PRICOL LIMITED (Formerly Pricol Pune Limited)
Passion to Excel

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Listing Department **National Stock Exchange of India Limited** "Exchange Plaza', C-1, Block G Bandra-Kurla Complex, Bandra (E), Mumbai - 400051	Corporate Relationship Department **BSE Limited** 1st Floor, New Trading Ring Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai 400 001
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Dear Sir,

Sub: Con-call Transcript

Pursuant to Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we herewith submit the Transcript for the Con-call held on 14th November 2017 on the unaudited financial results for the quarter & half year ended 30th September 2017.

This is for you information and records.

Thanking you

Yours faithfully,
For Pricol Limited

T.G.Thamizhanban
Company Secretary
ICSI M.No: F7897

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Pricol Limited Q2 FY 17-18 Earnings Call

Investor Conference call transcript

Event Date: November 14, 2017
Time: 16:00 Hrs to 17:00 Hrs

Operator: Thank you, for standing-by and welcome to the Pricol Limited Second Quarter FY 2017-2018 Earnings Conference Call, presented by Mr. Vikram Mohan, Managing Director of Pricol Limited and S Shrinivasan, Chief Financial Officer of the Company.

Vikram Mohan: Good evening, everyone. Thank you for your participation in this call to review the performance of your Company for the quarter ended September 30, 2017. I will take you through a short presentation, giving you the highlights for the quarter gone by.

Synopsis of the financial performance in Q2. The income from operations stands at Rs. 318.4 crores. Pricol Limited's revenues experienced a growth of 7% from Rs. 293 crores; this excludes revenues from the Speed Limiting Devices, which was mandatory product, which died out as of March 31, 2017.

The gap in total revenue is the result in drop in sales of Speed Limiting Devices as an effect of BS IV implementation. Excluding the Speed Limiting Devices, our revenues had grown by 5% in H1 year-on-year compared to the previous year.

Revenues have grown by about 9.4% over the preceding quarter of this financial year. Profit before tax stands at around Rs. 10 crores for Q2 FY 2017-2018, a 30% growth over the immediate preceding quarter.

Going to our main vehicle segments, the market in the two-wheeler and three-wheeler segments have grown cumulatively by 9% with the three-wheeler seeing a drop and the two-wheeler seeing a growth. The overall market growth was 9%, whereas Pricol has grown by 21%.

Four-wheelers, 5% has been the market growth. Pricol has grown by 10%. CV segment has seen negative growth; we have grown by 26% because of introduction of new products and new projects primarily. Off Road Vehicle segment, again we have grown by 10% because of some new products being introduced.

Moving to the next slide, The EBITDA drop has been on account of SLD revenues dropping. The SLD was a hugely profitable program for the Company. That drop has seen the EBITDA drop but this EBITDA is in line with our expectations and our projections. This EBITDA number is likely to be about 10.5% to 11% for the third quarter and going up to above 12% for the fourth quarter as against 9.8% for the second quarter.

On a stand-alone basis, we continue with our leverage, our debt at this point stands at around Rs. 124 crores, including long-term and short-term borrowing. This is on a standalone basis. On a consolidated basis it is higher on account of the acquisitions that we have just completed, but our debt service coverage ratio on a standalone basis is at a four (percent) .

Our outlook for this year, the numbers speak for themselves. We are expecting a growth of 19% in our Driver Information Systems, Switches & Sensors to grow at 30%. Pumps & Mechanical Products at 20%.Telematics to grow at 4%, which is lower than our original guidance through the beginning of the year.

Auto Accessories & Others has de-grown by 37%. This is primarily on account of – we were supplying a lot of parts to Denso, our joint venture partner and all those part supplies have stopped. And this is primarily on account of that.

The acquisition of PMP the wiping system company was completed in August 2017. Integration of the three plants of the company in Europe, India and Mexico are in progress. This business is expected to add a revenue of about Rs. 375 crores to our consolidated numbers this financial year. An important landmark for the company where we have signed an exclusive licensing arrangement with Kerdea Technologies for Oxygen Sensors, expanding our sensor portfolio, which will makes ready for the BS VI norms effective from 1 April, 2020. Post the rollout of the BS VI norms, we are expecting to add about $60 million to $70 million of top line with product developed with Kerdea Technologies which translates to about Rs. 300 plus crores in that period.

