



“Subros Limited
Q4 FY23 Earnings Conference Call”

May 26, 2023



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MODERATORS: **MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, Good Day and welcome to the Subros Limited Q4 FY23 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you and over to you, Sir.

Annamalai Jayaraj: Thank you Faizan. Welcome to Subros Limited Q4 FY23 and FY23 Post-Results Conference Call.

From Subros Limited Management we have with us today Mr. Parmod Kumar Duggal – Chief Executive Officer, Mr. Hemant Kumar Agarwal – Chief Financial Officer and Mr. Sukbhinder Singh Gill – Assistant Vice President Finance.

I now hand over the call to Mr. Parmod Kumar Duggal for the opening remarks to be followed by a question-and-answer session. Over to you, Sir.

Parmod Kumar Duggal: Investor call for Quarter 4 FY23. First, I will want to share good news to all the stakeholders here that we have realized the highest ever turnover of Rs. 2,806 Crores during the year with the growth of 25%. This is despite all the odds and constraints which are available in the industry including the fluctuation of demand due to semiconductor shortages or any other fluctuation on the customer side. We are able to realize this milestone of Rs. 2,800 Crores plus turnover during the year FY22-23. Today, I will have a slightly longish briefing so please bear with me.

The automobile industry started the year FY23 on a very promising note and the last four quarters have been very good from a growth perspective. The market is showing a sharp recovery post COVID and order booking at OEM and is also very high giving us some confidence of continual growth pattern for the subsequent period as well. While on one hand we see a revival of vehicle demand and on other hand the high commodity prices and inconsistent semiconductor availability are aggravating problem for the auto manufacturers which is causing major concern for the industry. The increasing price of commodities in India has resulted a record high price of the new and used vehicle in the country. The result of quarter 4 FY23 has been shared with the stock exchange and also posted on our website.

Let me elaborate the summary of the results one-by-one:

In this quarter, passenger vehicle industry has shown growth of 13% on production basis which is relevant for us in comparison with corresponding quarter of last year the year growth

is 25% from the last year whereas Subros CV segment thermal product growth in Quarter 4 is 19% as compared to the corresponding quarter. The annual growth of 28% as compared to the last year. So, our performance is slightly better than the industry performance due to the model mix. Commercial vehicle bus is also improving because of the tourism sector and school businesses are reviving fully now. AC fitment ratio has also improved in the industry and has overall growth on production basis is 117% whereas Subros has registered a growth of 59% in comparison with the corresponding quarter of the last year and annual growth of 42% in this segment.

Further on commercial vehicle – Truck N2 and N3 category which is relevant for the AC or the blower industry for us. Industry has shown an upward trend in last two years. It has shown a growth of 5% in Quarter 4 as compared to the corresponding quarter of the last year and annual growth of 28% as compared to the last year. Our growth in this space is 5% in Quarter 4 and 32% in the year. Growth is mainly because of the AC fitment ratio which has better during this period which is favorable for us. In home AC space, we have realized a turnover of Rs. 84 Crores due to the commodity price fluctuation and with no arrangement of back-to-back compensation from the OEMs we have muted our efforts on the home AC product for the time being to protect our operating margin. We will watch this segment till softening of commodity prices before we push sales more aggressively again. Revenue from operation has been recorded at Rs. 748 Crores during this quarter corresponding quarter was Rs.681 Crores overall there is a 10% growth in this quarter as compared to the last quarter.

Let me explain each segment wise contribution of sales during the quarter:

During this quarter Car and non-Car segment has contributed 94% and 6% respectively. Maruti Suzuki Motor Gujarat has contributed 84% of the total sales during the quarter. Our share of business in the passenger vehicle aircon market is maintained at 40% plus during the quarter of business in truck AC segment is 42% and in bus segment it is 20%.

Now I will talk about the operational performance:

As I mentioned before there are a lot of challenges of the supply chain, commodity price fluctuation, logistic cost escalation, dollar currency movement which has impacted not only the supplies, but also the operating margin in a big way during last four quarters. Commodity prices fluctuation during FY23 has impacted substantially on the material sales ratio though there is a compensation formula for the regular commodities with the OEMs, but there is a quarter lag and also it is not fully compensation there are certain parts which are not compensated.

