



“Wheels India Limited
Q4 FY2021 Earnings Conference Call”

May 25, 2021



ANALYST: MR. NISHANT VASS - ICICI SECURITIES LIMITED

**MANAGEMENT: MR. SRIVATS RAM - MANAGING DIRECTOR –
WHEELS INDIA LIMITED
MR. R. RAGHUNATHAN - CHIEF FINANCIAL
OFFICER – WHEELS INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Wheels India Q4 FY2021 earnings conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nishant Vass. Thank you and over to you, Sir!

Nishant Vass: Thanks, Janis. Good day everyone and thanks for joining us today for this call. From the management side we are represented by Mr. Srivats Ram, Managing Director and Mr. R. Raghunathan, Chief Financial Officer. Now, I would like to hand over the call to the management for their initial remarks. Over to you, Sir!

Srivats Ram: Good morning, investors. It is a pleasure to talk to you in these difficult times. In the quarter ended March 31, 2021, the Company is happy to register a net profit of 25.5 Crores, which is an improvement of 4.6 Crores in the same period of the previous year. In the fourth quarter, the company also registered revenues of 853 Crores for the fourth quarter compared to 544.7 Crores of the corresponding quarter of the previous year. Further, if you look at it in terms of annual sales and profit, the annual sales for the last year was 2215 Crores against 2438.7 Crores of the previous year. The net profit was 6.7 Crores, we had actually a very heavy loss in the first quarter due to the lock down, but we were able to recover and we had a net profit of 6.7 Crores against 54.1 Crores

At the sametime, the Board of the Company has also recommended a dividend of one rupee per share. Notable points in the last year are, we started shipment of cast aluminium wheels to the US from our newly commissioned plant near Chennai. The plant is having a capacity of upto 7.5 lakhs wheels. The Company exports about 25% of its sales and we have a diversified long-term customer base. I also thought as this is the first time that we are making a call to a larger investor base, I thought I will spend a little time to explain the different sub-segments of the Company. As many of you may know and what is available on our results is that the industrial sector is 18% of our sales in the current year and 82% was automotive, but I thought I will give you a breakup of each of the sub-segments within this.

You need to understand that some of the segments are very cyclical so the percentages literally can change on a quarter-to-quarter basis, but that being said, approximately 20% of the Company sales is commercial vehicles this includes wheels, which we supply to small, medium and heavy commercial vehicles. Also approximately 20% of our sales,

goes to the tractor segment. Other than that, aluminum wheels forged and cast is about 7% of our sales, steel passenger car type wheels are 8% of our sales. Construction related wheels and fabrications are about 20% of our sales. Air suspension is normally 8% of our sales, but last year given the lock down and its impact on the bus segment it dropped to 4% of our sales and the industrial segment, as I said is 18% of our sales and majority of which comes from the wind sector where the Company is a strong supplier. So this gives you some kind of an idea of the mix of the Company.

In terms of the direction going forward, no doubt the fourth quarter was definitely very encouraging and we had fairly high hopes, but unfortunately the second wave has hit, so we are slightly more circumspect in terms of the domestic market. Export market, we are still quite hopeful that whatever we have been able to achieve over the last 3 years, if you go back to FY2019, our exports were less than 20% of our sales and we have been able to increase it to over 25% and this trend we expect will continue going forward. I think with this short brief, one more thing is that most of our sales are to OEMs, so we supply to original equipment manufacturers on the automotive side or even if you look at construction or also the wind customers they are all OEMs who then make their equipment or vehicles based on the parts that we supply. With that, I will now hand it over to any questions that you may have related to the Company.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Imran Khan from RatnaTraya Capital. Please go ahead.

Imran Khan: Thanks for the opportunity. Sir, can you please tell us, you said 7% of the sales coming from aluminium wheels, so what are these wheels, are these into passenger vehicle or is there something else which you are supplying to?

Srivats Ram: Sure, we started our cast aluminium plant only in the latter part of last year, so there is a small percent of this which come from cast aluminium most of it comes from forged aluminum wheels, which the Company has been selling for many years mainly in the export markets. I would say that the supplies are probably going equally to passenger car type vehicle, which includes SUVs and also to commercial vehicles, so it goes on both vehicles on the export markets.

