Laksh Vaaman Sehgal: Ladies and gentlemen, welcome to SMRP BV's first quarter financial year 2016-17 results call. We are very proud to announce our results for this quarter and without further ado, I'll pass it onto Vipin who will take you through the results and after that we will be welcoming all your questions on the performance. Over to you Vipin.

Vipin Jain: Thanks Vaaman. Good morning, good afternoon ladies and gentlemen. My name is Vipin Jain. I am the Chief Financial Officer of the company. I would like to present interim consolidated unaudited financial results of the company for the quarter ended 30th June 2016. We have uploaded our presentation on the company website. I hope that most of you will be having this presentation for reference. I will be taking you through the presentation and then we will open for Q&A.

I am on slide number two, slide number two is the Group structure of SMRP BV and during the quarter there is no change in the corporate structure. The corporate structure remains the same. SMRP BV is the holding company for two businesses which are SMP and SMR, and SMP business also includes the acquisition of Scherer & Trier which was done last year which is now called SMIA.

Now I move to slide number three. This time, because of the bond issuance we have some new investors on this call so we thought it would be a good idea to give some brief introduction about SMR and SMP businesses. Slide three represents the SMR division which produces a wide range of rear view vision systems with a diverse customer base. SMR is a leading global supplier of exterior mirrors with approximately 24% of the global market share. SMR has 20 manufacturing facilities and two module centres operating in 14 countries with more than 9,000 employees as on June 30th.

Slide number four gives some information on the SMP business which produces various polymer based interior and exterior products. SMP's product portfolio is primarily comprised of complete modules including door panels, instrument panels and bumpers as well as other plastic components and systems such as central console, decorative interior trims and plastic body parts. SMP operates from 27 manufacturing facilities and nine module centres, operating in seven countries with more than 13,500 employees, as at June 30th 2016.

Slide number five gives you a perspective on the global presence. Again, there is no change in the global presence. We have 47 manufacturing plants on an overall basis, 11 module centres operating from 16 countries and a workforce of 22,800 employees.

Slide number six provides the Revenue and EBITDA of the Group for the quarter ended June 30th 2016, and this information is further split into performance of SMP and SMR businesses. We saw another quarter of consistent performance with revenue growth of 11% on a consolidated basis, with SMP growing by 13% and SMR by 7% over the corresponding quarter 1 of the last year. Adjusted EBITDA also grew by 24% and as a percentage to revenue also it improved from 6.7% in quarter 1 of the previous year to 7.5% in the current year. And we also see consistent improvement in SMR and SMP businesses with growth of 34% in SMP business and 11% growth in the SMR business.

Slide number seven gives information on the adjusted EBITDA, a reconciliation between the reported EBITDA and the adjusted EBITDA and we have two elements to share there. We had a marginal gain of €600k in quarter 1 of the last year which was on account of the settlement of the insurance claim which is shown as an adjustment because this is in the nature of a non-recurring item. Also we are setting up a lot of greenfield plants as you will see in the subsequent slide, and we are also doing a lot of expansion. There are start-up costs which are associated with these new plants and as a matter of conservative accounting policy we do not capitalise such start-up costs. These costs are charged to the income statement which we have put as an adjusting item to arrive at that adjusted EBITDA.

Slide number eight represents the customer portfolio of the company and the inner circle represents the quarter 1 of last year and the outer circle is quarter 1 of the current year. On an overall basis there is a growth of 11% on the revenue but if you see on the small table on the right hand side on that slide, we see that there is significant growth coming in Daimler, General Motors, Hyundai/Kia etc, Daimler growing by more than 100%. And with this growth in the other customers, the customer profile is becoming much more diversified now and this is in line with our philosophy of 3CX15 which means that no customer, no country and no component should be more than 15% of the total revenue.

We move to slide number nine which gives the geographical breakup of our revenue. During the current fiscal year we see Europe continues to be the largest region with approximately 71% of the revenue of the Group coming from Europe, and this is contributed by countries like Germany constituting 36%, Spain 19%, UK which is an important location for us contributing 3% of the total revenue and the rest of Europe is 13% which is coming from the Eastern European countries like Hungary, Slovakia and countries like Portugal.