We have assumed a very conservative market share to achieve these numbers. The product has already been tested by Honda in Japan. The product is also under testing with the various other vehicle makers in India. This is primarily catering to the two-wheeler segment with the number projected at Rs. 300 crores to Rs. 400 crores.

We have entered into an important partnership with ACHR, a leading manufacturer of fuel pump modules in China. Running world-class technology and manufacturing facilities in China, suppling to all the leading OEMs in China. The technology transfer agreement with this company is for both product and process technology. And Pricol Limited has already got committed business of about Rs. 300 crores per annum from one of the OEMs. And we are working with a few more OEMs to increase our play in this market. As of now we have taken a conservative market share of 30% in the two-wheeler segment in India, a segment that Pricol is already very strong in. And facilities are getting created in the coming calendar year for readying ourselves for this product. Trial productions will commence in 2019 and full-fledged production will happen from 2020. And these revenues will accrue to the balance sheet from the calendar year 2020.

Our recent joint venture is with Zorg Industries. This again is for safety mandated product by the authorities. With effect from 1 April, 2019, parking assistance systems for vehicles become mandated in India. And initial production capacity of one million units is being planned. This is a 60:40 joint venture between Pricol Limited and Zorg Industries based in Shenzhen, which is owned and operated by an American corporation. We expect a very conservative revenue of Rs. 100 crores from this product line which will be more than double in the coming years.

I'm very happy to share that the restructuring process at Pricol Do Brazil in nearing completion. We have commenced production at our new plant. Employee severance has got completed. Major customers have supported us very well during the entire process. Customer feedbacks and production approvals have got completed in the new plant. And from December the new plant will go into full-fledged production. The plant also will make a cash profit starting from Q4 on account of the lower cost structure because of the new location and the new automation that we have introduced. Most of the investments in the new assembly lines and machines have also been completed.

The two new projects that we have won, one of which I already spoke about in an earlier call, the CSS Prime for which we have become a global supplier. It is US$15 million business per year, which is approximately Rs.100 crores plus, which is a 12-year project backed by confirmed volumes and volume-based pricing. And tooling advances have already been received from General Motors for the same and the initial pumps are under testing with the vehicle manufacturer, production commences in October 2019.

And new win has been Water Pump, which we have won from Volkswagen with an annual revenue for $18 million per year, which again is linked to volume; it's a volume-based pricing with a payback structure, in case volume is not achieved by the customer for all investments made by Pricol. The start-up production is FY 19-20 with a six-year tenure for the project. And this will give us revenues of close to about Rs.120 plus crores for the company.

Our vision 2020 as articulated in an earlier call, there are three ways of growth, the organic growth, the joint venture and technology partnership and inorganic growth. In the organic growth, four more greenfield plants are envisaged, work has already commenced on the plant in Sri City in Andhra Pradesh, Hosur in Tamil Nadu, work will shortly commence on a second plant in Manesar and all these plants will go into production in the first and second quarter of next financial year. Towards the end of next financial year, we are contemplating a plant in Vietnam, which will be on an account of new orders we have won from customers in that region. Once the numbers are firmed up, in a consequent call we will be able to share details of that.

On the oxygen sensors, on the park assist systems and the fuel pump module, we have already entered into joint ventures through technology agreements with Kerdea, with Zorg and ACHR. We are still on the active look out for technologies / joint venture partner for the hydraulics piece of our business.

For the inorganic growth, on the telematics side, we have targeted an acquisition of a company to complement our strength in hardware. On the software side of telematics, we have signed a MoU with a company, we have identified a target and it is under due diligence as we speak. We have arrived at basic valuation, if all goes well, this acquisition should be completed by the Q4 of this financial year. Wiping systems which has already completed an acquisition like PMP and this acquisition will be further bolstered by an arm and blade acquisition that we are planning towards the end of next financial year again based in Europe.

On the automotive sensors for high pressure and high temperature sensors, we are in talks with two leading major to get into a technology agreement to be ready with the high pressure and high temperature sensors for BS-IV-readiness. In our earlier call, I had said that we were on the final stages of concluding a joint venture agreement with TT Electronics based in UK; unfortunately that joint venture did not go through because TT as a company was sold in that period to a Japanese manufacturer whose already present in India. So a fresh start has happened for the automotive sensors. And as we speak, we are engaging in high level talks with two companies and hopefully another three months I will be able to give you some news on this front.

