"Rane Holdings Limited FY17 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Rane Holdings Limited Q4 FY17 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you, Mr. Pingle.

Diwakar Pingle: Thank you, Janice. Good afternoon, friends. Welcome to the Q4 & full year FY17 earnings call of the Rane Group. To take you through the results and answer your questions today, we have the management team from Rane Group represented by Mr. L. Ganesh – Chairman & Managing Director, Rane Holdings Limited; Mr. Harish Lakshman – Vice Chairman, Rane Holdings Limited; Mr. Siva Chandrasekaran – Executive Vice President, Secretarial & Legal Services and Mr. J. Ananth – CFO, Rane Holdings Limited. Please note that we have sent to you the press release and also the presentation link. In case any of you have not received the presentation, write to us and we will happy to send over the details of the earnings presentation to you.

I would like to say that everything that is said on this call that reflects any outlook for the future or which can be constituted as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These uncertainties and risks are included, but not limited to what we mentioned in the prospectus and subsequently in annual reports which you can find on our website. With that said now, I hand over the call to Mr. Ganesh. Over to you, sir.

L. Ganesh: Thank you, Diwakar. Good afternoon, ladies and gentlemen. Thank you for dialing in. I would like to also welcome you for this teleconference. You would have seen the FY17 performance highlights of the group company posted on our website. I would just provide a few additional remarks and then we will move on.

FY17 was quite an eventful year for the group. The group company delivered reasonably robust performance supported by good growth across most of the vehicle segments in industry last year. Rane Group sales registered a growth of 24% in FY17. On an organic basis, it was of course 18%. The EBITDA at the group level improved from 10.1% to 11.3%. This was mainly due to some cost reduction initiatives at the group level. The aggregate PBT without exceptional items grew by 70% delivering about 5.7% aggregate compared to 4.1% last year.

RML, Rane (Madras) Limited experienced good growth of about 16.5% as we commenced supplies on some new programs and additional volumes in the existing programs in the Steering and Linkages Division. The new die casting plant ramped up production and of course on a consolidated basis, we had about 37% growth in revenue. The Rane Precision Die Cast US turnaround, is progressing well and in line with the plan. RML of course as some of you have been raising some queries, I thought I will clarify. In Rane Madras Steering and Linkage

Division, we had a setback from Nexteer USA as they canceled one of the orders which were supposed to kick in a year from now. This was because GM Opel Europe for whom this was to be supplied was bought by PSA and PSA decided to drop this particular model, so therefore this order has been cancelled. The CAPEX incurred for this project of course will be put into use for other customers. We had held back CAPEX - capacity addition for other customers for whom we have orders. So, this will be used only a couple of special purpose machines which were bought only for this may have to wait for a year or so when we get the next order from nexteer. Other than those two machines, the general line will be used for other customers. In terms of specific tooling that we made for this customer for this order, we have already raised the claims with the customer and hope that the customer will reimburse the tooling cost.

Turning to the performance of REVL, it continues to improve, net sales grew by about 3%, supported by some increased business with some key customers. We were able to reduce the operational loss significantly with focus on productivity, material cost reduction and stringent fixed cost management. The turnaround activities are still underway and we still have some higher rejections, new program launches which we are working on this year as a priority.

Rane Brake Lining had a very good year with a 9% growth and sustained cost reduction, good advantage of Yen position in terms of imported raw material; we had good favorable profit margins and a good ROCE for the year. Rane TRW and Rane NSK continued to have a good year. Their product segments and the served models delivered strong performance and therefore the margins were good and the ROCEs are good for both the companies.

As you are aware, we divested our stake in Sasmos HET Technologies. Overall, the CAPEX across the group companies was about Rs.290 crores and the key areas where this CAPEX was spent was in capacity addition for electric power steering, occupant safety products and steering gear products. The second major element was enhancing our R&D capability and testing and validation capability and in Rane Brake Lining during the year, we installed about 2 MW of solar power. These were the broad big ticket items in our CAPEX. So with these opening remarks, I will hand it over to Harish for his comments, after which we will take your questions. Thank you.

Harish Lakshman: Good afternoon everybody. Just a few more comments from my side mostly relating to the market. As you all know, the auto industry saw a reasonably good growth across all the segments last year. At Rane, we were able to grow better than the industry as we have commenced supply to certain new customer programs which had done well in the market and also improved our share of business across various product lines with key customers. Only in the tractor segment, our growth was less than what the market grew. This was because the tractor market grew more in tractors with power steering and where our presence is limited for the present. So as a result, our growth rate was slightly lower, but Rane Madras is aggressively working towards enhancing our share in that.

The revenue from international customers grew by about 59% supported by commencement of new business for both the steering as well as the die casting products of Rane Madras as well as the occupant safety, the seatbelts business of Rane TRW. The 59% is also because of the full year impact of the overseas acquisition made by Rane Madras.

In my view, the fundamental factors of growth continues to remain favorable and with the growing economy, infrastructure spending etc. we feel the overall business climate is positive. So hopefully, 2017-2018 should become an even more favorable year. Of course, the implementation of GST and uncertainty related to that will have some short-term impact especially during the transitionary phase and we are also not fully clear how and to what extent that will impact us.

We continue to pursue our vision with the objective of delivering profitable growth. The management remains focused to aggressively defend the market shares in India and improve the share of international business. This will help to drive our growth over the next 2 or 3 years. Further the cost reduction initiatives will mitigate cost escalation and hopefully improve our margins. So with these few words, I think we ready to take any questions that you may have.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Viraj Kacharia from Securities Investment. Please go ahead.

Viraj Kacharia: Sir just had a couple of questions on Rane NSK. If we look at the growth trajectory of this business over last 3-4 years, you have consistently outperformed in the domestic PV segment. So if you could just provide some color on how this business has evolved for us in last 3-4 years, what have been the growth drivers, what is our market share in the steering business currently and how do we see this business panning out in the next 2-3 years?

L. Ganesh: For Rane NSK, the growth drivers have been mainly new applications in the case of Maruti Suzuki and Honda, so we have won some new businesses and fortunately, the models that we are servicing have done extremely well. The Baleno has done extremely well, we have won the business for the new Swift and Brezza is doing very well. So that was one good thing that has driven our growth. Our market share in electric power steering will be in the region of about just under 30% now in India and going forward, I think the growth rates that we have had in the last 3-4 years is difficult to sustain because we reached the mature level with all the major customers and therefore I do not expect that kind of growth. I think the growth will be kind of normal growth going forward.

Viraj Kacharia: So when we say normal growth, it will be purely be growing at the industry rate which we are targeting or?

