



“Tube Investments Third Quarter Financial Year 2015 Results Conference Call”

February 5, 2015



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Tube Investments
February 5, 2015

Moderator: Ladies and gentlemen, good day and welcome to the Tube Investments Q3 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 “*” then “0” on your touchtone telephone. 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 Mr. Madon.

Farzan Madon: Thank you Margaret and a very good afternoon to everybody. It gives me great pleasure to welcome the management of Tube Investments, represented by Mr. L. Ramkumar - The Managing Director and Mr. Arjun Ananth who is the CFO. Sir, over to you.

L. Ramkumar: Thank you, good afternoon to all of you. Thanks for joining our call. I will just run through the key points of the standalone results and then I will touch upon the consolidated as well. On the standalone results, our top line for the quarter grew by 8.9% over the same quarter last year. Our profit from operations before income, finance cost, and exceptional items did come down as a percentage. Loss is due to absorbing the cost related to the new plant we have set up for making the larger diameter tubing for hydraulic cylinder applications. There is depreciation. There is manpower cost and other costs associated with this project, which will be fully absorbed only when we are able to take up the capacity utilizations. We did inaugurate the plant on October 30th. Trials are on. I think they have done around 400 tonnes of tubes so far. Other item I would like to mention to you is about an extraordinary item, exceptional item, which is the compensation paid on account of VRS to permanent employees in two of our divisions, in metal forming and bicycles, around 100 people. This would definitely improve our productivity and also have a positive impact on manpower cost going forward. The net result of all this is shown here in the results. Coming to the segments, bicycles had a good performance during this quarter. While The trade segment did not grow much and this was the case for all the people. This is predominantly a standard season and standard as a percentage of the total and also in an absolute sense is overall coming down in the market size. But we had the benefit of an institutional order for around 145,000 cycles with which we were able to have a growth in numbers of 13% over the same quarter last year. This also helped us to improve the profits and the profitability of this division. In the case of engineering, the value increase was 3% in revenue, around the same 2% to 3% in the quantitative terms of strips and tubes; however, you will see a dip in the PBIT. This is largely due to the impact of the additional cost with the new investment. I can also tell you that year-to-date, the other parts of the segment has maintained its profits and the turnover in line with what we expected and better than last year. The next division is metal forming. It consists of chains and doorframes. Doorframes did not do well because the models for which we supply the doorframes had a hit especially Hyundai and Tata Motors, which is now picking up. Hence they had a shortfall in revenue, but chains continue to grow. We had growth in fine blanking. Overall, I can say the metal formed section turnover increased by 8%, but the margins remained more or



Tube Investments February 5, 2015

less the same as last year in terms of percentage. Coming to the consolidated Q3 results over last Q3, revenue grew by 11% to Rs. 2469 Crs from 2228 crs. And PAT grew by 13.8% to 87 Crs from 77 crs. In the financial services business, we definitely had good growth on top line and bottom line, just to give you some numbers, disbursement did decrease in the case of Chola by 8%, the top line grew by 14% and PAT grew by 22%. In the case of insurance, there was a drop in the gross return premium; however, the profit increased substantially. In terms of PAT, we went from 13 to 39 Crores largely due to the absence of the motor pool losses which were provided for last year. Coming to the CapEx which we have done, we have done around 105 Crores so far and we will end up the year with around 150 Crores. The debt-equity ratio, both in terms of the total debt-equity as well as long-term debt-equity, is almost the same as last year which is 1.1 total debt-equity and long term debt-equity is 0.83. Shanthi Gears turned in better performance than the previous quarter. We have an order book of around 89 Crores at the end of 31/12/2014. We had better order booking in this year compared to last year. Last year same quarter we had done 40 Crores, this time we did 43 Crores. We have also seen that execution has been better, which is shown in the results. In the Large dia tubing project, the trials are on and we have to establish size-by-size. We are looking at both domestic and overseas markets. The people who have supplied us the mill from overseas are also working with us in this stabilization. We believe that the stabilization will be fairly complete by the end of this quarter and then we can see the revenues picking up from the first and second quarter with a decent number coming up in the second half of 2015-2016. Broadly, I would say this is the story from our side and any questions you may all have, I would be very happy to answer.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on the touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use only handsets while asking a question. Anyone who wish to ask a question may press "*" and "1" at this time. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Mr. Farzan Madon from Axis Capital. Please go ahead.

