


23rd July, 2021

To

The Manager - Listing,
BSE Limited, 
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 543276

The Manager - Listing,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex ,
Bandra (East),
Mumbai - 400 051
Stock Code: CRAFTSMAN

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call on Financial Results for the quarter ended 30th June, 2021.

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our intimation letter dated 12th July, 2021, we are enclosing herewith the transcript of the earnings conference call organized on Thursday, the 15th July, 2021 at 04.00 PM (IST) on the unaudited Financial Results subject to Limited review for the quarter ended 30th June, 2021.

The same will be uploaded on the website of the Company at www.craftsmanautomation.com.

We request you to kindly take the aforesaid information on record and disseminate the same on your respective websites.

Thanking you.

Yours faithfully,
for **CRAFTSMAN AUTOMATION LIMITED**



Shainshad Aduvan
Company Secretary and Compliance Officer



Encl: As above

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Craftsman Automation Limited
Q1 FY 21-22 Earnings Conference Call
15th July, 2021

Moderator: Ladies and gentlemen good day and welcome to the Q1 FY22 Earnings Conference Call of Craftsman Automation 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 now hand the conference over to Mr. Srinivasan Ravi – Chairman and Managing Director. Thank you and over to you sir.

Srinivasan Ravi: Good afternoon everybody. It gives me immense pleasure in welcoming you for the second earnings call. Thank you for all participating. We are in the midst of the pandemic still and I think all of you are aware of it. So, I would not like to elaborate the details of the pandemic. I would just like to highlight only one point, 60% of our manufacturing activities are based out of Tamil Nadu where it has been most impacted in the quarter. You are well aware that the earlier quarter it was started with Maharashtra but in the Q1 of this year, I think Tamil Nadu has been more affected. But there were a lot of restrictions and we still managed to run the plants and I will come to the financials in a moment.

The other major challenge apart from the pandemic is the raw material commodity price increase, both on steel and aluminium. Steel prices were going almost 15%-16% quarter-on-quarter and aluminium prices are also going 11% quarter-on-quarter. We could not effectively transfer these price increases to our end customers. We had to have bear the brunt of these prices that has affected to certain extent our performances.

In spite of all this, we made a reasonable performance in Q1. The quarter last year and this year are not strictly comparable because as you are aware that we had a major lockdown in the last year, this time it has been a partial lockdown. The sales for the quarter stand at 432 crores vis-à-vis comparable quarter is of 159 crores and PBT has been 35 crores against a loss of 25 crores in the previous comparable year. PAT has been 23 crores for the current quarter and against a loss of 17 crores. What I want to signify here is that we are 40 crores ahead when compared to Q1, at the end of Q1 we were (-17) last year and we are (+23) this year. This means a net positive impact of 40 crores there as we enter the second quarter. EBITDA has grown from 44 crores to 107 crores, CAPEX has been curtailed/moderated just like last year, it has been 26 crores for the quarter, mainly it is some upgradation and maintenance CAPEX.

Segment wise the automotive powertrain grown from 75 crores to 232 crores. Automotive aluminium has grown from 22 crores to 77 crores. Industrial and engineering has grown from 62 crores to 123 crores. The auto powertrain EBIT has been 62 crores and the automotive aluminium we had a negative EBIT of 5 crores which I will explain little more in detail at the end of this call. I'll take it in the Q&A. The industrial and engineering EBIT has been 11 crores.

The segment wise results for the Q1 has been 232 crores top line on the auto-powertrain, 77 crores on auto aluminium and industrial & engineering it has been 123 crores, total into 432 crores. I think broadly, I have put up the numbers and I will leave the floor open for questions because I would like to spend more time answering your questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhaval Shah from Girik Capital.

Dhaval Shah: Couple of questions, first if we can discuss about this raw material pass on, how has it been in the quarter? Especially if I correctly understand our powertrain business will not have this raw material risk but the aluminium and the industrial will have the risk. Within that aluminium as per our last conversation, we had shifted from quarterly to monthly price revision contracts. So, where are we in that revision process and also how is steel also impacted in terms of our margin? That's my first question.

Srinivasan Ravi: I will take the first question. The auto aluminium business, we have migrated to monthly price correction on real-time basis only from July month. Until then we were in various customers were on an average per quarter, on the trailing quarter or the current quarter. So, it was a steady state approach of the commodity price with this sort of work as in the past but with this thought of unabated inflation of 11%-12% on the commodity prices of quarter-on-quarter finally from July onwards we have moved to a realistic approach where there is a straight pass-on the aluminium business. This current quarter will reflect the true performance of the company and whatever is in the past it is already a done deal. I think we suffered because of that, yes, I agree to that. Now I think we have a corrected this permanently.

Coming back to the steel price increase, there was a delay in some of the projects to be implemented because of the pandemic situation or the site not being ready, mainly for our storage business where the steel suppliers also were resorting to the situation saying that on delivery the price will be confirmed. Even though orders were there and delivery was confirmed in a short time period of 30 days or 45 days but still they were applying the price on the delivery point which we couldn't control. Now we also started putting up the customers that the prevailing steel price will be passed on the new orders which we have just started to get in. So, whatever is the corrections in our strategy and the approach toward this sort of volatile commodity, it has been implemented and it will be fully in force from this July.

Dhaval Shah: So, this new strategy will be in place for forever or once the volatility we perceive has reduced then you will again get back to the 6 monthly quarterly contracts?

Srinivasan Ravi: No, it will be on a permanent basis, for the simple reason life is not going to come back to normal. For example, the commodity when it's going to 60% more even 1% or 2% movement will have big impact as a percentage. You also see a bloated top line. Because the top line will increase substantially. One portion will be commodity price increase, really we're not doing the value addition for it. So, we are going to continue on the monthly basis from now on.

