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\* Jinesh K. Gandhi

Ladies and gentlemen, good day, and welcome to the Endurance Technologies Q2 FY '19 Results Conference Call Hosted by Axis Capital Limited. (Operator Instructions) Please note, this conference call is being recorded.

I now hand the conference over to Mr. Ashish Nigam from Axis Capital Limited. Thank you, and over to you, sir.

Thank you. Good morning, everyone. This is Ashish Nigam from Axis Capital. Welcome to the Q2 FY '19 results conference call of Endurance Technologies. From the management team, we have with us, Mr. Anurag Jain, Managing Director; Mr. Ramesh Gehaney, Director and COO; Mr. Massimo Venuti, Director and CEO, Endurance Overseas; Mr. Satrajit Ray, Director and Group CFO; and Mr. Raj Mundra, Treasurer and Head, Investor Relations.

I'll hand over the call to Mr. Jain for his opening remarks, post which we will have Q&A. Over to you, Anurag.

Thank you, Ashish. Good morning, everyone. I am Anurag Jain, Managing Director of Endurance. I would like to share details of how we have done in both the second quarter and the first half of 2018/'19.

The first half of 2018/'19 has been good for the 2-wheeler industry. As per the SIAM data, the 2-wheeler industry sales grew by 11.9% as compared to the quarter 2 of the previous financial year. In 2-wheelers, scooters grew by 6.5% and motorcycles grew by 14.8%. It is interesting to see that in the first half of 2018/'19, motorcycles growth percentage was much higher than the scooter growth percentage. As you are aware, 78.5% of Endurance's domestic sales is to the 2-wheeler OEMs. In Europe, in the first half of 2018/'19, growth in the automotive sales was 3.5%. Our European operations have posted a total net income growth of 5% in euro terms and 15.8% in rupee terms. But in quarter 2 of 2018/'19, the European automotive sales grew by 1.6%, and Endurance's total income growth was 6.7% in euro terms.

On the financials, I will briefly talk to you about the second quarter of 2018/'19, and then about the first half of 2018/'19. During quarter 2 as compared to previous year same quarter, our consolidated total income grew by 23.2% from INR 15,782 million to INR 19,447 million. Consolidated EBITDA grew by 22.2% from INR 2,354 million to INR 2,877 million. Consolidated EBITDA margin percentage was 14.8%. Profit after tax grew by 25.6% from INR 997 million to INR 1,252 million. The profit after tax percentage was at 6.4%.

During quarter 2, our stand-alone total income grew by 26.5% to INR 11,390 million to INR 14,403 million. Stand-alone EBITDA grew by 23.3% from INR 1,548 million to INR 1,908 million, with an EBITDA margin percentage of 13.2%. Stand-alone profit after tax had a growth of 29.5% to INR 946 million. The profit after tax percentage was at 6.6%. We would like to mention that in spite of the 2-wheeler industry growth at 7% and automotive industry growth at 7.1%, Endurance's stand-alone sales growth was 26.5% in quarter 2 of this financial year.

I will now brief you on the financials of the first half of 2018/'19. During the first half of 2018/'19 as compared to the first half of 2017/'18, our consolidated total income grew by 23.3% from INR 30,896 million to INR 38,092 million. Consolidated EBITDA grew by 23.8% to INR 4,550 million to INR 5,633 million. Consolidated EBITDA margin percentage improved from 14.7% to 14.8%. Profit after tax grew by 27.3% from INR 1,962 million to INR 2,498 million. The profit after tax margin percentage improved from 6.4% to 6.6%. The consolidated ROCE was at 25.4% and ROE at 21.9%. The consolidated net debt was at INR 3,156 million and the net debt-to-equity ratio was 0.13:1. The asset turnover was 2.49x.

During the first half of 2018/'19, our stand-alone total income grew by 26.4% from INR 21,819 million to INR 27,581 million. Stand-alone EBITDA grew by 25.9% from INR 2,952 million to INR 3,716 million, with an EBITDA margin percentage of 13.5%. Stand-alone profit after tax had a growth of 31% to INR 1,847 million and the profit after tax percentage improved from 6.5% in the previous year to 6.7% in the first half of this year.

The stand-alone ROCE was at 27.6% and the ROE at 20%. The stand-alone net debt was at INR 2,068 million and the net debt to equity was at 0.11:1. The asset turnover was 2.64x. We would like to mention that Endurance is focused in both Indian and

European operations on growing higher than the industry growth, run on profitable growth as can be seen in the quarterly and half-yearly financials.

The detailed financials are available with the stock exchange and on the Endurance website. I would now like to share certain other points on the -- which have happened in the first half of 2018/'19. 72% of our consolidated total income, including other income, came from Indian operations and the balance 28% came from our European operations. That was due to the growth in Indian operations being higher than European operations.

In India, there was a sizable growth in business with Bajaj by 32%, Honda 2-wheelers by 22%, Royal Enfield by 12%, Hero MotoCorp by 46% and Yamaha India by 17.5%. It is important to note that in the first half of 2018/'19, in spite of Indian 2-wheeler industry growth at 11.9% and the total auto industry growth at 12.75%, Endurance's stand-alone business grew much higher at 26.4%.

In Europe, in the first half of the year, we acquired EUR 20.5 million of new business, with Volkswagen, Fiat Chrysler and Daimler. In Europe, in euro terms, we grew 76% with Volkswagen Group, including Porsche and Audi and 17% with Daimler.

Our top 5 clients in Europe are Fiat Chrysler, Daimler, the Volkswagen Group, including Porsche and Audi, BMW and Opel, which is now being owned by Fusion. In the first half of 2018/'19, our aftermarket sales in India grew at 23.8% from INR 983 million to INR 1,217 million. This included both the domestic and export sales. In the first half, our exports from India grew by 71.6% from INR 748 million to INR 1,284 million. Our exports mainly comprised of exports of aluminum castings to Getrag, now a part of the Magna Group. Motorcycle front fork and shock absorbers to KTM Australia and our auto market exports to 23 countries.

