"Subros Limited
Q3 FY 2023 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Earnings Conference Call of Subros Limited, 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harsh Gemavat from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Harsh Gemavat: Thank you, Melisa. Hello, everyone. Welcome to the Quarter three FY '23 Earnings Conference Call for Subros Limited. So today, we have from the management, Mr. Parmod Kumar Duggal, CEO; Mr. Hemant Kumar Agarwal, CFO and VP Finance; and Mr. Sukhbinder Singh Gill, AVP Finance. So, we'll start with a brief opening remarks from the management about the performance and outlook. And going ahead, we'll start with the question-and-answer session. So over to you, sir.

Parmod Kumar Duggal: Thanks, Harsh. Good evening, ladies and gentlemen. A warm welcome to all of you for Subros' investor call for Q3 FY '23. The Indian automobile industry setting out on a journey with the hopes for the sustainable growth momentum in '23 and further invest in clean technology amid dissipating speed breakers for rising interest rates and cost increase due to emission and safety norms having witnessed a strong comeback from COVID-led downturn this year.

Passenger vehicle industry is set to record highest-ever sale in FY '23, so far nine months, it is very encouraging. The market is showing the sharp recovery. Passenger vehicle industry has grown by almost 36% on production basis because that is relevant for us in quarter three of FY '23.

And commercial vehicle truck industry has also registered a growth of 12% during the quarter. I think there is much more positive sentiment for growth of auto industry in India now going by the current trends. Today, a very few percent of the new vehicles sold globally as well as in India, which are electrified. This opportunity ahead is much larger. Indian players can come home for innovation with domestically and in similar markets abroad, supplying complete product range aggregate and component worldwide.

There's a significant success in securing new business from our customer for alternative fuel, which is related to hybrid technologies, CNG or electric vehicle. The company is focusing -- very focused way on these opportunities. And in the short-term and long-term target, we are targeting 20% of our revenue of thermal products should be realized through such vehicle application by alternative technologies. This is a short-term view, but for the long-term view, we will align ourselves along with the industry trends, however by 2030, total electrification will be shaping up.

Profitability pressures are still ongoing. The input cost escalation and high price pressures of new model launches are shelved at the bottom line. The company is making effort in identifying short-term and long-term opportunities of cost optimization. And we are confident that we'll overcome this situation between next four to six quarters in a comfortable way. The results for quarter three FY '23 has been shared with the stock exchange, and I'm just summarizing them for your ease.

First, I'll update about the industry and the relevant part of our business. In this quarter, passenger vehicle industry has shown a growth of 36%, as I mentioned before, on production basis in comparison with the corresponding quarter of last year. Whereas Subros PV, passenger vehicle segment thermal product has grown by 23% on sales basis -- our sales basis in comparison with corresponding quarter of last year.

Commercial vehicle bus is also improving as tourism and school segment has opened up now. AC fitment ratio has also improved and industry has shown a growth of 118% on a production basis in bus segment in comparison with the corresponding quarter, and we also registered a growth of 186% as compared to the corresponding quarter.

Further on, commercial vehicle truck segment, N-2, N-3 category, which is relevant for AC or a blower option, there is upside trend. After two years, the industry has grown by 12% in quarter three, and Subros has also grown by almost 12% in this segment for the same period. Growth is mainly because of more AC fitment ratio, consumers preferring to shift from AC trucks as compared to the normal trucks.

Revenue from operation has been recorded at INR 654.60 crores in this quarter as against INR 547 crores in the corresponding quarter. There is a growth of 20% during the quarter. Year-to-date, April to December, there's a growth of 32%, and we are closing nine months at INR 2,058 crores as against INR 1,500-odd crores in previous nine months.

So let me summarize the overall contribution for each segment. In this quarter, car and non-car segment with respect to AC products, the contribution is 78% versus 22%, ECM product Engine Cooling Module product has contributed 15% of the total revenue and remaining 7% is for non-car products. Maruti and Suzuki Motor Gujarat has contributed total 86% of the total revenue during the quarter. The share of business in passenger vehicle air conditioning market is maintained at 40% in this quarter. And SOB, Share Of Business in truck segment is 45% and bus segment, it is 20%.

