



# “Bharat Forge Conference Call Hosted by HDFC Securities”

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**SPEAKERS:**           **MR. BABA KALYANI, CHAIRMAN & MANAGING  
DIRECTOR, BHARAT FORGE  
MR. AMIT KALYANI, DEPUTY MANAGING DIRECTOR,  
BHARAT FORGE**

**MODERATOR:**       **MR. ADITYA MAKHARIA – HDFC SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Bharat Forge Conference Call hosted by HDFC Securities. 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, 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. Aditya Makharia. Thank you and over to you sir.

**Aditya Makharia:** Hello, ladies and gentlemen. Welcome to the investor call by Bharat Forge to provide an update on the company’s business in India and its overseas subsidiaries. We have the senior management of Bharat Forge, including the Chairman and Managing Director of Bharat Forge. Mr. Baba Kalyani, over to you team.

**Amit Kalyani:** Good afternoon ladies and gentlemen, this is an Amit Kalyani. Welcome to our investor call. And thank you for joining us today. We have with us as Aditya mentioned our Chairman, we also have our senior management from Finance, Investor Relations, Sales and Marketing and Business Development. And we will try to provide you an outlook and a current picture of what things are looking like and then take your questions and answers.

So first, I’d like to inform you that, we have taken utmost precautions as far as safety of our employees and our surroundings are concerned and as of date, all our employees are safe and healthy and we have tried to distribute information and best practices on keeping healthy and keeping hygiene within their systems so that they don’t get infected. All our plants in India have been shut down from Monday after the announcement by the Prime Minister on Sunday, and our operations abroad will shut down by Friday as well depending on the situation in each specific geography. Most of our automotive customers have stopped production last week, especially in Europe first and then in the US, and most of them expect to resume operations by the middle of April. However, some of our customers particularly those in the industrial space, such as Cummins and Caterpillar in the US, which are categorized as critical manufacturing and support companies, because they manufacture powergen equipment and other equipment which is used for critical and immediate response are still operational, and we are in touch with them to ensure that between what we have in our supply chain and in warehouses, we meet all their demands adequately. In India originally we had contemplated to work till the end of the month to meet customer demand, but due to the call for a shut down by the Prime Minister, we had to stop production 8 days before we had originally planned and therefore, the shipments for the month of March were not fully complete and will only be now completed once we resume. But we have planned this along with our customers that between what they need, we are able to meet all their needs once they resume activity as well. The good news was, that in the first 23 days of March, we saw a registration in the medium and heavy commercial vehicle sector of 38,000 vehicles in India, and we believe with that, pretty much the entire BS4 inventory has been liquidated and sets a good stage for BS6 introduction once the manufacturing resumes.

Additionally, most governments are rolling out stimuli aimed at protecting jobs, livelihood and providing liquidity to all sectors of economy in order to sustain the economic activity once the lock downs are eased and we expect the same in India as well over some time and this should

provide some boost. As a company, we are very well placed in terms of liquidity we have over 1800 crore of cash on our balance sheet in India, plus we have undrawn limits of more than 700 crore. We have no major CAPEX planned in India at all and we will see cash flow this year, next year as well. We are focused on fixing our subsidiaries, our twofold actions for our subsidiaries, which were already underway was a reducing fixed cost and improving the overall product mix by moving more towards aluminum, which is for future platforms so that is unaffected with the current slowdown and downturn.

I'd also like to thank and recognize all our senior middle management executives who are working very effectively using Zoom and WebEx and other platforms and working on strategic issues, tactical issues, innovation, including working with customers on any kind of problem solving or ideation or cost reduction measures are anything new that we can do, because this is the time when you're not running on a treadmill and you have the time to do this. So I think, with that being said, I'd like to hand over to our Chairman to make a few comments and then we can take your Q&A.

