental results are concerned.

Coming to the volume numbers of the standalone company:

Overall in the bicycle division in this quarter we ended up with a sale of Rs. 7.64 lakhs as against Rs. 10.52 lakhs last year a drop of 27% of which the drop in the trade segment is around Rs. 1.5 lakhs - Rs. 1.6 lakhs because we ended up with Rs. 6.9 lakhs as against Rs. 8.5 lakhs in the same quarter last year, a drop of 18%. We had significant drop in the standard segment. The standard segment is affected by a large value of institutional orders. The government orders which we had executed last year around Rs. 1.9 lakh this year we could only Rs. 30,000 I believe it is only a timing issue. We already have orders but the deliveries are happening in the second-half of the year. Last year we ended up with something like 1.1 million bicycles to the government. This year we are likely to do a similar number or may be slightly more. So the second-half we will make up this shortfall in volume.

As far as exports is concerned we did well in bicycle division, last year same quarter we did 14.000 cycles this year we did 40,000 cycles there has been good growth there. But overall, the bicycle division lost money because of the drop in volume.

Coming to the Engineering division – we had a moderate growth in the domestic market because 3% improvement in all the tubes and 10% improvement in our cold rolled strips which has been doing well thanks to the automotive industry. However, in the export business we grew by 100%, we have had good traction from some of our automotive customers in the Southeast Asian countries where progressively our volumes are going up after they have seen and tested our quality over the last two years to three years, this has also impacted our profitability.

In the case of large diameter plant there has improvement we have been ramping the overall volume went up by 15% over a similar quarter last year and sequentially over the previous quarter went up by 19%. Only thing is the price realizations has not been as good as we planned in this sector. So, the losses have definitely come down, at the EBITDA level we have clearly brown even, we are quite positive, last year we were negative at the EBITDA level but at the PBIT level there is still negative which needs to be bridged as we go along.

In the metal forming section as far as automotive and industrial chains are concerned, we grew by 12%, we grew by 12% in the aftermarket, we also grew by 5% in fine blanking. However, in the doors frame sections which we supply to various automotive makers, we grew by 6% and a few other products we grew by 10% to 15% which are supplied to various automotive industries.

As regards outlook for the future for the coming quarters:

Bicycles we believe we are very badly hit due to this floods and other things in the second quarter. We are likely to redeem ourselves in the next two quarters, normally the third quarter is not a great quarter for us the fourth quarter is a good quarter. We are doing a lot of work in terms of retail and new products, we believe that will give us a lot of rich dividends as we go forward. As I told you, the proportion of the government orders will be fairly large in the second-half, we almost received all the orders from most of the governments who are giving these orders. So, the second-half definitely will be far better than the first-half in terms of volume, turnover and profits.

As far as the Engineering division is concerned as we know but for the large diameter cube is largely dependent on automotive. We are still seeing a fairly strong order book for two wheelers and passenger cars and this trend should continue and we are also making all plants required to balance our capacities across the various locations in North, West and South is going to help us in terms of better deliveries and higher volumes.

Exports – we expect the trend to continue at least for the next couple of years at the level where we will be continuously growing and a lot of work is being done in terms of enhancing our capability to continuously provide high quality products sustainable basis. The metal forming section the two-wheeler industry is looking a lower slower now but passenger car is looking good to the extent of that I think our sales in the OEM sector could be a little flat in the chains segment but as far as fine blanking is concerned and other products of metal forming like door frame we believe the growth will continue. Whenever required we are debottlenecking capacity and we have definitely taken the more positive view of the capacity requirement thinking that the growth could be higher than what it has been in the last two years to three years. This is the story as far as TI is concerned.

Coming to the operating subsidiaries like Shanti Gears:

Shanti Gears we improved our turnover by roughly 9% to 10% over the previous 8% to 9%. We ended up around Rs. 47 crores Q2 last year this year Rs. 51 crores. The profit before interest and tax was around Rs. 9. 2 crores against Rs. 8. 4 crores. Last year same quarter we had a very rich mix of orders we had high margins but this year we balanced it with high medium and low. The market is not great because projects have not taken up, the capital expenditure cycle if it improves in the industrial sector it will benefit us. Nevertheless, we have looked at newer and newer avenues where we can supply specific niche products which will definitely boost our turnover and profits.

