

## **FEDERAL-MOGUL GOETZE (INDIA) LIMITED**

**Transcript of the 66<sup>th</sup> Annual General Meeting (AGM) held on Monday, 27<sup>th</sup> September, 2021 at 11:00 A.M. (IST), through Video Conferencing (“VC”)/ Other Audio-Visual Means (“OAVM”)**

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**Dr. Khalid Iqbal Khan (Company Secretary)**

Dear Shareholders,

Good morning, I am Khalid Iqbal Khan. I’m Company Secretary and Whole-time Director (Legal) of the Company. I am joining this Annual General Meeting (AGM) from Gurugram today. I would like to welcome you to the 66<sup>th</sup> Annual General Meeting of Federal-Mogul Goetze (India) Limited being held today through video conferencing in accordance with the provisions of the Companies Act, 2013 and the circulars issued by the Ministry of Corporate Affairs (MCA) and Securities Exchange Board of India (SEBI).

As mentioned in the notice, facility to participate at the AGM through video conferencing is made available to the members on first-come-first-serve basis except for large shareholders, promoters, institutional investors, directors, key-managerial personnel, the chairperson of the audit committee, nomination and remuneration committee, and stakeholders relationship committee as well as auditors who are allowed to attend the AGM without any restrictions on account of first come first serve basis.

The Register of Directors and Key Managerial Personnel, the Register of Contracts or Arrangements, have been made available electronically for inspection by the members during the AGM. Members seeking to inspect such documents can send their requests to [investorgrievance@tenneco.com](mailto:investorgrievance@tenneco.com).

Pursuant to the Circular dated 8<sup>th</sup> April, 2020 which was issued by the Ministry of Corporate Affairs, the facility to appoint a proxy to attend and cast votes for the members is not available for this AGM. However, bodies corporate are entitled to appoint authorized representatives to attend the AGM through Video Conferencing (VC), other audio/video means and participate and cast their votes through e-voting process. The registered office of the Company situated at New Delhi shall be deemed as the venue for this AGM and proceedings of the AGM shall be deemed to be made thereat.

The Company has received requests from few members to register themselves as speaker shareholders at the AGM today. All those shareholders who have

been provided specific links to log in to the meeting, shall be allowed to speak once the Chairman directs the same. We request speaker shareholders to limit their speeches to 3 minutes only for the benefit of other shareholders. Non-registered shareholders as speakers who are attending this meeting through VC today are also invited to express their views and raise questions. The Chairman would endeavor to respond to such queries at the end of the meeting.

We have around 32 members participating through video conferencing. The requisite quorum is therefore present, and the meeting is duly constituted.

With this, I now hand over the proceedings to the Chairman.

**Over to you Sir. Over to you Mr. Chairman**

**Mr. K. N. Subramaniam (Chairman)**

Thank you, Dr. Khalid Khan and Good Morning to everybody.

I am K.N Subramaniam, Independent Director and the Chairman, joining the AGM from New Delhi.

I welcome you all to the 66<sup>th</sup> Annual General Meeting of your Company. I would like to mention that in view of the outbreak of COVID-19 pandemic, social distancing is a norm to be followed, and therefore, this AGM today has been convened through video conferencing in compliance with the Companies Act, 2013, read with the applicable Circulars issued by the Ministry of Corporate Affairs, Government of India, which exempt physical attendance of the members to the AGM venue.

Notice convening this meeting and the Directors' Report have already been mailed to all the shareholders. There are no adverse qualifications, observations or comments in the auditors' report. Hence, the same is not required to be read. A copy of the auditors' report is available for inspection by any member of the Company at the NSDL E-voting platform and also on the website of the Company.

I welcome my all-other colleagues on the Board and request them to introduce themselves.

**Mr. KCS Pillai (Independent Director)**

Good morning, everyone. I am KC Sundareshan Pillai, Independent Director and Chairman of the Audit Committee. I am joining this AGM from my residence in Faridabad. Thank you.

**Ms. Nalini Jolly (Independent Director)**

Good morning, everybody. I am Nalini Jolly. I am an Independent Director. Welcome everybody for AGM. I am joining this from New Delhi, my residence.

**Mr. Vinod Kumar Hans (Managing Director)**

Good morning, everyone. I am Vinod Kumar Hans, Managing Director of the Company. I am joining this AGM from my residence at Faridabad. Thank you.

**Mr. Manish Chadha (Chief Financial Officer)**

Good morning, everyone. I am Manish Chadha, CFO & Whole-time Director of the Company. I am joining this AGM from my residence at Faridabad. Thank you.

**Mr. Rajesh Sinha (Whole-time Director)**

Good morning, everyone. I am Rajesh Sinha, a Whole-time Director of the Company. I am joining the AGM from the Bangalore office. Welcome to all.

**Mr. Stephen Shaun Merry (Director)**

Good morning, everyone. I am Stephen Shaun Merry. I am joining this AGM from Southfield, Michigan, US.

**Mr. K. N. Subramaniam (Chairman)**

We also have Mr. Ankit Mehra, representing the Statutory Auditors, Walker Chandiook & Co. and Ms. Deepika Gera, Secretarial Auditors of the Company. I would like to welcome them for this meeting.

**Ankit Mehra**

Thank you very much.

**Mr. K. N. Subramaniam (Chairman)**

Now I move on to the Chairman's speech.

Thank you very much everyone and welcome to all the shareholders of the Company. As you are aware, the Company is a leading supplier of quality products for automotive industry, trackers and other internal combustion engines. Your Company's products and services enable improved fuel economy, reduced emissions and enhanced vehicle safety.

Your Company is focused on its sustainable profitable growth strategy, creating value and satisfaction for its customers, shareholders and employees.