I would now like to brief you about certain key highlights of domestic business at Endurance. Since April 2018, INR 7,334 million value of business has been awarded to Endurance. The new business is mainly from Kia Motors, HMSI, Hero MotoCorp, Yamaha India, Royal Enfield and Fiat India and Tata Motors. This also includes new product platforms as well as a small order for electric 2- and 3-wheeler business for suspension and breaking products.

The status of our new plants are as follows: our 2-wheeler suspension plant at Halol, Gujarat started production in September 2018. And it's now supplying 100% of front forks and shock absorbers requirement of Hero MotoCorp Halol Plant. Our Kolar, Karnataka plant for supplying front fork and shock absorbers to HMSI or Honda 2-wheelers will start supplies from January 2019. The built-in work is already complete. In Chennai, we have purchased approximately 9 acres of land at Vallam for our second die casting and machining plant at Chennai. And we are targeting to start production by September 2019. The customers to start with will be Kia Motors, Hyundai and Royal Enfield.

As mentioned earlier, we want to discontinue our manufacturing operations at our Manesar plant. This is held up due to the order dated 28th August 2018, from the Department of Labor, Government of Haryana. Our company has challenged this order in the High Court of Punjab and Haryana. We are now awaiting the final order, which is expected after the 12th of this month. Our customers have been assured that their supplies will not be affected, as we have made arrangements in our other plants.

Upside-down front fork and rear shock absorber export supplies for KTM/Husqvarna 401 cc to 790 cc motorcycles are going smoothly, and KTM is very happy with our quality. We have now started work on supplying the inverted front fork and shock absorbers to KTM 890 cc bikes also.

The ABS brakes tie up with BWI USA is also progressing well. There is close coordination between the teams at Endurance and BWI. Our client has already started joint test of our ABS on the test track. As mentioned earlier, our plant capacity is planned at 500,000 ABS assemblies per annum, and we are now targeting July 2019 to be ready for supplies.

The rear disc brake assembly orders are increasing, and we have supplied 45,000 rear disc brake assemblies in September 2018. We are investing to reach a capacity of 100,000 rear disc brake assemblies a month as well as 200,000 front disc brake assemblies a month, totaling 300,000 disc brake assemblies a month by quarter 4 of this financial year. This is an increase from our existing total capacity of 185,000 disc brake assemblies a month.

Our 29-acre test track for ABS to be ready by end of this month, but our ABS test tracks are complete and joint test started with BWI.

With large orders recently secured from HMSI, Hero MotoCorp, Hyundai, Kia, Royal Enfield and Bajaj, you will see a higher CapEx intensity this year. And our India CapEx could be in the range of more than INR 4,500 million in this financial year against INR 2,500 million to INR 3,000 million per annum in the last 3 years. Our company received an eligibility certificate for

incentives under the Maharashtra Package Scheme of Incentives-2013. Based on investment in fixed assets from April 2013 till September 2017 and consequent employment generation in the state, we've got incentives totaling an amount of INR 2,831.16 million spread over the next 7 years. Further, additional incentives are expected on account of investments in fixed assets made during the period October 2017 to March 2018. This incentive amount is not considered in our first half year profit margins as we expect to get this incentive in quarter 4 of this financial year.

We are extremely excited about all the new business, as there are large opportunities coming our way in all the 4 product areas, including new products being 150 cc and above motorcycle suspension inverted front forks and shock absorbers, paper friction plate clutch assemblies, front and rear disc brake assemblies, scooter continuous variable transmissions, or CVTs, and fully machined aluminum castings for 4-wheelers. There is also our goal to add more products to our existing 4-product area portfolio. We are actively engaged to explore and identify opportunities for merger and acquisitions and technical tie-ups with different overseas companies.

We, at Endurance, will also continue to focus on growing profitable business in all our 4-product areas with our existing clients and new clients by leveraging our strength in R&D, our strong vendor base and our TPM approach on increasing operational efficiencies.

Also, we are focusing on increasing our aftermarket and export business in our Indian operations and looking at organic and inorganic opportunities in both India and Europe.

As you are aware, our company has to achieve 25% public holding by October 2019. Towards this, our board approval has been taken and then moved for shareholders' approval too. The quantum of shares to be sold by the promoters and quantum of money to be taken in the company if required will be finalized at an appropriate time.

With these opening remarks, I would like to invite questions from everyone. Thank you.

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Questions and Answers

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Operator [1]

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(Operator Instructions) We have our first question from the line of Jinesh Gandhi from Motilal Oswal Financial Services.

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Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [2]

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First question pertains to India. So just a clarification, you mentioned incentives have not been accounted. This is even the incentives till September '17? Or the upcoming October '17 to March '18 incentives?

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Anurang Jain, Endurance Technologies Limited - MD & Director [3]

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Okay. I will require -- I would request Mr. Satrajit Ray to answer this question.

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Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [4]

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Jinesh, this incentive will be accounted for, from Q4 of this year based on the final government letter that we receive. So far, we have received about INR 283 crores of approval from government, but there has to be year-by-year application of each

we will get year-by-year approvals. So we will book the incentive when we get the approval from government for that year itself, so which we expect to happen in quarter 4 of this year for one year, the first year.

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Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [5]

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Understood, understood. Second question pertains to -- can you share a segment-wise growth in revenue shares for India business?

