"Suprajit Engineering Limited
Q4 FY2020 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen, good day and welcome to the Suprajit Engineering Limited Q4 FY2020 Earnings conference call, hosted by Anand Rathi Shares and Stock Brokers. 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. Vijay Sarthy from Anand Rathi Shares & Stock Brokers. Thank you and over to Sir!

**Vijay Sarthy:** Thanks Ayesha. Good morning gentleman and ladies. On behalf of Anand Rathi, we welcome you to the fourth quarter results call of Suprajit Engineering. From the management side, we have Mr. Ajith Kumar Rai, The Founder and Chairman, Mr. N.S. Mohan, The MD and Group CEO and Mr. Medappa Gowda, CFO and Company Secretary. As usual quickly we will get into the initial brief of the results and then will follow it up with Q&A. Thank you and over to Mr. Ajith!

**Ajith Kumar Rai:** Good morning Vijay and all the participants. Welcome you all for the Q4 result call as well as the annual results. I will first of all like to thank Anand Rathi for hosting this and all of you for taking part in this call as well. We will go through quick brief. I will start with Medappa to give a quick review numbers on standalone and consolidated basis, Medappa, on the annual basis.

**Medappa Gowda:** Good morning to all. We have reported the audited financial results for the year ended March 31, 2020. The standalone revenue for the year ended March 31, 2020 was Rs.1071 Crores as against Rs.1058 Crores for the corresponding period last year. The standalone operational EBITDA was Rs.190 Crores as against Rs.179 Crores for the corresponding period last year. The standalone Profit after Tax, PAT was Rs.123 Crores as against Rs.115 Crores for the corresponding period last year. The consolidated revenue for the year ended March 31, 2020 was Rs.1563 Crores as against Rs.1590 Crores for the corresponding period last year. The consolidated operational EBITDA was Rs.219 Crores as against Rs.233 Crores for the corresponding period last year. The consolidated PAT was Rs.104 Crores as against Rs.134 Crores for the corresponding period last year. Thank you.

**Ajith Kumar Rai:** Thank you Medappa. Mohan, can you give a quick operational review, please.

**N. S. Mohan:** Sure. Thanks. Let me start as usual by giving you some updates on different business units that we have and then I will conclude by giving the COVID impact. To start with the domestic cable division, we have completed the installation and commissioning of our new plant at Narsapura and this is for a key customer and I am glad to announce that we had a very, very safe launch and it was successful with commercial operations. With this, our total capacity worldwide now stands at 300 million cables per annum. We did very well in our after market operations clocking a very impressive growth but however the change over from BS4 to BS6 affected the OE sales particularly the low volumes during the change over at the OEMs.

Moving on to our automotive exports cable division, we migrated the supplies to our mainland in Europe that is in Slovenia and we have also right sized UK facility. Now with this what happens is all the EU customers, both OE and tier 1 that we are serving, get served out of the mainland, which means that they are happy with our move and we are completely covered for the Brexit whenever it happens, we do not know. Another thing is we also booked new business in both EU and US for various customers and we have come in for launches in the future years.

Moving onto the cable division, we successfully integrated the erstwhile Osram plant near Chennai and very important is that Osram as a customer has been very happy with our performance of the plant post our acquisition and we have met and fulfilled all their volume demands which in fact fluctuated quite a bit I would say and it was always in the positive direction. We also got the bulbs manufactured at our ACZ Plant**,** which is at Noida, qualified for exports and we have commenced already our exports through Osram in Europe.

We successfully right sized our facility in Europe for lamps that means the Trifa which was an unveiled and which had a large warehouse and office, we completely came out of the warehouse and we made into common warehouse in Europe at Luxembourg and office of Trifa was right sized in the sense that we gave away what was on lease and we have moved in to a smaller place only for office with a smaller number of people at a place called Hauenstein. With this we have brought in synergies between Trifa & Luxlite right all the way from the top having one person to lead both the entities we had two managing directors earlier as you all know. Now we have got only one and we are slowly moving in the direction of integrated various other activities like what we have done in the warehouse.

