

38th Annual General Meeting of India Nippon Electricals Ltd
Held at 10 AM on 20th September 2023 through VC/OAVM

(Transcript of the Meeting)

Company Secretary: Good morning to all the panellists and shareholders. It gives us an immense pleasure to welcome you all to the 38th Annual General Meeting of India Nippon Electricals Limited. As we have the requisite quorum, meeting shall start with the permission of the Chairman. Over to the Chairman.

Chairman: Good morning to all of you. I had my welcome to all the shareholders. This is a new form of conducting AGM's. I was very much missing the personal meetings, we used to have but this seems to be the technology today. So, I welcome you all. I hope the connections work well for the meeting and we'll start the meeting with a prayer.

Company Secretary: Thank you, sir. Over to the CSDL.

(Prayer Song)

Company Secretary: We engaged the service of CDSL to ensure seamless connectivity and conduct this E-AGM And we have Mr. Karthik from CDSL as moderator of this meeting. The meeting is being conducted completely through the electronic mode as permitted by Ministry of Corporate Affairs and SEBI through various circulars and notifications issued. In order to ensure seamless proceeding and to avoid disruption, CDSL, the host, has disabled the audio and video of all the participants except the panelists. Venue voting for shareholders started at 10:00 AM and it will be open until 15 minutes from the conclusion of this meeting. We request all the shareholders to cast their vote. The proceeding of this meeting is being recorded for compliance purposes. Now, this is over to Chairman to introduce Directors to the members.

Chairman: I take great pleasure in introducing the Directors. As I speak about the Director, I request the Director concerned to identify himself with 'Namaste' so that the shareholders can identify who the person is. I'll start with our senior most person K.G. Raghavan, who has been associated with our Company as a Director since 2005 and has been appointed as an Independent Director of the Company in 2014. He is a very well-known Supreme Court advocate and we have had the benefit of his significant service for the last several years and I think he is completing his second term at the end of the Annual Meeting. And I request to Mr. Raghavan to say a few words, as this will be the last meeting. And also, I have been appraised that he also got urgent court matter to attend.

K.G. Raghavan: Mr. Chairman, thank you very much for giving me this opportunity of saying a few words at this Annual General Meeting of our Company. I have been

associated, as you indicated with INEL for now over a decade. And I have had, and I have derived great benefit by being associated with all of you. If there is one thing that has stood uppermost in my mind arising out of this association is how corporate principles of the highest standard, the gold standards in corporate democracy can be followed in Indian companies and that has been followed to the hilt in so far as INEL is concerned. The respect, Mr. Chairman that you have for the shareholders of the Company is creditable. And in all the deliberations both at the Board meetings and the Audit Committee, the one thing that stood out was how to protect shareholder interest and therefore the interests of the Company. This is an ideal company upholding the highest standards and I wish the Company all the best and Godspeed and all of you associated with the company to prosper from strength to strength. May God bless the Company and all of us. Thank you.

Chairman: Thanks Mr. Raghavan for your generous remarks and while, we'll be missing you, we'll certainly be calling on you for your continued advice. I'll now move on to the next Senior Director, who is also laying down his office in today's meeting is Mr. R. Vijayaraghavan. He has been associated with the Company since 2013 as an Independent Director. He concludes his second appointment at the end of this AGM. He's a well-known tax expert and advocate practicing in Chennai and he has been associated with the TVS Group of Companies for many many years. I request Mr. R. Vijayaraghavan to say a few words. Mr. R. Vijayaraghavan we can't hear you.

R. Vijayaraghavan: Now you can hear me?

Chairman: Yes.

R. Vijayaraghavan: Thank you Mr. Balaji for giving me this opportunity to say a few words. It was a great pleasure and privilege to be a Director of this Company. In my opinion, as Mr. Raghavan earlier said, this is one of the very well-managed companies in India. The management was always cooperative, gave all the details we had asked for and the meetings of the Board was always transparent. All the Directors were free to express their opinion which were considered seriously by the other members of the board as well as the Chairman. Thus, the experience as a board member here is one which I would cherish throughout my life. I thank the Directors and other members of the Company for their support. I also thank the shareholders for giving me the opportunity to be a member of this board. Thank you very much.

Chairman: Thank you Mr. Raghavan for your generous remarks. As I've said in the case of Mr. Raghavan notwithstanding you are stepping down on as a Director, we will continue to reach out to you for advice. Thank you.

R. Vijayaraghavan: Thank you.

Chairman: I'd like to move on to the next Director Mr. Anant Talaulicar. He was appointed as Independent Director in April 2019 and as many of you may already know he had a very distinguished career as ending as MD of Cummins India Limited. He brings with him a very rich experience over several years in the automotive industry and he is also associated with in his post retirement period as a leading faculty in S.P. Jain Management Institute. I'd like to welcome sir Mr. Anant Talaulicar again , would you like to say a few words? Thank you.

Mr. Anant Talaulicar: Thank you. Thank you, Chairman. 'Namaste' to everyone in the audience. It's a privilege to serve on the INEL Board and I look forward to my association with the Company to take it to its topmost heights. Thank you.

Chairman: Moving on to the next senior person Mr. Heramb R Hajarnavis. He has been an Independent Director appointed recently in 2022, by comparative terms, he is an extremely well-known person in the investment field. He has had a very distinguished background as a bachelor's in MIT, USC and Havard Business School. He has been associated with Goldman Sachs and other leading firms in India for many many years and he now is based in Dubai and we are fortunate to have him as an Independent Director, who brings in a very fresh perspective from the growth point of view. Over to you Mr. Heramb R Hajarnavis. A few words.

Mr. Heramb R Hajarnavis: Thank you sir. Thank you for this opportunity. I just wanted to say I'm privileged to be on this Board and I look forward to the partnership with management and serving the shareholders. Thank you again.