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Anurang Jain, Endurance Technologies Limited - MD & Director [6]

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See normally, Jinesh, we do not share the segment-wise growth. But I would just like to tell you that we are focusing on all our 4-product segments. And like I said, we are experiencing growth in machine castings for our casting business. We are experiencing growth in our brakes business with the rear disc brakes, and in future, the CBS and ABS coming in from April 2019. Then paper-based clutch assemblies and CVTs which will start from next financial year, but paper clutch assemblies which we are doing today that's experiencing more and more cork-based -- paper -- cork-based clutch assemblies shifting to paper-based clutch assemblies. And in suspensions, we are seeing more orders for higher suspensions, including in water in front forks and rear shock absorbers from our clients. So our focus is on all the 4 segments in really a large -- where we are getting opportunities in all the 4 segments. And you will see that the technology -- also expectations are going high in all the 4-product segments. So I will not be able to tell you the segment-wise growth, but you can see the 26.5% growth in the last 6 months accounts for growth in all the segments, so there are no segments being left behind. Our focus is all 4, I mean, to answer your question.

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Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [7]

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Okay. So there is a broad-based growth across segments? Right. Second question pertains to the outlook given by 2-wheeler OEMs in India for second half, given that there has been some bit of weakness entering into festive. What's the outlook shared by OEMs for second half?

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Anurang Jain, Endurance Technologies Limited - MD & Director [8]

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Well, see, what we have seen so far is, like I mentioned, our focus is profitable growth and higher than industrial growth. Now even if you see our quarter 2, the 2-wheeler industry grew only at 7%. The automotive industry grew at 7.1%. Endurance grew by 26.4%. So we have been taking new businesses, starting new plants, like I mentioned, that our new plant at Halol started. Kolar Karnataka plant for HMSI is starting in January '19. Our new Chennai plant for Hyundai, Kia and Royal Enfield is starting by next September 2019. So we are focusing getting new profitable business. So of course, the industry growth is very important for us, but our growth is not limited only to the industry growth. But to answer your questions, we have seen a slowdown in the scooter sales, but motorcycles, fortunately for us, as well as Bajaj, fortunately for us, is doing well. And as you know, motorcycles is 70.5% of our Indian sales. So that really helps us. When Bajaj does well and motorcycles has better than scooters, we are in a good spot. That's all I can say for now. But we are aware of what's the situation. But definitely in the quarter 2, there has been a lower growth compared to quarter 1.

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Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [9]

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Understood, understood. And last question pertains to European business. So again, Europe has seen a bit of regulatory headwind in 2Q regarding duality piece. So again, are we expecting sustenance of growth in Europe? Or there is adverse outlook shared by OEs there?

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Anurang Jain, Endurance Technologies Limited - MD & Director [10]  
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Okay. I will request Mr. Venuti to answer this question. He's also on the line, our Director and CEO overseas operations. Massimo, are you there on the line?

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Massimo Venuti, Endurance Technologies Limited - Non-Executive Director [11]  
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Yes, and certainly yes.

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Anurang Jain, Endurance Technologies Limited - MD & Director [12]  
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Okay, okay, okay.

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Massimo Venuti, Endurance Technologies Limited - Non-Executive Director [13]  
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So in the second quarter -- like Mr. Jain told in the second quarter of the fiscal year 2018/'19, sales (inaudible) impacting the vehicle in the European union grew by 1.6% compared to the same quarter of the previous year. In this period, the European operation of Endurance posted a total income of 6.7% growth compared to this year. If you analyze 6 months, we are growing more or less 5% compared to 3.5% of the market. And so our expectation is to maintain more or less the same level in -- also in the next quarter due to the fact that we started with the important business with Volkswagen. In fact, we grew 67.6% with Volkswagen following the production ramp up of new parts, that have entered the production phase mid-year, and that will also contribute to be frank in the next period of the year.

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Operator [14]  
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We have next question from the line of [Ronak Sarda from Systematix Shares.]

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Unidentified Analyst, [15]  
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Sir, couple of questions. One, on the India business, how should we look at the product mix, given Bajaj sales have increased in 3-wheelers in the economy segment sales -- in an economy segment? So sir, understanding the product mix in 2 ways. The content supplied versus a penetration, let's say, in 3-wheelers and economy segment vehicles versus the others. Is it beneficial? Or should we say, this is like a product mix which has been worse off in last 3 or 4 years?

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Anurang Jain, Endurance Technologies Limited - MD & Director [16]

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See, no. As far as I would say the product mix is concerned, see -- because see, Endurance has always leveraged its supplier base. As I said, we have our own Endurance vendor association and our operational efficiencies. Whether, it is 100 cc or it's a KTM bike, we have always -- see, with Endurance, it's not like there on the lower cc motorcycles, we need less money as compared to the higher cc bikes. We leverage our vendor base and our operational efficiencies to make good amount of money and then whole range. So in the first half, if you see, the Bajaj Auto, the production grew 30%. We have grown 32% with Bajaj. If I say -- if I stick the sales number, which is not in the right accurate number, if Bajaj has grown 25%, we have grown 32%. But the right number is, if they're grown in production 30%, Endurance have grown 32%. So just to give you an idea that if even you see other customers, if you see HMSI, HMSI grew in first half 5.8%, we grew 22%. If you see Yamaha grew 4.2%, we grew 78.5%. Hero MotoCorp -- I mean, Hero MotoCorp grew by 9.4%, we grew 46%. And Royal Enfield was similar growth, 12.6% with the similar growth. So we have always grown more than what our customers are growing by taking new business?

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Unidentified Analyst, [17]

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Sir, just add to this, we started supplying a lot of new business on the rear disc assemblies to Bajaj. So I mean, if I assume that is incremental business, if I knock that off, how does that then come to the numbers? How does that change the numbers?

