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By online submission

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Dear Sir,

Subject: Q1 FY 2017-18 Earnings Conference Call Transcript-reg
Ref: Reg. 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We refer to our letter dated 01st August, 2017 regarding the intimation of Analyst / Investor Conference Call on the Un-audited financial results of the Company for the first quarter ended 30th June, 2017 Scheduled on 03rd August, 2017 at 12.00 P.M (IST).

In this regard we herewith enclosed the transcript of the conference call as required under Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The said transcript of Con-call is also made available on Company's website: www.igarashimotors.com

Kindly take the above information on your records and acknowledge the receipt of the same.

Thanking You.

Yours Faithfully,
For **IGARASHI MOTORS INDIA LIMITED**


P. Dinakara Babu
Company Secretary

Encl: as above



“Igarashi Motors India Limited Q1 FY 2018 Earnings
Conference Call”

August 03, 2017



**MANAGEMENT: MR. P. MUKUND -- MANAGING DIRECTOR, IGARASHI
MOTORS INDIA LIMITED**

**MODERATORS: MR. PRIYA RANJAN -- SYSTEMATIX SHARES & STOCKS
(I) LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Igarashi Motors India Limited Q1 FY 2018 Earnings Conference Call hosted by Systematix Shares & Stocks Limited. 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 “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Priya Ranjan from Systematix Shares & Stocks. Thank you and over to you, sir!

Priya Ranjan: Thanks, Inba. Good Afternoon, everyone. It is our pleasure to host Mr. P. Mukund for Quarter One Earning Call for FY 2018.

So, I think, now I would like to handover the call to Mr. Mukund, who will give the brief background what is the market opportunity, etc. and then we can take it forward for Q&A. Over to you, sir!

P. Mukund: Thank you, Priya Ranjan. Ladies and Gentlemen, Good Afternoon. Thank you very much for your interest to participate in this call. And with your permission, I would like to spend a few minutes at the outset giving an overview of what we consider as certain critical pillars as far as our forward periods are concern and probably after that I will open it for questions from you if that would work for all Priya Ranjan?

Priya Ranjan: Yes, sir.

P. Mukund: Okay. The first topic that I want to address is from the growth standpoint because this is something which we have been narrating to ourselves over the past many month in terms of how do we look at stepping-up as far as the growth opportunities are concerned for us over the next forward years.

So, I would like to throw some light on few pillars that we are working on which are going to be the mainstay as far as our growth are concerned. As all of you are aware principally 90% of the business of Igarashi Motors is derived from torque actuator motors which goes into the internal combustion engine space for applications like ETC, EGR, and wastegate.

I just want to throw some light on some recent market information that we had addressed to in the last three years from the various survey’s that was conducted with customers at our headquarters in Japan.

Now, interestingly if you look at the Torque Actuator Motor space back in 2016 the total size of the market as we analyzed was about 150 million motors annually and based on the trends that people have gathered from various customers and people who play in the space, it is

estimated to go to about 200 million to 210 million over the next five years. And principally the increase seen in the EGR space driven out of emission and the wastegate actuator space driven out of Turbochargers which is also beginning to manifest in Gasoline Engines wherever you need lower number of cylinders for the same power post Turbocharging and somewhere where you need more power with a help of Turbocharger. So, this is an interesting study because it is very clear that the tapering down of the internal combustion engine is not going to happen very soon and it is going to take at least a decade for it to continue manifesting till diesel and gasoline engines are constituting more than 95% either in its individual form or in a hybrid form. This is a positive information for us. But we are not resting with this information. We are quite aware that the world is very strongly moving towards electric vehicles, hybrids and so on.

So, therefore, having made a good information pack as far as the TAM Motors is concerned for a medium-term. We expect our capacity additions to continue over the next years and I will come at a later point in time to give a view of what is happening on the street exactly as we see now at a later point.

Now, with over 90% of our portfolio coming out of ICA engines, very clearly it is a reason for us to look at mitigating this risk by getting into other areas. So, I am very happy to inform that the second pillar that we are working very strongly is on the comfort actuator motor space. Needless to say, that what use to be luxury and comfort in the former days are becoming convenience and standard now.

So, in this Annual Report, if some of you had access to read the MDA chapter, we have given a table where the application in the comfort actuator motors space are being addressed by us in Japan, China as well as in India. And later I will also explain a little bit about the merger process which is in the public domain and going on.

But I am pleased to inform that we have got into this comfort space two years ago, we did about a million motors for this comfort space and this year we will be approximately 6.5 million motors for this comfort space principally in the seat and the steering area.

Now coming to the size of the market, here again, we are seeing that if we take the seat and if we take the body which includes actuators for the trunks, actuators for the new application indoors, leaving windows aside. Here again, we are seeing the market size which was about 140 to 150 million pieces in 2016 to go to around 200 million principally being driven by the penetration of electric motors into seat actuation. So, this is a good trend. So, if you look at it from an individual TAM portfolio which was 90% post-merger, we expect the comfort actuator motor to contribute to more than 33% of our portfolio in the merged entity and which is also happening in the Agile platform which is going to be merged post all the regulatory approvals and the NCLT approvals. So, this is the second pillar that we as a company not only in India but as a group globally are working on to look at our growth opportunities.

No, the third pillar that we are working is the non-automotive area, hitherto, as far as we are concern from India, our play in the non-automotive space was very-very limited and our parent in Japan had a reasonably footprint as far as non-automotive is concerned. And I am very happy to inform you that we are seeing a lot of positive enquiries for applications of electric motors in furniture space, application for electric motors in beds in markets like Japan where it is aging population and people want the beds in hospital and now even at homes to have a pre-access degree of movement and likewise there are new areas like pumps which are for either appliances or for domestic areas and so on. So, this is something which we have launched on our exploration desk and right from end of this year we will start supplying some motors to some of our customers who will be using it for furniture application through some very well-known supermarket chain.

