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By online submission

IMIL/Reg30/Q2/2016

November 15, 2016

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Stock Code: IGARASHI

Dear Sir,

Subject: Q2 FY 2016-17 Earnings Conference Call Transcript- reg
Ref: Reg. 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We refer to our letter dated 08th November, 2016 regarding the intimation of Analyst / Investor Conference Call on the un-audited financial results of the company for the second quarter & half year ended 30th September, 2016 scheduled on 11th November 2016 at 12.00 P.M (IST)

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

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

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

Thanking You.

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


P Dinakara Babu
Company Secretary



“Igarashi Motors Q2 FY17 Results Conference Call”

November 11, 2016



MANAGEMENT: MR. P. MUKUND – MANAGING DIRECTOR, IGARASHI MOTORS.

**MR. DINAKARA BABU – COMPANY SECRETARY,
IGARASHI MOTORS.**

**MODERATOR: MR. PRIYA RANJAN – VICE PRESIDENT, AUTO & AUTO
ANC INSTITUTIONAL**

Moderator: Ladies and gentlemen good day and welcome to the Igarashi Q2 FY17 Result Conference Call hosted by Systematics Institutional Equities. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Priya Ranjan from Systematix Institutional Equities. Thank you, and over to you sir.

Priya Ranjan: Good afternoon everyone. This is our pleasure to host Mr. P. Mukund and Mr. Dinakara Babu MD and Company Secretary for 2Q earnings conference call for Igarashi Motors. I would first like to congratulate Mr. Mukund for the very good 2Q results and now I will hand it over to Mr. Mukund for his initial comments and remarks and we will take it forward to the question and answers. Thank you.

P. Mukund: Thank you Priya Ranjan, Thank you Rio. Good afternoon ladies and gentlemen. This is Mukund from Igarashi Motors. Our gratitude for your interest in our company and for participating in this conference call. Please allow me to speak a few words about the progress we have made in the last 6 months, mainly HY1 of this year from the point of view of the market and the technology which are so very crucial element as far as our continuity and success is concerned. And the first point, I am very happy to mention that as most of you know that this space that we play, is in the automotive turbos actuator motor segment, where we principally address applications of the engine throttle control, the exhaust gas and the turbo charger activator applications. In our review over the last one year and the last 6 months more specifically, we see that the market continues to be available because these features remain focus areas as far as the automotive industry is concerned. So that's good news from the medium-term to long-term standpoint, that unless and until there is a very severe disruption that takes place by way of electric vehicles, the need for an internal combustion engine as a standalone internal combustion in the engine or as hybrid will continue to be available. That is point number 1.

Point number 2, quickly looking at our footprint as far as this space is concerned, as some of few who had participated in the earlier calls as well as have had the opportunity to meet personally, you know that, we built this traction over the last 10 – 11 years and tried to create a niche space by building some platforms where it can be a quasi-generic offering to several customers who were from the system in this space. I am pleased to inform that in the first half of this year, we have been able to crystalize 3 platforms, and over the last 3 – 4 months, we together with our sales and application engineering team globally, have had the opportunity to make this about 10 customers, many of them existing, some of them new, to introduce these 3 new platforms. I am also happy to inform that we have created this capacity by our own investment. So we have created the capacities as Tier-5, Tier-4, Tier-3, and Tier-2, for these future platforms which we believe will give us a leading edge as far as our play in this space is concerned over the next 1- 2 – 3 - 4 years, and to repeat once again there is very positive interest from the customers. So looking at this, we have also taken another major step in the last 2 months, wherein we have partnered with a Technology specialist from the Detroit area who has

an excellent relationship with all the OEM and Tier-1s, and he has been playing in this space with his company and his earlier employers for the past 35 years. So now he has come onboard with us and the advantage that we are going to get out of this is, while we were principally working as Tier-2 and focusing more on Tier-1, the advantage by partnering with this firm, is that we will also be able to migrate our engineer's knowledge to understand the engines from OEMs standpoint. So this we consider as a very significant development over the medium to long term, to become a leader as far as being able to offer the most appropriate technology motor for the future car engines which the OEMs are developing. So this is as far as the market and where we are working and progressing as far as the product is concerned.