Farzan Madon:

Could you give us the volume numbers in terms of the second division, tubes and steel strips?

L. Ramkumar:

You want to know in terms of the total tonnage of strips and tubes, right. 59,000.

Farzan Madon:

Sure. With 40 Crores of PAT, I assume that we are making underwriting profits in the insurance business?

Arjun Ananth:

On the underwriting side, we actually made a loss of 19.8 Crores, but that includes the impact of some motor pool losses. It is basically a provision for any overrun that we may have had from last year. The investment income was 68 Crores in the quarter.

Farzan Madon:

Okay Sir, thank you, that is it from my side.



Tube Investments
February 5, 2015

- Moderator:** Thank you. The next question is from the line of Nilesh Gandhi from Destimoney Securities. Please go ahead.
- Nilesh Gandhi:** Good afternoon everyone and thanks for the opportunity. I have a few questions on Shanthi Gears. You mentioned that the order book stands at 89 Crores, so this is same as what it was at the end of September quarter?
- L. Ramkumar:** More or less the same.
- Nilesh Gandhi:** So, whatever execution that happened, we added equal amount in?
- L. Ramkumar:** Correct.
- Nilesh Gandhi:** Okay. On profitability, we are seeing that in case of Shanthi Gears, the operating margins are lower than the same quarter previous year. If you can explain on how the pricing is and why this number is falling and when can we expect some improvement?
- L. Ramkumar:** I think we explained in the last quarter concall as well. We had gone aggressively till the Q2 to book orders to keep the plant going and also utilize our capacity. We had taken some orders which normally we would not have, given the margin requirements. So you are seeing a dip in the margin compared to last year. The 88 Crores of order book does have maybe 50% to 60% of orders which are not at the highest of margins. So I would think that progressively our margins will be growing up from Q1. I can only say that in the last couple of months we have tightened the whole thing. We are now looking at margins and value, so we said even for a while if there is a beating on the order booking situation we would rather take it.. You also may know that the market has not been very favorable in terms of the growth. There is a lot of competition, but I can tell you that all efforts are being made to take up the margin and also look at various ways of reducing cost and looking at some niche areas of products. This is what I have to say, I hope I have answered your question.
- Nilesh Gandhi:** Thanks for the clarification. In one of the previous concalls, you also mentioned among all businesses under Tube Investments except nonfinancial services business, Shanthi Gears is expected to be the fastest growing business. Do you still hold this assumption?
- L. Ramkumar:** I would think the potential is the same. If infrastructure, power, etc. grows, I think there will be a huge demand for gear boxes and gears. That has still not happened. I still think there is potential and as the economy picks up we will have a good growth there.
- Nilesh Gandhi:** Okay, now coming to Tube Investments core operations. In one of the articles in the press release, it was mentioned that cycle division has started operating at 1 lakh unit capacity and after 20 years it will start exports. If you can elaborate that.