Further, for non-regular commodities which are used in our supplies, the cost impact also is substantial during this period. We are in discussion with the customer for setting up the new compensation formula for future. Gas prices and other consumer goods prices due to Ukraine war also started impacting now the trends are on rising side and also delay in localization also

has a substantial cost impact through the air freight of certain parts during the quarter which has impacted MSR during the quarter by almost 1% otherwise we would have been better as compared to the last quarter. The Company has realized EBITDA of Rs. 56.67 Crores in Quarter 4 as against EBITDA of Rs. 49.88 Crores in the corresponding quarter of last year. If we compare EBITDA with the corresponding quarter of the last year, it has improved by 14%. If we compare this with the previous quarter, Quarter 3 of FY23 it is better by 35% and if we compare this with the corresponding last year on an annual basis it is improved by 19%. Profit before tax in Quarter 4 is Rs.26.69 Crores which is 3.57% of the net sale. If we compare this with the corresponding quarter it has improved by 26% and if we compare this with the previous quarter it has better by 118%. Profit after tax is Rs.18.64 Crores which is 2.5% of the net sale and this has also improved as compared to corresponding quarter by 10% and with the previous quarter 128%.

If I have to summarize the overall financial results revenue of Rs.748 Crores in Quarter 4 and annual revenue of Rs. 2,806 Crores the annual growth of 25%, EBITDA level of Rs. 56 Crores annual EBITDA of Rs. 188 Crores with the growth of 19% PBT of Rs. 26.69 Crores in Quarter 4 overall Rs. 71 Crores in FY23 with the growth of 56% that is how the overall financial summary is.

Now I will give few business updates which is important for us for sustainable growth. In FY23 the performance is best so far for the revenue side, consistent double-digit growth is what I have been informing consistently in my previous talks with you and we have realized it as of now and we will continue this trend even for future as well. Profitability is a bit challenge for the last two years, but now the curve is moving to the upside and we intend to improve from here on and profitability and EBITDA level will start moving positively. The debt level is almost negligible and this will support our cash generation more positively, localization focus to derisk ourselves from the global cost pressure and economic fluctuation is also continuing.

In the last 7 years we have reduced the import content by 10%. We are at currently 16% of our total revenue our import content and we are targeting to make it below 10% in next two to three years' time. With respect to the new business and product development the mobility landscape will fundamentally transform in next 8 to 10 years with the ACs trend and autonomous driving connecting cars and electrified vehicle and with the share mobility amplifying their impact. We are preparing with our collaborator enabling all the products which are required for this transformation.

There is a significant success in securing new business from our customers business lines up to 2025 or 2026 is almost completed and we will ensure that our sustainable growth in future follows the same trend. We have targeted to realize 15% of the total turnover coming from hybrid or electric vehicle. This target we started realizing through the order booking and we already reached to 15% started supplying from 2025-26. There are a few new initiatives which are significant from our strategic growth and profitability perspective. Mahindra new Tractor a collaboration project with Mitsubishi Japan and Mstar tractor for the US market, the SOP is in

progress and within next quarter both the SOPs will be matured. These sectors will be exported to Japan and US markets and we have both ECM and HVAC business for K2 Tractor and HVAC system called Mstar tractor. This will add to our growth journey in tractor space both in aircon as well as in ECM and our mission to export product through the OEMs to the US and Japan market also will be realized.

As we informed earlier the new technology Vane Rotary Compressor launched in India two years back. I am happy to inform you that the matured business of Rs. 250 Crores we have realized in this new launch this is in collaboration with Denso post our equity infusion. The new THF radiator applicable for hybrid vehicle is also launched in Grand Vitara hybrid vehicle. This is again our collaboration effort with Denso and this is a new technology product first time launched in India. The product for EV thermal space is also under development with the support of Denso, significant to mention here that this year many new SOPs has been done and in this context the new fronts which have started in March 23 also using Subros thermal products. Thank you very much and now open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: So, my question is on margins because what we have seen across most of the auto ancillary with commodity prices were coming down we have seen with lag most of them showing decent improvement in margins, but in launches the margins seems to be sticking at a very low level consistently over the last four or five quarters now. So, I fail to understand that what is leading to this kind of margins for us?

Parmod Kumar Duggal: Mr. Jain I tried to reply this as part of my initial brief also that there are two element material sales ratio which started improving over a period of time, but this quarter it was high due to one transaction which is air freight done to bring the parts because of the sudden demand increased from the OEM side this is almost having impact of 1%, but if you minus that at least slightly better from the trend which was seen for last two to three quarter. Overall margins because we tried to offset this impact by improving internal efficiencies that is how the staff cost and other expenses have come down as compared to the previous quarter and from the corresponding quarter. So, efforts are now there to improve the margins and that is how this quarter looks better than the previous four to five quarters. So, this effort will continue. On the contrary Resham you must appreciate one thing is here when you talk of dip in the margin you talk of the percentage terms. So, please understand this business model whenever there is a spike in the commodity or maybe logistics cost or maybe other factors this is compensated by the customer on one-to-one basis. So, if you see the same compensation which you got from the customer you are definitely MSR will go up without diluting your absolute margins or absolute profits. So, definitely it will be reflected in percentage terms without diluting the profit margins of the Company.