Chairman: Thank you. We have now come to the Independent Director who is a lady, Gangapriya Chakraverti. She has had again a distinguished background. She has held leadership positions in Mancor Consulting and the Murgappa Group and now she heads the Ford software business in Chennai, India and she has had very rich understanding of human resources and how to manage people which is a very important skill that we need in the board. I welcome Ms. Gangapriya to say a few words to the shareholders.

Gangapriya Chakraverti: Thank you sir. In fact it's a privilege for me as well to be on the Board of this Company. I really enjoy the discussions that are held in a very open manner with a set of members who are from very very diverse backgrounds. I look forward to continuing to support the Company and keep the shareholders' interests up most so that we can take the Company to greater heights. Thank you so much.

Chairman: Thank you. I think I move on to the next lady Director on the Board, which is Priyamvada Balaji. She has a very rich background in the field of economics and finance. She qualified herself from Madras University and went on to do her business school graduation from Ahmedabad and she has worked in the Fitch Credit Ratings as an Independent Director and then she joined our group nearly ten years ago. She has held

very senior positions and continued to hold responsibility for Lucas Indian Service and Delphi-TVS. And she has been on the board of INEL for the last few years. I request her to say a few words.

Priyamvada Balaji: Good morning, everyone. It's been a privilege and a pleasure to be on this Board. It's a wide variety and very diverse Board, which I think has worked very well together. Thank you.

Chairman: I move on to our MD, Arvind Balaji, whom I think many of you would be by now very familiar with, again formally introducing him. He has had a distinguished academic background, did his engineering from Pilani, went on to do his Master's in Stanford and did his business school from, from Wharton, and he joined the group in 2008 and has been associated with the Company. He joined the group earlier in 2004. He has been associated with this Company from 2008 as a Managing Director from 2014. So, I request him to say a few words.

Arvind Balaji: Namaste and good morning. Pleasure to meet you all once again. As I will explain during the course of today's meeting and share with you our plans on how we plan to manage to take INEL forward in this era of tremendous change. Thank you.

Chairman: And finally, about myself. I think subsets of the shareholders who may not know, I joined this Board in 1986 as a Founder Director when we started this enterprise. I'm the Chairman of Lucas TVS and also Chairman of Delphi TVS and Lucas Indian service. I've been associated with the Auto industry for decades. I think with this introduction I request the Company Secretary to take on the next item on the agenda.

Company Secretary: Thank you, sir. In the panel we have all the directors, auditors, President, KMP, RTA, Investor Relation Advisory and the Scrutinizer. Auditors' Report, being an unqualified and unmodified one, is not required to read out at the AGM as per the provision of Section 145 of the Company's Act 2013. The notice convening the AGM has been circulated by email to the members and were also hosted on the website of the Company and on the website of the stock exchanges where the shares of the Company are listed. Now over to Chairman.

Chairman: Now I invite Managing Director to initiate his overview of the business.

Managing Director: Thank you, Chairman. Good morning, shareholders. I will be reading out a letter that's already there in the Annual Report, but while I go through that, I will also share some further insights as to our plans and our direction. I'm pleased to share with you the Annual Report of 2022-23 for INEL. During this period, we showcase our ability to identify evolving trends, foster innovation and capitalize on opportunities that crossed our path. Basically, we stayed true to the strategy I've been sharing for quite some time now, which is to grow our existing business, while making investments in new areas

so that we can transition from the IC Engine era to the EV era. In the last decade, India has experienced a huge transformation, rising from the tenth-largest to the fifth-largest global economy, with a growth projected of 7.2% in 2022-23. India surpassed other major economies. And as India celebrates 76 years of independence, initiatives like Aatmanirbhar Bharat, Make in India, Amrit Kaal and Saptarishi present a lot of opportunity and responsibility, actually, for companies like us. In the recent G20 Summit, India has been showcased so heavily, it's really ones now falls to Indian companies like us, who can take the bit forward and really make India an engineering powerhouse in the world.

The Government's focus on inclusive development is evident through its efforts to reach every corner of the country. And India is poised for continued growth in the years to come. During the year, we initiated an advanced stage of development in our EFI system. I have talked about it over the last couple of years. We signed the license agreement and now I'm happy to say that we're just going to start production end of this month with our first customer. And we expect that to be another leg for our business to stand on. We have continued to make steady progress on our sensors, controllers and related components and some we have started supplying to customers, and some we are in final stages of development and then getting into production. Our successes are clearly demonstrated by the expanding market share and consistent sales growth of our Company throughout the year in the current financial period. I just want to highlight one point here, I think, for the shareholders to know, the two-wheeler industry in India is still lower than what it was in 2018-19. So, despite such heavy headwinds, we have continued to show growth in our company because of our strategy. And while there are ups and downs in the market, we have continued to figure out a way of how to expand our business in challenging times. We have obviously faced very challenging times, including supply chain disruptions, increased prices of critical raw materials, not just electronics, but also critical raw materials like steel and copper. Despite these difficulties with meticulous planning, we managed to achieve a modest growth and a decent financial performance and a strong balance sheet. That, quite frankly, is very important as we face the next phase of our growth.