L. Ganesh: About 10%-12% would be the kind of growth I expect going forward.

Viraj Kacharia: And what will be your wallet share of Maruti and Honda?

L. Ganesh: In the case of Maruti, it will be about 30% market share and maybe with the new Swift volumes once they come in, they will be probably moving closer to about 40% market share. In the case of Honda, the City and the Jazz we supply, the bigger models they still use imported. City and Jazz is entirely with us.

Viraj Kacharia: Like what you mentioned in terms of Maruti and Honda being one of the key growth drivers, except Hyundai we look at other Indian and foreign OEs, so despite those opportunities, you are still guiding for largely an industry level growth in this business for next couple of years. So just wanted to understand the rationale behind that?

L. Ganesh: Well, Hyundai has got their own sister company as you know Mando, so chances of getting into Hyundai is almost impossible, but Tata Motors, yes going forward we are in dialogue with them for some of the new platforms which they are going to launch in the next 2-3 years. So Tata Motors is a definite possibility. Mahindra and others is a definite possibility in the future, Ford is something which we are talking to, but these are all for future maybe 2-3 years down the line, but Hyundai is not possible.

Viraj Kacharia: Second question was on if we look at the JV partner, NSK, they have a pretty large steering business. It is close to Rs. 16,000 to Rs. 17,000 crore businesses and as we understand, the management for Rane NSK is primarily run by the JV partner. So do we see any traction or any opportunity in exports panning out for this JV in near to medium term?

L. Ganesh: The manual column which we make in our Chennai plant, we do some small exports and we are also trying to quote for some businesses through NSK both in Thailand and some even in Japan. So definitely, that is an area we are working on. NSK is not focusing on manual columns or commercial vehicle columns. That is an area which they would also support RNSS itself by getting orders from their customers overseas. So certainly going forward, manual columns we will be exporting from India.

Viraj Kacharia: Any other new products which you may think of, given NSK are also into bearings and other businesses. Is the JV primarily focusing on steering or are we also looking at other product?

L. Ganesh: Bearings, they have their own venture here in India and 100% owned by them, so we are not involved in the bearings business. But we always are in dialogue if there is any development for a new product. Currently, it is basically only steering.

Moderator: Thank you. The next question is from the line of Praveen Motwani from Nayan M Vala Securities. Please go ahead.

Praveen Motwani: Sir, can you elaborate on your bottom-line numbers on consolidated basis. I can see there is significant drop in profit after tax on a consolidated basis. You have posted Rs. 4.96 crores. So can you elaborate on that sir?

Harish Lakshman: On which company? RHL or RML?

Praveen Motwani: Rane Madras. You have posted Rs. 4.96 crores bottom-line sir. So just wanted to know is it going to improve going forward?

Harish Lakshman: The consolidated is obviously the impact of the US acquisition and as we have articulated in the past, this was a distressed company that we bought and we have a turnaround plan underway. So the business is still continuing to lose money, but when we entered the business, we had a plan of turning around the business in about between 24 to 36 months and that is going according to plan. So that is the good news, but obviously we have bought a loss making business and efforts are underway to turn it around and that turnaround plan is going as per plan.

Praveen Motwani: So how long it will take?

Harish Lakshman: 24 to 36 months is the plan. We have owned the business just a little over 12 months now.

Moderator: Thank you. We take the next question from the line of Manan Patel from Equirus**.** Please go ahead.

Viraj: This is Viraj, Manan’s colleague. Sir just had some questions because if I look at a group, we have 3 businesses which have the same steering business catering to similar customer segments. How do we actually decide the segmentation of clients within the three group companies, like how does it typically work?

Harish Lakshman: So as you can see we have three companies making in the steering business, but the products are completely different across all the three. All the mechanical steering is made in Rane Madras where there is no foreign technology, collaborator or equity holder. For all the hydraulic business, we have the joint venture with TRW which is now part of ZF TRW and then for all the electric, we work with NSK. So depending on which customer what product he wants, usually they decide upfront that this vehicle will have an electric steering or this vehicle will have a hydraulic steering. So even before the RFQ is floated by the customers, they know the kind of steering technology they will be using. Based on which technology, that relevant Rane company will take the lead in the discussions.

Viraj: And sir can you provide some visibility on the turnaround of Rane Engine Valves and Die Cast business in Rane Madras like what is the kind of timeframe are we looking at? When we will stop losing money in Rane Engines and the Die Cast business of Rane Madras?

Harish Lakshman: Obviously I cannot give specific forward-looking statements, but there are three parts. At the time of acquisition, the US piece we have already indicated at the time of acquisition that this is a 24 to 36 month turnaround, but both the other two businesses will be much more short term in nature. So hopefully during the course of this year, we will achieve our objectives. Engine Valves, as you know has been undergoing a turnaround situation for the last 3-4 years ever since we shut down our largest plant and then we ended up also shutting down one more plant that belonged to Kar mobile just after the merger. So obviously the impact of that is still being felt in the financials, but we are confident that the turnaround will happen during the course of this year. And as far as Die Casting of Rane Madras, the domestic die casting is concerned, it is largely because of the large investment that we made in the previous 18 months, we have invested almost Rs. 75 crores in the die casting business and unfortunately when we had the launch of all the new programs, the good news is that the business is all booked. It was execution of the business that led to some problems during the current financial year and hopefully that kind of impact will not be felt in the next couple of years.

Viraj: Sir how much in this year was revenue from safety systems and airbags and what part of the business of TRW do we see, a small part of business which is the mechanical part which will become inundated over the next few years?

Harish Lakshman: So Rane TRW, I will first talk about the steering side. In the steering side, we make only hydraulics. The hydraulic steering is supplied to commercial vehicle, passenger car, utility vehicle as well as even to farm tractor in a small way. Now out of these, only the passenger car business is dying and all of it is moving to electric. All the other especially the commercial vehicle, there is no threat to the future of the business. So, therefore that side of the business will continue to grow, of course it will be driven by the cyclicality of the CV segment. On the occupant safety side, obviously that is the fast growing business and that is being driven both by airbag legislation as well as some of the export business we have won in the seatbelt along with our joint venture partner. That business we are expecting a 20%-25% year-on-year growth every year for the next few years.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from Way2Wealth. Please go ahead.

Mahesh Bendre: This question is regarding the Rane Madras. Now for Rane Madras, around 25% revenues derived from the export and 75% is from the domestic business. So what is the outlook for both the segments going forward?

Harish Lakshman: Our expectation there will be a marginal increase in export, maybe 26%-27%. So it will be in that range, exports will be between 25%-30%.