- Dhaval Shah:** In our industrial engineering business, can you give the break up for the quarter between the storage solution revenue and high end appreciation products revenue?
- Srinivasan Ravi:** The last year I'll give an approximate number for the storage business. We have done 50 crores in Q1 vis-à-vis 104 crores in the last year full financial year. We've got good orders for July also. We are growing in multiples I would say. In Q2 I think we'll do better than Q1 on the storage business.
- Dhaval Shah:** So, we did 50 crores in the first quarter '22 in storage solutions?
- Srinivasan Ravi:** Yes, vis-à-vis 104 crores in the last financial year.
- Dhaval Shah:** And the year-over-year EBIT is down in absolute terms. We did 13.83 crores in Q1 '21 versus 12.89 in spite of a higher top-line. So, why is the absolute EBIT down?
- Srinivasan Ravi:** The absolute EBIT is down because we suffered on the storage business on the commodity prices which it was 16% quarter-on-quarter. That almost took away all the EBITDA margin itself in some of the bulk orders with some of our customers. This is the reason that will not be carried forward.
- Dhaval Shah:** Now coming on the main business, on the powertrain business what sort of outlook are you having from the M&HCV and other customer side?
- Srinivasan Ravi:** As a whole, in Q1 our operating leverage itself was very low and as the operating leverage is kicking in better in the month of July and as we move forward it'll improve month on month. The one thing is the capacity utilization as it increases our fixed cost absorption will better and this will lead to better margins going forward. But we all have to take one point which is very important, not only for Craftsman as a company but for everybody, the commodity price will show increased top line, we have to knock that off and look at the operational efficiency because on the commodity price increase even we pass it on to the customer there will be no EBIT margin. But you're right, if we look at it, the steel portion took up the bulk of the industrial engineering sector business. Once we price it right, now in the current quarter this will get corrected.
- Dhaval Shah:** For FY21 we were at around 50%-55% utilization for a company as a whole. Now with again June quarter being a lockdown quarter what was the utilization for the quarter?
- Srinivasan Ravi:** Utilization for the quarter is, I would say is approximately 50%-55% only. For example, we did 535 crores in Q4 of last financial year, even we have clocked very close to 200 crores in one particular month in Q4. Even then our capacity is not fully utilized. When you look at Q2, please knock off 10% and then do a comparison because the commodity price will also increase the sales. That's not an apple-to-apple comparison. What was in 535 crores in Q4 last year, we do 600 crores some time in one of the quarters or this year it will be almost equivalent, I would say. So, the capacity utilization at 535 crores also was around close to 70%.

Dhaval Shah: Last question, what will be our new policy with regards to the managerial remuneration? You were mentioning in one of our conversation that you have changed it after the IPO. I just want some little clarity on that.

Srinivasan Ravi: Yes, we have put it to the board meeting yesterday and we have published in the stock exchange websites, it is already on public domain. This is for the full 5 years. It is not for temporary portion.

Moderator: The next question is from the line of Manish Ostwal from Nirmal Bang.

Manish Ostwal: My question on the demand side, after unlocking of the larger portion of India, so how has been the traction in the demand from our customers? That is the question number one. Secondly in last quarter you guided that debt reduction of around 200 crores for the year, so are you still maintaining that guidance or is this condition changed, so the guidance also got changed?

Srinivasan Ravi: I will answer the second question first on the debt reduction. We still keep the same guidance of 200 crores. It is slightly bigger challenge because of the increased working capital requirements, because of the commodity prices. Even though for the same quantity of a particular inventory, the value will bloat up again. So, in spite of that we stick to the same guidance of 200 crores debt reduction in this financial year.

Coming to demand; if we look at it, we are set back by 2 years, you're well aware. The biggest segment where we are present in the auto powertrain is the commercial vehicle. We don't see demand coming back very quickly in the next few quarters. We see demand coming back more in the next financial year. But having said that we are such a versatile company, we are having interchangeable capacities, so we are harvesting the other areas of growth and as a Tier-2 exporter and the other business in the auto powertrain which has been growing, the auto powertrain will post very healthy growth this year surely. The auto aluminium will also post healthy growth and the industrial engineering also will post healthy growth. We are looking for a very healthy top line in this financial year in spite of the commercial vehicles which will take some time for the demand to pick up.

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

Abhishek Jain: How was the mix for the revenue in the power train business with material and without material and how do you see next time?

Srinivasan Ravi: This is same as in the last financial year. There's no change in the product mix.

Abhishek Jain: In last financial year it was around 45% as a pure machining, so this quarter also there's 45% business is pure machining side in this powertrain business?

Srinivasan Ravi: Yes, it is around the same level as last financial year. There can be a small percentage difference but over the period of the year it will correct itself.

Abhishek Jain: Going there will be a dip on the high-tonnage segment in M&HCV. How much increase is expected in content per vehicle or realization per vehicle?

Srinivasan Ravi: You may be aware that most of the vehicles which we are selling are real heavy-duty vehicles, the medium duty is I think there is an excess supply in the market. The content per vehicle what we supply has increased over the last 2 years, it has continued to be very stable there. The bulk of the demand is coming on the heavy-duty segment. That way we are still going to show growth on the commercial vehicle segment and the overall growth on auto powertrain also will be high i.e., double digits.

Abhishek Jain: In powertrain business around 35% to 38% business comes from the construction and tractor segment. How is the outlook ahead for these two because that tractor outlook that is expected to be weak for the next year because of the high base, so just wanted to understand?

Srinivasan Ravi: Yes. There are two things which has happened. One is the high base; the second thing is in the second round of COVID, it has affected the rural area much more than the urban areas. This time there is a real impact on the financial strength of the buying power of the people there. We don't see that the tractor numbers will be higher than last year. One good thing is most of the tractor manufacturers, the multinationals as well as some Indian manufacturers have started exporting tractors and some of the multinationals are also exporting powertrains to their other plants all over the world. This is leading to lot of stability in the supply chain where we are. We don't feel that there will be a drop in our business and we don't expect a growth in the farm sector business as far as we are concerned. But I think we'll be stable there but overall as I mentioned that we are a versatile company. We have so many new products coming in the auto powertrain which is in production, it is coming in this quarter. We started already now, the new product launches from various customers. So, our auto powertrain will show very high two-digit growth this year.

Abhishek Jain: In powertrain business, passenger vehicle side major maybe comes from the Mahindra & Mahindra. So, have you won some new business from the new client in the passenger vehicle side? I heard that you have got some business from the PSA group as well. So, can you throw some light on it?

Srinivasan Ravi: I think one of our major customers in the passenger vehicle segment, they're launching new products which we have got orders for that and we have been waiting in the wings for year and a half. I think because of the pandemic the project launch has got delayed and we will have the positive impact on our top line for this quarter because they're already started building vehicles in big numbers to prepare for the launch. We feel that this huge ramp up will continue for at least a year or two. At the end, this product also will sell very well in the market. We see the resurgence in our passenger vehicle segment in the auto powertrain.

Abhishek Jain: You have got some business from the PSA group as well, so can you throw some light on it?

