

Greaves Cotton Limited's Q2 FY15 Earnings Conference Call
November 06, 2014

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 FY15 Earnings Conference Call of Greaves Cotton Limited. We have with us Mr. Sunil Pahilajani – MD & CEO; and Mr. Narayan Barasia – CFO. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference over to Mr. Sunil Pahilajani. Thank you. And over to you, Sir.

Sunil Pahilajani: Good morning everybody and thank you for joining in this call. On behalf of Greaves Cotton Limited, I welcome you all. Just to share the summary on the business, as an industry we have seen a sign of growth or revival during the quarter. Our automotive engine and genset business have started showing growth. Farm equipment business is yet to show recovery that way. We were able to maintain focus on new business development and our growth in new geographies. We have also shown much higher growth in bottom line due to our ongoing initiatives on material cost reduction, overhead cost reduction and better financial management. We have significantly reduced working capital. We have also maintained our market share in all the key segments and products. We continue to strengthen and invest into R&D and new product capabilities. And strengthen our channel in aftermarket. I would like to handover to my colleague and our CFO Mr.Narayan Barasia to take you through financial results.

Narayan Barasia: Thank you Sunil. Good morning and thank you very much for joining this quarterly earnings call. I hope you would have got a copy of the quarterly earnings update document. It has been uploaded on our website. I will take you through the financial results of Greaves Cotton for the second quarter July- September 2014. The net revenue for the company for the quarter was recorded at Rs.441 crores as against Rs.448 crores in the same period last year. EBITDA for the quarter stood at Rs.56 crores for the quarter as against Rs.50 crores for the same period last year. EBITDA margin for the quarter was at 12.7% as compared to 11.3% during the same quarter last year. The material cost reduction and the value engineering initiatives are giving good results. Our material cost has reduced by 120 basis points. Profit after tax for the quarter is reported at Rs.27 crores as against the loss of Rs.8 crores for the same period last year. We have taken plenty of initiatives on working capital reduction, and we are pleased to mention that we have been able to reduce both inventory and debtors by about Rs.40 crores during the six months period ending September 2014. So at this point of time, let me open it up the floor for your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Bhalchandra Shinde from Batliwala&Karani Securities. Please go ahead.

Bhalchandra Shinde: Regarding the infrastructure equipment segment, as we have discontinued the operation, did we sell any assets or we are still in the process? And the second question is on automotive segment. Three wheelers have picked up. How do you look forward to LCV segment? Also, can share the volumes of three wheelers and LCVs for this quarter and first half?

Narayan Barasia: Good Morning Bhalchandra. To answer your question, we are still in the process of selling assets of our infrastructure business. If you look at the segment result, you will find that we still have Rs.85 crores worth of assets on the books.

Coming to your second question on three wheelers, yes we have started seeing signs of recovery and we did record some growth. We have done 94,000 engines versus 81,000 engines over the same quarter last year. We see a positive turnaround happening after last 12 to 15 months of down turn.

Bhalchandra Shinde: Ok. Regarding LCV, what is your view? I think it is still declining.

Narayan Barasia: You are right; we are still not seeing any growth in four wheeler market. We sold about 11,000 versus 14,000.

Moderator: Thank you. The next question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: You have discontinued the operations of infra segment. This quarter you reported losses of around 10 crores. How is that going to move ahead?

Narayan Barasia: We have accounted for all the losses which we were to estimate in the September quarter.

Ashutosh Tiwari: So that is part of exceptional items right?

Narayan Barasia: Yes.

Ashutosh Tiwari: But going ahead, on segmental side the loss that you report on infra segment will be nil. Right?

Narayan Barasia: There will be some overheads. Also there are some finished goods which we will sell.

Ashutosh Tiwari: And how much will that overheads be?

Narayan Barasia: Overheads are tapering down as well. So we do not expect a huge loss to come up in future.

Ashutosh Tiwari: But any estimate on that front?

Narayan Barasia: No, we do not have any estimate.

Ashutosh Tiwari: What is the fix cost over there?

Narayan Barasia: The overall fixed cost will be in the tune of about 1.5 crores per month. It is related to employee and administrative overhead of the business.

Ashutosh Tiwari: Ok. And other thing, the employee cost for the current quarter has been down. So is there any one off into that? How should we expect that going ahead?

Narayan Barasia: We have tightened the overheads quite significantly in addition to the raw material cost and working capital. And these are the signs of benefits which have started accruing in our books. So these are not one offs but are the results of our actions taken over the last 12 months.

