Bharat Forge Limited Q2 FY21 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to Bharat Forge Q2 FY21 Earnings Conference Call. 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 the conference over to Mr. Amit Kalyani. Thank you and over to you, sir.

Amit Kalyani: Good afternoon, ladies and gentlemen. Thank you very much for making the time to attend our con call post our Q2 results. I have with me members of our finance team, Investor Relations and our business development and marketing. I want to just say one thing upfront to everyone that we are living in unprecedented times where there is no certainty and that we are not getting long-term projections from any customers, so I will be erring on the side of caution in anything that I tell you because I do not want to give a false impression or misrepresent in any way.

Things are changing from day-to-day, and the fear of a second wave in Europe is quite real. And although there is no impact of that so far, we cannot underestimate or discount what may happen if such a thing happens. So with that being said, I prefer to be completely open and honest with you although we really do not have long-term projections for anyone, but I will still attempt to answer all your questions to the best of my ability. The stand-alone performance during the quarter was as expected. We are seeing, obviously, an improvement in domestic revenues, considering that it had gone down to the lowest possible levels in Q1. The Commercial Vehicle sector, which probably in Q1 was at a 20-year low, has now started growing.

And whether this is a Diwali-led surge or it is a sustainable surge remains to be seen, but we are able to meet any requirements of our customers, and we have also ensured enough fill of the supply chain, both outbound and inbound in order to be able to cater to any surges in demand from any of our customers. Just want to tell you that we will not disappoint any of our customers on volumes. We are consolidating the calendar Q2 of our global subsidiaries, which was the quarter which had the maximum COVID impact. And the figures there are for everyone to see. We are restructuring and focusing on cost improvement, optimization on all our businesses. This is something that is ongoing and will continue.

Looking ahead for the demand in the coming quarter, the outlook is positive, and we just hope that things continue in the same direction. On the export front, we are seeing signs of improvement on demand, especially in the Commercial Vehicle segment in North America, a little bit less in Europe. I would like to highlight that the oil and gas sector is something that we do not see any significant business right now because of the overall price of oil where it is and the fact that our growth in the oil and gas business was largely in the fracking side, and we will see a significant reduction this year compared to last year.

Aerospace is an area where we had planned to see significant growth, but due to the overall aerospace market softness, this growth will not be as anticipated and we continue to work on developing a lot of new products, but this will take a little more time, but I think we are still making positive progress on aerospace. The area where we see a lot of potential and positive momentum is in the renewable space, especially on wind energy. We see wind energy globally as a big business and starting to do quite well, especially manufacturing of certain aggregates for the wind energy industry, such as gearboxes, etc. in India, is picking up in a big way because they are exporting. And also because of Atmanirbhar Bharat imports of these aggregates from China into India has come to a stop. So this is a positive. Similarly, the U.S. Class 8 is a positive.

If you look at our automotive business compared to last year, on the domestic side, I think we are almost at the same level, but if you look at the export business, we are down by close to 40%. If you look at our domestic industrial business, we have almost a flat business compared to last year, in spite of the onetime small defense business that we had last year. On the industrial activity in the export market, we have a huge drop in oil and gas and aerospace.

We are working very hard on trying to fill up this business using similar and fungible equipment that we have, so that we do not have to make any new investments for making products for the renewable energy, marine and other sectors both for global markets as well as for India. If you look at our balance sheet, we have a fairly strong balance sheet. We have long-term debt of about Rs. 2,300 crores, working capital and bill discounting of about Rs. 1,300 crores, cash of about Rs. 2,400 crores. So overall, quite a healthy balance sheet.

Areas where we hope to grow our business is on the passenger car sector, some on the Commercial Vehicle, agricultural and industrial sectors where there is growing demand in India and growing supply opportunities for us from Europe and North America, but more from Europe. We are working with several new customers on programs, and some of our new programs are starting to ramp up this year, but it is going to take about a year till it shows some significant benefit.

We have almost no capex plans. We have, in the first half, about Rs. 200 crores of capex, and I do not think there is anything more that we will do in the second half, maybe Rs. 50 crores or so, nothing more than that. Last year, we did Rs. 550 crores, so I think between last year and this year, Rs. 800 crores capex is more than what we need. And in our existing products segments, we do not need to make any new capex.