I will be now happy to take questions from the participants of this call, Thank you.

Question-and-Answer Session

Operator: We have Sriram R from India Nivesh. You may speak.

Sriram R: With respect to Wiping business, are we expect to target Rs. 375 crores in FY 2018 and for the wiping business, are we catering to the domestic market or the international market and how are we gaining our market share?

Vikram Mohan: This is an acquisition. So the revenues of the Wiping business that we acquired for FY 2018 will be Rs. 375 crores. The main anchor plant of this company is in Czech Republic in Prague. And most of the customers are European customers. Having said that, the company also has two plants which are fairly new plants, one in India and one in Mexico. The Mexican plant just commenced operations this year. The India plant has been in operation for two years. The revenue of Rs. 375 crores over Rs. 300 crores will primarily come from Prague and the balance Rs. 75 crores from India and Mexico.

How are we adding business? It is an ongoing business. We're engaging with many new customers. There is a very healthy pipeline of new business. All this was taken cognizance of when we decided to acquire this asset. It's got an independent technical center. It's got independent customers. So through this acquisition Pricol has also added some new customers to the Pricol family like the Volkswagen in Europe, we have added Škoda, Fiat, Audi, and we have added Peugeot. And this business is expected to scale up through about Rs. 480 crores over the next few years. So FY 20 the pipeline of business as of now shows our revenue visibility for about Rs. 475 crores to Rs. 480 crores.

Sriram R: Fine, sir. That's my question.

Vikram Mohan: The EBITDA for the business was – I'm just preempting this question.

Sriram R: Yeah.

Vikram Mohan: The EBITDA for the business this year, which was factored in the acquisition is going to be about 5%, but we have already started taking all actions to improve the EBITDA. In fact, the EBITDA for the H2 this year is already jumping to about 7.8% to 8%, and for a full year's operations, once all the customer consolidation and supplier consolidation and management improves and some process improvement from the shop-floor, I'm expecting a steady state EBITDA well above 10% for this asset.

Sriram R: Fine, sir. Thank you, sir. I will stay on the queue.

Operator: Next we have Santosh T. You may speak.

Santosh T: Yeah. Good evening, Vikram, its Santosh here. Could you please throw some light on the rationale for the increase in cost of material and the employee benefit expense for the last quarter?

Vikram Mohan: Santosh, sorry for the line. Did you ask about the cost of material and employee cost for Q2?

Santosh T: Yes. There is an increase from the last quarter, right?

Vikram Mohan: That is purely on account of the product mix and has had no impact whatsoever, as you know, always Q2 is a ramp-up phase because of the festival demand, so some cost has gone up on account of that. And the material cost also is on account of the product mix. These variations of minor variations will constantly keep occurring as the product mix changes. But having said that, some degree of premium freight also was incurred in quarter two on account of sudden surges in sales, on account of GST and then subsequent festive sales. So there were some degree of schedule changes from the customers which had a smaller impact on the material cost and which is now under control.

Santosh T: Yeah. Thank you, Vikram. And for this Q4 for the Brazil plant turning positive. Do we kind of see the consolidated quarterly numbers as well going forward after Q4? That will also start coming after Q4?

Vikram Mohan: Yes. The number will go up in Q4 and be a steady uphold goes from there on.

Santosh T: Okay, thank you.

Vikram Mohan: We expect that plant to have an EBITDA at a plant level of that operation to be doing about 20% from next year.

Santosh T: Sure. Thank you so much.

Operator: Thank you, Santosh. Next we have Prashant Bhaskar. You may speak.

Prashant Bhaskar: Yeah. Hi, good afternoon. Thank you for giving me this opportunity. I just wanted to know that have been like following you on the all the con calls, so last year in second quarter we have done on a standalone basis, we have done revenues of almost to be Rs. 390 crore, out of which the net profit was Rs. 19 crore and this year out of Rs. 318 crore, the net profit is only Rs. 7 crore. So when can we expect this net profit margin to go up and what are your views on the H2 on the net profit margin?

Vikram Mohan: So as I mentioned the EBITDA numbers are steadily going up. We're expecting to reach the 11% mark for Q3 and about 12.5% for Q4. About 13.5% for Q1 of next year. And by Q3 of next year reach a steady state of 14.5% , which is for our industry and they space we are in it will be at 14.5%, of course the fuel pump module and the oxygen sensor which are more profitable items will only kick in from 2020. As mentioned because of the BS VI and our manufacturing facilities and products for that.

