

“SKF India Limited Q4 & Annual Audit Results
FY17-18 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the SKF India Limited Q4 and the annual audited results FY17 and '18 Earnings Conference Call. 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 Ms. Mallika Apte. Thank you and over to you ma'am.

Mallika Apte: Good morning everyone. Thank you for joining the call today. We have with us Mr. Chandramowli Srinivasan – Director (Finance), SKF India Limited. I will now hand over the conference to Mr. Srinivasan who will discuss the highlights of the results for SKF India briefly. Over to you sir.

Chandramowli Srinivasan: Good morning everybody. At the outset let me just say that for the first time I will be taking this call alone because our Managing Director is extremely new and right now he is traveling, so he has not been able to join in on the call and having joined only on 1st of April, he felt anyway that I was probably the better guy to answer most of your questions.

We have had a reasonably strong performance for the full year 2017-18. Our sales grew by about 4.5% but the bottom line grew much better by about 21% for full year. On a quarterly basis our sales is up by about 7.6% compared to the same quarter last year. But considering the fact that the same quarter last year had was pre-GST there is some amount of import duty sitting in our top line on imported products which is not sitting in the current quarter, so if I adjust for that then sales are really up by 11% and on that we've grown our bottom line by about 28% on the PBT level, so reasonable set of numbers. I'm willing to ready to answer questions from all of you.

Moderator: Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Nishit Jalan from Kotak Securities. Please go ahead.

Nishit Jalan: Can you share some details on which segments have done well in this financial year and where have we struggled in terms of industry growth and our market share per se?

Chandramowli Srinivasan: I don't quite have the numbers on the financial year basis because for all practical purposes we measure it on a calendar year basis which is **our Swedish accounts here 3.25** But I have it for the quarter and we have already shared the previous quarters with you. So for this quarter our sales compared to the same quarter last year, our car segment has been steady, flattish I would say, our truck segment has grown very strongly for us by about 19%, tractors we have grown by about 28%, our vehicle

aftermarket has grown well this quarter by about 13% of course we must remember that last year same quarter was soon after demonetization has happened so there was some base effect in that. Our two-wheeler and that segment grew by about 25% this quarter compared to the same quarter last year and our industrial markets grew by about 3% in which distribution grew very handsomely by 20%. What did not grow or pulled it down actually was the wind energy segment because as you know there is not much of turbines being made in the country at this point of time. That's the broad area where we have grown. So you could say practically all segments have grown, some of them in the single-digit and some of them in strong double digits.

Nishit Jalan: But we were hearing from some companies is that wind energy segment is picking up now and FY19 should be a good year. Now we have started seeing some orders on the wind front, do you agree with that, are you seeing something similar in your business as well?

Chandramowli Srinivasan: We expect to see that from the July-August-September quarter. We are not seeing too much traction. Right now, people are still selling off whatever stocks they have because there were lot of turbines made and then the power tariff crashed so much that the demand went out. So we expect to see in the second half of this year, we expect to start to see traction in demand for us.

Nishit Jalan: In normal times wind energy used to be 5%-6% of our overall revenues, right?

Chandramowli Srinivasan: That's right. In good times it was around 6%.

Nishit Jalan: In cars we were supposed to start the orders for this Hub-3 bearings but looks like the volumes for you have been flat revenue, has that not started yet because that was earlier supposed to start at the start of FY18 itself?

Chandramowli Srinivasan: That's right. So, the Hub-3 project has actually got a bit delayed, not because of any fault of us. We are actually ready with our line and ready to produce actually but our major customer for whom we have built this line right now, they faced some quality issues with the Hub-3 that was supplied to them, not by us but by one of their other suppliers, they faced some quality issues on the field etc. and they've gone in for the revalidation of the design itself. So right now, they have changed some of the design specifications and that's led to a delay in the launch of Hub-3 by them as a supplier of the car itself. We are hopeful that this will start by July, so this month actually the customer locally here has actually approved our design but now its pending in Japan for approval by the Japanese technical collaborator of theirs and we expect to start supplying to them from July onwards. We've also taken a decision that in case that doesn't happen then we will actually use that capacity for supplying somewhere else

in the world rather than keep it. Right now, it's been reserved for them, so it hasn't shown any numbers yet for this year.

Nishit Jalan: What kind of capacity have we set up for that?

Chandramowli Srinivasan: It's 500,000 pieces line and it can go to 700,000 pieces with addition of a few balancing equipments which we are in the process of adding.