Asia Pacific is 16% out of which China is 7% of the total Group revenue. And other than China, other locations in Asia Pacific which are Australia, Korea, India and Thailand, contributing 9% of the total revenue. Americas region contributed approximately 13% of the Group revenue, out of which Brazil is 2% and 11% is coming from Northern America and Mexican plants.

Geographical spread of the revenue is also getting much more diversified due to the commencement of the new plants which we have started in quarter one. We started two new plants, one in Beijing in China and one in Mexico, Zitlaltepec, and these plants have started contributing to revenue towards the end of quarter one and these plants are going to ramp up as we move forward in the current year.

Slide ten gives some information on the net working capital and you can see from the slide, there's a marginal increase in the working capital of the company from 14 days in June 15 to 18 days on June 16. Trade payables were consistent at 46 days, inventory improved from 16 days to 15 days. Receivables increased marginally from 43 to 49 and this was mainly due to the increase in long term receivables because we are ramping up now a lot of new projects and there are long term receivables which are recovered over the program life. So there is an increase in the long term receivables on the working capital side.

Slide number 11 represents the data on the capital expenditure. Total capital expenditure was Euro 47 million for SMRP BV out of which SMP was Euro 29 million, Euro 18 million was coming from SMR and out of this total expenditure approximately 60% of the capital expenditure was incurred either on greenfield or on significant expansion in the existing plant.

Slide number 12 shows the cash flow movement during the current quarter. Operating profitability, as we see, continues to be strong, generating cash flows of Euro 83 million. Changes in working capital, which I already explained in the previous slide, consumed Euro 66 million, income tax paid for the quarter was Euro 13 million, cash outflow on account of capital expenditure was Euro 56 million. There was Euro 9.2 million on account of acquisition of 10% minority shares in one of the subsidiaries in SMR having 10% minority shares held by a partner which we have purchased and this was in SMR Korea.

Cash flow from financing activities reflects bond proceeds which were partly used for the repayment of the existing revolving credit facility as per the use of proceeds in the bond documentation. Interest paid was Euro 6 million and closing cash as on 30th June was Euro 337 million and this was high because of the bond issue in the month of June 2016.

If we look at the next slide which is slide number 13, it talks about cash and debt status of the company. Gross debt of the company has increased largely due to the notes which were issued in June 2016. Capital expenditure is also happening as we saw on the previous slide which is also leading towards a small increase in the net debt. The net debt as on June 16 was €567.3 and the net leverage as per the definition under the revolving credit documentation was 1.9 x against our guidance of 2.5 and against our RCF covenants of 3.25.

Slide number 14 gives some information on the bond, we did two bonds recently, we did a bond of US$300 on 16th June and then we also did a tap on this bond issuance for US$100 million in August. So together with this bond we have raised US$400 million from the market. US$300 million bond was done before June, so it is getting reflected into the net debt and the cash balances. This was done at a rate of 4.875% and the subsequent tap issue was done with an effective yield of 4.4%. The purpose of the bond was to strengthen the capital structure of the company by providing a long term source of finance and to also capitalise on the growth opportunity. Both the bonds were rated by Standard & Poor's at BB+ with a stable outlook.

If we look at slide number 15, it gives us information on the liquidity status of the company. The company had access to liquidity of €734 million which was represented by unutilised revolving credit facilities which are RCF1, RCF2 and RCF3. We had a cash and cash equivalent of €336 million and together we had a liquidity of €734 million. In terms of the ratios, the gross leverage was at 3x which was again lower than the threshold, and the net leverage was at 1.9x, which is again significantly lower than the threshold.

Slide 16 onwards are some information on the new facilities which have been either commissioned in the current quarter or we are working on these new facilities. I would not like to elaborate on these facilities because these slides are self-explanatory. We have all the information on the new plant from slide number 16 till the end of the presentation.

With this I now hand over back to Vaaman and maybe then we can start the Q&A.

Laksh Vaaman Sehgal: Thanks Vipin. We can open the floor now to questions and answers.