Coming to Sedis, our subsidiary in France – we had quarter where our sales dropped to €6.7 million again €7.03 million last year, but there has been an improvement in EBITDA and PBT. PBT was at 44,000 as against (-233,000) in the similar quarter last year largely due to a number of efforts in reducing cost. The market continues to be flat in Europe and that does have an impact in terms of the top-line of this particular quarter.

Chola MS – the revenue went up from about Rs. 489 crores to Rs. 658 crores, a growth of 35% and PBT went up to Rs. 77 crores from Rs. 45 crores which is a growth of 70% over Q2 of last year. Our combined ratio which many of you will be interested last quarter ended our combine rate is Rs. 104 against last year Q2 of Rs. 175.

Chola Finance – an associate company, had a very good quarter again, growth of 17% in net income margin. PBT went up by 44% to Rs. 263 crores from Rs. 183 crores PAT went up 42% and as a result ratio as well improved substantially.

Now, in the Board Meeting we have considered the results of Q2 we also made another announcement which you might have heard and read in the various newspapers and others may be online sites, is our proposal for restructuring of Tube Investments of India. I know, many of you have been asking us about this in the earlier calls as well but I am glad to say that the Board Meeting on 3rd November approved the scheme of arrangement.

Just to explain to you, in simple terms – the company today has manufacturing operations and investments in manufacturing companies as well as in financial services companies namely Cholamandalam Investment, Chola Insurance, and Chola Risk. The idea is from Tube Investments of India Limited we will move the manufacturing operation and the share related to manufacturing companies namely Shanti Gears, TI Tsubamex Limited, Sedis India Limited to another company called TI Financial Holding.

TI Financial Holding is an existing company, it is a very small company into which the business of manufacturing will get into. Tube Investments of India Limited will hold, will manage the financial services company through its shareholding in Cholamandalam Finance, Cholamandalam Insurance, MS Insurance as well as Cholamandalam Risk. This scheme is subject to necessary. Statutory and regulatory approvals, including approval of the Honorable High Court of Judicature of Madras hearing and the Stock Exchange as SEBI and the respective shareholders of both the companies. The scheme will be effective on the date in which the authenticated copies that is after we get the SEBI clearance, we will go the High Court and after the AGM the scheme will come into effect, the day we will file this with the registrar is a day on which the whole thing will take effect. However, the appointed date of demerger is the financial accounts, everything will be done as per 1st April, 2016 and this is broadly the details of what is happening in the scheme. We believe that we will have two focus companies so that the shareholders have also got an option. Tomorrow they want to enhance the shareholding either they want tin financial services or in manufacturing depending on the choice and judgments they could do that it is all not combined. The second thing is the current shareholders will receive they will finally hold one share each of the Tube Investments of India Limited and TI Financial Holding namely the Financial Services Company that holds the Financial Services Holding as well as the company that will be doing the manufacturing operations. We are also recommending that the share capital will be done in such a way that the current shareholders will have equal number of shares at Rs. 1 face value in both the companies. There will be absolutely no change as far as the shareholding of the existing shareholders will be concerned, only thing is they will have two scrips one of Tube Investments of India Limited, one of TI Financial Holdings.

So, broadly this is what I have to tell you all as an introductory remark for this call. I will be very glad to take any questions that you people may have. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We have the first question from the line of Kashyap Pujara from Axis Capital. Please go ahead, sir.

Kashyap Pujara: And just wanted to take your sense on couple of things. Firstly, could you share some light on Chola Risk like what is the current size of the company and what the plans there, could you just elaborate something there because so far the discussions have mainly been focused around Chola Investment Finance Corp which is well covered and Cholamandalam MS General Insurance. So, the perspective on the risk business would be helpful, that is one. And second be now that manufacturing would be demerged from the current set up. Could you also give a give a view of the business three year out in terms of sustainable growth rate and what is the growth strategy I mean if you can just articulate some plans there?

