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RAIL:SEC:2022

June 04, 2022

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Sub : Transcript of Conference Call held on 31st May, 2022


Dear Sir/Madam,

Please find enclosed herewith the transcript of Conference Call held on 31st May, 2022 with the Investors.

This is for your information and record.

Thanking you,

Yours faithfully,
for Rico Auto Industries Limited


B.M. Jhamb
Company Secretary
FCS : 2446

Encl : As above



“Rico Auto Industries Limited Q4 FY-22 Earnings
Conference Call”

May 31, 2022



MANAGEMENT: **MR. ARVIND KAPUR- CHAIRMAN, CEO & MD**
 MR. O.P. AGGARWAL – CHIEF ADVISOR (FIN & A/CS)
 MR. SURENDRA SINGH – PRESIDENT & COO
 MR. RAKESH SHARMA- CFO
 MR. SANDEEP RAJPAL – VICE PRESIDENT (MARKETING)
 MR. B.M. JHAMB – COMPANY SECRETARY

ANALYST: **MR. VIJAY GYANCHANDANI – S-ANCIAL TECHNOLOGIES**



Moderator: Ladies and gentlemen, good day and welcome to Q4 FY22 Earnings Conference Call of Rico Auto Industries Limited hosted by S-Ancial Technologies Private Limited. As a reminder, all participant's 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 touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vijay Gyanchandani from S-Ancial Technologies Private limited. Thank you and over to you, Sir.

Vijay Gyanchandani: Thank you. Welcome to Rico Industries, Q4 FY22 Earnings Conference Call. From the management we have today Mr. Arvind Kapur, Chairman, Chief Executive Officer and Managing Director, Mr. O. P. Aggarwal, Chief Advisor (Fin. & A/cs.), Mr. Surendra Singh, President & Chief Operating Officer, Mr. Rakesh Sharma, Chief Financial Officer, Mr. Sandeep Rajpal, Vice President (Marketing) and Mr. B. M. Jhamb, Company Secretary. Now I request Mr. Arvind Kapur to take us through the key remark after that we can open the floor for the Q&A session. Thank you. Over to Sir.

Arvind Kapur: Good evening. My name is Arvind Kapur, and I am sitting here with my colleagues in our Head Office in Gurgaon and we are all in the same room except one of my colleagues who has joined us from US. He is on a marketing trip to the US. This year, we grew about 26%-27% and we are happy about that. This is despite the shortage of the chips and also the Ukraine war, which has been carrying on for almost 97 days now. And despite that, we managed to grow and, we have grown all across, be it the cars, the electric vehicles, commercial vehicles and even in the two-wheelers, we have grown. And, despite the fact that the two-wheelers, they have actually been down for the last almost three years now. We could not meet our budget, what we had mentioned last year. We were away from that primarily because of the chip shortage that was there in the market.

And also, the two-wheelers not picking up. For the two-wheelers, we had taken almost, 15 % lesser than whatever had been predicted or whatever had been told by our customer. Despite that the two-wheeler could not achieve whatever was required, but, we are hoping, that the way, the month of May and April, for the two-wheeler industry started, we are hoping that this year there would be a growth. I do not think we can hold back the two-wheeler industry for too long. It is almost three years that the rural area has not supported the two-wheeler industry, but we are hoping that with the monsoons being good this year. Monsoon, the forecast is that there would be normal to good. And if that happens, I am sure the two-wheeler industry will do, very well. There is a lot of pent up demand in the two-wheeler industry. And there, the confusion on the electric vehicle, electric two-wheelers and the IC engine, that would always remain. But still, I think the first preference today is for the IC engine, two-wheelers that we are talking of. Things seem to be good, and we are hoping that this year would be even better. And, the budget that we prepared, we are looking at almost Rs.2,400 crore turnover this year. I am talking about the group turnover. And, this is, we are hoping that the Corona does not hit us hard this year. 193 crores doses have already been given. So, I think that is having a major impact on people actually falling sick or too sick. And now the total sickness time is also come down to about five days at the most. And people are not very, very serious now. So, we are hoping that the monkey flu does not hit us, but otherwise I think this year seems to be good for the two-wheeler industry and for the car industry, everybody must have heard about, the announcement that Maruti has made. They are going to cross 2 million, almost 2.1 million, they would make this year. And, the chips, they have made enough arrangement for the chips for 2.1 million vehicles. So, I do not think that would be a constraint.