Mahesh Bendre: I want to say that whether domestic market we will be able to grow faster than the market or we will grow along with the market and on the export side especially on the backdrop of this cancellation of this order, would there be any major growth will witness. How the capacity that is going to remain vacant that will be utilized.

Harish Lakshman: So the domestic, we will grow only in line with the market. So whatever the market grow by and large, there will be plus or minus depending on which vehicle platform and also the segment, but by and large we will grow in line with the domestic market. As far as export, this order that we had won was going to help us achieve more than a 20% CAGR on the export piece of the business, obviously that has taken a backseat right now, but the management we are all working on backfilling, replacing that with some other businesses and some conversations are going on. So hopefully during the course of this year, we will win some more export business.

Mahesh Bendre: Sir in the initial remarks, you mentioned that the investment that you have done in this will be recovered by going to new customers and even from the reimbursement of some expenses from the existing customers. Because of this order cancellation, do you see a change in the export business going forward, outlook for the export business?

L. Ganesh: No, I think it is only a short term kind of a setback, in fact we are working on one more program, parallely we have started working with same customer nexteer and that is progressing well, samples are going, testing is going on. So the next program work is already going on which they said you please continue and they have also given us some new RFQs for some other products etc. in this area. So I think this is the short term kind of a setback. Fortunately for us, the CAPEX as I mentioned we had set up two lines and almost 1.5 lines is going into use even during the end of this year because we have other businesses from domestic customers, for which we had not spent CAPEX fortunately for us. So the third line which you are supposed to set up we had stopped, we had not ordered the equipment. So the CAPEX we are quite safe, only the tooling which we have spent which the customer has said that they need to reimburse. So export while it will be setback for maybe for the next 2-3 years, I am sure we will be able to make it up with this customer and other customers also.

Mahesh Bendre: So will this impact our margins because of the assets are being underutilized?

L. Ganesh: Well next year 2018-2019 was when this volume was support to start. So next year is what we need to see capacity utilization, but as I said capacity utilization fortunately for us other customers, domestic customers for whom we had planned the equipment, we had not ordered. So we are going to use that for domestic production.

Mahesh Bendre: Sir last question is on the debt on the balance sheet is very high around Rs. 260 crores plus. Debt equity ratio is more than 1.5. So what are the plans for bringing leverage in the company, Rane Madras?

L. Ganesh: We are addressing this. I think the board is quite aware of this and we are addressing this and we will probably apply our minds in the next couple of months and come out with some solutions on this.

Mahesh Bendre: So some solution is expected within next 6 months?

L. Ganesh: Yes, we are thinking of what kind of solution to be done whether our next 3-year plan will bring it down again. So we are just evaluating those - what are the options.

Moderator: Thank you. The next question is from the line of Manish Goel from Enam Holding. Please go ahead.

Manish Goel: Sir, I just wanted to clarify on Rane NSK what we mentioned on the market share at 30%, just to clarify you said the new Swift model which we will be servicing for Maruti where we expect market share to go up from 30% to 40%. So ideally the overall market share should also go up in near future and maybe near future the growth rates also would look higher till it matures over a period of time?

L. Ganesh: With Maruti, it is going up, but with other customers as I said, Hyundai, we are not enjoying that growth and with some other customers, we are not there as of now. We are only with Maruti and Honda. That is the reason I think overall our growth will kind of settle down, now that we have come to a significant share with Maruti, very difficult to grow at the same rate going forward.

Manish Goel: Okay. But some of the models which are successful like Baleno and then New Swift, if it does really well then there is a potential where we can grow higher?

L. Ganesh: Yes.

Manish Goel: And how do you see margins, can it sustain at current level sir?

L. Ganesh: Well, that is our attempt to manage costs in such a way of course foreign currency is there, the imports are going down. We are localizing more and more content. That risk, we are trying to derisk. So the attempt will be to maintain the margins.

Manish Goel: Okay. And sir at Rane Holding level, we are probably looking to do a kind of enabling resolution to invest large money. So if you can throw some light as to what are the plans and also related is that this time we have probably lower dividend payout on the Rane Holding. So I agree that excluding one time gains, but historically you were including one-time gains and giving payout. So if you can provide some insight sir?

L. Ganesh: As you rightly said, it is more an enabling resolution. What we realized is the limit under sec.186 has reached in Rane Holdings and to take part in any opportunities coming forward, we have also been doing some creeping acquisition in the past in the group company as you are aware. So just to enable us to position ourselves in the possibility of any investments in either group companies or we continue to look for new growth areas both in auto and aerospace, so we thought this is a good time to enable ourselves with a higher limit and that is the reason we are doing this sec.186 resolution.

Manish Goel: And on the dividend payout sir?

L. Ganesh: Dividend payout, the extraordinary income on sale of Sasmos we did not reckon for dividend payout. We thought if there are some good investment opportunities, we should use that cash resources to invest for growth rather than pay it out at dividend.

Manish Goel: And what is the domestic casting, say the revenues from India on the casting front sir? How much was it in FY17 as compared to previous year and do we see that now probably the business should improve the profitability as was expected and mentioned in the last call?

Harish Lakshman: The India die casting piece is now at about Rs. 130 crores and we have made investments to take it up to about Rs. 175 in the next few years.

Manish Goel: Okay. It can go up to Rs. 175 crores in next couple of years.

Harish Lakshman: Yes.

Manish Goel: And on the margin front sir, do you expect the profitability to improve?

Harish Lakshman: Yes. If the operational performance is within the acceptable norms which were not last year, this is a high EBITDA business and having an EBITDA (+18%), it is definitely possible.

Manish Goel: So like what it could be currently and what we can expect, when can we expect it to go to 18%?

Harish Lakshman: Last year we had 13% EBITDA because of the problems that we had, there were lot of premium freight to customers etc. and most of the operational problems have been sorted out. So therefore even this financial year, we expect to get back to the earlier levels of 18%.

Manish Goel: And Rane TRW sir, it is mentioned that you have won an order for airbag from the same customer whom we have started export for seatbelt, how big is this and if you can throw more light on that?

Harish Lakshman: Yes, this is a smaller order. I do not have the exact amount from the top management; maybe Rs. 30-Rs. 40 crores would be the size of the order.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Sir, can you tell us in terms of Rane Madras since these are losses which are one-offs, so do you think in FY18 itself you will be able to turnaround or what kind of number we should look at because it is a huge loss am I right and if you also look at Rane Engine Valves, then the profitability has still not improved despite at operating levels things have improved.

Harish Lakshman: So what is your question?

Rajesh Kothari: So if you can give outlook on both our Rane Madras as well as Rane Engine Valves that by when we should see improvement in profitability?