In the second part I would like to mention which is a little more short term, that is the first half of this year, the first half of this year has been a fairly steady half, because we have been able to post a growth in numbers, in volumes, from all the customers, because as most of you know, we have principal customers who are Bosch, Continental, Visteon, Delphi, Pierburg, Magneti Marelli, Dellorto and several other customers are in the pipeline. So the good news has been compared to the last year, there has been a reasonable improvement as far as the real volumes are concerned. We did about 9.8 million motors business in the first half of last year. And this improved that to about 11.4 - 11.5 million in the equivalent period this year. That means you added about 1.6 - 1.7 million motors in the same period and interestingly every customer has grown. It is not that it is only Bosch has posted a growth or Conti has posted a growth, or Delphi has posted a growth. So everybody has grown between 5% and 25%. Likewise, even in the second quarter has been a fairly steady quarter. There again we have improved the volumes from 4.8 million in the second quarter of last year to about 5.6 million in the second quarter of this year. So this is something which is a good trend for us because we have started adding capacity at the rate of 20% every years since last year, but as many of you know that in our industry, the year in which you add the capacity, the capacity starts getting realized in that year plus the second year or the third year onwards. So this is a good trend as far as the first half of this year is concerned.

And quickly moving in to the numbers, even as far as the numbers are concerned, our sales have improved. We did about 255 crores of revenue in the first half of this year as compared to about 215 crores last year and even in the second quarter it has been fairly steady because we posted a revenue of 130 crores compared to 105 crores of last year. And Likewise, EBITDA and the margins also has improved in the first half of this year, as well as second quarter of this year when compared to last year. So it gives us a fairly motivating and positive signals that what our team has been doing in terms of creating capacities and developing products which are more platformized are beginning to show results. So this is as far as the performance is concerned.

Then the third point I would like to mention for the benefit of all the people with whom we have communicated earlier and these questions were also posted to us, in the last 4 – 5 months, we had couple of discussions with our parents in Japan and our sister companies in China, in relation with our sales team from USA and Europe. So we have also opened windows of trying to look at what are those products and applications which are there in the Igarashi worldwide portfolio

and how we can participate in that for 2 reasons, primarily from the point of view of our competitiveness which is getting better compared to China and compared to other locations. And at the same time, as a company we would like to de-risk customers and products to make sure that there are some interesting platforms that are running in China, also get into a second supplier situation from India which is a need not only from our side, but it is a need also from our customer's side. With these 3 thought opening statements Priya Ranjan I hand over the team, I would like to take questions.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question is from the line of Rishabh Parekh from Sunidhi Securities. Please go ahead.

Rishabh Parekh: I have 2 questions, one is, can you throw some more light on how these quasi generic platforms exactly what they are and how they will benefit us? And my second question is regarding the recent election in America, Mr. Trump has quite categorically said that he will re-appeal Paris peace accords and does not believe in climate change, do you see this as a threat to our volumes in that geography at all?

P. Mukund: This quasi generic platform, to go back to history, in former times, we used to work for 1 engine platform of 1 customer, we used to develop one specific motor. So result of that was we ended up developing in the same diameter, something like 28 to 29 varieties of motors. There were inflexible, there were too many parts and so on. At that time, let's say on 10 point scale, our knowledge as far as the application, and our knowledge as far as the product lead application was between 4 and 5. But over the last 10 to 12 years, our engineering team and our global team has acquired very intense knowledge as far as the application and product specs that are required for the application is concerned. So therefore we started adding value in terms of creating platforms where about 60 – 70% of the product that we offer, the electric motor that we offer either for an engine or for an exhaust or for a turbo charger application, kind of standardized in our platform and the balance 20 – 30% is what will go specifically to the customer whether it is Continental for a GM program, whether it is Bosch for a Ford program, whether it is Pierburg for a Chrysler program, depending on what exactly the specs at the end are, there we kind of tailor the 20 – 30%, that's what I mean by platforms. So what happens, the biggest significant advantage that we get out of this is, at Tier-5, Tier-4 and Tier-3 which kind of generic, I don't have to sweat, as to I have created capacity in Continental doesn't come, I have to lay the capacity. Now I can switch it over to the Pierburg. So that's what I mean by quasi generic platform. However, it is not our intention to create a completely standard motor and go to all the customers and say that this is the motor that we made. It is the best, the lowest cost and this is what you need now. We want to be absolutely customer oriented but at the same time, we want it to make business sense not only to us but also our customers. May be ramp this as an accreditation over several customers and quite honestly, the customers are happy because they have realized that the total investment in the system is reduced, second, the time to launch a new product also gets reduced, and just to give you some numbers former times, we were taking somewhere between 3 to 3.5 years from the time the customer had awarded us business and we