Having said that the chip shortage is still there, that would continue till almost the end of 2023, but that would be the additional chips that are required to meet the additional requirement of all the customers that include the car people as well as also the electronic industry that we are talking of. There is a growth that is taking place and they have to meet that, but to meet the normal production. And, the target that Maruti set

up is based on the chip's availability this year. And we are very confident that, Maruti being almost 50% of the total car market, if they are going by, they have growth to 2.1 million. I think there would be a very good growth because Kia is also expecting good growth. So, are the Tata's is expecting good growth. Mahindra is also doing very well. So, we are hoping that the two-wheeler industry will do very well. Commercial vehicles, there's a pent-up demand, primarily because of lead replacement, etc., that would also, help us, in our growth. The electric vehicles, our focus is primarily on the electric vehicles, all the new orders that we are getting are both for the electric vehicles, electrification, and also the IC engine. The investments are now mainly focused on the electric vehicles. And we are hoping that in the next, two, three years or four years maximum, we should be 40% of our sale should be in the region of mainly for the electrification of vehicles that would include the, electric vehicle as well as the hybrid vehicles. That is where the focus is and that is where we are discussing and talking to our customers. The other good thing that is happening is the exports are picking up. Last year, we did almost Rs.456 crores of exports, which was almost, Rs.150-120 crores, more than the previous year. And this year, again, the projections are, and this growth quickly despite the chips shortage and the Ukraine war and Germany not picking up the total material that was committed to us. And we are hoping that, but the productions are coming back to normal there in Germany also, as well as in the US. And, the other things that we are noticing is that a lot of the companies in Europe, as well as in, US, they are looking at shifting the base of the supply base from China to India. And, we are seeing that and the projection of Rs.2,400 crores that we are talking of for this current year. We hoping to exceed that primarily because of exports, because, whatever we had, we had committed to various customers that demand is actually exceeding that. But anyway, that is the budget that we have taken at the moment. And we are hoping that we will exceed all that. So, I think the year will be a very interesting year. And, we are hoping that the profitability should also improve if you notice that we have been able to control our costs.

This year, again, there is a lot of effort that is on to control the cost further and to improve the margins. You would notice that quarter-on-quarter, our EBITDA margins are improving and you will see a further jump. The other good thing that is happening is that the commodity prices are softening. And we are hoping that the lag and pad that used to be there, which is almost would be in the region of Rs.8-10 crores every quarter, or sometimes even Rs.15 crores that would not be there now. And we should start recovering some of the losses that we had incurred because of the lag in the pricing of the raw materials. There is a lag of almost three months to six months, depending on customer to customer. So, your company has declared a dividend of 40% this year, in yesterday's board meeting, this was cleared. And the other information that I would give you is that all the mergers that we have been discussing, I think by the month of August or latest by September, this should be over, our final date is in July. And it will probably take us about a month after that to get all the books in place.

That is, it from me. And over to you all, we can go to the question answer if you like.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mukesh Modi from Modi Fincap. Please go ahead.

Mukesh Modi: I have got couple of question Sir. First of all, thank you for the 0.40 dividend, which is higher than last year and the merging of subsidiaries, which gives a good indication for the Rico Auto future. Now Sir, last time you said there is a lag of around Rs.10-Rs.12 crores for the aluminum, have you received in this quarter or still it is pending, sir?