Ashutosh Tiwari: But we have seen that your employee cost in the first quarter was 43.5 crores that is down to 37 crores. So what kind of quarterly run rate do you expect going ahead?

Narayan Barasia: The best way is to look at employee cost for six months period. For six months period as well the employee cost is down. So there is definitely a reduction in the employee cost which is happening. Going ahead, we expect it to be on same lines.

Ashutosh Tiwari: Ok. And if I look at segmental sales, you mentioned that I think 3 million number you said 94,000 versus 81,000 right?

Narayan Barasia: Yes.

Ashutosh Tiwari: So that is a big growth number in terms of volume but if I look at segmental Indian engine sales it is only of 2% Y-o-Y.

Narayan Barasia: Yes. As Mr. Sunil Pahilajani said that the agri, the farm business is yet to grow. Tiller growth was flat; the diesel and petrol pump set is slightly de-growing. Diesel Pumpset has de-grown by about 20%. On top of it, four wheelers have de-grown from 14,000 to 11,000.

Ashutosh Tiwari: Ok. Thank you Sir.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

Bhargav Buddhadev: Sir in Gensets what has been the growth in the second quarter?

Narayan Barasia: We had about 4 to 5% growth in terms of volume.

Bhargav Buddhadev: But Sir if we read your press release, you have been highlighting that on the CPCB-2 side you are doing a good job in terms of the new product development. So do we expect to see an improvement in this going forward?

Sunil Pahilajani: Yes, certainly. CPCB-2 products have been launched partially and rest of the products will get launched in last quarter. So you will see the 100% impact coming only from Q4FY15

Bhargav Buddhadev: And what will drive that growth Sir?

Sunil Pahilajani: We have a new engine design which is much more efficient. Even the margins are better and our positioning vis-à-vis competition is much better, in terms of performance.

Bhargav Buddhadev: Sir would it be fair to say that your focus on this business now seems to be picking up? We are hearing that have you hired a lot of people and people who had left earlier have also joined back.

Sunil Pahilajani: Actually we have been focusing on all the businesses. But it is a product portfolio change which will drive the growth now. And certainly investment in people has been there.

Bhargav Buddhadev: But Sir there has been a gap in the 500 kVA plus space. What are you doing to fill that gap?

Narayan Barasia: So far we are not addressing that. We limit ourselves to 500 kVA only.

Bhargav Buddhadev: But Sir if you look at fourth and first quarters, the growth in Genset was very strong. Why did it taper down in the second quarter?

Narayan Barasia: One, there was pre-buying which happened earlier because of change of this emission norms. Second, certainly after pre-buying there is a lean period. Also we have still launched partially.

Bhargav Buddhadev: And lastly in terms of profitability, are you seeing an improvement in profitability or has that been reduced?

Sunil Pahilajani: I think it has improved drastically.

Narayan Barasia: When you look at the EBTIDA margin, it has quite significantly improved which shows that there is an improvement in profitability.

Bhargav Buddhadev: Last question. Any target in terms of where the Genset business could be, say two year down the line in terms of revenue?

Sunil Pahilajani: In two to three years, it should double

Moderator: Thank you. The next question is from the line of Kirti Dalvi from Enam Asset Management. Please go ahead.

Kirti Dalvi: Just a question on note number five which you have given, related to depreciation where you have charged from 7.5 crores to retain earnings. So just wanted to check that because of change in the depreciation policy according to the new company's act, our depreciation should have gone up or we have not charged to our P&L and directly charged to retained earnings?

Narayan Barasia: So Kirti if you read the new depreciation policy announced by the government any depreciation impact up to 31st March has to be taken to reserve and only the impact for the current year has to be taken to P&L. So we have a P&L impact as well. If you look at the depreciation for the quarter or for the half year, the depreciation has gone up and there is about a 7.5 crores which has been taken to reserve. That is absolutely in line with the policy announced by the government.

Kirti Dalvi: Second question, would it be possible to share the revenue breakup in terms of industrial gensets and three wheelers, four wheelers?

Narayan Barasia: Generally the genset, industrial engine and farm are approximately 15% of total sales and the remaining is auto engine.

Kirti Dalvi: Ok. And within auto three wheelers and four wheelers if it is possible?

Narayan Barasia: So the three wheeler we generally have about 94,000 units and four wheeler is about 11,000 units for the quarter. So you can estimate the value from there.