had made PPAP now it has been brought down to as low as 18 months. I don't know, whether I have been too technical, but does it answer your question?

Rishabh Parekh: Yes absolutely. Thank you for your details.

P. Mukund: And on your second question over Donald Trump, and the election in America, we are on the business streak Rishabh, I think you asking the right question to a wrong person as far as I am concerned. But in any case, for running this business, and for people like you who are our stakeholders, I think we need to have an opinion on this. My opinion is very clear. My opinion is that climate change topic is not a new topic. It has been going on for decades. For any decision that Donald Trump or anybody else might take on the reverse or on the contrary or climate change or anything, it is something which might have an implication over 5 – 10 year period, and equivalently, not a direct equivalent example, but in direct equivalent example is a story of electric vehicles. Now this electric vehicles, is going to disrupt the internal combustion engine is a story that's been going on for about 10 years now. It is anybody's guess in terms of what's going to be the degree of disruption and what is going to be the timing of the disruption to that degree. So here is something which we have to wait and watch and as business managers, we have got to keep our antennas alive for this. My feeling is that for the next 3 – 5 years, I do not see any risk as far as the business streak were we operate is concerned Rishabh.

Rishabh Parekh: And sir just one follow up question if I may, these generic platforms which you mentioned are they operational or are you speaking to customers now?

P. Mukund: They are operational, they are all invested. Let me be a little metric way, up until last year, 80 – 90% of this platform has a diameter of 36 mm. So 90% of the motors that we were supplying to all these platforms has a diameter of 36 mm but as I explained in the last call and also in private meetings, the world in the automotive industry is going towards more performance for less weight, more performance for less volume, more performance for less cost and more performance in our case for less current consumption because we are all battery operated. We depend on the battery. From that standpoint, we see a very clear direction, that this 36 in 5 – 7 years will kind of get spaced out. They are migrating to 29, 28 and 25. I am very happy to inform you that on all these 3 platforms, between last 4 months and December of this year, we would have created a total capacity of 6 million motors, 2 of each, 2 in 28, 2 in 25 and 2 in 29 mm diameter. It is on the floor ready for PPAP between now and December. So it is not something that we are kind of Kite flying that we are going to do it next year or so on. About 50 crores of investment has happened between last year and this year and they are all on our manufacturing shop floor, Rishabh.

Moderator: Thank you. Next question is from the line of Kumar Saumya from Wealth managers India Private Limited. Please go ahead.

Kumar Saumya: My first question is what is the quantum of CAPEX that the company is expecting to make in the coming years? Like this fiscal year and next fiscal year, quantum of CAPEX this company

has planned, how much CAPEX that we are going to do for the capacity addition? In 2013, the report we saw, the company has stated that electric motors other than automotive applications had commenced, so what are they exactly and what are the current size of those motors that we are making right now. And one more sir, what is the capacity currently in volume terms?