Tube Investments
February 5, 2015

- L. Ramkumar:** This 1 lakh capacity I did not understand, but we do around 3 to 4 lakhs per month in terms of bicycles across the various plants. I do know which one you are referring to for 1 lakh. If you can clarify that, then I will answer the export question.
- Nilesh Gandhi:** It was mentioned that the export will start after 20 years.
- L. Ramkumar:** That must be relating to the export. We used to export fully assembled bicycles to Europe and then we stopped. At that time we did not have duty. Then, duty was slapped on India also and then the neighboring countries also started exporting, like Philippines, Sri Lanka, and others. Now the situation has come again that India, after our rupee depreciation and also duties in other countries being higher than us, India has become a little more favorable from a commercial point of view for the importers to Europe. So we have commenced sale of children bicycles through the various supermarkets, catalogues, etc. Right now predominantly it is going to the UK, some portion to the other parts of Europe. This is expected to grow up progressively over a period of time.
- Nilesh Gandhi:** Okay. Regarding this carbon bike that you have launched, first domestic bike. We were earlier also selling these bikes under the brand Montra?
- L. Ramkumar:** Montra brand has got carbon and alloy, but carbon has not been that high in number as alloy bikes because carbon requires a specific facility which we are taking the help of somebody to make it for us. In alloy bikes, we make some, we can also get some things outsourced. Alloy bikes are going up phenomenally in number. Carbon will be far lower in terms of number.
- Nilesh Gandhi:** Okay, the point was that will it impact on the profitability positively in the near term?
- L. Ramkumar:** What we say is while the overall bicycle industry is slow, if you see the total numbers, it is not growing and of that the major segment of standards, which is the green and black cycles, they are dropping in terms of size. The segment which is growing are the bicycles of value above 8000 or 10,000, which is what we call as premium, etc. So, Montra and imported cycles, etc. come in this category. We are seeing a growth of 20% to 25% in this. Major portion of this could also be alloy over a period of time and definitely they have a better margin than the normal bicycles.
- Nilesh Gandhi:** Okay, thanks for the answers. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Ankit Sancheti from Kotak Mahindra. Please go ahead.
- Ankit Sancheti:** Couple of questions, one is with regard to bicycles. I missed in the initial part. You mentioned that you have executed a large institutional order in Q3. If I strip off that order, is the growth in bicycle negative and if yes, by how much?



Tube Investments
February 5, 2015

- L. Ramkumar:** 3% negative.
- Ankit Sancheti:** Okay. Do you have more institutional orders in pipeline or this was a one-time order done and executed?
- L. Ramkumar:** There are a number of governments who are doing this. We have traditionally participated in Tamil Nadu and Karnataka. What I mentioned pertains to Karnataka. Again, for this year 2015 we expect Tamil Nadu and Karnataka to start, I think Tamil Nadu order is getting finalized. We have not participated in other states. It is there in Chhattisgarh, in Gujarat, Rajasthan, etc. This year I think we will participate and look at it more actively, because one of the reasons for the trade fall in standards is also the institutional orders. Because the governments give so many of these bicycles, I think they virtually give it free in most of the cases or subsidize it, and then there is not much demand in the market. So for standards we have decided that we will actively participate in more institutional orders for the standard bicycles going forward.
- Ankit Sancheti:** Are there orders at par in terms of profitability?
- L. Ramkumar:** Reasonably you can say, comparable to the trade, yes.
- Ankit Sancheti:** Comparable to the trade and also after including the working capital?
- L. Ramkumar:** Yes, after including. The working capital is high for a while because you have to stock up in a very short time and also wait sometime for receivables, but probably the marketing cost is less . There is not much of other cost related to distribution and all that.
- Ankit Sancheti:** Who will be the other competitor in this?
- L. Ramkumar:** Everybody in the bicycle industry wants to have a percentage of this. All the major players are involved and everybody gets a share.
- Ankit Sancheti:** And typically these cycle institutional orders by the governments spike during the elections because typically they announce some election freebees or it is a general yearly phenomenon, which happens every year?
- L. Ramkumar:** In Tamil Nadu and Karnataka it has been happening every year. I do not know about others, I do not think it is very election driven to my knowledge, unless you have done some analysis, please send it to us.
- Ankit Sancheti:** No, I have not done that. Another thing was in terms of VRS. Can you explain what benefits can which accrue to us, how much amount we have paid, it is one time full payment or there is other payment?