L. Ramkumar: See, as far as Chola Risk is concerned it is relatively small company compared to the numbers we are talking this is joint venture with us and Mitsui Sumitomo. This is assessment of risk basically called risk advisory. We go to various industrial companies, give us the assignments for assessing risk on safety and various other things which could be chemical companies, which will be manufacturing companies. So, for the quarter ended September 30th, 2016 I can tell you that the total income of this company was Rs. 7.5 crores and the profit before interest and tax and extraordinary item was at small of Rs. (-1.3) crores however, the full year results of last year which is what we may likely to end up will get slightly improve was a revenue of Rs. 32.42 crores and profit before tax of Rs. 2.8 crores and yes, after tax profit is around Rs. 2 crores. This is highly service-oriented company which is also aligned with various organizations which help them in enhancing their skills in terms of assessment of risk and I think at this point of time we would have a good order book and we expect it to grow and it is complementary to our insurance business and we will be positioned as a group which can assess risk as well.

Coming to the manufacturing side of the business post demerger see, actually I do not see any change in terms of our outlook. We have always maintained to all of you that to us financial services and manufacturing are important to the extent that there are opportunities in each of these sectors we would not let them go by because of the structure so, that will continue. Probably the revise structure would enable each of these businesses to go at their own speed regardless of any other constraints. We have not had any constraints so far and I think the top management of each of these companies will also be focused that they do not have to look at both the sectors there could be people who are specialist in financial sectors, people who are specialist in manufacturing so, the board and other constitution will take place like that. As far as we are concerned we have mentioned many times we see upside in most of our businesses. We have seen in the last six months a very uptick as far as the Indian market is concerned auto industry to which we are tied to a large extent like bicycles is doing well and we are seeing a good traction for our products and good margin improvement. We also have been looking at exports which is kicked off in nice way in engineering division, same thing should happen in other divisions as well. And we are seeing some bright spots in some of the other products like fine blanking and motor casing, etc., related to automotive industry where we are definitely looking at upgrading capability capacity going forward. Shanti Gears will continue to be a very valuable subsidiary of the company and we do see that we are getting more and more enquiries for higher value-added products as we stabilize our management and operations and progressively here also the goal is to take up the turnover and profits. So, broadly I think our focus on manufacturing will continue to be as good as it was coupled with a better environment I am sure there are opportunities for much faster growth than we have done it in last three years - four years. I hope that answered your question Kashyap.

Kashyap Pujara: Aman, we can go to the next question please.

Moderator: Thank you. We have the next question from the line of Nishit Shah from ValueQuest Capital. Please go ahead.

Nishit Shah: Firstly, I would probably take this discussion forward on Chola Risk. What kind of growth we are expecting on a top-line basis and are we expecting any margin expansion going forward taking two years to three years' time horizon?

L. Ramkumar: Yes, I think we normally plan for growth of 10% to 20% this as I told you the skilled kind of a sector so, it depends to the large extent of having the right kind of the people so, we are constantly on the lookout for people with experience or we are training some of our people as well. You can safely assume a 15% to 20% growth and margin improvement would definitely happen at the volume growth and probably will not increase our overheads for the next improvement of the 50% to 60% of turnover as much.

Nishit Shah: You have any target from the margin perspective for Chola Risk?

L. Ramkumar: It will improve, I am not able to give you a number as of now.

Nishit Shah: Okay, cool. Secondly, on this same Chola Risk I understand this risk services business are quite competitive as Big 4 do and also a lot of other companies who are present in the business so, how are we planning to differentiate ourselves from rest of the business, I mean how are we planning to get incremental business from these guys? I mean it is a little bit sticky business, correct me if I am wrong.

L. Ramkumar: I want to distinguish what Big 4 do and we do, some of them is assessment of accounting and related risk. Here it is a very clear safety kind of risk I do not know how many of Big 4 are into this, you get my point that is you walk around the shop floor and tell people what kind of measures they should taking, the environment is safe, there is no accident, those kind of things, so, it is not so highly competitive, if at all there are big players from overseas who are well known for this, the domestic areas there are not many but we are also trying to tie up with some of them in order to see that we share the order book and stuff like that.

Nishit Shah: Okay. Now coming back to Shanti Gears, do we have any plans to do some buyback and merge Shanti Gears into manufacturing business?

L. Ramkumar: Nothing at the moment.

Nishit Shah: At the moment, okay. And lastly on the more of a book keeping question, what is the volume in the engineering division, I mean how many terms of tubes and strip in this quarter?