On the defense front, we have had several very successful trials on the artillery side as well as on the vehicle side. However, because of COVID, there has been, at least a 4 to 5 month delay in tests because people have not been able to meet and actually go and test products as frequently as is needed. So there is a slight lull on that side. But nonetheless, we are still in a good position for the opportunities we are pursuing, and we hope that very soon, this will all resume. So I think that is really all I had to say. The company is focused. We will manage our balance sheet. We will be tough on capital allocation. We are focusing on free cash generation and on looking at growth opportunities. So that being said, I think I will open up for Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: I just wanted your views on when we look at growth for next 2, 3 years, not short term, when you talked about oil and gas, is it more of a short-term view or you think this is more of a medium-term view that some other segments will need to fill this? And we see pretty good performance in passenger vehicles, so what is the outlook for this for next 2 to 3 years?

Amit Kalyani: So Kapil, I will take your second question first. The passenger car sector, we anticipate continuing to grow. This year, whatever new programs and new products we have to develop will be a little slow because people are not able to meet, and there is no new testing validation and stuff that is all getting slowed down. But we are definitely going to substantially increase our passenger car business for exports and for domestic. For domestic, we have won business with most of the new players and new platforms that are coming in, and we have a lot of new business from outside as well. But that is going to be over a period of 2022-23 ramp-up.

On the oil and gas side, honestly, I do not know what to tell you. Right now, it is driven by cost where the fracking is at a very subdued level. I think, from out of the peak, 900 rigs, now it is at below 150 now. So this is a business that can be turned on and off in a matter of a week. So the positive about it is that it also is a very low capital to start. To start a rig is matter of $20 million, $25 million. It is not like offshore rigs where you have to invest few billion dollars before and wait 5 years before anything can happen. This is a matter of weeks. So it really depends on government policy, on oil dependence and energy dependence what they decide to do. But right now, the outlook for oil and gas is quite very subdued for our products.

Kapil Singh: Okay. So sir, when you look at the business over next 3, 4 years, the thing is that some of these businesses have, for example, the U.S. truck business, we see that it peaks out around 300,000, 330,000 domestic also, we see similar things. So I think what I am trying to understand is that the PV business, for example, is one major growth driver that you have talked about. Is there anything else that the company is also looking at? Are you also open to acquisitions because Bharat Forge has not done any large acquisitions? Would you be looking at areas beyond metal forging also when we look at like 3, 4 years?

Amit Kalyani: The obvious answer is, we are looking at opportunities beyond metal forging, obviously, but in areas where we have either customer complementarity or some amount of technology knowledge that we can leverage. So you will hear more about this in the next 6 months. Right now, we are looking at all opportunities. And first, we are looking at what we can do using our existing capacity, and use that better and by getting into new areas, like I mentioned, marine and the renewable energy sector, we are putting a lot more focus on that. So these are the kind of opportunities that we are looking at.

Kapil Singh: Okay. And sir, just lastly on CAPEX. I see that consol CAPEX in first half has been about Rs. 340 crores, so full year consol CAPEX would be what, close to Rs. 700 crores?

Amit Kalyani: No. Full year consol CAPEX will be in the region of about Rs. 450 crores, this year.

Kapil Singh: So first half has been pretty high. What is the reason for that?

Amit Kalyani: That is because our new aluminum forging plant is completed in Europe. So this was the CAPEX, which was required for that in Germany.

Moderator: Thank you. The next question is from the line of Amyn Pirani from CLSA. Please go ahead.

Amyn Pirani: Just on the export non-auto business, you mentioned your wind energy and marine engines as possible offsets. So (a) in the near term, are we seeing any substantial revenue from these? And (b) from an opportunity point of view, opportunity size point of view, can they be as large as the oil and gas maybe, say, over a 2 to 3 year period?

Amit Kalyani: So the second answer is, yes, in a 3 to 4 year period, it could be as big, if not bigger. And we already have started supplying products into both these sectors in a small way. I think today, the business is probably in the region of Rs. 50 crores or so. But we have line of sight to grow it to at least 3 times in the near future, and then we will look at getting new business that can fill up the rest.

Amyn Pirani: Okay. And if I look at the export industrial revenue base right now, which is like Rs. 180 crores, would it be fair to say that oil and gas is like close to 0 or that it still have some substantial amount of oil and gas revenues in this revenue?

Amit Kalyani: This quarter was about 4 million.

Amyn Pirani: Yes. Okay. So basically, I mean, these numbers are already factoring the decline. And if it turns like you said, then that will add to that.