Imran Khan: And this is completely for the export markets?

Srivats Ram: Yes, currently, there is a small amount, which is sold domestically, but majority is export market.

Imran Khan: Sir, do you have any plans to increase supplies to the domestic OEMs especially the aluminium base on the SUV side?

Srivats Ram: Yes, the cast aluminium wheels, there is a process, so once you start a plant there is a whole validation process, so you need to start the plant and only after that there is a process where they will come and audit you and then you start supplying to the OEM, but yes, we are open to supplying to the domestic OEM as well.

Imran Khan: Thank you so much, Sir. Best of luck.

Moderator: Thank you. The next question is from the line of Nishant Vass from ICICI Securities. Please go ahead.

Nishant Vass: Sir, thank you for the opportunity. First, I wanted to understand in terms of commercial vehicles, obviously currently we are going through a very sharp difficult downturn, but in terms of let us say looking at from an up cycle to up cycle basis would you believe that the contribution of this business will be higher than what it is today over a three year cycle on a broader basis?

Srivats Ram: Yes, Nishant to answer your question, the commercial vehicle industry has always been a cyclical industry, of course the disruptions due to COVID are a bit unprecedented so we are not able to really say when it will recover, but it is typically a cycle varying from shortest 3 years to 5 to 6 years from peak to peak, so I expect that this will continue, but I think that once stability comes back to the Country definitely there is a lot of prospect for growth.

Nishant Vass: Right and Sir, my second question is more targeted towards exports, obviously that journey has witnessed over the last 4 to 5 years you have seen the contribution rise, so could you lay down your strategy as to how you are thinking about exports as a contribution, is it largely going to be centered around industrial and aluminium or you are thinking about any other products or any other segments?

Srivats Ram: Sure, let me also say that export business is business that you know you work for a longtime before you actually scale up, but fortunate that we have been to scale up three different parts of our business towards the export, the first one is aluminium, which as I said we have forged aluminium and cast aluminium wheels and we have a very strong distribution network, which is able to sell and push these products. The second area is actually I would give you the broad definition of Off-Highway, which would include tractor and construction equipments. In construction equipments we are one of the

leading suppliers to the global industry and have been for a number of years and on the tractor segment where we have been focused predominantly in the domestic segment, we have been able to make inroads in terms of export, especially I would say we had a joint venture partner Titan Europe and they exited the Company last year and post that exit we have been able to penetrate and enter some of the large tractor OEMs, so that and the construction industry segment is a second part. The third part is the wind industry where we are already a global supplier to a number of large windmill manufacturers and we are part of the strategic supplier category for these customers.

- Nishant Vass:** Understood, thank you, Sir. I will fall back in queue.
- Moderator:** Thank you. The next question is from the line of Nikhil Rungta from Nippon India Mutual Fund. Please go ahead.
- Nikhil Rungta:** Sir, thanks for this opportunity. Sir, just a couple of questions from my side, first is the aluminium wheel plant, which we started a quarter back, how would be the ramp up and when do we expect optimum utilization of that capacity?
- Srivats Ram:** So, Nikhil, just to give you an idea, we have initially setup the plant for 7,50,000 wheels, the idea is to ramp up to half that level or at least 3,50,000 wheels by the end of this year and we are also making further investment to take it to the full capacity immediately after.
- Nikhil Rungta:** Okay and second was, I believe we have announced some additional capex as well in wind energy so if you can highlight a bit on that?
- Srivats Ram:** Sure, as a matter I can also elaborate a little bit more, some of the capex that we are making, part of it is for expansion of cast aluminium, there is a small amount for forged aluminium and of course as you said the wind segment is the other segment where we have made an investment and we are putting up a new plant. This plant is really a different area from what the Company has earlier been doing, this is a machining of very large casting, so windmills have fairly large part so some of the castings are in excess of 10 tonnes, so we are setting up a plant, which will be next to our casting manufacturer who is a global supplier and we will be doing the machining of the castings, which is made by the casting manufacturer and supplying OEMs.
- Nikhil Rungta:** And Sir, in this cast aluminium facility, we were earlier expecting a break even in the month of April, so how is the progress on that part?