So, these are three organic pillars that we are working on as far as our growth is concerned. And the fourth which we are being talking for the last 1.5 to 2 years is we have developed a certain niche ability from the point of view of engineering and manufacturing competence in electric motors and electro-mechanical assemblies.

And as you know, I think over the last 3 to 4 years our financial position also has strengthened quite well and we also are dealing with some large customers. So, what we are trying to accentuate internally as the leadership not only in India but at the global level, we are working with some of our customers and some our advisors to look at what are those semi-organic opportunities that we can work on and these opportunities are being explored very actively not only at India but at the global level for the manufacturing footprint to happen in India.

So, broadly as a summary, in the forward years I cannot say whether it will be 3 years or 4 years but as we go forward from a 90% exposure to TAM in ICE we want to immediately bring it down post-merger to less than two-thirds and then with the introduction of non-automotive we want to look at it at about 50% while their growth takes place. And at the same time, we do not have a clear number with regard to the semi-organic opportunities but strong internal discussions are going on, so that we look at the exposure of each of these contributing to about one-third of our entire business pie as we go forward. So, I thought it is very important for us to articulate to you analyst to have a macro information as well as micro information in terms of what the company is directing itself towards as far as the growth is concerned.

So, having said this, as far as the market and the product opportunities are concerned, I would also like to dwell on the second part, which is an important part in terms of how the product technology is moving. I think in the last calls that we spoke off, we had always been taking about how electronic is creating a massive disruption as far as products and technology is concerned. So, while we are a middle-class product and electric motors were used 50 years ago and it will continue to be used 50 years later. But we are seeing a good transition as far as the brushless DC motors are concerned as compared to the brush motors. Formally, in the earlier call and in certain earlier reports we found that the cost delta for a brushless DC motor was 3x

of what a brush DC motor is concern. And I am happy to inform that we with our parents in Japan and some of our partners in Taiwan and Korea, we have started working with them to look at how the cost of electronics in other areas like communication, like computers has come down drastically. So, we are trying to learn through that route and see how we can start addressing the brushless DC controller drive technology through various modes to see how we can get the product performing and the cost also not being prohibitive for us or for our customer.

To be very specific, we have chosen one product in the TAM area, one product in the comfort actuator motor area, and one product in the household appliance area, and since last year we have been having internal discussions with our technology leaders not only here but in Japan as well. But as I see, beginning of next year we will be able to talk to two customers for each of these products and discussion with our field colleagues are already taking place as far as BLDC is concerned, good traction is being built. And as I said in one of our earlier calls, our intend is that by 2020, if we are getting 3 request for business quotations, we would like to have one of them being brushless DC motors. So, this is an important point I thought that I should articulate as far as the way we are mapping our roadmap for the technology growth is concerned considering that BLDC is going to be the next option.

Here again, I think we are nowhere near I think writing the **obituary 13.13** of brush DC motor because there are some applications where there is no chance or migrating from a brush DC motor to a brushless DC motor even if we are able to find the economics at par.

Now, the third point I want to cover is something which is very short-term, as far as the current scenario is concerned there are micro signals, micro information that is being spoken about at different places but we are in the business treat and we are getting weekly information from all the markets and our sales colleagues and our teams which are operating at the customer location. What we are seeing as a trend now is as far as the American market is concerned there we have about 40% exposure. We are seeing that overall no doubt there is a step down as far as the run rate in the Americas market is concerned and we are seeing that there is a switch that is taking place in our space of consumption happening more in light trucks and SUVs than in Sedan. So, therefore, wherever people are in light trucks and in SUV there is a slight uptick although there is a reduction overall. I mean Sedan we are seeing a slowdown.

Likewise, when you look at the Chinese market as well, the Chinese market is a market which has a pattern which cannot be attributed to any market or economic phenomena it has so pattern and while we are seeing a slow down as far as the Chinese market is concerned, we expect that October, November, December, normally the Chinese market looks at running at about 50% to 75% more than the average annual rate. And I am quite happy to inform you like earlier I have mentioned somewhere between 20% and 25% of our entire sales goes to the Chinese market from India although we have plants in China and Japan. From India, we are on some platforms and nearly 20% to 25% of our sales is to the Chinese geography.

Third geography that we have work on is Europe. And as far as Europe is concerned, we are not getting any clear signals of growth, there are talks going on in terms of diesel getting converted a little bit to gasoline. Fortunately, we are more in the gasoline engines. But we are not really seeing any pull because everybody is a little cautious with whatever is happening and there is an inventory correction also that is taking place in the short-term. We are seeing this inventory correction taking place in the American and the Chinese market for sure and Europe we are still doing our studies, neither here and there we do not have a clear information but about 3 - 4 weeks from now we expect to get some more information.

So, that is the third point I wanted to address before I open it to questions from all of you. And the fourth point that I want to address which I am sure will be of interest for somebody in terms of what is the status of the merger because we had announced the merger between Agile and Igarashi Motors Limited. I am quite please to inform that there were some communication between the Stock Exchanges, SEBI and our self in terms of the merger ratios and as you know as some of you are already aware, this information is in the public domain and our board and our parents have decided the merger ratio in such a manner that post the merger as well the public partnership, shareholding remains at 25% and we have announced clearly that there will be a selective bonus as a Scheme of Amalgamation when the merger is being done and that would ensure that the public shareholding continues to remain at 25%.