**Baba Kalyani:**

Well, thank you Amit. And good afternoon, ladies and gentlemen. First of all hope you and your families are all well and we are taking this lockdown very seriously, well I think it's important and that is what we are doing with all our employees. We are trying to ensure that everybody is safe, their families are safe, both in India as well as outside India. That's one of the most important things. Second, as Amit has explained our plant is shut down from Monday. And currently three weeks, so we hope to be back into operation before middle of April. For us, this is not the first downturn that we have seen, we have seen many downturns. The last biggest one was 2008-09, and then was 2011 in Europe, and in every downturn, we have come out much stronger. And we believe that in this downturn also we will come out much stronger. We have developed many new strategies for growth and many new avenues for growth. Some of them that we have discussed during our last meetings, and we are making use of this opportunity with more than a few hundred people in our company who are connected virtually, and who are working on four important topics, first is new business development. So Subodh and his team along with our plants and their engineering teams are working with a virtual network. And along with our technology and innovation center, the Kalyani Center for Technology and Innovation is recognized even by the government as a frontline science and technology, R&D organization in this whole country. And we are working on some very innovative things to develop new products for our customers.

Financially we are reasonably very strong. In India, we have net no debt. We have undrawn limit from the banks, and we expect that we will have continuing cash flow this year, next year and going forward. To me, this whole COVID-19 issue is more like a reset button for a quarter or a quarter and a half. And I think if we were to look ourselves in the future backwards, we will realize that exactly like what happened in 2008 and 09, we were able to grow and become much stronger, something like that will happen again. And most important is our team, led by Subodh and his group is in touch almost every day with every customer around the world and in India, and everybody recognizes at the customer end that Bharat Forge and its subsidiaries have a lot

of capability and resilience. And therefore, I think they are talking to us in a very transparent manner in terms of what they wish to do in the future. This is all the things that I wanted to talk about. And COVID-19 has come in as a boy from the blue for everybody. And right now, the only thing I can say is we have first priority to keep everybody safe. And I'm sure that when this problem is under control, we will all come back stronger and get back to business as usual, but even with much more power.

**Amit Kalyani:** So ladies and gentlemen, that's really all in terms of introduction. We'd be happy to take Q&A and we will answer your questions as a team.

**Moderator:** Sure, thank you very much. We will now begin with the question and answer session. The first question is from the line of Divesh Singh from Morgan Stanley. Please go ahead.

**Divesh Singh:** My question is basically on the non-auto export side, do you see any sort of structural changes in your revenue mix because of today, because of the COVID and then the oil track like you do have exposure to US oil and gas sector. What are the customers telling you on that segment, that is first question? The second is relating the same segment, like what percentage of your non-auto exports could you classify as critical the segments which are still sort of running in this time period?

**Baba Kalyani:** Let me try to answer that. First of all, it's very difficult to estimate today, what the impact of COVID is going to be in the United States. If you look at the numbers, they're pretty frightening. But at the same time, the US government has taken a pretty strong response in terms of what they're trying to do to solve the problem. So, having said that, it's almost impossible to predict what's likely to happen in the oil and gas segment, what's likely to happen in the other segments, but seeing the companies like Caterpillar, companies like Cummins are still operating their plants based on the US government approvals, that's an area, obviously is connected with infrastructure related activity. And if you look at our non-automotive business, roughly 50% of that is connected with infrastructure related activities, and about 50% is in oil and gas type of activity. What we are also hearing from our customers in the oil part, is the US government wants oil independence with the United States. So we don't see that, getting too much impacted.

**Amit Kalyani:** Also this whole funding that the US government is rolling out, this \$2 trillion of stimulus. You've heard them say that they will support critical industries.