L. Ramkumar: You have asked a cautious question I will tell you**,** total tubes 63,000 tonnes.

Nishit Shah: 63,000 tonnes?

L. Ramkumar: That is right.

Moderator: Thank you. We have the next question from the line of Vipul Shah from Sumangal Investment. Please go ahead.

Vipul Shah: How the cash and debt will be divided between financial and manufacturing company in the event of demerger?

L. Ramkumar: See, the some cash will be there in financial services debt will be in the manufacturing company and the balance will be reserves.

Vipul Shah: Sorry.

L. Ramkumar: The debt will be in the manufacturing company.

Vipul Shah: Entire debt will be transferring to manufacturing company?

L. Ramkumar: Yes, that is right.

Vipul Shah: And all cash will be transferred to financial company?

L. Ramkumar: Some cash, not all the cash.

Vipul Shah: Some cash, okay. But debt 100% will go to manufacturing company?

L. Ramkumar: Yes.

Vipul Shah: Okay. And sir, can you give the volume and turnover of large dia in this quarter?

L. Ramkumar: I did mention, large dia in this quarter around 4,300 tonnes, turnover we did Rs. 29 crores.

Vipul Shah: And what will be EBITDA approximately?

L. Ramkumar: Rs. 3 crores.

Vipul Shah: Rs. 3 crores. So, was there a improvement as compared to sequential in last quarter in large dia

L. Ramkumar: Yes, there has been improvement.

Moderator: Thank you. We have follow-up question from the line of Kashyap Pujara. Please go ahead.

Kashyap Pujara: Could you basically give us a pro forma balance sheet broad items on the manufacturing front like what would be the net worth debt of the manufacturing business.

L. Ramkumar: for a later point of time let us apply to all the regularities and then we will let you know. We will put it up in the site itself no problem.

Kashyap Pujara: Yes, that is helpful.

L. Ramkumar: We will do it there is no problem, but just give us a little time.

Kashyap Pujara: Okay, sure. I will just move. Aman, can you take the next question.

Moderator: Yes, please. Thank you. We have the next question from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.

Ujwal Shah: Just getting this clarity sir, tube investments will continue to be a holding company under which we will have Chola Investments, Financials that is how this structure would be and the manufacturing portion will out one share each to the current holders of tube investments as and when the record date comes, is it correct?

L. Ramkumar: Absolutely correct.

Ujwal Shah: Okay, sir. And coming to the large dia plant we are already seeing good improvement. Can you throw some light like what could be the peak utilization levels for this unit and what kind of EBITDA levels or PBIT levels, peak EBITDA, peak PBIT levels can this unit see?

L. Ramkumar: Peak may happen in 2019 - 2020 what is we are in 2016-2017, 2017-2018, 2018-2019. So, peak I am not able to say because there has been a steep fall in prices now. a lot of seamless people have got involved because the oil sector is off so, that has affected our prices but in the medium-term we believe that could change, it will have a favorable impact on the pricing is belief.

Ujwal Shah: What has been drop in price, sir?

L. Ramkumar: It has been 8% to 10%. So, give us some time before I commit a number, we have given a lot of numbers in the past, I like to be a little more careful but I can only tell you the capacity utilization is increasing plus one of this thing unstated because of the demand going up in the other auto sector, it has also helped us tide over the increase in turnover of the balance business. See, large dia plant has also been able to serve our regular business which we might lost in terms of, we are trying to rationalize what is the best we can get of it. The lower end of that tube mill can serve our current business actually. The higher end is why we went for the investment. So, that is also happening it is not entirely captured, it is captured in the balance turnover not in the large turnover per say, this is only small value we put there that only converted into CDW and realize a much better value. The ramping up is taking place, turnover is improving, losses are coming down, we are at least at the end of all the quality problems because we believe we have solved it, most of the major customers we are waiting for three month waiting period for them to come back and confirm we believe the next level will be a big jump in terms of our order wherever they had a little quality problem. These all I can tell. Number let me hold on for some time probably the next or by the end we should be more confident to give you a number.

Ujwal Shah: Sure, sir. No worries, sir. And sir coming to Shanti Gears in terms of margins and even in terms of revenue we have been stating that we are expecting good amount of jump. We continue to say that in terms of order book also it is quite good, can you just throw some light how do we see our strategy planning for Shanti Gears now?