### **Industry Trend**

I would like to briefly touch up on the industry trend. The COVID-19 pandemic has adversely impacted the auto industry in India. The Indian economy witnessed a downturn during the FY 2020-21, however at present it is on a recovery path. The automobile industry is reeling under intense pressure due to subdued customer sentiments and weaker demand. Strict regulatory environment, newer mobility patterns and evolving customer preferences are setting new standards in the automobile sector in India. However, the auto industry seems to be on a recovery path for the current year.

Your Company will endeavor to revitalize in near future as consumers regain confidence and vehicle demand improves.

### **Company's Operations**

Now, I would like to briefly touch upon to operations and let me take you through the highlights of our financial performance.

Total income of the Company during the financial year ended 31<sup>st</sup> March, 2021 was Rs. 1,112 Crores as against Rs. 1,091 Crores for the financial year ended 31<sup>st</sup> March, 2020 showing a marginal increase.

During the year under review, the Company made a net profit after tax of Rs. 77 Lakhs as against the net profit after tax of Rs. 30 Crores for the financial year ended 31<sup>st</sup> March, 2020.

### **Outlook**

The automobile sector continues to be cautious, while 2021 started on an optimistic note, the second wave of the pandemic had an impact on the recovery speed during first quarter of Financial Year (FY) 22. The auto sector is expected to bounce back but the pace could be slower compared to the previous year. The recovery in vehicle production is set to be gradual and not necessarily linear. The Management expects positive growth in the Indian automobile industry during the year 2021-22.

The Indian Meteorological Department has forecasted normal monsoon and decent harvesting in agricultural crops, and based on the progress so far, monsoon has been pretty good, which is a critical factor for the overall economic growth, including the automobile sector. Focus of the Government on investment in infrastructure sector and low interest rates and incentive-based vehicle scrappage policy are expected to give boost to the automobile sector. However, continued rise in raw material prices of steel, aluminum, copper and precious metals; shortage of semi-conductors; and increasing fuel prices are likely to impact the growth of the automobile sector. Therefore, it's going to be a mixed year for the auto component industry ahead.

The Company will endeavor to revitalize in the near future as consumers regain confidence and vehicle demand increases. To remain competitive in the challenging and demanding environment, the benchmark has to be high in anticipation of the stated and unstated need of customers and markets.

### **Business Prospects**

The current economic downturn has impacted the growth of the automobile sector, and consequently, the operations of your Company have also been adversely affected. In this challenging environment, your Company has been minutely reviewing every element of cost and has been continuously working on cash conservation and elimination and deferment of cost, wherever possible.

Major regulatory interventions, such as the accelerated transition from BS-IV to BS-VI, adoption of electrical vehicles, safety rules and stringent vehicle standards are leading to a shift in vehicular technology. This is creating significant challenges and your Company perceives these challenges as potential opportunities.

Your Company competes with many independent manufacturers and distributors for the component parts. Management continues to develop and execute initiatives to meet the challenges of the industry and to achieve its strategy for sustainable global profitable growth.

Looking ahead, we will continue to serve our customers with quality and commitment.

### **Awards & Recognitions**

I would like to share with you, some of the awards and recognitions, your Company received from the customers:

- Certification of Appreciation from Ashok Leyland for “Maintaining high level of capability and performance” in FY19;
- “Recognition Award” for First time right design changes, Development & successful validation for Piston Rings received from Cummins India Limited;
- Best supplier Award for Good Quality Performance in 2020 received from FIAT India;
- Q1 Award, Quality achievement received from FORD Motors Company India;
- Certificate of Appreciation from TOYOTA for achieving “Zero PPM on Quality & Delivery” and “Best management during COVID-19”.
- Mahindra Supplier Excellence Award for the “Best Product Development Performance”
- Supplier Quality excellence award for the 8<sup>th</sup> consecutive year from GM;
- Certificate of Appreciation from FORD for Sustenance of Quality level in Panther supplies
- John Deere “Partner level Supplier” Award for achieving excellence in performance” and “QBiC (Quality Best in Class) Award JD worldwide”;
- Force Motors “Ship to Use” Status award.

As the Notice is already circulated to all the members, I take the Notice of further meeting as having read.

Before we proceed further, I am pleased to bring to your notice that, as requirement of the Companies Act, 2013, the Company had provided you the facility to cast your vote electronically, on all resolutions set forth in the Notice. Members who have not already cast their vote electronically and who are participating in this meeting will have an opportunity to cast their votes through the e-voting system provided by NSDL. Members may please note that there will be no voting by show of hands.

If any member desires to ask a question pertaining to any item on the Notice, he/she may do so now. Members are required to keep their questions brief and specific. The moderator will facilitate the questions on the video feature. Members may also note that the Company reserves the right to limit the number of members asking questions depending on the availability of time. Over to you Dr. Khan.

**Dr. Khalid Iqbal Khan (Company Secretary)**

Thank you, Sir.

Dear shareholders, thank you for joining this 66<sup>th</sup> AGM today and for taking time to participate in today's AGM. Before we go live with the Q&A, here are some points to be noted for your convenience. Kindly turn on your video when you are projected on the broadcast screen. Kindly unmute yourself and proceed to ask the question. Please mention your name, Folio Number/DP ID/Client ID, and the location from where you are joining. Each shareholder will have three minutes for their questions. Once you have asked your question, you can log off and continue to watch the proceedings. The Chairman will now be taking the questions from shareholders. Over to Moderator.

**Moderator (Ms. Shruti Bharadwaj)**

Thank you, Khalid sir. We have the first question from Mr. Aspi Bhesania. You are requested to please unmute yourself and proceed with the question.

**Mr. Aspi Bhesania (Speaker Shareholder #1)**

Sir, can you see me and hear me?

**Mr. K. N. Subramaniam (Chairman)**

Yes.

**Mr. Aspi Bhesania (Speaker Shareholder #1)**

Sir, I am Aspi from Bombay. First, I would like to congratulate our CFO, Mr. Manish Chadha, for controlling and reducing the receivables. I hope he continues to reduce receivables and also reduce the inventories. For the quarter ending June' 21, income was less as compared to quarter ending March' 21 and even the profit was less. Can I expect the margin of March or June quarter to be normal and maintainable? Further, the income is being reducing year on year from year ending March' 16 and every year there was a reduction. Can I expect the fall to continue in future also?