Amit Kalyani: When you are at 3 million, 4 million compared to 25 million, you are obviously at the bottom. It cannot go negative.

Amyn Pirani: Yes. Okay. And just one small clarification in the results. I do not know if it is a very small thing, but you have note #7, you put something about India's code for social. I was not sure why?

Amit Kalyani: The auditors have asked us to put it. It is for all companies now. There is some new social code, which is going to come out, which is not yet notified by the Ministry. The rules are yet to be notified. So some companies have chosen to put it as a note, some companies have said they will do it after it is notified. So our auditors being E&Y have chosen to err in the side of caution.

Amyn Pirani: Okay. I mean is that like a material fee for you?

Amit Kalyani: We do not know for sure what it is.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematix. Please go ahead.

Ronak Sarda: My first question is on the India CV revenues for the quarter. We have done pretty well, I think almost Rs. 90 crores despite a sharp dip in production, I mean it is still much below the levels. So could you explain us what has driven this kind of an outperformance?

Subodh E. Tandale: Basically, we have been focusing on BS-VI products; number 2 is higher share; and number 3 is, I would say, faster response to situations given where the market has been. So as a factor of all of these 3 things, we have been able to, in fact, increase our market share, and that is sustaining as we see it.

Ronak Sarda: Okay. Sure. So I mean a similar guideline assuming growth in production volumes in the second half, we should see a similar growth in our numbers as well. Is that a fair assumption?

Subodh E. Tandale: That is an expectation, yes.

Ronak Sarda: Okay. Sure. And the other question was on North America, Subodh, again for you. I mean given when are we seeing production ramping up for the class 8 trucks? I mean given the sharp increase in the order book now, is it more like Q3, Q4 numbers will see a jump happening as well?

Subodh E. Tandale: See right now, whatever numbers you are seeing, and I think you know this very well, the numbers really reflect order bookings. They do not necessarily reflect production and if you look at how the U.S. market, it works on a backlog process. And ideally, in a good market, the backlog should be at least worth a years' worth of demand, and right now, it is not that. So everybody is still not very optimistic in terms of increasing production like this. Yes, it is definitely good news. But these kinds of order levels have to sustain for a few months before some traction happens in the market. That is our view.

Amit Kalyani: Also remember that one big uncertainty in the U.S. about the politics is now over. So everybody will now, let us say, figure out what the new normal is.

Ronak Sarda: Sure. And the other question was on the domestic industrial. I mean we have seen a very sharp recovery here as well, is there any lumpy defense business or this is driven by more of tractors?

Amit Kalyani: There is no lumpy defence business in this. I will allow Subodh to please answer.

Subodh E. Tandale: Yes. In our Industrial business, we are seeing some positive traction, but this is largely based on, I would say, finding new products in the new industry. And in the existing product segment, yes, we all know it is strong on this one. But other than that, it really depends on new products and new industries.

Moderator: Thank you. The next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: A few questions. Could you share what is the tractor revenue in the domestic non-auto sales?

Amit Kalyani: Tractor sales was about 30% higher than last year. I would say about Rs. 40 crores for the quarter.

Binay Singh: Okay. And secondly, like, in general, what is the lead that Bharat Forge sales has to the actual production, both for India and U.S., like is it a one-month lead or a two-month lead?

Amit Kalyani: India would be much less. I would say anywhere ranging from 10 days to 3 weeks. And abroad, I would say, 2 to 3 months. It depends on geography, but between 2 to 3 months.

Binay Singh: Okay. And lastly, just on the other expenses. In the last call, you had commented that the company like 70% of the cost-cutting exercises is over and 30% is remaining. How would you put that today when you look at your other expense and staff run rates?

Amit Kalyani: Yes. So last quarter was abnormal because for almost a couple of months, there was no activity. But as compared to last year, there has been work which is being done. So as compared to last year, the level of other expenses are coming down.

Binay Singh: So are you planning to sort of bring them down further from these levels? Or how should we see it for a similar revenue run rate?

Amit Kalyani: So it is a continuous activity. And being fixed in nature, there are certain limitations, but we are working on to reduce it further.

Binay Singh: So will we see more VRS offerings like?

Amit Kalyani: We are still working on it.

Binay Singh: And is it fair to say that the VRS offerings also reflect that you sort of anticipate a slow volume recovery, so which is why you are leaning down on the cost structure?

Amit Kalyani: There are two things. One is that and the second thing is that we are also using digital and other things to restructure our entire organization to make it more variable cost led and more lean rather than fixed cost oriented. We are creating a new organization structure.

