

RAIL:SEC:2016

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BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400001 Scrip Code - 520008	National Stock Exchange of India Limited Exchange Plaza, 5 th Floor, Plot No.C/1, G Block Bandra-Kurla Complex Bandra (E) Mumbai - 400 051 Scrip Code - RICOAUTO
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Sub : Interview of Shri Arvind Kapur with CNBC-TV 18

Dear Sir/Madam,

Please find enclosed herewith the transcript of interview held on 2nd August, 2016 by CNBC-TV 18 with Shri Arvind Kapur, Chairman, CEO & Managing Director.

Thanking you,

Yours faithfully,
for **Rico Auto Industries Limited**


B.M. Jhamb
Company Secretary
FCS : 2446

Encl : As above

Chennai unit to add Rs 60-70 cr/yr at full capacity by Q4: Rico

With fairly good performance likely in both the domestic and export markets, Rico Auto should be able to grow revenue by 15-20 percent this financial year, says Chairman, CEO & MD Arvind Kapur.

The company reported its first quarter earnings Monday with consolidated total income from operations at Rs 271.74 crore and net profit at Rs 15.58 crore for the quarter. Kapur says the company has been working hard at improving efficiency in systems and manufacturing and has discontinued some loss-making products. All these initiatives should help retain operating margin at roughly 11 percent as seen in the first quarter, he adds.

The company's Chennai plant, which will supply to Renault-Nissan, is likely to run at full capacity by the fourth quarter and could contribute revenue of about Rs 60-70 crore annually, he says.

Below is the transcript of Arvind Kapur's interview to Mangalam Maloo and Reema Tendulkar on CNBC-TV18.

Mangalam: You saw a revenue growth of 14 percent margins also expanded this year, but also this can be attributed to the favourable base. Last year was not that good for you. So, what kind of revenue growth as well as margins can one expect in FY17 for the company?

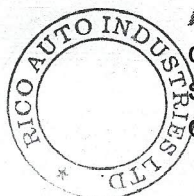
A: We are expecting between 15 and 20 percent. That is what our target is for this year and we are hoping to achieve that and that would be based of course, on our customers in India who are doing very well and also on the exports. And our exports are growing, in this quarter we have done almost 28 percent of a turnover in the exports. So, with the domestic market and the exports growing we should be able to achieve that.

Reema: This quarter you have managed to improve your margins to 11 percent. Is there scope to improve it further?

A: We have been working on this and in fact we have been working on this for almost a year now and we have been trying to improve efficiencies in our system and also in our manufacturing. And also, there are some products which were loss making which are now discontinued, so that has also helped us. So, we should be able to maintain, we are looking forward to maintain the margins this quarter also.

Mangalam: One trigger for the company was the starting of your Chennai plant which would supply to Nissan, we understand. So, what is the operational function of that plant right now? What capacity are you currently operating at and what kind of revenues can one expect from that plant coming forward?

A: That is for Renault Nissan and at the moment, we have started on some of the components and it will be in this end of second to beginning of third quarter that we should start ramping up and the fourth quarter, we will definitely be running at full capacity.



Reema: If you run at full capacity at your Chennai plant, what will be the incremental revenue addition?

A: We are expecting, total revenue there would be in the region of about Rs 60 crore and Rs 70 crore.

Reema: On an annual basis or on quarterly basis?

A: On an annual basis.

Mangalam: Could you also give us some details on any client winds that you have. We understand that 40 percent of your revenues do come from Hero Motorcorp and Maruti and BMW are important clients too. So, any specific products that you are supplying to Maruti in the new launches?

A: We are engaged with a lot of components in the new launches with Maruti and other customers as well and on the two-wheelers, we are now at about 34 percent in the consolidated and we are of course, trying to get more orders from our two-wheeler partners which is Hero. And we will keep on growing the two-wheeler as well as our four-wheeler and off-road vehicles in the future as well.

Reema: You have indicated that exports contribute about 28 percent to your revenues. Could you tell us what was the revenue growth seen in the domestic business in Q1 and in the export business and which one is growing faster for you and are you going to be focusing on that?

Our focus is on all the customers, but if you realise, today these are global customers. We have the customers who are coming up with global platforms and be it selling it in India or be it selling it overseas, so if at all, we get an order from any of our customers here, Renault or Nissan or any other, we would land up supplying to them in the domestic market as well as the export market. So, that is the nature of the industry today and so we are fortunate that we are engaged with the overseas original manufacturers (OEM) who are now based in India and we will see a certain growth again. But our revenues in the domestic market, if you split it accordingly, it went up by 8 percent.

Mangalam: So, last year you did a revenue growth of about Rs 1,000 crore, you have guided for 15-20 percent growth, so that is about Rs 1,150-1,200 crore in FY17. With Chennai plant and other synergies coming in, can one expect a Rs.1,500-1,600 crore worth revenue in FY18?

A: We react to work it out. We are not giving any guidance for that at the moment, but we do have aggressive plans.

