Alicon Castalloy Limited

Q1 FY20 Earnings Conference Call Transcript
July 30, 2019

Moderator: Ladies and gentlemen good day and welcome to Q1 FY20 Earnings Conference Call of Alicon Castalloy 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mayank Vaswani of CDR India. Thank you and over to you, sir.

Mayank Vaswani: Thank you, Stanford. Good day, everyone and thank you for joining us on Alicon Castalloy Limited's Q1 FY20 Earnings Conference Call. We have with us today Mr. Rajeev Sikand – Group CEO, Mr. Shekhar Dravid, – COO and Mr. Vimal Gupta – Group CFO. Mr. Sikand will participate briefly to share some perspectives on the industry landscape and will then be departing for an urgent commitment. The session will then be continued by Mr. Dravid and Mr. Gupta for their opening remarks, following which we will have the forum open for a question and answer session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings documents which have been shared with all of you earlier.

I would now like to handover the floor to Mr. Rajeev Sikand – our Group CEO for his opening remarks. Over to you, sir.

Rajeev Sikand: Good day everyone. I welcome you on behalf of the management team of Alicon Castalloy to our earnings conference call for the first quarter ended 30th June, 2019. I trust all of you have received the result tables and result presentation. I will cover some industry developments and business updates of the quarter gone by following which Shekhar Dravid will cover operating highlights and Mr. Vimal Gupta will run through the key financial highlights.

The operating environment continues to be challenging both for domestic as well as global customers. Slowdown in growth which has now reached rural areas too, rising fuel prices, impact of insurance on two wheelers and disruption in the Financing industry have come together to drive moderation in demand. There have been reports of factory closures for certain days of the week especially in the month of June. Also, many of you are aware there is a direction given towards new technologies, the BS6 adoption for commercial engines and the thrust being provided for Electric Vehicles. This has caused some of the end users who are planning to purchase to probably go in 'wait and watch' mode.

In the global markets, the impact of trade war and renegotiations of tariffs slowing the economic growth, technological advances which have resulted in better vehicle utilization and other micro headwinds have led to subdued demand environment.

Naturally this has percolated from the OEMs to the supplier of the component such as Alicon. While the current headwinds are apparent and all known to you, we at Alicon are committed to remain confident that we will be able to deliver on our stated vision in the quarters and years ahead.

We have tightened our belts and are taking following steps to overcome the challenges we are facing in the near term. We are focusing on controlling our operating cost, improving resource utilization, ensuring up our cash flows. We have also deferred our expansion plan in the investments and are instead focusing on sweating our existing capacities. We think this is a best course of action to allow us to be nimble and be prepared to face any eventuality given the current environment.

Thank you. I handover the session now to Shekhar Dravid.

Shekhar Dravid: Thank you Mr. Sikand. In addition to the challenges to the industry, outlined by Mr. Sikand just now, we are taking the customer first approach. We have worked with some customers to rationalize the inventory levels, which resulted in a one-time impact on sales. This step will help our cash flows. We are happy to share that we have gained wallet share in our key customer accounts and have in fact witnessed some new order wins.

During the quarter revenues were Rs. 267 crore, 11% lower than Rs. 299 crore in Q1 last year. While domestic revenues were lower by 13%, exports including sales from our overseas division grew by 1% during this quarter, with improved client metrics. Lower sales resulted in EBITDA decline to Rs. 28 crore with the margin of 10.4%, a decline of 135 Bps from the corresponding quarter in year 2019. The PAT stood at Rs. 5 crore. From the operational standpoint, we have some positive developments to share. Within the core auto mobiles segments we took significant strides in creating innovative state of products to cater to the domestic and export market in order to boost cost efficiencies and performances across categories. In sync with this, we launched a range of products for the two-wheeler, three-wheeler and CV categories during this quarter which received healthy responses from customer. The domestic automobiles sector, as you are all aware, is moving fast over the implementation of BS6 norms. We have geared ourselves to address opportunities emerging from this and are being steadily adding to our repertoire of clientele given our preparedness.

Coming to e-mobility, while we have seen a strong pickup in the global markets already, we are yet to scratch the surface in India. At present several OEMs are proactively involved and are working on creating electric mobility models. Being an integrated supplier, we are seeing a strong build-up of orders, leads and enquiries and are further enhancing offerings to tap these enormous high potential domestic opportunities. During the quarter, we build on the initial sales for electric two-wheeler vehicle segment in the domestic market while on the global front we continue to witness a strong momentum for the motor-housing, battery-housing and gear-box housing segments, especially from the manufacturer in Europe. These components are now on a mass production basis and we are supplying it from our European facility to these global manufacturers.