Moving to SENA that is Suprajit Engineering non-automotive, it was a year where we focused a lot on facility transformation. We had a team of about four people. Out of these four people, three of us were from India and some of this team partially stationed themselves at Wichita for six months and worked as catalyst, primarily to expedite changes and aid the transformation. What I was really happy about is with this exercise that it started to give us results and also built confidence in us to handle acquired overseas entities by allowing local team to react and change while we as a acquires facilitate and work as catalyst with acquired team to make those changes. I think that was the key learning for us. As a result of all of these changes for an entity that is SUprajit Europe, Suprajit Slovenia, Trifa, Luxlite, Wescon, Wichita, we incurred some onetime cost due to the clean ups and right sizing and all these costs approximately amounted to about Rs.200 million.

Now moving over to the COVID impact, as you all know that in the last few days of the last quarters where we generally clock some good revenues like I always say the Indian Cricket team hitting out in the last overs, but however, COVID rain played a spoil sport and the match was called up early. So obviously like anybody else, it affected us to. During this lockdown period, the entire management team had daily conference calls to coordinate our efforts and we prepared ourselves primarily for an eventually opening up. So we are ready and we conducted quite a bit of CSR activities taking into confidence the local authorities like the local police, panchayats and so on and so forth. We also conducted many e-learning sessions for our employees to keep them completely engaged and all these efforts were led by our chief strategy officer, Akhilesh Roy and he spearheaded these efforts. Consequent to the severe loss of revenue in the months of April and May, we also decided to take a voluntary pay cut and this has ranged all the way from 5% at the lower levels up to 40% at the top level and I would say that this voluntary pay cut was very well responded by all the employees and all of them have yielded well to the call that we gave. We have clamped down on all the discretionary spending and cut down severely on the capexes except those areas where automation and R&D are where we feel that it is a long term investment and we need to keep going on that. Apart from that at all other places, we are just finishing a few projects here and there which were stalled before the lockdown, but other than that whatever we are doing is in extremely careful manner and the entire organization is trying to reduce cost, particularly the fixed cost. So this is an overall update from me.

**Ajith Kumar Rai:** Thank you Mohan. Before I let the questions come in, I will just like to quickly brief that because the last 10 days of sort of shutdown and slowdown, we still had a fairly good operational year, what important is that Indian automotive business has degrown by 15% whereas we at least ended up with a flat growth. So technically we outperformed the industry by almost by 15%. The current status, customers are slowly coming back. It is really slow. I think June has been slightly better. April, may has been disaster basically. So the year is going to be very tough but we are braving ourselves for the tough time. We hope that there is no resurgent because first of all we have not even seen the peak in India because it is only getting worse. So we do not really know how the whole thing will pan out that is why we said that we will continue to out beat Indian automotive industry the way that we always done, but in terms of the margins, it is very difficult to make a reasonable guess so that is where we are and in terms of liquidity we are fine, we still have undrawn banking limits as well as the cash that we already had in our books. I think with that I would let the questions to come in. So moderator, please take over the let us start the question and answer.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Nikhil Kale from Axis Capital. Please go ahead.

**Nikhil Kale:** Thanks for taking my question. Hope everyone at the Suprajit team and their family are safe. Firstly on the performance, again very good performance for the full year, on the automotive cable side especially flattish revenues in a wear year was really commendable. So just wanted to understand what were the drivers which kind of enabled us to outperform when the industry declined or do better in the industry decline. I believe there was some content increase due to CBS, but could you just throw some light on the market share gain and any export orders that kind of started ramping up this year?

**Ajith Kumar Rai:** I think you are right. First of all there has been an increased content because of CBS, etc., and also in terms of BS6, there has been some additional opportunities in terms of value per vehicle. Also I think the aftermarket has been pretty strong last year, which has been good probably partly because of the GST being positive for people who are all in the organized sector. So I would say those two are the main things. In terms of exports we had a strong export, yes that is also added to our numbers. So exports, after market and to some extent some increased content per vehicle.

**Nikhil Kale:** So would it be correct to assume that given that the content increase is now already in base that outperformance could continue maybe to a certain extent going forward?