Operator: Ladies and gentlemen, if you would like to ask a question on today's call please press star followed by one on your telephone keypad now. If you change your mind please press star followed by two. When preparing to ask your question please ensure your phone is un-muted locally. Our first question is from Sandeep Sathpathy from Bank of America Merrill Lynch. Sandeep, please go ahead.

Sandeep Sathpathy: Just one quick question on this minority share acquisition that you clarified; can we please know what is the value of that particular entity?

Vipin Jain: This is an entity which is in SMR and this is not a very big entity. I think the revenue, just off the top of my head, would be in the range of €230 million or lower.

Sandeep Sathpathy: So is this entity, I mean going to be consolidated from July onwards?

G N Gauba: There is no change in consolidation as we held 90% and the balance 10%, has been acquired.

Sandeep Sathpathy: Okay. And this bond raising program that has happened, what will be the effective carry cost as a percentage of sales?

Kunal Malani: Are you looking for the negative carry cost or carry cost?

Sandeep Sathpathy: Yes, negative carry cost.

Kunal Malani: We hope it will be as low as possible. We are still working through it in terms of how we will deploy those while we are positioning ourselves for a bigger dose of organic and inorganic growth. So we hope it is not going to have a significant negative carry.

Sandeep Sathpathy: Lastly, can I just ask this question about SMR, the overall revenue objective that it has for fiscal 20, is the current order book good enough for that or the company needs to build in more order book for meeting your fiscal 20 target?

Laksh Vaaman Sehgal: We have never guided for SMR alone. This is only a Group target& MSSL target.

Kunal Malani : So at the end of the day, the book that we have today is as it stands right now and that should be in the worst case basis, should start in two years' time. So is that good enough to get to it, we don't know and it's not that we are stopping order taking just because we have the current 13 billion order book. So in our endeavour to continue to grow we will continue to seek new orders, potentially do more organic growth as well as look at inorganic growth.

Sandeep Sathpathy: Understood. So what, do you think that this $13 billion book that you have, the execution probably will begin in two years time so that's the kind of lead that you have between the order book and starting to execute. Have I understood correctly?

Kunal Malani: Yes, that's the max time. Some will come up in the next six months as some of the new plants start ramping up and new program launches occur. But I think the max lead time will be two years for the entire 13 billion order book to start coming onstream.

Sandeep Sathpathy: Thanks and all the best.

Operator: Our next question is from Ruchit Mehta from SBI Mutual Fund. Ruchit, please go ahead.

Ruchit Mehta: One is when I look at your disclosures with regards to your customer-wise revenues that you have got; we are seeing that Volkswagen is reducing in terms of the amount of revenue that you got. So I understand the percentage declined but on an absolute level, so on a both year and year and sequential basis, Volkswagen brand so how much of this is to do with the continued troubles in the Brazilian plant for Volkswagen? I mean they had declining products from them on that side.

The second is that when I look at your SMR individual entity level reporting, so from Q4 to Q1 you've had a cost that was much higher. So your costs have gone up much higher so that will be compressing the EBITDA margin, so how much of this is because of the new start-up plant costs or plants that have already started but are not contributing adequately to revenues?

Laksh Vaaman Sehgal: Thanks for that. Well, first of all, you know, you have to understand that we are following a policy of 3CX15, so we are trying to make sure that no customer, no component, no country is more than 15% of our business and this is part of the overall strategy. There is no reduction in Volkswagen business. In fact the Volkswagen business is doing well and you have seen the numbers of Volkswagen globally; they are doing fantastically well. So I don't think there's any correlation over that and we continue to grow our business with that customer worldwide. But yes, as part of our de-risking process of 3CX15 we are growing other customers a lot more so the pie is getting bigger. There is actually no reduction in Volkswagen business. On the contrary there is growth.

For your second question, I think it's not fair to compare Q4 to Q1. You must compare Q1 to Q1. Q4 is always the strongest quarter since it's the end of the financial year. So if you compare it on a Q1 basis you will see that the performance of both the companies have been absolutely stellar.

Ruchit Mehta: Okay. And just finally in terms of the steady state margin environment, so as you had last year quarter by quarter we have seen improvements on a year on year basis on margins and you ended fourth quarter for SMR at about 13-odd percent in the IFRS accounting. So is this similar, is that what happened so Q1 was less than it was in Q2, then Q3 and Q4 again and then back down again in Q1, it comes back down again?