Kirti Dalvi: As you mentioned, the profitability has improved because of the lot of initiatives taken. But would it be also because of shut down of the construction equipment business, your profitability has gone up?

Narayan Barasia: If you look at the segment results as well the engine portfolio, the profitability has gone up. But what you are saying is right, that the construction business absence is improving the profitability along with it.

Kirti Dalvi: What is the CAPEX plan for the current as well as next year?

Sunil Pahilajani: CAPEX plan is limited to R&D and product development. There is no capacity expansion or no major CAPEX to say. It will be in the range of 40-60 crores.

Kirti Dalvi: Last question. What would be our effective tax rate for the year?

Narayan Barasia: We have effective tax rate of about 27% because we get some benefits from the technology development which we do.

Moderator: Thank you. The next question is from the line of Pranav Gokhale from Religare Invesco. Please go ahead.

Pranav Gokhale: Sir just a question on the infrastructure division. Now this infrastructure division will not have construction equipment but it will have mining business going forward or both the businesses are basically on the verge of shutting down?

Sunil Pahilajani: Actually we had this construction equipment and infrastructure business which encompasses all. We have been making loses in this business. As we had promised a while ago, may be couple of quarters ago, that we will turn around every business and we will make every business profitable or we will shut it down. So we are going in that direction. This was the business which was not possible to turnaround in terms of it's value and with the kind of

further investments required. So we decided to shut it down. We are just liquidating some of the things, but largely it is over and perhaps this is the last quarter for us. And as there is no separate mining business in Greaves. Only thing which continues is that it is aftermarket support. As an aftermarket business and some of the international business because that also includes partly trading, we continue to serve those channels. Domestic business of manufacturing and selling is shut down.

Pranav Gokhale: And then over this 18 crores annual cost which was highlighted, was it for infrastructure 1.5 crores per month, fixed cost?

Narayan Barasia: Yes.

Pranav Gokhale: Just to understand what would be the timeframe till these costs keep on incurring?

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: The question is on the Genset segment. So if I have not mistaken, the revenue for the quarter would be in the ball park of 25 odd crores. The question here is, what price increase have you taken post the new CPCB norms?

Sunil Pahilajani: It can be in the range of 10-20%, depending on the product.

Bhavin Vithlani: And this price increase is at the engine level or the Genset level?

Sunil Pahilajani: I mentioned the market price which we charge. At engine level certainly the breakdown costing is difficult to share but I can only say that we have improved in our margins.

Bhavin Vithlani: The second question is continuation to that of the CPCB-1 to CPCB-2 migration. One of your peers said that they have used a innovate technology called as EGR exhaust gas recirculation which will help them contain the cost increase at the Genset level to about 12% as against their early estimate of some 25%. Have we also adopted a similar approach?

Sunil Pahilajani: So we have very different position here. Our engine in terms of performance is better than the competition. We have already demonstrated and explained that in market.

Bhavin Vithlani: Sir, have we also used the EGR technology?

Sunil Pahilajani: We are not using EGR technology. We have innovation at the overall design level because we have designed the whole platform fresh from ground zero.

Bhavin Vithlani: Ok, so have we used the CRDI technology to get the engines electronic?

Sunil Pahilajani: We have not used that. We have not used electronics and we have achieved the CPCB-2 norms. Our innovation lies in a simplified engine which is easy to maintain, less cost to us and more efficient. Using electronics is not an innovation. It is rather more complex engine and more expensive to maintain.

Bhavin Vithlani: A continuing question, we expect Genset revenues to double over the next two to three years. Are we targeting to expand our range or are we looking at more deeper penetration in the market?

Sunil Pahilajani: The second point is right. Our market share today is very small, in the range of 2 to 3%. We have opportunity to enhance it and capture bigger share once we have better range of products. So that is how we are going about it, our range continues to be the same up to 500 kVA. We are not offering beyond that.

Moderator: Thank you. The next question is from the line of Murugesh RS from Cholamandalam Securities. Please go ahead.

Murugesh RS: My question is regarding your 3W & 4W volumes. We have witnessed a drop in 4W volumes. I just wanted to want to understand whether it is industry wide problem that we are facing or it is particular to the customer that we serve?

Sunil Pahilajani: It is particular to Tata Motors volume. We are associated with Tata Motors in 4W and it is the largest customer for us.

Murugesh RS: Your farm equipment business has also not picked up either. So I just want to understand what exactly is the problem? Which product, category in particular has we seen de-growth in this business?