P. Mukund:

We have a thumb rule and the thumb rule is that for our kind of business model, our kind of depth of manufacturing, if you take 2 or a 3-year average, somewhere between 8 to 9% of our current year revenue will be our CAPEX which is an empirical rule, which we are experiencing over the last many years. Now if you are submitted last call I had mentioned that we going one step further in terms of taking a call, like I said a little while ago, that we are creating generic platforms. So this year we have budgeted an estimated a total capital expenditure between 43 and 45 crores and so far we have completed about 32 and we have a nice opportunity also to acquire an infrastructure where we could look at new lines being laid out. Because we are located in this special economic zone. So that's also being discussed with the government authorities. But if you look at CAPEX as far as equipment is concerned, we estimated a CAPEX this year between 43 and 45 crores. We have done 32. And we have something in our pipeline but looking at what's happened as Rishabh mentioned about Donald Trump and the elections and so on, we are all manufacturers, we all put money in all these tiers. So from that stand point we have to be a little cautious in terms of not going very aggressive on capacity addition over the next 6 to 9 months till we see that there is some stability because it doesn't mean that we will be losing any opportunity of business because to answer your question, in our kind of business, capacity utilization varies between 65 and 75% normally. So it is not going to be something which is going to impact in next 1 - 2 years but at the end of the day, I don't want to put money sleeping without knowing what the macro situation and what the feedback from my customers on the business streak is going to be.

Coming to your second question regarding electric motors for other than automotive applications, yes, we did look at other than automotive applications in terms of using our competence bandwidth, we kind of ventured into looking at compressor applications which are used in air conditioners, refrigerators, we looked at industrial power tool application and now we find that there are many applications that are coming up, where we really don't know what the application is because it is from an intermediary who uses this motors based on the specs and the performance and creates a system and uses it for something like a wheel chair movement, something like electric bed in the hospitals for the bed heads to go up and down, something like may be solar panels being moved. We are not kind of moving in this in an organized manner like we are doing in the automotive area, by looking at the market, looking at spaces, doing some analysis and so on. The size of these kind of applications is not very large. This automotive is very large. We found that our sales officials themselves stopped and if somebody wants to look at using it for some let's say simple application like a toy or an application like electric motors for opening and closing the house windows or moving the screens up and down there is very wide bandwidth of application, I don't want to spend too much of engineering and management time on these, when we have a good visibility as far as the play in the automotive space is concerned Kumar.

Moderator: Thank you. We have the next question from the line of Raghu Nandan from Quant Capital. Please go ahead.

Raghu Nandan: I had 2 questions, one is, how would be the content per vehicle in geographies like Asia, Europe and USA and how do you expect to move it ahead? How do you expect to move ahead in the next couple of years? And would it be possible for you to provide a demand and margin outlook for the current year, thank you sir.

P. Mukund: Raghu Nandan, as far as content for vehicle is concerned, content for vehicle for a company like ours is a macro situation, the reason being we are niche market players and one of the critical applications we play we have about 40% of the world market in that space. So from that stand point, we can say that about \$3.2 for 40% of the vehicle is what we want. When we look at content per vehicle as much as we look at number of motors that we make and divided by the number of vehicles that are being made. For example, if we make about 23 million motors this year for these application, out of the total 90 million cars that are expected to be made, that's our penetration. So we don't really have this matrix in terms of content per vehicle as a Tier-1 would do. Normally contents for vehicles would be very relevant for Tier-1, since we play in Tier-2 Tier-2.5, for us this is relevant metric slowdown, but how relevant it is to keep it as a bench mark we are still pondering.

As far as demand and margin outlook is concerned, normally we don't give guidance, however since you have asked this question, I think considering what is happening in the global scenario, considering what's happening in different markets and so on, because China is also very volatile. There are no ups and downs. Suddenly one fine day, we realize that China has given some incentives for December and they expect some more vehicle production and I suppose you are aware that in our sales mix we do about 35% to the American geography, 35% to the European geography and 20% we do to the Chinese geography. And 10% is rest of the world including India. But at this point in time, having seen a steady first half, I would imagine that it will be prudent from a managerial perspective to look at if we are able to repeat successfully that HY1 and HY2, we have done well considering all the uncertainties that are going around in the market place. So that will be at base case. So if that is any indication, that specifically with regard to guidance's on the margins and the sales, we haven't started that practice yet Raghu Nandan.