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Anurang Jain, Endurance Technologies Limited - MD & Director [18]

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See, that is not a very -- because that's not such a -- see that business, I've said is INR 1,500 million business opportunity which we have, is what I've mentioned. Right now, I mentioned we have reached INR 42,000 million. Again, the capacity by quarter 4, we are raising to INR 100,000 a month for rear disc brake assemblies. So this is an opportunity of around INR 1,500 million or INR 150 crores opportunity. Right now, it's not a very big number, but it was 0 last year. So like I mentioned in the last call also, this is a complete surprise of additional new order for Royal Enfield and Bajaj, which were good.

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Unidentified Analyst, [19]

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Sure. Okay. And the second question was, you highlighted that ABS products are now in testing phase with clients. If you can just give us some initial colors on the product performance?

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Anurang Jain, Endurance Technologies Limited - MD & Director [20]

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See the positive part is our product is ready, see that's very important. And now the testing has started. Of course, there is a bit of time which takes meeting customer expectations on performance and durability. But mainly, we have to pass it. That process is started with the customer. So actually -- so that is the positive part because it is a technology product. I would like to Mr. Ramesh Gehaney to add to this.

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Ramesh Gehaney, Endurance Technologies Limited - COO & Executive Director [21]

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Ronak, see the basic testing on the lab and everything and the vehicle has been done. As far as the final tuning is concerned, that depends on the calibration requirements of the customer. Each vehicle is tuned based on the requirements or the configuration of the vehicle. Now that is in process. That is the final stage that we are at with our -- with the bike. So once the calibration is over, any changes on the test tracks and other things, that has to be adjusted onto the software. The software has got to be written on -- with those minor changes. Once that is done, then the calibration is complete. So once the calibration is complete, then we go with the final offer to the customers. Okay?

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Unidentified Analyst, [22]  
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Sure, sir. So I mean, can we conclude that this has been pretty encouraging and given the cost..

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Ramesh Gehaney, Endurance Technologies Limited - COO & Executive Director [23]  
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Absolutely, absolutely. In fact, it has met a lot of requirements too. So we have a product now, and the friction is to just fine-tune it as to our expectations.

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Unidentified Analyst, [24]  
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Sure, sir. And the final calibration has given our -- the cost advantage you will retain over the other suppliers like Bosch or some...

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Anurang Jain, Endurance Technologies Limited - MD & Director [25]  
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And that's our target.

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Ramesh Gehaney, Endurance Technologies Limited - COO & Executive Director [26]  
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That's our target, yes.

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Anurang Jain, Endurance Technologies Limited - MD & Director [27]  
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Of course.

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Unidentified Analyst, [28]  
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Perfect, sir. Sir, just one clarification on the stand-alone business. If I look at your employee cost, that has just grown 7% in this quarter. Sir, any one-offs here because our top line has been pretty strong, Halol has come up as well?

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Ramesh Gehaney, Endurance Technologies Limited - COO & Executive Director [29]

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See we are managing our manpower with acquired efficiency. Basically, our sales per person is increasing, which means we are doing more low-cost automation as well as automation. And that's been the focus I've been talking in the last 2 years. That our focus. And you can see a result of that now.

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Unidentified Analyst, [30]

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So this is sustainable, sir? I mean, given our top line...

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Ramesh Gehaney, Endurance Technologies Limited - COO & Executive Director [31]

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See it is definitely our focus to keep doing that. Well, I'll put it that way because I don't like to give too many tall statements. I like to talk a bit less and do more.

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Operator [32]

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We have our next question from the line of Aditya Jhavar from Investec Capital.

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Aditya Jhavar, Investec Bank plc, Research Division - Analyst [33]

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One question on the domestic business, if you look at the gross margin, there has been a decline on a Y-o-Y basis and Q-o-Q basis. If you can help us understand this?

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Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [34]

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See Aditya, this is Satrajit Ray here. Typically, between quarter 2 of last year and quarter 2 of this year, the metal price, when it goes up, there is a -- monetary pass onto the sort of customers. That arithmetic percentage has taken out 0.7%, so 0.7%. So EBITDA margin, as we conclude, and so quarter 2 last year was 13.67%, this year 13.2%. So on a normalized basis, it's actually 13.9%. So that's one significant change. And the similar thing holds good between Q1, Q2, where we are seen spiraling cost. And the other thing which was happened from September in Maharashtra is that power cost has gone up in most of our Maharashtra plants. So that's the other impact that one can look at.

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Aditya Jhavar, Investec Bank plc, Research Division - Analyst [35]



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Okay, Sir, was there any volume incentive for our custom suppliers -- [who have] customers? Like Bajaj, for instance, has there been a reduction or something?  
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Anurang Jain, Endurance Technologies Limited - MD & Director [36]  
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No. There's nothing given because see basically, the Bajaj, I think, price reduction they have offered is on the CT100 which is about 15% of the sales. And see, any vendor will see, whether how sustainable this is on the long run. And in fact, every vender, if the sales are continued for a year or so, such type of high sales, I'm sure every vendor would be open to, I mean, support the customer. But right now, it's been, I think, a few months because vendors like us have been carrying a large capacity to the last 5 years about 375,000, 385,000 vehicles -- I'm sorry, capacity of 375,000 to 385,000 a month for Bajaj. And as you know last 5 years, they have done less than 300,000 per month, average. So if we see a long sustained, we would love to support our largest customer. It's got to happen for a long period of time -- I mean, a sustained period of time.  
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Aditya Jhawar, Investec Bank plc, Research Division - Analyst [37]  
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Okay, okay. Sir, what is the share of Bajaj in this quarter?  
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Anurang Jain, Endurance Technologies Limited - MD & Director [38]  
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38%.  
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Aditya Jhawar, Investec Bank plc, Research Division - Analyst [39]  
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38%. And the previous quarter, what was it, sir?  
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Anurang Jain, Endurance Technologies Limited - MD & Director [40]  
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Must have been 36%, I think. 36 point something. I forgot the exact -- 36.5%, maybe.  
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Aditya Jhawar, Investec Bank plc, Research Division - Analyst [41]  
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Okay. And moving to Europe, if you can help us, what is the share of FCA in Europe revenue?  
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Anurang Jain, Endurance Technologies Limited - MD & Director [42]  
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Sorry -- yes, okay. Massimo, have you heard the -- Massimo?