**Ajith Kumar Rai:** I think we continue to believe that we have business opportunities and opportunities in the market place that even though it is not only Indian automotive market is down, global markets are also down, but we still believe. Very difficult to look into the year with the all kind of uncertainty, but with whatever information we have, we still believe that we can outperform Indian automotive industry that means to say that if you think Indian automotive will be minus 10% this year, we will still out beat that so that confidence is there, in fact in our business update, we have made that position very clear. One yes, after market will continue to be strong. I think we still have a strong pipeline of exports and in domestic, you must realize that increased content was only for part time last year, whereas it will be for the full year this year.

**Nikhil Kale:** Okay. My second question was on the margin front, the automatic cable margins are pretty strong so was it primarily because of commodity benefits or any change in the product mix, I just wanted to understand the sustainability of the margins?

**Ajith Kumar Rai:** Yes. I suppose both issues are there. There is certainly, commodity price that have not really been shooting up. There has been some, I would say, tailwind from that and also the product mix I think to some extent the newer products have certain possibly better margin and also you must realized that the aftermarket has been strong where we have been able to get slightly better margins. So that also has helped us I think.

**Nikhil Kale:** The EBITDA margin guidance, I think typically we have historically guided for 14% to 16% range, now I think we are looking at 10% to 14%. Is it only for the near term maybe a year …?

**Ajith Kumar Rai:** Yes. I think we are talking about this year only. This year we have absolutely no idea, are we talking about a V shape recovery, U shape recovery, W shape recovery, L shape recovery. I have no idea. So we have taken a large guidance that Indian market is it going to be at 60% of last year or 90% of last year, I have no idea. So we do not know. So while we are confident of outperforming in terms of the revenues, we have no idea how the margins will pan out because it will depend upon the volumes so that is what the range is.

**Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.

**Rohit Balakrishnan:** Hi Sir. Thank you for the opportunity. Sir I had a couple of questions. One was Sir given there is a consolidation that has been happening that you have also alluded in the calls earlier, so in the export, in the automotive cable export business does that put us at a risk given that there is consolidation and I am assuming that you will be still lower in terms of our wallet share with our customers. I also heard that you have in the opening remarks you mentioned that you won some business in both EU and US, so I want to also understand a bit on that? And the second question is in terms of the overall acquisition strategies that you have articulated over the years, given this overall slowdown that is happening not just in India, but globally, would you share some comments on if you are seeing more opportunities there, in terms of maybe entering new areas or even expanding into the areas that we already are. So these are two questions that I have.

**N. S. Mohan:** I think on the vendor consolidation, it is a good question that you are asking, I think this has been discussed earlier also by us that vendor consolidation is actually positive for Suprajit in fact one of the reasons why we have been continuously increasing our export business in automotive has been because of those opportunities that we had with some of our customers where they had planned to reduce their vendors. So the vendor reduction I can clearly say that has been positive for Suprajit because wherever we are reasonably strong with the customers VW and others, we are getting larger share of business and the other places we are getting lot larger newer enquires. The second sight to it, I mean it is little premature, but I think it is going to happen, we are getting these kinds of feelers today is that customers are de-risking single country. I do not want to mention the name of the country but it is probably well known that some of the customers who have, let say, 100% dependence on one particular platform, from one particular supplier, from one particular country. I think those scenarios will also change. Again that will bring us in the focus in terms of the opportunities. Coming to you second question of acquisition, I think certainly this is the issue where liquidity cash flows will matter a lot, the tier 1 and tier 2 automotive component manufactures who have challenges of debt and challenges of cash flow in the next one year will have significant challenges to survive and I think that would throw out opportunities. So whether it is in our business or related business or some new businesses is a matter of time and debate but it will happen in the auto component industry. So the consolidation will happen faster now, and acquisition opportunities will also come in. I think both opportunities are available for this.

**Rohit Balakrishnan:** Got it. Sir just one followup on the first question in terms of vendors consolidation, so for our European automotive business, what would be the wallet share that we would have with some of the customers, would it be in double digits or will it be still in single digit if you can share that?