Sir, annual report puts more emphasis on CSR and COVID rather than on performance. I request you to give more importance to performance rather than to COVID and CSR because ultimately proof of reporting lies in the yielding, not in showing what you are doing. So why dividend when performance is deteriorating. Sir, you can display our products on our annual report also. And please concentrate more on the production rather than on the CSR and other things. I will request you to concentrate more on the performance of the Company and now that the OFS hang is over, the management is requested to concentrate more on the performance. Thank you and all the best.

**Mr. K. N. Subramaniam (Chairman)**

The next question. Shruti, are we proceeding with the next speaker?

**Moderator (Ms. Shruti Bharadwaj)**

Sure sir. We can take it one by one as well, if you're okay with it.

**Mr. K. N. Subramaniam (Chairman)**

Yes, that's fine with me.

Mr. Bhesania, thank you very much for joining the meeting. I appreciate your time and also the questions which you've raised.

First of all, as far as the Company is concerned, it is a performance driven and focused Company. On performance, you would have seen repeatedly our mentioning sustainable profitable growth and that is the motto and that is what is the guiding force. As far as the performance is concerned, you also need to know that we are closely linked to the fortunes of the automotive industry and as the automotive industry modernizes itself in terms of the technology from BS-IV to BS-VI and also new regulations and new emission standards and also the electrification as we see, which is coming up for the betterment of the environment, I think the vehicle demands are also fluctuating. If you take a look at 2021 and I'm sure you had a chance to go through the news medium that light vehicle productions of passenger cars were down by 11%, medium and heavy commercial vehicle were down by 22% and 2-3 wheelers were down by 15%. Only the tractor industry was a silver lining with a positive of 27%. Last but not the least, automotive aftermarket has also been going through sore changes with higher quality products and also lesser replacement cycles which is affecting demands. In this context, I would like to share with you that performance is linked to the performance of our customers, and if you notice, we have shown a marginal improvement in the top line for this year despite the adverse conditions and also meeting the delivery schedules on a very short basis.

As far as the second point which you have raised regarding the receivable and inventories, thank you very much for your compliment. The Company is focused and relentlessly trying for the cost management in driving the cost, whether it is the interest cost or other facets of cost. And as far as the CSR is concerned, we take pride as India is the only country with the CSR law which has come in 2013-14 and whatever the activities that we are doing around the environment where we are operating, we thought it would be a good idea to share this with our shareholders and ensure that it is well known to them as to what all is being attempted with the budgets that is available from the Company. COVID unfortunately had a big dent worldwide, including India in 2020-21. Wave #1 had an impact in the 1<sup>st</sup> Quarter and which went over till

the 2<sup>nd</sup> Quarter and when we were coming out of it in Q3 and Q4, then again it was the Wave Number #2 affecting us in Quarter 1 of the current financial year. And I would like to definitely take your suggestions on record that yes, we must display the products we are manufacturing, pistons, piston rings, valves and seats guides and all of the products on the cover or one of the pages, so that the customers and also the shareholders become familiar with what we are doing as they are all investing in the future of the Company.

And as for your point regarding 2016 onwards the changes that have been there and there is a fall in the revenue that you are mentioning about, see you need to also keep in mind that in 2016, the current government which came into position in 2014 were very keen to introduce BS-VI, and BS-IV to BS-VI is a major migration which affected the automotive industry substantially. You might have seen many write-ups which came on that. Yes, it definitely has had an impact for 1-2 years. Then the emissions standards issue which also affected and many of the people were also recovering from some or subdued growth of the economy because of which investments were not taking place that much in personal ability. Added to all these things, the year under review i.e., 2021, impacted the whole world in a big measure and it is not only the whole world, India was also affected badly. There was lockdown almost for about 4 months in Wave #1 and again state wise lockdown in Wave Number #2, and we do expect and we are looking with great sense of optimism in the coming year 2021-22 and hope that demand recovers.

As you are aware, many of the automotive manufacturers are facing the shortage of chips which is affecting their volumes and growth and I do hope we will be able to overcome, it is not in our hands but it is in the hands of semi-conductor manufacturers and suppliers to these automotive manufacturers, because more and more people want to offer more and more facilities inside the automobile that is why number of chips used also is going down. So, I hope I have covered all the issues of Mr. Bhesania.

**Mr. Aspi Bhesania (Speaker Shareholder #1)**

Sir, Can I expect the March Quarter margins to be maintained or June Quarter margins to be maintained.

**Mr. K. N. Subramaniam (Chairman)**

Point 1- As far as the margin is concerned, the Company continues to strive to maintain the margins and improve. Improvements will take place only with volume increases. This industry is like this that when you have got a capacity and if you can push the capacity utilization beyond or very close to 100%, you get the best returns. The last few years, the capacity utilization has been in the range of around 80-85% with also changes taking place.

As far as the one point, which I missed out, regarding dividend which you had raised, there is a dividend policy which the Company has communicated and you would have noticed that Company has been investing heavily in the changes that is taking place in the automotive industry and that calls for a huge amount of capital because the new pistons, piston rings for the turbo charge engines, calls for high strength alloys and superior coating both in terms of cost is more and also price is more and I expect for better margins. This is what we are looking at in the coming years.

**Mr. Aspi Bhesania (Speaker Shareholder #1)**

Sir, how are we prepared for electric vehicles?