Arvind Kapur: The lag comes in every quarter and so when it is received it takes three months to recover the amount. So, that is a normal practice. Now from next quarter onwards, probably there would be a gain that we would be getting, there would not be a lag. And we are waiting for the situation because this commodity price increases have gone for a little too long. Now, I think for almost about a year and a half, two years, we have just been paying and the lag has always remained.

Mukesh Modi: So, now with your experience of all these years, we had been through a pretty tough time because there was a airlifting, then there was COVID, aluminum price, side packaging price and internet, looking to all these things with your experience, how do you foresee Rico Auto? Is that we are out of the woods and do you see a very clear picture for Rico Auto for the next couple of years?

Arvind Kapur: See the airlifting and the other issues which are there, those are behind us now. And we, to be honest with you, we will be recovering a lot of it from our customers and because it was not totally our fault that the airlifting was taking place and that would come over time. But, we have got it to some extent and, I think about Rs.12 crores have already come. And, we think that the total funds that we are looking at is almost about Rs.30-40 crores. So, that would come, definitely this year. So, the customer is going into the total details. And once that will be finalized, then we will get it. Now, besides that if you notice the sea freights have gone up tremendously and some of the customers have already started adjusting the prices for the sea freight. And this would also be adjusted every quarter, and the others we are negotiating with, and we are very confident that the sea freight, would also be refunded to us and our productions are absolutely normal and we have plenty of capacities available, the same customers, like Knorr-Bremse etc., they are almost doubling to tripling, the number of components that they are buying from us year-on-year. And I think for the next three, four years, we see that doubling or triple taking place with, with some of the customers and all the other customers. Also, we are getting repeat orders and also, we are getting into the new programs, which they have come up with.

Mukesh Modi: Great. So, can you give the breakup for this quarter for the two-wheeler, EV, CV and, PV, please, if it is possible?

Arvind Kapur: This current year or the last year?

Mukesh Modi: Yes. Current year. Q4 and year 2022.

Arvind Kapur: See the two-wheeler was in the range of about

Mukesh Modi: Yes. Just approximate, just to get the idea.

Arvind Kapur: I think two-wheeler ranges normally in the region of about 30% and the balance is either the cars or electric vehicle. Electric vehicle we are close to 15%-16%, and we will be growing further in that. It includes all the components that we supply to overseas and Indian market. And our target should be 40% in the next few years that would come

Mukesh Modi: For EV right?

Arvind Kapur: For electrified vehicle. That includes the, hybrid as well.

Mukesh Modi: CV, how we are ramping of this CV, Sir.

Arvind Kapur: Commercial vehicle say we did pretty well. I can, I think I have just a minute. So, around 50% growth in our CV business. Yes. About 50% growth has happened this year. We touched about 145 crores in the commercial vehicles. And if you look at the four-wheelers, there's a growth of, almost about 25% there also. And, the export, I mentioned, we have grown by over 100 crores.

Mukesh Modi And another one last year, I think we allocated to the CAPEX for around Rs.125 crores CB in Chennai out of that Rs.80 crore was spent. So, what is the scenario? This year, how much, what kind of CAPEX do you expect and how much we have spent out of these Rs.125 crores?

Arvind Kapur: See, there is a balance of about, Rs.50 crores left for the, Toyota project, which will happen this year. And those are the large machines, which will keep on in fact they should start coming from next month onwards.

Mukesh Modi: What about the other CAPEX and maintenance CAPEX?

Arvind Kapur: The other maintenance CAPEX would be, I think, Rs.20-25 crores, so there will not be not too much CAPEX that way we are looking at. I am looking at the hardcore machine that we are talking of.

Mukesh Modi: So, overall around Rs.75 crores, we will be spending this year, right?

Arvind Kapur: Yes. About Rs.75 - Rs. 80 crores. That is what we will be spending and we are hoping that, and the other good thing is that most of the CAPEX that we had done last year, almost all of it will be used this year. It will be in some sort of a production or the other.