Many times, shareholders have asked why we have the resources that we have in cash. It's because actually, for the next few years, because as we now plan to expand our business in new areas, this cash is going to become critical in our ability to make either acquisitions or invest in new technologies during this changeover period from IC engine to EV, our Profit Before Tax today stood at Rs. 70 Crores. Obviously, all of you know that we did sell our shareholding or the land in Indonesia. And so, there's an Rs. 18 Crore extra profit that was declared last year and operational profit was about Rs. 39.41 Crores compared to about Rs. 37.9 Crores in the previous year. So, the marginal improvement of profitability, our revenue grew by 15.89%. And the real reason for this gap is really on the commodity inflation of steel, which we are in the process of recovering from customers and we expect that to come back to a more normalized basis in this year. We've

continued to fine tune our gross margins and you'll see a gradual improvement of gross margin from 29.9% to 30.9%. We are pleased to declare a dividend of Rs. 9.25 per share for 2022-23, continuing our culture of rewarding shareholders. And as I mentioned, the two-wheeler market is experiencing limited growth, still far away from pre-COVID levels. And so, this obviously is a challenge for the whole industry. The demand for two-wheeler has been subdued due to rising inflation and total cost of acquisition. And I think the industry is while cautiously optimistic, it's still not yet a clear sign when it'll come back to pre-COVID levels. Although there was a peak in 2018-19, the industry is showing some growth. I think in the early part of this year there is some positive indications, but we'll wait to see how the current festival season comes.

No matter what happens in the market growth, I think we are very clear about our strategy. Over the last five years, almost every year we've been increasing our market share, we've been expanding our aftermarket presence. So, I think the Company is in very solid footing. While we tackle the era of electrification and what products to introduce in the market, we are excited to announce the expansion of all our plants. I mean, the reason why we've invested in our plants is because we have an additional business in Hosur, Pondicherry and Rewari. These are both for IC engine products as well as for DC-DC converters and other EV products. And because we have won these businesses, we have been expanding our plants and that should give shareholders confidence for the Company's plans in the years to come. We are committed to staying in the forefront of the industry and evolving to our customers' needs. We are in strategic dialogs with all our main customers to see what new technologies we can develop as the entire industry transforms from the IC engine-based to EV-based. I already mentioned about our EFI strategy. We've tied up with the global player, BorgWarner, for fuel injection systems. We have now homologated that product in one of our leading customers. It has been approved and now it's in final stages to go into production this month. With an agile, flexible business model such as ours, we constantly need to recalibrate our strategies and I think this is going to be very important. The coming years strategy is not something in the past where we could fix for five, seven years and kind of wait for it to happen. The industry is changing so fast that we need to be very nimble and quick on our feet and I think we are moving in that direction. Along with our investment in our technology center a few years ago, we have set the foundation for that kind of change. But we continue to basically focus on the core, which is basically the IC engine. So, despite the rise of EVs, we expect that the quantum of IC engine market will not decline at least until 2029. So this will still remain a major part of our growth and it's important for shareholders to recognize while we hear a lot about EVs, IC engine is not disappearing anytime soon and that's going to continue to remain the source of growth and profits for our company, which we will use then to fund our new development. We are basically using our strategies again, I just want to repeat what we said earlier, we are going to focus on Controllers, DC-DC converters. We are now actually evaluating how to use our current magneto technology to make a different kind of motor that could also play a role in electrification in the years to come.

And finally, on EFI and Cluster, these are the same strategies I talked about two, three years ago and we continued down the same direction, and we are receiving more and more encouraging signs from customers. Our debt free balance sheet and free cash flow provide a significant advantage. If you've seen the pain that the global auto industry has suffered over the years, you will see many large companies are struggling in this transition and this is where our cash balance and our strong balance sheet is actually a huge strategic lever that we have that we will bring to bear in the coming years. We're only as good as our people.

And while you will see that INEL has always been a benchmark for operational efficiency and excellence and over the years that culture has only gotten stronger and stronger. We have engaged, been audited by 'Great Place to Work' and we continue to win 'Great Place to Work' for the last three to four years, just representing the culture of teamwork and participation we need.

Again in a fast evolving technology, it is really this culture that will generate innovation and shareholder and customer value. We understand the importance of nurturing the environment. I think ESG is a big topic these days, but that's something we have always done. And for some of you who have visited our factories will see we have an extremely robust green belt. We forested the area around our plants. Our discharge is very, very low. We use a lot of renewable power. So whatever has come formally in the ESG policies is something INEL has been practicing for many years and we continue to emphasize in the same direction. Going forward, we continue to focus on strengthening our business model to deliver shareholder value. Consolidation of our capabilities across products and markets will open up new opportunities. We are working with our Board of Directors to figure out the new strategy and the new products we need to finalize on. It's still work in progress, and I'd like to take this opportunity to express my sincere gratitude to our Board, our management team, employees, customers, suppliers, bankers, investors and the Government for their support. So basically, to conclude, I think this year has been a consolidation year.

Even though the market has not been growing, we continue to establish growth both in our traditional IC engine as well as aftermarket, our margins came a little bit under pressure over the last couple of years. We've marginally expanded our profit last year, but I see it will come back to more normal levels in a year or two. So, I think the basic core business continues to go in the right direction. I think finally we are getting our EFI on board, we're getting our ISG on board, we've got our sensors on board. So, I think all the strategies we talked about have taken a little longer time, but they are coming on stream. So, I'm quite cautiously optimistic in the coming years how to do it. This is a long game and I think shareholders will appreciate that the whole industry is transforming, it takes that much time to actually figure out because everybody's trying to go after the same products and the same customers. But I'm very optimistic that INEL is in a good position given the progress we've made over the last four years. Thank you.

Company Secretary: Thank you, sir. Now over to Chairman.

Chairman: Thank you very much and Logitha, you need to outline the business that is listed in the agenda.