Srivats Ram: Unfortunately, due to the COVID second wave, we are a bit on back foot, we had actually planned to break even in the month of June, we are not very far away, it really depends on how the COVID rules in Tamil Nadu where the plant is there, how those workout, we might still break even in the month of June on a monthly break even basis, but worst case it will get pushed by a month.

Nikhil Rungta: And Sir, last question from my side, on this price hike in the raw material, how do the domestic customer compensate and how is it on the export front and have we been able to pass on the last quarter rise in raw material prices or it will happen in this quarter as well?

Srivats Ram: Sure, I can take that question, as far as the domestic manufacturers by and large it is fairly established process where customers normally settle the price at best there is a lag of one month, but by and large there is no problem in getting the settlement, as far as export customers it varies from customer to customer, but some of them have two windows in a year where they do price settlement, so in that event if the settlement is in the month of July and December for example, then any price increase that takes place will come into effect only from July, but of course this will vary from customer to customer and the timing of this settlement also varies depending on the contracts.

Nikhil Rungta: Sure, Sir. That is all from my side. Thank you so much and all the best for the future.

Moderator: Thank you. The next question is from the line of Shrey Loonker from Motilal Oswal AMC. Please go ahead.

Shrey Loonker: Thank you, Sir. Just wanted to understand this space a little better and our positioning within the sector and also your thoughts on given the COVID has led to a lot of changes in the right to wins of many companies, are you sensing some new opportunities coming up for us led by this in global difficulty and if any dislodgment of global supply chain where India is right to win has increased over the last 12 to 24 months, could you just give us some high level of your sense on the lay of the land, please?

Srivats Ram: Sure, so some of the business that we have one is also based on the fact that people are trying to realign their global supply chains, but to give you a sense I think broadly speaking if you look at the US, it has import duties on Chinese products coming in whereas in Europe there is no such duties, so in Europe actually if you win business you are winning business pretty much on the same terms as what was there earlier, whereas in US, there is a preference to look for a non-Chinese source, but that said broadly speaking there is a level of de-risking, which is taking place, it is an opportunity, it is definitely an

opportunity and we have been as aggressive as we can be on a virtual mode with customers over the last one year, this will potentially continue to grow, but I think that we would also probably have to hope for the COVID affecting our Country to be short-lived and hopefully continuation of COVID does not dissuade customers, but there has definitely been a push not only with my Company, but as going to many others and broadly there is a feeling that export enquiries and new export business is coming to India.

Shrey Loonker: Sure and Sir in that same light if you can also explain, you did talk about export strategy, but could you just give us some more idea as to after 5 years, how could your export business very different from today, some long range plan would be very helpful without may be quoting numbers or you may just give us a qualitative sense that will also suffice?

Srivats Ram: I think in terms of strategy while we do have a diversified customer base, we have identified some customers with whom we believe we can have a much deeper engagement and with that deeper engagement we will also have growth as those Company grow and as their sourcing from us increases, so based on our experience with some of these people we have started engaging with them, for example, they might have been in one product where we have number of products we can offer, so they looked at expanding the portfolio product that we offer to any single customer and we look at engaging with them in a more hopeful manner, I will say to some extent in the pandemic, with virtual meeting where you can actually get more people to the table than you could physically, has been beneficial and I think that is the way forward. In the pandemic, I think what is worked is where we have existing customers to strengthen the relationship has been easy, but the difficult part has also been that if you want to add new customers invariably in the automotive field people want an audit, want to touch and feel the product, visit the plant and that has been one thing, which has been quite difficult so as strategy also kind of aligned with the current difficulty and we are looking at how we can increase our business with existing customers on this.

Shrey Loonker: Sure and at the end of Q4, we would be at about 50% to 55% capacity utilization?

Srivats Ram: It varies from segment to segment, Q4 was actually very different from the rest of the year, yes, the capacity utilizations varied, for example, if you take the tractor industry the capacity utilization might have been in the 80s, whereas if you go to passenger or commercial vehicle it would probably be as you say 60 to 70, but that is only Q4, it is not a sign of what is to come.