**Mr. K. N. Subramaniam (Chairman)**

See, this is an important question which you have raised and probably you are as familiar as anybody else in terms of what has been appearing in the press from 2016 onwards. We wanted to go all electric within 5 years. 2025 was the target. And you know the pace of progress so far. It is not so easy to change it. It needs a battery manufacturing infrastructure. It needs charging infrastructure. More importantly, it needs a customer walking in to your counter to buy electric vehicles. While the cost per kilometer comes down substantially, the capital investments are substantially high. If you are investing, say, in any particular automobile today, internal combustion engine based around INR 500,000/-, you may have to invest for a similar size one for almost double the amount or just beyond that. Despite all the incentives, people are still looking at, it depends on how many kilometer you are going to drive during the day, during the month or the year. That will dictate your internal rate of return. One good thing which I would like to share with you is the cost of batteries has been coming down. Lithium iron batteries which used to be well beyond \$300 per kilo, whatever is now more substantially down, I say, more closer to one-third to one-fourth (40%) of that level and it continues to go down as we develop bigger and better infrastructure in this country.

**Mr. Aspi Bhesania (Speaker Shareholder #1)**

Sir, in Bombay we see quite a lot of 2-wheelers, electric 2-wheelers, especially for the delivery of goods like Zomato, this that all small-small deliveries.

**Mr. K. N. Subramaniam (Chairman)**

You are absolutely right. They are the tick off and starting points. Even you would have noticed recently, Ola electric scooters when they booked, a substantial number were booked on the very first day. Definitely people who are driving longer and cost focused, who can afford the capital investment are

going ahead with this. But do you know the number of vehicles manufactured and sold in this country is almost 1.8-2 million plus 2-wheelers are there per annum which substantially means that what you see is only the tip of the iceberg. It has to go and percolate inside in all facets. Scooters and motorcycles, today we are selling much larger number of motorcycles as compared to scooters. So, there is an issue which has to be well understood and it will take time. You'll see a lot of announcements on scooters but not many on motorcycles, whereas the motorcycles have the primary demand in the country. Similarly, for passenger vehicles, a lot of gasoline-based passenger vehicles people are coming out with. Tata has come out with some models and some of the others also but these are expensive. Penetration is yet to take place. And the Government is actually working on coming out with incentives and promotional schemes and I do hope we will see in the light of what is happening in the United Nations General Assembly, focus on emissions, standards and reduction in emissions, I think every country will move towards more of EV. And it will happen but the pace will be much lower than what we are expecting because of the element of capital cost involved.

**Mr. Aspi Bhesania (Speaker Shareholder #1)**

Sir thank you very much for your answers. I hope next year you hold the meeting early, say in, July or August because today there are too many meetings in Bombay. Thank you very much again.

**Mr. K. N. Subramaniam (Chairman)**

You're welcome and thank you for raising very important and relevant questions.

**Moderator (Ms. Shruti Bharadwaj)**

Thank you, Mr. Bhesania. We have the next question from Mr. Pavish Singhla. Mr. Pavish you may please unmute yourself and proceed with the question.

**Mr. Pavish Singhla (Speaker Shareholder #2)**

Good morning, everyone. My name is Pavish Singhla and my DP ID is 12081600/21924715. I am attending this AGM through Video Conferencing platform from my office in Delhi.

So first of all, I thank you! everyone for giving me this opportunity to speak as a shareholder. It has been a real privilege to become a shareholder of this Company which really aspires to become a truly global premium brand. In particular, I thank Mr. Chairman, Mr. Vinod Kumar Hans-the Managing Director, Dr. Khalid Iqbal Khan-the Company Secretary, Mr. Manish Chadha-the CFO and all the Directors, the Secretarial Team as well as all the employees of this massive Company and for their massive contribution they

have made towards the Company. I appreciate the secretarial team for its swiftness in responding to the shareholder's queries. The Company is progressing very good. My question is, if you could please elaborate and share your thoughts on the Company's vision & future plans of the entire Management Team for the Company for the next three years. And also, are there any acquisition plans of the Company for expansion purposes? Thank you!.

**Mr. K. N. Subramaniam (Chairman)**

Thank you Mr. Pavish Singhla. I appreciate you joining the video conference as the shareholder and raising your questions and thank you for the compliments to the management team for the speed of response and other issues in terms of organizing. As far as the Company's vision and future management, which is the two points that you have raised.

Number #1, the Company has been focused on being sustainable, profitable supplier across the world. If you look at the Company and also the way in which internal combustion engines, new engines come out, majority of these engines, I can say approximately nine out of ten engines developed in the world is coming from products of Federal Mogul Goetze and that benefit is available to the Company whenever these new powertrains are getting introduced in the country. Our vision has been that we want to be a major player, profitable growth, sustainable growth and also a dependable quality supplier and service provider. Whoever comes to us must feel happy that they are dealing with the Company. I have read out the number of Awards the Company has received, almost from every major manufacturer of the country. That tells you the depth of management and that of the team led by Mr. Vinod Hans and also our focus on minute details. Somebody mentioned about cost management. We are ruthless on cost management, I must tell you, whether it comes to question of manpower cost, productivity, interest cost and any other item. So, because we are living in uncertain times, revenue growth is not certain and that cost is something we can manage ourselves. So, we are doing our best. Our vision is to be high quality supplier of products and services to the OEM customers as well as after-market and exporters.

**Mr. Pavish Singhla (Speaker Shareholder #2)**

Thank you, sir. My other question was are there any acquisition plans for expansion purposes of the Company. Thank you.

**Mr. K. N. Subramaniam (Chairman)**

As of now, there is no such plans and because we are a publicly stated Company and whatever we do, we do communicate to the Stock Exchanges and others. So, as of today there is no specific plans for it.

**Mr. Pavish Singhla (Speaker Shareholder #2)**

Thank you, sir.

**Moderator (Ms. Shruti Bharadwaj)**

Thank you, Mr. Singla. We will take the next question now. We have the next question from Mr. Pushkar Garg. Please unmute yourself and proceed.

**Mr. Pushkar Garg (Speaker Shareholder #3)**

Hello and good morning, everyone. Thank you very much for giving me an opportunity to speak. I am Pushkar Garg, my DP ID is 12033200/48001250 and I am attending this AGM through Video Conferencing platform from my residence at Gurgaon.