Nishit Jalan: If I look at your FY18 CAPEX, it's around the similar range of 40 to 50 crores. But we were being told in the previous calls is that capacity utilization is almost at 100%, so how should we look at CAPEX? Are we looking at any Brownfield or Greenfield kind of a CAPEX because growth should ideally improve, and you are already operating at around for utilization, so how are we looking at that?

Chandramowli Srinivasan: So, no Greenfield but Brownfield definitely. We will be investing in 2018 and 19 in the range of we expect around 100 to 150 crores per year kind of level. It may be more in 2019 and slightly less in 2018 but this year itself we expect to spend about 100 crores and next year it could be even higher. And up to 2020 we've drawn up plan, so we've drawn up plans to increase our capacity quite a bit here.

Nishit Jalan: And this CAPEX will be for the kind of product which we are already manufacturing in India?

Chandramowli Srinivasan: No, it's a mix of new products as well as adding capacity to existing product lines.

Nishit Jalan: Then ideally your trading mix should come down if you would be localizing production of some of the goods which you were earlier...

Chandramowli Srinivasan: It will come down probably not so much because we will manufacture what we are importing but on the automotive kind of product itself there is a shift. As I said the Hub-3 will come in more and we are planning to add capacity in Hub-3 as well. Then there are pinion units and then there are split truck-Hub units etc. So, on the automotive products itself there are going to be new products, so it may not necessarily replace what we are importing today. These are actually completely new products which today we are not producing at all and not supplying but the market itself is evolving in that way and therefore we are adding product lines.

Moderator: The next question is from the line of Ramakrishnan Seshan from Spark Capital. Please go ahead.

Ramakrishnan Seshan: Could you help us with the contribution of the various sub-segments to the revenue for the quarter?

Chandramowli Srinivasan: Automotive OE in this quarter for us was about 30% of our total sales, automotive aftermarket was about 13% of our total sales and exports was about 8%. I say exports at the same time because they are primarily for automotive, so then if you add all three together you will say that automotive, including exports was about 51% for this and industrial was about 49% where aftermarket was about 26% and OE about 22%.

Ramakrishnan Seshan: How would the breakup of traded and manufactured goods read in this quarter?

Chandramowli Srinivasan: 38% came from traded and 62% came from manufacturing.

Ramakrishnan Seshan: And what was the proportion last quarter, third quarter?

Chandramowli Srinivasan: Last quarter traded was 41% and manufactured was 59%. So this clearly shows the growth in the automotive side of our business.

Ramakrishnan Seshan: And within industrial OE what would be the split between various industries broadly?

Chandramowli Srinivasan: Energy is right now only 1% of the total sales. So if I breakup the 23 that I mentioned then energy is 1%, railways is 6% and balance is what we call the other industries which of course we split into key accounts and all other industrial OEs but Yes, you could get balance of the rest which covers the whole range of industrial.

Ramakrishnan Seshan: For my second question I just want to dial back a bit few quarters in fact—a few quarters ago you mentioned that we were setting up a local warehouse for improving turnaround times and bringing in more efficiencies in the trading operations per se. so what's the status of this arrangement now and how has this steadied our margin if at all?

Chandramowli Srinivasan: It is fully functional; it's functional now for more than a year and its set up in Chakan, about a few kilometers from our main factory in Pune. So all the imported goods now come in there and from there then they are dispatched to the different.... we still have a few, very few imports coming-in in other locations. But by and large it all comes in here. It has definitely helped to improve our availability. Having said that there is globally today quite a bit of shortage in some of the product lines as the world global demand as well as increase for some of the industrial products, so we do face some challenges on the delivery front when it comes to both imported and even domestic product wise, the demand is quite good. This facility has helped us in a way in the sense that we have managed to rationalize and reduce our freight cost considerably because earlier you would get a lot of part container loads etc. and now we are able to consolidate and get full container load. It helped us to improve our lead time to deliver to the market, in that sense we have gained a market share I am sure.

Ramakrishnan Seshan: Would you have a guesstimate of how much your freight cost would have reduced as a consequence of this which probably a considered...

Chandramowli Srinivasan: It is there in the figure, so I don't want to spell out exactly how much we have saved but obviously we saved on freight cost.

Ramakrishnan Seshan: My last question is on traded party specifically on SKF Technologies, so what's the extent of purchases that we have made from SKF Technologies in FY18 and how does that compare to FY17?