Srinivasan Ravi: Yes, that is on the auto aluminium sector which is starting production, this is only in the sampling stage. The FY23 is the start of production. We've got a very good contract and the peak level of the business is around 200 crores which we will touch in FY24. With that I think we'll be running out of capacity on auto aluminium business by the end of FY23 itself. This is a good news because this is a big foray for us into the passenger vehicle segment, today predominantly we are in the two-wheeler segment and very less on the passenger vehicle segment and some of the commercial vehicle segment. Adding to this, I have one important point is on the auto aluminium business, we had a major breakthrough. We have got some farm equipment products also. This is the first time in India. I think that larger parts are coming on, these are very large die-casting machines. We got the orders and the products is under development. We see this trend on an increasing basis also.

Abhishek JainL What is the incremental revenue?

Srinivasan Ravi: Incremental revenue, I will club it along with the auto powertrain business what we secured and the farm sector business and the commercial vehicle segment, all put together incremental revenue in FY23 will be around 250 crores.

Abhishek Jain: So, your aluminium business is highly dependent on the two wheelers. Most probably as you're getting the new business from the PSA, so revenue contribution would be around 50% from the two-wheeler and passenger vehicle in the coming days?

Srinivasan Ravi: Yes, it may be even less than 50% going into FY23. One thing is the EV is throwing us more options not only on the two-wheeler segment where lot of parts will come in aluminium die-casting or in gravity die-casting or low-pressure die-casting, we are present in all the three segments of the business that is unique. Or may not be unique, but only very few companies in India doing all the three segments of the technologies together. We are awaiting launch of these products where we will get our opportunities. Coming back on the passenger vehicle segment, still the aluminium usage on our passenger vehicles is pretty low but when new platform gets developed for either hybrid or EV we'll see more and more aluminium usage coming into the picture. I think this is yet to start, I think we're in for interesting times.

Abhishek Jain: So, is there any threat from the EV side in your business as the engine part is a big contributor of your revenue? So, is there any threat from the EV side?

Srinivasan Ravi: No, we are very small on the auto aluminium business. If you look at it as a whole, our capacities will get fully utilized more towards a FY23 middle itself. While we'll continue to ramp up on our production now. EV will give a new opportunity for us otherwise the business has been more on settled among the top many players in the country and new part development means a new pricing and new technologies and new vendors will get onboard. So, EV a big opportunity for us.

- Abhishek Jain:** My last question is related with the industrial side; industrial demand is picking up well and you have well diversified product portfolio in this segment. What is the medium-term revenue outlook from this segment and apart from this margin as well because we have seen the top reduction in the margin in this quarter? So, can you give the guideline for the next 2 years outlook for the revenue and margin both in industrial side?
- Srinivasan Ravi:** Yes. I&E sector, the 50 crores revenue which has come from the storage business as I mentioned the EBITDA was wiped out because of the 16% raw material price increase in quarter itself. That was almost our EBITDA calculation which went wrong totally. Now that we have corrected and the pricing also, we are having flexible pricing to pass it onto the customer going forward. So, as I mentioned earlier we were operating between 25% to 30% EBITDA in the past on I&E, because of commodity price increase, the top line will also increase. Now we'll be operating between 22% to 25% EBITDA margins but the absolute number of the revenue will be much higher.
- Abhishek Jain:** Can you give some guidelines on industrial side especially for the revenue side?
- Srinivasan Ravi:** It will constitute to around 30% of our sales as a whole.
- Abhishek Jain:** 30% absolute? And growth?
- Srinivasan Ravi:** 30% as a company and growth will be in high two digits.
- Moderator:** The next question is from the line of Rajesh Kothari from Alfaccurate.
- Rajesh Kothari:** You mentioned in the powertrain business you received one new product launch that is in which segment?
- Srinivasan Ravi:** In the passenger vehicle segment.
- Rajesh Kothari:** You mentioned that this can add significantly good number because the ramp up of the product can be good. So, what kind of revenue you think this business powertrain in total can do in '22 and '23?
- Srinivasan Ravi:** I don't want to get to the specific customer's; specific product lines but I can say that we will grow in the region of 20% odd in the powertrain business in this year.
- Rajesh Kothari:** And you also mentioned like last time that there are a number of companies which are exporting from India and you are one of the key suppliers to those companies. Can you give some insight into that how was those companies' the growth is?
- Srinivasan Ravi:** There is a lot of movement from Europe and from US to source from India. This is widely published as China Plus One Policy. It is also because China, the labor cost is increasing because of the one child policy which they had. This is sensing the reduction in workforce in China. I think the multinationals are also de-risking the business model. One advantage is in spite of our

high inflation, I think we are also now equally competitive when compared to China and this is bringing more business. In Europe and America there has not been any investment into grey iron foundries or into these capacities overall and this resourcing is happening within India. We see increasing trend coming there. Even on the EV front, many of the EVs whether it is small commercial vehicles or some of the passenger vehicles also are having some reduction gearboxes and some differential cases and things like that. There are a lot of content, new products are getting launched, new sourcing requirements are coming up. We see that we'll have more opportunities going forward. We've also seen one of the companies who are listed recently in the EV sector with a large market capitalization, they are supplying the internal gears and we are machining the housings. I mean, not for that particular customer, I would say, in general, we are trying to look at the commercial vehicle sector where we have a sweet spot. So, opportunities are coming by, it's too early to say, it is still evolving business. But the trend is getting more and more clear as we move on.

Rajesh Kothari: You mentioned that machining revenue and non-machining revenue, what is the breakup in June '21? Because you mentioned that it is broadly same and if it is not it will adjust over a period of time so it was slightly confusing comment. Can you give the actual breakup between machining revenue and non-machining revenue in June '21 this quarter?

Srinivasan Ravi: I think CFO will take the number out, what I said was sometimes what happens in one month may change in the next month, so it is not uniform. It depends on customer demand. Just a minute I will read out the numbers. we have done 113 crores machining in Q1.

Rajesh Kothari: And what would be the similar number for last year Q1?

Srinivasan Ravi: Last year Q1, our sales itself was very low. It was 32 crores.

Rajesh Kothari: What would be last year second quarter?

Srinivasan Ravi: Q2 was 87 crores.

Rajesh Kothari: And Q3?

Srinivasan Ravi: Q3 was 128.

Rajesh Kothari: And Q4?

Srinivasan Ravi: Q4 was 145.

Rajesh Kothari: And from this quarter basically you mentioned that both aluminium and steel prices, for all your three businesses will be now linked to the actual prices. Is it a safe assumption now?

Srinivasan Ravi: Yes, it is a safe assumption now.

Rajesh Kothari: For both steel and aluminium?