Now, some date guidelines, the merger will be effective with respect to 1-4-2017 (1st April, 2017), so the FY 2018 numbers that we will be posting would be the merged financials. We are not sure when exactly the legal processes and all will be complete but Babu -- who is with me our Company Secretary he says that possibly by January to March quarter everything should be done and closed.

So, we expect that the growth in this year will principally come out of the integration of the Agile and the IMIL platforms.

So, Priya Ranjan, I thought these four points would be important for me to address at the opening before I open it to questions. Now, I am opening it for questions from analyst please.

Priya Ranjan: Thanks, sir. Inba, can you please take the questions now?

Moderator: Sure, sir. Thank you very much. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Sir, I am picking-up from the last line when you mentioned that growth will come on account now, this year on account of merger between Agile and Igarashi. So, is this reading correct that Igarashi business which is the standalone Rs. 507 crores business last year won't grow this year?

P. Mukund: Pritesh, as you know right from the beginning Pritesh we do not give guidance. Internally we had estimated a certain amount of growth. But considering the factors that I spoke about for the short-term, today, I am not able to give you a clear guidance. But your assumption could be fair in terms of the way we see the market at this point in time. Now, if the Chinese correction and the U.S. correction takes place from October - November - December which is a phenomenon that we have seen in the last year, we are not very sure about whether that is going to happen or not. But it will be affair assumption of what you are saying Pritesh.

Pritesh Chheda: Second, on the gross margin line and there is some movement, there is currency which is appreciated. So, should the two be connected with each other and how does currency and pricing for us play?

P. Mukund: See, the factors that our CFO keeps looking at in terms of levers is the first one obviously is in terms of the sales growth numbers. The second one is in terms of the rupee appreciation because since we are principally exporters, we are certainly beneficiaries of a weak rupee which means that if the rupee strengthens then we could have a small change as far as the margin are concerned. But the better news is that he is prudently taking some forward positions based on the policy that our board has outline in terms of 75% of the net exposure for the next quarter 50% for the following and 25% for the following quarter. So, he has this principle that goes now. Now, what will be the impact, we will know at the end of each quarter. But the point is correct, in terms of an appreciating rupee is something that we need to be cautious about.

Pritesh Chheda: So, you do not get on an ongoing basis any pricing increase, right?

P. Mukund: Not for currency. See, our commodity is a 100% pass through, steel, copper, and those commodity that we use is a 100% pass through with a lag of 3 months or 6 months depending on what Chandra negotiates with each customer. And as far as pricing is concerned, once in a year when he works with the customers on the pricing, this is articulated but kept open. It is kept open, it is not a formula like we use to have many years ago of plus/minus 3%. So, what we did was we converted all the commodity to pass through and the currency kept it in his bag to discuss on an annual basis with the customers.

Pritesh Chheda: My last question is what was the FY 2017, you gave the 1 million motor volume for Agile for FY 2017, right?

P. Mukund: No, FY 2016, two years ago I said.

Pritesh Chheda: Okay, that was FY 2016. 1 million motors is FY 2016?

P. Mukund: Yes. And this year we will do about 6.5 million motors.

Pritesh Chheda: So, this year means FY 2018?

- P. Mukund:** FY 2018, Pritesh. Last year we did 3.8 million motors.
- Pritesh Chheda:** Okay, last year you did 3.8 million motors,
- P. Mukund:** Yes.
- Pritesh Chheda:** And what was the profit number for Agile?
- P. Mukund:** Last year it is in public domain already because we have 31, 3 2017 uploaded on our website as well as in public domain. We did last year it is about Rs. 350 crores of revenue and I think the EBITDA was about Rs. 65 crores - Rs. 66 crores and the PAT was about Rs. 32.
- Pritesh Chheda:** Okay, 3.8 million motors, okay.
- Moderator:** Thank you. Our next question is from the line of Ronak Sarda from Axis Capital. Please go ahead.
- Ronak Sarda:** Sir, my couple of questions, one would be on the top motors, what would be the opportunity from the domestic market as and when we move to BS-VI in 2020 that is first? And in relation to that can you just highlight, who are the competition in India who supply similar motors and how do you expect pricing to behave as and when the volumes go up?
- P. Mukund:** Okay. First, I think we are getting a lot of enquiries now for EGR motors and ETC motors from India. There are some players like Del Auto, Pierburg, and there are some Indian players very competent Indian players like Padmini which is run by Kabir Bhandari. So, they are all getting into this space for EGR units and they are all talking to us as far as motors are concerned. Now, I would not be the right person to give you an estimation of what the market size would look like over the next 3 to 4 years because it will be better for people like the Pierberg, the Del Autos and the Padmini to and continentals or so to give a view. You are talking about fairly big number because they are talking about 20, 21 like 0.5 million per customer or 1 million per customer kind of stuff. But my view is that the size of the Indian market as far as the automotive space is concerned, we are about 3.5 million when the world market is there about some 100 million. So, from that standpoint even if there are mandatory penetration, I expect the total market size not be in excess of 2.5 to 3 million pieces per year overall.
- Ronak Sarda:** How much did you say the number?
- P. Mukund:** It should be 2.5 to 3 million. But do not hold me to it because this is up.
- Ronak Sarda:** No, that's fine.
- P. Mukund:** Yes, we are only working to see that the customers need to come to us. Some of our motors are already coming into India by going to Germany and then they are coming to India as unit like

some of the BMW, some of the Mercedes which are being assembled over here. We send the motors there and that gets assembled into a unit Ronak and then it comes back here as a unit to get assembled in the premium vehicles that are manufactured in India. So, I do not have specific numbers. But yes, to make a clear statement as far as your point is concerned, yes, there is an opportunity in Indian market that is coming up and the good news is the torque actuator motors in India for this particular application range as far as my knowledge goes Ronak we are the only manufacturer in India Ronak. So, that is the competition in four. Pricing in India, I do not need to tell you about it, pricing in India in the automotive industry is the biggest challenge that any supplier will need to face because pricing of any component goes more by way than anything else in India needless to say that.