Moderator: Thank you. The next question is from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: I mean just continuing with the other expense question. I mean, earlier, we were looking at all these digital initiatives and whatever cost-cutting programs to sort of start yielding results from Q2 this year. And would you say some of those have got postponed a bit?

Amit Kalyani: The problem is that as I mentioned, some of these expenses are fixed. And only the variable part of that is what you can bring down on a variable basis. So if my production is today running at 50%, the fixed portion I cannot do anything about right away, I have to do something structurally about it. The variable part of it is what is coming down.

There are so many kinds of licenses and fees that one has to pay for all the different technologies that we use, whether it is SAP, whether it is your technology license, etc. these are all your fixed costs. Just because my business goes down, does not mean they are going to reduce or give me a waiver for 1 quarter or 2 quarters. It does not work like that. So those are the elements that are fixed. And the only way we can, let us say, structurally reduce those is if we actually reduce number of people using these technologies. And that takes time because that is not so simple.

Sonal Gupta: Okay. Now if I look at your Q4 revenues, whether it is similar to what you are seeing doing in this quarter and your other expenses are also similar to what you did in Q4, so there is not much of a change in that sense, I mean, like just trying to understand when do we see benefits?

Amit Kalyani: And also, there is an exchange loss which is sitting of about Rs. 10 crores, which is sitting in other expenses. So if you exclude that, then you will see actually a reduction as compared to Q4. And in Q4, the lockdown happened in last 8 days. So we were not having any time to counter that or to take actions, whereas this quarter or, let us say, from April onwards, we have taken cautious approach of reducing the cost. So that impact you will see. So if you reduce the exchange impact, then you will see a reduction as compared to Q4 also and as compared to last year's same quarter.

Sonal Gupta: On the other things, one was in class 8 production, I mean, like because you are saying that you have a 2 to 3 months lead over production. And if I look at the production data, like the Q2 quarter, U.S. class 8 production is back to what we were in the March quarter levels. So are you saying that you are not really seeing much improvement from the Q2, I mean like in the December quarter in terms of production?

Subodh E. Tandale: Particularly with the kind of market share that we have, you also have to have some amount of safety stock in the system. So the volatility in the schedules typically gets absorbed by the safety stock. And then you have to replenish those safety stocks, which then falls within our overall lean time. And it takes a lot of perfection to get to that level, and we have an experience of the last 15, 20 years trying to do that.

And based on that, we are able to manage the whole combination. And right now, the demand pattern is very volatile. It comes in a matter of weeks and in many cases, we are, of course, single source and in many cases we are multiple source. Then it might also be an opportunity because at the end of the day, the velocity is the factor of winning the business as well. So that is where we are concentrating on as well.

Sonal Gupta: Sure. Okay. And just on the India CV bit, I mean, like you said BS-VI has been also a factor in terms of improvement. So potentially the same thing that inventory adjustment and things happening, which would have maybe pulled forward demand for you versus maybe the OEM production levels. But I mean could you sort of indicate what sort of ASP improvement are we seeing because of BS-VI in India?

Subodh E. Tandale: Currently, the OEMs are not passing on much to the market. In fact, it has been a double whammy for them. So what has happened is in that process, the pressure, obviously, comes down to the whole supply chain. And so there is a challenge in that process. I would say that in our case, we have been able to get some benefits out of the exchange, at least from a cost recovery point of view. And it depends on the individual components. But overall, at the overall level, it is a stress situation as far as that aspect is concerned.

Sonal Gupta: Okay. And just last question, if I may. On the aerospace, I mean, like the last quarter, we, I mean, clearly, I do not see what is changed between last quarter and this quarter. Of course, the aerospace industry was in a bad shape even last quarter. And at that time, I think the commentary was a little more upbeat and now we are seeing that things are sort of getting pushed out a lot more. So could you sort of indicate what changing there incrementally?

Amit Kalyani: I do not think there is any fundamental difference between what we were saying last quarter and this quarter. We were hoping to see a steeper recovery, but that has not happened. We had hoped that travel bans would be lifted, as you remember, originally September-October, the travel ban were to be lifted and travel was to restart, but none of that has happened. But on a secular trend basis, we are still aiming to grow our aerospace business as we have planned, but we are not anywhere near where we want to be.