Tube Investments
February 5, 2015

- L. Ramkumar:** Yes, it is a one-time payment. Roughly as I told you 100 people opted for this amount which we have shown in the P&L.
- Ankit Sancheti:** Okay, are there more VRS planned or now you are at an optimum size?
- L. Ramkumar:** We are doing for each division. We have completed for cycles and metal forming. We are also looking at it for engineering.
- Ankit Sancheti:** Okay, another thing was in terms of large tube. In the press release it was mentioned that because of the startup cost for the large tube plants, the margins are slightly subdued as compared to normal margins. My question here is how much is the one-time cost, is it a one-time cost or is it a recurring cost? Second is, given the time that there will be customer approval for the products and there will be orders which can be received and then executed, what can be the reasonable timeframe for margins to not only get that to the original level since these will be more profitable products?
- L. Ramkumar:** I got what you are saying. The cost are actually, the depreciation and the initial manpower and costs such as. We have got almost the entire manpower required for ramp up. They are not being fully utilized because we are doing the trials. So the real thing is, it is not one-time cost, but the revenues should start increasing to absorb these costs. I presume that we will progressively increase it and next year second half we will see that most of these costs are covered.
- Ankit Sancheti:** When you say next year second half, can you tell me is it when you are talking about June 2016 or you are talking about 2015?
- L. Ramkumar:** 2015-2016, I am talking about April to March.
- Ankit Sancheti:** What essentially you are saying is six months from now?
- L. Ramkumar:** Maybe more, eight months, September is eight months, so I am talking about still September end, I told you we have done around 250 tonnes in January, this month we may do 500 tonnes, and then we will take it to 800 tonnes. Ultimately we will have to take it to something like 1500 to 2000 tonnes per month.
- Ankit Sancheti:** Okay. Your margins benefit will start accruing only at 1000 plus levels in terms of turnover?
- L. Ramkumar:** Yes, 1500 most probably.
- Ankit Sancheti:** So that will be additional margin, overall margins will improve. The margins have fallen, so to get back to previous margins, it will take 800 tonnes capacity?



Tube Investments
February 5, 2015

- L. Ramkumar:** No, not 800 tonnes, I told you it may be 1500 to 2000 tonnes. It also depends on the product mix, so I do not have an exact number, but it is not 800 tonnes, it will be more. The total capacity is 3000 tonnes, we can do 36,000 tonnes of CDW if we use it fully.
- Ankit Sancheti:** For all your three divisions, cycles, tubes, and the other division, can you throw some light on what are the key commodities for individual divisions and do you see any benefits in all the three divisions, because one will be B2C, some is B2B, so if you can just give us a color on the three divisions?
- L. Ramkumar:** Broadly, the major commodity is steel for all of them, there the prices are coming down now, last quarter to this quarter, we are seeing that. Normally we have also seen the first quarter of every year it goes up, but it depends on the demand-supply I suppose. Apart from that for cycles, it is rubber, because they use tyres. Which also I think is suppressed. Overall, the commodity prices have been going down for the cycle division.
- Ankit Sancheti:** We will come to steel, what I am saying is for cycle division. If I just first talk about the cycle division, because it is more B2C division. You essentially not need to pass on the benefits to the end customer.
- L. Ramkumar:** If the competition is not taking up the prices, we are under pressure, but we have a little better leeway, that is all I can say.
- Ankit Sancheti:** Bottom line is I am trying to understand whether we will see EBIT margins improving in bicycle division in the next two to three quarters if the commodity prices remain here, can we see that or no?
- L. Ramkumar:** Right now what is happening is the market is very tough. Commodity prices have come down. So market is not growing, so there is a lot of competition, people discounting. We have not done it aggressively. We have been watching, but if everybody does too much then we have to think.
- Ankit Sancheti:** Whether discounting essentially helps the industry in that sense?
- L. Ramkumar:** It is a classic debate we can have in a classroom because we believe very strongly that the consumer should get the benefit. Discounting could help the trade, but ultimately the cycles will have to move out of the shops, for everybody to sell more cycles. So what is happening according to us, the problem we are facing is, there are not more consumers spending more money to buy more cycles, which is what should be our focus, in whatever way we do, advertisements, product promotion or something like that. This only will help in the short run. But if you ask me how will the bicycle profitability go up Of course it is volume if the volume does not go up, it will be through the mix. If you are able to sell like, somebody asked about alloy bikes, this Montra for example and that percentage increases definitely the profitability will



Tube Investments
February 5, 2015

also improve, even though the turnover may not increase substantially because the numbers may not be more.

Ankit Sancheti: Okay. If I look at the tubes division, where is the benefit, it is a cost plus kind of a model, where everything gets passed on to the customer?