Resham Jain: No, so if I look at the absolute profit also over the last three years if I look at FY19 what has happened is that our mix is improved in terms of the vehicles for which we are supplying and the overall volume for the industry is also normalized in Q4 now, so if I do a like to like comparison also your absolute profit has also been much lower than what you used to do earlier and this kind of margins and profitability our ROCE continues to remain at hardly close to 10%, so that is what I was trying to understand?

Parmod Kumar Duggal: I understand your concern is well appreciated, but the only point is that curve has to start moving upside. If you compare Quarter 4 ROC It has crossed around 15%, but overall yes it is less than 10%. We have to come back to the normal level pre COVID level. So, if you are comparing the results from 2019 which was the best year when we closed almost 6% PBT from there many changes has happened, new products have been launched, new technologies have been launched, external impact of external world has also come down. So, things will improve as I mentioned in the previous call also that we need two to three quarters to make correction. Once the curves start moving upside, there will be definitely much more results coming positively.

Resham Jain: So, the other question is on CAPEX at the beginning of the year we mentioned Rs.70 Crores to Rs. 80 Crores CAPEX, but when we look at the numbers from the cash flow it seems that including some land purchase we have done almost Rs. 130 Crores CAPEX, so what really happened during the year for this increase almost Rs. 80 Crores to Rs.50 Crores further enhanced CAPEX?

Parmod Kumar Duggal: So, as you rightly said if you have seen in the CAPEX outflow it is not a land purchase it is a purchase of the plant our PDC die casting plant which was on rent that Company has purchased the land and building from the owner. So, that itself cost RS. 28 Crores that there was not plan earlier when we discussed about Rs. 80 Crores. So, Rs.28 Crores is that amount only.

Resham Jain: This happened in which quarter?

Parmod Kumar Duggal: September quarter in Quarter 2 so around 28 Crores is that impact and we decided to purchase that land and building because our total operation was totally dependent on that unit. So, we purchased that. So, that was not planned when we discussed you earlier on the call.

Management: In addition to that Mr. Jain few CAPEXes which we incurred already, but the recovery from customer because the SOPs are happening this year so that the final tools and the project cost recovery will happen in this year. So, that also has some reflection on overall number.

Resham Jain: So, sir for next year any thoughts on how the profitability should be given that there will be some lag and there was some one off, so how overall how should one think about profitability for '24-25?

- Parmod Kumar Duggal:** I will not be specifying the exact numbers, but of course it would be better than the year which we crossed FY23. It would be better than this I will say greater than this so you can just take this as a positive observation.
- Resham Jain:** Any margin guidance?
- Parmod Kumar Duggal:** We will not be able to spell out those specifically.
- Moderator:** Thank you. The next question is from the line of Nikhil Rungta from Nippon India Mutual Fund. Please go ahead.
- Nikhil Rungta:** Sir, just to continue on this margin side in your opening remark you indicated that you intend to reach to 8% to 10% margin in next two to three years am I correct on that?
- Parmod Kumar Duggal:** No, it was related to the localization ratio. What I said was that currently the import content of the total revenue is 16%. We intend to go below 10% in the next two to three years.
- Nikhil Rungta:** So, on the margin if I have to look from a three-year perspective will we be able to reach to our historical levels?
- Parmod Kumar Duggal:** Yes we are that is what we are inching for now. So, we have to revive back the situation which was there pre COVID. So, that is the effort which we are pursuing now.
- Nikhil Rungta:** And sir on the home AC segment you indicated that you cannot do a pass through here, so what is the issue here I mean, is it that we cannot do a restructuring of our contracts or what exactly is the issue in this particular segment?
- Parmod Kumar Duggal:** See this is the reason that business model for home aircon is slightly different from the auto or other mobility space. So, here the contracts are fixed normally for the season. So, renegotiation of contract was not possible that is why we have to mute ourselves for pursuing more aggressive business although business was available to the tune of Rs. 240 Crores to Rs. 250 Crores, but we decided otherwise our operating margin operation overall profitability would have impacted gradually. So, we decided not to pursue that. So, we are waiting for the market to normalize and then again we will revive back. The problem is not from the market side, but from the compensation side.
- Nikhil Rungta:** And on the margins in our auto segment, you indicated that there is a pass through which happens on a quarterly lag basis, but there are lot of components which are not compensated by OEMs, so what all components would be there which are not compensated by OEMs?
- Parmod Kumar Duggal:** Normally the proprietary parts where we do not declare the break up to the customer so they are not compensated, but on proprietary parts suppliers do get the price increases based on our contracts with them.