**N. S. Mohan:** I would not like to say the exact number. But I can easily say that with let us Volkswagen and BMW, they are all in double digits today and we are hoping to catch up on that further as we go ahead in the next few years. The rest of them we may be smaller, but then the point here is that the strategic intent of the customer. One is de-risking a country, second one is finding who is the good supplier, even if you are not in double digit today, but we are the supplier who got the quality, cost, delivery and development in place. We will win large share because somebody else is missing up simply because either there is an issue with their cash flows and their ability to deliver because you must understand some of our own competitors have cash flow issues and debt issues. So all that will be in our favor because we are quite strong both financially and our ability to deliver quality products to customers.

**Moderator:** Thank you. The next question is from the line of Resham Jain from DSP Investment Manager. Please go ahead.

**Resham Jain:** Thank you for the opportunity and congratulation on I think relatively good set of numbers given the situation, Sir I have two questions, first is in automotive cables if you look at you have your base business and then you have talked about two things which is incremental launches in the US and Europe market and also some of this incremental cables coming in through this BS6 launches which has come partially only in this year, and your aftermarket also is relatively doing better. So if we just look at the three aspects in automotive cable business incrementally, how much this three will contribute to the overall volume let say in FY2021 second half or something like that?

**Ajith Kumar Rai:** Little tough to exactly quantify this but let me try to answer this. The incremental business on exports that you said about US and Europe, what has also happened at the same time is that the volumes itself has come down. We have won newer businesses but the original volume of let say 100000 that is now dropped down to 60,000 so what is happening is we have won newer businesses but we are sort of standing still where we were despite those new businesses because the overall business volumes have come down both in US as well as Europe. So it is like you have run faster but you are still not really outperformed your last year's number kind of situation, more business but lesser volumes. On BS6 again it depends upon what would be the Indian volume, if the second half let say argument sake comes back to the same level of previous year second half, we will probably have a 5% outperformance on that side of the business is that what I am trying to say. On after market, we have done pretty good I think we had some like 20% growth last year on aftermarket, I do not know the exact number but it is somewhere there. But that whether it will go another 20%, I do not know simply because in this lockdown period three months has been a disaster because everything was lockdown. Now will there be a simple big resurgence of buying, resurgence of vehicle servicing, actually we are seeing a good sign of that in fact I must say that May has been an excellent month despite we just starting up our aftermarket has really taken off very well simply because I think everybody was getting their vehicles redone for going back to work and road side mechanics and service stations are using our product. So whether this resurgence of demand, is it is sustainable frankly, with so much of uncertainty answer, I do not know, but certainly that will also have a growth in the second half, but first half the point is whether overall for the year whether we will do better than last year, very difficult to say because three months are completely lost.

**Resham Jain:** Okay and Sir my question is in the last six months we have taken all these write offs and onetime cost in some entities you feel that is there anything more or less in the overall reset which we have been sharing out over the last few months and quarter and should one expect now from here on the structure will help us to improve the overall margins?

**Ajith Kumar Rai:** There are two sides to it one is I think Mohan touched upon it, I will come back to that first of all I think I would say I do not know it all depends upon our auditors once in two to three years' time they want to have a critical review of all the investments so E&Y became our auditor three years ago so that is what happened in this year so we took a critical review so we had an external