**Baba Kalyani:** And out of our total business oil and gas is only about 6-7% of our business.

**Amit Kalyani:** Yes, it's not a very big piece.

**Divesh Singh:** So the one that is directly related to sales basically you are saying 6-7% of the standalone topline?

**Amit Kalyani:** It's less than 6%, 5 to 6% of revenue.

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

**Nishit jalan:** Sir my question is, you highlighted in your initial remarks, that company is debt free and has a lot of cash, which is obviously your biggest strength. A lot of players globally and in the domestic market could not have that. So just wanted to hear your thought as to what kind of market share gains you can see because some of the leverage players globally and domestic market may not be able to survive this crisis, or may kind of become very weak after the crisis. So just wanted to understand your thoughts and maybe if you can highlight some of the names of your peers who you think are really leveraged, and can get impacted more because of this crisis? Thank you.

**Amit Kalyani:** As a company, we don't want to talk about other companies, we can just tell you what are our thoughts and impressions. And I will let our Chairman talk about it.

**Baba Kalyani:** Exactly what Amit said, what we are hearing from the customers and what we are hearing from the strategic side of the customers is, that there are going to be strategic structural changes in the supply chain going forward. And these strategic changes in the supply chain would be beneficial to companies like Bharat Forge, because of its power of technology, because of his financial strength and because of its capability for innovation, there are very few companies in our space in the whole world that have innovation capacity as much as we have, so I think we are pretty much well placed. But, we will see once the system gets back to work.

**Moderator:** Thank you. The next question is from the line of Sahil Kedia from Bank of America. Please go ahead.

**Sahil Kedia:** I have two questions. One, before the issue happened in the last call Amit had mentioned that the expectation was that the US class 8 market is likely to be down given that there is now an increasing risk of recession is there a worry that number becomes quite material. Number two, as you mentioned that you have come out always stronger from the downturn in the last downturn there was a big focus towards growing the non-automotive business as a vertical. Are there similar kind of verticals that have been identified as potentially growth opportunities that you guys can think of?

**Baba Kalyani:** Yes, we've been doing this for some time now. And I can tell you the three verticals that we have identified where a lot of work is happening, and we are also seeing a lot of traction, we were seeing a lot of traction till the COVID-19 came up but even now we are seeing a lot of traction. First is on the PassCar side. So PassCar, we continue to grow and one of the reasons why we continue to grow in PassCar is because most OEMs in the world do not want to invest any more in making mechanical parts. So, that creates a huge opportunity for companies like us and we are growing in that business especially in our Indian operations, exporting products to Europe and the United States and even other parts of the world including even China for that example. Second area where we are generating traction is aerospace, from one customer starting last year, we now have four customers and we are increasing traction. And we have taken a good strategy there, it takes a little more time in aerospace, because of the process of approvals

because all aerospace components, especially live components are very safety critical. And everything has to happen in a highly defined manner with a lot of testing, etc. But the fact that from one customer we are now moved to four customers is a pretty good let's say result from whatever we are doing there, so that's the second area. The third area is lightweight components aluminum. This, if you see five years from now we will be one of the largest areas for growth as far as not only automotive but even the industrial sector and I'm not talking about oil and gas, but a lot of sectors will move into aluminum. You'll be surprised that amount of aluminum that will get used even in things like medical equipment coming forward with this COVID-19. So there is a lot of opportunity in the light weighting sector. We have focused in this area both in India as well as in our plants in Europe, as well as what we are doing in the US and the good thing there is, we have programs for vehicles that are coming out in 21, 22, 23. So this is not for existing products, this is all for new products that are being new designs and new platforms. So that's a good thing for us. And then the last one will be EV and hybrid as and when that starts taking off here. There was a lot of traction happening late last year. But COVID-19 has kind of put a lot of cold water on it.

**Amit Kalyani:** The whole focus has shifted to, how do we safeguard and protect people, everything else has gone into the background, but nonetheless.

**Baba Kalyani:** That's right.

**Sahil Kedia:** So for the first part of my question, how much now do you expect the US class 8 market to decline. If I remember you had said that your expectation was that CY20 will be a decline. In the light of current things, what is your sense of where that number would be?