Mukesh Modi: So, that effect will come in this year.

Arvind Kapur: Yes. It will start coming in this year and, the total effect will be next year.

Mukesh Modi: There was one, news article about Toyota investing Rs.4,800 crores in Karnataka for power train is that any complement to our investment or is it separate all together?

Arvind Kapur: It is absolutely the investment that we are doing.

Mukesh Modi: Okay. And, about interest, what kind of debt? I mean, peak debt, we are anticipating this year. Our borrowing has gone up substantially from Rs.300 to Rs.400 crores.

Arvind Kapur: See the borrowing is gone up partially because of the bill discounting that we have.

Rakesh Sharma: And the borrowing should remain in the same region. As far as this current year is concerned and next year onwards it will start coming down.

Rakesh Sharma: New borrowings and the repayment will almost balance out.

Mukesh Modi: Okay. So, this would remain for this year, around this level?

Arvind Kapur: Yes.

Mukesh Modi: Okay. And lastly, sir, what is the status of our Rico Jinfei?

Arvind Kapur: For Rico Jinfei they have grown this year. But they could have grown much, last year, from Rs.148 crores they went to Rs.216 crores and the next year the target is to be Rs.319 crores.

- Mukesh Modi:** Oh, that is very good.
- Arvind Kapur:** And the other company, Rico Fluidtronics, last year, they were at Rs.65 crores next year they would be at Rs.130 crores. This is back-to-back, orders of Maruti Suzuki for the oil pumps or water pumps that we had bought from Maruti.
- Mukesh Modi:** Lastly, on the personal note, please accept our condolences for Mrs. Kapur, Sir.
- Arvind Kapur:** Thank you.
- Moderator:** The next question is from the line of Aditya Sen from Robo Capital, please go ahead.
- Aditya Sen:** I just wanted to know that when do we start operations for the Toyota project, specifically from the new capacities that we are installing?
- Management:** We have already started the production and we are ramping up, now, and August onwards it would be peak and where the production is already started. And, the die cast machines and other machines, which are expected to come, those would add to our capacity. But at the moment we utilize the current machines which are with us. We took advantage of the chip shortage and some of the equipment was not being used for, Renault and, the other Kia and etc. So, we used those equipment and divert those capacities for the Toyota projects. So, the productions are already on.
- Aditya Sen:** Thank you. And what would be the capacity utilization of the entire firm?
- Arvind Kapur:** Utilization of capacity in the you are talking of the Toyota project?
- Aditya Sen:** The Rico Auto as a whole?
- Arvind Kapur:** As a whole now, if you are look at Bawal we are running at almost about, 80%-85% capacity. And if you look Gurgaon facility in the iron division, we are at about 70%-75% capacity utilization, and we are ramping up further there. And if you look at the aluminum side, we are picking out we are about 80%-85% in the Bawal. In Chennai, the capacity utilization

was less because the chip shortage Renault and Nissan was slow and static Kia again, come back to full capacity. So, the equipment, which is related to Kia in Chennai that is running a full capacity, but Renault-Nissan is running at about 30% less capacity. So, we are running at about 65%-70%, in Chennai.

Aditya Sen: And one last question I like to reconfirm, you gave a target of Rs.2,400 crores revenue for FY2023. Am I wrong? Or I heard that right.

Arvind Kapur: To be exact it is Rs.2,350 crores. I did say 24 just to rounding all the figures, but, we are confident that we will exceed this 2350.

Aditya Sen: Okay, sure. Thank you. That was my question. Thanks for your time.

Moderator: The next question is from the line of Harsh from Renaissance. Please go ahead.

Harsh: So, you had mentioned, expected revenue of Rs.2350 crores. It is really very appealing figure, but in which you even mentioned that it will also be factoring the, you know, company shifting their bases from China to India. So, the expected, you know, the figure of Rs.2,350 crores inculcating them, these company shifting or your existing clients, or what?