Harish Lakshman: As I mentioned earlier, as far as Rane Madras consolidated is concerned, the US piece is still at least 12 to 24 months away from generating profits.

Rajesh Kothari: So are there any one-offs in these expenditures in FY17?

Harish Lakshman: No, there is no one-off. As far as Rane Madras standalone is concerned which is basically all the domestic, all our India based businesses, that the turnaround should happen this year. As far as Engine Valves also, I already answered the question that during the course of this year, we should be able to achieve operating profits.

Rajesh Kothari: So from the group perspective issues if you just see over next 3-4 years, where do you think the more growth opportunities and how do you see the overall targets over next 3 years?

Harish Lakshman: We are seeing opportunities of growth across all the business segments and quite decent growth, obviously some will be higher especially the occupant safety business of Rane TRW, we expect will grow at 25%-30%. The electric steering which has been growing significantly in the last 3 years, the rate of growth will slow down but since it is largely driven by Maruti, that business so as long as Maruti continues to do well, that JV will also grow in line with that and the other two business, Rane Madras and Rane Engine Valves business should see double digit growth levels.

Rajesh Kothari: Any target return on capital employed over next few years, any action plan to achieve the same?

Harish Lakshman: Obviously, we are focused on ROCE, obviously it is not possible to give one ROCE number, it is depending on the company and the product it varies.

Rajesh Kothari: What is the total Maruti share of your total consolidated business in terms of revenue or top 5 customers in terms of revenue if it is possible?

Harish Lakshman: Our top customers are Maruti, Tata and Mahindra.

Rajesh Kothari: Top three will be about what 30%-40% of your consolidated revenue?

Harish Lakshman: Maybe around 32%.

Moderator: Thank you. We take the next question from the line of Sunil Kothari from Unique Investment. Please go ahead.

Sunil Kothari: Sir, my question is this Rane Precision Die Cast which we acquired. Normally we are very conservative in our experiment with some trial and lose some money. So is this plan for whatever expectation was there for performance that is you said as per your plan, but how important is this investment and this acquisition and how you look at this as a strategic importance for future growth of RML?

Harish Lakshman: See, the acquisition had multiple dimensions to it. One was it was an existing product line that we were already making and two of the customers were the same customers and there is a clear push from customers in North America to have local facilities and honestly now with the new election with the new President in US, there is even more focus on bringing back more business to US. So to that extent, we are hopeful of enhancing the size of the business that we have there. It is also given as a footprint and therefore continued business opportunities with these existing customers. So that also is getting positively impacted and the third is that plant has also lot of floor space for future businesses not only for die casting, but even some of the other Rane Madras products. So that will not happen in the short-term, but let us say from a 3- to 5 year perspective, we see opportunities to be able to provide locally made products for American customers using this acquisition. So from all these three standpoints, it is a very clear strategic advantage. Now obviously the issue is the existing business there is losing money and as long as we can help the business to turn around and start generating a small profit because as you know the cost of acquisition has been fairly low. After that, of course we are investing a few million dollars into the business, but if that turnaround can be achieved, then clearly this strategy will turn out to be right. As I have mentioned earlier, I think whether we can answer this question comprehensively, I think we are still about 12 to 15 months away from answering.

Sunil Kothari: In your remarks also, you state that Rane Madras is doing aggressively, trying for increase this tractors market sale. So what exactly we are trying to do to improve our tractor segment performance from RML?

L. Ganesh: In terms of technology, the hydraulic steering for tractors has been developed by our own technology and we are fairly well positioned with most of the customers, with one or two large tractor customers, we are still in the process of testing etc. So with almost about 5 or 6 tractor manufacturers, we have already started supplying. We are trying to scale up our production facilities in Mysore in terms of producing consistently volumes and to provide service for this product across India we are equipping ourselves. So I think we have two multinational competitors, so it is not that easy. But nevertheless we have made some good inroads. So I think in the next 2-3 years with all these initiatives, we should be in a fairly good position with about say 25% market share maybe 25%-30% market share is what we are looking for.

Sunil Kothari: And what is current market share sir?

L. Ganesh: Current market share would be probably of the applied volume it will be about less than 10%.

Sunil Kothari: And sir last question is we are doing really well in Rane Brake also. But we are providing VRS at some plants. So any correlation because we are growing really well, we are investing?

L. Ganesh: Okay. The idea was in the Chennai plant which is the oldest plant again There are lot of people who are over 50 years and gradually the company is shifting from asbestos to non-asbestos. Our entire OE business is now non asbestos. Only in the aftermarket we still have asbestos and in the next 2-3 years, our idea is to completely come out of asbestos. We thought when the opportunity is there and people are asking, reduce the manpower in Chennai and from the asbestos plant and be prepared to kind of change over new technologies etc. and the year was a good year. So that was the reason why we gave aVRS. While we gave aVRS in Chennai, we hold a plant in Hyderabad also, the union asked for a VRS. So we thought we will reduce some permanent workforce, do some productivity improvement, which was the idea.

Moderator: Thank you. We will take the next question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Sir small clarification. You referred Rs. 75 crores investments in die castings piece. That investment was a part of the international business or it is a part of Indian business of die casting and what would be the corresponding revenue on that Rs. 75 crores investment, that is one question.

Harish Lakshman: See, of that entire amount that I mentioned it is for the domestic business.

Pritesh Chheda: And the corresponding revenue that you mentioned was Rs. 130 crores going to Rs. 170 crores?

Harish Lakshman: No. A lot of the Rs. 75 crores investment also went towards achieving Rs. 130 crores because if you see the previous year Rs. 95 crores moves to Rs. 130 crores.

Pritesh Chheda: Understood. Then on the margin piece for Rane Brake Lining and Rane NSK, if you could explain the margin piece in conjunction with the utilization and the localization aspect and is there any further room for margin expansion?

L. Ganesh: I think in Rane Brake Linings, it was a good optimum year for us in terms of both exchange and localization. Localization is continuing, although we use very specialized material in non-asbestos and as non-asbestos percentage is going up, localization is the kind of a little bit of a contradiction, but we are nevertheless trying. But Yen is something which we are not able to predict. I think the idea is to maintain some margin improvement. In the case of Rane NSK, every time a new program is introduced we start up with a slightly higher import content and then over the first one year we try to localize and every new program the localization content to start was higher. So the idea is reduce even electronics and other components, try to localize as much as possible. So most of the Japanese suppliers have also set shop in India. So I think the local content will continue to improve.

Pritesh Chheda: How about utilization in both these places?

L. Ganesh: Utilization in disc pads in Rane Brake Lining has been quite high. It has been about 80%-85% and in the case of brake lining, it has been about 65%.