Raghu Nandan: Just coming back to my first question, when we say 23 million motors, just for my understanding, per car how many motors will go in sir?

P. Mukund: Normally if you have done any research work, any of the reports that Priya Ranjan and the other people have made generally speaking, these motors that we make go in for electronic throttle application which is in the engine, the exhaust gas fumes recirculation application which is in the exhaust and the turbo actuator application which is in the turbo charger. So normally there are one or 2 motors that are used in each. So if you see a fully loaded car, a fully-loaded car may have 3 motors for these application and that's why, many of our earlier statements, we have mentioned that we see over the next 4 – 5 years, from an average of 0.9 to 1.1 motors per car,

we expect it go to somewhere between 2.2 to 2.3 motors per car over the next 4 – 5 years for these applications. Now it is our call what bit of that 2.3 we want to take.

Moderator: Thank you. The next question from the line of Aman Vig from Astute Investment managers. Please go ahead.

Aman Wig: I had 3 questions, first, could you tell the relationship between Igarashi USA and Igarashi China? Are these competitors or do they manufacture different set of motors or are they suppliers? Second question is we, basically if you, going by the numbers which you have given, around 23 million motors per year, average, so we have a realization of around \$3 to 3.5, or say 215 to 20, so who are actual competitors basically who only compete in say power train, because whatever research I have done, the major players like Mabuchi and others are more in comforters and their realization are much lower of around \$1 – 1.5, so who are our competitors in the segment, basically the power train segment and the last question is basically, so could you further divide it say 11.5 million we did, so I am guessing most of this will be for ETC application. Rough numbers for turbo chargers and EGR as well as what is our market share in each of the 3 segments as well as the global penetration levels?

P. Mukund: One by one, first is as far as relationship with Igarashi is concerned, many of you know that couple of years ago, Igarashi came back. Igarashi bought the shareholding from Blackstone. So we have now become a kind of global company with the headquarters in Japan, its footprints in manufacturing in China and in India principally. We have sales application engineering logistics and customer relationship management in Germany, Europe in Chicago for USA and Mexico and in Japan, Shanghai and we have a small sales output in India as well. So the relationship with Igarashi USA is what they are our sales channel partners. So all the business that we do, we sell while the ownership of business is always with the manufacturing unit like the plants which manufacture, they get approved by the ultimate customer. The business transaction for Europe is done out of Igarashi in Europe. Business transaction for North and South America is done out of Igarashi in USA. To simply answer your question, they are our sales channel partners. The second point is with regard to China, China is about 40 years old and we started organized exports from 1996 - 1997. So the way we grew in terms of addressing the markets, addressing the customers, addressing the application, was very different from what China was doing, so therefore, as far as China is concerned, they are our partners and the manufacturing capacity. And since the last 4 – 5 years, what we have been offering to our customers is that since we are the only motor company in this space which has a manufacturing platform in India as well as China which is hitherto consider as the current and the future factories of the world. So most of the customers would like to try platforms which is India based where originally India was making 100% of the requirement but now we are slowly looking at Chinese market being served at by China. Likewise, there are many Chinese customers who are 100% buying from China, they are now coming to us and saying we would like to have 20% to 30% of the capacity from India. So that's how we are kind of integrating and complementing each other. So there is no in sense of competition at all between India and China, and even if we are making the same products it is because it's a strategic decision that is made together with the customer that we

launched the first line in India, do second line in China, do third line in India and then take it forward that way. So that's my response to your first question.