Now, I'll talk about the operational performance. We have been continuously updating you about the supply chain disruptions, which are not still normalized. Commodity prices are fluctuating. There are steep prices in foreign exchange, especially in USD and very high logistics and fuel prices, which are leaving impact on high input costs on the business operation.

Few of these cost escalations are part of customer price adjustment, but with a period lag somewhere it is quarter, somewhere it is half yearly or annual and few are our first time request to the OEM for compensation for which there's still negotiations are in progress.

Significant increase in the lead time of import shipments and subsequent fluctuation of schedule by the OEM due to semiconductor shortage and availability of child part at vendor end has impacted our inventory level, which has also now risen to INR315 crores approximately, which is blocking our cash flow by 10% to 15%.

In addition to this, there are extraordinary costs incurred on the airfreight on some of our input materials due to capacity and supply issues at our overseas suppliers. The cost was necessary to meet customer delivery commitments, such cost impact will continue in quarter four as well. To mitigate the impact of future, alternative local source has been developed now, and we are requesting customers to expedite the approvals to mitigate this for the long term.

Company has realized EBITDA of INR 42 crores in quarter three of FY '23 as against EBITDA of INR 40 crores in the corresponding quarter. Despite all odds, the company is able to improve EBITDA as compared to the corresponding period by 5%. Profitability before tax in quarter three is INR 12 crores, which is 1.87% of the net sales, and PBT margin of the corresponding quarter of the last year, it has improved by 6%. Profit after tax is INR 8.19 crores, which is 1.25% of the net sales. This has also improved by 10% during the quarter.

We are continuously working on minimizing the impact of such market-driven indices, so aggressive localization and cost on projects are identified for long-term improvement of EBITDA as well as the profitability. So overall, if I have to summarize, INR 655 crores of revenue in quarter three with 20% growth, EBITDA of INR 42 crores with 5% growth, PBT of INR 12 crores with 6% growth and PAT of INR 8.19 crores with 10% growth is the broad summary of the operating performance.

Now a few business updates. As I mentioned that April to December, we have grown by 32%. So we are hopeful that we'll be able to meet our plan of this year by ending March '23. It is significant to mention that this year we have a new SOP during this quarter, which is a new EECO version of Maruti, which has been -- started production in November '22, and also there is a significant success in acquisition of new business in the EV space from Mahindra as well as from Maruti for their future model, which are coming in '25 to '27.

Thank you very much, and now we are ready to take the questions.

Moderator: We have the first question from the line of Abhishek from Dolat Capital.

Abhishek: Sir, from last many quarters basis, jumping fabrication costs, which are impacting your gross margin. So, what sort of the discussion is going with your clients to pass it on?

Parmod Kumar Duggal: Can you be a little bit clearer in communication. I think your voice is very heavy.

Abhishek: Sir, there is a jump in the fabrication cost from last many quarters, and which is impacting your gross margin. So, what sort of discussion is going on with your clients to pass it on?

Parmod Kumar Duggal: For fabrication costs, you are referring to?

Abhishek: Yes.

Parmod Kumar Duggal: Okay, so right now in our imports, especially for the raw material, there are two elements. One is raw material and second is the fabrication. So as far as our contract with the customer, raw material compensation indexation based on the LME fluctuation is compensable, and for fabrication cost increase, since this is a global phenomena, we have already submitted our claims to the customer, all the OEMs, and we are at a very advanced stage of discussion to conclude that. So, I think it will take another two to three months' time to conclude these escalations.

Abhishek: So can we get compensation from first quarter FY '24?

Parmod Kumar Duggal: I cannot say with a firm thing that when it would be, but, of course, there would be settlement. It would be a either full settlement or a partial settlement, depends upon each negotiation trend. But yes, it would be either for quarter four or next quarter, there will be some impact coming.

Abhishek: So how much impact of the increase in the fabrication cost in overall gross margin?

Parmod Kumar Duggal: So I will say that it is a roughly 0.25% to 0.4%.