Ronak Sarda: My question was more as the volumes if they grow exponentially, I am assuming there would be economies of scale and some pricing will have to be passed on when I say some it would be much more what you are enjoying now...

P. Mukund: Ronak, what we are going to do for Indian market is we are not going to develop any product that is going to be exclusive for Indian market Ronak. We are only going to look at I had mentioned in our Annual Report that we are working on five platforms wherein we have about 30 to 35 variances. So, what we are going to offer is that we are going to offer to them out of this platform what is the product that they are going to choose and for international companies like Continental, Pierberg, Del Auto, since they already have their footprints internationally, they would also like to carry over the same product since we are supplying to them already in the global geographies Ronak. So, therefore from our standpoint, our strategy will be very clear that the pricing will be global pricing, we are not going to sell in India on a similar scenario at a higher or lower price compare to what we are selling to the Chinese geography over the Germany geography, otherwise you will have all these kind of problems as to we will buy from India and export from India we will get in less amount. We will have a global price our strategy will be very clear whether we make it out of China or we make it out of India and it is going to be for one platform, one product, there would be unipricing that variance will be only in terms of the logistics and the other administrative cost which are variable as far as customer to customer are concerned, Ronak.

Ronak Sarda: Right, sir. Sir, one smaller question, is there the usage of actuator, can it be defined from is there a gasoline or a diesel engine perspective or is it I mean for your current is it common for both

P. Mukund: See, we would like to define it commonly because just as a matter of industry information, with all these diesel information and so on that was going on people expected that Gasoline Engines in the old from will continue. And now, as you are aware CRDI is getting penetrated into gasoline as well. So, with CRDI getting penetrated into gasoline, the accentuation of EGR for emission control and gasoline is also getting much more emphatic than what it was earlier. So, from that standpoint fortunately for us since we are at the Tier-2.5 or Tier-3 level from our standpoint we are neutral whether it is going to be a gas engine or whether it is going to be a

diesel engine or it is going to be a hybrid whichever way it may be. So, we would like to create our technical platform for motors, has been neutral to these engines except for the size and the power and the torque requirements.

Ronak Sarda: Okay. So, just to confirm what we just discuss, so let us say CRDI engine today and for a gasoline engine which would have an EGR, your content supplied would be similar for both variant?

P. Mukund: Correct. Fair assumption. From our standpoint, what we like to map is that whether it is for a gas or diesel, whether it is for an ETC, or ACV, or EGR or a WGA, we would like to have standardized platforms, variance at the customer end with the respect to the EMC features, variance with respect to the gearing features and so on might be different but basically on the motors side we want to kind of create platform for all these applications which would be application neutral for a manufacturer like us Ronak.

Ronak Sarda: Okay, perfect, sir. Question on your comfort actuators as well, can you define what is the usage of comfort actuator currently? Let us say is it like it is fairly on the premium side over let us say three series vehicles in BMW, was it coming into the mass vehicles as well?

P. Mukund: Yes, Ronak, see I would like to give one overview but it is not very relevant to us at this point in time. See, the biggest space as far as usage of electric motors in vehicles is in the comfort space. It could be wrong a few million here and there but it does not matter. Because the comfort actuator space is a space which is about 1 million motors plus annually globally. And the largest usage of comfort motors is for your window regulators. Now, if you see window regulator and a central door lock you have it in I think probably you have in Ignis as well and you have it in your BMW as well. So, that is pretty mature feature which has now become a standard, it is not a luxury or a comfort feature. So, where we have mentioned specifically in our Annual Report if you see in the table, I mentioned body and seat and steering, so these are all the applications which are growing, the windows are very saturated because already the world average for window is about 4 now. When you have 4 doors, so 4 door locks and 4 window regulators, now be it a small end vehicle or a high-end vehicle. But from high end vehicles, seats are getting motorized, if you see a high-end vehicle driver seat, it may be fair for me to see a 5 series of Benz high series would have something like between 8 and 12 motors only on the driver seat. And now, if you look at SUVs in United States, SUVs are now looking at motors not only for the driver seat but also the front co-passenger. So, likewise when you go to China and you get into the so-called Limousine transportation in China, you find that that second row is also motorized for people to adjust that. So, what we are trying to address is seats and we are trying to address body, we define the body system actuators as that which goes into trunk opening and closing devices where I think we are not doing anything from India but my colleagues from China are doing something like 1 million motors per month per month now because this is a remarkable feature that has come up where your SUV, rear door and your Sedan trunk opens and closes automatically with the help of an electric motor and then it clicks again with the help of electric motor for it to lock. So likewise, the third

application that we are interested is again what we have sighted in our Annual Report is for the steering column and the steering tilt on the front-end vehicles, high-end vehicles when you sit onto it depending on our size of our belly and our size in leg and so on, you can pull up and push in the steering also tilt it. So, that is with the help of an actuator motor. So, we are looking at the seat, the body systems and the steering tilt and steering column as the spaces where we are wanting to increase our footprint. And this is an area where I mentioned in the beginning as to where we see the space to be going to about 200 million motors per year in 2020, 2021 based on the research and information that is done by our colleagues in the market research department team in Japan, Ronak.

Moderator: Thank you. We will take our next question from the line of Nikunj Gala from ASK Investments. Please go ahead.

Nikunj Gala: Sir, I have a question on merger, just wanted to understand, what was the rational of giving such a low valuation to Agile's overall entity?