Laksh Vaaman Sehgal :We cannot guide you on margins. I think you should look at the history and it will be able to answer that question for you. Definitely the first quarter is when all the new price effects and everything come into place and definitely it takes time and the performance adds up towards the end of the year. So I can't really guide you on that but the teams are working very hard to deliver 40% ROCE and that's our target for 2020.

Ruchit Mehta: Okay, thank you.

Laksh Vaaman Sehgal:I request the questions to please to be first asked by the bondholders. This is a call for the bondholders. I request equity holders to please ask questions towards the end as we already had the call for you yesterday and this is really a call for the bondholders. So we don't mind all the questions but we request the bondholders please to have preference as this call is specifically for them.

Operator: Our next question is from Puneet Gulati from HSBC. Puneet, please go ahead.

Puneet Gulati: Thank you so much. I'm okay if some other bondholder wants to come over otherwise I will just ask my question. I have two questions. Okay, so very quickly, you said your Mexico plant started towards the end of Q1 FY17. Is it possible to share what month was it?

Laksh Vaaman Sehgal:End June. It's a long process. It's forward, two, three quarters where the ramping really happens. So don't expect that from June to July suddenly there's a huge spike. It's a gradual increase leading up to the launch of the new program or the new car that happens and it will really ramp up in the next couple of quarters.

Puneet Gulati: Okay, that's great. Secondly, you still own 98.5 percent of SMR. Is there any discussion with the balance partner that you want to acquire?

Laksh Vaaman Sehgal:No, absolutely not. There is no effort from either side to do anything with that. We are very happy as it is.

Puneet Gulati: Okay, so that is likely to remain that way. Okay. And thirdly if you can give a bit picture colour on the competitive intensity in the rear view mirror space; you are already a dominant leader, is there enough room to grow in market share?

Laksh Vaaman Sehgal:We don't really look at market shares. I think the dominance is really coming from our superior performance in the form of technology and our performance to service our customers in different geographies and be really competitive in the market. So the competition is very heavy and it's always been there since the start and that's not just for these products but for all the products that Motherson does. We are very, very focused on our customers, we are 100% OEM players, we are very, very strong with them in our relationships and we continue to find places of growth.

Puneet Gulati: Okay, good. Thank you so much. All the best.

Laksh Vaaman Sehgal: Thank you.

Operator: Our next question is from Amyn Pirani from Deutsche Bank. Amyn, please go ahead.

Amyn Pirani: Hi, thanks for the opportunity. I'll just ask one question. We have seen modest improvements in your EBITDA margin overall and I can see that a lot of it has come from the raw material side whereas, you know, employee costs and other expenses remain quite elevated. So would it be right to say that as your revenue ramp up happens in the new plants the operating leverage should kick in? And secondly, is there more that you can do on the material costs side as well?

Kunal Malani: Should operating leverage kick in, yes, it should certainly kick in. It has kicked in and it will continue to kick in as we expand. From our perspective we have always said growth leads to de-risking the business and that is part of the reason why it de-risked the business in terms of making the operating leverage play out that much better.

Sorry, what was the second question?

Amyn Pirani: My second question was we can already see that on the raw material side at least you are have been able to reduce costs significantly. Is there more that you can do there and what other areas could you reduce material costs further?

Kunal Malani: Look, we keep on making efforts to try and reduce it further, absolutely yes, and there is no slackness on that count. So we will continue trying to do it but on a quarter on quarter basis we don't really track it in the sense that there are multiple factors which cause the material movements to happen. A new product launch could happen which changes the product mix, a certain type of vehicle starts selling something more and so on and so forth. So there are so many different variables that go into it that to do this and to be able to pinpoint that XYZ is the reason behind why material costs have gone down, it's quite complicated.

Amyn Pirani: Fair enough. That was it. I will come back in the queue.

Laksh Vaaman Sehgal: Thanks Amyn.

Operator: Our next question is from James Maxwell from Henderson Global Investors. James, please go ahead.