L. Ramkumar: Yes, I am sure you are dealing with a lot of automotives. Today, they are asking for a lot of reduction, even when we had a steel price increase we had to give reductions in certain cases. So that is on the edge. Maybe in tubes we are definitely looking at exports in a bigger way. We believe we have not tapped it fully. What we want to supply is not a very big quantity compared to the industry and the world market, so that will be an area of growth.

Ankit Sancheti: And these will be basically large diameter tubes or the existing?

L. Ramkumar: Large diameter will happen once we are stabilized till then it will be the existing automotive tubes.

Ankit Sancheti: Okay, and this will be basically Europe in the sense/

L. Ramkumar: It will be ASEAN countries and some in Europe.

Ankit Sancheti: Okay, and just one last thing on cycles. You mentioned in your earlier remark about exports and now as a country we are more competitor, can you throw some more light how remunerative these exports are in terms of margins and stuff like that?

L. Ramkumar: The margins in the export bicycles we do, we do children bicycles, which is not geared. It is a simple plain vanilla bicycle. Of course, their requirements are quite exacting in terms of painting, finish, etc. because these are all sold as I told you in Europe or UK. The margins are not too high in this. It will be comparable to a medium level model in India, not our Montra and those kinds of models, but if you do large volume we can get some profit there.

Ankit Sancheti: Is it sold under our name or we just sell it and the chain stores sell in their own name?

L. Ramkumar: Private labeling.

Ankit Sancheti: Okay, so then we would have an order book in that situation, isn't it? Because they will say I need 50,000 cycles or something like that.

L. Ramkumar: Yes, I think this year we will end up with 50,000, they want more and we are negotiating. We could do more, actually we started in the middle of the year only last year, we did not do fully.

Ankit Sancheti: Okay Sir, thanks a lot, that's all from my side, thank you very much.



Tube Investments
February 5, 2015

Moderator: Thank you. The next question is from the line of Srinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Srinath Krishnan: Good afternoon Sir, just a couple of questions. In terms of railways, if you could tell us what was the business in this quarter and going ahead are you seeing some traction happening on the wagon front?

L. Ramkumar: Railways, we did some business during this quarter. Q3 we had supplied 426 sets compared to 134 sets last year. The prices are still very low compared to when we started two three years back. We also restarted our business for coaches for ICF, we have got a backlog there. It is also better than last time, but the major investment we made is for wagon and that is where we need volume. We are still not seeing the government showing urgency in wanting to buy more wagons. What we have been supplying is one order of the previous year, 2013-2014 plus the repair work for the various workups of , Southern Railway, Northern Railway etc., We are waiting for this railway budget to see what is it they are going to say in terms of allocation for the wagon section. I am sure government will have to get back to wagons in order to beef up the capacity, so I think we will hopefully get some clarity by the second or third week of February now.

Srinath Krishnan: Okay. Our scope is making the sections for the wagons. As a strategy, is there any other areas you would like to put yourself into the railways as a segment going ahead or is it a bit too early to call for it?

L. Ramkumar: There are actually two things. One is the problem in the case of wagon is it is a railway segment itself. Section is an area where we are very comfortable and we also had a good market share. So when we are not very sure about the segment, obviously we are not looking at what else we can do. I told you about ICF which has given some coaches for which we have the capability and capacity. Getting into railways as you know is a very big process. We will have to qualify and there are existing players. We may have to get into other things like some foundry or forgings or whatever. This is not something which we are looking at.

Srinath Krishnan: Okay. When you say looking at alternative uses, like making use it as a fabrication shop for any other segment?

L. Ramkumar: Actually roll form product is what we can do there. We do fabrication for ICF. Roll forming has to be there. We do Roll forming for door frames which is for automotive, We do the same for railway wagons. Of course, they are of a different strength and accuracy. In Shanthi Gears we are doing something for railways. We are doing some gears, various types of gears used under the wheel, etc., which is kind of an import substitution. They had that capability, but now I think it is picking up momentum. We have got the initial samples approved, then the tender will come and hopefully we will get a fairly good share.



Tube Investments
February 5, 2015

Srinath Krishnan: Okay. Secondly, in terms of exports, if you can just comment in terms of both tubes and chains. Are we seeing any traction on the export front?

