

Interactive Session with Dr. Pawan Goenka

Investor Relations, April 13, 2016

Date & Time	April 13, 2016; 2.45 p.m.	
Event	Analysts interaction with Dr. Pawan Goenka	
Attendees:		
Dr. Pawan Goenka, Executive Director and Group President, Auto and Farm Equipment Sectors & Member of the Group Executive Board	Mr. K. Chandrasekar, Executive Vice President – Corporate Finance and Investor Relations	
Mr. Bharat Moossadde, Executive Vice President and CFO– Auto Sector	Mr. Nikhil Madgavkar, Executive Vice President and CFO – FES	
Mr. Sriram Ramachandran, Senior Vice President – Corporate Finance - Investor Relations & Special Projects		

An interactive session with Dr. Pawan Goenka was organized, in which senior auto sell side Analysts participated. The salient points emerged during the discussion are provided below:

The macro factors augur well for the coming year with a GDP forecast of 7.6%, Inflation under control and an above normal monsoon forecast. The importance of a normal monsoon in the current year has become more imperative than ever before due to two consecutive years of poor monsoon.

Commodity prices may not see a significant increase except steel prices, which may see some increase. The crude oil may also see some increase this year, having been subdued last year.

Business Performance

Auto:

- The company has seen a growth after two years in this segment, aided by 9 new launches (as planned) in FY16 and one new launch in FY17 (NuvoSport). The second half of FY16 saw much higher growth than H1 FY16 due to these launches and also increased market share. Based on the new launches, the momentum is expected to continue in FY17. While the company is working on some new products including a vehicle in compact UV segment, FY17 would be a year of consolidation and may see only tactical launches.
- SIAM has revised its forecast of 10% growth in PV to 5-6% in FY17. The impact of infrastructure cess of 4% on vehicles in the budget would have to be observed in the next couple of months.
- MHCV segment has done well. The industry has grown more than 30%, whereas the company has grown more than 60% on a smaller base. This has helped the MS to above 3%. The newly launched 'Blazo' series is doing well. The company is working on ICV range (9-16T) and is expected to be launched by the end of 2018.
- Exports also had very good year with the volumes touching an all-time high of 36000 vehicles for FY16. Going forward the momentum is expected to continue with the neighboring markets as well as Africa & South American markets.

- Ssangyong is expected to turn positive in CY 2016 with great response to Tivoli / Tivoli Air.
- The company would be in a position to adhere to all safety and emission norms as per the timelines announced by the regulator. However, these would entail increase in customer prices as industry normally passes on these additional costs. For example, complying with safety norms would mean an average cost of Rs.25,000 to Rs.30,000 per vehicle and complying with BSVI norms would increase the price by around Rs.1,50,000 (approximate cost increase of Rs.90,000 plus taxes) based on current technologies for complying with these norms.

The capex requirement for BSVI compliance would be around Rs.500cr for the company in addition to the capex at the vendors end. Also, the implementation of BSVI norms will depend on timely availability of BSVI grade fuel.

- The company is working on range of gasoline engine options. Within 12 months, the gasoline options are expected to be launched for Scorpio and XUV500. The other gasoline programs of the company include:
 - More variants of 1.2litre (like turbo & DDI)
 - 1.5 litre being developed along with Ssangyong
 - Access to 2.0 litre & 1.6 litre engines from Ssangyong portfolio
- KUV100 has been accepted very well by customers; currently, the product has a waiting periods of 6-8 week. The gasoline variant of KUV100 has received good response, and contributes to about 45% of KUV100 sales.

Farm Equipment:

- Tractor industry has de-grown 10.4% in FY16 but the company did better than the industry and hence saw a marginal increase in market share (MS).
- Subject to a normal monsoon, the tractor industry may see a growth of 10% in FY17. Given that the industry has seen two continuous years of de-growth a very good monsoon may spring positive surprise.
- The Government's announcement of doubling the farmer's income by 2022 could be a big game changer, if planned and implemented properly. The Crop Insurance and Direct Benefit Transfer scheme are also significant initiatives.
- The company is very well poised to take advantage of the expected growth with a strong launch of 'Yuvo' series (5 tractor models) in the mainstream segment of 30-45 hp which accounts for 80% of the market size. The Yuvo has been developed after significant understanding of customer insights.
- The strategic acquisitions made in the Farm equipment sector has to be viewed from its long term (10-year) objectives of increasing revenue from global activities (exports & overseas operations) to 50% and increase the proportion of non-tractor revenue.