James Maxwell: Yes, good morning. I just have a few questions if I might. The first one is with regards to your inorganic growth ambitions and I'm wondering if you could elaborate a little bit more about that, about what opportunities you are looking for, the potential scale of those opportunities and whether anything is on the radar screen right now.

I have a separate question, more broadly just from an organic perspective can you talk about the potential growth in both SMR relative to SMP? And then thirdly, just a question really on working capital, if you could just explain how you see that coming back over the year and could you also give me an idea, I think you had a non-recourse receivables facility, is that still in use and how much is outstanding and has that changed over the quarter? So a few different things there, thank you.

Laksh Vaaman Sehgal: Okay, so I'll take the first one, if we start with the inorganic growth. Definitely we have a vision of 2020, of being an USD 18 billion as MSSL our flagship listed company turnover which includes SMR and SMP. So, you know, we continue to assess options that are sent to us by the customer. We have always stated that we are a customer-preferred solutions provider and the customer definitely is pointing us for different opportunities of different sizes. But please be rest assured, as Motherson has done in the past, we are always going to be extremely conservative with the way we look at these opportunities and make sure that the risk is absolutely mitigated because we are supplying to the customer and the customer is standing behind us.

Unfortunately we are not in a position to disclose anything because there is nothing in really advanced stages that we can come to the market and speak but yes, at any given point definitely the customer is pushing us to look at opportunities. As you know, there are some geographies in the world which are going through some troubled spots or perhaps opportunities that exist in the world so that is still there. And we continue to work closely with the customers to assess these things and as, when something comes up we will definitely disclose it to you first.

The second question was organic growth opportunities between SMR as compared to SMP. I think they are completely different businesses but if we just look at SMR, since the question is more related towards that, we have almost tripled up the business since we took it over, so we have had quite a bit of growth. And with some of the new programs you may see in a quarter or two, you may see that there were perhaps no new launches of new cars or not as many as compared to previous quarters where the growth is not matching up to those things. So please don't be concerned if you see one quarter where it is single digit growth or something like that because that just may be that there will be a lot of old platforms that finished and not as many new platforms that were launched in that quarter.

Also we are working very hard because we have talked about the technology shift that is happening and how SMR is working very closely with all the customers towards, new programs and more electronic telecoms coming in with camera systems which are definitely also helping the growth opportunities in SMR coming through and definitely we are getting a lot of good feedback from the customers on those opportunities. So they should also fructify as these programs first come into the high end segment of the cars and become more mainstream. We have shown you all the new facilities that are coming up so as these facilities are coming up and the new programs are taking off, you will see that that growth is matched with the program launches and similarly for our top line.

For the working capital I will pass onto Vipin who will take that.

Vipin Jain: James for the working capital we have been maintaining that our working capital requirement for the company is in the range of approximately 15 days. You will see in this quarter we are at 18 days which is a little higher than the guidance, and the historical trend. The reasons, also if you see slide number ten, are reflected there. We have capital creditor because we are setting up a lot of new plants so in some of the quarter you may have some capital creditor which you need to pay off, so this is one of the reasons. And once you start the launch of the new project, it also leads to a long term receivable because then there would be some money which comes from the customer over the program life. But again, we see that on an average the working capital for the company should be in the range of 15 to 16 days but again it can little bit vary from quarter to quarter. So this is on the working capital.

On your non-recourse factoring, yes, I think it is in similar range, approximately €225 million. This is a true sale of receivables, these are the contract which are executed with various banks and this is a normal financing activity. So €225 million would be approximately the non-recourse factoring as on 30th June.

James Maxwell: Sorry, just to come back on those, on the factoring is that a facility of 225 million or is that the amount outstanding at the end of the quarter?

Vipin Jain: No, this is the amount outstanding as 30th June in the range of €225 million approximately.

James Maxwell: Okay, and how much can you do under that facility?

Vipin Jain: No, this again varies with the business because this moves along with the business and these are true sales of receivable. So if in some of the quarter, like the next quarter will be a summer holiday, there may be a situation that the sales are not there towards the end of August and in September then the amount will come down. This is linked to the revenue which is there with the company.

James Maxwell: Okay but how would that have changed, I'm just trying to see whether that also made an impact on your working capital through the quarter, so how did the use of that facility over that quarter impact?