GT who did the valuation exercise and we just went by whatever the auditors were looking at it based on these valuation exercises so I suppose it becomes necessary as per the current accounting norms once in two, three years you probably need to review this as a matter of requirement of the accounting standards but to us from our strategic point of view, well, this is one number but then to us we will only seriously consider a kind of reassessment only when our strategic intent with that particular asset has changed. To me today there is no change in the strategic intent whether it is with Wescon or whether it is with Trifa and Luxlite so to us it is a long term asset so frankly to me there is no value diminution in that because we continue to pursue that business strategy without any dilution so that is how we look at it, but then auditors look at it differently so I cannot say anything about that but we must also understand last year was a year where on our subsidiaries we did lot of clean up, it is important to also say here that at Wescon after Mike left, Steve became the CEO and it was first year as CEO of Wescon at the same time Trifa & Luxlite was managed as a two separate entities with two separate managing directors and after Mary left I think we have consolidated everything under one CEO, MD that is Frank and in that process all these restructuring of activities there in terms of shutting down one warehouse, taking up a bigger warehouse scaling down and letting go people at Trifa all those was done and at the same time to take care of Brexit we started a parallel Koper warehouse which is a requirement otherwise customers were not happy and in Wescon we did the complete facility retransformation, cleaning up their balance sheet, their inventories and those kind of things they have all been cleaned up completely and we have taken a Rs.20 Crores hit on that, that is actually hit the P&L of these companies. So if you really look at our operational result of the subsidy as by itself thereof by 20 simply because of these cleanups but we decided to cleanup once and for all those cleanups according to me are all done in that intent, so that is how I would respond to your question.

**Questionnaire:** Okay. Thank you very much Sir and all the best.

**Moderator:** Thank you. The next question is from the line of Chirag from Edelweiss. Please go ahead.

**Chirag:** Hi Sir, thanks a lot for the opportunity. Sir first question is slightly a strategic one in nature so how would you look back your decision be it Wescon, be it PHL did underlying restructuring part was not anticipate and there were more driven by market balance because we have done a lot of restructuring since acquisition both in Wescon as well as in Phoenix?

**Ajith Kumar Rai:** At Wescon I must say we lost a year or so because of the leadership issues not for any other reason, but whenever the new CEO takes over I think he always will have his own way how he wants to operate and how does he wants to cleanup balance sheet in terms of whether it is stocks or evaluation of stocks, inventory, methodology etc., etc,. so that is what has happened in Wescon and Wescon I would say that the real SENA strategy has only initiated in the last six to nine months although that is what we started talking almost two years ago when we acquired it but that push has never given in the previous regime. I think that is what is happening now but of course this year the growth would be very hard to come by simply because all the U.S. markets were down completely and there will be negative growth in the U.S. markets, so either strategy was not right absolutely correct in terms of saying that we think that it was the perfect strategy for us to give a three plant outlook to customers and that was not properly presented so we are now changed the structure, the people, the team at the business development itself. The new VP is somebody who is really a go getter and I am pretty sure we will see the numbers changing in the near future. To some extent I will come to Luxlite & Trifa that the original strategy was to have two separate entities I think that was to think that one entity will focus on Europe and other one will do the other exports of Phoenix in the world so that was the strategy with which we operated till the two managing directors were separately operating these companies, but then we realized that routing anything to Europe is adding to the cost and it is very highly cost sensitive product so that cost cannot be or will not be accepted by the customer so what we have done is that by doing now lot more focus on direct exports the reasoning for having two separate entities, two separate warehouses, two separate strategies that has changed, the only change in strategy is not happen in Wescon but change in strategy between Trifa & Luxlite has happened that is why we went ahead with the single warehouse, we had people let go in Trifa and the whole thing has been restructured I think that was a more complete restructuring and as a change of strategy I agree with that whereas in Suprajit Europe and our new facility it was a requirement of customers and with the increased business anyway I think we will require on a longer term two warehouses so it had that one of expense for one year so that will not be repeating type.

**Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

**Abhishek Jain:** Thanks for taking my question Sir. Sir my first question was related with the recovery in Indian markets so what sort of recovery are we sensing post opening of lockdown and most probably demand of the lower end bike will improve as well as the scooters also, so how do you see it, it could be an opportunity for your company because there will be an extra cable that will be used in CBS as well as in fueling system also, so what sort of the guidelines for this cable business for the FY2021.