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Massimo Venuti, Endurance Technologies Limited - Non-Executive Director [43]

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Yes. So you want to understand the share of...

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Anurang Jain, Endurance Technologies Limited - MD & Director [44]

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No, we want the Fiat share as a total consolidated or of the Europe business?

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Aditya Jhavar, Investec Bank plc, Research Division - Analyst [45]

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Anything is fine, sir.

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Anurang Jain, Endurance Technologies Limited - MD & Director [46]

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See consolidated, it's at 11.5%.

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Aditya Jhavar, Investec Bank plc, Research Division - Analyst [47]

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Okay. And what was the comparable in the previous quarter Q-on-Q?

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Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [48]

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No, this is first half I told you about.

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Aditya Jhavar, Investec Bank plc, Research Division - Analyst [49]

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First half, okay.

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Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [50]

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First half is more -- it's 11.5%. The rest, I can give you off-line.

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Anurang Jain, Endurance Technologies Limited - MD & Director [51]  
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We'll check and give it you.

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Operator [52]  
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We have next question from the line of Jamshed Dadabhoy from Citibank.

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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [53]  
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Just a few questions from my side, actually. So one is on this, you mentioned INR 733 crores of orders from new customers, right, new orders.

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Anurang Jain, Endurance Technologies Limited - MD & Director [54]  
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Yes.

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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [55]  
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Could you give us a broad split between how those backup between 2-wheeler versus 4-wheelers?

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Anurang Jain, Endurance Technologies Limited - MD & Director [56]  
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Okay. Now you want me to do the percentage right now? Is that -- that's the...

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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [57]  
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Percentage -- rough percentage will be fine.

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Anurang Jain, Endurance Technologies Limited - MD & Director [58]  
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See I will say, for the 4-wheelers, it would be, out of the INR 733 crores, it will be, I'll just tell you -- you can take INR 150 crores for 4 wheelers approximately. I mean, INR 1,500 million.

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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [59]  
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Okay. And these are all machined castings?

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Anurang Jain, Endurance Technologies Limited - MD & Director [60]  
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These are mainly machine -- I guess, casting with machine, mainly casting with machine. And most of these orders, except for Tata Motors, which will have happen in our Pune plant, which is about INR 48 crores or INR 480 million. Except for that, rest will be in our 2 Chennai plants. I mean, the first and the second one is starting in September '19. So these orders are till 2021 peak, this INR 150 crores or INR 1,500 million.

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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [61]  
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Got it. And the other observation, I think, someone asked also on the gross margin, I thought you were -- at least, I was thinking that Q-on-Q, we are expecting some sort of material price hikes -- some cost -- pass-through of cost pressures. But the gross profit margin has only sort of come down not on a quarter-on-quarter basis, but 1H versus 2H of last year. It's not a big slippage, but it's a slight slippage. So is there any more cost pass so that we can hope for in the third quarter, fourth quarter?

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Anurang Jain, Endurance Technologies Limited - MD & Director [62]  
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Yes, of course. In fact, we are focusing on -- in fact, there are some purchase order amendments, which are still on their way of quarter 2, which we did in quarter 3. So like I said even last time, there is a bit of delay in some of the purchase order amendments, but they are happening with time, which is happening.

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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [63]  
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Okay. And directionally, over the first half, how much has STB become as a percent of domestic revenues?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [64]  
-----

Sorry. How much has...

-----  
Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [65]  
-----

The suspension transmission break, the propriety business. How much is...

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [66]  
-----

It was [21%.]  
-----

Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [67]  
-----

Sorry?  
-----

Anurang Jain, Endurance Technologies Limited - MD & Director [68]  
-----

It is -- I'll just tell you. It is -- in the first half, you're saying, no?  
-----

Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [69]  
-----

Yes.  
-----

Anurang Jain, Endurance Technologies Limited - MD & Director [70]  
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Approximately 51%. But I'd like to just tell you, our casting business profitability is doing now much better this year, just to answer your question.  
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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [71]  
-----

Okay. And what's driving that, just out of curiosity?  
-----

Anurang Jain, Endurance Technologies Limited - MD & Director [72]  
-----

It is a factor of efficiencies and price increases, and thirdly, like I said, machine castings, more and more machine castings.  
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Operator [73]  
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We have next question from the line of Chirag Shah from Edelweiss Capital.

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Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [74]  
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I have 2 questions. The first question is on your maximum content per 2-wheeler in India and 4-wheeler outside India. If you can -- where you can reach -- or in the current scheme of things, given the way the order and the new business opportunity looks like, where you can reach or aspire to reach in next 3 years?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [75]  
-----

See, Bajaj and Royal Enfield, we are already between, I would say, 60% to 100%, depending on the product, okay? But it depends on also which model, which casting, lower volume, 100%, on both Bajaj and Royal Enfield. If you talk about the others, I would say, 1/3 to 50% can be a good figure because there is a lot of competition there. And we have a long way to go because we have to increase our not only the share of business percentage but also the volumes catering to all the plants. For the new orders, say, Honda, the front fork shock absorber orders which are coming or the clutch orders which are coming, all the CVT orders, they will be for more plants than what we are supplying today, clear? Because it's on both the volumes as well as the share of business, both.