Abhishek: I'm not talking about the quarter-on-quarter perspective. I'm talking about from last two to three years, because the gross margin has gone up -- gone down significantly.

Parmod Kumar Duggal: So fabrication cost when I'm referring to this data is as compared to pre-COVID versus post-COVID.

Abhishek: But the impact on the gross margin is quite high. If you see that, there is a significant erosion of gross margin of around 500 bps to 600 bps. And as a matter, prices are going down, you should get benefit of it, but that is not happening. If the fabrication cost impacted only 0.5%, then gross margin should be at a higher side?

Parmod Kumar Duggal: No, then we need to understand this in a complete perspective. The impact of 2% to 3% in the material sales ratio, which -- if you compare last year versus current year, the gap is between 2% to 3%. This differential is not only because of the fabrication cost, this differential is because of three, four elements. One is LME impact, which is compensable in a quarter lag or a period lag.

Our second point is about the logistic cost, which has gone up because of the container availability, so that also is contributing roughly 0.5% to 0.75%. There are certain cost escalation because of suppliers price increase on certain proprietary parts as well.

So, if we accumulate everything, there is overall impact of 3% to 4%, that is what I've said that the commodity fluctuations are compensable, but other things we are negotiating for compensation. So, if we go ahead next year or so, even though we get partial compensation, then in fact reduction on the material cost would be in the tune of maybe 1.5% to 2%.

Abhishek: But if we study from last many quarters' numbers, so in first quarter FY '21, you were making a gross margin of 31%, now your gross margin is around 23.8%, so you have lost around 700 bps to 800 bps kind of the gross margin, and as you said that material cost is passed on, on a quarter late, but we don't see all these things in the gross margin front, sir.

Parmod Kumar Duggal: I agree. That's why I'm saying that our relevance is not directly gross margin, our relevance as of now is to come back to the material cost, which was there before COVID and now. And if you follow the results, last year, complete year, we were at 74.32% in the material cost to sales ratio. This year we are at 76.61% in nine months. So that is 2.3% is the delta, which has impacted. So that's where I'm saying that the compensation impact or the improvement impact in the short-term and long-term view would be between 1.5% to 1.75%. That is my relevance here.

Abhishek: And how much impact of the logistic cost in your margin? Is it on the other expenses?

Parmod Kumar Duggal: No, logistic cost is part of the material cost, because the part of the landed cost, so it is almost 1% plus, 1.2% or so overall on the cost escalation.

Abhishek: So, as you mentioned that in this quarter also there is some impact on the logistic cost. But if we see the number, freight cost that has gone down significantly and we are expecting some benefit in this quarter. But what is the reason of the, again...

Parmod Kumar Duggal: You are referring to freight costs, which is the outward freight. The inward freight is part of the material cost.

Abhishek: Sorry, sir.

Parmod Kumar Duggal: The inward freight or logistic cost is a part of material cost. What you're referring to a freight cost reduction is the outward freight.

Abhishek: Sir, and from last quarter, production was impacted due to the chip shortage issues. And so how is the semiconductor supply situation now in the passenger vehicle segment? How would be the fourth quarter volume?

Parmod Kumar Duggal: So, it is not only because of the chip shortage, but also the impact of the periodic shutdown, which customer has initiated from 25th to 31st. In fact, they started on second, so that also has one impact of that. So chip shortage is variably impacting the fluctuations.

So wherever the lots are available, that model is -- volume forecast is increasing, wherever there are shortage, they are reducing. So overall -- of course, it would be better than the quarter three, but, of course, we need to wait and watch, because till February, the volumes forecast is quite reasonably okay.

Abhishek: And sir, in the home AC segment, do you have any concrete plan to achieve scale in home AC segment, because you have bought one plant and you had a target to complete around INR 250 crores from that plant, but now you are doing around INR150 crores, INR140 crores kind of the numbers, and you are not coming up with any capex plan in this segment. So, if you can throw some more light on it, what is your long-term plan on -- in this segment?

