

1. Can you briefly tell me about the Tech Centre at Ghaziabad? How critical is it and how big is it in terms of size and people?

Our Tech Centre is ready and will be inaugurated on February 4, 2014, in presence of the Board of Directors. This will be a landmark for SPR.

There is an interesting background to how the Tech Centre was conceived, what we have done so far and where we want to go.

About 7-8 years back, OEMs were begin to design and develop more and more engines in India, instead of using engines of foreign origin. Even where engine designs were imported, there was a growing need for quick and cost effective change in the design of critical components like Pistons and Rings, to meet customer expectations and regulations in India. OEMs wanted design, prototype development and testing faster and also first time right, and whoever could deliver on these must-win parameters would win the business.

It was almost at the same time the senior leadership of Shriram Pistons and Rings had got together to discuss how we must become not only the largest and most profitable, but most importantly the first choice of OEMs in India. When OEMs think about a new engine program, they must think Shriram first, for Pistons, Rings and Engine Valves. After churning several ideas, it was agreed that speed of design, development and testing, and low cost, will be the winning cards, going forward.

We immediately got in touch with our partners Kolbenschmidt (Germany), Riken Corporation (Japan) and Fuji Oozx (Japan) to discuss this idea.

It did not take them long to appreciate that market leadership in India in future would be strongly influenced by the on-ground availability of skilled design and application engineers. It would have to be not only know-how but also know-why. Accordingly, a capability roadmap was drawn, starting with the training of our personnel in Concept Design, Finite Element Analysis, Simulation and Application Engineering. This was supplemented with joint visits

of senior R&D professionals of our collaborators and SPR design and development teams to OEMs, to understand their needs in more detail and also to showcase the unique cooperation that exists between SPR and its technology partners to offer design, and cost optimisation solutions, faster and at lower cost than any competitor.

Gradually, we expanded the Engine Testing Lab, increased the capability for simulation, and simultaneously created the blueprint of a full-fledged Tech Centre that includes optimisation of tool technology and process engineering for improved productivity. This is the Tech Centre we have today.

Let me hasten to add: our goal is to have “art-to-part” capability, as needed by OEMs in India. However, all this will always be in close collaboration and with active support of our technology partners. For several aspects of R&D, including development of new Alloys, basic research in combustion, advanced thermodynamics, etc. we will continue to receive technology support and know-how from our partners. Our plan is to offer the best package of design know-how and testing, collaboratively with our partners. What is best done here to meet customer expectations will be done in the Tech Centre, and what is better done by our partners will be sourced from them.

Today, the Tech Centre is housed in approx. 20,000 sq. ft., has 65 engineers and technical personnel and equipped with latest rig test equipment, inspection instruments and software. This is being further expanded as per our long term plan.

2. What kind of a role would this Tech Centre play? Will it also be directly involved with the company's clients to evolve and build new products?

The Tech Centre is to provide new design of Pistons, Rings and Engine Valves for latest generation engines. Focus is on fuel efficiency, light-weighting, long-life and optimum cost. Also, most design proposals can now be backed with technical data and simulation, to give confidence to OEMs that the proposed design will deliver the performance, as expected. This is supplemented

with Failure Analysis Laboratory, Engine Testing Lab etc. for data supported designs.

In fact, we have already tested engines with our Pistons and Rings for several OEMs, including MNC OEMs in India. This has reduced the time for development and enabled design optimisation at substantially lower cost. Bonus for SPR is knowledge enhancement and deeper customer engagement. And that's what the Tech Centre is about: knowledge, speed, solutions and cost.

3. The Tech Centre is more on the lines of a R&D centre, so what prompted the company to create such a centre? How was it before the centre was created?

The Tech Centre is equipped and being further equipped, to provide end-to-end design solutions.

For example, in addition to the team of design engineers who have all received training abroad, there is a Prototype Centre, which will enable faster development of prototypes for our customers and also make quick changes for performance optimisation. There is a team focusing on process optimisation in manufacturing, including tool technology. Also, we have taken steps to integrate Piston and Ring design in a unique way, so that we can offer a "complete solution" to our customers.

We have clear plans to further add depth and width to the Design and Development team, increase the number of Application Engineers to work alongside OEMs, invest in sophisticated software and equipment, to offer the best products to our customers. The best technology, at competitive price.

We have only started the journey and are still on the side of the hill. There is a roadmap to get to the top of the hill. We are committed to using Design, Development, Technology and Testing as the key differentiators between SPR and competitors.

4. Let me digress a bit, the year gone by was not a great year for the automobile industry in India, can you briefly tell us about your

company's performance during the year, both in the domestic market as well as the export market?