L. Ramkumar: As I said, in the case of tubes I am more optimistic because we have done some work in the ASEAN countries for export of tubes to the suppliers for the two wheeler makers. We have got our products approved. It is a long drawn process, we are doing it for the last couple of years and I think they are reaching the time when we get the orders. The exports of tubes is to the European and American markets. Europe is, as you know, not doing great now. So our growth hopefully will come from the export to the ASEAN countries. In the case of chains, the issue is bulk of our exports is to Europe and Europe is quite depressed. There has not been a major growth there. We are working with various customers for new product development, etc.

Srinath Krishnan: Okay. Currently what would be your export mix in tubes and chains this quarter or YPD?

L. Ramkumar: We will just do it and will tell you.

Srinath Krishnan: Okay Sir, fine that is it from my end.

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

Pritesh Cheddha: It is a broader question, both in metal forming and on the engineering part of the business. We have seen the size of the business and the revenue in the business has been fairly stable for the last 12 to 14 quarters, and it will be like for metal forming between 200 and 220, and engineering between 70 and 440, excepting this quarter. When do you see the traction in both the businesses picking up and what should be the drivers for the same?

L. Ramkumar: Tubes have been growing, I do not have the numbers readily, but definitely if you talk about the 12 to 14 quarters. I think there has been an improvement, because every year we are growing at least annually by close to 5% The period you are saying is also the period when automotive had not done very well. Before that there was a heady growth as you know, so directly it is linked to two wheeler and four wheeler growth. In the case of metal forming, we have had a very significant growth in chains and fine blanking, but the offset factor has been railways. So we have dropped dramatically in the railway business during this period. In the case of tubes, I think we would have grown, I can give you the numbers maybe, in the last two to three years our growth in the engineering division will be in the order of 5% year on year. I can give you that number also. But if you ask me how this will grow, definitely the growth is going to come when the industry pickup is there in passenger cars and two wheelers, and in the case of tubes we are saying when the new project starts ramping up that will also give us additional revenue, more than the automotive sector.

Pritesh Cheddha: The new project is the user base other than the auto?



Tube Investments
February 5, 2015

- L. Ramkumar:** New project largely nonauto, for offroad vehicles, excavators, backhoe loaders and those kinds of vehicles.
- Pritesh Cheddha:** When should this project start commercial operations?
- L. Ramkumar:** Production has started. As we were saying earlier, we are stabilizing sizes one by one. We need to do some 25 to 30 sizes in order to get a significant volume.
- Pritesh Cheddha:** My next question is on the Shanthi Gears side of the business. There, when we see a lot of other engineering companies, exports is turning out to be fairly interesting proposition, which is generating growth in standalone product companies, how do you foresee it for Shanthi Gears. We know about the domestic business side, there is hardly any traction, so the business has stabilized. What are the thoughts on the exports in Shanthi Gears and what are the thoughts on the domestic business side in terms of traction?
- L. Ramkumar:** In the case of exports, we have some steady exports in Shanthi Gears for the customers who have been with us for the last few years. Domestic, I think the market has to be a little more favorable, though we are also aggressive in terms of looking at the order booking. We have to balance it with the profitability. If the infrastructure industry improves with all the various things that is likely to happen with roads, with power, cement, and other things, I think definitely Shanthi Gears will also pick up. I am not sure in which quarter it will happen, but we are very confident sooner than later it has to happen, but for too long it has been very sluggish.
- Pritesh Cheddha:** Thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Nilesh Gandhi from Destimoney Securities. Please go ahead.
- Nilesh Gandhi:** Thanks for the opportunity again. In this new plant, large diameter tube plant, you had mentioned in the press release that it acts as an import substitute for current demand. I wanted to know apart from this import player, who are all other players who are meeting this demand, which are the companies supplying these kinds of tubes?
- L. Ramkumar:** Locally, what we do is cold drawn welded. There are also seamless steel tube players. There are some applications where only seamless is required. We are not targeting that segment at all. There are some advantages of buying our products because the work to be done after buying the product plus the weight, etc. gives some cost advantage to the customer provided quality is fine, so that is where the competition comes in.
- Nilesh Gandhi:** Sir, I believe in that case the costing of CDW to be lesser than seamless tubes, am I right in this assumption?