We are also maintaining our presence in other sectors like Infrastructure, Defence Energy and Agriculture. At the same point in time we foresee several parts used in these industries are made of casting steel which we believe will still get converted into aluminum or a low-density material like aluminum magnesium alloys for the reduction of weight purpose. Through this, we are sensing an opportunity and have already equipped ourselves to cater to these segments. As indicated earlier, we are working with the Defence sector to reduce the weight of its battle tanks and have also recently started working in the aeronautical division. We believe our focus areas are in sync with our growth strategy of diversifying our customers and product base and simultaneously expanding brand reach across various sectors and markets. Our strategic approach has been to prepare for mitigating the impacts of the industry which has been volatile, this we have done in several ways. Firstly, we have been actively monitoring industry trends and customer preferences and preparing our teams for the future requirements of our customers. Given that there is an uncertainty around the direction in which auto industry will move in the near terms, we are well placed with the customer across the various technologies. Despite this broader market challenges, we will continue to implement our business strategy across our operational models with an endeavor to sustainably outperform the industry growth rate in the longer run.

On that note, I would like now to hand it over to Vimal Gupta to run you through the key financial highlights for the quarter ended June 30th 2019.

Vimal Gupta: Thank you Mr. Dravid. Good afternoon everyone. I will take you through the key financial highlights of the period under review and we will open the forum for your questions and suggestions.

Overall slowdown in volumes in the auto industry impacted demand for components, which in turn impacted sales for our company during the quarter. In addition, the company along with customers has rationalized inventory levels, which too impacted sales at one-time basis. This resulted in de-growth of 11% in our revenues from operations on a consolidated basis. Revenues stood at Rs. 267 crore in Q1 FY2020 as compared to Rs. 299 crore in the corresponding period last year. Domestic revenues were lower by 13% year-on-year basis while our exports including overseas revenue grew by 1%. Export accounted for 20% of our total revenues and 80% comprised of domestic revenues.

On the segmental front, the auto division contributed to 90% of the total revenues for the quarter. The two wheelers accounted for 48%, 21% came from the passenger vehicles and 21% from the commercial vehicles and the LCVs. For the quarter revenue from our non-auto division stood at 10%. On the profitability front our gross margins were stable at 48.1%, EBITDA during the quarter stood at Rs. 27.84 crore with margin of 10.4%. Profit after tax during the quarter stood at Rs. 5.08 crore against Rs. 12.3 crore in Q1 FY19. Profit after tax margins were at 1.9%, lower revenues translated to lower profitability during the quarter.

Overall despite the challenging environment our order pipeline remained steady and we continue to see improved enquiries and leads across market and industries.

With this, I now conclude my remarks and would now be happy to discuss any questions, comments or suggestions you may have.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Chirag Jain from SBICAP Securities. Please go ahead.

Chirag Jain: I have a few questions; first would be on the first quarter performance. You did mention that apart from the general demand slowdown, we also had impact with respect to inventory rationalization by OEMs as the OEMs had also plant shutdowns. So, what is the feedback that you are getting from OEMs right now in terms of demand environment and are we largely through with the inventory rationalization, which had an exceptional impact in the first quarter performance?

Vimal Gupta: Actually, this inventory rationalization is related to the exports. So, Daimler, appointed us as a second source and later on they converted us as a single source for the part and for the confidence building, so they asked us to build-up the inventory at their plant. So, for around 1.5 years, they are very happy with our performance, delivery levels, quality, so we have agreed to reduce the inventory levels. So, that one-time correction we did in month of May and June. So, that has impacted sales of approximately Rs. 8 to 9 crore, so that is the one-time transaction.

Chirag Jain: Anything on the domestic front that you're hearing from OEMs?

Vimal Gupta: Domestic front also, because generally they maintain their inventories at their warehouses, so for that, we agreed to make the corrections in the stock level, so that is also impacted.

Shekhar Dravid: We have got the stocks as per the agreement with the customers for around 10 to 11 days, normally in the warehouses. This trend in the reduction in the volumes, we have jointly discussed and reduced this to seven days. So, now we are working with seven days of inventory at the warehouse and at the lower level of the volume in-warding, so that has also impacted our total sales for the quarter. If we would not have done the rationalization of the stock, we would have been at 7% to 8%. So, this basically means we are ahead of the total de-growth of the industry and with rationalization of the stock, it has caused a decline in our sales by about 11%.