Chandramowli Srinivasan: It is actually depending entirely on the mix of where we catered towards, for example earlier we were catering from that factory to the wind energy segment but now that the wind itself is down that contribution is reduced. But however, that contribution of this in the railway segment has increased a lot. So, I think in a way it sort of right balanced itself out, the idea ultimately objective is to use that factory more and more but obviously there is a certain size limitation range that they can manufacture. So right now, it is still about only one third of our total spread or even slightly less, maybe 25% to 30% of our traded good comes from the Ahmadabad factory, the rest is still imported.

Ramakrishnan Seshan: On loans related party given in the balance sheet, so the amount classified as long-term has increased from 90 crores last year to 145 crores in March, FY18. So is it that SKF Technologies requires some additional funding support over the medium-term is, is that the reason why you have classified the greater amount in long-term?

Chandramowli Srinivasan: No, we have and increased the total amount of loan, but we have extended the period of loan in this classified.

Ramakrishnan Seshan: So the amount classified as short-term is just about 12 crores odd so that is what we see coming-in in FY 19, right?

Chandramowli Srinivasan: Yes, correct.

Ramakrishnan Seshan: Any specific repayment schedule for the 145 crores?

Chandramowli Srinivasan: Yes, it is extending up to 2021 or 22 I can't remember exactly. But I think it's another three years beyond that.

Moderator: The next question is from Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia: Just in terms of the industrial part, you mentioned just one clarification there. So when you say energy 1%, railways 6% of the 23% pie, you have given these numbers as per percentage to revenues?

Chandramowli Srinivasan: Percentage to revenues.

Kunal Bhatia: Also in terms of you said there is an improvement in industrial apart from the wind energy. So this wanted to know in case of aftermarket which is 26% in industrial which segments actually witnessed growth and if you remove the wind energy part how was the growth there?

Chandramowli Srinivasan: The wind energy part is within the 23 which is the industrial OE part. The aftermarket which is 26 has grown from last year same quarter it was 24% of our total revenue, so that is grown. And that is pretty broad-based recovery in terms of all the user industries to which they cater. But if I have to name some of them cement utilization has improved, steel has improved, material handling has improved, machine tools to some extent some places. So, on the industrial aftermarket side I would say the pretty broad-based recovery across various industries. We don't see yet private CAPEX kind of project expenditure too much of it. There are some, not that it's completely not there but that is comparatively lower. But the utilization of many of our user clients has gone up, plant utilization and that itself creates a demand for the normal maintenance kind of requirements, so that has improved a lot.

Kunal Bhatia: My second question was in regard to; we have already seen an improvement on the IIP numbers. So if I take it from November to Feb kind of a period, we have seen 7% kind of growth and in November it was a one blip of 8%, so there has been some improvement which is coming in on the industrial side, just want to know in terms of our top-line growth, we see the 7% kind of growth. I agree you will not give a short-term growth trajectory but over the long-term period how do you see the growth panning in from the current levels and on the other side have we been able to take price increases from our clients because on one side I believe even this quarter we managed to have good gross margin levels. But going forward with the rise in commodity have we been able to go in for the price increases and escalation on the same?

Chandramowli Srinivasan: As I started the conference call let me clarify that as I said the sales growth in this quarter compared to the same quarter last year looks as if it is 7.6% only but as I said because the last quarters included as far as imported goods were concerned, the element of CV duty in the top line which is now not there in GST the real growth is 11%. So it is not in single-digit, we have clearly gone into double digit growth. Having said that within that automotive has grown by actually 20% and that's a big part of the growth that is happening in India today. On the industrial side, energy as

I said has dropped by almost 72% for us so that's dragged down the overall numbers. Most of the other sectors have shown reasonably good growth, so that's on the growth side. We definitely expect and hope that this growth story will actually continue going forward as well and that's the reason why I mentioned in one of the previous questions that CAPEX is now definitely going to start for us. Steel prices, yes definitely on the increase, price increases have always a matter of having to have long negotiations with our customers and doesn't always happen at the same time as when the steel price increase happens generally happens with a bit of a lag. Whether we are able to pass on everything is of course always dependent on the pricing power etc. But so far, we've still managed to keep our material cost to sales ratio reasonably well under control in spite of the steel price increases, so that's what I can say.

Kunal Bhatia: Finally, the Hub-3 bearings, when do you expect this to start contributing to revenues?

Chandramowli Srinivasan: We are hoping that from July onwards we will be able to start supplying. I know that this has been delayed and every quarter we have been saying but as I explained in the previous question the customer himself was...Right now our line is fully ready and we are raring to go and it's just waiting for final approval from Japan which in May the decision should happen and internally we have almost sort of decided that then if this customer is still going to delay then we may probably have to put the capacity to use for exports or something like that.