This audio-video conferencing is of great use not only for the shareholders but also to the Company. Shareholders from any part of India can participate in this conference and it is also time and money saving. Even from the Company's perspective, it is time preserving and also money saving. Before I begin, I would like to congratulate the Company for all the awards that the Company has won during the FY 2020-21.

I have a few questions for the Board of Directors. Let me now begin with some of my questions and observations.

My first question is, as per the Annual Report of FY 20-21, your Company has a capital redemption reserve of Rs. 1,000 lakhs under reserves & surplus. I would like to understand the utilization of such a reserve especially when your Company has only equity as its paid-up share capital. I understand that the capital redemption reserve can be used for issuing fully paid-up bonus shares. Is the Company planning to issue bonus shares?

**Mr. K. N. Subramaniam (Chairman)**

That's all the question or anything else.

**Mr. Pushkar Garg (Speaker Shareholder #3)**

Yaa

**Mr. K. N. Subramaniam (Chairman)**

Mr. Puskar Garg, thank you very much for raising the questions and for participating in this video conferencing and I appreciate your compliments to the Company for receiving so many of the awards. As far as your question on bonus shares is concerned, nothing is there on the table, otherwise we would

have made announcements through the Stock Exchanges. As of today, there is nothing on the table. Capital Redemption Ratio can be used for future for issue of bonus shares whenever it is required but immediately there is no such plans. So, it is available with the Company because it is a debt-free Company, so whatever we are earning goes to the capital redemption. Manish would you like to add anything.

**Mr. Manish Chadha (Chief Financial Officer)**

Nothing sir. I think you have described it very well sir. Thank you.

**Moderator (Ms. Shruti Bharadwaj)**

**Thank you Mr. Garg**

**Mr. Pushkar Garg (Speaker Shareholder #3)**

Ma'am, there is more question also.

**Moderator (Ms. Shruti Bharadwaj)**

**Sure, proceed!**

**Mr. Pushkar Garg (Speaker Shareholder #3)**

Sir, my second question is, I have observed many Companies are splitting the shares into face value of Rs.1, 2 & 5. Why your Company is not planning for splitting the shares?

**Mr. K. N. Subramaniam (Chairman)**

See Mr. Garg, this is a practice which people follow but our Company thought there is no specific benefit which will come by splitting up the shares to Rs. 1, 2 & 5 and no such proposition is under consideration as of today.

**Mr. Pushkar Garg (Speaker Shareholder #3)**

Okay sir. Thank you Sir, Thank you very much.

**Moderator (Ms. Shruti Bharadwaj)**

Thank you, Mr. Garg. We will take the last question now. Mr. Saket Kapoor, you may please unmute yourself and proceed with your question.

**Mr. Saket Kapoor (Speaker Shareholder #4)**

Yaa, Namashkar sir.

**Mr. K. N. Subramaniam (Chairman)**

Namashkar ji.

**Mr. Saket Kapoor (Speaker Shareholder #4)**

First of all, sir thank you for this opportunity to speak in this meeting. Sir I have certain observations and questions which I will be articulating within the time space provided to me. Sir firstly, as investors in the listed space, we had a hard time in looking for a successful OFS issue. There were definitely certain points and queries with investors that resulted in the valuation part that we were unable to go through the OFS Smoothly as has been the case with other companies. My observation are as follows, Sir.

**Mr. K. N. Subramaniam (Chairman)**

Can I first intervene?

**Mr. Saket Kapoor (Speaker Shareholder #4)**

Please sir.

**Mr. K. N. Subramaniam (Chairman)**

I couldn't follow your question. Can you just repeat.

**Mr. Saket Kapoor (Speaker Shareholder #4)**

Sir I was pointing towards the fact that for the OFS to get successful we have to go through number of stages and it finally went through at, if may use the words "rock-bottom prices" and we did have issues in diluting our stake on the OFS one. So, I have some observations wherein the Company should work to improve the shareholder base first since we are now following the criteria of 25% public probe. Sir, firstly it may be very wrong on my part to start my statement but we should work on our website sir. If you could just login the website of Federal Mogul Goetze you can yourself get an understanding that it is "rotten piece of website". The one which is for your customers is enlightened with all the necessary elements. So, I request the IT team to atleast have a look of what they have done to the website and what should be done. Firstly, it is not even a secured website. Correct me if I'm wrong, I'm speaking on record.

Secondly sir, what I feel is that, barring this quarterly con-call part, the management should look to participate in other investor problems also wherein plethora of investors participate and exchange views and everything is being provided through the stock exchange medium and being recorded. We as management are participating only meeting our investors in four quarterly conference call. And as the first speaker mentioned sir, I am still continuing my 1<sup>st</sup> observation, then will come brief understanding of the question. Sir, as 1<sup>st</sup> speaker mentioned, we being an MNC organization, I am unable to make good of the fact as to why the AGM is scheduled to be held at the fag end, on the 27<sup>th</sup> of September. Where is the brush up from the technical team? Now, this is a COVID year so things can be done, but I can

look at your history. Never in the last 4-5 have we ever done any AGM in the month of July or August. Why August, July. So, we should look up and brush up as to why not an AGM in the month of July and August. And sir the Quarterly numbers also, which are always reported on the fag end, either on the 10<sup>th</sup> or the 12<sup>th</sup> or the 14<sup>th</sup>. I would like to ask the Board as to what is the rationale of taking these 45 days limit. If 45 days is provided, you take the limit to 44 days. So, if tomorrow it is extended to 60, then you will come up with 58 days. This is again, hypothetically speaking, but I'm trying to make a point here. And I hope the Board is taking note of the same but in today's technological world where you have things at the tip of your computer and you have audited accounts and conquered audits being done, it is not making any sense to hold your Board Meetings at the fag end. It gives a wrong impression to the investor community. This is my understanding.