-----  
Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [76]  
-----

So when you say 100%, it would be what INR 18,000, INR 19,000, or INR 16,000 to INR 18,000 bike?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [77]  
-----

100% -- see again, it depends on which -- I would say reaching a figure of, say, INR 15,000 to INR 17,500 per price is not bad. That is all the 4 segments.

-----  
Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [78]  
-----

Okay. 15% to 17%, all combined. When you say, 100%, you are supplying everything to a particular model?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [79]  
-----

Yes, yes.

-----  
Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [80]  
-----

Yes. So 15% to 17% -- And what is the scope of this number going up?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [81]  
-----

Percent is of the x factory selling price, not on the purchase level. It depends on the selling price.  
-----

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [82]  
-----

Yes. And sir, where it can go up to? I missed a point, sir. Sir, you said 15% to 17% or INR 15,000 to INR 17,000?  
-----

Anurang Jain, Endurance Technologies Limited - MD & Director [83]  
-----

No. See, what I'm saying is that I'm talking about 15% to 17%. Maybe I said by mistake thousands. It's 15% to 17% of the x factory selling price could be a good figure, 15% to 17.5%, approximately.  
-----

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [84]  
-----

And where it can go up to given the new product introduction you are targeting? And can it..  
-----

Anurang Jain, Endurance Technologies Limited - MD & Director [85]  
-----

See it's again a percentage of the x factory selling price, so even the customer will increase the prices. For ABS, they will increase the prices for ABS. Isn't it?  
-----

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [86]  
-----

Okay, yes.  
-----

Anurang Jain, Endurance Technologies Limited - MD & Director [87]  
-----

So these are in percentage. That's why I'm getting into only percentage  
-----

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [88]  
-----

No, that's fair. And for the European, for the car business?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [89]  
-----

No. There, we don't have any percentages. It's just increasing business because there are too many products in our car. So we don't keep that track for the European business. It's only for the India business, we keep the track, OEM wise.

-----  
Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [90]  
-----

Okay, This is helpful. And I missed the point that you indicated you have one new order in the car category for the cars in India. If you can just help explain that, it will be helpful?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [91]  
-----

Sorry?

-----  
Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [92]  
-----

I missed the point where you mentioned, sir, in your commentary that you have also won businesses for certain car manufacturers in India.

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [93]  
-----

Yes. So we have won it for Fiat India, Tata Motors, Hyundai and Kia.

-----  
Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [94]  
-----

And what exactly this would be, if you can say...

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [95]  
-----

See for Tata, it is mainly commercial vehicles because there are doing well. So that's a good -- and you get a much better price for commercial vehicles. And for the others, it is passenger cars.

-----  
Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [96]  
-----



Passenger cars. And what type of product?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [97]

-----  
These are machine castings.

-----  
Operator [98]

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(Operator Instructions) We have next question from the line of Rakesh Jain from Asit C. Mehta.

-----  
Rakesh Jain, [99]

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My question was first, on the new business for passenger vehicles. So are we going to make similar set of margins what we do in the European? Or is it going to be slightly better?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [100]

-----  
See, on machine castings, our target is the European margins. That's our target.

-----  
Rakesh Jain, [101]

-----  
Okay. So we can say roughly 17% to 18% is what..

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [102]

-----  
Yes, yes.

-----  
Rakesh Jain, [103]

-----  
Okay. And so what is your current share of 4-wheeler business in the whole scheme of things?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [104]

See in India, it is 6.5% of our total sales. But if I take this thing -- as far as overseas is concerned, the complete 28% of our total consolidated sales is all 4-wheelers, it's passenger cars and commercial vehicles.

-----  
Rakesh Jain, [105]  
-----

Okay. Vis-à-vis last year, could you give me that number last quarter, what was it?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [106]  
-----

Which number?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [107]  
-----

The 4-wheeler sales as a percentage?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [108]  
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See I'm giving you for the first half. Maybe I can give you offline. That was the first half numbers here.

-----  
Rakesh Jain, [109]  
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That will do.

-----  
Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [110]  
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So it's 6.5%. Actually, the first half is also similar, 6.5%.

-----  
Rakesh Jain, [111]  
-----

Okay, okay. And what is the current capacity we are running at the Halol plant and CR supplying 100% now?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [112]  
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See -- no, we have just started. See today, I think they have reached 2,500 vehicles a day. And what we have been given to understand is quarter 4 will go to 5,000 vehicles a day. And full capacity by the third quarter of next financial year, which is 6,200. So -- but as far as we are concerned, we are fully ready.

-----  
Rakesh Jain, [113]

-----  
Okay. And this is purely suspension business which we have there.

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [114]

-----  
This is front fork and shock absorbers.

-----  
Nitesh Goyal, [115]

-----  
Okay. And sir...

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [116]

-----  
INR 300 crores business, INR 3,000 million as well, approximately.

-----  
Nitesh Goyal, [117]

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INR 3,000 million. That's great. Sir, just one question on the European side. When we see that last couple of months, there were 2 or 3 OEMs, such as Volkswagen, which had come out and said they are issuing profit warnings. So they are not anticipating good year ahead. So have we felt any kind of impact or any indications as such?

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Anurang Jain, Endurance Technologies Limited - MD & Director [118]

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Okay. I will request Mr. Venuti to answer that question because our growth is largely with Volkswagen Group, including Porsche and Daimler. But I think -- let's him answer the question, it's better. Massimo?