Pritesh Chheda: Is there a room for margins considering utilization and localization in both these companies or this is it?

L. Ganesh: No. I just think localization is more or less optimum. Utilization, yes Brake Lining improves utilization, naturally the fixed costs absorption will be better. But in terms of Rane NSK, capacity utilization is pretty close to capacity actually. We are working very closely to capacity in the EPS. In the manual columns, we still have some capacity and next 2-3 years we hope to improve the manual column capacity utilization.

Pritesh Chheda: And sir, last year we want to check on manual steerings, what would be your prognosis over the next 3-5 years?

Harish Lakshman: So, the interesting thing in manual steering is with increasing electric steering in small cars, they will use the manual steering in addition to the electric system. So to that extent, for Rane Madras the opportunity continues and we have been making steady inroads into Maruti. As you may know, we were a number two supplier with a very negligible share in Maruti but that has progressively increased. Few years ago, we were only hardly supplying 10% of Maruti's requirement and that has continuously been increasing. And in addition to that, of course while we had the set back in the export market with the nexteer cancellation, we continue to pursue other opportunities. So in manual steering, I would say overall next 3-5 years outlook is positive more because of the domestic growth as well as the international business. So we are overall positive about the opportunities there.

Pritesh Chheda: Sir I am technically slightly weak, I didn't understand actually. You said in small cars, manual steering is used alongside electronic. I actually didn't understand this statement.

Harish Lakshman: Because see, in the case of a hydraulic steering, Rane TRW makes the full system and they put it in a vehicle. Now when you move from a hydraulic to an electric, then you have two pieces. You have an electronic control unit and a motor and some other subsystems that is made by Rane NSK and the manual steering is made by Rane Madras. So when you replace the hydraulic system with an electric system, both Rane Madras as well as Rane NSK will benefit.

Moderator: Thank you. We take the next question from the line of Srinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Srinath Krishnan: Sir, TRW, the exports have grown by about 40% and the export contribution is nearly 20% of sales and even in the presentation you have mentioned about new program ramp up. What would be, you know in the past you have spoken about doubling the speeds in 3-year's timeframe sir, so would this growth rates continue for next couple of years and where is the growth coming from?

Harish Lakshman: The export growth has come largely because of the seatbelt business that we mentioned where we have started exports and in addition to that, the domestic market is also growing and including the airbag. So this business definitely has visibility of 25%-30% growth in the coming years driven by a combination of both export as well as domestic.

Srinath Krishnan: Sir in the HCV, LCV piece too in TRW the growth rates have been higher. In the last few months, we have seen that this pickup, HCV piece, the LCV piece growing higher than, I mean growth has accelerated. So what would be our share of business with Mahindra and Tata sir in pickup and LCV, HCV?

Harish Lakshman: I am not able to respond straight away, I don’t know the share. But as far as overall commercial vehicle is concerned, the CV market, both HCV as well as LCV, the power steering penetration is also increasing every year. See, M&HCV segment is 100% power steering. Whereas LCV as well as HCV, there is still a lot of manual steering that is also slowly migrating into power steering and in addition to that, we are also increasing our share with some of the customers where we have traditionally had lower share. So all these 3 factors is what is driving the growth.

Srinath Krishnan: How much would be power steering share sir in SCV, LCV?

Harish Lakshman: In LCV, it would be only about 50% whereas in SCV, I mean it depends whether you include DOST or not. Like Ashok Leyland DOST if you factor in, then power steering is a little bit more. Otherwise power steering is only about 10%-15% in SCV.

Srinath Krishnan: Your presentation first time for TRW, you have included tractor share as 1%. In your initial commentary, you mentioned that your growth rates in the tractor segment were lower because of power steering gaining acceptance. Will that piece of business come in TRW?

Harish Lakshman: No, so this is a little complicated. In the tractor segment, again there are two types of steering technologies. One is what is the most prevalent technology where most of the tractors are using what they call a hydrostatic steering. This Rane Madras is manufacturing and we still see in the overall market, a large portion of the power steering that will be used in tractor will continue to use hydrostatic. However, some tractor manufacturers have started experimenting on using the same steering that is there on HCV and some LCVs to fit it in a tractor. So that will come from Rane TRW. So therefore we will start and some customers are very happy with what product that has been offered. So therefore what we are seeing in the next 3-4 years is that some tractors manufacturers or certain tractor models will use the same steering technology that is there for

HCV. So that portion will see some growth in Rane TRW. But the majority of the market will continue to be hydrostatic steering which will come from Rane Madras.

Srinath Krishnan: And sir for NSK, growth compared to TRW it is under lower side, sir the exports in the lower side, it is about 1%. In your presentation, you mentioned about exports as an opportunity. So next 2-3 years how do you see this?

Harish Lakshman: So definitely there are some export opportunities that we are pursuing with NSK. But this is not going to be a shift in the direction of the company. This company will be by and large domestic and some incremental export business will be there.

Srinath Krishnan: Sure. And what is the CAPEX that you would be doing in NSK because you are operating at near full utilization level and you mentioned that you are there in Baleno which is largely the model which would be manufactured in Gujarat plant for Maruti?

L. Ganesh: In terms of CAPEX, current year we are planning about Rs. 65 crores CAPEX. In terms of Gujarat we have not decided yet, but going forward I suppose when the volumes increase, we have to have some presence there. We are currently just evaluating that, discussing with our partners on that.

Srinath Krishnan: So your share of business would be 100% in Gujarat sir, because it is Baleno that would be manufactured?

L. Ganesh: To start with, yes. We are now having a logistics facility in Gujarat. So from Bawal, it is going there and then being supplied to the customers. That is how currently we are managing.

Srinath Krishnan: Lastly sir, the Nisshinbo and TMD opportunity in Europe that could come up in terms of aftermarket business sales, any progress in that front?

L. Ganesh: It is going a bit slowly. Actually, TMD is the company which has got lot of aftermarket business. Some discussions, some samples are going, but it is going much slower than what we would like it to. So we are still at it. We are still working on it.

Moderator: Thank you. We take the next question from the line of Ravi Purohit from Securities Investment. Please go ahead.

Ravi Purohit: Sir, one is on the TRW's business where we have this occupant safety systems, is there possibility of introducing more products or do you think airbags and seatbelts could be large enough businesses on their own in India and also on seatbelts, do we do any business in India, or is it only export business?