Parmod Kumar Duggal: So I will first elaborate the short-term plan because this market for home appliances is also becoming very volatile now, because this whole commodity logistics was an all import, foreign exchange impact is not directly getting compensated from the contracts, which we have with our OEMs. So we are going slow right now till the market has stabilized.

We are not pushing the order booking at a very harsh pricing, which will impact finally the bottom line EBITDA margin and PBT margins. So we are going slow on that as of now. We'll watch for this market, when we get fully compensated on the cost escalation, we'll aggressively pursue this market again. So right now, we are slightly slow on that.

Abhishek: And my last question is on this nine-month revenue from passenger vehicle AC, ECM, railway and truck segments?

Parmod Kumar Duggal: You want the individual breakup on that?

Abhishek: Yes, sir.

Parmod Kumar Duggal: So last quarter we clocked around INR 514 crores from passenger vehicle air con product and INR 98 crores from ECM. And rest is roughly -- around INR 40 crores from under segments.

Abhishek: And sir, in nine-month basis, how is the number?

Parmod Kumar Duggal: Nine months basis, the breakup, just wait. So roughly around INR 1,550 crores from passenger vehicle car segment. And around INR 280 crores from ECM.

Abhishek: And truck and bus segment, sir?

Parmod Kumar Duggal: Truck segment would be around INR 40 crores – INR 60 crores and bus segment would be roughly INR 30 crores.

Abhishek: And railways, sir?

Parmod Kumar Duggal: Pardon.

Abhishek: Railway?

Parmod Kumar Duggal: Railways is INR 6 crores and are some others.

Moderator: We have the next question from the line of Aashin Modi from Equirus.

Aashin Modi: Sir, firstly, on the other expense side, so other expense has increased sharply quarter-on-quarter, and you said that about 80 basis points effective of this currency. So could you explain this increase of other expense?

Parmod Kumar Duggal: So other expense constitutes one major element of MTM losses. So MTM gain is a part of other income, whereas other expenses include MTM losses. So, if you see the comparison, both are on a variation side. Other income is also increasing as well as MTM is increasing. If you compensate to knock off, I think the impact is not significant. Hemant, you have any other?

Hemant Kumar Agarwal: Sir, if you see the impact is 0.8% in the other expenditure. And that 0.8% is contributed by MTM losses, which is grouped under other expenditure. That profit is clubbed under the head, other income. Earlier it was setting off.

Aashin Modi: Okay. Sir, what sort of impact do we see of currency movement going forward?

Hemant Kumar Agarwal: So, we do not have any currency loss going forward, because we are heading as per our contracts.

Aashin Modi: Actually, in this – in your PPT, you have talked about three new SOPs starting from next quarter. So, I mean, it is for the two new Maruti model launches?

Parmod Kumar Duggal: The SOP which already has gone into production is new EECO. The next SOP which will be coming would be the extension of Baleno that would be by April. And after that, there will be new Jimny, which will be SOP by April again. So two models of Maruti, 1 has already gone into production. And post that, we will be having SOP of Mahindra EV, which will be in '24. For that we secured a large business for all their four platforms, not fully, but only for one or two components. So that is how the lineup is already planned.

Aashin Modi: And sir, in this Maruti Baleno and Jimny, so, are we supplying all the four parts? What are we supplying to them?

Parmod Kumar Duggal: So in Jimny, we have SOP all 100% thermal products with that. New Baleno extension of existing Baleno is also almost 100%. So both model has 100% business with us.

Aashin Modi:: And in terms of new technologies, especially hybrid and EVs, how do we see content going over there. We have displayed that over in the Auto Expo as well, so what sort of a content increase do we see over there? And do we have all the technologies to supply the complete EV AC?

Parmod Kumar Duggal: So, for complete EV AC, other than compressor, we have all the technologies and products available, and as and when the demand would be there, we can roll-up to the OEM requirement. Compressor being a very-high investment part, we are in discussion with collaborator for starting with pass-through and the subsequent localization, but volume plays a very important role for kicking off the investment for this product.

Aashin Modi: And sir, what sort of the content would be there? I mean, compared to an ICE, EV AC?