Now coming to my queries on the performance part. Firstly sir, what are the risk mitigation strategies being adopted by the team while going forward. What steps are we taking, to evade ourselves or to reduce the EV invasion i.e., in the annual and with now the largest corporate in the country, Reliance, making big in road into this solar and battery space, it is bound to be earth shaking going forward. How are we positioned to develop products and also to mitigate into that spare of new technology altogether?

Sir, I'm coming to the Capital Expenditure (CapEx) part also. It was mentioned in the last conference call that we are doing large amount of CapEx amount, Rs. 85-90 crores for this year, so where are we in the midst of that and when is the capacity going to come up and what is this capacity we will be addressing to. Will it be a deemed export one or will it be a direct export or will we be getting the domestic market only. As we have seen with the first wave in the month of April and May and outages with the OEM have taken, thereafter, how are things shaping up in terms of the business environment for the Company going forward, if you could give some understanding.

Sir I also have this point that we are having very high receivables from our subsidiaries or the fellow subsidiary companies, I'm asking from Page No. 269, we find that balance of Rs. 68 Crores is receivable from subsidiary companies. These questions I can take offline also but I'm just mentioning them here so that it can be addressed later on.

And sir is there any update on the Review Petition against the Additional Labour Commissioner, which was passed in the month of June. When is the next date?

Sir on the power and fuel mix, any investment in the renewables space to reduce the dependence only on coal and electricity and also going forward to the point, as first speaker pointed out, that we did not come out with any dividend because of the uncertain times but again correct me if I'm wrong, the top 10 employees of this organization are paid Rs. 9.53 Crores as their remuneration, these are the figures available in the Annual Report and I found, again correct me if I'm wrong, particularly our MD Mr. Hans, his pay was increased from Rs. 1 Crore 70 Lakh to Rs. 2 Crore 14 Lakhs, here also correct me if I'm wrong. So, I would like to understand this rationale in the COVID year wherein the management, the senior people are taking conducts being provided a supernatural increase in the pay. Was any contract with him, the reason and are this kind of pay hikes available to him going forward also or any performance linked pay. What is the reason I would like to understand? When you cannot pay Rs. 1 dividend to your shareholders in the hind sight of CapEx and ABCD stock, you can pay, I'm pointing Mr. Hans so it can be elaborated. A Rs 50-60 Lakhs increment in the COVID year, and correct me wherever I'm wrong sir when you are answering me.

On the royalty and trademark revision also, when it is due what percentage aap log, incremental rahega (will be incremental to you). Raw material ke front par Sir apne bataya (In case of up-front raw materials, like you said,) steel, aluminum and other product prices are on the upswing, so what is the pass on sir, that has happened over this second quarter in terms of the inflationary trends.

And sir, last point, we should look as to what are the key concerns of your investors. You take this poll or speak to your IR team as to what are the missing points. Sir, we are one of the finest organizations in terms of being an MNC and we are unable to quote even 10B with promoters having 75% stake free float lesser because 2-3 individuals are holding higher amounts and now mutual funds have taken interest. Lot of points are there for which I will definitely participate in the conference call and get them addressed but definitely for the outlook for going forward, I think last time in the Q1 result fall, Mr. Hans and Mr. Manish had definitely pointed out that the digitization levels have started moving up and they are now hovering in the vicinity of 90-95%. So, with this capacity, when will the capital finally happen and these were the points for which I am seeking answers.

**Mr. K. N. Subramaniam (Chairman)**

Thank you, Mr. Saket Kapoor. You were very elaborate and exhaustive. I will try to cover as many of the questions raised by you as the time permits and I hope I will be able to cover all.

Number #1, You are talking about why so late AGM, Quarterly, Board Meetings and considering the 45 days limit. Your point is well taken and the management will strive to improve on the time schedule for all these meetings whether it is quarterly results or AGM, mainly because we have a lot of independent directors, foreign directors, availability and these things, but with conference call facilities available, we will do our best to take your feedback positively and ensure that these meetings are held much earlier. In fact, we have been doing till last year, some reason or other, some amount of movement towards the end has taken place. We will take every step to improve on this parameter.

Number #2, You are talking about offer for sale, many items you have covered. This is the process which is as per the guidelines of SEBI and we are following strictly whatever the rules and regulations are there. And the valuations done, you know the process, because of the type of questions you have asked, I'm sure you are one of the highly educated investors, we have just followed the process. We have never deviated anything away from the process as far as this offer for sale is concerned. Whether further improvement is possible, yes. It is a point worth to be taken with SEBI. MCA has been doing a lot of changes and I'm sure that they will come out with a better response on this issue.

As far as the website is concerned, I have nothing else to say. I'm very very sorry that you are disappointed to see the website and that it is not up to your expectations and it gives a wrong impression to the investor community and we as Board Members, we as Board of Directors, myself as Chairman of Board, we will do everything possible to improve the website to be more user friendly and be more attractive. See any such move calls for additional cost and investment, that may be one of the reasons why in the year of pandemic we have not ventured into it, otherwise when you look at our websites, we are always attractive to you, even when you participate as a visitor in the exhibitions, you can see the Company puts up an excellent stall. In fact, as early as 2016-17, we were the only Company to declare in the stall that we are Euro-VI ready. I don't know whether you have visited that. Mr. Nitin Gadkari, as the minister, was there and he appreciated the Company as Road Transport Minister and I think Vinod was there during that time. I will very much remember and cherish that moment very much.

As far as the many questions which you have asked, as the concerns and other things, I will try to attempt all but maybe not in the same process but it may be a bit random.

One item which you raised on steel and aluminium prices. It is an issue globally. Currently it is going through the commodity cycle as you read in the newspapers and print media. All metals have been going up in terms of the

prices and we're only receiver of the cost increases. And we have arrangements with our customers for cost escalators used on base price of steel, base price of aluminium, copper and accordingly the best prices are brought up. Only thing that I can share with you is, that it doesn't happen on the day the price increase takes place, it happens as and when we're able to conclude the discussions. It may go up to six months or even in some cases up to one year. It may be retrospective or it may be only prospective. It depends upon customer to customer. Ultimately, we need the customer. So, our Managing Director and his team do their best to get the best value for the Company. I hope I have answered this question.