Vipin Jain: If you look at March, the March number was disclosed in the financial statement, it was in the range of €216 million. This quarter we see a revenue growth of 11% and the amount for the non-recourse section would have gone to €225 million approximately.

James Maxwell: Right, so not a meaningful change. And on working capital generally, are you saying, I mean it was 15 days, now 18, you are saying 16 so for the full year you are still expecting working capital to be negative given the increase by a day plus the overall size of increase in revenues.

Vipin Jain: Overall working capital, we see in the range of 15 to 16 days and if you see the working capital, this would be split into inventory, and receivables which is net of the factoring because this is again a true sale of receivables which are derecognised from the balance sheet. And then you have the creditors.

James Maxwell: Right, okay. And if I might just come back to the first point on the inorganic opportunities, are you still following the type of Motherson philosophy of buying essentially troubled businesses or would you be interested in buying, you know, larger, more established business to really bulk up share for example in interiors?

Laksh Vaaman Sehgal: James, we would be open to looking at all of those things. Definitely in the past we have had a lot of success turning around these companies and we would, that's our preferred space. But we would be open to assessing if the customer is telling us to do that and supporting us. So, again we have a very conservative policy looking at these acquisitions and if the customer is telling us to look at it and we have their support in it we will definitely look at it. But definitely we have had a lot of success with our proven formula which we continue to execute.

James Maxwell: I understand but when you say the customers are telling you or asking you to look at it, almost by definition it sounds that those are companies that they'd like to see in stronger hands really, in your hands. But are there other opportunities, sizeable opportunities that may not be driven by your customers that are also being looked at?

Kunal Malani: Look, at the end of the day we plan to remain as a tier one supplier and hence whatever we do we will always have and we will only do if the customer supports it. Now, your point about whether we look at only, let's say, less performing or distressed assets, the answer is no because in an environment like this frankly there are many assets where the customer wants that asset to grow along with the customer but the current owners may not have the capability or may not have the desire to do so. And hence they may desire that this may need to change hands in order to grow along with the customer. So it's not necessarily only that not so well performing assets are bought but again the objective is very simple that there has to be a problem that the customer wants to resolve and the customer believes that Motherson is capable of resolving that problem. As long as that premise holds good we will be happy to look at it.

James Maxwell: Okay, thank you very much.

Operator: Our next question is from Sven Kreitmair from UniCredit. Sven, please go ahead.

Sven Kreitmair: Good morning. I have also a couple of questions if I may. The first one would be really on your capex plan this fiscal year and the next fiscal year, in terms of euros. And then what is your, by the end of this fiscal year what is your plan for net debt and also for net leverage? And just a general question on leverage too, what is the level of net leverage, what are you comfortable with? What would be the highest net leverage you would go for?

The next topic would be liquidity; you issued quite an amount of US dollar bonds recently. The liquidity went up significantly now to I think in total 734 million so what is the plan with that and what is your target liquidity? Is that the maximum or would it decline soon?

And the very last topic is around the comparison between your two segments, SMP and SMR. I just see, on the upcoming facilities, I think in the presentation slide you have shown 11 new upcoming facilities, quite a decent amount, but seven of them are in the SMR area and only four are in the SMP area. And I noticed also that the margin at SMR is higher, it is 200 basis higher than at SMP, and also the market share is a little bit more than at SMP. So what is here the difference between the two segments? Do you plan to increase SMR more than SMP because it has a higher margin or what is the reason for that? Thank you.

Vipin Jain: Sven, I will take the first two questions. On the capex plan, we have been giving a guidance of capex in the range of an average Euro 250 million to 275 over the next three years. As you have mentioned, we are setting up many new facilities so there may be some frontloading on the capex but the guidance remains the same, average annual capital expenditure in the range of Euro 250 to 275 over the next three years. So this was an answer to your question number one.

Your question, the second was on the net debt and the net leverage. Net leverage, while our RCF covenant allows a threshold of 3.25 but we have been maintaining in the past a level of 2.5 as something which we would not like to exceed. If you look at our current quarter we were at 1.9 and we hope to be, under 2.5 towards the end of the year.