**Ajith Kumar Rai:** I wish I had what I would call a magic wand to say what is going to happen but we think it is very difficult I would like to get some of you participants view on this but we think first quarter may be around 20% is what the business will be second quarter anyway maybe 40-50% and the second half probably anywhere from 70-100% this is the kind of range it is a fairly large range so I am talking about anywhere from 65-85% would be the business this is all assuming that second half is good means that there is no further lockdowns and that there is a reasonably recovery in the second half now the way COVID is spreading in India we have not even come to the peak of the bell shaped curve which is still going up, we do not know how the thing. There is a talk that people will prefer individual transportation I do not want to go in the public transport COVID fears true there is an argument in that favor, that would favor two wheeler I agree but at the same time we must also realize with the kind of job losses that is going to happen, lot of vehicles will be seized and will be sold in the second hand market so there will be second hand market also which will grow phenomenally I think in this year so that would mean not so great for OEMs so I have no answer, so we are watching it very carefully all I can is that there seems to be a good noise from the OEMs in this month but only by end of the month we will really see whether the numbers that has been brandished is actually going to happen so we have our own doubts so we are very skeptical that the numbers that you have seen in the newspapers of some of the customers will actually fructify I am not so sure based on we are almost half way through the month, we do not see that really so I have no answer frankly to you.

**Abhishek Jain:** Thanks Sir. Next question is related to the Phoenix Lamps so what is the reason for the sharp fall in operating margin in Q4 so now it has come down to be around 4% so is there any one off in Q4 in a Phoenix Lamp.

**Ajith Kumar Rai:** On a consolidated basis, we have said no there are costs that we incurred at our subsidiaries Trifa & Luxlite so that has certainly affected the overall numbers for the quarter.

**Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

**Pritesh Chheda:** Sir I just wanted to know in wiring harness what is the content increase if you could give some highlight there and FY2020 you would have seen that content increase coming in Q4 so for FY2021 what could be the contribution to your top line on account of content increase if you could give some color there?

**Ajith Kumar Rai:** So general content increase has been because of certain change in the design of the vehicles during BS-1V to BS-VI and also because of an extra cable on CBS. On the CBS that has already been there in the full year of last year so that will not add to the any content increase on some changes in some of the BS-VI vehicles there are two throttle cables and some extra cable for multiple use things like that so the content of that it is not that significant may be 2-3% I think overall extra content it is not that significant but there is a positive trend, it is not negative that is all I would like to say.

**Pritesh Chheda:** And second in case of Phoenix what portion of our revenues will be aftermarket in the revenue that we report?

**Ajith Kumar Rai:** Only Phoenix is it I think if you can come offline with Medappa he will tell you I do not have it of hand actually.

**Pritesh Chheda:** But is it fair to assume that large part is aftermarket?

**Ajith Kumar Rai:** Yes, let me give a, sorry I did not catch the question, in Phoenix I think it is about 30% if you look at the Phoenix as a group with the subsidiaries only about 30% is in OEMs and 70% is in the aftermarket.

**Pritesh Chheda:** Okay and lastly does wiring harness have any portion of aftermarket business?

**Ajith Kumar Rai:** Significantly no, actually last year we had a very good, nearly 20% I think of 15-18% of our cable division is in the aftermarket by the way we do not make wiring harness we make mechanical control cables, wiring harness is an electrical cable what we make is a mechanical cable, just to clarify.

**Moderator:** Thank you. The next question is from the line of Saurabh Shah from ORB Investments. Please go ahead.

**Saurabh Shah:** Yes hello Sir congratulations on very good set of numbers. So you have given the environment that you are in I sort of agree with you that you cannot give a view, I just wanted to understand what actions are we taking on if you could quantify on the cost front to may be bring breakeven that will down and given the low utilization that you spoke of just so that we can get a sense as to where numbers would look for the first half may be and going ahead?

**Ajith Kumar Rai:** Well good question I think all of our current focus is how do we bring our cost down so that our breakeven is down. So first of all I think all the capex has whether it is larger capitalizable capexes or even smaller capexes which it is our expenditure, which it is our P&L, they are all being let us say because there is a lot of time we are also doing even micromanaging the unit on those fronts just to make sure that there is no spend that is not absolutely necessary. We are not doing any new capex, basically our capex would be just a maintenance capex for the year, we are working on seeing how we could change our operational systems to the best possible way to improve our productivity per man day, productivity per hour, we are also as you know we have already announced certain salary cuts for various levels going up to 40% I as the Promoter Chairman I am not taking salary at all at this moment so, like this we are also trying to now tighten our belt in terms of what is required for operations, how we can bring the cost down at various spears, whether it is a white collar or blue collar related so there are multiple activities going on and we are hoping that that will not only bring our breakeven down but it will also be long term positive by bringing our cost structure itself down. That is what we are doing today actually as we speak.