P. Mukund: Nikunj, I think in the earlier calls or I remember when I came to your office did we meet and I mentioned it, I am not sure but when I was with Bharat Ji and Prateek I think I did explain this. See, fundamentally, the profile of the business platforms of IMIL and Agile are as follows:

See, IMIL is eminently working is in the torque actuator motors space where all the IP belongs to us. So, the IP is developed by us the validation cycle of 2 years - 3 years - 4 years. All these we walk through with our customer and the entire motor design, both product, process a little bit of application belongs to us. As far as the Agile is concerned that was traditionally something that we started many years ago by being a plain vanilla contract manufacturer Nikunj. So, the profile over there is while the market opportunities are pretty good as I said because the comfort actuator market plays a very high size market play. But the profile is that there are large players who are very strong in this area and you cannot sell a plain motor. You need to sell a motor with a lot of attachments both mechanical and electrical and electronic like your gearboxes and EMC, EMIs and so on. So, therefore, companies like Bosch, companies like MITSUBA, companies like Denso, companies I think there are some **(Inaudible) 35:58.1** people and Johnson Electric, very large companies, it is a large amount of their portfolio is derived out of the comfort motors without taking any names, let us say too large guys in the world, they might be doing of the order of somewhere like \$2 billion per year of sales only of comfort actuator motors with the systems. So, our positioning as far as Agile is concerned Nikunj is to be the backend supplier of the motor. So, it is not our IP. I complements our capacities. It complements our Tier-5, Tier-4, Tier-3 play a lot of that because a lot of our capacities are flexible. So, that way it does complement and also gives us the opportunity to grow. So, fundamentally from a technology standpoint if you look at it, there is a difference where this business is developed Nikunj. So, that is why you see in terms of the relativities as far as the EBITDAs and the margins are concerned. But we expect that going forward with the economies of scale and all that coming up we will be able to because as such the IP platforms, I have always been saying in the meeting that for automotive industry the margins that

Chandra is making now is above average and as we go forward, I think we have to remain above average but where at above average is something we will have to find our sweet spot for us to recalibrate ourselves as far as the growth is concerned Nikunj. I do not know if that explains your question?

Nikunj Gala: I agree, sir, dynamics of both the businesses are different and at the same time the opportunity...

P. Mukund: And by the way Nikunj this has been done by independent valuers because people E&Y those people who looked at it from the profile independently and all the track record and so on that is the way in which it has been done.

Nikunj Gala: I agree, sir. I just wanted to have this understanding, I agree both the businesses have the different dynamics where at the same time as you mentioned there are huge opportunity available in the comfort system and you see a significant growth going forward. So, just wanted to know that why Agile agreed considering such a huge growth for such a low valuations per se because we are giving some Rs. 1,300 crores of value to Agile and out of which Rs. 1,000 crores of investment they have in Igarashi. So, effectively we are giving only Rs. 140 crores of valuation to their core business which is on a trailing basis 4 PE, such a low why they agreed on such a lower valuation? So, I had just that question.

P. Mukund: Yes, Nikunj, fair point. I think if you look at it from your independent standpoint your question is quite fair. I will tell what has happened, there are two things that have happened, since we started looking at it very actively, the first thing is that we hitherto in the Agile platform were only working on sub-assemblies like when I was responding to Pritesh's question, it is only now that we have moved from 1 million to 3.8 million to 6.5 million and I am seeing this going to about 12 million to 15 million in the forward years. But until two year ago the portfolio over here was purely sub-assemblies, they were motives, they might be going to comfort spaces but they were all sub-assemblies that is one. And the second is that we have no IP whatsoever as far as these motors are concerned. Now, since last year for all the comfort actuator motors that we are working on are our intention is to be a co-IP owner which has just started about 6 0 8 months when we started working with customers who are interested to increase their relationship and footprint with us that is the business view. So, these are two distinct changes that have happen in the recent since we have started articulating the de-risking of the TAM and also the growth of the CAM to have a bigger footprint. So, this is my response the way in which we have looked at it and the way the independent people also had looked at it Nikunj.

Moderator: Thank you. We will take our next question from the line of Shekhar Singh of Excelsior Capital. Please go ahead.

Shekhar Singh: Sir, just on this Agile for FY 2017 how much was the revenue and the profit?

P. Mukund: FY 2017 it is already in public domain. FY 2017 we did about Rs. 350 crores and we did EBITDA of about Rs. 66 - Rs. 67 and did a PAT of about Rs. 31 - Rs. 32, Shekhar.

Shekhar Singh: And sir, actually you also mentioned there is a possibility of doing a selective bonus. So, will that basically mean that only the minority shareholders will be issued a bonus share?

P. Mukund: Correct. As a Scheme of Amalgamation because this merger is going to NCLT, is going to SEBI approval, it will go to NCLT. So, Dinakara Babu is our Company Secretary who is leading this entire together with our advisors, tells me as a part of the Scheme of Amalgamation our board has made the recommendation which is now approved by NSE and BSE as well, so it will be going to SEBI. But post the merger even though the equity capital will increase of IMIL. But the public shareholding will remain 25% and to the extent that it remains at 25% will be the selective bonus that will be issued to the public shareholders, Shekhar.

Moderator: Thank you. Our next question is from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.

Rishabh Parekh: Just the Agile forecast is about a 65% to 70% increase in volumes but if you look at the Q1 results of Agile the profit was only about Rs. 5.5 crores against the full year profit last year about Rs. 32.6 crores. So, what happened in Q1 sir?

P. Mukund: Rishabh, I met your colleague yesterday, thanks for sending him and my regards to you as well and he said that you would like to visit us, be our guest. Anytime you are free you come here it will be our pleasure to welcome you Rishabh.

Rishabh Parekh: Thanks, I will look forward.