Company Secretary: Yes, sir. All the five resolutions as mentioned in the notice and circulated to the members have been placed in the electronic form in the CDSL platform as follows and with the permission of the Chairman taking it as read fully. I'm just briefing the headings, 1. An adoption of audited accounts for the year ended 31st March 2023 and the Directors and Auditors report thereon as an ordinary resolution. 2. Declaration of dividend for the year 2022-23. That is confirmation of the interim dividend paid for the year 2022-23 as final dividend as an ordinary resolution. 3. Election of Ms. Priyamvada Balaji as the Director liable for retirement by rotation as an ordinary resolution. 4. Ratification of remuneration of Mr. K Suryanarayanan cost auditor for the year 2023-24 as an ordinary resolution. 5. Alteration of Articles of Association of the Company as a special resolution. The rational of items included in the special business is detailed in the Explanatory statement, which is formed part of the notice. I'm just briefing the E-voting procedure. According with the provision of the Companies' Act 2013 and SEBI regulation, the members have been provided with a facility to exercise their right to vote by electronic means, both through remote e-voting and through e-voting at the AGM venue. E-voting facility was made available to all the members holding shares as on the cutoff date of 13th September 2023. Remote e-voting commenced on 17th September 2023 at 09:00 AM And concluded on 19th September 2023 at 05:00 PM. Those members who have not exercised remote e-voting may exercise their votes electronically up to 15 minutes from the conclusion of this meeting. The members who have cast their vote by remote e-voting prior to the meeting shall not be allowed to cast their vote once again. The Board of Directors had appointed Mr. C. Prabhakar, a partner from BP & Associates, Chennai as a scrutinizer to conduct this AGM in a fair and transparent manner. Based on the report of the scrutinizer, the combined result of remote e-voting and the e-voting at the AGM venue will be announced and it will be displayed on the website of the Company and also shall be submitted to the Stock Exchanges pursuant to the SEBI regulations within two working days from the conclusion of this AGM.

The Company has provided the members with the facility to register themselves as speaker or raise queries through email. We have around 15 shareholders who have registered as speaker shareholders. We thank for the interest shown by the shareholders. Moderator from CDSL will enable the audio and video of the speaker shareholders when the names are called during the question and answer session. Considering the number of shareholders, we require the shareholders to restrict the time to a maximum of three minutes to share their views and ask questions if any to give an opportunity to other shareholders to highlight their queries. The floor is now open to the registered speakers to express their views and ask questions if any regarding the financials, annual report and

business mentioned in the notice. We will consolidate all the questions and answer at the end, Our Managing Director and our panellists will answer for the questions of the shareholders. We will be calling the name of the speaker shareholders and request CDSL to enable their audio and video. I just request a confirmation from CDSL.

Moderator: Madam, please proceed.

Company Secretary: Yeah, thank you. I just want to call Meenal Bang.

Meenal Bang: Hi, thanks for the opportunity. I have already submitted my list of questions. I'll just read them out. First question is in the annual report we have talked a lot about export opportunities ,but the share of exports is just about 5% of revenues. So, in that context, how do you see export opportunities panning out for us? What is our value proposition to the customers when we are entering into newer geographies and also adding new customers? How is the pipeline of RFQs and how is the conversion happening and what are our top priorities on the export side? Where do you see export business in next three to five years?

Second question as we are looking for a strategic partnership, what would be the areas where we are looking for these partnership? What gaps do you look to bridge with any sort of partnership that we are looking to do, and will it be on the EV side or the four-wheeler segment?

Third question on the electronic fuel injection, when can we expect the SOP and what would be the expected revenue contribution from this part in coming years? And with IC Engine two-wheeler growth stagnating, how do you see response from our customers for such technological products on the IC Engine side?

Fourth question we have entered EV segment in 2018 and we have been offering multiple products in this segment. Are we looking to offer differentiated products going forward in the EV side? And secondly, in the IC -engine we are focused on ignition-related products. Are we going to focus on any such system in particular on the EV side?

Next question we are venturing into non-automotive segment as well. What is the rationale behind the same and what would be our focus areas in the non-automotive segment?

Sixth question we have talked about increasing capacities at all three plants. What will the CAPEX for this and what is the timeline for the expansion?

Next question A&P spends have significantly gone up in last year from Rs. 2 Cr to Rs. 10 Cr. How have we utilized this amount and what would be the run rate going ahead on the A&P spends?

Last question which categories have we gained market share in past year and how many clients have we added in last one year? And what would be the revenue contribution from the new products? So, these are my questions, I would request you to answer them one by one. Thank you.

Managing Director: I think the approach that we plan to follow is may be listen to everyone's questions and then give a response. Because we have got all the shareholders who wanted to ask questions, have submitted the questions to us. We have prepared the answer. So, I think what I prefer we do is to actually listen to all the shareholders and then respond in full with our answers. I think we will be covering the answers to most of these questions.

Company Secretary: Yes, sir. So, thanks Mr. Meenal Bang. Karthik, we can move to next person. Mr. Balaji.

Shareholder (Balaji): Am I audible?

Company Secretary: Yeah. Yes, Mr. Balaji. Welcome.

Shareholder (Balaji): Good morning and thanks for the entire year for the team. My questions already I've submitted, but just I'll read about quickly a few questions. The first one is, thought process behind the choice of EV product you want to manufacture, right? How do you choose between product A vis product B? Is it a function of market size, profitability or any other variable? That's question number one.

Question number two, who are the major player in sensor and controller where we are currently going to offer products?

Question number three, value of EV motor controller as a percentage of EV two-wheeler and the EV passenger vehicle? Who is a major competitor in this product? Is there any OEM manufacture themselves, the DC Motor and what is our right to win in this segment? This is on EV Motor. The next question on electronic fuel injection, what is the market size and what is our medium-term aspiration in this new product in terms of market share? And again, who is our competitor in this new product? Last couple of questions, what is our current capacity utilization in our three plants post this CAPEX? Sixth question is our return on net worth is close to 10% and I think it's consistently been around here.

Obviously in the last few years markets been pretty challenged but my question to the management is what is our medium-term aspiration in terms of from profitability which is either return on equity or return on net worth and how do you think about where it can trend in the medium-term? I think question on exports have been asked, so skip this question. What is our market share with TVS in terms of the products where we are there? Are we a sole supplier to TVS or does couple of competition still there with TVS? Our sales split in terms of end market: two-wheeler, three-wheeler and others. So aggregate sales, how does it get divided into end market and what's a broad outlook on two-wheeler growth as the management alluded it's been very subdued for a couple of years. When do you see we will recover back the previous high and what should be the medium-term growth projection for the two-wheeler and market growth?

