- Industry structure – Around 7 to 8 players globally – Gates, Contitech, Pix, JK Fenner, Mitsubishi etc
- Global Industry size around 3.2 billion dollar growing at 2-3% by volume
- India Industry size – 1,500 crores
- Technology – For mechanical power transmission – there are only three ways – Chains, Belts and Couplings – No immediate technological threat
- Growth Scenario for domestic – Company is targeting 30-35% growth and international around 20%
- The total industry growth would be much slower which means company is expecting to take significant market share
- China's Positioning – The major cost in the industry are raw material, power and manpower – Raw material cost is same for all companies. In terms of Power and manpower cost, chinas position is continuously deteriorating and thus India's relative positioning is improving
- The products which Pix Manufactures are mostly standard in nature. The design and specifications are universally approved based on different applications. Therefore, we are mostly in the build to stock business. And Pix's entire focus is replacement market. OEM business is restricted to get a pulse of the latest changes in technology, customer requirements etc. It believes OEM business is difficult as they have exercise the bargaining power where as in replacement market they can set the terms with the distributors. They claim to charge 30% interest
- Being generic/standard product, they still are not affected by Chinese mfg because the company claims to have a very good network of service network which they claim is a big differentiator – These people help in deciding the right belt for a particular need which will offer best performance and least power cost. They act like a doctor and recommend best solution which they claim is a big differentiator. They claim they charge for the service and not the product
- Market share: In the domestic market they say replacement market is around 700-800 crores. Our domestic revenues are ~130-150 crores which implies domestic market share of ~20% assuming all our domestic revenues are replacement
- We are #1 in agricultural belts according to the company
- No data on exports market share
- Demand scenario on different product types – the recent growth in the revenue is driven by a combination of three factors
    - Shift from unorganized to organized market post GST implementation - Huge unorganized market in the replacement market; Management didn't quantify though
    - Pick up in domestic market driven by core sectors of steel, mining and industrial
    - Pick up in exports as well although didn't share the sector
    - Pix positioning in OEM and replacement market – We are purely replacement brand with minimal presence in OEM – We have spent lot of time and money on building the distribution channel and brand to ensure the brand is acceptable without having an OEM presence
    - The chairman said it's a big myth that you have to be present in the OEM market to tap the replacement market and that his company is an example of the same
        - Has Balkrishna Industries done the same with OHT tyres? Let us check
- Utilization Levels – The total revenues at full capacity will be 375 crores – Said operating margins can range from 18%-25% depending on product
- He was talking about the hose division in a negative light – They were struggling etc.
- He was talkling about the company post hose division sale in a positive light, a new chapter etc etc

- Capex will continue to be in 15-20 crore range
- No guidance on debt reduction but said they will continue to have some debt on the book
- Raw material is synthetic rubber – No natural rubber, no reclaimed rubber
- He attributed the gross margin expansion to the capex and modernization capex
- Steady state margins – between 18% - 25%
- The property on lease is the BKC one property
- Inventory days are very high due to high number of SKUs –
- He didn't find anything wrong with their working capital cycle; Rather he expects it may deteriorate slightly going forward
- Capex for R&D and new products – they have developed belts for helicopters – they sell around 600 of them every year

**<u>Other Notes</u>**

- He consistenly said we are very small compared to competitors
- Gates corporation has 60% higher realizations in US compared to Pix; In domestic market its comparable
- He was very positive on the Indian market over the long term
- As far as moat is concerned, he said more than money, a new entrant will need lot of time to build similar scale of business as
    - He will need a large number (10,000 )types of dies and tooling to mfg different SKUs of belts
    - Then it will need to build the distribution channel
    - And finally service network is an important part of the offering
    - New customer in US – 3.5 US$ million from next year
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