- Shrey Loonker:** Sure, Sir, is it fair to believe that given that we are at a cyclical up trend globally and your export tailwind as a result and the domestic hopefully cyclical recovery will also follow in years to come and the utilization going up, is it fair to believe that the potential of can we to generate 12% plus EBITDA margin or that is still far given that it is a B2B business?
- Srivats Ram:** No, I think again, it is obviously we would want to uptick from the current level and we have a target, which is in between the current level and what you say and probably we first have to reach that and then probably look at the 12% level.
- Shrey Loonker:** Sure, thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Chetan Gindodia from AlfAccurate Advisors. Please go ahead.
- Chetan Gindodia:** Sir, my question is with respect to the balance sheet, so what would be our gross debt level as on March and what is the capex guidance for FY2022, FY2023, 2 years, last 3 years we have been in the capex more, so if the capex over now with the plant being operational?
- Srivats Ram:** So, Raghunathan do you want to take the debt part of it, gross debt question?
- R. Raghunathan:** To give the sense of the numbers as of March 31, 2021, we have a aggregate borrowings that works at around 610 Crores as against the networth that we carried at around 600 Crores as on the same date. .
- Srivats Ram:** And Raghunathan probably you can also tell them how much is long-term, how much is working capital.
- R. Raghunathan:** Breakup of this number between long and short is that we have 395 Crores as a long-term debt and 215 Crores as a short-term debt towards working capital.
- Srivats Ram:** Just to add to that obviously have been on a capex cycle and I do not believe that we are going to reach those high levels any time soon, that said there is about 100 Crores of capex, which was planned out of which the main item were really related to the wind related project, which I spoke about cast aluminum and also forged aluminum investment, but there is also maintenance capex, which I think depending on the business cycle we can decide whether we go ahead with everything or hold something, I think there will be some amount of flexibility on that, but yes, I agree with you that you know

we have digested a lot of capex and we should really be looking at how we can control it going forward now that we have lot of capacity that we have added.

Chetan Gindodia: And this 100 Crores capex for wind related project and aluminium forging and casting expansion is to be incurred in FY2022 only that will be incurring this year only?

Srivats Ram: Yes, it will be incurred in this year in the sense that it also depends on the timing so we expect the equipment and all that to come towards the end of this year, so it will be towards the coming year if you understand what I am saying.

Chetan Gindodia: Sure, Sir. Thank you.

Moderator: Thank you. The next question is from the line of Achala Kanitkar from Aditya Birla Capital. Please go ahead.

Achala Kanitkar: Good morning, Sir. I just wanted to get a sense on how the demand scenario looks over the next 3 to 4 months with segment wise, like I said last year tractors is far behind than recent ones followed that passenger vehicles (**audio cut 26:21**) just wanted to know what is the kind of guidance the OEMs are giving you with respect to the next 3 to 4 months?

Srivats Ram: It is very difficult, so let me give you some kind of context, I think on the export side there is no let up on the demand, there might have been some constrains that we had in terms of supply due to the current lock down, but other than that, demand side there is really no let up on the export front. On the domestic front, I think in the tractor industry, it is too early to say, I am sure there will be some level of impact due to the fact that the transmission has become rural as well, but the basic fundamentals, they have good water level, good monsoon is expected, financing available, MSP is decent, all these factors should still probably augur well for the tractor industry, I think of course they are coming on a high base, so you cannot expect too much growth, but I do not think it is not going to fall in the coming year at least that is our expectation, it may remain at level, but we have to see, customers are still uncomfortable from throwing numbers and all the commercial vehicle industry again depends on how we recover from COVID but towards the end of last year actually there was a certain amount of momentum, which is building up around construction and infrastructure related projects related to tipper demand and even towards the end, even the goods carriage vehicles seem to show some amount of momentum, we have to wait. I think once we recover from this second wave and if we get a period where there is stability in the country I am sure that something similar could happen but very difficult to give a number in terms of what is going to happen in the cycle.