And the last before question any major customer did we add during last financial year? Thank you and wish you a very good luck for all the effort. Wish good success to the entire thing. Thanks for the opportunity.

Managing Director: Thank you.

Company Secretary: Thank you, Mr. Balaji. Thank you. Karthik we can go for next person Usha Sharma. Since Usha Sharma has not joined, we can move on to next shareholder.

Managing Director: I think she didn't want to ask the question.

Company Secretary: Since Usha Sharma has not joined, we can move on to next shareholder. So, we will go to Mr. Abhishek.

Moderator: Mr. Abhishek, you can unmute.

Abhishek: Am I audible?

Company Secretary: Yeah, audible. Thank you. Welcome you.

Abhishek: So first of all, I congratulate the management on the event of Annual General Meetings. I trust all is well with you and your family. In this challenging situation our Company deserves much more respect than the current market cap after completing more than a decade of successful operations, profitability, dividend history and becoming one of the strongest brands in our respective segment. As of date how many employees are there in our Company? Then what are the steps being taken by the management to reduce the other expenses, legal & professional charges and the audit fee? Then what are the steps being taken by the management to improve the PE ratio and the EPS? And kindly try to update the inspection of documents like register of members, register of KMP and register of contracts if any in the NSDL/CDSL portal where we exercise our E-voting and we can get access to the same in the same platform. Sir, then nothing much to ask. I thank the Company Secretary and the entire team for sending us the link well in advance and making this Annual General Meeting a grand success. I would request the management to kindly consider hybrid AGMs in the years to come, as most of the senior citizens are not able to join because of the digital challenges in this particular platform. So, if you can consider hybrid AGMs.

Company Secretary: Yeah, thank you. Thanks Abhishek. We can move to Mr. P Gopal.

Abhishek: Wish the Company and the Board of Directors a great success and prosperity in the coming future. And thank you for giving the opportunity, sir. Hope to see you in the next AGM.

Moderator: Madam, Mr. Gopal has not joined.

Company Secretary: Okay. Yeah. Thanks, Abhishek. We can move S.Padmanabhan.

Moderator: He has also not joined, Madam.

Company Secretary: Then we can move to Mr. Prakash Chand.

Moderator: No, madam, he is also not available.

Company Secretary: Okay then Mr. P Jai Chand

Moderator: He is also not joined

Company Secretary: And Mr. Amit Doshi.

Moderator: Amit is also not joined Madam.

Company Secretary: And Mr. Rohit Balakrishnan.

Moderator: Rohit is available. Mr. Rohit, you can unmute and speak.

Company Secretary: Welcome Mr. Rohit.

Rohit: Hello.

Company Secretary: Yeah, we can hear you.

Rohit: Okay. Thank you, team, for the opportunity. A couple of questions have been asked, but I just wanted to sort of emphasize on them so that we can get better answers. So, my first question is on EFI. So, you mentioned that we'll start production in your opening remarks by the end of this month. But just to step back a bit, can you sort of talk about the structure of this product in terms of what is the size? BS 6 implementation was supposed to be a big flip to this product. So, what is happening? Because BS 6 already started, I think three years back, so was this product imported or who are the key players right now? And, for this year or maybe next year, can this be like a 10%-20% for us in terms of revenue as a product? That was my first question.

The second question again was again on the EV. So, you mentioned Sensors and MCUs and controllers are sort of. Sensor, controller and DC-DC converters, these are your three products there. If you can talk specifically and, in a bit, more detail about the customer approvals because I believe sensors was something that you were already selling even in the last year. But controllers and DC-DC converters, I think you started selling and MCUs

were still in the process of getting approvals, etc. So, if you can talk a bit about that and how, let's say DC-DC converters have scaled up with more than one customer, if there are any. And overall, what is the share of revenues from EVs in this year, in the financial year 2023?

And do you think over the next three, four years, I mean, where do you think this share would be with the gamut of products that you have over the next three, four years broadly? I mean, just to get a sense how we are thinking about this transition as you said, you are still confident that IC Engine will continue to grow.

My next question is I think we have mentioned a bit about four-wheelers as well in the Annual Report, which was not there in these last few annual reports, if I remember correctly. So, if you can talk a bit about that, what are our ambitions? And also on the non-automotive side, and my basic understanding looking at the website of Lucas is that at least they are trying to go after the four-wheeler more aggressively.

So, will there be more collaboration between Lucas and us in terms of, let's say, a market, maybe the channel, or in terms of product development, etc? Specifically on the four-wheeler side.

In terms of strategic partnership, we've talked about it, but in that context, I want you to also understand, we bought out our stake. I mean, we bought out the stake of MAHLE. The promoters have bought out. So, if you can just maybe I'm just juxtaposing this in that context that we sort of bought out one strategic partnership. And so, what was the thought process? And when you're looking at a new partnership or new partnerships, what are you thinking? And if you can also talk a bit about aftermarket, where are we in that journey? Because in the last annual report, you had talked about both exports and aftermarket as being margin accredited businesses. So where do you see that business, let's say over the next two years? So, these were my questions, sir. Thank you very much.

Company Secretary: Thank you, Mr. Rohit. And we move to Mr. Krishnakumar. Please.

Moderator: Yes, ma'am.

Krishnakumar S: Hi, Good morning, Chairman and MD and the other Board of Directors. Congratulations on an improved performance and efforts made. A couple of big events happened for us. One, in terms of going independent and buying out MAHLE and also the settlement within the TVS family that happened at a broader level. So, these are events which could open up lot more opportunities for us. So, does it really give us more opportunities to kind of pursue or is that it's probably a disadvantage to be without these two players, without these two associations? Your thoughts of that.