Parmod Kumar Duggal: ICE AC full system, if you take example of, roughly example of say INR 12,000 or INR 14,000, the EV would be around INR 35,000.

Aashin Modi: Okay, so it is almost 3.5x?

Parmod Kumar Duggal: Yes.

Aashin Modi: And sir, in the Maruti EV order, which you have secured. So there also we have secured, I mean, only one or two parts, or we will supply them whole AC?

Parmod Kumar Duggal: Which one?

Aashin Modi: The Maruti EV order for which we have got the order?

Parmod Kumar Duggal: Maruti EV, we got almost 70% of the component, which are going into this.

Moderator: We have the next question from the line of Sachin from UTI.

Sachin: Sir, maybe just going back to the question one. If I want to understand the fall in the profit margin better, I think from 2000 or FY '20 level till now, maybe there is close to 500 basis point erosion in the profitability at EBITDA level. If you were to explain what is -- how much is this fall is structural?

How much of -- how this fall is maybe temporary? If you can help me understand that. And by when we expect the recovery in the margin or the profitability to happen. I'm not asking for guidance, but maybe if you can help me understand the nitty-gritties of it?

Parmod Kumar Duggal: So, if I answer exactly, then it will be a guidance. So, I'll refrain from giving guidance.

Sachin Dinesh Trivedi: So, yes, let's not talk about the future, but at least the past if you can explain?

Parmod Kumar Duggal: Sure. So, as I mentioned before, I'll be -- maybe some part I'll be repeating again. So yes, we were at around 10% to 11% EBITDA before COVID period. And after that, now we are at around 6% to 7% EBITDA. So there is a dip of around 3.5% to 4.5% on EBITDA side or so. And majorly of this variation is contributed by the material sales ratio, and material sales ratio is mainly having impact of three major elements, if I say. One is of course the commodity price fluctuation, which has almost 28% to 42% where the fluctuation is in the commodities.

There are certain commodities which are directly related to the product. There are certain commodities impacts, including fabrication, which is not variable, but it is not part of our contract. So, as I mentioned before, fabrication contributed roughly 0.4% of this variation.

Logistic costs contribute roughly 1%, 1.5% of total variation, and there are certain irregular processes also where the cost has increased, like fuel, helium or certain consumable, which are one-time impact. So far, we have not seen such a sharp increase in such elements of cost which is going in, so that has also impacted.

So cumulatively there is almost 3% impact, which has deteriorated the bottom line so far. That is one reason.

Another part is as 40% to 50% business of ours has been now refreshed with the new model launches. So that means the turnover which was before, maybe 2019, and turnover composition which is now, is having almost 50% new business. And all new businesses are acquired, secured, because of the competition, maybe having impact of 0.75% to 1%, which will gradually be evolved through the localization effort, which we'll do because SOP condition was to start with as is.

But gradually we have opportunity to improve on their full aggressive localization. So, I'm sure that within next 2 years' time, we'll come back to the pre-COVID situation, that's the only thing, which I can share with you right now.

Sachin Dinesh Trivedi: So basically, effectively you are saying some bit of the direct cost, which is, let's say, explaining you said commodity related is a 3% kind of increase, of this 28% to 40% -- 48%, which is the commodity-related, which we should get a pass-through, but the fabrication, we are under negotiation and logistics, which obviously we -- there is a international logistics cost would have come down now, that benefit should come through, and you said, fuel, which is the helium-related one-time input cost can actually, again that's under negotiation or that's just one-time and it will not recur in next quarter onwards or maybe...

Parmod Kumar Duggal: No, it would be part of compensation, because so far, there was no reference with the customer for compensating such, but since the fluctuation is more than 100%, so that's why our request now with the OEM is to have a one-time compensation or as a recurring compensation, so that whenever prices will normalize, we will return back better. So we are in that negotiation.

Sachin Dinesh Trivedi: Sure, and sir, the new business-related cost escalation or maybe deterioration of close to 1% in the margin, you said that can be done through localization, maybe if you can refer to a few components or if you can more elaborate on that, how do we intend to achieve this journey? What are the parts? If you can give us some colour, that should be quite helpful?