Sunil Pahilajani: Overall there is slight de-growth in large volumes product like water pumps, etc.

Murugesh RS: Would it be possible to share a ball park figure, as to what exactly is the material cost savings?

Narayan Barasia: Material cost has improved by 1.2% this quarter over last quarter.

Moderator: Thank you. The next question is from the line of Prayesh Jain from IIFL. Please go ahead.

Prayesh Jain: Sir two questions. First is the clarification on Rs. 39 crores that has been mentioned asset held for sale on the balance sheet. That is the book value of the infrastructure business?

Narayan Barasia: Yes. You are absolutely right.

Prayesh Jain: And secondly now we have around 223 crores of current investments plus cash of around 22 crores. And if we go ahead, we get at least around 40 crores in terms of assets when we sell to seller. So we will be sitting on a big pile of cash. What are the plans for the same?

Narayan Barasia: So we have some plans. One, we start paying 100% dividend this year. We have some investment plans also. We are investing quite aggressively behind technology and new product and market developments. As you would have heard over last couple of quarters, we are going out and driving international business quite aggressively. So all these require investments and we are going to use those to generate better revenues for future.

Moderator: Thank you. The next question is from the line of Manish Goyal from Enam holding. Please go ahead.

Manish Goyal: On the power tiller, you said that sales were flat. We have been hearing certain challenges on the subsidy to be received from the state. So if you can highlight number, on the power tillers market and positioning? Second is on the agri pump. You said the volumes were down. Can you give us the volume number?

Narayan Barasia: You are right. In terms of subsidy, there are some challenges. But these are all temporary and things will improve. We expect a good quarter coming forward. In terms of Pumpsets, we did about 27,000 volume versus 28,000.

Manish Goyal: So has the market been flat for the agri-pump also or are we facing basically certain competition?

Narayan Barasia: Marketing is de-growing and we have maintained our market share. Also it is lead by poor subsidy flow from the government.

Manish Goyal: Ok. And Sir as you mentioned that you are exploring new opportunities for growth. We had launched tractor some time back. Any update on that?

Sunil Pahilajani: Tractor is a separate subject on which we are studying and trying to develop strategy. It is not a regular farming equipment category item which we are doing normally because those are small mechanized equipment. Tractor as you know is a separate business in itself. So we are developing strategy on tractor along with other farm equipments.

Moderator: Thank you. The next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

Sanjeev Zarbade: We are seeing that 4W volumes are also weak. So basically what is the outlook on that.

Sunil Pahilajani: It is very difficult for us to give outlook on vehicles because our customers only decide that and we follow their schedules. But generally as anyone else can guess, I can also guess that market is marginally growing now and we hope to see slightly better not too high but slightly better than last year.

Sanjeev Zarbade: In terms of volumes.

Sunil Pahilajani: Yes. That is what we hope.

Moderator: Thank you. The next question is from the line of Gagan Thareja from Comgest India. Please go ahead.

Gagan Thareja: Sir the land parcel on which the infra business was run, was that a leased land parcel or your own?

Sunil Pahilajani: It is an industrial land allotted by government on long term lease. We have building and other infrastructure on it which will be the part of liquidation.

Gagan Thareja: For your industrial and auto segments, you have been indicating that you are in the process of developing larger engines or may be multi-cylinder engines. You said that probably towards the latter-half of this year, you would be in a position to give some more information on this subject. Can you elaborate on the developments there?

Sunil Pahilajani: These engines are available for customers. There is nothing more to share at this moment. We were a player limited to half ton then sub one ton. We have much wider basket of solutions now in terms of engines.

Gagan Thareja: So up to a pay load of 3 tons?

Sunil Pahilajani: Yes. You are right around that 3-3.5 tons.

Gagan Thareja: And is there any long term agreement with any OEM for.

Sunil Pahilajani: Not yet. The moment we have, we will share the details with you.

Gagan Thareja: In the LCV range, you have been supplying to Tata and I think also for a couple of models for Piaggio.

Sunil Pahilajani: Yes you are right.

Gagan Thareja: So Tata the volumes might not have grown but Piaggio I presume volumes would have grown.

Sunil Pahilajani: Yes.

Gagan Thareja: So if you could give us some idea of how much the Piaggio sales contribute to the SCV segment for you?

Sunil Pahilajani: No. These are very small volumes today, about 5% to 7% of our total four wheeler volume.