Second, in terms of the cash available and the thoughts that you outlined, Mr. Arvind, is there a good probability that we would look at overseas acquisitions from a technology perspective since we need to be in controllers and motors, embedded, etc, software, etc.,

is important? So, from a technology acquisition perspective, do we see ourselves looking overseas for that support? Yeah, that would be the questions. Thank you very much. Thank you.

Company Secretary: Thank you. Mr. Krishna, can we move to Mr. Nikhil?

Nikhil Upadhyay: Hello. Am I audible?

Company Secretary: Yeah, audible. Welcome you.

Nikhil Upadhyay: Good morning, everyone. I've already sent the list of questions, so do you want me to repeat them?

Managing Director: Perhaps you can just talk about some of the questions that were not asked by some of the previous people. Because I think many of the questions are more or less similar. That's why we decided to answer them together.

Nikhil Upadhyay: Yeah, got it, sir. So some of the questions which have not been asked. So firstly, what would be the implication of the restructuring we had with MAHLE exiting the shareholding of the Company? And on the technology support you are getting from MAHLE, does it need a change in our terms of agreement?

Secondly, for IC business, year-on-year we have seen growth much faster than a two-wheeler market. So, if you could just talk about how have we been able to gain market share in the last three years and what is leading to this market share gain? So are people vacating the space and have the number of competitors reduced for us in the last three, four years? So in export, we had talked about a US customer and also an EU US where people were shifting from IC products to EV products. So, which would give us an opportunity to become a supplier. So how are we progressing over there? And then some of my questions have already been asked. Yeah. So these were the questions which needed to be asked, sir, which were not addressed by the earlier participant.

Managing Director: Thank you.

Company Secretary: Thank you, Nikhil. Yeah, we can just move to Mr Jaideep. Welcome you, sir.

Jaideep: Thank you for giving me the opportunity. I've sent a list of questions, some of them which have not been covered by the previous speakers. I'll ask them. First, does the Company expect to commercialize the sale of the ISG product in the near-term? Also, what were the challenges we faced in the efforts to commercialize both the EFI and ISG? The third question is, we are selling DC-DC converters for EVs for two-wheeler and motor controller for the electric three-wheelers. Can you, tell us whom we are selling these

products to and what kind of market we have and how many new customers we have for both these products?

Fourth, if you can share any update on any motor controllers for the two-wheeler EVs. Fifth question is that we understand that Indian Nippon has always been an electronics company and Lucas has been a mechatronics company. In this annual report you have mentioned that Indian Nippon also wants to be a mechatronics company. So, what has changed in our overall strategy? If you can give some detail on this. The MAHLE stake, which the Indian promoter has bought, does some non-compete clause finish that we can do more products, which we couldn't do because of this agreement we had with them. And lastly, is there any opportunity to do work in PCB assembly? A lot of EMS companies are doing this in some technologically advanced PCBs. Is there a business opportunity for us? Yeah, that's all. Thank you.

Managing Director: Thank you.

Company Secretary: Thank you, Mr. Jaideep. Let's move to Mr. Himanshu please.

Himanshu Upadhyay: Yeah. Good morning. Am I audible?

Company Secretary: Yeah, audible.

Himanshu Upadhyay: I have sent my list of questions but some of them which I would like to focus on is , we have stated that aftermarket is a focus area for us. But can you give how many dealers, mechanics, warehouses and new employees have we added to grow that business which I think which will help us understand that thing?

Second is on innovation part. Okay, can you give an idea of what percentage of revenue is from products introduced in last five years? So that just to get an idea on the innovation part of the Company. It is also very remarkable that our sales to two-wheelers have increased. Okay. But can you give us an idea of what percentage of increase has been there on per vehicle?

We have stated that we want to get more share from our customers, just to get an idea of how much is the higher the content per vehicle currently versus historically what we have seen and how good is our sales team in convincing the products and what are we doing to improve the skill sets of our sales people? Because earlier we were focused more narrowly. Right now, we are adding more products and trying to diversify the customer base also. So, what are the challenges and how are we getting ourselves better, especially on the sales front and the sales employees part? Okay, one place we see our focus on innovation in numbers. What we can understand is in R&D okay. Where the recurring expense has increased from Rs. 6 Crores to Rs. 15 Crores in last five years. Can you give an idea of how many people are working in R&D currently versus five years back? There are further questions also, but I think some of these I wanted to highlight. Okay, all from my side. Thank you. If you can reply to most of the questions point by point, it will also be better.

Company Secretary: Thanks, Himanshu. Now I think we came to end of hearing the speaker shareholders. Now it is over to MD Arvind Balaji and President and CFO to consolidate and answer the questions of the speaker shareholders.

Managing Director: What I'll do, I'll give an initial response to all the questions and then Ravinder and Elango will share a bit more details based on that.

Company Secretary: Thank you.

Managing Director: First of all, always I'm amazed at the diligence of the ideal shareholders. You guys know as much about the business team as we do. And really the insightfulness with which you asked the question really keeps us and I'd really like to thank the shareholders for their diligent preparation. When I went through the questions that all of you asked and I was always happy to see there's so much involvement from our shareholders on our progress and thank you for that. It forces us to think, it challenges us. I'll start by first saying that I had promised that we'll have an investor meet and actually share more details. We have not been able to do that. We are in the progress of doing that. We are discussing it with our Board, but given the amount of change, I didn't want to say something that we couldn't really executed. There shouldn't be too much gap between what I say and what we're able to do. So we're taking a little bit more time to put that in paper. So we'll come back to you shortly on that, that will answer actually many of your questions of what things will be.

And as you've noticed from the last few years, I've generally tended to avoid predicting, and it's my belief that the Company should not be in the business of prediction. We have a strategy, we have a direction, but we can't commit to anything in non-public information in a situation like this. But that said, let me answer all your questions. I think you've asked some very relevant questions and I want to take you through our thinking.