- Nikhil Rungta:** And what would be our CAPEX guidance for FY24?
- Parmod Kumar Duggal:** So, CAPEX for FY24 would be between Rs. 90 Crores to Rs. 100 Crores mainly because of the new launches which are planned now including the EV vehicle for Maruti and for other customer. There will be substantial investments going for this project because many new technologies will be included in EV products.
- Nikhil Rungta:** And you indicated that 15% of your revenue or order would be from hybrid and EV by '25-26?
- Parmod Kumar Duggal:** Correct.
- Nikhil Rungta:** And out of this CAPEX of Rs. 90 Crores to Rs. 110 Crores how much would be going toward EV and hybrid?
- Parmod Kumar Duggal:** So, EV will I think consume around Rs. 20 Crores to Rs. 25 Crores.
- Moderator:** Thank you. The next question is from the line of Aashin Modi from Equirus. Please go ahead.
- Aashin Modi:** So, sir we are talking that 15% of our revenue to come from EV and hybrid, so if you could give us on some understanding on what sort of a content increase do we see in strong hybrid in EVs and currently in strong hybrid in Grand Vitara, what sort of a share of business do we have and are we supplying the whole kit or are we supplying some of the products?
- Parmod Kumar Duggal:** So, in Grand Vitara we are supplying HVAC, we are supplying hose and tube ECM that is radiator with fan shroud module, aspirators and these are the products which are right now in the scope of supply of Subros. Going forward in the EV space when we are entering we will be supplying HVAC hose and tube condenser. This is the next EV project and with Mahindra EV a substantial portion of the hose and pipe will be in our scope. So, that is how each business is decided based on the different scope which OEM will be deciding for us.
- Aashin Modi:** And sir on the overall kit value basis what will be the difference for strong hybrid versus ICE?
- Parmod Kumar Duggal:** So, between strong hybrid if you exclude compressor which is normally 4x from the conventional compressor so for other part it would be around 20% to 25% realization more realization.
- Aashin Modi:** And sir my next question is on so we have two things. We have one price pass through and one some non-essential commodities which are not price pass through so if you could give us an understanding how is the prices of the commodities right now and do we see signs of them softening of the non-price pass through commodities?
- Parmod Kumar Duggal:** So, commodities started softening if you see the LME trend plastic trends and also on the copper side, steel side the trend starts softening. Now, if you compare it with the June quarter or September quarter the trends are down now. For example, if we have not got compensation

for certain commodities during the peak time so that means we need not to pass on the benefit also now to the OEM where the arrangement is not there. So, that will help us improve further. So, we are expecting now by maybe next two quarters the commodities and the other economic factors will start softening.

Aashin Modi: And sir the few gases which we said last time that aren't the price pass through, so what is the trend on those?

Parmod Kumar Duggal: That is mainly because of the Ukraine war certain gases which are source or the materials which are sourced from that location their prices started or they have already peaked up now. So, we had engagement with customers for compensation there is so far favorable response from them. So, still the conclusion has not happened, but we are expecting within quarter or so we will be able to realize that delta because the extraordinary incident.

Moderator: The next question is from the line of Abhishek from Dolat Capital. Please go ahead.

Abhishek: Sir increase in the fabrication cost was the main drag of your gross margin, so what is the progress in that part sir?

Parmod Kumar Duggal: Abhishek fabrication cost is also raised up to the customer now. They are considering that because lot of other suppliers is also claimed for these fabrication costs which are again extraordinary not part of the normal compensation OEM has to decide as a policy on that still that is not yet concluded, but our efforts are on for that.

Abhishek: So, how much benefit we can get in FY24, so what is your margin target for FY24 especially on the gross margin side where the reversal is happening on the raw material cost?

Parmod Kumar Duggal: So, answering your first part I will not be able to quantify how much compensation will get from OEM that is the part of negotiation, but as I mentioned before on the overall margin guidance it will improve from the current level and it will improve substantially.