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

Nishit Jalan: I just wanted to follow up on a question, which is on a comment you made earlier. On the wind energy side, what we are seeing is a demand coming from gearbox manufacturers in the domestic market, or we are also seeing some traction in the export segment as well?

Amit Kalyani: Both.

Nishit Jalan: Okay. And you said, wind energy and marine engine combined is about Rs. 50 crore revenues on an annual basis or it is a quarterly run rate that we have started to see now?

Amit Kalyani: No, it is an annual basis right now, but we have a line of sight to triple that.

Nishit Jalan: Any incremental clarity we have got on the defense side, a couple of quarters back, we were quite excited by this offset clause has come, and we will start to see probably some ordering on the defense side. Any progress on that, that you are seeing?

Amit Kalyani: The problem, as I mentioned, on defense has been two things. One is, we have not had any physical meetings with any of the buyers and two, there is acute lack of cash in the system to provide a budgetary support for procurement. So these are the two issues that are plaguing this system. But I think the government is well pleased with this, and we are on track to seeing, in the next 6 to 8 months, at least some orders coming through.

Nishit Jalan: Okay. And finally, Amit, today we have seen a news that there is some PLI scheme, which is being approved for auto and auto component space. Any idea you have, have you been consulted by the government? And do you have any idea as to what it is this for? And what kind of benefits it can give to our company, given the fact that we are largely focused on exports?

Amit Kalyani: Yes. So this was in the offing. And last month, the DPIO had said that this will be done to boost domestic manufacturing. Basically, it is too early for us to go into the details. We need to see the content in full detail to understand how it is applicable and how we can use it.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: A couple of bookkeeping questions. One is with respect to our RM cost, we have seen a reasonably good savings on Y-o-Y and Q-o-Q basis. Is this due to a reflection of lower steel prices, which would have been you have to go the pass through and we would have passed it?

Amit Kalyani: No. Actually, what you have to do for this quarter is you have to look at RM and manufacturing expenses totally because there is an impact of inventory increase. So you are seeing raw material prices, raw material costs going down and manufacturing costs going up. So the inventorization of raw material costs and release of manufacturing expenses. If you combine both, you will see, on a totalitarian basis, it is same as last year. And therefore, if you look at the gross margin, it is reflecting that.

Jinesh K. Gandhi: And with respect to our interest cost, there has been a substantial reduction which has happened on Y-o-Y and Q-o-Q basis, I mean, what has led to this kind of reduction and is this sustainable?

Amit Kalyani: This is, again, an exchange impact because as an accounting standard part of exchange loss since we have foreign currency loans, part of exchange loss or income gets classified as interest. So in last quarter, we had an exchange loss, which was included in exchange costs. This quarter, because of rupee appreciation against especially dollars, we had a gain, which is accounted for. So on a steady-state basis, we have about Rs. 17 crores to Rs. 18 crores of interest cost.

Jinesh K. Gandhi: Okay. And can you quantify the exchange gain and loss, respectively?

Amit Kalyani: Yes, that is what I said. So it is about Rs. 10 crores.

Jinesh K. Gandhi: Rs. 10 crore of gain in this quarter?

Amit Kalyani: Yes.

Jinesh K. Gandhi: Okay. And loss would be last year?

Amit Kalyani: It was about Rs. 10 crores or 11 crores.

Jinesh K. Gandhi: And lastly, what was the USD-IND realization in this quarter? And are we hedged for next 6 months or longer?

Amit Kalyani: It is about Rs. 72 right now. And our next 2 quarters are partially hedged at a similar slightly higher rate, maybe Rs. 72.5.

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

Nishant Vass: So my first question is on the European business. So could you quantify if you saw the previous quarter, because you consolidated one quarter lag, did you see any furlough benefits accrued for the company for the European subsidiary? And also, what is the status of the cost-reduction initiatives that you have been working through over the last couple of quarters?

Amit Kalyani: Yes. So we did have some benefit but it is not very substantial. And secondly, the cost-reduction initiatives are ongoing, and we expect that this will fully be complete by end of 2021.

Nishant Vass: Okay. So would you be happy to quantify any of the targets in terms of employee cost reduction or headcount reduction?

Amit Kalyani: No, it is too early because we have to do it based on business levels also. So I think it is a little early.

Nishant Vass: So in your accounts, you can see that you had an excess inventory and higher production and not sales and also on your balance sheet, we can see inventory on a stand-alone basis is similar to last year. So there was an earlier question on domestic CV revenue being equal to Y-o-Y basis, though production was lower from an OEM standpoint. So just trying to check did the OEMs kind of ask you to keep production higher to also seeing that inventory?

