

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 12th July, 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

Rico Auto has laid the foundation for a new manufacturing plant in Bhiwadi, Rajasthan. The plant that will manufacture castings and machining will start commercial production by FY18.

Chairman and Managing Director Arvind Kapur says the company has made an investment of Rs 135 crore and expects a turnover of Rs 315-330 crore on full production by FY19 with a total capacity of 18000 tonnes. The operations will start by Q2-Q3 of FY18.

The funding for the plant will mainly be through internal accruals and if there is shortfall only then will Rico approach banks, says Kapur.

The company had recently commissioned its Chennai plant that will supply engine parts to Renault Nissan JV. The initial capacity of the plant is 1.5 lakh sets per year.

Rico Auto specializes in brake systems and dye castings. Most of the auto companies are its clients but key customers are Hero Moto, Maruti and Renault-Nissan. Exports for the company contribute 45 percent to total sales.

Below is the transcript of Arvind Kapur's interview to Nigel D'souza and Reema Tendulkar on CNBC-TV18.

Reema: If you could tell us what the capacity is of your Rajasthan plant and how much will it aid to the company's revenues?

A: We are making an investment of almost Rs 135 crore and the turnover would be in the region of about Rs 315-330 crore and the capacity depends upon the type of components we put in but initially, we are estimating that it would be in the region of about 18,000 tonnes.

Nigel: How will you be funding this particular Rs 135 crore and also, by when can we see optimum capacity coming on stream?

A: What I am talking to you today is the first phase and we should start the volume of production by the second to third quarter of next year.

Nigel: But you will be scaling it up gradually, right? So, could you tell us how you will be scaling it up, when we can see it at 100 percent and also, how will you fund it?

A: The funding is mainly going to be from internal accruals, but wherever there is a shortfall, we will take the help of the banks, etc and other institutions, but primarily from internal accruals. This is the first phase I am talking of, there will be further expansions, which will be decided later on.

Reema: You are saying that this facility will be operational only in Q2 and Q3 of FY18?

A: Yes.



Reema: So, how much can it contribute in FY18 since it will hardly be in production for one or two quarters and in FY19, do you think you will be able to get the Rs 315-330 crore that you anticipated from a full year of production?

A: Yes, by FY19 we should definitely be able to achieve that. That is one. By FY19, we will also take steps for the further expansion that would be required in that plant.

Nigel: Who are the clients that you currently deal with, that you supply to and also, could you tell us your expanding capacity, this is the second such expansion you have been doing in the recent past. Are you looking at new clients, do you have them in the pipeline already?

A: It is mainly the current clients, but we are talking to many new clients as well.

Nigel: Who are the current clients?

We have almost everybody there. Maruti is our very important client and Hero MotoCorp is a very important client of ours in the domestic market. Then Renault Nissan is a very important customer of ours and we are supplying to all the others in India. But exports, BMW, Renault, Cummins, Caterpillar, all these are our clients.

Reema: Can you tell us the reason for the expansion because you recently commissioned your Chennai plant. If you look at your last year's performance, it has been quite weak, your revenues for FY16 were down 25 percent. Profits were down nearly 80 percent. I understand that there was a subsidiary restructuring, etc which also impacted your full year performance, but if you could just take us through the rationale, what is the kind of demand, also more details about your Chennai plant, what capacity is it operating at?

A: No, our profits went up last year. This came down primarily because of the disinvestment that took place in our joint venture and that was one.

The Chennai plant is primarily for Renault Nissan and it has started production and in the next quarter onwards, we should be almost touching full capacity.

We are looking at further expansion in that capacity as well primarily to meet Renaults requirement and we are also looking at the possibility of exports from Chennai.

Nigel: Your revenues last year were at around Rs 1,000 crore. You have a couple of capacities that have come on stream, Chennai, next couple of years, you will have Rajasthan. 2020, what can your revenues look like? You said Rs.300 crore are likely to come out of the Rajasthan plant? Put together, the Chennai plant as well, what are you revenues likely to look like?

A: 2020, our attempt would be to obviously, more than double. We will be looking at that possibility.