Gagan Thareja: Ok.

Narayan Barasia: But now you see the potential is big because we have graduated in terms of our offering. In future we see high power longer run vehicles and last mile transportation, commercial goods as well as passenger. So we are ready to cater to that.

Gagan Thareja: Also once the infra business is completely out of your P&L and your balance sheet, it will impact the working capital. I presume probably in a favorable way.

Sunil Pahilajani: Yes.

Gagan Thareja: So if you could give us some idea of what was the difference in terms of trade for infra versus your other business?

Narayan Barasia: So in short this is generally our longer credit period. Overall in any way the working capital has been coming down in infra. We have tightened our belt completely on working capital after the one and a half years of recession which we went through.

Gagan Thareja: Compared to the end of first half last year, can you give us the inventory days compared to same period last year.

Narayan Barasia: Approximately with an inventory and debtors, I think the reduction would have been to the tune of +100 crores.

Gagan Thareja: And volumes for Tillers, if you could share the number Sir?

Narayan Barasia: It is 2000 units.

Gagan Thareja: So tiller are not completely locally manufactured for you, or is it still?

Sunil Pahilajani: Partially locally manufactured but then in due course, say in next 12 months' time it will be manufactured locally completely.

Gagan Thareja: And volumes for Gensets?

Narayan Barasia: Genset we do about 1000 units per quarter.

Moderator: Thank you. The next question is from the line of Umesh Patel from Shrekhan. Please go ahead.

Umesh Patel: I have one question. You highlighted earlier the volume growth of 3W and 4W was 16% Y-o-Y and 21% on Y-o-Y basis. Apart from that in agri business if I look at the volume growth, it has increased by marginally 4%. So I am just wondering that we have reported only 1.5% Y-o-Y decline in revenue growth. Then exactly where have we seen de-growth in volumes overall?

Narayan Barasia: Infrastructure business.

Umesh Patel: Ok. But that is only contributing just 3% to 5% of overall revenue.

Narayan Barasia: Yes, but if you go to the segment result and you look at the engine business portfolio it is growing.

Umesh Patel: Yes. And if I look at the segmental result your engine business is grew by 1.8% while infrastructure de-grew by 57.7% on a Y-o-Y basis.

Narayan Barasia: Absolutely. That is the reason. Engine business has grown by about 2% to 3% point. And this is contributing because of positives and negatives overall in the business portfolio we have discussed.

Umesh Patel: Ok. And you also highlighted that from next year onwards there will not be any additional cost pertaining to our infrastructure division which you highlighted around 1.5 crores per month.

Narayan Barasia: Yes.

Umesh Patel: So in FY16, what kind of EBITDA margins and bottom line are we expecting?

Narayan Barasia: We always expect a good bottom line. So we always try and put our efforts towards improving margins and improving profitability of the organization.

Moderator: Thank you. The next question is from the line of Girish Raj from Quest Investment Advisors. Please go ahead.

Girish Raj: Which product categories do you want to grow over the next three to four years?

Narayan Barasia: We want to grow all the existing businesses. We are focusing on engines. Our core business is engines and then over our engines we built various products, whether agri products or Gensets or industrial, etc. So focus is to bring new range of engines in automotive, in non-automotive, better and more efficient engines, higher power engines and then create more and more products. So it is a continuous journey and keep adding to that.

Girish Raj: Does this mean we will keep the ratio of 60:15:15?

Sunil Pahilajani: Yes. The ratio may vary by few percentage points here or there depending on the market. But then yes, engine remains the core and then other businesses are value add businesses which we continue to grow.

Girish Raj: In the last quarter, you mentioned our fixed overheads for infrastructure business would be 6 crores per annum. But now this quarter you said 18 crores. So where is my understanding wrong on this?

Narayan Barasia: I think we said 6 crores per quarter which has already come down because of lot of reduction.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

Bhargav Buddhadev: Sir, you highlighted that in the Gensets, your product offering has improved. But if you look at your competitor, like Kirloskar oil engines, they reported a 45% growth in Gensets in the second quarter. So any reason particular which you may want to highlight.

Sunil Pahilajani: As I said, we done partial launch of CPCB-II products. That is the main reason and our complete launch will happen in fourth quarter. But our product positioning is much better and we are confident that once we have full offering we can do much better sales.

Bhargav Buddhadev: Ok. And Sir on the three wheeler side, Bajaj Auto has been growing far higher as compared to the diesels players. Any particular reason?