Abhishek: So, as we are seeing that many companies are getting the benefit of the fall in the raw material cost, but in case of Subros we are not seeing the numbers, so just wanted to understand when will you start to get the numbers on a PL?

Parmod Kumar Duggal: No, from overall margin as I mentioned it will start improving you must have seen now quarter-on-quarter, last quarter we clocked EBITDA of Rs. 42 Crores this quarter it is Rs. 56 Crores. So, improvements are available and it will continue now.

Abhishek: I am talking about the gross margin side sir, so gross margin has contracted around 600 to 700 days in last many quarters and there is not any benefit is coming from the from commercial tailwind, so just wanted to understand when we will start to get it?

Parmod Kumar Duggal: So, as I mentioned, I am just repeating myself that on the gross margin situation before COVID and after COVID substantially has changed almost 6% to 7% impact has been absorbed so far. We see that it will be coming back to almost at a level of less than 74% in next three to four quarters and coming back to around 72 another one year would be required.

Abhishek: So, in that case can we see the margin of 9% to 9.5% in FY24 after getting the benefit of the gross margin expansion and plus this operating leverage benefits?

Parmod Kumar Duggal: So, you can take reference from what I said exactly number prediction would be difficult, but yes there would be definitely improvement as I mentioned 2% to 3% improvement is visible in next one to two years in a short term.

Abhishek: And sir my last question is on in the home AC, are you looking for any CAPEX for the home AC segment or do you have any long-term plan?

Parmod Kumar Duggal: Abhishek no further investment till we revive back to the normal level whatever capacities we have are sufficient enough to take care of the volume based on the market demand. So, as of now we are not investing further into home AC space.

Moderator: Thank you. The next question is from the line of Mayur Liman from Profitmart Securities. Please go ahead.

Mayur Liman: I just wanted to understand about the SOP new project which is in the pipeline for a quarter first 2024?

Parmod Kumar Duggal: So, Mayur the new projects which are starting and which has started just at the start of the year is the new Fronx of Maruti Suzuki new that Jimmy which is again launched now will start during this period Quarter 1. Mahindra tractor both the SOPs will happen in Quarter 1 that is K2 that is Mitsubishi project and M-Star for US. market. In addition to that Mahindra Electric cars or SUVs also will be SOP during this time. So, for that SOPs are planned Quarter 1 or Quarter 2 these SOPs will happen.

Mayur Liman: And the last question on how do you see the Financial Year 2024 and what is our expectation and the outlook for the Financial Year 2024?

Parmod Kumar Duggal: So, as I mentioned in my initial remark that FY24 we are positive in terms of market demand and the recovery and we are expecting slightly on the double-digit growth itself. We are trying to maintain that trend.

Moderator: Thank you. The next question is from the line of Aditya Makharia from HDFC Securities. Please go ahead.

- Aditya Makharia:** Have you been able to take any price hikes with your customers for the new models you had won because the impression we had is that the new models had come at a lower margin for us initially, but has there been any ability to take price hikes with the customers on these?
- Parmod Kumar Duggal:** Aditya for new models, the price correction from the RFQ to the SOP economic condition change has already been factored in and they have been compensated by customer. So, that is the positive part. So, we all the SOPs are starting at the SOP month conditions not at the RFQ conditions.
- Aditya Makharia:** Sir, any quantification is it like 100 bps benefit or a 150 bibs?
- Parmod Kumar Duggal:** I will not say benefit because that much cost will be incurring. As Hemant also mentioned that if compensation is Rs. 100 and the cost is also Rs. 100 so it will not reflect into overall percentage improvement, but it will at least neutralize the profits impact on the profits.
- Aditya Makharia:** And sir just on the hybrid variance for the strong hybrids is the realization on the air conditioner higher than the regular like is there a different technology because in EV you need a totally different technology of the compressor, but for a strong hybrid does it require different technology or it is just currently?
- Parmod Kumar Duggal:** A few parts will get changed for hybrid vehicle normally 15% to 20% is the delta which will be the realization other than compressor. If you include compressor it would be roughly 30% to 32%, but right now in Grand Vitara, we are not supplying the compression.
- Aditya Makharia:** But do you expect to supply, is it?
- Parmod Kumar Duggal:** Only for EV part for other Grand Vitara normal model we are supplying the compressor.
- Moderator:** Thank you. The next question is from the line of Varun Arora. Please go ahead.
- Varun Arora:** Sir, first question is on this revenue breakup if you can get me on CBSC raw materials and others for a whole year FY23.
- Parmod Kumar Duggal:** So, overall, I will give you broadly a break up of Rs. 2,800 Crores. So, out of that around Rs. 2,100 Crores is for PV thermal product around Rs. 400 Crores for ECM, Rs.35 Crores for bus, Rs.80 Crores for truck, Rs.85 Crores for home AC and the balance is in the other part.
- Varun Arora:** Sir, on this Jimny and Fronx so that SOP is going into this quarter Q1, so that sort of revenue we are looking at from these two SOPs and Mahindra EV SUV 400 if you can give us just a ballpark number will also works for us?
- Parmod Kumar Duggal:** So, very ballpark figure would be that next year we will be having around Rs. 115 Crores to Rs. 130 Crores delta coming in from the SOPs or from the delta business which we got.