Response to your second question is the space that we play, it is like, very unique space and the kind of play as far as these motors are concerned is that prior to 2000, all the motors for these applications were made by the Tier-1 themselves. Bosch was making it themselves, Continental was making it themselves. Pierburg was making it themselves, but then they realized that these motors which they are going to make it, they are spending a lot of engineering sign on a \$2 or \$3 or \$4 item and they are not bothering too much about the \$10 or \$20 or \$30 system part. So they found suppliers like us, and then over a period of the last 10 – 15 years, from a 100% in-house scenario, now the situation has come that about 30 – 40% is being made in-house by these guys by the Pierburgs, by the Continental, by the Bosch, by the Denso and so on and they are being purchased by suppliers like us. Now to give you a competitive scenario, the players as far as this space is concerned, the organized players who are being doing so for the last 10 – 12 years are three. One is the company by name Mitsuba, second is by company by name Johnson Electric third is ourselves. And also here that since this space is a very interesting space, it does take time to get in, but then you stay on for a long time, there are couple of new guys coming up in and around China, in the last 2 years. We have our antennas on to the ground in terms of understanding where they are and so on in our own intelligence system and so on but overall the 3 players who are there are Mitsuba, Johnson and ourselves. We take care about 60 – 70% of the **top 35.44** actuator motors for all these applications that I just spoke of.

Coming to your third question, fundamentally up to moment we are an ETC player, about 90% of our product is for the throttle control, 10% goes for the exhaust and turbo chargers we have 4 enquiries and we have 4 products on the development, but we have not yet hit the sales stream. Going forward, our intension is to have somewhere around 2/3rd of the engine and 1/3rd for the exhaust and for the turbo chargers. That's on the applications. However, I want to come back to my opening statement Aman, opening statement is that we are building a platform in such a manner that our generic platforms are fundamentally fit to be used either for the exhaust or for the turbo or for the engine platforms. This is our product strategy drive. I do not know whether it answers your question completely.

Aman Wig: Just one small thing which is left is, what is the current penetration in al the 3 segments which you are in globally?

P. Mukund: Penetration in throttle is upward of 80%. And the penetration in the turbo and the EGR is, I do not know because we work very closely on the business **stream 37.06** with customers and that's where we get so I don't really have the macro information, but it is a fair statement to make that it is under 35%.

Aman Wig: But if 80% is the current penetration, what is our market share in that?

- P. Mukund:** Somewhere between 38 and 39. The space that we can play or we can look forward to is, all these Tier-1s who are making it themselves, 4 years down the line they will be making zero.
- Aman Wig:** We still have growth opportunities in this because to me, this looks like the penetration level is very high. So shouldn't the growth be aligned with the vehicle growth but our growth is still very strong.
- P. Mukund:** I am not too sure if I have understood your question correctly. Our standpoint, as I said which means Johnson Electric and us who are the main players, Mitsuba also is also a minor player, between Johnson Electric and us, as pure motors suppliers together we have about 60% of the market and 40% again is available with the Tier-1s themselves. I, as a prudent business strategy, would look at how the 40% will be made by Tier-1s becomes 30, becomes 20 and becomes 10 besides of the fact that there would be an increase in the overall IC vehicle sales as well. So that's how we are trying to benchmark our strategic growth in ETC space Aman.
- Aman Wig:** Just to finally summarize this, in long term do you still think if volume wise we can grow at 15% odd levels in ETC also. Because turbo charger and exhausts, yes, these are the new business opportunity for us but ETC?
- P. Mukund:** This is our intension Aman. But quite honestly I am not going to be very stressed about it because at this point in time when we are creating a generic product, that kind of addresses the mechanical vibration of the engine, and this thermal requirement of the exhaust and the turbo charger, so I am kind of looking at the space that we play is the triplex space rather than just one.
- Aman Wig:** Who are the strong players in exhaust and turbo chargers?
- P. Mukund:** Johnson Electric is very good. It might probably have, I don't know the exact number but somebody asked me in the last call but do you think Johnson has between 70 - 80% market share? My answer was I don't know but it could be true?
- Aman Wig:** Realization was also similar to the ETC realization or may be little higher?
- P. Mukund:** Yes, depends because here, it depends on what exactly the application nature is because in those applications you have small motors of diameters of 20 mm and at the same time, you have bigger motors diameter of 40 mm, which means you are talking of sub-\$2 to an upward of \$5 kind of a price range.
- Moderator:** Thank you. The next question from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.
- Saurabh Shah:** This is Saurabh Shah. Couple of questions. One was you had mentioned are we looking at both partnerships model with the Chinese Igarashi entity as well. Question was, is it only for new orders or incremental or is it the entire current stock of orders where for Igarashi end customer

is diversifying across geographies? The second one is you had mentioned that 2 – 3 other lines you were looking for putting in place just want to get a sense there as well, what's the kind of market environment, what's the volume of the market for those kind of products and where do you see you making concrete sales in the next 1 year to 18 months, what's our timeline there?