Chirag Jain: Any signs of recovery that you are picking up from your OEM customers over the next 3 to 6 months timeframe because we would also be entering into the festive season and probably post that pre-buying ahead of BS6 emission norms, so any signs of recovery that you are hearing or you are still some time away?

Shekhar Dravid: At present, there is no such indication from any of the OEMs. We are anticipating that there could be some surge because of the festive season. But it is too early at this moment to comment on that, another one month, we have to see that how these all OEMs perform and how the stock levels in the market go down. Based on that it will be really tactful to comment on this.

Chirag Jain: Can you just share some more details with respect to your preparedness with respect to EVs in terms of what components that we would be supplying, what would be the content in EV vis-à-vis a traditional IC, two wheelers and probably what kind of customers that we already have when we are targeting?

Shekhar Dravid: for the e-mobility we have made ourselves ready almost 3 years back and we have done it through our European facility. So, all these components what we develop at this moment from our European facility, those are in mass production as far as European manufacturers are concerned and we started supplying it. Now if those things are now coming down to India, they have started talking of it, so we are ready for this technology and we are ready for taking any such challenges coming to us as at Alicon. Coming down to two-wheeler industry, more than 1.5 years back, we were working with 'Ather', they have brought first electric scooter into the market. And if you see, we developed seven components for them and recently another eight more components have been added to our kitty and all this put together, our contribution to the per vehicle was around 4.5 to 5 kg which has been now increased with all these 15 parts inducted into, now it has been around 18.5 to 19 kg. So, almost 4 to 5-fold increase in our consumption per vehicle has taken place. So, that way, we are ready for the technological disruption. Product is changing but the Aluminum casting per vehicle has increased.

Moderator: The next question is from the line of Saurabh Jain from Sushil Finance.

Saurabh Jain: My first question is despite topline degrowth, margins have not fallen much, so what was the reason and can we maintain these levels going forward or do you see an improving trend going forward barring this year?

Vimal Gupta: I think you have already seen the results. In this the main reason is that, the actions that we have taken for cost reductions is now giving the results. So, even after drop in the sales by 11%, margins have gone down by just 1%. So, that is mainly due to a lot of controls and cost reduction actions, in the manpower cost, in our operations also. So, now we are more focused on how to improve the margins and mainly our investments that we have made are for the future, so that's why our net bottom line is down and looking forward, we are committed to improve the margins, for that we are focusing and we are further tightening the belt to reduce our costs.

Saurabh Jain: So, we can definitely see an improving trend, going forward apart from this year, right?

Vimal Gupta: Yes.

Saurabh Jain: With the industry headwinds that we are currently seeing, it looks like the vision 2022 of Rs. 2000 crore is difficult or it can get delayed by a year, so do you think it may get further delayed?

Shekhar Dravid: Looking at the present volatility in the market, it will be too early to comment on anything for Rs. 2000 crore at this moment. We will keep our strategy of wait and watch; our strategy for the long-term is already in place. So, we will keep wait and watch for another 1 or 2 quarters and based on how the market moves along with the fact that we are ready for any type of disruption coming in. So, within 1 or 2 quarters, we will be able to take a firm stance on Rs. 2,000 crore of when it will happen. So, at this moment, I would like to keep my comments reserved. Definitely within next two quarters, we will be able to discuss all that.

Moderator: The next question is from the line of Vijay Singh from First Global.

Vijay Singh: My question is our top line has gone down by 10.7% while our net profitability has gone down by 60%, so any specific reason behind it?

Vimal Gupta: If you see the EBITDA margins, those margins have not gone down. So, we have taken lot of actions for our cost controls. So, that is down by only 1% because there are lot of fixed costs and suddenly the sales have gone down. But actions have been taken and the EBITDA margins are down by 1% but we have made the investments for our future and have prepared ourselves, so that is the only depreciation, interest cost is the reason that our net margins are down.

Vijay Singh: So, we see sustainability of the EBITDA margin for over next 1 to 2 years?

Vimal Gupta: Yes, EBITDA margins, we are going to improve that.

Vijay Singh: I was going through our annual report, which our Greenfield capacity has been postponed, so could you give me a brief about that?

Shekhar Dravid: Right now, the volatility has been peaking, that's why the decision to delay it. Looking at the last two quarters when we have seen that there is a decline in volumes and the headwinds are changing and the same is still continuing and there is no stability in the market. So, because of that it will be too early to comment on when we will initiate that project. But one thing is sure that we are ready for that. Whenever it's needed, we can go for that when the market will need it.