Sunil Pahilajani: Bajaj growth is more on petrol engine and more on export as I know roughly but that is their strategy and it is that market which they want to address.

Bhargav Buddhadev: But Sir if you will speak to them, they have been highlighting that the growth has been led primarily by their domestic business. So any particular reason which you might read into this? Is that related to some permit issue?

Sunil Pahilajani: May be permit issue and our markets are slightly exclusive. Because we serve markets of large diesel three wheeler engines which are not operating in the city and they are serving a smaller petrol three wheeler, which is a city taxi.

Moderator: Thank you. The next question is from the line of Bhalchandra Shinde from B&K Securities. Please go ahead.

Bhalchandra Shinde: And up to three tons as we have introduced the engines, do we see that kind of a market available? Are OEMs showing interest in those engines? Are we having a trial run or something with some OEMs? Do we expect in next six to seven months any agreement with any OEM?

Narayan Barasia: We hope to have some OEM in next 6 or 12 months. And yes this is a market which is the future I think.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: Sir just couple of questions. First one is on the product development. You have indicated a CAPEX of around 60 crores for this year and next year. So just want to get a sense on what segments bulk of this CAPEX will be spent on? Will it be on the core engine side or on emerging other businesses like agri. Can you just throw some light on that?

Sunil Pahilajani: It is all across. In the automotive engine, it is about Genset and Genset is about application in farming and power both.

Viraj Kacharia: Ok. So when you say farming, what kind of agri farm equipment's are we looking at?

Sunil Pahilajani: If you see, we have introduced various farming mechanized equipments over last two years. Before that, we had only water pumps. Today we have range of more than 25 to 30 kinds of mechanized equipments. Every quarter or two we come out with some solution. The crop cycle and different crops have different need and different markets have different need depending on soil condition, etc. So we keep adding that portfolio based on our R&D and you will see more products coming in next year. It is an overall amount, the breakdown is difficult to share but it covers all.

Viraj Kacharia: When you say power tillers we had a volume around 2,000 units. Was this for the quarter or for the H1?

Narayan Barasia: Quarter.

Viraj Kacharia: You did say that there are some challenges in the market in terms of subsidy for tillers. Now incrementally, since we are already into one month of Q3, are we seeing any of those temporary challenges like a subsidy being resolved at ground level?

Narayan Barasia: Yes. So we are seeing subsidies getting dispersed increasingly. So things are definitely looking better.

Viraj Kacharia: Now you have more players coming into this segment. Kirloskar also announced the plans. So how are we positioned in this?

Narayan Barasia: We have a very strong market share in all the segments we are in, whether it is petrol-kerosene pumpset or power tiller. We are doing a lot of the development work in terms of making the product superior in terms of technology and cost efficiency. So I think competition pressure is always going to be there in any market. But we have to make sure that we are relevant and strong.

Moderator: Thank you. The next question is from the line of Bhavin Shah from GeeCee Investments. Please go ahead.

Bhavin Shah: Just wanted to get an assessment of the engines. In your discussions with various customers, do you feel that we have really reached the bottom or there is still more pain left in the system?

Sunil Pahilajani: You are talking about volume is it?

Bhavin Shah: Yes.

Sunil Pahilajani: Volumes are generally driven by customers and it is difficult to comment on that because each customer has its own branding, distribution, market strategy and range of competing products. So they decide how to focus on which one. Tata motors is large customer for us now. We have started with Piaggio also. We are trying to work out with more customers now. So I think the key answer for us is to have more customer base and more solutions and that we are not sensitive to one customers' decision making.

Bhavin Shah: We have been speaking on this from quite some time. Anything that seems to you will fructify over the next six months that will see this portfolio in all shape and size to increase?

Sunil Pahilajani: So answer is yes, but difficult to share details just now.

Moderator: Thank you. The next question is from the line Akash Bhora from Praj Financials. Please go ahead.

Akash Bhora: Sir the trading activities will be continuing in our discontinued operations right?

Sunil Pahilajani: Yes, international side trading will continue.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was our last question. I would now like to hand the floor over to Mr. Sunil Pahilajani for closing comments. Thank you.

Sunil Pahilajani: Thank you very much everyone for attending this call and I appreciate your continued support. I can only say at this moment that as you see, we have improved the performance on each front, whether operation or financial and working capital. So this will continue and as economic situation improves you will see the top line also growing and profitability improving. Thank you very much.

Narayan Barasia: Thank you.