- Achala Kanitkar:** Is it the case that even OEs have been hesitant in giving you a guidance with respect to what kind of supplies they would need next year over the period of next 2 months or that will keep changing?
- Srivats Ram:** No, it keeps changing, for example, even for any given month it is very difficult to know till the month is over what exactly is going to pan out because it depends on supplies of other parts, it is not always demand, is also a question of supply, so there is a lock down in one particular area then customers production gets hit so those type of issues which are happening now due to the lock down, but hopefully if we are able to come out of the second wave I think the situation will become more stable and become easier to talk about what can be done.
- Achala Kanitkar:** Sir, from a production angle is it clear compared to March and May, the utilization level must come down significantly?
- Srivats Ram:** Yes, that is definitely the case, I think across the board our utilization levels have dropped because there had been lock down, also you have to understand there had been lock down due to the second wave and especially the automotive industry is very supply chain based, if one of the links on the chain has a bottleneck then other people cannot manufacture because the vehicle will not go out if there is any gap. This is temporary, I think once the lock downs are removed it will restore.
- Achala Kanitkar:** Just wanted to get a sense if OEs are giving you an indication may be not June, July, but from August onward they are expecting some improvement in production levels, basically that is what I was trying to get a sense?
- Srivats Ram:** I have not heard anything as of yet, but hopefully in time we will hear that.
- Achala Kanitkar:** Sure, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Dinesh Toshi from Green Lantern Capital. Please go ahead.
- Dinesh Toshi:** Thank you for taking my question. My question is more on the windmill side of the business and the industrial component, the first is when this machining capex is going to be in place and when it will be operational?
- Srivats Ram:** Between the fourth quarter of this year or the first quarter of the next year.

- Dinesh Toshi:** And this will be what, it will be pure service job means you will get a free supply, casting you machine it and return it, is that the way you have locked it?
- Srivats Ram:** Yes, probably on the current contract that is the kind what we are looking at.
- Dinesh Toshi:** And later on you also wish to go backward to put up the casting or that is not there?
- Srivats Ram:** No, we have no plans to setup, I mean we do casting, but this is totally a different ball game, we have no plans to enter casting.
- Dinesh Toshi:** So, this would be a very large CNC machine to do your machining part, right?
- Srivats Ram:** Yes, very large.
- Dinesh Toshi:** So, it will be pure service revenue in the revenue side, correct?
- Srivats Ram:** Yes, that is what we are envisaging.
- Dinesh Toshi:** Second is on this windmill business globally, how do you see this business panning out and the opportunity, if you can help us understand especially the world is talking of green research, decarbonization etc., and there is a tremendous push against fossil fuel based industry and more towards solar and wind and those kind of renewables so if you can please help us that how do we see our Company over the next 4 years in terms of opportunity and the revenue that is one and second is currently how this business is operating, is it like fixed price, I mean you get timeframe orders at fixed price, because that is why we are seeing some dip in the EBITDA in the current quarter?
- Srivats Ram:** No, let me probably start with the current quarter and then move up to the other question, so if you look at the current quarter, the current quarter is also affected by the fact that you know the steel prices went up substantially in January and for us the reference date for price correction was unfortunately not in the fourth quarter, it only comes subsequently, so whenever there is a correction time that happens that correction will be made at least partially, so that is one of the reason, of course the other reason is we have another division under the industrial, which is heavy engineering, which was setup to do fabrication for thermal plant, the performance of that division was not very good compared to the previous fourth quarter, that division incidentally the board has also told us to look at disposal of that business, so we are in the process of doing that and we will inform once that takes place. Now coming to the global wind industry what you say is right, I think, Europe, definitely there is traction that is already happening, fairly strong

traction as a matter of fact and in the US, I think people are waiting to see how much the President is able to do in terms of implementing the plan, so it is still early days, we still do not know to what extent he will actually implement his vision, but definitely there is a trend both in US and in Europe, to move more towards renewable and wind energy.

Dinesh Toshi: So, can we quantify like this industrial business for us can we double the size over the next 3 years?

Srivats Ram: I am sorry I do not have enough information to be able to quantify, but it will depend on how things look.

Dinesh Toshi: Thank you, Sir. That is all, I will come back to you in the queue again.

Moderator: Thank you. The next question is from the line of Nishant Vass from ICICI Securities. Please go ahead.