Indeed, last year has not been a great year for the automobile industry in India. If I was to say that year 2013 was challenging, disappointing, interesting or exciting, no matter what I say, it would be true!

The slowdown in the auto industry continued through the year. As if this was not challenge enough, we had high inflation during the year, which kept the customer sentiment subdued, particularly for discretionary purchases like cars.

The year also saw unprecedented volatility in the exchange rate between Rupee and foreign currencies and there were confused signals whether the Government would survive its full term, whether the economic policy will be tweaked to promote growth and investment or stay focussed on containing runaway inflation. As you can see, there was no lack of excitement, no lack of challenges.

Notwithstanding the tardiness in the auto industry, we quickly reconfigured our business and are on track to achieve double digit growth in sales and profits this year. How did we do it?

Even in a slowdown, there are always some sweet spots for growth. For example, with the devaluation of Rupee, exports are more competitive than before. Therefore, we intensified our search for more export opportunities and will grow by 15% in 2013-14. Similarly, the tractor market has done well, due to favourable monsoon and remunerative prices for food grains. The aftermarket, specially 2-wheelers, continues to be satisfactory, so we stepped on the gas in these segments. Also, there are some segments and markets where our current market share is low and we are focusing on these to increase sales, despite the overall lacklustre market.

We can do nothing about the economy or the rate of GDP growth; hence we must focus on what we can influence. This includes improving operational efficiency, multiskilling of people,

improving process discipline to do all jobs first-time-right and reduce the response time for any feedback from customers.

Also, we recognize that to be a dependable player, we must never mortgage the future for the present. As part of this strategy, we continued investments in the new Tech Centre.

Investing in R&D, building a high impact design team for the future and modernising Plant and Equipment through a period of prolonged slowdown are difficult decisions, but were taken unhesitatingly by our Board of Directors, because we believe it is only through such forward looking and bold decisions that we can forge ahead of competition, and grow profitably.

I think it is Dr.PawanGoenka who said recently that the future automobile wars will be fought in R&D labs and not showrooms. We agree, and are aligned with this thinking.

- 5. With the auto expo round the corner, the component show will be held far away from the motor show and will now be a standalone show at Pragati Maidan. Do you feel that it would be a tad bit lonesome for the component players as they would be placed away from the OEMs?**

It would have been ideal if the Auto Expo for Components and Automobiles was held at one location, as in the past. However, the auto industry has grown, the number of players is more than before, the number of component suppliers is also more than before, and there is no exhibition site available in and around NCR where Automobiles and Auto Components can be showcased together.

Under the circumstances, the best decision was to have the component exhibition at Pragati Maidan and the automobile exhibition in Greater Noida, about 25 kms. away, but at the same time.

Despite the distance, we expect this Auto Expo to be one of the best ever. SIAM and also many OEMs have assured component manufacturers that there will be Seminars, Panel Discussions etc. on joint basis. OEMs have also agreed to depute teams of their

Sourcing and Design personnel to interact with the component manufacturers in Pragati Maidan.

The vehicle industry and component industry are joined at the hip and have a shared destiny. Therefore, a mere distance of 25 kms.cannot separate them. Reminds me of the famous song: *do jismmagarekjaanhai hum!*

- 6. Are you hopeful that the components industry will see some positive growth in 2014? In case you are an optimist, do let us know on what you factors you are basing your judgement?**

If you are in business, you better be an optimist!

I believe no matter how the economy plays out year to year, the auto industry will be interesting in India, for many years to come. However, there may be hiccups along the way.

For example, due to the uncertainty triggered by the impending elections, April-September may be flat in the auto industry. But there is good possibility of growth in demand from October'14 onwards.

Ownership levels of motorcycles and cars in India is very low and the latent demand is very strong. The large number of young people entering middle class every year are highly aspirational and waiting to own their first motorcycle or car. Also, we have had so much bad news in the last two years that even a small turnaround in the economy and improvement in the job market will lead to a quick change of sentiment and demand for auto will reappear.

Moreover, the leading economies of the world, including USA, China and Japan are expected to post reasonable growth in 2014 and 2015. This provides an opportunity to increase our exports. The recent clearing of 125 mega projects by the Cabinet Committee for Investments also gives hope that large scale investment in Power Sector, Highways, Mining and other infrastructure projects will resume in the next 6-12 months, with positive impact on the auto industry.

India will grow, the auto industry will grow, export opportunities will grow: this may happen at a trot or a gallop but it will happen. The more important question is how well we are prepared to benefit from whichever scenario plays out.

We take a long term view of our business. Therefore, Technology, Quality, Upskilling of people and Exports remain the cornerstone of our business strategy, no matter how the economy fares next quarter or next year. We are planning to repeat double digit growth in top line and bottom line in 2014-15, and stay ahead of the pack.