You have asked me about renewable energy on another question and what is the Company doing on coal and electricity. I must tell you; the Company has associations with wind farms, we buy power from wind mills, we also have some amount of clear understanding of periodically reducing our carbon footprint by reducing the amount of power we draw from the electricity boards and to that extent convert to renewables. This we have been doing and in fact we have gone ahead with this investment in wind mills and all, some time back, maybe almost 5,6,7 years ago and we have been buying wind power as per the contract that we have.

As far as the, review petition update which you have raised as on the issue pertaining to the labour matter which is in the SC, I'm not making any comment because it is sub-judice and we have gone on a review petition. As and when it comes for hearing, we will make it public. It will appear in the website of the Company and the same will be communicated to the SEBI.

**Dr. Khalid Iqbal Khan (Company Secretary)**

Sir, can I add something here?

**Mr. K. N. Subramaniam (Chairman)**

Yes. Please.

**Dr. Khalid Iqbal Khan (Company Secretary)**

The Review Petition which has been filed with the Supreme Court of India and it has not yet been listed. So, it is yet to be listed. Just for your information. So, we don't have any idea when it is going to be listed. Thank you.

**Mr. K. N. Subramaniam (Chairman)**

Yes, that's right. And as far as the salary of employees, Rs. 9.53 Crores which you had specifically mentioned for the top 10 employees. See, this is based on whatever is happening in the automotive industry and also currently there is a talent ranks in the country and there is no advance contract with people.

Contracts come from negotiations and when you look at the appointments, these are all 3-4 years back, the contracts were negotiated. And in the normal course, some revisions take place. Maybe this particular case has come in the pandemic year, but that does not mean that we are simply rewarding. If you look at our employee cost as a Company, it had been kept under check year after year because we have got a very large scale of employee base, both in Bangalore and Patiala which comes for the unions negotiations of wage agreement because of which we do keep a tight check on the whole thing and even the issue of age for retirement, it is all related to all these things, but if the Company is rewarding any employee or re-negotiating the contract with the employee, it is in the clear idea that it is the current market rate which is going, because it is not that the Company independently does this. We get independent advices, consultants on every matter. So, it is more of a market-based system. Next item, you are talking about the issue of

**Mr. Saket Kapoor (Speaker Shareholder #4)**

Sir I was taking about the receivable part from the fellow subsidiary and the outlook.

**Mr. K. N. Subramaniam (Chairman)**

Receivables from fellow subsidiaries and if you look at this year after year, we have been reducing the receivables and this specific point, you are talking about Page 286. Correct?

**Mr. Saket Kapoor (Speaker Shareholder #4)**

Sir, 268

**Mr. Manish Chadha (Chief Financial Officer)**

If you allow sir, can I take this point.

**Mr. K. N. Subramaniam (Chairman)**

Yes, go ahead. I wanted to ask you to respond.

**Mr. Manish Chadha (Chief Financial Officer)**

Yes sir. Thank you. Good morning.

Thank you Saket for your observations. So, you can see some of that is clearly, if you see your top line for 2021 is higher by 2% despite having a narrative OEM market which has resulted from the export. Our export is up by 50 % which are inter-company exports and this receivable increases due to the increase in the export which are the inter-company and all the receivables are

in line with the payment terms with the inter-company. So, I think there is nothing overused it is all depending on the activity level, export increase during the year, which has resulted in the increase of the top line for the full year. And these are all within the receivable and payment time as you can also see Rs. 23 Crore inter-company payables also. But our activity level of export is more than the inter-company buying.

**Mr. Vinod Kumar Hans (Managing Director)**

Thanks Manish, this is Vinod. If I may add further, you know these kind of export related receivables, this will have little bit of cycle because you might have seen the container and lead time, you know, for export have gone substantially up. So there have been two weeks' time where we ship and you know, the customer abroad, they don't receive and some of the payments are also linked after successful receipt of goods in good quality condition and consumption. So that's all.

I'm just taking small point of the website. Thanks for bringing it up. You may notice that our parent Company is also stock exchange listed and they also have website. Our intent of the website is that it is the interface to the larger website. I think probably we need to qualify all those interfaces more. We probably need to make those interfaces much more user friendly. So, for the interface this can become the front face and you are navigated into the required global site, India operations. So, we will see that the transition is seamless and we will work on that.

**Mr. Saket Kapoor (Speaker Shareholder #4)**

Chairman Sir. About the employee part sir. The employee cost is significantly higher sir. If you take the total turnover, correct me sir here also, 29% is your employee cost. You were replying altogether that it is lower. Where is it lower sir. Correct me sir here also.

**Mr. K. N. Subramaniam (Chairman)**

No, I said in absolute terms. What I want to tell you is that turnover is not going up as planned because of the market conditions. As far as the annual report is concerned, it is in front of you and what we are paying to anybody is fully visible. Our expectation was that we will do, say, growth of 15%, 20%. Every year all of us are ambitious to plan for growth. And we are also investing in capital, we are investing in people. One year taking care of that while it is not happening as hand, particularly 2021 was a very very difficult year. You know, we also lost employees in our factory site, they could not come, vaccination drive was there. 2021 is an aberration in terms of management cost.

**Mr. Saket Kapoor (Speaker Shareholder #4)**

Sir, only last point I have is, how are we looking for the way ahead. What are the systematic changes, or what is the way forward to achieve this growth of 10-15% and when is this CapEx going to be commercialized, going forward? These are my closing points and I will catch up with the team in a conference call if that happens.