Vijay Singh: Short term is very challenging for the automobiles as we are all aware but what are you looking for over 1 year or 2 years going forward for the top line only?

Shekhar Dravid: Basically, at this moment, because all these things have come all together and this turmoil to settle, it will take one quarter or two quarters, but definitely with BS4 to BS6 changes coming into force and looking at this, we will be able to comment on this in another one quarter in a concrete way.

Moderator: The next question is from the line of Ankit Merchant from SMC Global Securities.

Ankit Merchant: I just wanted to ask the majority of our revenue is from Hero MotoCorp, that forms near about 32% to 33% of our revenue and we have seen a significant amount of decline in Hero MotoCorp's volume also and the two-wheeler recovery also seems very modest from hereon. So, what are your views currently related to it and also what is the average contribution from our side to Hero MotoCorp's vehicles as such, can you please highlight?

Vimal Gupta: First of all, the revenues from the Hero MotoCorp you have told that is not correct. So, on the lower side, it is approximately 13% to 14% in that range. As our policy for de-risking of the business, no customer is more than 15% on our board, only one customer that is Honda group, that is both two wheeler and four wheelers, then they are more than 15%. Otherwise every customer is lower than 15% in our top line contribution.

Ankit Merchant: I wanted to ask you about the EV plans as such, we were working with Ather, we were working with the battery unit for Ather. So, can you please elaborate on how the talks are going ahead with Ather considering now the EVs now is now the main focus for the government?

Shekhar Dravid: Ather's the business strategy is that they will go one by one cities. Now recently, they have decided to launch the product in Chennai and after Chennai, they will come to Pune. So, they will go city by city, so with this there is an increase in volumes. We've started to see the volumes increase when they started in Bangalore and now with Chennai, there is an increase in volumes. Second thing is that if you see the per vehicle contribution in IC engine, it was around 4.5 to 5 kg for us, and as we entered into the structural parts of Ather Vehicles, our contribution per vehicle has increased to around 18 to 19 kgs per vehicle and the volumes with this are growing up and our sustenance with Ather will grow in a better way than in the past.

Ankit Merchant: What is it in the rupee terms if you could give us more idea because for IC engine, our kg contribution is 4.5 kg or something, so in rupee terms how much does it translate and for EV also how much will that translate?

Shekhar Dravid: On these 15 parts that we are supplying, it roughly comes to around 2%-2.5% of the total vehicle cost.

Ankit Merchant: For EV?

Shekhar Dravid: Yes, it is specifically for the Ather ramp-up.

Ankit Merchant: Other than Ather, are you engaging with any other EV manufacturer in India or abroad?

Shekhar Dravid: Yes, recently we have engaged with the customer called Tork Motorcycles, who is again an India-based start-up for e-motorcycles and we bagged one order for 12 components from them right now.

Ankit Merchant: Are you not working with Bajaj Electric Scooter?

Shekhar Dravid: All these developments of Bajaj are internal developments. They have not yet rationalized it for the on-source market.

Ankit Merchant: Considering we were paying lot of importance to exports and also to the Defence, so if you could highlight how was the exports and going forward can exports be the main growth driver for this particular year? And Defence, we were doing the wheels also of the tank wheels, any particular progress on that?

Shekhar Dravid: For Defence, the order for the battle tank wheels that we received is is continuation is to the tune of around 2,900 wheels orders. Secondly recently we have got one more RFQ of conversion and import substitute for the ventilator fan and that RFQ is under process at this moment. So, this is what we can share at this moment from the Defence sector for you.

Vimal Gupta: Actually, in the global business for the quarter there is a growth of 1%. But as I explained that we also made some correction in our inventory levels that has impacted the sales of exports. So, if I just remove that impact, there is a growth of approximately 15% in the global business for the quarter.

Ankit Merchant: Last time, for the total company in FY19, we did a volume of close to 41,000-42,000 metric tonnes, so this year, can we be touching or reaching those particular levels or could we be going little higher, any thoughts on that?

Shekhar Dravid: Looking at the market, we have to restructure every quarter of what will be our final business plan and with this volatility, it will be difficult that whether we will touch that figure or not. So, it will be too early to comment on this at this moment.

Moderator: The next question is from the line of Narottam Garg from CWC Advisors.