**Baba Kalyani:** We have no idea right now what the number would be, but we had last time projected that calendar 20 will be somewhere in the 240,000 mark. As of now many truck plants are closed and I think realistic expectation would be 10 to 15% lower than that.

**Sahil Kedia:** And sir, one last question if I may, you said that you are increasingly focusing on passenger car products, we understand that historically those have been lower margin than the industry and the kind of commercial vehicle products because of lower machining in the programs that you are getting are the margin of profitability or value add however you want to think about it is it comparable to your existing business better, how should we think about that?

**Baba Kalyani:** First of all we are only making critical components in PassCar we don't do any commodity parts at all. So, second we are doing completely finished parts to a large extent. So, we have margins which are as good as our normal one, comparable.

**Amit Kalyani:** Our margins will be only comparable.

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

- Kapil Singh:** I wanted to know, how are we thinking about resuming production, what are the steps we are taking to ensure that whenever the production resumes, we can do it in a safe manner. What are the learnings, if at all from customers overseas, how are they doing it?
- Baba Kalyani:** Well, we have had a lot of experience in this area, even in 2008 when the financial downturn happened, because we had shut down for more than a week at that time. And right now what we have done is using all our learning's using best practices that people operate outside India, we have roughly about 150 key people in the plant even every day, looking at the key installations, keeping everything running. One of the most important things in a plant like ours, when you have a three week shutdown, is to make sure that all your data and your machines that work on data are kept running every day. Otherwise, you will lose the data and if you lose the data on your CNC machines and programming and everything, it's a question of reprogramming hundreds of equipment, and that is very, very difficult. So people who don't do that will have a very difficult time to deal with this. So that's what we are doing, we are ensuring that all our data is securely kept, machines run. The data part of the machine runs every day. And everything is let's say, rebooted and set ready. The physical part is very simple.
- Amit Kalyani:** And then on the resumption of people coming in, we have a protocol in place which is what the government has indicated plus what WHO has mandated so we will have screening and checks in every shift and we'll have separation of shifts and stuff like that, so that there is no cross contamination, etc.
- Kapil Singh:** Okay and secondly sir wanted to check what kind of fix cost do we have that we continue to incur when the plan is shut down, what would be your fixed cost as a percentage of sale or in absolute term?
- Amit Kalyani:** We are working on that, because we are doing a lot of cost reduction.
- Baba Kalyani:** Today the fixed cost basically is man power, that's the largest element of cost because as per the government directives you have to continue paying salaries. At least till this lock down period is over. So, that's the biggest part of fixed cost. Everything else is very little compared to that.
- Moderator:** Thank you. The next question is from the line of Pramod Amthe from CIMB. Please go ahead.
- Pramod Amthe:** Yes, a couple of questions. One what's your reading for how the user industry that is cars and trucks, as OEMs will shape up post this crisis, do you see some bailouts required the way it happened in 2008. And hence how can you make the best use of it?
- Amit Kalyani:** Pramod are you talking about the US or where?
- Pramod Amthe:** No globally, some companies are really asking for the help to support to come from, even in the European nations for that the car maker's?

**Baba Kalyani:** Europe and the United States have both announced that the government will fully support the manufacturing sector, they will do whatever is required to keep the manufacturing sector alive.

**Amit Kalyani:** Look at Germany's language they called it a bazooka. And Germans are very conservative people for them to say stuff like that means they will do whatever it takes.

**Baba Kalyani:** So, I have no doubt in my mind that like the top funding that happened in 2008 of the automotive industry. Now, President Trump has announced \$2 trillion package. So a large part of that will also go for manufacturing industry to keep them alive and floating, because that's his entire election campaign is all about. And in Europe, everybody is hell bent on keeping their manufacturing industry alive, at least in Germany. Now, one would expect that in India, after the initial announcement that have been made including today, they will start focusing on the industrial side, but we will wait and see what happens.