Arvind Kapur: Rs.2350 crores is what we have budgeted as per the orders we already have in hand, which we are executing at the moment. And what has happened is that the customers are actually picking up little more than whatever, indication they had given, but whatever is being transferred from China, those are the add-ons that will come.

Harsh: Okay. That is an add on.

Arvind Kapur: Yes. Those add-ons, will be in, some of the current components as well as also new component, which will also come in.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much for the opportunity. I have got queries, one is now revenue of Rs.2,400 crores roundabout, given you mentioned the chip shortage will still continue the end of 2023. So, what gives us confidence or what is the risk we can see on this, number that you have mentioned? And my second query is revolved around your margins. Now, you did mention that commodity prices are softening and we have started covering from the lag of raw material prices. So, how do you see EBITDA margin going into FY2023? Yes, those are my, question

Arvind Kapur: When I mentioned that Maruti is talking of 2.1 million, they've factored the chips that are going be available. This is the commitment that the chips suppliers in Malaysia, in, Taiwan and Indonesia they have given to Maruti Suzuki. And so that is based on that Maruti could have actually gone even beyond that. And, similarly, if you look at Kia and if you look at Renault-Nissan others, this year, the budget is solely based on the chips that have been committed by the supplier. So, when we've taken our budget in the 2 million industry, we have discounted slightly, mainly because of the past experience and two-wheeler industry, because the volume that we used to be declared was much higher. And, the two-wheeler industry was unable to sell that many vehicles, but this year it appears that they would exceed that. But nevertheless, we just took a lesser margin and we are very confident that this year, unless of course there is escalation of the Ukraine war goes further and some other problems start happening, we do not see any reason why, we will not be able to achieve this. And, on the margins, you will see quarter-to-quarters that the margins are improving. The air freights, those are not there anymore. And we are also getting a refund of air freight and the sea freight, some of the customers are already, given us the refund and the others would also give us, we are confident that those will be refunded to us and on the commodity front, the impact will start coming from next quarter onwards, obviously, because it is a lag that actually happens. And, so we will start seeing that change happening. Our margins target is 12% plus in any case, we are talking about 13% plus in the export business, our margins are much better than the domestic business. The two-wheeler industry is always the biggest challenge then of course, it is the car industry and commercial vehicles and then

the exports. And, so average out, we are hoping that, you will see every quarter, you will see a change in the margin, which will improve.

Deepak Poddar: Okay but you mentioned, that the store commodity prices will start, reflecting in our numbers from Q2 onwards. Right? Next quarter.

Arvind Kapur: Yes. Partly this quarter also, but we are recovering for the previous quarter.

Deepak Poddar: And this entire FY2023, we are targeting 12%-13% margin right?

Arvind Kapur: Well, it will 10% plus in any case that's but our entire target is 13%, to be honest with you, but I would recommend you 10%.

Deepak Poddar: Okay, I understood. Fair enough. Okay. That is about it from my side. thank you very much all the best.

Moderator: Thank you. The next question is from the line of Karthi Keyan from Suyash Advisors. Please go ahead.

Karthi Keyan: Couple of questions, Sir. One would be can you give us some, thoughts on how you will see debt evolving over a period of time? It's fairly high, given your growth, therefore working capital requirements and against that cash flow. So, how do you see debt evolving over a period of time?

Arvind Kapur: Your question is that how is the debt going to evolve over time?

Karthi Keyan: Yes, debt Sir. You have currently about 600 crores of debt on your books. I suppose

Rakesh Sharma: Yes, your point is right. That our working capital requirement is growing with the business. But along with that, we are, repaying our term loans. So, what is happening is that kind of balancing is happening. So, whatever additional requirement is there, but simultaneously we are repaying also. So, on that front, it is reducing. So, that is why we said that by the year end, we should expect almost the same level of debt.