- Srinivasan Ravi:** Yes.
- Moderator:** The next question is from the line Chetan Ginodia from AlfAccurate Advisors Private Limited.
- Chetan Ginodia:** My question is with respect to our powertrain business; so, you alluded that in the aluminium business the impact was due to we could not pass the aluminium price and similarly in the industrial engineering business, impact was in the storage business where we could not pass on the steel price. In the powertrain business where we are operating mostly on machining charges so here the pass through would be direct? Why is there a quarter-on-quarter margin decline?
- Srinivasan Ravi:** If we look at it, we were ramping up from January-February and March. March was a very high number. There was a sudden drop in revenue and due to the fixed cost, the operating leverage was affected. We didn't also want to reduce the capacity because anyway it would again come back in Q2. We consciously had to keep some capacities, keep some capabilities there. Another point was it is sporadic that one day we had demand, the next week we didn't have demand because the countrywide lockdown was not uniform. Some customers were operating, some customers were shutting down and we couldn't really control our costs. Earlier in the last year Q1 we said "okay; we will run one shift that's it" but here sometimes we had to run two shifts. We ran two shifts most of the time and sometimes you had to work overtime and also the supply chain was disrupted because of raw material. All that increased the costs but we have to look at customer satisfaction and to keep their line running but the margins are intact.
- Chetan Gindodia:** Lastly you said that till FY23 the total new orders that we have received would contribute to 250 crores of revenue. This was only for the aluminium business or this includes aluminium plus the powertrain business?
- Srinivasan Ravi:** No, this was only for aluminium business, I spoke about only aluminium business.
- Chetan Gindodia:** You also said till FY23, we will be reaching the full capacity utilization for aluminium business. So, when we are meeting the next CAPEX for this segment what can be the quantum of that CAPEX?
- Srinivasan Ravi:** See the CAPEX will depend on the type of business. In aluminium business, the gravity die casting practically CAPEX is negligible. On the low pressure die casting there is some CAPEX, on high pressure die casting when you go for higher tonnage machines, the CAPEX is high. We have to see how the designs come out. We are waiting for the government policy. Of course, we are not waiting, the passenger vehicle manufacturers are waiting for the government policy. There is a policy on the EV but still the policy on the hybrid vehicles, the plug-in hybrid which is more practical for India is still awaited. Once that happens, we will know what type of products we are going to make. That will depend on the CAPEX. But we will also be redeploying some of the equipment which is available now into the new segments. As I had mentioned that this EV is giving a new challenge on the development but it's also throwing some capabilities for the new pricing and the new customers to be added. This will be for the better. We were late entrant in the auto aluminium business compared to the Top 5 manufacturers. And we had to take out

the leftover businesses in the past. Now with the opportunity coming in evenly for everybody, there's a good chance for the Craftsman.

Chetan Gindodia: You said that PSA order would be contributing 50 crores in FY23 so out of that 250 crores, only 50 crores it is PSA, then 200 crores is the quantum that is non-PSA new orders that we have received?

Srinivasan Ravi: No, I mentioned that PSA will reach peak level of 200 crores in FY24 or FY25.

Moderator: The next question is from the line of Akshay Bhor from Premji Invest.

Akshay Bhor: My first question to you, this is really strong performance, and just want to understand when we compare this quarter performance where you hold like 435 crores of top line versus let's say 2 years back because last year was disrupted. We did around 400 crores of top line. I think in this period, the production levels of OEMs are down nearly for somewhere in between 20% to 50%. I just want to understand this is the gain that we have seen on the outperformance of the industry. Is this just a BS-VI transition or what's contributing to this? Can you talk a little bit about this?

Srinivasan Ravi: Could you repeat the portion? I understood that the 2 years back when you look at FY20 Q1, has been more or less in line with the Q1 of now FY22 because when you knock off the differential commodity prices is more or less equivalent. Or, when you look at Q2 of last financial year, that is FY21 Q2 and our Q1 is more or less same.

Akshay Bhor: What I mean is that the production levels as compared to Q1 FY20 are significantly down for the OEMs be it truck manufacturers or CVs or PVs or two-wheelers. What is this out-performance about? Is it just a BS-VI transition or there is something?

Srinivasan Ravi: No, it is not a BS-VI transition alone, that is adding to that the product mix has changed. As Craftsman is in the machining segment, we are looking at more critical parts and there, the value addition is keeping on improving. We are looking at direct exports, tier-II exports, everything on the machining. There is not one significant order or something like that. There are many product lines on a continuous development. I will not be able to say this is 1-2-3, just like I talked about the auto aluminium but many of the projects have started production, I would say. That is the reason for the outperformance when compared to the industry in the auto powertrain. If you look from FY16 onwards, we have been continuously outperforming on the auto powertrain when compared to the industry.

Akshay Bhor: Given the order pipeline that you have at this stage; fair to say that, that outperformance should continue or?

Srinivasan Ravi: Yes, it will continue as we see that Europe and US are looking for a more outsourcing in India and more multinational OEMs within the country are looking at exports of their products itself, fully built farm equipment or maybe the powertrain alone or the drive axle, they are supplying to our plants. We see this trend increasingly happening.

- Akshay Bhor:** On the auto aluminium side, with now commodity pricing formula is settled for a 1-month revision. From next quarter onwards what is the fair margin that we should expect from this business? Let's say this year or next year?
- Srinivasan Ravi:** We are looking at a very close number of almost 100 crores for Q2 on the top line and if some 90 crores odd. If that happens the EBITDA margins may come to 16% or so.
- Moderator:** The next question is from the line of Nikhil Kale from Axis Capital.
- Nikhil Kale:** Just one follow up on the RM pricing formula. Just from the industry perspective just wanted to understand, has this kind of an arrangement been extended to other casting manufacturers or to other suppliers of other components as well? And again, is it specific for your key customers on the aluminium side or other two-wheeler OEMs as the likes of say Bajaj or Hero are also looking at this kind of an arrangement now?
- Srinivasan Ravi:** See it depends on how each OEMs are pricing their products. What is aluminium content per product, How are they taking the average for the quarter, are they taking a weighted average or taking a linear average, are they taking a mid-point pricing or they are taking a median pricing. There are various methods used. As long as it works for the customer and the supplier, it is good enough. That is the way we need to look at it. Commodity is not something for a Tier I supplier and for an auto OEM as to benefit or lose, that is the way it is overall. Earlier there used to be a lead or lag because where the material prices, commodity prices used to fluctuate up and down but now it is linear. The straight pass-through, whichever works for whichever company, some companies work on some debit note-credit note or supplementary invoicing. I don't want to get into that detail. What works for supplier and customer should be okay.
- Nikhil Kale:** But so effectively then you haven't really heard of other suppliers moving to this, would that be fair to assume?
- Srinivasan Ravi:** That's what, some are taking medium prices, some are taking average prices that some are taking weighted average, some are taking end of the month prices and applying for the coming quarter. It is different for each customer. How they work, what are their schedules, what is their procurement cycle, what is their forecast, everything will depend on that. What works for one supplier with one OEM might not work for another OEM. I think it is more a matching so that the commodity price should be fair and not to be a gain or a disadvantage for anybody, that's it.
- Nikhil Kale:** Just on the tractor side, I mean as you mentioned that tractor, you expect that because we were broadly flattish the revenue profile but generally what are you hearing on the I mean what are you seeing in terms of the production schedules of the larger OEMs. There is some feedback that is kind of coming in from say this refinancing side or some of the other rural intermediary that demand seems to be holding up pretty well. In fact, maybe slightly better than expectations, so just is that getting reflected in the production schedules as well?