Kunal Malani: Sorry, just to add, I think in our entire endeavour to go through the next year of capex that we have at least visibility on, in all likelihood we will always be below 2 on our net leverage situation. The internal financial policy that we have is not to exceed 2.5 times although the bond covenants allow for higher net leverage than that which is 3.25 times. But the policy is 2.5 and both for organic as well as inorganic growth we do not want to exceed the 2.5 times threshold.

Sven Kreitmair: Okay.

Kunal Malani: Then coming back to your question on liquidity, look, the purpose of doing the current round of bonds is twofold. If you would have seen our geographic mix, it's still a very European-centric mix on account of SMP being a European-centric asset on its acquisition, when it was acquired. Our whole endeavour in all our businesses has been that it needs to get diversified which adds a lot of strength to the business. And in that process we do expect a lot more growth to come in from the America region and hence we wanted to establish a dollar curve and that was the purpose of going to the dollar market. We do expect a lot more growth to come in from the dollar split including organic and potentially inorganic as well which is where the use of proceeds would go towards.

As you know, we are setting up new facilities in Alabama and Mexico. The Mexican facility is a dollar facility given that it is going to be supplying to the US side. We do expect further growth to come in that region and that's why the liquidity was taken in. But having said that, other than around about 60-70 million of the amount that we import, amount that we have taken from the bond, the rest is all excess liquidity for which we do not have an assigned use of proceeds but the idea was that we do expect and customers are supporting us in growing further and hence we expect more organic or inorganic growth to occur using those proceeds.

Laksh Vaaman Sehgal: And finally on the margins, we can't guide on margins but please appreciate that SMP has come two years after SMR so definitely SMP, as you can see, over the last few years is consistently increasing its performance and we are trying to hit 40% ROCE.

SMR has already hit that last year and definitely they endeavour with SMP also to take it to 40%. We do not differentiate between the businesses and make investment decisions just because one product line may be more profitable than the other. Our endeavour is to maximise profitability in all those products and following the 3CX15, no customer, no component, no country should be 15% of our business, it's absolutely imperative that we are investing in all the different product lines and making sure that profitability and those targets are hit for each and every product group that we are in.

Sven Kreitmair: Okay. Just on the excess liquidity you mentioned, how much excess liquidity do you have at the end of June?

Kunal Malani: Look, the total liquidity that we have is 700 million. I was talking about it from the perspective of the 300 million plus the 100 million additional taps that we have done a couple of weeks back. Out of that $400 million, around about $50-70 million has an assigned use which is in the capex that is happening in the US. The rest, 330-odd million, is excess liquidity so to say. The RCF lines are there but that's more to support the working capital and mismatch that might occur from a quarter on quarter perspective so I wouldn't call that an excess line.

Sven Kreitmair: So roughly half of this 730 million is excess so to say?

Kunal Malani: Yes.

Sven Kreitmair: Okay, thank you very much.

Kunal Malaini: Thanks. Just you may want to note that on the SMR/SMP plants that you were talking about, the SMR plants largely are more expansion and brownfield oriented whereby SMP plants are more greenfield oriented which is also telling you a little bit about how mature the two businesses are. SMR is already well diversified with a 25-odd percent global market share, most of its growth of course on account of brownfield where the capacity gets filled up and then you are adding more to enhance it. SMP is still going through its greenfield phase as it moves into the 3CX15 situation of no country, no component and no customer being more than 15%.

Sven Kreitmair: Can you remind us on your two biggest competitors in SMR please?

Laksh Vaaman Sehgal: Look, between, there's Magna and Panasonic Ficosa which are there in SMR.

Sven Kreitmair: Okay. Thank you. That's it from my side.

Operator: Our next question is from Andre Fougerat from Alliance. Andre, please go ahead.

Andre Fougerat: Yes, good morning gentlemen and congratulations on your results. Most of my questions have been answered but I still have one regarding the merging of the BV entity. Could you comment on that, give me a timeframe and with which entity do you plan to merge it? Thank you.

Kunal Malaini: Where are you picking this up from?

Andre Fougerat: I can't remember, sorry. Is it pure speculation?