Arvind Kapur: I would like to tell you one as our export pick up the working capital requirements also go up, primarily because, earlier, it used to take up 18 days to get the ship from India, Mumbai, to, any European port and about 30 days for US. Now, the time is almost a month and a half to two months for Europe. And, in some cases there are waiting outside the ports in US. So, what is happening is there are more goods, on the sea. And, as a result of it, we had to pump in more materials. And, so if you look at the total cycle time, it is almost hundred days before we get a payment from our customers, but all our customers, we do not sell to the aftermarket overseas. We sell only to companies like BMW, Caterpillar, Cummins, Knorr-Bremse, these sort of companies. And we get our payments always in time within 30 days. As the exports increase, now, we are going to 550 crores next year. And we will probably go beyond that also. And as exports go up our, but then the cost of money in for export is much lower. That is the other advantage we have

Karthi Keyan: Okay, the other point, that you guided that, your EV revenues, revenues from EV segment would go to 40% over a period of time from 15%-16% currently. What part of this is, in your order book currently in terms of visibility? I am not saying in terms of, concrete orders, but at least in terms of visibility and what part of it is still continued upon business development.

Arvind Kapur: See the current, components that we supplied to us, these components when the orders were placed on us, these are all under a hundred thousand. And, the way they EV picked up in Europe because of the subsidies that the government was giving and also the requirements of BMW and PSA and, Stellantis and the other companies, their requirement was that they had to meet the, CAFE norm and to meet the CAFE norms they had to sell more elective vehicle to balance on the total, carbon emission that they have. And for that purposes, that demand instead of 100,000 started taking up 250,000 to 300,000 components of those for the electric vehicles. And, Sandeep this is the five, and now we're going to the six, am I right? We are going to Gen6 now, and for the Gen6 BMW and others, they are planning almost 1.5 to 2 million vehicles to be produced in electric. And for that, we are

there. And instead of 200,000 or 300,000 components, we are talking are 1.5 to 2 million component that we are talking of. And it's a set of components. It's not only one component, it's a set of four, five or six components that actually come up. So. it multiplies actually, if I look at one individual customer.

- Karthi Keyan:** And, and what timeframe are we looking at, Sir, year for these?
- Arvind Kapur:** At 2024, is when the production of Gen6 starts and, the order should be placed any time.
- Karthi Keyan:** Calendar 24, you mean?
- Arvind Kapur:** Yes. Calendar.
- Karthi Keyan:** And last question, Sir, would be entirely ferrous casting and HPDC, or would you also be looking at LPDC or gravity die casting, in your portfolio?
- Arvind Kapur:** Our, focus is primarily on, aluminum die casting cause in the electric primarily, they are light, they need lightweight and, it is mainly the aluminum die cast components. And, but there are few iron component, which also go to the electric vehicle and, but the iron component of growth is also taking place because of Knorr-Bremse etc., which is partly railways also.
- Karthi Keyan:** And beyond high pressure die casting, would we also be looking at low pressure die casting as such?
- Arvind Kapur:** We do a lot of low pressure die casting, aluminum these are all gravity casting and we do a lot of it.
- Karthi Keyan:** Sure. And, and what would be the pending CAPEX? So, you said in FY2023 and FY2024?
- Arvind Kapur:** This year, we are expecting around 80. That's what we had said. And, next year, whenever we do CAPEX, it is always 100% based back-to-back, on some orders. If I get that 1.8 million component order from BMW, there would be investments involved. But there would be, also

some of the current investments would also get transferred into that. So, at the moment, I might not be able to tell you the exact figure, because there is a lot of minute calculations that is actually happening at the moment, but there would be a lot of adjustment of capacities that would happen.

Karthi Keyan: Allow me to ask you one question Sir, you know, what happens in the chemical industry is that a lot of, advances are issued by the customers, in lieu of these capacities dedicated, especially do you foresee a similar trend happening here by any time.