Nishant Vass: Thank you for the opportunity again. Sir, I just wanted to understand the aluminium wheel business obviously this is a new facility and you would have some learning experience about how the ramp up is, what are the quality levels, rejection rate, so I just wanted to understand from a broader basis are we seeing manufacturing process improvement, quality levels that you would have envisaged at this time and also on a much broader context not necessarily numbers, but from a profitability standpoint how does this aluminium wheel export business potentially look like vis-à-vis we say domestic, how do you see that in the structure of profitability different?

Srivats Ram: So, let me try to answer that, our export business at the moment is largely through very large distributors of cast aluminium wheels based in North America and to some extent in Europe and the challenge in this business is not so much the ramp up of volume, but the fact that in the aftermarket the variety of products that you make is significantly more than what you would have in OEM, so really it is a question of developing new products, you develop new products when you get the new products then you will start the business, so the chain of ramp up is as much based on new product development as it is based on capacity this is the first point. The second point, which is related to margins that you asked about, I cannot really comment about margins because our Company per se has not started domestic supply, but the margins are pretty much inline with the typical margins that we had on other export business.

Nishant Vass: Fair enough, but just to pick more from your response on SKU side, so is it fair to assume because we have seen other Company in export orientation from India where SKU

requirements are very high, but that creates a strong niche in a customer relationship once you ramp up those SKU, so how you are planning on that, so you plan to work on the new product development to increase your total addressable market over a three year window to kind of cover the entire market or how do you think about new product as well?

Srivats Ram: So, we have a fairly strong long-term relationship with our customer, he also buys other product other than casting and we had a relationship over the number of years, he has actually drawn out a road map of what he wants us to develop practically on a monthly basis there is a plan and we are trying to adhere to the plan, I think we have now operated enough to understand the nuances in the product development and getting the clearances, the products are also going to the aftermarket in the US and Europe, so the requirement are also quite high especially given that there are different finished goods, there are different paint colours, clear coats, taps all kinds of other aesthetic related issues, which go into the product, we have learnt how to do that and we are right now just following the NPD schedule that our customer is giving.

Nishant Vass: Fair enough, Sir I just have a small clarification on the commodity price tools, if the export also happening on a quarterly basis or I would presume that happens twice a year with the export customers?

Srivats Ram: Yes, it varies, I would say it is normally twice a year at least for the OEM customers it is like that.

Nishant Vass: And my second question is on the exports on the construction equipment business, that is also a strong share of export, how are your customers giving, obviously you mention on a boarder base the exports is strong, but just wanted to understand your thoughts on the construction price because as you mentioned in your comments on infra plan do you think there could be a surprise in terms potential growth in markets like US?

Srivats Ram: See, if you leave aside the windmill segment whatever we have gained in terms of export or let us say tractor be in the construction or even the aluminium has pretty much being on the same overall market size, so we have actually been able to gain new business from customers some of them are new programs that we have entered with customers where we have been given the opportunity and some of it has also been the fact that some individual products has gone up, but if you look at the construction and let us say tractor it is a cyclical business in sense it varies and the cycle I will say has still not yet kicked in, there is a peak and a trough, it is in trough, but it has still not yet started moving

towards the peak and lot of the business that we have got that is partly lifting off a trough, but also partly new business that we have won.

- Nishant Vass:** Perfect, that gives us a potential opportunity. Thanks a lot. I will fall back.
- Moderator:** Thank you. The next question is from the line of Amar Kant Gaur from Phillip Capital. Please go ahead.
- Amar Kant Gaur:** Thanks for taking my question. Sir, my question is on the aluminium cast business, we have seen a lot of players setting up capacities for aluminum wheels specifically in India, so what do you see as the potential size for us, the opportunity for us, and what is your view on the overall industry for alloy wheels?
- Srivats Ram:** So, if you look at passenger cars in India there is a migration, if I go back may be 7 years it may be around 15% and it has now come up to the mid 30% in terms of the penetration of cast aluminum wheels, this is my limited understanding at the moment, so there has been definitely a growth in terms of the fitment of aluminum wheels vis-à-vis steel wheels that said, as you said there has also been a lot of capacity addition and while that is capacity addition with this expansion beyond the point I think it is the players that have the capability in terms of not only production, but also design capability and ability to be able to differentiate with design and engineering that will make a difference in the market going forward. I also need to highlight that you know while the aluminium penetration has grown the passenger car market has actually not grown in the last few months, that is another point to note, but from our perspective we feel that our strength in engineering, which has been built over the last 50 odd years I think we will hold up in good state to compete in the domestic market going forward.
- Amar Kant Gaur:** Any target you would have for market share in this segment?
- Srivats Ram:** No, we do not have the target.
- Amar Kant Gaur:** Small clarification, you are only doing the passenger car wheels right not two-wheelers?
- Srivats Ram:** No, we are not doing two-wheelers wheels.
- Amar Kant Gaur:** Thanks and Sir, small data request from my side, if you please list down your capacities in individual segments especially in your automotive and your market share if that is possible?