Srinivasan Ravi: I wish to restrict my answers to the domain where we are present. We are only in ancillary. I would say that on the farm sector, almost 90% of the major OEMs we are supplying. That is very clear, that is one thing. Second thing is the OEMs will have a better clue about how the market is moving, the numbers are moving and their strategies. And for the farm sector by itself for Craftsman, on the powertrain, it's a smaller portion I would say. I don't think we will get impacted in a way where its flattish also. We will be having a decent growth because we are present in the newer models and higher value at models. So, I don't want to get into details that I do not know practically because the market is changing on a month-to-month basis, we have to consult OEMs and get back but you may have a better clue when you talk to the OEMs.

Nikhil Kale: My last question was on the Tier-I suppliers. Some of those Tier-I suppliers whom we supply to the likes of Brakes India or Nelcast. How is their business kind of looking? What we understand is that the export outlook remains pretty strong. What are you hearing from these customers of yours, what is the outlook for that business? I understand it's a relatively smaller part but generally what is the outlook there?

Srinivasan Ravi: We are growing on both the customers, number one. Number two is we are seeing increasing trend of sourcing from Europe and also North America. As I mentioned the China Plus One Policy. But more than China Plus One Policy, the labor cost in China is ballooning and we become more competitive and that is one thing. The new EV penetration in North America and in Europe is bringing products even on cast iron for sourcing here. These are the new developments. There is good traction there.

Moderator: The next question is from the line of Dhimant Shah from OneUp Finance.

Dhimant Shah: Just two quick questions when you size up the entire demand scenario both in terms of addressability of product on one hand and the number of new customers that you can possibly address. How do you view, how much of opportunity can we still reasonably address and as a result of which what is the kind of growth that you will sustain in the near future? That's question number one. Question number two, in terms of the overall CAPEX you mentioned some CAPEX that would be required and possibly on the high-pressure side but if you can help us understand, in terms of the overall CAPEX, from the cashflows that you on, how do you normally go about assigning, growth CAPEX back into the business? Given the landscape and given the question, the first question that I asked. So, how do you go about assigning and lastly. As far as the exports go, can you help us understand are these very large parts or these are smaller parts and will sustained growth for us and hopefully they come at a slightly better margin than domestic market?

Srinivasan Ravi: I will answer all the questions, there four or five questions. The export is major small and medium part. It is not about a very large part. Yes, it will be critical both on the casting and machining, that is where India's competitive strength lies and that way the margins are decent here because of the nature of the products.

Dhimant Shah: Comparable products for domestic market and comparable products for export markets, the export market does have a slightly higher margin component?

Srinivasan Ravi: I would put it in a different way. The export products, especially on the commercial vehicles are to mature market. In Europe is 99% of the commercial vehicles, heavy duty commercial vehicles sold is for replacement and not for the growth. Even in this pandemic year most of the OEMs are sticking to their budgeted numbers. There is not much of fluctuation like what we have in India. We have a high and low and because of that, there is an operating leverage issue. There it is steadier, the steady and a very planned seasonality of the business where the holidays are very clearly communicated much in advance. Smooth flow of material leads to better cost management from the supplier side. Also, when the higher criticality of the parts for the heavy-duty sector, the pricing is also higher on that matter because the drivetrains maybe, one generation ahead of what is being used here in most cases. The next portion of your question on the CAPEX today our gross block...

Dhimant Shah: Just before that, in the export market also we have taken the same pricing arrangement as far as pass through of raw material goes?

Srinivasan Ravi: The pricing arrangement will depend on many factors. It may be same; it may be higher. It may be lower also but we are in the mid-segment and mostly it will be higher for us. I would say, it's not about there's a shipping cost, there's a packing cost, there's a warehousing cost. If you take all that into consideration, there will be some savings when compared to the European and American suppliers which the customer will look forward. It depends on the product to product whether we are getting a better pricing or the same pricing. I would not like to equate everything together. Yes, but because the steady state of the business is yielding better margins, I would say that is very clear and also the criticality of the parts they are one generation ahead. So, more value addition is there. Their carriers are bigger, many of their products are bigger overall.

Coming to CAPEX point of view, I would like to say that our gross block is 2600 crores gross block even though it might be looking different in our balance sheet, after Ind-As adjustment. The depreciation is around 200 crores odd. Normally any company for maintenance CAPEX will require the depreciation amount to be continued as CAPEX but we are confident we will be operating between 130 to 140 crores, as in the last 2 years, that is what is budgeted. With that the cash generation is more and that is how we have; we are sticking to the same plan of debt reduction of 200 crores in spite of the wave 2 pandemic which was not envisaged during the last earnings call.

Dhimant Shah: But this is only I presume for 1 more year before which you have gained much more clarity on whether certain areas do require spending?

Srinivasan Ravi: There are three segments of our business. One is industrial engineering segment of the business; the CAPEX is negligible totally. There is a lot of headroom for growth and these equipment what we have are of too much high variety and is not linear like in the automotive. Looking at the auto powertrain business, we have managed better technologies. We make our own special purpose machines in-house; we have some technologies to ramp up production with marginal CAPEX. Many of the cases in the auto powertrain we do debottlenecking or we do capacity balancing to raise the output because not all lines are perfectly balanced because the customer

demand might not be in line with the perfect manufacturing solution. So, it will not be linear CAPEX, I would say, even on the auto powertrain. Auto aluminium, there's a lot of capacity to soak up with the current capacity available. And whatever is marginal, we will be adding there but I feel that 130 to 150 crores CAPEX is here to stay because we are not going for a Greenfield project where you have to start from scratch or we are going for a new line of business that was in the past CAPEX requirements. Our CAPEX, maintenance CAPEX, growth CAPEX, capacity balancing CAPEX and also debottlenecking CAPEX however you call it all put together will be much lower than the depreciation.