I think all of you are obviously very well read about the Indian automotive industry and how it's transitioning, you're, seeing the damage it's causing across the world, when people are moving from IC engine to electrification, these are some fundamental changes. The products required for electric vehicle are very different from the products required for an IC engine. So not all suppliers will be able to make the transition from what they were to what they will be. And that's why you're seeing a lot of chaos going on in the industry.

Second, the role of the OEM itself is changing, whether they will make some of these products, whether they will outsource it, that also is a question mark. Given all these situations, companies like us obviously have to completely reinvent ourselves. And after having been in the business for 30, 40 years, to completely reinvent yourself is not a one-year, two-year game. It's an evolution that we'll have to go through as something that I'm sure shareholders can appreciate. So what are we doing?

So the first thing what we are doing is really building our competence. I think one of the questions raised was INEL has been an electronics company, Lucas TVS has been a mechatronics company, what is the direction? I think we have some core competence in electronics and some mechatronics areas that we are solidifying and our strategy is fundamentally based on how do we use that core competence to go into more and more markets, more and more customers, more and more segments. That is the fundamental strategy. And that's why you saw a significant increase in R&D over the last few years, investment in the tech-center, so on and so forth. That is at the core of our strategy. So what is our strategy? We have two independent wings of the strategy. One is, as I mentioned, IC engine will still remain a significant part of our business and the volumes will remain at least up to 2030.

So that will continue to fund our development. And that's why you're seeing increase in market share increase in aftermarket. We are investing in that area, and I'll talk about that in a little bit in more detail. Then we talked about export, then we talked about aftermarket. So this is the core of our business, the current business, the export of the current products as well as the aftermarket. And through that we hope to increase both our sales and our profitability. That will then give rise to the new products, in the new products.

The area is basically that every automotive company is trying to get into the same product areas because there are only that many products that exist in the electric vehicle. So that is the shakeup that's happening right now. It's still going to take some time to get some clarity and that's why I haven't come out with those precise predictions yet. Let me now answer some of the questions. There was a question on export customers and actually let me talk about the most strategic ones. First on the shareholding, our purchase of MAHLE shares as well as the TVS family restructuring. First of all, on the TVS family restructuring, there is no impact on INEL.

We continue to remain the same freedom and the same strategy, and there will be no impact of the TVS family settlement on INEL. Second, on MAHLE. MAHLE is actually a very IC engine heavy company and they're in the process of restructuring their shareholdings. And so obviously we are very clear how we want to go. So there will again be no impact on INEL. Actually, on the technology side, we have been independent on technology for a long, long time. So actually technology also, there is actually no conflict on INEL. In fact, if at all, there'll be some more freedom given in the export markets that we'll be able to exploit in the coming years, which I hope to benefit for. So NetNet any of these restructurings are only positive for INEL, nothing negative. That's something the shareholders must be clear about.

So let me now go to the questions on the export, actually the US customer, I talked about a couple of years ago. We have won the business, we have introduced the product and now we're introducing more and more products into the Company. So we've continued to do that. It'll take a year or so for it to reach its full potential. But that project has actually happened. In terms of EFI, the reason why we are entering EFI now.

Now EFI came in along with BS VI and it came with traditionally the large global players like Bosch, Continental and so on and so forth. But as the whole world is moving away from some of these IC engine products, they are vacating space in some of these areas and we expect to occupy that space for a good period of time as we try to maximize our market share in this area. That's why we did a technology tie up with BorgWarner so that we can enter the space now. We will see how our product performs in the next year or so and that will determine our market share and growth in the coming years. But we expected to be a good leg of additional revenue and additional profits in the coming years.

What are we doing for four-wheelers and non-automotive? It's the same thing in four wheelers also, whether it's DC-DC converter, sensors or cluster, it is a very similar concept. There's no conflict, by the way, with Lucas TVS. It's a completely different area.

And so in fact, there'll be a synergy between Lucas TVS and INEL where Lucas TVS' connections with those customers will help INEL grow in these markets further. In terms of the EV motor and EV controller right now we have not immediately planned an EV motor space. There are a lot of EV motor players in the market. We are not going to be entering the four-wheeler space. If at all we do it, we'll enter the two-wheeler space. The ISG is actually an interim product that will actually provide some talk boost to the engine. So that is the basis on which we'll move forward. We'll wait and see how that happens. In terms of being a sole supplier, a major supplier to TVS, we are not the sole supplier, but we are a major supplier and we'll continue to remain a major supplier if we do our job well serving the customer.

On aftermarket, you will see consistently we almost had no independent aftermarket in 2015 when I first talked about aftermarket. You will see a very significant growth in the aftermarket revenues year over year and we continue to see a lot of upside in the aftermarket.

And I'm sure you'll see the details in the annual report and probably Ravinder will share the exact numbers with you when he speaks. In terms of the cash, I think we are very conscious that we are holding the cash and the reason why the return on net worth is also lower. But I request all the shareholders to look at return on capital. Our return to capital has always been very healthy for the business and will continue to remain healthy.

The cash is really meant for this situation. The reason why I've been stingy about the cash all these years is because this is the precise situation the cash is going to be required. We're in the process of evaluating both technology acquisition as well as business acquisitions. When the right opportunity comes, we will make that investment that will aid in our transition faster. I think these were the strategic levers that we talked about. I don't think I have anything further, Ravinder, maybe you can go into a little bit more detail in the precise questions.

Thank you.

President: Thank you. MD. Some of the questions which came from for that EV side like DC-DC converter, what is our position and the customers acquisitions. In that case I would

like to update the shareholders that we are one of the major supplier in this DC-DC converters in one of the major player in the EV segment and also we acquired few more customers and in coming months a few more customers are in pipeline. It is in the final stage of approval.