- Srivats Ram:** I think broadly speaking, we have listed out different segments, in terms of market share I will say on the tractor front we supply more than half the product, which is there in the market and in the commercial vehicle side we are close to half the products, which are distributed in the market and passenger car is again on steel wheels in which the situation is the same, but steel wheel is becoming a smaller part.
- Amar Kant Gaur:** Sir, capacities if you can?
- Srivats Ram:** Capacities, previous colleagues had asked, the capacity utilization is different in industries.
- Amar Kant Gaur:** Not the utilization, actual capacities?
- Srivats Ram:** Sorry?
- Amar Kant Gaur:** Actual capacities, not the utilization, total capacities?
- Srivats Ram:** The capacity varies from product to product, so I think the capacity utilization probably gives you a better sense of what we actually do.
- Amar Kant Gaur:** Thank you so much, Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Raja Kumar an Individual Investor. Please go ahead.
- Raja Kumar:** Good afternoon, Sir. Thank you for taking my questions. The first question is given the export market is ramping up fast I just want to know will you able to ramp up your exports given the paucity of orders in the domestic side so that the mitigation and the P&L is taken care of?
- Srivats Ram:** There are two types of it, first one is the domestic market, the domestic market at the moment is still struggling with COVID and to some extent supply chain is also struggling due to it, but in the last year we have been able to do a fairly decent ramp up on exports especially in the fourth quarter, no doubt the current period with the lock down will be slightly affected, but we believe that otherwise the trend will continue for the balance part of the year, we do not see any challenge in that.
- Raja Kumar:** Thank you, Sir and the second question is on the Titan business, I just want to know what we have gained and what we have lost because of Titan?

- Srivats Ram:** I can answer at least part of the question, so one is as far as the gain we have been able to approach agriculture tractor and construction equipment customers who earlier we had not approached because they were customers of the JV partner so we have been able to increase our business in both these areas primarily by following up with them and hopefully this will hold us in a good state going forward, there has not been much that we have lost because the Company has also engineering capability and so far we have not seen any impairment or anything that we have lost because of the partner has left.
- Raja Kumar:** The last question, we saw some restructuring or alignment of holding sitting in the TVS family, just wanted to know would it impact the Wheels India in anyway?
- Srivats Ram:** No, this is unlikely to impact Wheels India in anyway and just referring to that same statement that was made is basically an alignment of ownership with management so part of the family that are managing the Company will continue to manage the Company.
- Raja Kumar:** Thank you, Sir. Sir, just one request going forward if you could hold the quarterly investor call it will be helpful for us to get an update of the Company's operations.
- Srivats Ram:** Sure, we will at least have twice a year, we will see whether we can have quarterly as well. Thank you so much for your request.
- Raja Kumar:** Thank you, Sir, all the very best.
- Moderator:** Thank you. The next question is from the line of Devang Patel from NAFA AMC. Please go ahead.
- Devang Patel:** Sir, few queries on margins, so how US exports margins have moved in the last 2 years because of the duty that has been imposed on China?
- Srivats Ram:** Yes, there is definitely more flexibility on margins in the US, if I can say probably more so in the aftermarket products as opposed to the OE products because OE products again depend, yes, but OE products also as you say probably the reference level has gone up, so that is definitely helped where we are exporting to the US and for us it is still the single largest region of export for the Company.
- Devang Patel:** In the 6 to 7 segments in our portfolio, which are the relatively more profitable for us and which are the drag?