Amit Kalyani: No, we have suppliers based on what orders we have received and the actual demand.

Nishant Vass: Okay. So just to get a sense, which segment would have this excess inventory creation on a swing basis being catered to on a standalone basis?

Amit Kalyani: No. There is no excess inventory being created, especially in the domestic market, we are supplying on a reality basis.

Nishant Vass: And the third point was on the cost recovery. Subodh, sir, could you just highlight a little more on that side in the domestic OEMs? So are the contractual situations also getting changed at the OEM level on pass-throughs? So when you mentioned cost recovery getting a bit difficult on the OEMs because they are not passing prices?

Subodh E. Tandale: Yes, exactly. Everybody knows that the customers have a high cost in implementing BS-VI and everybody obviously wanted to implement those changes. But what we have been told is given where the market is, the market cannot absorb the increases and as a result OEMs are not insisting on the change at least to their customers. But for people like us, where the cost of manufacturing has increased, you have no option.

Nishant Vass: Okay. So those pass-throughs are flowing in the way usually have to on our cost. Okay.

Moderator: Thank you. The next question is from the line of Raghunandan from Emkay Global. Please go ahead.

Raghunandhan N. L.: A couple of questions. Firstly, on the MEIS benefits. How much was it this quarter? And how does that compare with last year? And would cost reduction efforts be the way to offset this loss?

Amit Kalyani: Yes. The impact for the current quarter was about Rs. 6 crores because it was up to 31 August 2020. And obviously, there is a scheme which is going to be announced soon, which will start from 1st of January. So we do not know what is the rate of that currently. But also, we continue to focus on other cost-reduction initiatives to capture portion of this loss.

Raghunandhan N. L.: Understood. My second question is, Europe has seen a lower fall in Q2 in comparison to Americas region. Do you expect the trend to reverse in Q3 given that elections are over? Also, can you talk about Europe situation, what kind of a fall you would expect in Q3?

Amit Kalyani: It is a little bit difficult to give you an answer for this question because none of our customers are giving us any kind of long-term feedback or business projections.

Raghunandhan N. L: Understood, sir. One last question. Generally, on the overseas customers shifting sourcing from China to India, anything you can throw some color in this regard?

Subodh E. Tandale: See, we are hearing a lot about this. But as you can imagine, the products that we supply are complex products. It takes a lot of time to change anything and approve some as well. And in the segments that we are involved in, there is not that much of Chinese involvement in this. So let us say that is something that we are watching.

Amit Kalyani: The way I would explain it is, on the Commercial Vehicle side, there is not much Chinese supplier base. But on the pass car side, there is a large Chinese supplier base. So there is an opportunity on the pass car side to get into the supply in Europe, especially, and get a larger share of new business. But for that, let us say the physical meetings and the product development and engagement has to start.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Can you talk a bit about what kind of government benefits you got in Europe?

Amit Kalyani: The only benefit we got is where for a certain period of time, for a certain number of employees, the government pays part of their salaries. 70% of their salary.

Puneet J. Gulati: Okay. And what period was this, was it throughout the quarter or?

Amit Kalyani: Yes, that was for the last quarter and part of this quarter as well. And now there is a discussion going on to try and keep it going. That is what is the industries are asking for.

Puneet J. Gulati: Okay. And lastly, can you give the number for your consolidated net debt?

Amit Kalyani: Total consolidated debt is Rs. 2,700 crores, only long term.

Puneet J. Gulati: Okay, only long term. And including the working capital?

Amit Kalyani: Working capital will be about Rs. 1,300 crores in India and about Rs. 700 crores outside India. That includes bill discounting.

Moderator: Thank you. Ladies and gentlemen, that will be the last question for today. I now hand the conference over to Mr. Amit Kalyani for closing comments. Thank you and over to you, sir.

Amit Kalyani: Ladies and gentlemen, thank you very much for your time and interest and patience in today’s conference call. I may not have been able to answer all your questions to your satisfaction or be overly optimistic but it is purely to be prudent and to be realistic in the times that we live in. Hopefully things will turnout better than what we are saying but we are working very hard as a company and as a team to come out stronger from this and we look forward to your continued support and interest. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Bharat Forge Limited, that concludes today’s call. Thank you all for joining us and you may now disconnect your lines.