

Tuesday, 31 August 2004

## **Questions Received for meeting with analysts and possible responses**

### **1. What are the key drivers for Engine business**

Key drivers of business are already mentioned in previous presentations. For ready reference, I am repeating these below.

Small Engines:

- Farm economy drives the demand for the pumping units and other farm machinery
- The demand for power generating sets is due to the prevalent power situation. Specially in semi-urban and rural areas.

Medium Engines:

- tractor industry is coming out of the slowdown. Its long term prospects are good.
- demand for the power generating sets is driven by the growth in services sector, and also investments in the industrial activity in general. Infrastructure building also results in demand for 'on site' power. Lately, large homes and housing projects have started buying generating sets for standby power.
- demand for industrial, earth moving and construction machinery is driven by the investments in the infrastructure.

Large Engines:

- demand for generating sets is driven by the state of the economy resulting in investments in process industry
- purchases by shipyards for ship building are directly related to the orders for ships from Navy and Coast Guard

Engine Bearings and Valves:

- demand for Engine Bearings and Valves is driven by the growth of automobile engine manufacture in the country, and manufacture of non-automotive engines.

### **2. Who are the customers in each of the segment (industry wise)**

We do not have specific customer names, expect to say that most of the automobile manufacturers in India who make engines are our customers for engine bearings, and industrial customers like JCB, Ingersoll Rand, L&T Case, L&T Komatsu, etc. are our customers for Medium Engines. The rest of the products are sold through our distribution networks and all products are serviced by our service network.

Some more details are provided below.

Engines

In range up to 20 hp, engines are sold through our distribution network, and OEMs who manufacture generating sets, smaller construction machinery. The OEMs are numerous and small businesses.

In range from 20 to 800 hp, engines are sold to tractor manufacturers, to authorised generating set manufacturers, and construction and material handling equipment manufacturers. The tractor engines are mainly sold to Punjab Tractors Ltd., and manufacturers of construction and material handling machinery who buy from us are - JCB India Ltd., Schwing Stetter (India) Pvt. Ltd., Ingersoll Rand (India) Ltd., L&T Case Equipment Ltd., Escorts Construction Ltd., Greaves Cotton Ltd., Terex Vectra Equipment Pvt. Ltd., Godrej and Boyce Equipment Ltd., and Voltas Ltd., L&T Komatsu Ltd., etc. This is a representative list which is not in any order.

Large engines are sold for shipbuilding to Indian shipyards and we sell DG sets built with these engines to process industries in India.

Engine Bearings and Valves:

Engines manufacturers, including four wheeled vehicle manufacturers, are our customers.

Engine Bearings Valves are also sold in after market through our distribution network.

### ***3. How much of sales would be to Punjab Tractors ?***

Sales to PTL and SEL are – Rs. 940 Mio. (FY02), Rs. 552 Mio. (FY03), Rs. 675 Mio. (FY04), and Rs. 140 Mio. in Q1 (FY05).

### ***4. How will funds for CAPEX be arranged?***

Funding will be from internal accruals, or borrowings.

### ***5. Why is tax provision higher in Q1, FY05?***

Dividend income is now taxable and there is higher component of dividend in Q1 income. Thus, tax provision is higher.