Last year as I mentioned SLD had an extremely high margin, which cease to exist. And the quarter under comparison Q2 of FY 2017 versus Q2 of FY 2018. Q2 was a peek production period for the speed limiting devise and that revenue has entirely gone out of a system and the consequent profitability out of that. One more reason for the EBITDA to be little lower in this quarter is a lot of expensive incurred in conjunction with these three agreements both in Q1 and Q2 of this year. There are still extensive travel, extensive use consultants like legal consultants and valuation consultants which have been used for these three project ZORG, ACHR, and for Kerdea, a lot of senior management and engineers have been traveling back and forth to culminate these three JVs.

There will be some degree of this expensive also in Q3 and Q4 of this year as this project for seeing the light of the day after which these extraordinary costs will also cease. Because today we're really spending a lot of time and money and concurrent cost on building the pipeline and the facilities and the infrastructure and the technology for all of the new products which we have won the LOI. And such an extraordinary expenses are being incurred as we speak, it was a high Q2. Q3 will continue to be modest high as Q2 and Q4 and after which it will taper off because those projects would have gone in production.

Prashant Bhaskar: Okay. One thing I just wanted to know, the EBITDA for this current quarter, is how much you said, 5%, 6%.

Vikram Mohan: It is well over 9%, closer to 10%.

Prashant Bhaskar: This is 10%. And next financial year the EBITDA will move up to 14%.

Vikram Mohan: 14.5% is what we expected to stand foot on and remain stable, because based on our product mix of the company and based on peer companies in the similar product line manufacturing. And the culmination of all the efforts on vendor consolidation, manufacturing footprint rationalization, total cost of quality. We're expecting it to level off at 14.5%.

Prashant Bhaskar: And by when as we're going to see the consolidated numbers?

Vikram Mohan: From next financial year, we will be projecting a quarterly basis a consolidated numbers.

Prashant Bhaskar: And EBITDA on the consolidated basis will be higher than the standalone basis.

Vikram Mohan: EBITDA on a consolidated basis as we stand today – yeah, looks better than standalone basis, based on the future orders and both are new acquisition. Pricol wiping system, which is the PMP acquisition is still very, very early days, we'll be able to get a better fix in the few months once we take a better control of the operations.

Prashant Bhaskar: Okay, thanks.

Operator: Thanks, Prashant. Next we have Rajesh Agarwal from Moneyore Investment. You may speak.

Rajesh Agarwal: Sir, What will be the mix of equity and debt for achieving this vision 2020 plan, for total acquisitions, JV, green field plants, everything.

Vikram Mohan: As mentioned in an earlier call sometime back, when we outlaid our vision 2020. We anticipate a total spend of about Rs. 700 crore towards achieving our vision 2020, which is towards greenfield plants, JVs, technical collaborations and acquisitions. Of this number about Rs. 300 crore will be met through internal cash generation and through sale of land etc., some of which is will get realized in this quarter, quarter three and some more in quarter four. Some of the lands that the company is holding. And we are looking at having a consolidated debt up about Rs. 450 crore when we achieved the Rs. 3000 crore top line with the consolidated EBITDA of between 14% and 15%.

So we are looking at debt to EBITDA ratio of 1:1, we will be having approximately Rs. 400 crore to Rs. 450 crore of EBITDA and about Rs. 450 crore of debt in 2020 calendar year.

Rajesh Agarwal: So what is the consolidated debt now – debt and profitability.

Vikram Mohan: Shrinivasan, can I request you to through some light on the total consolidated debt for new Greenfield plant and the acquisition of the wiping systems business and the restructuring of Brazil

S Shrinivasan: Yeah, see, last year the consolidated debt was about Rs. 160 crore, which will add up with the new acquisition and other things will go up to Rs. 320 crore. And with the new Greenfield Capex and the sale of land it will remain around Rs. 300 crore this year.

Rajesh Agarwal: Rs. 300 crore. Okay, and sir, any of our project has anything to do with the electric vehicle, which will be for BS IV to BS VI, any product will get redundant?

Vikram Mohan: I think I was spoken in detail about this in an earlier call, where I spoken about our readiness for electric mobility, credits with just published a report very recently within the last one month, where Pricol has been ranked among the least disruptive business model, which means we'll be least affected by electric mobility which means we are electric mobility ready with in terms of all our product profile.