P. Mukund: Yes, and as far as Agile is concerned, see, in Q1 a lot of expenses have taken place in terms of the professional fees, so many activities are going on. Now as far as the EBITDA is concerned, the Agile EBITDA last quarter was about Rs. 15 crores to Rs. 16 crores which is the same 18%-odd which has been the trend in the last year as well.

Rishabh Parekh: Okay, fine. Understood. And sir, just one more broader question, the forth pillar growth that you mentioned was semi-organic growth, I did not quite understand what you meant by that, would you please elaborate?

P. Mukund: Sure. I think it does need elaboration because this is a topic which we are trying to make it as clear as possible for us but it is getting more and more vague, no doubt about it. See, what we are looking at basically is two opportunities here. The opportunities are as follow:

#1. We have many customers who are in electric motor space or electric motor space plus something where they are not making money let us say manufacturing it in the European

geography. So, one case that we have been working on for the past few months is that what we would like to go and talk to them build a relationship or partnership in terms of saying that the entire manufacturing assets gets migrated under our management in India. So, we do not want to go and go through the entire life cycle of developing a new customer, developing technology and so on, we are saying that look the customer and the technology ownership you keep to you, and you are making in Europe you have this much cost, we make in India. So, these are the cost dynamics. So, whatever the reduction of cost is we are looking at why do not we split in 50-50. So, my delivered cost right now right now thumb rule calculation or back of the envelop calculation comes Rishabh, that we are able to deliver it to the a European geography is at 12% lower cost. Because here are many of these electro mechanical companies like in the European geography who are barely making margins.

Rishabh Parekh: Sir, and these entities would be primarily Igarashi Group companies or other manufacturers of motors?

P. Mukund: Not at all. We are working with Igarashi Group companies to migrate the know-how and so on like for comfort actuators, for comfort actuators we are doing about 50 million to 60 million for seats and trunk opening-closing devices out of China. So, over the next year we are trying to look at building lines for that in India that is a separate exercise all together that is all organic. So, this is something which we are not working within the Igarashi framework at all because if we work within the Igarashi framework it is like cannibalizing, it does make sense.

Rishabh Parekh: Right. No, but it is cheaper no, that is why I thought.

P. Mukund: Yes and no.

Rishabh Parekh: Okay, sir. Fine.

P. Mukund: It is not by the excel mathematics that you decide how cheap you are or cheap you are not. There are features and engineering also that get into it Rishabh.

Rishabh Parekh: Right, sir. Fair enough and sir, last quick question, in terms of how is our penetration happening in the non-ETC space basically the EGR and the wastegate, how is that picking-up, have we been approved?

P. Mukund: Yes, good, picking up quite well. A lot of see there are two clear customers with whom I want to get inside only after my product is completely validated and there are two anchor customers that we are working on it looks very good for may be later part of the 2018, 2019, 2020 and so on looks pretty good quite well. And the other good news is that with one of our premium customers I would not like to take the name in public, we are looking at a traction of about run rate of 100,000 to 120,000 per month from next year. So, we are seeing good traction as far as wastegate is concerned. Primarily this is arising out of the overall market scenario of Turbocharger penetration getting better. If you see the main people who play in the

Turbocharger are the Honeywell is there, the BorgWarner is there, Mitsubishi is there, Hanon is there, Pierburg is there, Bosch is also there getting into it, Bosch is getting into it in a big way, Conti is there, all these guys have realized that the Turbocharger is a space which needs to be extended as far as the air management units are concerned Rishabh.

- Rishabh Parekh:** When is the validation process going to expect to be completed, sir?
- P. Mukund:** My design validation is done last month. The process validation is going to happen by October and November is what we have targeted and then we are in the market to move. By the way the capacities have already been set-up. We already have a capacity for about 3 million pieces for the wastegate and EGR set-up already.
- Moderator:** Thank you. Our next question is from the line of Mayur Parkeria from Wealth Managers. Please go ahead.
- Mayur Parkeria:** Rs. 350 crores sales that Agile did in FY 2017, what would be the quantum out of that the T2 were there?
- P. Mukund:** All of them are for T1 only.
- Mayur Parkeria:** No, part of the sale is sub-assemblies and parts also.
- P. Mukund:** Yes, even sub-assemblies are only for T1 customers. So, you are talking about what is the split as far as T2 is concern, no? Are you talking about the share?
- Mayur Parkeria:** Yes, the division of this sales among the assemblies parts and the comfort motors.
- P. Mukund:** Okay, then I think the fair response from me would be out of Rs. 350 crores, under Rs. 50 crores will be T2 Mayur.
- Mayur Parkeria:** Okay. And what would be the volume again?
- P. Mukund:** T3 volume would be (+20) million and the T2 volume would be about 3.5 million to 4 million.
- Mayur Parkeria:** Okay. And sir, in last two quarters, that the sales we are seeing as flat. So, are we seeing any deferrals in the off-take or schedules that we had with the customers are we seeing any deferrals there?
- P. Mukund:** In the opening statement I made that while I did look at, I explained about the medium-term and the pillars and so on, I did mention very clearly in terms of at the street level what is the movement that we are seeing in the independent markets of the U.S. geography, the Chinese geography and the Germany geography. And answer to your question is yes.
- Mayur Parkeria:** Inventory correction that you talked about?