Narottam Garg: Just alluding to the EV side of things, for the two-wheelers, you mentioned that the parts you will be supplying will be around 2.5% of the total cost. Just wanted to understand is this only aluminum die-castings that you will be supplying or are there other components as well which is leading to that increase from 5 Kg to 20 Kg?

Shekhar Dravid: These are only aluminum die-cast components.

Narottam Garg: Are you trying to say that the battery-housings or the motor-housings that you would be providing, these will more than offset the loss of tank cases and other components that you were doing in the IC or is there any other component also which becomes a aluminum die-casting vis-à-vis previous IC engine?

Shekhar Dravid: The change over from IC engine to electric vehicle, the IC engine will be replaced by three parts. One is the motor, second is the battery and third is a transmission and all these will require a base component, which will be aluminum casting. So, looking at this transit disruption taking place, we have envisaged this and we have started looking into the components, which are the suspension parts, structural parts that are basically other than the engine components, which will add to a number of components more with additional weight in two-wheelers. Because of the increase in number of parts, this will increase our share of aluminum castings from around 5 kg, in IC engine in two-wheelers to around 18 to19 kg in the Electric Vehicle.

Narottam Garg: Is it that earlier the suspension cases or cases for other components were made of iron and steel and now they will be made of aluminum because of which you are seeing this content increase?

Shekhar Dravid: Going into the e-mobility will be the first challenge to reduce the weight of the vehicle and to reduce the weight of the vehicle, most of the components which are in cast iron and steel, we have an opportunity to change it over to aluminum. So, we are seeing that these parts which are presently in IC engine in cast iron or steel or fabrication, which will get converted into aluminum parts.

Narottam Garg: Does the complexity of the part stay the same in an EV vis-à-vis IC-E and therefore the margin should be similar or is there any difference there?

Shekhar Dravid: Basically, these new parts which are coming in due to e-mobility or which will be technology parts, which will have their specific requirements. So, these new parts from the point of view of technology, will require higher specifications, higher accuracies as compared to general IC engine parts.

Narottam Garg: Why is it that there is a requirement for higher complexity, higher specifications in this EV part compared to ICE?

Shekhar Dravid: If you are looking at the totality, the light weighting of a component is more important. So, the wall section thicknesses of the castings related with the same wall thickness is the strength requirements, all these things will be very important to look at and the designs will be optimized designs to have that weight reduction possible, to be achieved with e-vehicles. That is the challenge for all the e-mobility vehicles.

Moderator: The next question is from the line of Bharat Gianani from Sharekhan.

Bharat Gianani: Just wanted to ask whether you have crossed 80% of the revenue from the Domestic Automotive OEMs and the slowdown seems to be a cyclical slowdown. So, what is your estimate of the top-line growth because the domestic OEMs it look like the recovery would not be significant? So, would you like to comment on the medium-term plans over the next 1 or 2 years what's your revenue target, would you like to make a comment on that?

Shekhar Dravid: It will be too far to comment what will happen after 2 years or what will be this business growth after 2 years. Let market settle on, and based on that we will be able to answer this question more concretely.

Bharat Gianani: My next question is the capex, what was your earlier target for this year and since you have planned to defer the Greenfield expansion what would be your revised capex guidance for this year?

Vimal Gupta: So, this year, we are more focused on for the new parts and what capacity is required for the special type of equipment, we will make the investments for that or the maintenance capex will happen.

Bharat Gianani: Any number to share roughly?

Vimal Gupta: Not more than around Rs. 25 crore.

Bharat Gianani: What is the EV contribution currently in our top-line overall and what is your target for the next 1 or 2 years?

Shekhar Dravid: At **the** moment, it is less than 1% and by next year, it should be around 2% to 3% and which will grow on year-on-year because all these start-ups, as they take up the volumes up, our top-line revenue will accordingly will be in line with that.

Moderator: The next question is from the line of Saurabh Shroff from QRC Investments.

Saurabh Shroff: In the beginning of the call you mentioned that below the EBITDA line, you continued investments for the future, which is depreciation and interest as such. So, just wanted to understand that is this going to be the consistent number going forward and also you said that the inventory rationalization helped you in the cash flow. So, have we seen the impact of that, already this quarter or will it get better over the next couple of quarters and then I will ask you my second question?

Vimal Gupta: The actions that we are taking for the rationalization of inventories, so till July it will last.

Saurabh Shroff: Our interest expansion has gone up by Rs. 1.8 or 2 crore year over year and despite this rationalization that has happened. So, I'm just trying to understand that what kind of investment is it that we are doing because you have said that we have deferred our capex plan for the time being, rightly so and that the total capex for the year is a very small number. So, I'm just trying to understand how cash flows will be in this very tough and trying times for the industry and hence for us?