**Moderator:** Thank you. The next question is from the line of Rajesh from Annual Capital. Please go ahead.

**Rajesh:** Thanks for the opportunity. Just on the European businesses we hear that governments over there are providing lot of subsidies to the automakers so are we expecting any benefit because of the subsidies being provided by the governments over there that is question number one?

**Ajith Kumar Rai:** Yes and no. To some extent yes in Europe, there is what they call as furlough support by the UK government which means that if you put people on furlough and keep them on the roll to some extent their salaries are paid by the government, we have taken credit of that, it is not a very big sum but some amount has come in, it is not so much in Europe particularly not in much in Luxemburg where our now business is operated there is some minor benefits that we have been provided nothing really to talk much about, but I think it is a lot more interesting in the U.S. actually. In U.S. they call payroll protection plan which is a fairly large Federal Government funded scheme where small businesses of below I think 500 people or whatever size get significant support by the government to keep people on the payroll and they will basically pay, they did not want the employment to hit I think something 400 billion or so was allocated for this fund and actually Suprajit has got a PPP loan of nearly 2.2 million of which our current estimate is almost 1.6 million will be written off as support so I think U.S. is probably far ahead of rest of the world and they are too fast as well. I think the PPP loan came to us in 48 hours after we applied for it and I wish governments elsewhere including ours see these kinds of programs and does something like that.

**Moderator:** Thank you. The next question is from the line of Anirudh Shetty from Solidarity Investment Managers. Please go ahead.

**Anirudh Shetty:** Hi Sir I just wanted some industry data from you. Earlier you had mentioned how globally customers are looking to derisk themselves from particular country so could you give a sense of how big this country would be in the auto space if you have data on the products that you are in and how big they would be there that would be really helpful?

**Ajith Kumar Rai:** That country I think you all know probably so let us say for example country like China is one of the largest auto component country in the world actually so that is the one we are talking.

**Anirudh Shetty:** Okay and Sir my last question is if I look at your return on equity at a console level last two years has been a bit of tough year so the numbers are low but if I look at it prior to that we have been around 20%, 22% so once things normalize and whenever that happens do you expect the numbers to kind of revert back to those levels or those steady state kinds of numbers to look at?

**Ajith Kumar Rai:** I would like to believe that yes it is, we have always been in those range in the past and once these uncertainties are over once we are back to normal businesses I do not see why we should not get back there.

**Moderator:** Thank you. The last question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

**Abhishek Jain:** Sir in SENA division, despite the fall in the revenue during this quarter there is some improvement in the margin, so can you throw some light on what are the triggers for the margin expansion?

**Ajith Kumar Rai:** You are saying there is an increase in margin in the last quarter in SENA?

**Abhishek Jain:** This quarter there was a sequential improvement in the margins in SENA division.

**Ajith Kumar Rai:** Medappa do you have comments because I cannot think of any reason why there is an increase in margin in the last quarter?

**Medappa Gowda:** Yes we can have offline discussion Sir.

**Ajith Kumar Rai:** Either I do not recall, according to me it is in the same levels actually but you can check with Medappa later on, on this.

**Abhishek Jain:** Okay Sir. Thanks.

**Ajith Kumar Rai:** Thank you so with that I think we will conclude this from our side. I would like to thank Anand Rathi and I would like to thank you all, the participants. If there is some more clarifications that you need, please be in touch with Medappa for any clarification. All I can conclude by saying is that we are doing everything that we can to make sure that we go through these difficult times with minimum damage and our belief is that once reasonable normalcy comes, we will be back in action. Thank you so much for your interest.

**Moderator:** Thank you. On behalf of Anand Rathi Share and Stock Brokers that concludes this conference. Thank you for joining with us. You may now disconnect your lines.