Parmod Kumar Duggal: So there are -- since new components or new products which are coming in, all global models where the reference of component usage already exists through the overseas or import parts, which are -- which has to be used. So just to avoid the risk of SOP, we started using such import components.

For example, motors or, for example, some rubber hubs, some bearing, certain -- those levers, which are very high in terms of technology, which we started with import. Gradually, we have planned and all these investments have been kicked off now to localize it and since the customer has a policy to give localization approval after six months of SOP of any new model.

So they are in progress. So probably between first half of next year, we'll be able to get substantial approvals of such localized sources. So from that onward, I think there will be some improvement on the bottom line.

Sachin Dinesh Trivedi: Sure. So this localization process, if I were to rightly just to summarize, we'll kick start sometime in H2 of next year. And maybe the benefit of that will be seen only in FY '25. Is that the right understanding?

Parmod Kumar Duggal: No, it will start. Once we move to the localization parts, it would be for the complete model, it cannot have a ramp-up. So it could be -- by quarter three onward, you'll start seeing some decline in trends.

Sachin Dinesh Trivedi: And sir, in terms of capex, how are we looking at capex because our ROCs are already hit single digit, and that I'm sure that's not a sustainable level at which we want to operate. So how urgently we are working towards improving our metrics on that, if you can help me with that?

Parmod Kumar Duggal: So ROC has two elements. One is, of course, profitability plays a very important role for ROC. And as we deteriorated in 3% to 4% on margin, so that has one element of deterioration of ROC, which we are sure will come back on that. Second, now delta investment on incremental capacities which we need to generate to cater to FY '24, FY '25, they are not very large investment.

As I keep on repeating in my previous calls also that INR 70 crores to INR 100 crores is our roughly capex, which includes the replacement maintenance as well as new programs because now we started getting substantial part of our capex is compensated from customers. So we don't see a very high burden on capex. We will be maintaining the capex investment out of the internal accruals only. So we'll not be binding more on that.

So that's how I think the rules will improve as we start improving in quarters for profitability. You will see we'll be coming back crossing first of all, two digits and then crossing maybe 15% to 17%.

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

Abhishek: What is your Capex plan for FY '23 and '24?

Parmod Kumar Duggal: We have not yet concluded our annual plan for next year, but it could be in similar line of the last year, as I mentioned, between around INR 100 crores.

Abhishek: And in this year, sir, how much capex you have already incurred? And what is your plan for the quarter four?

Parmod Kumar Duggal: This year also, whatever we planned for was around INR 110 crores, we will be within that. We will not be exceeding that.

Abhishek: And sir, as the Maruti is going to add its capacity, so most probably, you will also add the capacity in the next year. So within INR 100 crores, is it possible to set up a plan?

Parmod Kumar Duggal: So that's what -- I mentioned that we are planning for 2.5 million capacity requirement of Maruti as a first half -- and so far, with even the Kharkhoda plant, the incremental capacity will not be in day one. There will be some one line setup. And after that, there will be some line shifted from the existing Gurgaon plant.

So we need to watch full of that. Once we have a found plan that Maruti is moving to 3 million and then subsequent to that 3 million to 4 million, we'll line up our investments accordingly. Right now, we are focusing on 2.5 million, which is a short-term capacity requirement of Maruti.

Abhishek: And as you mentioned the capex for the next year, that would be the $1 billion, that also includes this capacity expansion plan or it is excluding?

Parmod Kumar Duggal: No, it will be separate. So this plan of INR 100 crores would be for FY '24, FY '25, we will be aligning this along with the Maruti Delta investment for future capacities for FY '26, '27.

Abhishek: And what would be the capex for that?

Parmod Kumar Duggal: Right now, we cannot assess that. We would need to wait for Maruti's overall plan coming out.

Abhishek: Sir, in home AC segment, how much revenue in nine months and how much EBITDA loss you've done in last nine months?

Parmod Kumar Duggal: So I don't have a EBITDA loss figure, but I can only refer to that in home air con, our to-date sale is around INR 78 crores.