- Varun Arora:** And can we see the impact in the Q1 effort 24 only I mean are we having this in this current quarter?
- Parmod Kumar Duggal:** Q1 it would be only the Fronx which is already commercialized to the full, but rest started ramping up it will take I think the major reflection will come in Q2.
- Varun Arora:** And sir on the inventory level so what is the current inventory level as the last time you have stated that your inventory level showed that like Rs.315 Crores and it was blocking your 10% to 15% cash flow that you stated last concall, so can you just give some comments on that?
- Parmod Kumar Duggal:** So, it has reduced from that quarter I think roughly Rs. 290 Crores is the inventory level at the end of Quarter 4. So, it has reduced by almost Rs. 20 Crores during the quarter that again Rs. 290 Crores includes certain safety inventory which we kept because of the logistic disruption, but normal level for our kind of business would be around Rs. 270 to Rs.280 Crores.
- Varun Arora:** And sir on this Maruti and Tata and some other big customer, so if you can give their current revenue percentage I mean what they are holding actually in your value
- Parmod Kumar Duggal:** 84% is almost Maruti which is contributed 4% is of the total revenue is Mahindra, 2% is Tata roughly 3% is home aircon and balance would be in other customers.
- Varun Arora:** And for the thermal products if I ask that are you targeting like 20% revenue for the same and if yes then what will be the timeline you need to achieve that revenue percentage for thermal products?
- Parmod Kumar Duggal:** Can you just repeat your question, it was too hazy.
- Varun Arora:** I am asking for the thermal products, so are you targeting double digit sort of I mean 20% of the revenue coming from the thermal products and shares then what will be the timeline you are seeking for the same?
- Parmod Kumar Duggal:** So, normally as part of the long-term strategy we kept a target, there are two KPI which we are driving. One is that 75% of the total revenue should come from Car and 25% should come from non-Car which include bus, truck, tractor, railways, refrigeration and so on and so. So, that is one KPI against that we are at right now I think around 94 to 6 that is the first KPI which we are driving and this should result into three to four years' time. The second KPI which we are tracking is about 60% of the total revenue should be coming from Maruti and 40% from others. So, that means we need to enlarge our customer base to secure that 40% of the revenue coming from here. So, these two KPIs we are driving from a long term perspective.
- Varun Arora:** Sir, last question if I may squeeze in so for this US and Japan I missed your initial comments, so if you can tell me by what time you will supply these components to those these two markets to US and Japan if you can elaborate better your answer?

Parmod Kumar Duggal: We are not directly exporting to US and Japan we are giving to the OEM and these tractors will be used in US and Japan market and this SOP will start already starting at the last month of this quarter, but the substantial impact will be in Q2. So, that is what we are planning these aircon are going into tractor cabins and these will be used in these two markets.

Varun Arora: And sir what sort of revenue we are seeking from these the tractor segment?

Parmod Kumar Duggal: So, tractor would be roughly Rs. 8 Crores to Rs. 10 Crores will be a reflection in this year, bt mature volume would be around Rs. 18 Crores to Rs.22 Crores.

Varun Arora: And sir by what timeline you will be able to achieve this mature amount that Rs. 18 Crores to Rs. 22 Crores?

Parmod Kumar Duggal: Next year.

Varun Arora: In FY25?

Parmod Kumar Duggal: Yes.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to the management for closing comments.

Parmod Kumar Duggal: So, as I mentioned before things are taking a positive note now. I think the curve has started moving up both on the revenue side as well as on the margin side. We are hopeful that next two quarters we will be trying to recover as much as we lost or declined during the last 8 quarters. Of course, coming back to the level of FY19 we will take another one more year. So, our efforts are on towards recovery and come back to the best results which we shared in FY19. Thank you so much for your participation.

Moderator: Thank you. Ladies and gentlemen, on behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.