So definitely DC-DC is going to be one of the hero product and also some sensors also we have already started supplying. one question came that we are still improving on the two-wheeler side IC Engine and the power business. If you see on the EV, it is hitting more on the bottom of the pyramid, like 100 CC segment, 125 CC segment, and currently whatever the new performance bike segments interest is, actually that segment is growing in the market quite significantly.

And we are there almost in all new performance bike which are being launched in that segment. So, we are working very closely with our customers and pitching our product. And some of the technology change also is happening in those segments like ISG or maybe the better efficient machines are being there and we have the capability and competency which other competition is struggling and we can really making a difference there. And that is the reason the customer is coming to us again and again and they are preferring us.

On aftermarket side, as MD mentioned, actually, we are focusing this and we have an aggressive plan this year also and last few years we are making a double digit growth in that and we are continuing to do so and going forward we are also focusing on the exports market of this aftermarket. We still see, although there is a lot of space in domestic market but export is also another area which we are focusing along with that OE side.

And, yes on margin side that cost reduction side that, yes, we have a dedicated team to focus on that and we are moving into it. And one more question on the aftermarket was that we have a dedicated team. Actually, he focused only that is different from the OE side and that team totally focused on that dealership and mechanic education and that is the reason we are getting more and more attention and the confidence from the mechanics side. So these were some of that questions I hope Elango (CFO) you would like to add anything.

CFO: Yeah. Thank you, Ravinder. This is regarding Meenal Bang. He is asking for what is the capacity investment allocated for Capex, especially for building expansion. We allocated Rs. 15 Crores which is on the capital work in progress. Some of the unit, some of the factors are completed, some are under progress and the other one is Mr. Balaji has raised a question on return on net worth 10%, is a covering around 10% ,because of the cash availability surplus available return on worth seems to be less. But if exactly the return on capital employed, business capital employed is more than 25%. So, we are profitable here in the profitable situation. Whereas MD said the surplus funds will be used for business expansion and EV product line investment. Also, the acquisition opportunities which we are studying.

And Mr. Abhishek has asked a few questions on the legal professional charges and other expenses. Actually, we have made some market study on the inorganic opportunities. They spent about Rs. 6 Crores on the Bain consulting. So that is why it appears to be high. This is a one-time cost, so it will not recur in coming years.

The other one is what is the cost reduction opportunities Mr. Abhishek has asked. We have continued to focus on the cost reduction possibilities wherever possible and especially the material cost about 1.6% on the purchase value we are targeting. So, we are on the right path now. And the cash surplus questions were already answered by our MD. And there are a few questions on the dividend policy. Dividend, we follow the minimum payout of 30% and you can see the dividend is increasing according to the profits. The other question in the capacity utilization, we always follow the CAPEX Capacity Expansion, N-1 that is future one year ahead, we invest in the Capex for capacity and machinery capacity and all. So that is how it is done. The utilization is taking 24 hours basis, it is 25% and it continues to grow. And the other question is Usha Sharma has raised a question where the historic margins are high about 12%, now it is 9%.

Managing Director: Expected to fund our future growth. So that's one part of the business I think that's going quite well. The new part of the business which many of you ask questions on the EV side is still work in progress, as you would appreciate. I think that's the one where we have not answered all your questions. I'm conscious of it that's because it is work in progress, we have won some businesses, we have experimented in some areas, we understand what is required and we are working towards the direction. I think the clear five-year roadmap is not yet absolutely clear, which is why I've not shared it yet. But I'm hoping that it will be clear in a year or two. So that's where we actually are with this, I'd like to stop the explanations to the questions. Thank you.

Company Secretary: Thanks MD. Thanks President and the CFO for answering the shareholder's questions. And I thank all the panelists and the shareholders for the active participation. And now it is over to Chairman to give his closing notes.

Chairman: I'd like to add the point that MD was making. I'm quite excited to see the depth of understanding amongst the shareholders of the business. This is very engaging to all of us and I just want to say that we are in an uncharted territory in a way in India.

Globally, we are moving in a direction where India wants to decarbonize, which means we want to get out of IC Engines. You know, IC Engine has a long history and there's so much investments and employment in India. So it's not going to happen in a hurry. I personally feel it is going to take quite some time. Probably the electrification process will start in two-wheelers and the two-wheeler scooter market and maybe gradually, slowly and we think that for next 10-15 years, IC Engine still has a very good robust life.

So, we don't want to miss opportunities in IC Engine space, especially when some global players are exiting that field. We see this as an opportunity. I also want to mention, because so much of discussions on returns, there's one statistic about INEL, which we're always proud of and so far we just maintained it. So, this is the shareholders returns. So, we keep tracking it from the point of view of people who have invested in INEL when we started in 1986, if somebody has held on to the shares till now, we take into account the bonus shares that have been issued and the dividends and also the share prices. It will work out to be something like 34% upon rate of returns per annum or a span of these 30 odds, 1986 means, we are talking about 37 years, which I think is an exceptional performance. I don't think there can be many stocks which gives over 37 years, a 34-35% compound rate of growth in terms of return to shareholders. But the past is no guarantee for the future. We are acutely aware of that, and we are in transition. But I'm hoping with the initiatives to the management, this Company will continue to grow. And part of the reasons of the excess cash is because of exceptional returns we have had in the business. But we don't expect, like Elango was talking about a 50% return on capital that's exceptional. We don't maintain expect to maintain that in the coming years in view of the competition.

I like to thank all the shareholders for their active interest. I like to thank our directors for their presence, to showing their support and I like to thank all the organizers and the Company Secretary for very good conduct of the meeting. With this I bring this meeting to a close. Thank you.

Company Secretary: Thanks all. I request the members who have not Cast their vote, it will be open for 15 more minutes. Please cast your vote.

Thank you all.