Kunal Bhatia: The 500,000 pieces is the full year capacity?

Chandramowli Srinivasan: Yes, correct.

Kunal Bhatia: And if utilized fully what revenue contribution that could have?

Chandramowli Srinivasan: I'm not 100% sure but I'm little not sure of the exact value numbers for that.

Kunal Bhatia: Any ballpark?

Chandramowli Srinivasan: No, I don't want to hazard a guess honestly. I think it should be about 400-500 million per year kind of number.

Moderator: Next question is from Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: What is the traction we are getting in service business? Of course, it's a new segment but can you comment directionally, how it is shaping up?

Chandramowli Srinivasan: Service business is part of our overall industrial aftermarket business which as I said has grown by 20% in this quarter compared to the same quarter last year 21%. We are definitely moving towards selling more and more of our products with what we call the Rotating Equipment Performance (REP) approach. It means that we are telling our customers that we are not just a product provider but total solutions provider that will reduce their total cost of operations. And that's how entire platform on which our service approach is built, so it's bundling of not just services but all the other condition monitoring equipments and things like that. At the end of the day the pitch with the customer is that we are not just a bearings or even lubrication system provider or even a condition monitoring equipment provider but a solutions provider who will actually help you to improve efficiency in your plant and that is getting traction. Of course, it's a long journey but we are definitely getting traction with steel, with paper and pulp and quite a few of such customers in different segments who value us for the knowledge that we bring and who are willing to sort of say that 'okay we will engage with you on a reduction on total cost of operations kind of approach', so it is gaining traction, yes.

Vipul Shah: What should be its revenue contribution this quarter?

Chandramowli Srinivasan: The revenue is a little difficult to measure because there is still a lot of products in that sale. So the services per se will contribute only about 2% of our total revenue but that's just what we invoice as services. But the more important thing is the bundling of the entire solutions, so we have just started a measurement system in the group to try and capture the value of product sale also that are done through this approach. Till that is done I will not be able to tell you that how much of our product sale has improved because of the service approach. But clearly that's the direction in which we are going to sell more and more of our total solution package in which revenue will be quite small but it's the whole approach is what we call the Rotating Equipment Performance (REP) solution.

Moderator: Next question is from Raghu Nandan from Emkay Global. Please go ahead.

Raghu Nandan: Just wanted to understand like FY18 was relatively lower growth year for the industrial segment. Do you expect the trend to reverse next year? I'm trying to understand whether the contribution of industrial can increase going ahead.

Chandramowli Srinivasan: The first quarter has shown that our industrial aftermarket has grown as I said very handsomely compared to the same quarter last year. The industrial OE unfortunately has not grown mainly because of the energy segment. As I said from July onwards we expect that the wind segment will start to show up again, so hopefully that will also improve. So yes, we expect the industrial market to also grow in this year in

fiscal year '18-19 compared to '17-18. Automotives of course going quite well and we hope that that will continue.

Raghu Nandan: How is the outlook on railways and again in railways, there was upgradation towards higher content per vehicle in terms of like use of higher realization bearings, so how is the trend going there?

Chandramowli Srinivasan: No, we don't see any meaningful increase in the trend of increasing what we call the K-Class bearings. So there are some dispatches of K-Class bearings going on but right now the government is still bidding for the E-Class bearings only on a bigger scale, so the K-Class is still going slow. Though trial orders, etc., are being done and we have supplied a sample lot. For us it's the same line that we manufacture both the E-Class and K-Class bearings from Ahmadabad. But yes, the K-Class would add a lot more value to our top-line but so far, we don't see that from the government yet.

Raghu Nandan: How has been the growth last year and how do you expect the growth ahead?

Chandramowli Srinivasan: This year we expect to grow the railways business by another 17%-18%.

Raghu Nandan: For the quarter, the other expenses has been on the higher side, is there any one-off there? Generally, the run rate of other expenses for the first three quarters of the year were at 112-113 crores, this quarter it's been 134 crores.