- P. Mukund:** Yes, inventory corrections as well as in terms of the overall slow-down as far as the Sedan space and the overall market in U.S. is concerned and China is concerned. I do not know what the macro figures are but I am talking about information that comes from our supply chain stream.
- Moderator:** Thank you. We will take the next question from the line of Preeti RS from UTI Mutual Fund. Please go ahead.
- Preeti RS:** Sir, my question is on last time when I met you, you articulated that you would want to change the mix of the power train motors to the comfort motors. So, how would you achieve this because given the comfort motors realizations are lower than that of at least for the time being they are low than that of the power train motors. So, even if we build in a good growth in the comfort motors in volumes, we are not able to see the mix shifting in a big way between the power train and comfort motors?
- P. Mukund:** Preeti, as I also explained to you if you remember when we met, I said that broadly speaking with the product mix in the TAM space getting down sized and we are moving towards the Tier-2 as far as the comfort is concern. Remember we are speaking about both of them being off a unit price realization thereabouts of \$3.
- Preeti RS:** Right.
- P. Mukund:** So, therefore by the growth in numbers and I am also talking about some add-on features as far as the comfort motors is concern because once you get into a motor and you establish your position as a motor supplier tomorrow adding a few more features add-ons is a very logical extension. Yes, but answer your question specifically at this point in time motor-to-motor we expect the unit price to be they are about the same in both the domain. So, the mix will change by the growth in numbers.
- Preeti RS:** Okay. So, today is it right that engine to comfort motor mix would be 65% to 35%, 65:35?
- P. Mukund:** Yes, post the merger, yes, Preeti. If you are also adding the sub-assemblies for comforts and the motors for comforts, Preeti.
- Preeti RS:** Yes, sir, how would this change, let us say by FY 2020 or even FY 2022, in five years' time or what would be your optimal mix in this case?
- P. Mukund:** You are asking me the most important question which I opened this meeting with. Ideally speaking, if you look at it our strategic intent for the four pillars that I spoke is one on the TAM, one on the CAM, one on the non-automotive, and the forth one is in terms of the semi-organic. If you ask me to articulate clearly my strategy by 2020, I would Pillar 1, Pillar 2, and Pillar 3 to contribute to about 66% of our revenue the remaining the forth one to be about 34%

- 35% of our revenue Preeti, which means TAM, CAM, and non-automotive together, we would like that to be two-thirds or under two-thirds of our entire portfolio Preeti.

Moderator: Thank you. Our next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia: Sir, just wanted to know as you mentioned in the initial comments yes, agreed electric is far from you. But what happens in that case have you all done any kind of analyst and currently are we supplying anything for electric vehicles?

P. Mukund: Kunal, very fair question, this was and our mind for the last 3 years because whenever I go attend all these conferences where key suppliers are called by larger companies either in the U.S. or the European geographies. I think everywhere people talk about automated driving, connectivity, driverless cars, all electric vehicle, electrification, these are all the buzz words people talk about investing a lot of money over there. So, the good news for us is that as I said in the beginning in my opening statement, TAM is something which is going to remain on an ICE and hybrid engine, it is only the all electric vehicles which will not have TAM. So, therefore, we are gradually looking at reducing at our portfolio of TAM in our entire sales, let us say 3 year - 4 years down the line as I was explaining to our other colleagues. Now, fortunately, the capacities that we have set-up see, we are an integrated manufacturer. Kunal, we work in Tier-5 for tools; Tier-4 for parts; Tier-3 for sub-assemblies; and Tier-2 for motors. The good news is that most of the equipment in Tier-3; Tier-4; and Tier-5 are interchangeable whether it is CAM or TAM or non-automotive or any electric moto, there is a question of fundamental mechanical capacity. So, that way the interchangeability and flexibility is there. We need to re-change our fixtures and so on. But as I said, we do not see any negative traction over the next 5 to 7 years based on our discussions with customers specifically on projects and so on. So, this is something which is there, we wake up every month with this information, we do not wake up every day as to whether all electric vehicle is going to suddenly replace in internal combustion engines. My view is by 2020, if hybrid, based on all the inputs that we have got from various customers, we feel that by 2025, if all electrical hybrid gets to 25% then it is very remarkable. Of course, the other view as far as people who follow the automotive space is concerned is that 4 years ago people use to look at 6% - 7% growth every year. But the recent conferences that we have been having with all our Tier-1's is that we are looking at stagnation as far as the overall automobile population is concern, primarily arising out of this ride sharing and multiple car ownerships and so on. So, from our standpoint, we do not do any third-party independent survey Kunal. We follow our customer.

Moderator: Thank you. Our next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Saurabh Shah: Hello, sir. This is Saurabh Shah speaking from AUM. Two questions, one was you mentioned that you are looking at getting into these brushless areas and expanding into the comfort areas

volume significantly. What kind of CAPEX for the next 2 years or 3 years do you expect to incur?

P. Mukund:

Saurabh, I will answer it in two parts because CAPEX I will look at it independently and BLDC I will look at it independently. As far as BLDC is concerned let me just give you the manufacturing MAT as far as brush DC motors versus brushless DC motors are concerned. Now, interestingly if you look at a brush DC motor and you are setting up a capacity for let us say 3 million motor Saurabh. So, for 3 million motors, you would be having a productivity index of let us say 75 from the manufacturing process flow and you will have an investment per capacity of let us say Rs. 75 to Rs. 76 investments per capacity. That is investment per capacity per year. So, if you are investing 3 million, so that Rs. 75 per capacity per year. Now, I am giving this number just for reference, it is not an absolute number. Now, the same map we did as far as brushless DC motors are concerned. And for brushless DC motors if we are setting up the capacity for 3 million our investment for brushless DC motors will be about Rs. 50 per capacity per year. And the productivity which was Rs. 75 in case of brush gets up to Rs. 175 because that much less manufacturing value addition takes place in brushless DC motors manufacturing Saurabh. But the problem, the challenge in brushless DC motors is only the cost of electronics. So, from a manufacturing standpoint it is fantastic footprint (a) from the point of view of investment per capacity; (b) from the point of view of value add cost per unit, per motor that we produce. Because mechanical to mechanical, if you take a brush DC motor, the brush DC motor if it cost 100, the brushless DC motors mechanical to mechanical will cost under 75 Saurabh but the problem is electronic. So, electronic makes it 3x.