Arvind Kapur: In the auto world, anything specific to our component where we make an investment, we always make the customer pay us in advance. That includes this die that includes the jigs and fixtures, a special tooling, which are required, the general-purpose machines, like die casting machines and, machining lines. Those are the places where do the investments.

Moderator: Thank you. The next question is from the line of Bhaskara Datla an individual investor. Please go ahead.

Bhaskara Datla: Hero actually started starting electric vehicle right from July onwards. Do we have any orders related to the electric vehicle from Hero?

Arvind Kapur: Wherever Hero is involved, we will always be there.

Bhaskara Datla: And the second question is like, do you have any kind of R&D related to electric components, if you have like how many players we have working on actually to do kind some kind of R&D component rather than actually waiting for customer?

Arvind Kapur: Let me give you one interesting answer. You know, when the electric vehicle these new components that we got from, BMW and also the other customers, the PSA and others, a lot of R&D was ours because you cannot use just any aluminum alloy in this. There's a very special aluminum alloy which was totally 100% recommended by us, which is actually being adopted by the total industry now because of conduction,

etc. So, it is a lot of work that our company, my engineers, my people have actually put into that. So, that suggestion was, was actually ours.

Bhaskara Datla: Okay. The second question is, do you have any separate team actually to focus only on electric side, related components, business? Do you have any kind of management team specifically focusing on this part?

Arvind Kapur: Absolutely. There's a separate team which looks after this.

Bhaskara Datla: The final question is like in my previous, how many related transactions we have with the promotor company.

Rakesh Sharma: Related transactions? No, actually we have, we have a hundred percent subsidiaries, who are supplying manufacturing for Rico, and now they are in the process of merging and by August, we are expecting that all those subsidiaries will get merged. So, there is no related party transition that is going to have after that, except for the other subsidiaries that that will remain, after merger also. The bulk of the transactions are with our hundred percent subsidiaries.

Bhaskara Datla: Okay. That's it. Thank you thank much for taking the questions.

Moderator: Thank you. The next question is from the line of Mr. Aditya Sen from Robo Capital. Please go ahead.

Aditya Sen: So, do we stick to the margin guidance of 11% going forward.

Arvind Kapur: I am committing 10%, but 11%? We, we will probably cross 11% also by the year end.

Aditya Sen: By the year end.

Arvind Kapur: You will see the change every quarter. There are a couple of reasons for this one is, of course, there is more efficiency now working, number two, where we have been able to cutdown lot of costs. And number three is the introduction of new component, which come in, the new components when they come in, they are at better margin. And that impacts the overall situation in the company. So, that also we do not like component, which lasts for 20 years. We like components, which

needs a change within five to seven years. So, whenever we quote a fresh, our margins are much better.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to the management for closing comments.

Arvind Kapur: Thank you so much for taking our time to be with us today. And, we are, very confident of this year and hopefully, the Ukraine war does not expand further. And, if it, remains only there, we all hope that we get over it. Russia is expected to get over the water in 15 days, but it has been 97 days now. Hopefully this, war should end. And if that happens, the market will grow even further. But having said that, the Indian market will grow. The US market is growing. Now even the European market is, has opened up. And, so we are very confident that. This year budget, we have been little conservative in taking it, but we are fairly confident. We have the capacities in place and except for the die casting machine, which are coming for Toyota project. But those capacities would by and large start getting used by the end of year and also for the next year onwards where we will be running full capacities. And, besides that we have enough capacities placed to cross even Rs. 2400 crores. So, we are very confident that we will meet our target with better margins. And, you will see the results on quarter-to-quarter and hopefully there is no crash as far as the commodity, the concerned. The other thing that is bothering us is the oil prices. We hope that the government of India tries to keep it under some control otherwise, that could be one spoiler in the whole thing that could also happen. Thank you so much for attending the conference and hopefully we will give you some even better news the next time.

Moderator: Thank you. On behalf of S-Ancial Technologies Private Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.