Chandramowli Srinivasan: We have had a FOREX loss of 59 million this quarter. We've also had higher expenditure on CSR in order to make up our 2%, so that generally happens in the last quarter because our CSR expenditure is not very even because as you know our major CSR program is to train the underprivileged class of children to become garage mechanics and that kind of stuff. A lot of that expenditure in that program is incurred whenever we set up new centers. Today we have five centers in the country; we had three till about sometime back. So generally, the cost when you set up a new center is sort of highest and after that it sort of just the training cost is there so that's more even. So, we have had setting up of two more centers in this quarter which also took up some expenditure. We also had to do that in order to meet our 2% obligation as well. And then some extra cost on freight, etc., that happened because as I said we've had a global availability problem and therefore we've had to import goods on air, etc., and even after reaching India then we've had to put it on air-freight to reach our customer, so that's also increased a little bit of our logistics cost in the outward side.

Raghu Nandan: For the past year how has been our market share?

Chandramowli Srinivasan: Is been fairly steady, around the 27%-28% mark.

Raghu Nandan: For the full-year would you have the revenue mix or even on a CY17 basis if you had the revenue mix you can share that?

Chandramowli Srinivasan: CY17, our automotive OE was about 29%, our aftermarket on the automotive was about 12% and exports was about 10%. Totally automotive was about 50% and industrial was about 50%, almost equally split between industrial OE and industrial aftermarket.

Raghu Nandan: How would be the mix of two-wheeler and four-wheeler OE?

Chandramowli Srinivasan: It changes a little bit but right now it's about fairly 50-50 between the two of them.

Raghu Nandan: How has been the growth in exports and what do you expect ahead?

Chandramowli Srinivasan: Exports this quarter compared to the same quarter last year was almost at the same level. Little difficult to predict now, exports will grow because it really depends upon how the European market, etc., grows which is one of our prime. But having said that we've started to develop new markets now in Latin America, even in Southeast Asia for some of our products, our housings businesses growing well on the export, but they are still starting from a small base in Australia and in the mining area, etc. We expect the exports will be reasonably growing segment for us.

Moderator: The next question is from Mitul Soni from Geecee Investments. Please go ahead.

Mitul Soni: Just want to get some clarity in the beginning remark you said the total industrial for us has grown by 3% for the quarter.

Chandramowli Srinivasan: Yes.

Mitul Soni: And out of that the aftermarket has grown by 50% or 15%?

Chandramowli Srinivasan: Aftermarket grew for us by 20%.

Mitul Soni: The OE part has declined quite a lot by about 14%-15%?

Chandramowli Srinivasan: Yes, energy went down by 75%.

Mitul Soni: But if you exclude the energy then how was the rest of the segment for the industrials?

Chandramowli Srinivasan: Railways grew by 3% and the others together grew by about 8%-9%.

Mitul Soni: Just to understand if you were to segment the auto segment for us, how would be the application wise our distribution, so how much of the application be going into transmission, chassis, wheels and could you have that sort of breakup?

Chandramowli Srinivasan: No I wouldn't have that breakup.

Mitul Soni: How much of our business will be coming from components? Do we have anything or is it completely and entirely from bearings?

Chandramowli Srinivasan: Bearings, we don't sell components.

Moderator: Next question is from Shekhar Singh from Excelsior Capital. Please go ahead.

Shekhar Singh: Just wanted to know what's the competitive intensity right now?

Chandramowli Srinivasan: I would say it's very stable. It hasn't changed much. I won't say it's increased a lot. I won't say it's decreased a lot either. I keep getting asked this question whether GST has made any impact. Our aftermarket on the automotive side has improved but we would like to think it's more because of actions that we put in place rather than GST having eliminated the very bottom end of it, I don't think so. And because the bottom end of the market was something that anyway we were not really into. That's a very-very low-price segment, quality is pretty bad, so that hasn't changed much for us. We have grown well in the aftermarket, but I think that's all because of actions that we have done.

Shekhar Singh: What's the plan on price increases like one in line with raw material increase and secondly just even if you've compensated for raw material price increase, can you increase the prices further, you are running at almost full capacity utilization.

Chandramowli Srinivasan: Yes, so price increases are not that easy to get. We're talking about selling to big OEMs, etc., so we've always been reasonable in our request for price increase but it's still always a pretty hard-fought tussle with the OEMs to get the price increase. Having said that we've generally been reasonably compensated for material cost increase. What we also do of course is to keep on looking at our sales mix and to see that especially when capacity is short then can we do something by selling in the better segments and give up some of the bad businesses, etc., so that itself helps us a little bit. We are not into that opportunistic price game to say that 'okay now there is a capacity shortage just go and ask for anything' no, that's not the principles on which we work.

Moderator: The next question is from the line of Ajit Motwani from Bharti AXA Life Insurance. Please go ahead.