**Pramod Amthe:** The reason to ask is, even though GM and Ford got some benefit in the year of 2008 or 09, but 7, 8 years down the line, they continue to trickle down and they seems to have only come down in shape. So that was a big disruption which happened which had a bearing for substantial year. So do you see even if the bailout happen, they will be going the shape under which they were there before the COVID that will change?

**Baba Kalyani:** First of all I don't agree with you because, with the top bailout, GM Ford Chrysler did extremely well after the bailout. And I think the government got all its money back GM and Chrysler, Ford didn't ask for a bailout. Okay, and if you look at the industry volume, the industry volumes haven't declined, they have remained pretty stable.

**Amit Kalyani:** US was still at 17 million, so that's a pretty high number.

**Baba Kalyani:** I don't think that's a correct reading of that, matter of fact, draft money was from whatever I have read, government was able to recover large part of the draft money plus something more.

**Amit Kalyani:** Pramod the point is that the industry as a whole still is operating at a high level, 17 million is a very high level. They may have been market share changes within players, but overall the industry is still operating at a high level.

**Pramod Amthe:** Sure. And the second one is considering that you have been doing a good amount of work in EV space both on your own and through some small acquisitions with the way the funding can become challenging for some of the new startups in EVs. Do you see more room for you to play through acquisitions post this crisis and considering that was relatively better off on the balance sheet now?

**Baba Kalyani:** I don't think we are focusing on.

**Amit Kalyani:** We are not going to be opportunistic; we will follow a strategy and do whatever it takes to make the longer term picture happen, It's not in our DNA and that's not a good approach.

- Pramod Amthe:** Okay. Other way to ask is, are there any product gaps where you would like to build in this current scenario in the EV space?
- Amit Kalyani:** That is exactly the ideation and introspection process that is going on.
- Moderator:** Thank you. The next question is from the line of Priya Ranjan from Antique. Please go ahead.
- Priya Ranjan:** One is on the static changes which we have talked about in the supply chain. How do we see if suppose, some governments in US or maybe some European countries ask you to start manufacturing some of the parts which has been importing or exporting from India? So how do you see that might be playing?
- Baba Kalyani:** First of all, we have manufacturing in Europe, we have manufacturing in the US. We are setting up a new facility in the US to make aluminum components. So, I think we are doing whatever we can to make this happen, second I don't believe any government is going to ask you to make something which can't be made there. So there are some types of components that simply can't be made there because there's no manpower and skills available in a country like the US to make these things. And not at a cost or a price which is comparative. So they will always continue to be the kind of opportunities that we see today. The only thing I would say, which I said earlier is, you're going to see a lot of restructuring of the supply chain. And stronger supplier are going to come out winners out of this game, than weaker suppliers because it's very difficult for OEMs to depend on weak suppliers just on pricing, on this account. And, there is going to be overall in my opinion, a shift, some sort of shift coming out of China into other parts of the world and it's up to us as to how much advantage we can take out of this opportunity.
- Priya Ranjan:** And in terms of the products or the segment, where we are operating. So can we have some kind of numbers how much is coming from China, in the global supply chain?
- Baba Kalyani:** I don't have the numbers, but China has a huge amount of export all over the world.
- Amit Kalyani:** There are a lot of customers, maybe in other segments in industrial space, which we may not be addressing today in Europe and US, where there may be supplies coming from China. So these will be new opportunities that will open up for us.
- Priya Ranjan:** So in short I wanted to understand how much is probably China capturing to the same segment?
- Amit Kalyani:** China exports are huge. Let's look at raw materials, China produces, 100 million tons of steel a month. So that gets converted into products, into consumables, into all kinds of things. So, the scale that they operate at is 5 to 10 times the scale of India in any sector. Not all of it is exported of course but, there is huge volume.
- Priya Ranjan:** And lastly on standalone basis, we are very well capitalized, but how do we see in terms of the subsidiaries overall at the console level in terms of liquidity in the European operation or the US operation?