L. Ramkumar: See, if you see in the last five quarters to six quarters we have been steadily improving though not a significant growth there has been some growth improvement in profitability consistency, etc, right. So, we have also streamlined a lot of things on operations and what segments to operate and what segments we should not operate in order to do this. We have also now completed our exercise or talking to the people who used to give us very large number of orders earlier period. We believe most of these guys have got new sources but we will get back 20%-25% of that business albeit slowly because they are saying you walked away but they understand it is different management and we are very serious so, that will be one part of the growth going forward. Secondly, we also talked about specific sectors like railways, defense where we have seen good traction again these take a little longer time, like they take some six months to approve the products and all that, we believe this will also give us a good growth going forward. Third is we are also looking at very specific products which are imported into

India where I think again we will have a little better advantage if we can indigenize and provide it to these people. The last one is service. Now, the turnover is small but it can become much bigger and it is also quite good margins as far as service is concerned it is a huge market, it is underserved as far as we are concerned, we made a reasonable beginning right now it is a small percentage of the turnover it could become much larger.

Ujwal Shah: Right, sir. And sir, in terms of our margin expectations for Shanti Gears considering that now we have a mix of high medium type of orders in terms of margin do we see kind of margin expansion that we ever envisage in before panning out or do we see the market currently is so modest that the strategy might take some time?

L. Ramkumar: We have taken a conscious call to see progressively every quarter, every year our margin should go up, it may not go to the heady 35%-45% because the same product we have found out today are selling at a much lower price, right because of the period which just happened but I think this not the end of it we hope to improve margins for next two years to three years by 1.5% to 2% at least every year.

Ujwal Shah: Every year you are saying?

L. Ramkumar: Yes.

Moderator: Thank you. We have the next question from the line of Roshan Chutkey from ICICI Prudential AMC. Please go ahead.

Roshan Chutkey: Just a quick question on the insurance business, can you please give us a break-up of **GWP** by product?

L. Ramkumar: What do you mean by product?

Roshan Chutkey: Basically, how many crop insurance have we done this quarter?

L. Ramkumar: I may not know, sorry. I will have to get you that information. I will give it to you or I will give it to Kashyap also at Axis.

Roshan Chutkey: That will be helpful, sir. What has led to the improvement in combined ratio, if you can comment anything on that?

L. Ramkumar: Yes, as the business is getting larger and also Quarter 4 are all behind us. I think our underwriting is becoming profitable. All I can say in generic terms; I can check and let you know.

Moderator: Thank you. We have the next question from the line of Resham Jain from DSP Blackrock. Please go ahead.

Vinit: Yes, hi, this is Vinit here from DSP Blackrock. Just one question on how do we look at this holding company structure over the next three years - four years. Is this beginning of further more restructuring to take place or this is the structure pretty much what is going to be for the next four years - five years?

L. Ramkumar: I am too aware of what is the next step because I thought this will stay for some time, we have debated this for some time and you know all of you have been asking also. So, I can only see after this we have to make the structure work and see that shareholders get value out of this, further I have not heard not I am aware of any such thought at this point of time.

Vinit: Right. And in terms of the utilization of the cash through the holding company across the two businesses where do we see the requirement of cash going to be in the financial business, is it going to be in the insurance business as a holding company?

L. Ramkumar: After demerger you are saying?

Vinit: Right, that is right.

L. Ramkumar: Yes, so relatively it will be more in financial services, I think then insurance because financial services for growth you meet if you want to grow very aggressively then you need more capital whereas in insurance I think we reached a stage where the investment book is fairly large and it is supporting growth with minimal investments.

Vinit: Right. And lastly on this bicycle business when you mentioned about the government orders coming through is that also going to lead to some changes in your working capital requirement?

L. Ramkumar: It will, you are correct, I think it will have an adverse impact on the working capital requirement because it is very short burst you know three months to four months, you have to stocks 4 lakhs - 5 lakhs - 6 lakhs and deliver and then collect after sometimes 60 days - 75 days whereas our trade collections between 20 days to 25 days. So, it does put some pressure on the working capital but I can say that so far we have been able to collect all the money but institutional orders, the government orders thus put otherwise the bicycle business is fairly cash rich business, it does not require much cash when we did investments like last year. We are well prepared for it in fact in terms of organizing our limits and other things.