Rajesh Agarwal: Okay, sir. Thanks, sir.

Operator: Thank you, Rajesh. Next we have Shankar. You may speak.

Shankar: Yes. Sir, regarding your recent technical joint ventures of fuel pump and oxygen sensor, where you said, additional profitable business. Can I understand, these will be making in your Manesar factory and what will be your rough localization ratio for making these parts in India.

Vikram Mohan: The first part of your question was clear, it is not going to be made in the Manesar. In fact, it is going to be the oxygen sensor and park assistance system are going to be made in our Sri City plant and also in Manesar, the new plant. The fuel pump module will be manufactured in Hosur plant and in the new plant in Manesar. The second part of your question was not very audible.

Shankar: Localization, I'm just trying to find out, what is the localization ratio for that in our raw material consumption for these parts, it is 100%?

Vikram Mohan: Localization will be very high for the fuel pump module, of course, the initial parts for all of this will be imported from our partners in China till the volumes pick for all the vehicle trial. But when it goes into production both the fuel pump module and the passenger assistant system will have a very high degree of localization barring from critical electronics which India is not cost competitive.

In terms of the oxygen sensor, the localization is going to be a little lower because crucial elements are ceramic, these are ceramic sensor and India does not manufacture the ceramic sensor. That has to be imported from Germany.

Shankar: So roughly any ratio sir, that means for oxygen sensor importing from Germany in terms of ratio.

Vikram Mohan: We do have our material cost ratio, we have our import ratio. But I would not be very comfortable sharing that because it is competitive information which we do not want our competitors to know. But we definitely have typical cost arbitrage compared to our competition.

Shankar: Okay, okay. Thank you.

Operator: Thank you, Shankar. Next we have Ayyappan. You may speak.

Ayyappan: Hello, good evening. I have one question in PMP and PMP occurred in last month – completed in last August and almost two quarter elapsed and now we say that is Rs. 375 crore will be added in this financial year. May I know that how that acquisition happened. So what I was thinking it's only that two quarter will be added from PMP.

Vikram Mohan: The acquisition was completed in end of August 2017, so September and October are the two first months of operation and then our management Mr. Ayappan. So the numbers will be Rs. 375 crore for this financial year as a standalone company, for Pricol wiping systems as the business is now called.

Ayyappan: Sorry, it's not clear for me. So almost if you say, the eight month production is Rs. 375 crore or it's more than that.

Vikram Mohan: As a standalone business for the year, for a full financial year will be Rs. 375 crore.

Ayyappan: Okay. So Pricol acquired the full financial year.

Vikram Mohan: its Rs. 375 crore for that entity for this financial year, Pricol has just into the management in the last week of August 2017.

Ayyappan: Okay. Thank you.

Operator: Thank you, Ayappan. Next we have Apurva Kulkarni from NRC. You may speak.

Apurva Kulkarni: Hi. Sir we've seen a quarter on quarter jump in our depreciation and we have around Rs. 300 crore of intangibles. So over what life do we plan to amortize it? And if you could just give a glimpse of what exactly there consistent of. And how we can utilize them going?

Vikram Mohan: The intangibles has increased only on account of the reverse merger of Pricol and Pricol Pune and I have answered in few earlier calls, this has been primarily done to unlock the value of the company and the products and the more importantly the IPs the company had. My team and I would be happy to take this question offline because this has been answered many times in past calls. So we would be very happy to take these offline and have a discussion with you.

Apurva Kulkarni: Okay. Fair enough. Thank you.

Operator: Thanks Apurva. Next we HR Gala from Invest Advisor. You may speak.

HR Gala: Yeah. Hello, sir. Regarding your recent 2020, earlier you had given a target of Rs. 3,000 crore revenue. So now what is our revised guidance?

Vikram Mohan: It continues to remain Rs. 3,000 with an EBITDA of between 14% and 15%.

HR Gala: Okay.

Vikram Mohan: We are not revising that either upwards or downwards, because that's what we have clear business getting for.

HR Gala: So out of Rs. 3,000 crores, how much will come from the acquisition and joint ventures? And how much will be the organic part?