**Baba Kalyani:** In the overseas subsidiaries, this is a difficult period, especially with the shutdown of the customers. But it's not a crisis period. We have put a good strategy in place of reducing our manpower and manpower related costs and shifting to aluminum in a large way. And that is the right strategy as far as we are concerned. And we had, if the COVID-19 hadn't happened, then our European subsidiaries, our overall overseas subsidiaries would have had positive cash flows and profits this year. So, that's the situation and all we're going to see is a reset of three, four, five months depending on how long this COVID-19 effect in Europe and North America has. But in terms of strategy we are very clear. If things get back to normal, let's say by June July, then we will be back to normal 12 months from there, we will achieve whatever we had planned to achieve this year.

**Moderator:** We have the next question from the line of Sonal Gupta from UBS. Please go ahead.

**Sonal Gupta:** Just wanted to understand on the European part, what is your current exposure. I mean your European subsidiaries, how much is CV, how much is PV really speaking right now?

**Amit Kalyani:** Our CV is roughly about 60% and about 30% would be PV and 10% would be industry and others.

**Sonal Gupta:** And just on like clearly, while oil and gas has clearly shrunk for you last year significantly in terms of revenues, but one was thinking that maybe in a period of time it will sort of comeback but still in terms of and we're hearing a lot of things in terms of the high yield market and the funding drying up and etc. So what is your outlook for oil and gas for the next 12 months?

**Baba Kalyani:** Our forecast in oil and gas, if you look at the shale market is largely on replacement parts. We're not getting into CAPEX related business. So, our business and oil and gas has been largely focused on parts that require replacements like pumps that are used for shale gas. As long as, oil and gas is coming out of the ground through shale cracking these replacement parts will be required. Of course, if there was CAPEX and the quantum goes up, like what happened two and a half years ago, but we are clear that our focus is on the strategy of getting into more and more replacement related components which have ongoing market.

**Moderator:** We take the last question from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** You talked about the structural changes which you expect to happen in the supply chain. I'm trying to understand is it more driven by the recent COVID-19 events or is it more to it at industry level as well?

**Baba Kalyani:** No, it is largely structural from the OEM side because as uncertainty increases, people want customers and OEMs want suppliers who can respond much faster, who can develop products much faster. If you look at every OEM today in the world, their biggest bottleneck is ability to develop and re-engineer and revalidate new components. We are probably the only company in India in our business who has this capability, which has been certified by most OEMs. And this helps the OEMs to reduce their fixed costs. If you look at all companies OEMs in Europe, they're

all reducing manpower, they're reducing engineering manpower, the same thing is happening in the US. So anybody who can give them engineered products, who can do testing, who can do validation for them, who can do innovation for them and who can do it fast, they would prefer that. A company like Tesla today wants a supplier who can from the time they give you an electronic data, they want components in four weeks on their table. So, it's not something that everybody can do and this is what is restructuring the supply chain systems around the world. And we are pretty well placed in that as far as this supply chain is. And we've been working in this direction, not today, the whole idea of setting up a tech center, almost 12, 14 years ago was to create this capability and we have created some amazing capabilities in our technology center. So, we will use that very effectively, to get more and more traction with our customers, get new customers and get new areas of business with existing customers. And that is the whole strategy that we are really applying.

**Puneet Gulati:** So that's undeniable, but did you see any change when China got hit with COVID-19, did you see anybody talking about moving supply chains from there?

**Baba Kalyani:** Yes, a lot of it. But the problem was, by the time all this happened even we got hit with COVID and so did the customers.

**Amit Kalyani:** But this is a global inflection point.

**Baba Kalyani:** Just to answer your question, for a very large Tier I supplier in Europe we are supplying products to China because of this, that was pre- COVID-19 story. The only thing I'd like to mention before we close is, many of us in the supply business have a large impact on this quarter because suddenly the quarter was shut down 8, 10 days earlier and people like us who export a lot of products. All our containers are stuck in the port and therefore, you should look at our Q4 and Q1 of next year together and you will see pretty good results.