-----  
Massimo Venuti, Endurance Technologies Limited - Non-Executive Director [119]

-----  
Okay. Yes. So in this moment, we are growing total (inaudible) with Volkswagen and Daimler due to the fact that we are taking business to our competitor. But generally speaking, it's true that a lot of car markers has presented a profit warning for this financial year due to the situation with export from United States to China. Basically, BMW and Daimler will be affected to

these situations. In fact, in the half -- in the 3 quarter of this financial year at the end of September, BMW and Daimler reduced the percentage compared to the previous year of 1.8% BMW and 6.3% Daimler. But from our point of view, we don't see problem due to the fact that we are starting with other projects that can compensate these reductions with the export.

-----  
Rakesh Jain, [120]

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But then going forward, how do you see this businesses growing with them, like what is the percentage you have targeted?

-----  
Massimo Venuti, Endurance Technologies Limited - Non-Executive Director [121]

-----  
So the target is to grow more than the market. We are growing 6.7% in the second quarter, also this year is 5% compared to 3.5% the market. And so we want to maintain this level of turnover. As I told you, we are growing [57%] in the second quarter with this volume due to the new project that we have acquired 3 months -- 3 years ago. This project went (inaudible) production this year and we will have the benefit also in the next year (inaudible). As Mr. Jain told you, during the last quarter, we acquired other [INR 300,000] compared with Volkswagen more or less turnover from EUR 13 million to EUR 15 million. [And so we think that] we are continuous to take new business in order to compensate the reduction that sooner or later we will be in the market because I'll remind to you that our share for this financial year expected an increase of number of cars sold of 1%, and in the second quarter, we have seen 1.6% of growth. So it means that we are expecting this trend.

-----  
Nitesh Goyal, [122]

-----  
Understood. And was there any impact in the European business of these tax rates because I see that the tax has increased substantially when I do the console minus this stand-alone. So was there any rebate which we had last year, and this year, we have normalized it?

-----  
Massimo Venuti, Endurance Technologies Limited - Non-Executive Director [123]

-----  
No. In this moment, we have no problem. The only problem unfortunately is for -- in the United Kingdom for the Brexit procedure. Because as you know, a lot of car makers are transferring the production capacity in other country as Toyota, Jaguar, Land Rover, BMW, they are transferring their production capacity in Germany and the Czech Republic because they don't know which will be the situation after March 2019 -- after the Brexit procedure. For sure, there will be an increase of tax. And for this reason, they are transferring the production.

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Operator [124]

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We have next question from the line of Mr. Ashish Nigam from Axis Capital.

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Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [125]

Is it possible to quantify the impact of the Eicher Motors' strike? Any impact on our numbers, either on sales or margin?

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Anurang Jain, Endurance Technologies Limited - MD & Director [126]

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Yes. In fact, if you ask me, we were growing at 25% with them. And they have grown at 12% in the first half. So if -- and if I see the Royal Enfield of our India sales, if I take the India sales in the first half, it is -- understandably, it's INR 27,581 million. If I take that figure, and Royal Enfield is, say, 7.5% of that. And then I multiply it by another 12% approximately, that's the loss we have had on sales because we have been growing at 25% with them every year.

-----  
Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [127]

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But the labor troubles that they've been having, is it then only with their plants or also supplier plants?

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Anurang Jain, Endurance Technologies Limited - MD & Director [128]

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No, for what I know, it's only with them. It is only with them, and it's continuing as you know.

-----  
Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [129]

-----  
Yes. And there is no...

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [130]

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And there is no impact on us, for sure.

-----  
Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [131]

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And any outlook on when it sort of normalizes? What are you hearing from them?

-----  
Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [132]

-----  
No, I cannot say that. We have no inkling how long this will go on for, but I think they're producing around 60,000.

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [133]

-----  
Ashish, their target is to reach the original position of 70K this month, but it's still -- it's not sure because they're struggling on to the -- getting the outputs. This is what I understand as per my latest talks with them.  
-----

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [134]  
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Got it. Also, the Manesar plant, have we already moved that production to Pantnagar?  
-----

Anurang Jain, Endurance Technologies Limited - MD & Director [135]  
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No. It is a step-by-step approach. What I can say is the sales have come down so substantially that's why we were paused because of sustainment issues because no customer is growing in that area. Everybody is shifting plants outside. So we didn't have much of a sale to really ship, but partly you can say, some of it we were forced to give it because of the demand of our clients. Otherwise, not really making a difference in any way. So some of the things we have shifted to our plant, to other plants in Pantnagar, mainly, but it's still substantial because the figure was anyway not much. It was about 7 to -- it was like per month, but this is INR 70 million a month. It was really showing you nothing.  
-----

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [136]  
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No, I'm just wondering, I mean, this -- the delay in the shutdown of Manesar plant, is that -- has that led to some higher fixed expenses that's hurting our margin right now?  
-----

Anurang Jain, Endurance Technologies Limited - MD & Director [137]  
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Yes, yes. It is of significance, but there is a fixed cost, which is only mainly related to the workers. And workers are -- till we get the order, we cannot do a settlement, though, we've offered a settlement to the workers. So -- but see that's a small cost which we can live with til this issue gets resolved. So we will be more clear. After 12th of this month, we will be expecting the order from the High Court of Punjab and Haryana.  
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Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [138]  
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Got it. Just lastly...  
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Anurang Jain, Endurance Technologies Limited - MD & Director [139]  
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It's significant to talk about, we will face that cost. This is not much. In fact, we will make similar amount of money in the next plant. It's not a problem. So I'm not worried about that part, but yes, it's always good to discontinue completely -- discontinue, but we cannot do anything till the order comes. So right now, the operations are not on a daily operations. Plant is -- the plant is open, but the operations are not.

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Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [140]  
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Okay. Just lastly on the order book. So we were INR 1,240 crores worth of order wins in FY '18, which -- and it's INR 730 crores over and above that. So we are almost at INR 2,000 crores kind of orders right now?

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Anurang Jain, Endurance Technologies Limited - MD & Director [141]  
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This includes even new platforms. Some of these platforms -- we don't know when we'll replace some of the existing platforms, also.