Vimal Gupta: For the capex part that I have explained that we are just reduced it in from a bigger size to maximum of Rs. 25 crore and that will really help us. Our outflow of the interest part will reduce. The interest which will definitely go down based on that the repayments that will happen of the term loans that we have taken to finance our capacities, that we built in the last year.

Saurabh Shroff: So, you think that interest cost should go down through the rest of the year given that the capex has been deferred?

Vimal Gupta: Slowly, it should go down.

Saurabh Shroff: How is the working capital situation at the end of this first quarter? At least payments etc. coming on time? Inventory you have mentioned we've rationalized, so that should obviously have improved.

Vimal Gupta: Yes, the payments are coming on time.

Saurabh Shroff: On the cost cutting measures or the belt tightening measures that you mentioned, what more scope do you see and which areas are we focusing on? Is it just on employee's side or and what is the size of this program that you can see?

Vimal Gupta: We have to find the each and every area, where there is a possibility to reduce our cost and to optimize that one. So, then it will be a more efficient model. So, what we generally call the model that we have developed is the 3B. So, in this way, we focus on three points to improve on. So, one is that how to improve the sales and how to increase the top-line. Second is how to improve our margins; that is the value add that means how to reduce our variable cost and perhaps renegotiate the material cost or find out some other way, to reduce our operating costs and third is to reduce the fixed cost. So, we have planned to hire more people and then how to work with them more efficiently to reduce that manpower cost or to reduce our energy cost or another maybe logistics cost. So, every area, we are finding out how to optimize our costs.

Saurabh Shroff: Do you still see room for these measures to pay or do you think we are as lean as we can be without affecting normal operation?

Vimal Gupta: Definitely, there is some room available. Every time we go into details, we find the new opportunities.

Saurabh Shroff: On the sales side, so as you mentioned that the order book still remains healthy, so how much visibility do you have for the rest of the year and just in this particular quarter given that domestic sales have done much worse than exports; would that have also naturally helped margins because I am under the impression that exports are generally at a better margin versus domestic. So, would that sales mix shift and how much visibility do you have for the rest of the year based on your order book etc.?

Vimal Gupta: At this moment, is very difficult to predict. But definitely we are more focused to serve the customers and whatever the opportunities we are getting to convert to more sales and we are trying to find out and execute that. And the second is on the margin side, your assumption is correct that margins in the export business is higher than the domestic. In our future strategies also, we are more focused on the exports and increasing the share of global business. So, coming quarters we will be able to see more improvements in the margin side.

Moderator: The next question is from the line of Agastya Dave from CAO Capital.

Agastya Dave: Has any OEM asked you to reduce prices?

Shekhar Dravid: Right now, there is no such demand that has come..

Agastya Dave: It may come, right?

Management: Yes, because everybody is under pressure.

Moderator: The next question is from the line of Pankaj Bobade from Axis Securities.

Pankaj Bobade: Your annual report you have mentioned that we have added two new export customers namely TitanX and UQM.. So, just wanted to understand where do we stand as far as our supplies to UQM is concerned and what is the potential going forward. My second question would be since we are one of the largest aluminum castalloy companies, are we restricting ourselves or would we be restricting ourselves to the engine related components or would be expanding it into aluminum-based alloy wheels, which has been a great market for some of the ancillaries in India and abroad too?

Shekhar Dravid: UQM at present is in a very preliminary stage of development that their end. The prototypes have been submitted to them and they are in process of validation of the same. The SOP of this particular product will start in end of 2020. So, in a prototyping stage this business is there but we are looking at this business from a good perspective on the point of our future entry into it. Answering to another question; we are not only in the engine parts. Wherever aluminum is required, we have made our entries into those products. As I already explained that we are in suspension parts, we are in chassis parts, we will be in the parts wherever the aluminum is required, Alicon is present there. In all the sectors, where aluminum is required through low pressure die casting and gravity die casting, Alicon is present there. The third question what you asked about the wheels, basically our partners and our joint venture with Enkei Corporation is already there and they are in this business so we have no intention to enter that business at all that this moment.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over to Mr. Dravid for closing comments.

Shekhar Dravid: Thank you very much. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarification or would like to know more about the company please feel free to contact our team or CDR India. Thank you once again for taking the time to join us on this call. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Alicon Castalloy that concludes this conference. Thank you for joining us and you may now disconnect your lines.