Harish Lakshman: For the immediate 3-5 year perspective, these are the only product lines in Rane TRW, but even within the portfolio also, there are lot of new products that are coming up. See in airbag, the market is still evolving. There is a passenger airbag and there is a driver airbag which is only on the front and then there is something called side airbag and then there are something called knee airbag. So there are a lot of new products that will be getting added in the coming years. But under a product family, these would be the only product for the foreseeable future. I mean, when I say, at least from a next 3-year perspective, beyond that obviously our partner is a very globally strong partner with a huge product portfolio. We may add some more products in the future. Your second question, seatbelt, there is a large domestic portion also. The export has just started recently.

Ravi Purohit: Can you give us what is the total seatbelt business for FY17 and how much is domestic and how much is export?

Harish Lakshman: Seatbelt business is about Rs. 225 crores, out of which Rs. 75 crores is exports.

Ravi Purohit: This we have some visibility on in terms of from this year onwards, in terms of export opportunities?

Harish Lakshman: Yes.

Ravi Purohit: Okay. And sir any light on localization of these safety products in India in places we are still importing the inflator, right, for the air bags. Given what the opportunity size that you are looking at, any thoughts on whether this is likely to be manufactured in India or we will continue to import it for now?

Harish Lakshman: While various parts of both the seatbelt and airbag is getting localized, very clearly the inflator will not be localized for the foreseeable future. So it is a very critical item, high technology, very high capital requirement. So unless I think the Indian market reaches the size of 5 or 6 million, I do not think our partners will support any form of localization and also you know given the recent problems of Takata which is all related to the inflator, so there is lot of sensitivity around that product.

Ravi Purohit: So would them owning 49 and us owning 51, have anything to do with that or?

Harish Lakshman: No. We are actually 50:50. That is not a reason for any of the decision making.

Moderator: Thank you. We take the next question from the line of Janani Rajsekhar from Securities Investment. Please go ahead.

Janani Rajsekhar: Just wanted a little more clarity in terms of the Occupant safety the business, what was the revenue from airbags in FY17, what was the exact number there?

Harish Lakshman: About Rs. 100 crores.

Janani Rajsekhar: Okay. And so can you give us some idea of what is your current target market share in this business and what is the current target market share?

Harish Lakshman: On airbags or?

Janani Rajsekhar: On airbags.

Harish Lakshman: On airbags, our market share is quite low. This one I will have to pull out the number, unfortunately I don't have the market share data but it may be 15%-17%.

Janani Rajsekhar: So we can see this increasing over the next 3 or 4 years?

Harish Lakshman: Marginally.

Janani Rajsekhar: And my other question was in terms of we can see a lot of auto ancillary businesses in general having accelerated depreciation over the last few years. The percentages or gross fixed assets seem to have increased. What is the reason for this? Has there been a change in terms of the usage of assets or estimation?

L. Ganesh: We have not changed our accounting policy in terms of depreciation**.**

Harish Lakshman: Only thing is in both Rane Brake Lining and Rane TRW, we had some solar investments, I don't know whether that is what you picked? But other than that, nothing.

Janani Rajsekhar: No. Also if you look at Rane Madras, if you look at from 2014 onwards, it seems to be a pretty about 200 basis point increase in the depreciation as a percentage of gross sector. I understand there was some regulatory change in terms of useful life at that time. Are we looking to see this continue, this kind of percent?

L. Ganesh: That is because of investments in Rane Die Cast, that is why Rane Madras has gone up. It is purely related to CAPEX. So there is no change in the method of calculation.

Moderator: Thank you. We take the next question from the line of Vivek Kumar from Shiv Sagar Investment. Please go ahead.

Vivek Kumar: With regards to Rane Holding, there are like 3 listed companies and some unlisted entities. How do we view Rane Holding Company as, if a totally new product will come from Rane Holding and any plan to change the name of the company to reflect the group name, like removing the word holding from the company?

Harish Lakshman: For now, we are looking at Rane Holdings as a pure holding company where we will be having investments in all the group companies; however, there is a possibility that, like for example when we acquired Sasmos which of course we subsequently exited like new aerospace investment etc. that will come out of the holding companies. But anything in core automotive and venturing into new products within our current family, those will happen only in the operating company.

Vivek Kumar: But if it is a totally new product line or a new foreign joint venture, it can again come under Rane Holding, right?

Harish Lakshman: Yes, possible.

Vivek Kumar: And one more thing sir, you were saying like export growth opportunities are there. So what are the guiding factors with regards to exports, the advantage as a country and as a group we have and what is the potential for the export because you said the JVs which basically will cater to the domestic market. So from where do we see the export growth coming from?

Harish Lakshman: We will see continued growth in exports in Rane Madras, Rane Engine Valve as well as Rane TRW because our joint venture partner sees a lot of benefits in using the JV in India to support many of their global requirements.

Vivek Kumar: But can they do this to different other JVs with other companies and other direct 100% subsidiaries, so is that possible?

Harish Lakshman: We supply directly to the customers, directly.

Vivek Kumar: Some of our new products coming through different JVs which they have with different partners or the direct companies which they can have, so we can lose out the business, is it possible?

Harish Lakshman: We are directly supplying to the customers, even in Rane TRW.

Vivek Kumar: But for new product line it is necessary, all the products have to come through our joint venture, they can directly set their own manufacturing unit and export like do their business?

Harish Lakshman: As far as seatbelt, airbag and steering is concerned, they can only come through this joint venture.

Vivek Kumar: Okay and what is the advantages we have as a country or a group and what is the opportunity size for the exports for auto ancillary as such as a sector, or as a group you can say, just throw light?

Harish Lakshman: As you can see, exports definitely is a large opportunity that I think every auto component manufacturer will continue to pursue.

Vivek Kumar: It is a cost benefit which India is having or what is that you think?

Harish Lakshman: It is largely because of the cost benefit. The multinational vehicle manufactures are large tier I. Definitely they save by buying parts from India which are of same quality as that of an European or an American supplier. And for us also it is definitely profitable, of course the recent Forex rupee appreciation has hurt the margins a bit and will continue to hurt the margins, but it is still a very profitable business.

Vivek Kumar: Sir what is the asset turnover of the industry as such of the products which we are in?

Harish Lakshman: It is very difficult to put one number because even in our own product across the group, there are some products whether it is 1.2:1, sales to asset, going as high as 9:1.

Vivek Kumar: And sir what about the risk with respect to disruptions which we are hearing in the auto industry with regard to the electric vehicles, so how do you see that?

Harish Lakshman: I think globally it is definitely a major development that is taking place, both electrification as well as this autonomous and probably electrification impact will be felt even sooner than autonomous. As far as impact in India is concerned, I think from the next 5-7 years our assessment is it will be minimal, the impact of this. But we are all constantly watching this situation and seeing how things are changing and hopefully Rane will also take adequate steps too…

Vivek Kumar: It can grow better new opportunities also?