Moderator: Thank you. We have the next question from the line of Shreenath Krishnan from Sundaram Mutual Fund. Please go ahead.

Shreenath Krishnan: Can you help me with the export number from the engineering division for the quarter, you mentioned quarter and the first-half, you mentioned there is an 100% growth.

L. Ramkumar: I can let you have the value I think, for competitive position**.** Yes, the question you have…

Shreenath Krishnan: You mentioned that change was about 12% growth for the quarter and please correct me you mentioned second-half could be weaker, what was your commentary for change…

L. Ramkumar: Currently, I said two wheelers going little slow in one or two months so, that has a direct bearing on change. It does on tubes also but tube we have exports and there are other things. But our aftermarket we are doing well, that is good nothing to do with growth in the OE segment it is already much bigger than the OE segment. What I meant is as I am talking that one month or two months probably more so..

Shreenath Krishnan: Okay, sure, sir, got it. So, but for the engineering division if you could help me with the exports?

L. Ramkumar: Can I say this as I am addressing others?

Shreenath Krishnan: Sure, sir. Thanks, a lot.

Moderator: Thank you. We have the next question from the line of Rahul from ASK Advisors. Please go ahead

Rahul C.: Just one question from end. Just wanted to know what is the benefit of keeping the shares in our holding company structure vis-à-vis giving out shares of CIFT.

L. Ramkumar: I have not understood your question; please can you repeat it?

Rahul C.: Sir, the shares of CIFT , Cholamandalam the structure would be such that we will keeping those shares in the holding company and we will getting shares of the holding company vis-à-vis getting shares of Cholamandalam, is my understanding correct?

L. Ramkumar: No, see there will be two companies, tube investments will have holdings in Cholamandalam Insurance, Financial and Chola Risk. There will TI Financial Holding which is the new company actually into which manufacturing business will go so, the shareholders will get a share in that company. So, current TI share will be the financial services company. You get the point?

Rahul C.: Okay. I got it sir.

L. Ramkumar: Yes, exports of tubes went up from Rs. 30 crores to Rs. 65 crores during the quarter two 2016-2017.

Moderator: Thank you. We have the next question from the line of Sukru Deshpande from Vibrant Securities. Please go ahead.

Sukru Deshpande: Sir, I want to understand your chain business, so any decrease or increase in our raw material prices, can you retain advantage or you have to pass it on to OEMs?

L. Ramkumar: Very difficult now to even recover the increase.

Sukru Deshpande: Decrease in raw material prices.

L. Ramkumar: I am talking about increase; decrease has not happened now recently. It is very rare that we are able to hold on. I am talking about increase it is very difficult to get from them, there is a lot of negotiations that goes on, even the increase is known to you, so we can imagine, decrease it is very difficult to retain.

Sukru Deshpande: Okay, fine. If I hear correctly in OEM, your revenue is flat but the quarter as auto volumes have increase so, what could be the results, was there price pressure?

L. Ramkumar: No, I mentioned that we grew by 12% in all chains I did not say it is flat. I said, going forward this kind of growth may not be there is what I am saying, I am not talking about first-half, I think the growth has been good actually.

Sukru Deshpande: Okay, fine. Can you tell me about marketing share you have position?

L. Ramkumar: In chains?

Sukru Deshpande: Yes, in chain segment.

L. Ramkumar: It keeps varying there are large another competitor you know so, we may be in some change 45% some 49% some 52% so, it will be in the range of 45% plus in different kinds of chains.

Sukru Deshpande: Okay, in OEMs or all over?

L. Ramkumar: I am talking about OEMs.

Sukru Deshpande: Okay. And aftermarket sales?

L. Ramkumar: Aftermarket we may be lower than competition.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the floor over to Mr. Kashyap Pujara from Axis Capital for closing comments. Thank you and over to you.

Kashyap Pujara: Thank you, everyone for logging in for the second quarter FY 2017 Earnings Call of Tube Investments and thank you Mr. Ramkumar for being on the call, sir.

L. Ramkumar: Thank you, and thanks all of you.

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