Saurabh Shah:

Okay. And the electronics you are expecting to incur it yourself or will that be...

P. Mukund:

See, we are working with partners in like all the other areas when you visited if you remember I was telling that we do not accept any business if we cannot make the parts by ourselves. Likewise, as far as electronics is concerned which is fundamentally driven out of the electronic PCB and also, my programming team which can hook write embed software and so on. So, we have already started looking at people getting on to board, we have got two partners one in Taiwan, one in Korea, one in Japan, three of them, so we are working with them. And then the way we are approaching this is that when we get into the market with brushless DC motors we will have the same approach in terms of vertical integration where we will not only make all the parts and the assemblies but will also the PCB population in house.

Saurabh Shah:

Okay. So, on total basis how much do you expect I mean in next 2 or 3 years?

P. Mukund:

Okay. As far as CAPEX is concerned obviously I think because of the symptoms that we are getting for the market we are slowing down as far as the CAPEX is concern. But broadly thumb rule wise if you look at the last few years, our CAPEX used to be between 7% to 8% of our sales and then due to two very significant features that we are coming up in the automotive industry – one is the emphatic nature of demands from the customer on quality and on the pricing. So, what we need to do is that we need to go a little bit more on the automation rather

than looking at more man and less automation. Now we are going to start looking at the model which of course Chinese have gone to the other end because they are investing very heavily. So, from our standpoint as we see on a steady state basis from a 7% - 8% of revenue CAPEX, we expect a CAPEX to go to 10% - 11% of the revenue Saurabh.

Saurabh Shah: And this includes the very high growth that we expect on the comfort motors side post the merger.

P. Mukund: Yes, it includes. I mean you cannot take it on a year-to-year basis but I am looking at if you compound it over a 3-year basis how it will work out?

Saurabh Shah: Okay, that is fair. The other question was on comfort motors, it becomes a large portion. Should we expect the margin profile to remain the same or do you see any changes over there?

P. Mukund: I would imagine that we will follow a similar pattern which we followed some years ago in terms of TAM as to we will try to keep our margins same, we will not like to grow the margins because if you are like going to grow the margins in the comfort area where the IP actually does not belong to you, only a part of the IP belongs to you.

Saurabh Shah: Got it. So, it is more of a volume...

P. Mukund: More of a correct, it is more of a volume game and which is good. But at the same time, you cannot really work on niche basis and these automotive spaces are place where niche places suddenly techno commodity and then become commodity spaces pretty soon.

Saurabh Shah: And when we met you mentioned that your return on capital is a metric that you focus on strongly. So, for this comfort motors expansion also you still expect to get between 22% to 25% is the way you look to prices?

P. Mukund: It will be lower but it will get calibrated as the volumes grow Saurabh. I cannot say because the TAM platform is a fairly mature platform where we have put in a huge amount of techno managerial efforts to get to this. I think the techno managerial efforts that we need to put in comfort is to grow but not in terms of similar ROIs while sales will get added hopefully and our intent is EPS and sales gets added but in terms of the ratios we will have to rework how exactly they come as we grow forward, Saurabh. I do not know the clear answer to you while there is an intent but whether the intend is a reality or not is something which we need to validate as we go forward, Saurabh.

Saurabh Shah: Fair enough. Sir, Bosch JV that you had spoken about sometime back, any update on that how that is going, I do not know, if I miss that.

P. Mukund: it is going pretty well, I think the JVs what are the principle reasons why our exposure and relationship globally with Bosch is getting better and better and new platforms are opening up

and they are working very actively, they are one of the companies which are very strongly focused towards automation connectivity Tesla and so on. We are closed, so we will not publish anything outside, we are just looking at for our own consumption. I am very happy to inform that Igarashi as a company we will be delivering motors for three types of motors for the Tesla platform. One is for the Falcon Door, the Falcon Door model, each Falcon Door has got four motors and they are Igarashi Motors and then we have the door lever retractor because all the four door levers they retract in and out before you board and de-board the car and the third area is for the steering tilt and the steering column adjustment. So, these are the three motors that we are supplying not directly to Tesla but through somebody.

Saurabh Shah: Okay. Sir, last question, small one was on the sequential employee cost, this year seems to have almost a 33% jump from the last year's quarter is there a reason why this has happened?

P. Mukund: Yes, that is because first April, see we have this policy of once in two years review. So, the last year it happened 1st April, 2017. Yes, we have I think when you were there I said that we have a mix of fixed and variable and all that?

Saurabh Shah: Right. For activity linked and all.

P. Mukund: Yes, so normally fix we work not on an annual basis but we work on 2 years basis for 24 months basis.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference back to Mr. Priya Ranjan for closing comments. Over to you, sir!

Priya Ranjan: Thanks, everyone. It is pleasure, to host again Mr. P. Mukund. Any final remark, sir and then we will close it.

P. Mukund: Priya Ranjan, my final remarks. I appreciate the interest in our company. As I said the overview in terms of how we see the next year and I also presented the caveats as we see as far as the short-term are concerned and I was very happy to explain the reality as we see the market from both short-term and medium-term point of view. Thanks for your patience listening. There is nothing else that I need to add now because I thought I covered a lot of information both financial and techno managerial.

Priya Ranjan: Correct, sir. Correct. Thanks, sir. Thanks.

P. Mukund: So, thank you very much. Have a nice day, everybody.

Moderator: Thank you. Ladies and gentlemen, on behalf of Systematix Shares & Stocks Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.