Harish Lakshman: Correct.

Moderator: Thank you. We take the next question from the line of Rishi Maheshwari from Axa Capital. Please go ahead.

Rishi Maheshwari: My question is specific to the steering business in Rane Madras. So just a while back, you have mentioned that even if it is an electric power steering and you have the power steering component plus the electric control component. So is this like wherever Rane NSK has a business relationship, the electric component will be supplied by Rane NSK and power steering component will come from Rane Madras?

L. Ganesh: It is not necessary. Some customers buy both these separately, some of them buy it as a system. So globally I am saying. So for example Maruti, let us talk about largest Indian and they buy separately. So they may buy electric power steering from Rane NSK, mechanical steering from Rane Madras or any other company or vice versa. They don't have to buy both together.

Rishi Maheshwari: Okay. What percentage of the business will there be an overlap between Rane NSK and Rane Madras?

L. Ganesh: There is hardly any in India because the customers are buying separately. So while there could be in future we might work together and supply some systems to customers. Sometimes we quote together as a system. In India at least so far the practice is to buy electric power steering separately and mechanical gear separately.

Rishi Maheshwari: Okay, got it. So after JTEKT taking a complete ownership of Sona Koyo, are we seeing an increase in the competition levels with your steering business?

L. Ganesh: Too early to say that.

Harish Lakshman: They have always been a strong competitor.

Rishi Maheshwari: Because every last 3 years we have been taking share from Sona Koyo and given that JTEKT has a stronger relationship with Suzuki, do we see this as a threat or just want to have your comments on that.

Harish Lakshman: See, actually in Sona Koyo, if you see their financial structure, the company that was making the electric steering was actually one level below and that was anyway owned 51% by JTEKT. So the Japanese were already aggressively competing with us even before this. So now it totally gives them complete ownership at both levels.

Rishi Maheshwari: And my last question is with respect to the US entity. So based on whatever financial numbers that we have from your disclosure, we see that there was a gross margin has declined from what it was in the first half of FY17 vis-à-vis Q3 of FY17 and Q4 of FY17. So any reason for the decline in the gross margins for the US business?

Harish Lakshman: Q3 you would have seen only standalone. So I am not sure.

Rishi Maheshwari: So your gross margin in the first half of FY17 was about 63.7% which declined to 56% in Q3 and 43% in Q4

Harish Lakshman: Of RML standalone or consolidated?

Rishi Maheshwari: No. I am just looking at the US operations, so basically a difference between the consol and the standalone numbers when I look at it plus the margins that we have made in the first half of FY17 vis-à-vis the margins that we made in Q3 and Q4.

Harish Lakshman: Sorry I am not able to see, what you are referring to?

Rishi Maheshwari: Since this is very number specific maybe I can take it offline to discuss this part?

Harish Lakshman: I think that will be fine.

Moderator: Thank you. We take the next question from the line of Viraj Kacharia from Securities Investment. Please go ahead.

Viraj Kacharia: Just had the follow up question on Rane NSK. Now, if we look at this overall operating margin profile in last 3-4 years bulk of the improvement has come from operating leverage on the growth we have seen in Rane that came in last 3-4 years, despite JV being one of the lowest gross margin in the industry. Now if we compare the margin profile, in both operating unit margin profile of the JV partner NSK Japan, they earned higher operating margin than what the Indian JV earned**.** So when we say we are looking to maintain the current margin profile, which is around 13.5% EBITDA and 6% net margin, where we see the challenges from or is it because of the mix between electric and manual or can you just provide some thought process on that?

L. Ganesh: You are asking why the margins cannot be improved, is that your question?

Viraj Kacharia: Yes sir.

L. Ganesh: Well, I think in terms of pricing, in terms of where the market is, in a very strong competition, these seem to be the benchmark prices. So honestly, we have to only optimize cost into our productivity and localize and buy efficiently component. That is the only scope and that is what we continuously do. So we don't see any premium pricing or anything going forward. This has become a standard product in India today with strong competition. So that is the reason I said maintaining this margin itself and a good ROCE of nearly 30% plus is a good achievement and if you are able to sustain that, that will be good enough.

Viraj Kacharia: Right. And just had one more follow up question on that. If you look at the two segments which we have in NSK, one is the manual steering column and second is the electric power steering business, what will be the margin typically differential between the two, because up till, just before FY16 we used to have some loses at the manual steering business, which started turning profitable. So just want to get a sense on what is typically the margin differential.

L. Ganesh: Well, in terms of manual column, the margins will be at least for 25% lower than the electric power steering.

Viraj Kacharia: Okay**.** If I can squeeze in one more question, it was related to TRW. What is the total cost to OEMs, one of our vehicle business or an impact which we have currently?

Harish Lakshman: From Airbag, is it?

Viraj Kacharia: Yes.

Harish Lakshman: See, again we supply only one portion of the airbag system because the airbag system uses ECU, sensor etc. So we supply only the airbag portion. So that won't be the total cost for the vehicle manufacturer because they procure other parts of the complete safety system. As far as the airbag alone is concerned, it is in the range of about Rs. 1,500 Rs. 2,000.

Viraj Kacharia: So when you say whole system, how much will that be in terms of cost to the owner?

Harish Lakshman: I would not know because we are not in the sensor business, we are not in the ECU business etc. So vehicle maker sources them directly.

Viraj Kacharia: So if we look into on a medium term basis as you highlighted, the Indian market potentially reaches a 5 million - 6 million kind of a number, you can see a localization of lot of parts which is currently traded or imported. So when we say these items, which we talk about the ECU and the sensors, will this also be the ones potentially be localized and hence we will be catering to a much more higher content per vehicle in the future. Is that the right way to look at it?

Harish Lakshman: The answer is, yes, I think long term definitely we do see more localization in some of these higher technology products which are not currently manufactured in India. Whether we will be a part of it is not clear. For example, we are not in the sensor business or the ECU business. So that may never ever come into our JV.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from Way2Wealth. Please go ahead.

Mahesh Bendre: Sir, what is the CAPEX plans for Rane Madras for next 2 years?

L. Ganesh: CAPEX plan for Rane Madras, we are just reworking because of this next year order cancellation. So I think it will be in a region of about Rs. 40 crores for the current year 2017-2018. 2018-2019 we have to redo based on this new development, but next year it is going to be about Rs. 25 crores. They have reduced it after this order cancellation. They reduced it to about Rs. 25 crores.

Moderator: Thank you. The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.