**Moderator:** Yes. We have one last question. We take the last question from the line of Ashwini Kumar from Nippon Indian Mutual Fund. Please go ahead.

**Ashwini Kumar:** Just wanted to understand, although the finance ministry currently is focused on the very basic thing, which is very critical, which they announced today. But let's say scrapping, etc. where is it stuck because in the fourth or fifth year of this government, and the first new year we are at minus 3% industrial production just prior to this when this broke out, so where is the scrapping and other stuff stuck and will it make any difference at some point in time if it is announced for the trucking business?

**Baba Kalyani:** Its largely stuck Ashwini in the system. And right now, ever since let say last two weeks, first of all most other ministers are working with skeleton manpower, because everybody has been asked to stay home so nobody is coming, nothing is happening. Even meetings with stakeholders such as the automotive industry or the supply industry is all happening through video and video conferencing. To give you a simple example, Ministry of Defense is shut down. There is nobody even coming into office there. And that's an important ministry. But my gut feel from whatever,

let's say little bit I know. This is pretty much on the cards; this has to happen. The question is today the priority is to deal with COVID-19, the priorities to deal with, they're really worried that if this infection spread and we have some 50,000 odd infected people, we don't even have that many hospital beds in this country to deal with it, so don't have ventilators, we don't have respirators and look at, in the rural part of India there will be a catastrophe of a scale, which we have never seen before. So, I think it is very right that the government's attention is put on this, at least, for the next two, three weeks, before this incubation period of this virus is over.

**Ashwini Kumar:**

Yes. And sir, when the China activity picks up, let's say and there are let say improvement in the demand and they basically again, might focus on infrastructure although they're talking more of 5G this time versus the rail which they did in the last five years. Does it offer you an opportunity because if in Europe for some places, your competitors are working at a much lower capacity. So, China pickup does it in any way help you in compensating for the decline in US and Europe directly?

**Baba Kalyani:**

Well, to some extent, yes. But our exposure to China is not very large right now. We used to have two operating plants in China at one point in time. And we sold them and walked away from it. Because, we thought it was a lot of waste of management effort and time and resources and not producing the right kind of return on investment. And that's why we shifted our focus to wherever we were. And that was right, because we were able to grow our business in India during that period to a fairly good level. What we see happening in China right now is as the growth picks up, we have today some customers in China, European OEMs, who operate in China, who are buying products from us and that business will pick up. As far as 5G is concerned, that is China's focus and, India doesn't have electronics or a telecom industry to really do anything in that area. So, I don't see much opportunities coming out of that. But, I honestly don't see a big downturn in Europe on a continuing basis. This will have an impact of one or two quarters and that's about it. And I don't think that's too much time in the life of a company.

**Ashwini Kumar:**

Sure, and sir just last thing, in India they have just prior to 31st of December, they chalked out a big infrastructure plan basically which was let's say 20 lakh crore per annum, etc. This might be a bit delayed because of the new priorities at this point in time. But in India, for example railways, etc. If they are going from 400, let's say 150,000 crore kind of CAPEX to 4 lakh crores in a two, three year timeframe. If they were to do it does it offers you any new opportunities in Bharat Forge directly or indirectly?

**Baba Kalyani:**

Very large opportunities which we are already working on. All these areas of infrastructure that you talked about whether it's railways, even defense, even ports, we are working on all these opportunities.

**Amit Kalyani:**

Ladies and gentlemen, thank you for your time and interest in our company. And, on behalf of our management, we wish you all good health and please be safe. And we look forward to continuing our connection and conversation as we go ahead. Thank you very much for your time and have a nice evening.

**Moderator:** Thank you very much. On behalf of HDFC Securities that concludes the conference. Thank you for joining us. Ladies and gentlemen you may now disconnect your lines.