Kunal Malani: Speculation, we can't comment on speculation but at least as of now we have no such intent.

Laksh Vaaman Sehgal: Thank you for the compliment on the results though.

Andre Fougerat: Perfect. Thank you.

Operator: Our next question is from Harsh Agarwal from Deutsche Bank. Harsh, please go ahead.

Harsh Agarwal: Hi, just a quick one. I know you mentioned that a Q on Q comparison is not fair given that the fourth quarter tends to be strong. I'm just curious, for SMR on a Q on Q basis your revenues are still flattish but the EBITDA has gone down which means your margins have actually gone down on a Q on Q basis. I'm just curious, is that primarily because of operating leverage and volume, so just curious what's driving the lower margins for SMR on a Q on Q basis. Thank you.

Vipin Jain: Harsh, if you look at slide number six which is the comparison of the revenue as well as the margin improvement, you will see the margin for SMR also has improved from 8.5 to 8.8. So the margins have improved on a quarter on quarter basis. The revenue growth is 7% whereas EBITDA growth is 11% which is more than the revenue which is taking 8.5 to 8.8.

Laksh Vaaman Sehgal: And Harsh, in all fairness we are an automotive company, one quarter, there could be a lot of factors that play in, not too many new launches of programs, significant discontinuance of existing lines and maybe a breathing period. You know, just looking at one quarter and kind of making this disruption is really a very, very short-sighted view in the automotive sector. You really need to see at least a year's performance or see the last four quarters, last five quarters performance and really judge on that basis. In fact we would really like it to be even longer because if we win a program order today it starts two years down the line and it ramps up for the first year. So it really takes some time to really come up with these conclusions so we really request you to have a broader vision on, the time or the quarter that you are comparing with and go back four, five, ten quarters and see the performance of the subsidiaries.

Harsh Agarwal: Sure, fair enough. And if I can just confirm the working capital drag that we saw as you explained previously in the call, is it fair to assume that's kind of done in the first quarter or can we expect that to continue in the next quarter as well?

Vipin Jain: Harsh, you know because we have launched a couple of projects in the first quarter, I talked about the new plant which is in Beijing, I talked about the plant which is in Mexico, and when you launch a new plant there are a lot of things that also impact your working capital. You have your capex creditors, you have your long term tooling for the customer, so I would say that trends should come back in the range of 15 to 16 days but again quarter two is a quarter where we have summer holidays wherein the working capital goes up marginally so it would be a little difficult for us to say whether that situation will improve from Q1 to Q2. But again we are looking at a working capital in the range of 15 days to 16 days and this quarter we were a little high because of the new projects.

Harsh Agarwal: All right, thank you.

Operator: Our next question is from Utkarsh Rajvanshi from CIMB. Utkarsh, please go ahead.

Utkarsh Rajvanshi: Thank you for the opportunity. I have two questions. First, as compared to March 2015 we have seen a 40% increase in the net debt of the firm while I see that the internal accruals are at a comfortable level for the required capex. How do you justify this increase in the debt levels?

Kunal Malani: Look, at the end of the day, as we just mentioned, we have raised some extra liquidity which we think is required for two purposes – one, as we expand further in the Americas region, we wanted to set up a dollar curve, and two, we are just positioning ourselves for greater growth in that region for which we raised the liquidity.

Utkarsh Rajvanshi: Okay. And the second question is, what is your outlook on debt in this year moving forward?

Kunal Malani: Again, as mentioned we expect that all points in time to remain net leverage below 2x. That is with regards to the current order book and as regards to the current business that we have. As we get greater clarity on some of the incremental growth opportunities that come by, then we will be able to better tell you in terms of if there are any changes in outlook.

Utkarsh Rajvanshi: Okay, thank you.

Operator: As a reminder, ladies and gentlemen, if you would like to ask a question please press star one on your telephone keypad. We currently have no further questions on the phone lines.

Laksh Vaaman Sehgal: Okay, well thank you so much, ladies and gentlemen, for joining the call. As always the presentation is on the website and the contact information is there in case there are any follow up questions. We are very grateful for your time and for your questions and we look forward to speaking with you on the next quarter’s performance. Thank you so much for joining this call.