Ajit Motwani: I was looking at the movement in our gross margins in respect of the fact that our traded portion on revenues have come down by 300 bps quarter-on-quarter and our replacement revenues on auto side has grown well and on the industrial side is up 20%. So essentially if the traded are coming down and the replacement is better, shouldn't our gross margins be better quarter-on-quarter or is it the fact that we are yet to get the full pass through of material or is it the segment mix that has impacted the gross margin?

Chandramowli Srinivasan: I look generally more at the operating margin and we've grown our EBITDA margin from 13.1% last year same quarter now to 15.5%. I think that's showing up there in a way.

Ajit Motwani: If you want to look at EBITDA margin also sequentially there is a drop. But that's by and large because of the other expenditure. So, would you say the underlying business margins are intact and all the price pass throughs have by and large happened?

Chandramowli Srinivasan: No the price pass-throughs some more will happen in the coming quarters. Generally, April is when most of our contracts for price with our customers normally get signed-off. Some of that we will see going forward. Of course, it's not that material cost increase has stopped happening I mean that also is a continuous thing. If you see sequential margins then of course we've always said that we should not be seeing quarter-to-quarter because we have some variations in terms of sales mix, in terms of some of our expenses, etc., so yearly is a better way of looking at us rather than quarter-to-quarter. I agree that last year October-December quarter was exceptionally good quarter but that for lot of different reasons as well.

Ajit Motwani: The other expenditure you said has an FX loss of about 6 crores, what does it relate to in the sense is it raw material procurement?

Chandramowli Srinivasan: Mainly traded goods.

Ajit Motwani: But would you say that you get a corresponding increase in revenue from the clients on this in the sense if it is dollar linked?

Chandramowli Srinivasan: No, our prices are not dollar linked, so they are rupee-denominated. Over a business cycle we've come to sort of manage these FOREX ups and downs so it's a small depreciation that happens in the rupee compared to the euro, our major buying is in euro. Over a period of time we found that it balances itself out, we of course changed our price point in the market. Over the business cycle its sort of tends even itself out. Quarter-to-quarter you will see some ups and downs.

- Ajit Motwani:** This comes when the euro appreciate against the rupee, right?
- Chandramowli Srinivasan:** That's right.
- Ajit Motwani:** The CSR expense, how much was the CSR expenses booked during the quarter and what's the full-year expense?
- Chandramowli Srinivasan:** During the quarter our CSR expenditure was 27 million and our full year was around 74 million.
- Moderator:** The next question is from Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** Just a follow up in terms of CAPEX you mentioned 150 crores to 200 crores that is for both the two years put together?
- Chandramowli Srinivasan:** No, for each year. This year probably 100 crores, next year 150 crores.
- Moderator:** The next question is from Sandeep Baid from Quest Investments Advisors. Please go ahead.
- Sandeep Baid:** My question is again on FOREX; do we have a hedging policy because given the share of traded goods we do import a lot?
- Chandramowli Srinivasan:** No, we do not do hedging. As I said it's a conscious decision that we've found over a period of time that over the business cycle it evens itself out, either our selling prices will go up, sometimes our buying prices will come down in the subsequent quarters if the euro appreciates too much so we really don't find the need to hedge. Other than quarterly small variations, we really manage to live with it.
- Sandeep Baid:** You mentioned that imports is largely in euro, what about our exports, our exports revenues are also mostly Euro?
- Chandramowli Srinivasan:** Primarily in euro only, yes.
- Sandeep Baid:** So to some extent we have a natural hedge?
- Chandramowli Srinivasan:** Yes, that's right. But of course, our imports are much high than exports.
- Moderator:** Next question is from Mamta Verma from DC India LLP. Please go ahead.
- Mamta Verma:** I just wanted to understand in terms of the asset sweating, what is the kind of range with which SKF India works given that you have almost 200 crores worth of CAPEX

coming each year, cumulative CAPEX over the next two years, what are the kind of asset turns one could expect?

Chandramowli Srinivasan: Generally, we have a pretty capital-intensive industry, so our asset turns are generally about 1.5x to 2x.

Moderator: Thank you. There are no further questions in queue.

Chandramowli Srinivasan: I hand the phone over to Mallika for closing comments.

Mallika Apte: On behalf of SKF India I would like to thank you for joining us today on this Conference Call. Should you have any further questions for the management, please drop me a mail it is at mallika.apte@skf.com. Have a great day ahead. Thank you.

Moderator: Thank you very much. On behalf of SKF India Limited, that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.