Dhimant Shah: What I wanted to ask you really get at is the CAPEX orientation necessarily in the line of the returns and the margins and the ROCEs that the respective businesses give you or it may not be absolutely in that order. Out of let's say 150 crores, would do you first exhaust the possibilities in the auto powertrain because that's the highest generating business then possibly come to industrial and then the aluminium in that order?

Srinivasan Ravi: The auto powertrain business is much older business than compared to auto aluminium business which is hardly 6-7 years old. So, naturally the maintenance CAPEX will be more towards the auto powertrain business, but auto powertrain business is one segment where we are not fully integrated, we are only in the machining portion, we don't have a foundry. This means that the wear and tear of these machines we are able to refurbish the machines internally and extend these lives. That is why we are having a maintenance CAPEX of say around 75 crores odd but ideally it would be have been 200 crores which we would have equal to the depreciations and we have technologies inside to manufacture our own SPMs and to debottleneck the process that is also reducing the CAPEX. The auto aluminium business by itself have a lot of capacity to soak and today that maintenance CAPEX is not set in, in auto aluminium. That is why we are very confident about maintaining this CAPEX level at around 130 to 150 crores in this year as well as in the next financial year.

Dhimant Shah: Only area in the aluminium would be high pressure as and when you gain more confidence on the underlying demand?

Srinivasan Ravi: Yes, underlying demand and I would say everything will depend on the ROCE. I think that will be a very important factor, sustainable ROCE, that is it.

Dhimant Shah: And coming to the first question so if you map the entire size of opportunity both in terms of more addressable products and, the number of new customers; how would do you see that journey over a period of next 1 to 2 years?

Srinivasan Ravi: New customers, any order winning, it takes a long time for gestation period and product development or SOP, it will take. But the world is in a turmoil where we have seen the EV starting 7 years back. For example, in Germany which was normally a diesel-oriented market, 2 years back the vehicle registrations were 60% diesel, 40% gasoline in the month of May, the vehicle registrations showed that the gasoline stuck its ground at 40% but diesel vehicles registrations were only 17%. The balance was split between EV and hybrid vehicles. When this sort of a change which is happening, we want to be in wait and watch policy on any CAPEX

overall. We will be more realigning our capacities in-house towards new products. That will be the first goal to soak up capacities. Then only we will be reorienting. It is too early for us to say and we don't want to guess the market somewhere how it happens. As I mentioned earlier if the government takes a view that hybrid is better for India, the plug-in hybrid, which I think Toyota and Suzuki are also very well-versed with that sort of technologies. That means new engine developments also will take place with the smaller capacities where the die casting requirement, high pressure casting requirement also will be there. So, when the OEMs themselves have not declared their intentions very clearly, I cannot guess more than this. I am sorry that I cannot add more value currently.

Dhimant Shah: Lastly, overall growth what I was trying to get was given the size of opportunity in your business and the unsatiated demand by you; would it be a fair assumption that 15%-20% growth is what you budget for the next 1-2 years? This is ex of the pass-through of the price rise of the raw material?

Srinivasan Ravi: Yes, after adjusting the commodity price and knocking it off, if you want an apple-to-apple, 15%-20% growth is sustainable growth model because in FY23, we are very sure that the commercial vehicles will get going. There has to be a fleet modernization has to be complete. Still medium duty vehicles are available in the market which are plying in the highways which is uneconomical from the side point of view. This will get modernized and there will be a replacement cycle, which will set in for the heavy-duty vehicles which is once the capacity gets soaked up. I would say that the auto powertrain will continue to grow at around 20% for the next 2-3 years and after that we have to see whether it will be lower or higher, depending on how the exports grow and how the Indian market by itself grows overall at this time I will not be able to say about it. But the auto aluminium as I mentioned our capacity utilization is very low and we are very small in the segments still. So high double-digit growth is surely possible to be sustained over a period of 3-4 years and industrial engineering, we have demonstrated that storage business is ramping up well and we have got automated storage solutions which is quite very important factor for us which will continue to dominate in our growth strategy.

Moderator: The next question is from the line of Manish J from Money Craft.

Manish J: My question was regarding inventory we keep for aluminium. What kind of inventory we keep, that is the first question? Second is how is our arrangement with the aluminium suppliers basically for price revisions?

Srinivasan Ravi: I am sorry. This is very strategic subject which in a competitive environment, I cannot put this knowledge on public domain. We have strategies to control our wastages, cost and other things, every company will have, every auto OEM will have their own strategies. I cannot say that but we will see the results in the coming quarter that far I can guarantee.

Manish J: I was coming from basically that earlier we had a quarterly arrangement for a price increases and now we have a monthly arrangement. Let's say if we are keeping a 3-month inventory and we are having a monthly arrangement, then we are taking a 2-month risk on our head for a raw material or if we are keeping 1 month inventory and having quarterly I was coming from that point of view?

Srinivasan Ravi: Our throughput is a very strong. Unlike other businesses, high pressure die casting from ingot to casting, takes a few hours to come out. So, it will depend on various factors, customer schedule, planning and our guessing and we will not keep one policy. It is in strategy we decide every month on base of that because last minute when you go in buy out aluminium and there's a surge in demand, we have to pay a premium over the market price to get the material in. In a dipping market there is always a chance that the suppliers will honor their commitment in time and supply the material. In increasing market, there will be a delay in their supplies. All this is a lot of strategies but we are very confident about that it will be a fair practice for us and what hit us badly in the full last year and the quarter this year in spite of that as a company we are not performed badly, but now that we have solved this activity, this will also yield EBIT in the auto aluminium business in the coming quarters itself.

Manish Ja: This pricing will be basically a formula driven, whatever probably a rate based on LME, or do we need to produce our invoices to show this is the price at which we are buying.

Srinivasan Ravi: Again, it will be different from customer to customer. I don't want to, because we have many customers, we have six customers in the auto aluminium business, but what we look at is LME alloy prices which is standard. We also look at the top three aluminium suppliers in the country. Some are multinational suppliers; I think they are very reliable very large suppliers. You may know the names. I think the market price is well known and there's also Bombay aluminium price which is published you might be aware. These are some averages coming out of this.

Manish J: Another question was what is our breakeven volume basically? It will be different for different businesses, so if we look at let's say driveline machining for that how much it is and let's say for aluminium business how much it is?