Manish Goel: Two questions. One on the Rane Brake, so are we looking to close the Chennai facility in near future after this VRS?

L. Ganesh: Not in the near future. We still have about 80 odd people working there, 85 permanent workmen and some trainees etc. So we still have full fledged production plant. But as I said going forward we would be coming out of asbestos and with the old plant and the aged workforce, we thought when the unions want VRS, why not reduce the manpower. So we reduced it, that is it. I don’t think we will be closing it in the near future.

Manish Goel: And sir just a question on as a group level, we decided to exit SasMos, basically we had acquired this company 3-4 years back and it was into potentially a high growth area of aerospace and defence. So just want to rational as to why we look to exit that, number one and then how do we go forward in future in this space?

Harish Lakshman: See, the joint venture did very well especially after Rane got into that and as you know we exited also at a very good return on the investments The reason we exited was that at some stage we felt that our plans, our strategy, our vision was somewhat a deviation with that of the original promoter and we thought that it is better to kind of part ways rather than be in it and workout whose vision should be followed, what strategy, etc. So we said the best way wass for us to come out. To answer your next question, yes continuously looking at other opportunities in aerospace, even as we speak we are evaluating few options, so we still want to achieve that 10% of the revenue in the next 3-5 years out of aerospace and defense and we are still working on that same vision.

Moderator: Thank you. We will take the next question from the line of Sunil Kothari from Unique Investments. Please go ahead.

Sunil Kothari: Sir, two questions. One is related to this Nexteer cancelled order. How much we must have spent and debited in P&L? If those figures can be provided and secondly it is related to RML margin, looking at die cast now improving, Rane die cast and this Nexteer related expenses removed. Should we expect standalone margin to be reasonably better?

L. Ganesh: Well, in terms of direct expenditure, identified expenditure is only on the tooling, I mean, I am not accounting the management expenditure travel to the US and a few visits from marketing and all, which have been absorbed. But direct tooling etc. development cost will be in the region of Rs. 4-Rs. 5 crores is what we have spent on testing tooling, directly for this customer which we have claimed from the customers. In terms of margin, yes, I think we do hope that with Rane Die Cast improving this year and going forward, our margins will improve and therefore our ROCE also should improve and we should deliver what we have been talking about last 2-3 years, 20% plus. That is our aim in the next couple of years.

Moderator: Thank you. The next question is from the line of Ravi Purohit from Securities Investment. Please go ahead.

Ravi Purohit: Sir, two things. One is in the last few concalls we have been talking about the surplus land parcel that we own in couple of our companies. One was in Bangalore and some in Chennai. So any plans to monetize some of them in this current financial year?

Harish Lakshman: Nothing immediate.

Ravi Purohit: But what is the size and what is the approximate acres that we hold in those excess land parcels?

Harish Lakshman: See, what we have shared with the market is that, the Rane Madras plot in Velachery which is a little over 4 acres, and I think the Bangalore property which is part of Rane Engine Valve is about 5 acres.

Ravi Purohit: So as of now these are the surplus ones?

Harish Lakshman: Yes.

Ravi Purohit: Okay. And sir another question is on the holding structure. So as of now, there are like 5 companies in this holding, 3 are listed and 2 are unlisted. Any thoughts on whether this is going to be the preferred structure or do you have thoughts or have you ever thought of basically distributing shares of individual companies to Rane Shareholders over a period of time or just your thoughts on how the structure is as of now?

Harish Lakshman: We keep reviewing the structure and we continuously get feedback from various stakeholders. And for the immediate future there is no plan to change the existing structure. But over time, we don't know what the alternate options could evolve.

Moderator: Thank you. We take the next question from the line of Janani Rajasekhar from Securities Investment. Please go ahead.

Janani Rajasekhar: Just wanted to understand little bit more. You have been saying that the Safety division as a whole is going to grow at about 20%-25%. Now I understand that airbags is clearly driven by legislation in India as well. What is really driving this level of growth in seat belts?

Harish Lakshman: Seat belt, two things. One is the export business we have won along with our partner, so that is driving the growth and in the last 2-3 years we have gotten some new technologies into the joint venture, by which we have aggressively gone after domestic business and which we have won.

Janani Rajasekhar: And in airbags, where are we looking to grow going forward. Exactly what kind of traction are we seeing in airbags? Next year FY18-19, what kind of?

Harish Lakshman: The growth is coming actually both from seat belt as well as airbag equally. And on airbag, obviously a lot of the business is also driven by the customer and our partner is generally strong with both European and American OEMs. So whether it is a Ford or a Renault etc. And also now with Hyundai also, not Hyundai domestic but Hyundai exports we have made a breakthrough. So the growth for airbags will be driven by these few customers. Unfortunately we do not have any presence with Maruti as yet.

Moderator: Well sir, we just lost the line. We take the next question from the line of Srinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Srinath Krishnan: Given the current Rane Holding structure, this remains a largely holding company and in case we need to get into new areas of business, how will we find capital to startup additional business, if it involves say setting it up as a JV with technology partner, equal strategy partner. So if it got to go through the private route of 50:50, so how do we intend to find the capital? Are we open to raising equity capital from markets as required?

L. Ganesh: If situation warrants then yes, I mean, currently we don't have such plans. We think internal generation will be adequate to meet our growth aspiration. But if some good opportunity comes we are quite open to that.

Srinath Krishnan: So just an add-on here. Sir we have seen several of our peers of, look at big ticket acquisitions globally and getting into large OEM customers. So do we as a management group have such, what is your view on such deals where for example, just to make it relevant, like how Motherson Sumi went ahead and bought into several large corporations globally. So are we kind of looking at big opportunities like that or would we like to be lot more organic in growth and add a little inorganic growth to it?

Harish Lakshman: Yes. I think Motherson is a very unique situation and I don't think for us also to try and duplicate that model is possible. So our going forward strategy is to grow our organic as well as, very clearly have some inorganic growth. So a combination of those two will be our strategy and while the US acquisition was a reasonably small size and even that we had to prove that it is possible to generate profits in an overseas entity. But so far the experience has been positive. So hopefully that will help us, take us may be slightly larger steps in the future.

Moderator: Thank you. Well, due to paucity of time, that was the last question. I now hand the floor over to the management for their closing comments.

L. Ganesh: Thank you very much. Thank you for your very active participation and we look forward to a good year. As Harish mentioned, there are some small hiccups coming up like GST but I think that is a very short term. It is very positive for the long term and we hope that 2017-2018, the remaining quarters we will come back and interact with you and we hope to have a very positive result during this year. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Rane Holdings Limited, we concluded today's conference. Thank you for joining. You may now disconnect the lines.