Vikram Mohan: Wiping systems will contribute Rs. 500 crores in that. The Zorg joint venture will contribute about Rs. 100 crores in that, the telematics business after merging our business with the software provider that we are acquiring will take us through about between Rs. 200 crores and Rs. 250 crores comfortably. And the rest will be from the existing plants and new plants of the company through the new programs that some of new product lines also, like the oxygen sensor and fuel pump module.

HR Gala: Okay. So that will be from the existing plants. And new capacity that…

Vikram Mohan: And one arm and blade manufacturing will be added, which will add about Rs. 200 crores of revenue which will strengthen our wiping business. And therefore new plants are also being created to meet the new capacity requirements of the new LOI's that we have got from our existing customers. And the pump business in Mexico, this is a new order which I state in the early part of the presentation from Volkswagen just about Rs. 120 crores per year. Facilities from the same will be created in Mexico adjacent to the wiping systems plant.

HR Gala: Okay. And is the parking system sensors, which you say that will be part of the Rs. 3,000 crore, or that will be something over and above that.

Vikram Mohan: Which sensor?

HR Gala: Parking.

Vikram Mohan: So parking systems is part of it.

HR Gala: Pardon.

Vikram Mohan: It forms part of this number.

HR Gala: It is not part of Rs. 3,000 crore?

Vikram Mohan: Yes. About Rs. 100 crores in 2020 will come from the parking systems.

HR Gala: Sir, as far as the speed limiting device is concerned, earlier you have told that even after the change in regulation, you expect a good market for after market. So now what is your perception?

Vikram Mohan: Aftermarket continues to exist in very small pocket or it completely dependent on Supreme Court Legislation. So we're ready – we are ever ready, but we're not – whenever the legislation favors us, we are ready to… we have the distribution network, we have the dealer network, we have the service and installation network and manufacturing footprint ready. So when the opportunity comes up, we will cash that opportunity. But I think legislation is changed so often on the subject that we're not banking on that.

HR Gala: Okay, we're not banking on that. Like, whatever revenue we're go likely to loose from this like we're expecting about Rs. 250 crores to Rs. 300 crores of recurring revenue from the aftermarket. You will able to recoup it through this new initiatives that you have mentioned?

Vikram Mohan: Exactly.

HR Gala: Thank you very much.

Operator: Thank you, Mr. Gala. Next we have Sriram, again from IndiaNivesh. You may speak.

Sriram R: Sir, with respect to the ACHR partnership, I mean what is the link between the fuel pump module and BS 6. How is it going to change post BS 6, what is the change? And how we prepared for?

Vikram Mohan: The BS 6 you need, something, called the fuel pump module which becomes mandatory for the emission norm from the current combustion system, and we are already won LOI with a tune Rs. 300 crores per year. And we expect that number to go up to about Rs. 450 crores with two other – two dealer major will be a 30% market share. And this only of the two wheeler part, but having said that, ACHR is present in the all segments of the market in fact their stress is also four wheeler and commercial vehicle, which once the two wheeler part if the technology transfer happens both on process and product we will start working on also the four wheeler Fuel Pump Modules which I have not factored into our Rs. 3,000 crore vision.

Sriram R: Sir, but this fuel injection and fuel pump module – so there is no correlation between the two – I mean fuel pump module will present in four wheeler also? Is that what we can understand technically how is it? Can you appraise us?

Vikram Mohan: The fuel pump module already exists in the four wheeler that is only now coming into the two wheeler.

Sriram R: Fine, sir.

Operator: Thank you, Sriram. Next we have Rajesh Agarwal from Moneyore Investment. You may speak.

Rajesh Agarwal: Sir acquisition is done in over now. So how much we paid for that and whether we have taken debt for that or now it has been funded?

Vikram Mohan: It has been primarily done by debt which our CFO explained on a total of the acquisition how much of the debt has gone up. So on a standalone basis our debt currently stands at Rs. 320 crores.

Rajesh Agarwal: Okay, Rs. 320 crores.

Vikram Mohan: For the acquisition and the debt for overseas entities as well as the two new Greenfield plants which we are hoping to go for an asset light model, but we were not able to because of the constraints in that location, so this includes land and building for the new plant as well.

Rajesh Agarwal: So current debt is already Rs. 320 crores.

Vikram Mohan: 320 on a consolidated basis. And there was a sale of land that has happened in the company, we have just realized 50% of the proceeds in the month of October, and the other 50% will happen in March. So that will significantly reduce the debt.