Srinivasan Ravi: We are able to seamlessly manage certain systems. For example, in Q1 of last year, which is in public domain anyway or which is there in front of you, on a Rs.145 crores topline we didn't make cash loss in spite of our high interest cost. At that time it was high interest cost now it is reduced. So, cash profit we had made, we made only depreciation loss for the quarter. So, our ability to break even is very low. I think I will not like to comment on that because each segment is different. Our Q1 results itself is demonstrating that at a very low level we have able to get a PAT.

Moderator: The next question is from the line of Disha Seth from Anvil.

Disha Seth: I wanted to ask when you said that you're confident of powertrain growth at 20% for FY22 and going forward. If a commercial vehicle is not going to grow this year, tractor is little low, so what are the figures for the growth? Can you repeat this as I have missed?

Srinivasan Ravi: From FY16 onwards, our auto powertrains business has outgrown the market. If you look at the numbers, when the OEM themselves had negative growth, we had a continuous CAGR growth which is positive. This is because we have been adding value added products, number one, for the same customers or finding new customers or through Tier-II exports we are also finding/accessing a larger market. This will continue. While we wait for the commercial vehicle to come up that will give a big boost in FY23 surely and it will be good in FY24 also, but while wait for that we are coming out of a very low base. So, that is why we are confident about this 20% growth even in the current year and next year also and there is not a commodity growth it is mainly real growth. There's no adjustment for commodity. Coming back to the passenger vehicle segment some of the products that we own the business they are getting launched this year is also adding to our work.

Disha Seth: On the call what you mentioned that all the three segments you expect healthy growth and high double-digit, if aluminium casting segment grows higher than the powertrain and industrial, won't our margin get affected as the margin of aluminium casting is lower than powertrain?

Srinivasan Ravi: CAPEX on the aluminium business is mostly done/complete. There is only negligible CAPEX. We have got lot of capacity to soak up on the auto aluminium business. Most of the CAPEX what we do is the maintenance CAPEX for the auto powertrain business.

Margins are almost not there because of the commodity price on the auto aluminium for the whole of last year and also the Q1 which will change which I had expressed earlier. Also, the operating leverage on auto aluminium business is very poor. If the turnover is increasing the operating leverage will improve our margins, which will offset what you're talking about the averaging out. Going forward if we look at it, EBITDA growth is what we need to look at to see how much we are growing. Are we growing at 20% CAGR EBITDA growth or 15% EBITDA growth is what we need to look at. EBITDA margin may change because commodity price is not within our control. Say for example, today aluminium price is 1.5-1.6 times of last year this period. Next year we may be another 1.5 times of this current year. So, that means the margin percentage may differ but we have to look at if the pass through is there on the commodity. The absolute EBITDA number by itself will grow and any EBITDA number growing with the fixed depreciation amount of 200 crores and almost diminishing financial cost of around 80 crores including lease financial cost. We have only 280 crores below the EBITDA and any growth in EBITDA will straight away flow to the PBT. I don't see any threat there on the margins I would say the absolute EBITDA growth will continue.

Moderator: The next question is from the line of Amit Agrawal from Burman Capital.

Amit Agrawal: First is on the auto powertrain business. What would be our client wise concentration here and second, if you can speak about what would be our share of business in top 2-3 clients in this particular sub-segment?

- Srinivasan Ravi:** In the auto powertrain business, it is 50% related to commercial vehicle business and the next two biggest segments are the farm sector and the construction machinery and followed by the passenger vehicles. There are others which are associated with the powertrain is something like industrial engines where we club it with powertrain, because we're not able to use the same infrastructure, people and processes to manage that. So, over all it is a 50% on the commercial vehicle and it is changing between 20%-30% between farm sector, construction machinery, passenger vehicles and maybe 10% will be others.
- Amit Agrawal:** What would be our share of business let's say in 2-3 clients?
- Srinivasan Ravi:** Some auto OEM's keep everything inhouse, so whatever is outsourced and the products where we are in, are either single source or we are holding a majority share of a business. On the cylinder block and cylinder head the two critical part numbers, which are the prime area of business, CRISIL report has mentioned, also included in the DRHP, that we are the largest player. Where the number of customers are more than a dozen customers. The number of part numbers are phenomenally high, maybe more than hundred part numbers. Some are 100% share of business, some are fully finished, some are 80% finished, so it will be different.
- Amit Agrawal:** In terms of revenue from cylindrical head and the cylindrical block, what would be the revenue contribution in terms of auto powertrain?
- Srinivasan Ravi:** That will be close to 60%.
- Amit Agrawal:** So, also, in the auto powertrain do we also have import substitution opportunity here if so if you can quantify what would be the same?
- Srinivasan Ravi:** Some of the OEMs from the passenger vehicle segment are still importing the cylinder blocks. I don't want to get into the names. They are utilizing the common powertrain supplier to various models. They may be doing because of the scale of operation I don't know but, import is very less into the country. There are a few yes. Now everybody has localized. You know the passenger vehicle segments the German majors, wherever their volumes are less, still continue to import. We're not much on the passenger vehicle, so I don't want to get into that detail.
- Amit Agrawal:** Last question, in terms of working capital among the three segments would the working capital be similar or would it vary widely in terms of three segments?
- Srinivasan Ravi:** No, in auto powertrain the working capital is very limited. It is disproportionate to the turnover. It is more of the consumables and other things, working capital is negligible. But on the auto aluminium and auto powertrain the working capital is more or less similar because the auto aluminium is material intensive but it moves fast. The velocity for the manufacturing is faster. Here the percentage on the industrial engineering segment other than the storage business which is material intensive is smaller, but the velocity is not so great because of the process incentive products which we make.