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Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [142]  
-----

Got it. And this INR 2,000 crore would also include -- and Europe would be over and above this?

-----  
Anurang Jain, Endurance Technologies Limited - MD & Director [143]  
-----

Yes, yes. This only India. I will only report India right now.

-----  
Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [144]  
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And Europe, what would be the order book now?

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Anurang Jain, Endurance Technologies Limited - MD & Director [145]  
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I will speak to, Massimo?

-----  
Massimo Venuti, Endurance Technologies Limited - Non-Executive Director [146]  
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Today, the order book is more or less EUR 290 million to EUR 310 million. And we have to see the situation in the next month because as you know there is an important reduction due to the sentiment of the people of the diesel engine. And for this reason, we are compensating these reductions with an increase in -- an important increase of transmission part completing transfer machine.

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Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [147]  
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Got it.  
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Anurang Jain, Endurance Technologies Limited - MD & Director [148]  
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And transmission parts are used for every vehicle. So that is the importance, both hybrid and electric.  
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Operator [149]  
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We have next question from the line of Jamshed Dadabhoy from Citibank.  
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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [150]  
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Just a couple of follow-ups. So this INR 283 crores of incentive, it will come through over how many years?  
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Anurang Jain, Endurance Technologies Limited - MD & Director [151]  
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It's 7 years.  
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Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [152]  
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It's about 7 years. But Jamshed, the point here is that, in a year, you get 85%, so there is a 15% spillover to the next year. So it's a bit of a complicated calculation, but broadly, 7 years is a good year to take.  
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Anurang Jain, Endurance Technologies Limited - MD & Director [153]  
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And we still have to get from October '17 to March '19.  
-----

Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [154]  
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So that INR 283 crores will get pushed up to a figure which will be beyond INR 350 crores to our estimate.  
-----

Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [155]



-----  
Okay. So basically, we should think about it, like, a INR 50 crore per year...  
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Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [156]  
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So initial 1 or 2 years would be less than that, then it will go up slightly. So it doesn't follow sort of equivalent pattern.  
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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [157]  
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Okay. Is this -- and this is what? This is -- it's like a tax rebate? Is it a cash inflow?  
-----

Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [158]  
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It's a cash inflow against state GST, but fully taxable under income tax laws of India.  
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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [159]  
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Okay, okay, okay. That's very clear. And just wanted to touch up on this point that you've made that your margin would have been 70 basis points higher had it not been for this material cost the way you calculated. So basically, that's like saying that your top line includes INR 70-odd crores of input cost pass-through?  
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Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [160]  
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Yes, whatever we've got, correct. Yes.  
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Jamshed Dadabhoy, Citigroup Inc, Research Division - Director [161]  
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Just the material cost pass-through, right? Okay, just want to clarify.  
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Satrajit Ray, Endurance Technologies Limited - Group CFO & Executive Director [162]  
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Yes.  
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Operator [163]

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We have next question from the line of Aditya Jhawar from Investec.  
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Aditya Jhawar, Investec Bank plc, Research Division - Analyst [164]  
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In Europe business, Massimo, if you can tell us a share of -- the split between transmission and engine in Q2 and the comparable number in Q2 of last year?  
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Massimo Venuti, Endurance Technologies Limited - Non-Executive Director [165]  
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Yes, for sure. There was an increase of 3% compared to the previous year in the transmission. In this moment, we are more or less 50% of transmission and 42% of engine, 8% on other part for the (inaudible) item.  
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Aditya Jhawar, Investec Bank plc, Research Division - Analyst [166]  
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Okay, okay. That's helpful. Lastly, (technical difficulty) that 51% was a share of proprietary business in first half. What was the number in Q2 of this year and Q2 of last year?  
-----

Anurang Jain, Endurance Technologies Limited - MD & Director [167]  
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See -- no, in fact, the figure was higher last year. Because if you see this year, the 2-wheeler sales have grown much higher than passenger car sales. So -- though commercial vehicle has done well, but that's a very small volume. That's the reason last year, it would have been may be 7.5%, which has come down to 6.5%. Because the growth has been, for us, especially, the large growth with Bajaj has (technical difficulty) than this year. So that has seen a huge increase for us in 2-wheelers. Like I said, 70.5% of a year sales is for bikes, motorcycles. So that's the reason, I would say, 7.5% has become -- or 7.3% to be precise has become 6.6% to be precise?  
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Operator [168]  
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We have last question from the line of Jinesh Gandhi from Motilal Oswal.  
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Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [169]  
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Just to clarify on this -- Hi, can you hear me?  
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Anurang Jain, Endurance Technologies Limited - MD & Director [170]

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Yes, I can hear you.  
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Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [171]  
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Yes. So the last question pertains to this fundraising approval, which you have taken. So is it fair to assume that this is contingent upon any M&A targets which we might finalize upon or...  
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Anurang Jain, Endurance Technologies Limited - MD & Director [172]  
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Yes, yes, yes, of course. See, we are just keeping this as a enabler that in case some very good opportunity comes up in a good technology space, then we have the funds available to the extent of whatever we have put, which is INR 750 crores. But in case it won't come, then we won't do it. We are very clear.  
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Operator [173]  
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Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Ashish Nigam from Axis Capital for closing comments. Sir, over to you.  
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Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [174]  
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Thank you, team. On behalf of Axis Capital, thank you all for joining the call today. And thank you again to the Endurance management for letting us host the call. Have a good day, everyone.  
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Anurang Jain, Endurance Technologies Limited - MD & Director [175]  
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Thank you, everybody. Happy Diwali.  
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Operator [176]  
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Thank you very much, sir. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes this conference call. Thank you for joining with us. And you may now disconnect your lines.