P. Mukund:

As far as the partnership with China is concerned, this is something which when we last also, I touched on it briefly, is it something which you have been talking about over the last 5 years because a company like Continental, he is looking at a total volume of 12 million motors over the next 8 or 9 year period, he wants it to be addressed in multiple geographies. So obviously the option he has is either come to Igarashi and go to supplier of motors or look at Igarashi having a dual platforms. So what we tried to work with them was, great we will do all the product development and the application engineering works with Indian engineering team and we will do the first line with the capacity of about 3 million motors per year in India and we told them look at the second line after the first line comes to a certain maturity level, the second line would be put in China because that would address the Chinese market. And some of the Chinese market as you know is becoming very strong, from all the fuel efficiency, the emission, from all stand points and all the feature, it is becoming an excellent market over there now. So we have taken the decision is we put the first line here, start with Europe, start with USA, see China and the moment there is some comfort as far as China is concerned, we will put the second line in China. And then the third line we come back to India. So this is something which is going on for the last 5 years already and 2 of such lines or capacities are fortified, one with Conti, one with Bosch. Now 2 other customers that we are working with who are principally Chinese customers, next year we expect it to fructify are again European customers Pierburg may be one more not exactly our space but it could be comfort motors that we are working on. So this is a process that has been going on for some time and I believe we will continue and this is something as I said, in my Aman's question that strategically it is something which is preferred that the customers are even for ourselves.

Saurabh Shah:

But it pertains to the existing bit of your order as well right, let us say if Igarashi was doing, 100 motor in China now they are going to do some over here for the existing production, or this is only?

P. Mukund:

No existing production will move because the time to change the existing location itself takes about 2 – 3 years, in a growing market, why would you do that? We are not trying to migrate any running models from there to here because like what people do in Europe because we are losing money, the more we make, the more money we lose. So let's sell the business or migrate the lines low cost countries and so on. This is not our challenge now Saurabh. And as far as the 3 lines are concerned, these are running products which have been on the development stream since 2014 and now they have come into the manufacturing stream. So it is the business that we always have been doing except for the fact that the 36 mm diameter motor which are made and we are doing about 80% of that will slowly start tapering down to about 60% and then to about 30% of the total portfolio. So it's the same kind of applications, same kind of competence except that we applied to intense engineering to get this more performance for lower size, lower weight,

lower volume, and lower current. There is nothing new that we learnt to it. Just that we are progressing with the vehicle manufacturers desire because as you know the vehicle manufacturer for every new model that he is launching he wants more space inside and less space outside.

Moderator: Sorry to interrupt you Mr. Shah, but due to time constraints, we won't be able to take any more questions. I now hand the conference back to Mr. Priya Ranjan for closing.

Priya Ranjan: Due to time constraint as Mr. Mukund has to go for some meetings, we had to control the conference. We want to thank Mr. Mukund and the team of Igarashi for such a successful and wonderful quarter. And would like to hand over to him to give any final remark or anything.

P. Mukund: Thank you Priya Ranjan and I will once again express sincere gratitude to all the participants who have spent this time to listen to us, and we are quite pleased with what has happened in the first 6 months and as true blue manufacturers we want to be more steady as we go forward. So this is what we are looking at over the next 6 months, 1 year, 2 years because the market space that we play in is not going to go anywhere and the good news as far as our business is concerned is that it takes time to launch, it takes to ramp up and it will remain. So, this is the kind of principle advantage as a company we have built and now with all the linkages that we are creating with the Detroit-based people in our headquarters in Igarashi, we want to increase the content of our engineering and value offering that we offer to our customers. This is our strategic desire. I have no other specific comments to make in this call Priya Ranjan.

Moderator: Thank you very much. On behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us ladies and gentlemen and you may now disconnect your lines.