- Amit Agrawal:** So, would it be fair to say that these two businesses would account for like 75%-80% of the working capital?
- Srinivasan Ravi:** Yes correct. Auto powertrain will only constitute to 20% and here we also taken lot of efforts to reduce the working capital requirement, we don't own any warehouses for the auto powertrain. Wherever we are exporting directly also we export into the plant, so we don't have overseas subsidies where we stock it on the auto powertrain. That is one thing we are efficiently able to use the working capital cycle and this will also improve our ROCE. I think that is more important. We don't see a huge requirement for working capital. Yes, for the commodity prices putting some pressure on the working capital, otherwise we don't have a long supply chain.
- Amit Agrawal:** Just a follow-up in terms of ROCE, in terms of steady state what is ROCE that you target internally?
- Srinivasan Ravi:** This year I think again, it's a transit year because partly this pandemic we are targeting 20% very clearly. But I think this year we may not get there, but we will improve on last year as far as very clear.
- Amit Agrawal:** In terms of medium-term to long-term?
- Srinivasan Ravi:** Medium-term to long-term if the economy picks up in India the GDP growth picks up in India, I think the fixed cost coverage will better. I think there's no limit to that. It can go higher. I don't want to speculate on that number, but I think we can be for sure yes.
- Moderator:** The next question is from the line of Dhaval Shah from Girik Capital.
- Dhaval Shah:** Within the industrial engineering business apart from storage solutions, we have couple of small sub-segments within that, so which could be the major sub-segment for us?
- Srinivasan Ravi:** In industrial engineering, we have storage business and we have the contract manufacturing business for the special critical supply only and we are doing this legacy business from 1985. We have more than 20 customers worldwide in Europe, Japan and in US. There are around 150 crores of our business, very stable for a long time. That is the biggest. Then we have aluminium castings for the industrial engineering segment. Then we have the gearbox and hoist.
- Dhaval Shah:** So, we did around 450 crores in FY20 in these high-end precision products out of 525 in the industrial engineering. So, within this 450 it will be evenly distributed amongst the various segments you mentioned or I'm just trying to understand like how CV is very important in powertrain, so the industrial engineering apart from storage solutions which could be the other critical end customer segment for us?
- Srinivasan Ravi:** When you look at our industrial engineering segment the storage solutions stands apart, because this is related to sheet metal work. It is not about machining. So, that will be one a standalone segment. Apart from that for all the other segments, the capacities, the processes are all fungible. That is why we are not keen to differentiate too much.

Dhaval Shah: And storage solution what is the business size do you foresee over a 5 year period, like you mentioned we already added 50 crores run rate in the first quarter versus 100 crores for the full year last year, what is the size do you see in this?

Srinivasan Ravi: We studied this business for a long time. In 2010 we entered this business; 2012 we were almost very close to setting up a technological partner from Europe and putting up a Greenfield facility. But GST got postponed and we postponed it, we did the continuous development with our own engineering team. We did away the need for a technological partner. We developed the design team in-house. When the GST was announced we were quickly up the blocks and FY19 March we set up the plant in Pune and we have ramped up last year 104 crores. This quarter's 50 crores in spite of the pandemic time. To answer your question on how will it be for 3-4 years, after 5 years or something like that there may be a steady state or even tapering down, the logistic race is on in the country and you, ladies and gentlemen, will be more aware than me on this matter, on what is going to happen. E-Commerce is coming and when e-Commerce is coming, what happens is there's a threat for the brand of some manufacturers who do not want to sell their products on the common e-commerce platform which they may be labor later, so they want to have their own distribution network to retain their brand, they also do not want to pay the discount structure which is very huge when you go for the bigger e-Commerce retail. So, there is a race in the market and lot of investment is happening. The logistics setting up will spurt starting from now for next 3-4 years. So, whatever the size of the business which was around 1500-2000 crores for the racking, shelving and the automated storage solutions per annum, which was 2 years back, we'll see growth in multiples not in percentages. So, it will be almost doubling, for example I would not like to again take names. One of our customers who is among top 2 in the e-Commerce sector, their budget for storage solutions were 300 crores last year and this year their budget 800 crores. This is the case of a single player. So, when you add up the top five players, then you can understand what is the annual budget for this.

Dhaval Shah: Your competition in this segment, how is it?

Srinivasan Ravi: There are players in the country. We are in the top five, of course Godrej is the most respected, biggest, largest player and Nilkamal is there. Then we are there, we are also having Silver Lining, we have Armes Maini, we are among the top five players in the country. I would rather ask you to refer to the DRHP, which has mentioned very clearly on the storage solutions, the growth and market. I think CRISIL has made an excellent report there. They projected the market for the next 3-4 years. It's still hold good and the report was done only very recently. So, there's also the competition details are also there. I think a lot of reports are going on in the market.

Dhaval Shah: If you look at the next 3-year period and the cash flow what your company will generate definitely will be a lot higher versus your requirement post meeting your debt obligation and your CAPEX is also not very high. So, now two things here, one is that next 2-3 year we don't have a large CAPEX plan, but any inorganic opportunity will be look at more given you are terming export as a large opportunity couple of times during the call. Any sort of joint venture possibility with your customer like how Daimler putting money a couple of years back and then you also putting your capital and had a dedicated plan for them. Any sort of that opportunity do

you foresee, so how should we look at Craftsman over 5 years where do we see the company in terms of utilizing the cash which will be there on the books and there's an export opportunity you are highlighting?

Srinivasan Ravi:

This year as I speak even in spite of the pandemic our EBITDA and our debt will be more or less around the same levels. Maybe EBITDA may be higher than the debt where the closing coming forward. Yes, it'll throw up a lot of cash because of the depreciation and the higher than the CAPEX what are we doing? We are averse to doing any joint venture; we don't have any manufacturing joint venture at all. The Carl Stahl Craftsman is only a trading company. Where a very limited capital has been put and we are selling Craftsman products through the joint venture because they are a technological support on the marketing and application side. They're €300 million a German major family-owned company who has in turn putting their capital and giving knowledge to us on the market side, not on the manufacturing. We don't have any other manufacturing joint venture and we don't intend to get into any manufacturing joint venture. When you mentioned Daimler, it is part of our powertrain business, there are many customers were invested into special purpose equipment for the manufacturing as part of the sharing of the CAPEX. So, that will continue that is not a joint venture or something like that to de-risk our investments, that is what it is and sharing of the investments. Going forward, overseas we have only two man company, which is a trading company cum sales and service support to our marine customers, which was started in 2008 and unluckily Lehman crisis hit, we ran into that further, but last 5 years it is continuously making profit, but we have only 2 employees there is no new manufacturing activity and the products what we manufacture here are being sold and distributed to various dealers there. So, there's no flight of capital from the parent company to any subsidiary or into any joint venture. I think the other office in Singapore we have wound down. We are informed the stock exchange. So, today our consolidated revenue to the standalone revenue will be hardly 2%-3% difference and the profit also will be 2%-3% higher. It will remain that level. We don't believe in diluting our management nor the capital into subsidiaries or a joint venture.

Moderator:

Thank you. Ladies and gentlemen, as this was the last question for today, I would now like to hand over the conference to Mr. Srinivasan Ravi for closing comments.

Srinivasan Ravi:

Thank you very much for taking the time out and attending the full call. Thank you for the questions asked. It has also helping me to refocus based on your very enlightening questions on the market and the way forward. We have seen the toughest period in the last financial year and also in the Q1 and we are in for better times. Hopefully, we will be doing far better in near the future. See you once again in the next quarter. Thank you.

Moderator:

Thank you. On behalf of Craftsman Automation Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.