Rajesh Agarwal: So this includes 700 – more than Rs. 700 crores including internal accrual and date. So this is Rs. 120 crores, Rs. 130 crores out of that no? Then the balance will be required only?

Vikram Mohan: Yes.

Rajesh Agarwal: okay. Thank you, sir.

Operator: Thank you. Next we have Ayappan. You may speak.

Ayappan: Hi. In last AGM, Mohan had mentioned that we will be targeting around Rs. 1,850 crores as consolidated, still it is intact. Just wanted to know still it is intact and what will be the expected EBITDA margin and PBT?

Vikram Mohan: Not likely to be Rs. 1,850 crores for this year. Mr. Ayappan. We are looking more in the region of about 1800 thereabouts because the GST impact had a little bit of slowdown which we didn't anticipate. So Rs. 1,800 crore is still kind of very doable this year. The numbers are looking very doable for Rs. 1,800 crores. On a standalone basis our EBITDA, I had already mentioned, on a consolidated basis I will not be able to confirm of the EBITDA, because we are still kind of getting a grip of our wiping systems business, perhaps on the Q3 guidance call I will be very happy to – I will definitely be in a position to share with you the guidance for the year for the EBITDA.

Ayappan: Okay sir. And I have another question like whether the Manesar plant and Hosur you started or yet to start sir?

Vikram Mohan: Commenced construction. Production is expected to start in Q1 of next financial year between all three plants – Manesar, Sri City and Hosur.

Ayappan: Okay sir. Thank you.

Operator: Thank you, Ayappan. Next we have HR Gala from Invest Advisor. You may speak.

HR Gala: Yes, sir. You spoke about Pricol's readiness is there for the electric vehicle as and when they come. But sir how much of these sales, which we are currently deriving from different products would go away by then?

Vikram Mohan: The only segment that is going get affected is our pumps vertical of the business. Because you still need an instrument, you will need a wiper, you will need the telematics whatever be the mobility of the business.

HR Gala: Okay.

Vikram Mohan: The only business that's going to be affected is our pump side of the business, and we don't expect complete disruption to happen. There is going to be a great degree of penetration no doubt, but we expect the pumps business to become completely zero only by 2040 and significant reduction by 2030. Because a lot of vehicle platforms will continue to be internal combustion engines until then.

Having said that, there is a segment of business that we have focused on to even alleviate the disruption of our vehicle pump business, which is we are focusing on the industrial pumps business to the generator manufacturer like Caterpillar, Kohler , off-road vehicle segments like JCB etc where we have had some few very big business wins recently. That I mean they can go for a Rs. 100 crores plus per year going forward once it goes into production. These segments will never get affected – because we cannot replace a generator with electric generator. So we are looking at those segments to offset these sales that we are going to lose in these segments.

HR Gala: Sir, how much is the total turnover right now we are getting from the pumps vertical?

Vikram Mohan: The pumps this year will be doing about Rs. 500 crores.

HR Gala: Ok. But then whatever turnover we lose say over a period of time maybe 2020 or whichever year you will be able to more than offset…

Vikram Mohan: We have done a complete mapping upto 2030, what will be degree of penetration in each segment how is it going to go out etc. This quite a detailed report and it will be difficult for me to share with you, because I don't have the access to the report right now.

HR Gala: Right. Absolutely. But we will be able to recoup quite a bit of it through launching the different new products which are meant for electric vehicles, that's what I will say as well.

Vikram Mohan: Yes, I mean for electric vehicles, barring the pumps, all are other products are relevant for electric mobility.

HR Gala: Ok. Thank you, sir.

Operator: Thank you. Next we have Santosh T. You may speak.

Santosh T: Yes. You've talk about the sale of land right, and you have said that you have realized 50%. What is the amount already in the kitty and what does that due for the second half?

Vikram Mohan: About Rs. 95 crores is what we have sold that land for pre taxes and the post taxes we are expecting to accrue about Rs. 80 crores and of a little over 50%, 50% of the small advance for the balance has already come into the kitty.

Santosh T: Okay, thank you.

Operator: Thank you, Santosh. At this time there are no further questions from the participant. I would like to handle back to Mr. Vikram Mohan for final remarks. Over to you sir.

Vikram Mohan: Once again thank you very much Gentlemen for participating in our call. And I look forward to connecting with all of you in our next call which is going to be in the first week of February, post our board meeting on the first of February. Thank you. Good evening.