**Mr. K. N. Subramaniam (Chairman)**

Yes, most welcome and we will be happy to take on all your questions. As far as the CapEx plan is concerned, there is a specific timetable which is available. It is not that overnight we end up spending. It is a question of identifying the suppliers or technology and what is the type of demand, suppose, Maruti is pushing something to the next quarter, accordingly we may also have to push or they may insist on our investment first and they may delay the model. These kinds of things do happen but CapEx whatever we are committing each year we have been incurring, I want to tell you that when we incur CapEx it is not for just capacity, it is a capability building. When you are talking about Bharat IV or Euro IV to Euro VI or Bharat Stage IV to Stage VI and many times number of pistons, piston rings manufactured may not go up, but, in terms of capabilities, high strength alloys, specialized coatings, these are the things which end up making your Company unique and continue as a unique supplier with the customer. That's what I would like to share with you on CapEx.

As far as the Risk Mitigation, the solar and battery storage, which you have mentioned in the beginning, all I would like to assure you is, it is something which is closely watched by your Company in the country as well as globally with the parent Company. It is an important subject, the pace of electrification in the country and in the world and you must be keeping in mind, aggressively people are also working on improving the emissions of internal combustion engines, whatever, whether it is gasoline engines or diesel engines and latest that our ministers have been pointing out is being of ethanol as a blend at a larger level. So, all these have implications and also the internal combustion engines as well as the petroleum industry is more than 100 years old. They have established the infrastructure; they have established the way of solving customer problems and meeting the customer needs. It may not take so much time but it may happen. It works much faster and much later but it will depend on many things in terms. Most important will be the customer acceptance or higher capital outlay. Apart from his concerns on emissions, because there is health impact because of higher emissions, so I think it is a continuous education in progress and I am not expecting it to happen overnight. It has not happened even in a country like Japan, it has not happened even in some of most advanced larger countries. You have to keep

in mind as to what is happening around the world. But the Company is getting ready for the future development and hybrid and many other things where the combination of internal combustion engines plus the electric will be there, mild hybrid, all these things we are taking care of. We are very focused on meeting the customer requirement and also continue to grow the Company.

**Mr. Saket Kapoor (Speaker Shareholder #4)**

So, we are now in the pre-COVID level, my last point it is, in terms of our Company operations performance?

**Mr. K. N. Subramaniam (Chairman)**

Yes. In the last quarter i.e., the quarter ending March 31<sup>st</sup> and June 30<sup>th</sup> things were all better but subsequently we have seen the impact of semi-conductors, availability of chips is affecting the manufacturing programme of leading makers. And it looks that, there is no immediate solution and the forecast vary from very short space will be to overcome the shortage to larger, it also depends on the type of models, some models are affected much more compared to others. But your Company is present in most of the models, whether it is older models or newer models. So, I will leave it slightly open this question as we progress, we will be able to attend to your requirements, your questions much better in the quarterly calls. You need to ask this question more for that particular quarter because last quarter it turned out to be better but immediately you saw July, August had some sort of slackening taking place because of the second wave. Thank you.

**Mr. Saket Kapoor (Speaker Shareholder #4)**

Thank you, sir. Thank you for all the elaborate answers and I hope my suggestions would be looked into, the merit would be looked into, the deliberations would be done and as a shareholder and a well-wisher I have pointed out in front of the Board and now it is the prerogative of the Board to look into the merit of the same and decide accordingly. But these are what my understanding is to have a basic understanding for investor community since we are going to be listed for now, I think, an extended period, so these are my understanding that these are the criteria that should meet up the expectation. For the dividends also sir, the Board should deliberate. It is not just the employee that need to be rewarded and talent need to be heard, but also your shareholders who are putting and risking their hard-earned money in the Company and in keeping the pace on the management which they have under your leadership. Thank you. That's all from my side

**Mr. K. N. Subramaniam (Chairman)**

Thank you very much Saket for participating in this. It was very nice of you to have taken time to raise your questions.

**Mr. Saket Kapoor (Speaker Shareholder #4)**

Thank you, sir

**Moderator (Ms. Shruti Bharadwaj)**

Thank you, Mr. Kapoor. That is all from the Speaker Shareholders end. Rather we had received the request from two more shareholders but it appears that they were not able to join the call. So that is all from the shareholder speakers.

**Dr. Khalid Iqbal Khan (Company Secretary)**

So, I believe all the questions have now been answered, right Shruti?

**Mr. K. N. Subramaniam (Chairman)**

I have tried to cover as many questions as possible and as many items, some of you have come forward and I thank each one of you for participating in terms of the response. Now I move on to the next. Over to you Khalid. Shall I move on to the next one?

**Dr. Khalid Iqbal Khan (Company Secretary)**

Yes sir, all the questions have been answered.

**Mr. K. N. Subramaniam (Chairman)**

Since all the questions have been covered, majority of them, members may note that the voting on the NSDL platform will continue to be available for the next 15 minutes. Therefore, members who have not cast their vote are requested to do so. The Board of Directors has appointed Advocate Abhishek Bansal, as the scrutinizer to supervise the e-voting process. Further, I hereby appoint and authorize Dr. Khalid Iqbal Khan, the Company Secretary, to declare the result of the voting and place the results on the website of the Company within 48 hours from the conclusion of the Annual General Meeting. The resolutions, as set forth in the Notice, shall be deemed to be passed today subject to receipt of requisite number of votes.

Before I conclude, I wish to place on record my sincere appreciation for the dedication and the hard work of our talented employees. Company's employees ultimately. The Company's quest for continuous value creation would not be possible but for the support we receive from all our customers, business associates, shareholders and members of the Board. I am grateful to them for their continuous support and confidence in the management and expect to receive their full support in augmenting our plans for future and strategy.

I would like to end the meeting by mentioning that determination, trust, action and solidarity will be our tools to accomplish our objective. We have all, but all that is needed is their further implementation in the face of challenges and the triumph, am sure, will be ours.

As all the items of business as part of the AGM notice have been taken up. I now declare the proceedings of the AGM as closed.

Thank you for joining us today. I wish you a safe and healthy future.