Tube Investments
February 5, 2015

- L. Ramkumar:** Costing for the cylinder makers, you are right.
- Nilesh Gandhi:** Okay Sir, thank you.
- Moderator:** Thank you. The next question is from the line of Aditya Sundaram from Edelweiss Financial Services. Please go ahead.
- Aditya Sundaram:** Good afternoon Sir, thank you for the opportunity. Could you share with us across the segments the utilization for the different segments?
- L. Ramkumar:** Bicycles, tubes, chains, I think will be very much in upwards of 85% to 90%. In the case of cold rolled strips, we may be at 60%. In metal forming, it is very model specific. So those models which are not doing well for Tata for Nano, and for others, we may not utilize much at all. Now now Tata's Zest, Bolt etc are picking up and it is better. Hyundai utilization is less now because some of the models we are doing are going down. They are introducing new models. For some we got the orders and for some, somebody else is doing.
- Aditya Sundaram:** You could not share a ballpark number for the metal forming division?
- L. Ramkumar:** Because it is an average of mangoes, apples, and oranges. You can take it as, for railway wagons I will say our utilization is 10%. In the case of doorframes, you can call it as 50% to 60%.
- Aditya Sundaram:** Okay, I have one more question on the large diameter tube. How much tonnage have you done per se in this quarter? I know stabilization is going on, but how much is the output tonnage that you have already managed?
- L. Ramkumar:** I think we have done 100 to 150 tonnes in that quarter, it is going up every month.
- Aditya Sundaram:** Okay, 150 to 200, capacity is about 3000 tonnes. You said by in about eight months odd you will reach about 50% utilization then the cost should be absorbed and so you will definitely see a margin improvement, is my understanding right?
- L. Ramkumar:** Yes.
- Aditya Sundaram:** Just one last question on the cycles division, when do you see your EBIT margins improving? Is it just a feature of the mix like for example initially you mentioned if the premium cycles move up, is that the only factor here or can we see an improvement going forward in Q4 or maybe H1 of the next year?
- L. Ramkumar:** If you see historically, in the first half our margins will be better. In cycles, in Q1 and Q2, we sell more of the speciality bicycles. Overall, throughout the year, we want to improve the mix towards a favorable margin for us.



Tube Investments
February 5, 2015

- Aditya Sundaram:** Okay, so maybe we could see it go back to say about 5% maybe Q1 of FY'15 because you have done 5% initially of EBIT margins on the cycle level roughly.
- L. Ramkumar:** If we have done last year, I am hoping we will definitely do this year also.
- Aditya Sundaram:** Okay, thank you Sir, that is all from me.
- Moderator:** Thank you. The next question is from the line of Pritesh Cheddha from Emkay Global. Please go ahead.
- Pritesh Cheddha:** On the bicycle side, I just want to know in the product mix what should be the contribution from the premium bicycles and the normal bicycles?
- L. Ramkumar:** In terms of percentage, the difference is something like 6% to 8%.
- Pritesh Cheddha:** In the revenue mix, what will be the contribution?
- L. Ramkumar:** In premium, maybe 25% to 30%.
- Pritesh Cheddha:** Is that the portfolio which is growing at 20% you said?
- L. Ramkumar:** Not that, out of that we will say maybe 1.5 to 2 lakh bicycles, something like that.
- Pritesh Cheddha:** And the balance portfolio is not growing?
- L. Ramkumar:** It is growing, maybe that is compensated by the drop in standard.
- Pritesh Cheddha:** Okay. Thank you.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to the management for closing comments.
- L. Ramkumar:** Well, I thank all of you for taking time off and also participating in this concall. I am just trying to see if I can provide a couple of data points which you have referred to during the meeting. One question was about the exports we have done. Till date in the year for TII, we have done export of 156 Crores, 2014-2015, and for the quarter we have done around 50 Crores. So with this, we close and we shall keep in touch. Thank you.
- 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.