Abhishek: Total sales INR 78 crores? And what is your target for this year, FY '23?

Parmod Kumar Duggal: It would be another INR 2 crores to INR 3 crores in this quarter because we are not -- as I mentioned before, we are not bullish right now for aggressively pursuing this business because of too much pressure of commodities and the price compensation not available from OEMs. So we are going slow on that.

Abhishek: And you have also made some investment under PLI segment. So how much Capex you are going to do in that particular area?

Parmod Kumar Duggal: No, we have not opted for PLI for any segment. So there is no commitment for PLI investments.

Abhishek: And my last question is on the new business win. So from that, we know also business from the Toyota and this Maruti. So how much incremental revenue you will get in FY '24 from this business, Bangalore plant?

Parmod Kumar Duggal: So Toyota Maruti Alliance business, this Grand Vitara is roughly estimated to be around 200,000 for the year. So, we'll be having around INR 300 crores plus incremental turnover coming on from that line.

Abhishek: And how much is expected in this year, sir?

Parmod Kumar Duggal: For current year, because it was started I think in September. So, it may be around INR 120 crores to INR 140 crores this year.

Moderator: We have the next question from the line of Harsh Gemavat.

Harsh Gemavat: I just had a couple of questions. You answered most of them. So what is the current SOP with Maruti, Mahindra and our other bigger customer?

Parmod Kumar Duggal: What is your question, what how much is...

Harsh Gemavat: Our share of business with Maruti, Mahindra and other business, our other bigger customer?

Parmod Kumar Duggal: So, Maruti, we have around 76% share of business. With Mahindra, we have 24%. Renault-Nissan, we have around 17%, and Tata Motors, including CV segment, we have around 30%, 32%.

Harsh Gemavat: And sir, talking about our growth in PV segment was only 23% compared to the 36% industry growth. Is there any major reason for that? Could you tell us our key competitors in the petrol and diesel segments in the PV sector, and what kind of market share do we command?

Parmod Kumar Duggal: So, competition is Mahle, Hanon, Calsonic or Sanden, but basically in PV segment, we have a market share of around 40%. And while the growth is low as compared to the industry growth is that Tata Motors and Hyundai has grown because Maruti has shrunk their share of business from 48% right now, they are around 40%, 41% or so. So that has an implication on overall growth and percentage.

Harsh Gemavat: And sir, do you have a split between our market share in the petrol and diesel vehicles?

Parmod Kumar Duggal: So that is insignificant now because Maruti has stopped diesel vehicle production. So, we don't count on now category, because our product is not differentiating between diesel and petrol.

Harsh Gemavat: And one more thing, what is the current inventory situation? Is our inventory going up or is it at normal levels currently?

Parmod Kumar Duggal: No. We are at around INR 300 crores plus inventory, and it is delta by our standards by around INR 30 crores to INR 40 crores. And this is a diligent call we have taken just to avoid any airfreight because the fluctuation in volume are quite significant. So -- and logistics lead time is also very high. To avoid that, we are keeping this buffer. And as and when this situation will be normalized, we'll be liquidating that.

Harsh Gemavat: And sir, you called out the higher freight cost. So sir, I just wanted to know which regions do we import most of our import content from?

Parmod Kumar Duggal: So it is Japan, China, Thailand, they are the major contributor -- and Indonesia. So there are four countries from where the maximum imports are.

Moderator: Ladies and gentlemen, as there are no further questions from participants, I now hand the conference over to the management for closing comments. Please go ahead.

Parmod Kumar Duggal: So thank you very much for all your patient hearing and we understand the mode of curiosity is towards the top line as well as on the bottom line. So top line, we are doing fairly okay. 32% growth definitely is a benchmark for us also to sustain. So top line growth is what we are intended for, we have realized that.

But of course, the challenge on bottom line is there. So rest assured the company is doing all aggressive action to recover back to the normal level of profitability. Please wait for a few quarters, and we'll come back on that. Thank you so much.

Hemant Kumar Agarwal: Thank you.

Moderator: Thank you members of the management and Mr. Gemavat. Ladies and gentlemen, on behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.