Srivats Ram: The segments that we are trying to grow or the once that we believe more profitable, which is the construction and tractor segments, the windmill segment of course, the aluminium segment, these are the segments that we believe to have an opportunity to improve our profit margin. If you look at the domestic passenger car steel wheel segment that is the diminishing segment and that is a bit of drag and commercial vehicle of course is also depending on cycle, so on an up cycle you would get on the commercial vehicle that now we are at the bottom of the cycle, yes, at the moment we are dragging with it.

Devang Patel: Sir, can you talk about what is your margin aspiration that is in the next 2 to 3 years and what will essentially help us to improve margin?

Srivats Ram: I think another colleague of yours has asked me this question and I think I have answered him, so I would not repeat myself on that.

Devang Patel: That is all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Raja Kumar an Individual Investor. Please go ahead.

Raja Kumar: Thanks for the followup, just wanted to leverage on the working capital side your ability to take given that we have significant borrowings and given that the interest rates are coming down just wanted to know what is your trajectory we can do in this cost?

Srivats Ram: One thing that we are doing on the working capital side because of the fact that we have substantial export is taking advantage of low credit rates so that the one plus in terms of interest rate, which in the export business also result in more of a working capital leverage because of the transit times, but at the same time we are also able to afford lower interest rates on that so that is one thing that we are doing specifically on the interest and finance cost.

Raja Kumar: Sir, any absolute numbers you can share, in the coming year compared to the last financial year would you expect what numbers to come down or go up significantly share some ballpark numbers?

Srivats Ram: No, it is very difficult to throw any numbers, I think we already have seen to some extent our trajectory on export, if you track on exports from the beginning of the year or the last year, so this year we are seeing the export growth, but the domestic market I think it will be very difficult for me to give any guess on what will happen because it really depends on how the pandemic affects our country not only the second wave, but also with

anything further happens, so I would probably not make any comment on the future projections.

Raja Kumar: Is it fair to assume that the trajectory will be bounced compared to the financial year?

Srivats Ram: Yes, we are hoping that this year definitely will be better than the previous year, that is also partly due to the fact that the previous year you had a complete lock down for a period and at this time we are having more regional related lock downs.

Raja Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Imran Khan from RatnaTraya Capital. Please go ahead.

Imran Khan: Thanks for the opportunity again. Sir, just one clarification, you made two statements, in one you said you have about 8% of your sales coming from steel wheel passenger vehicles, and in the second statement you said you have 50% market share in the steel wheels, right in the passenger vehicle category, if I do a rough math it comes out to be around 200 Crores to 300 Crores for the year, is it this market that small?

Srivats Ram: The market has actually shrunk, again I need to highlight that I am looking at really the four-wheeler market and I am not including two-wheelers in this, we make wheels largely for the four-wheeler market, but yes, the market has shrunk due to the fact that the market is shrunk and also some of the OEMs like the other multinationals leaving alone the market player, some of the other multinationals (**inaudible 55:17.**)

Imran Khan: Right. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Samarth Singh from TPS Capital. Please go ahead.

Samarth Singh: Good morning. Thank you for the opportunity. Just one question, do we have optimum leverage level I think about above which we do not go, I am sorry if you already answered that question?

Srivats Ram: No, I have not, but typically this is again what we try to do as a Company typically as a Company we try to keep our debt equity under 1, unfortunately with COVID and especially the impact of the pandemic on our first quarter we have exceeded 1, so I am

not sure how the current year will also pan out, but, yes, broadly speaking that is probably something that is normally looked at quite seriously.

Samarth Singh: And that is including working capital and term loans?

Srivats Ram: Yes.

Samarth Singh: Fair enough. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments.

Srivats Ram: So, once again thank you. I think this is the first time that Wheels India has actually had an all investor conference call, so I appreciate the interest from investors. I hope the Company has been able to answer your questions satisfactorily at least to the best of our ability, we have definitely put in the effort, look forward to further interactions with you going forward. Thank you.

Moderator: Thank you. On behalf of ICICI Securities Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.