



ZF Commercial Vehicle Control Systems India Limited
19th Annual General Meeting
July 27, 2023

C O R P O R A T E P A R T I C I P A N T S

M Lakshminarayan
Chairman

P Kaniappan
Managing Director

Mahesh Chhabria
Independent Director

Christian Brenneke
Non-Independent Director

Philippe Colpron
Non-Independent Director

R S Rajagopal Sastry,
Chief Financial Officer

Muthulakshmi M
Company Secretary

**Auditors &
Shareholders**

Welcome address – M Lakshminarayan



Mr. Lakshminarayan M, Chairman:

Good Afternoon, welcome to the 19th Annual General Meeting of ZF Commercial Vehicle Control Systems India Limited (formerly known as WABCO India Limited) held through video conference / other audio visual means. In terms of Article 85 of Articles of Association, I, M Lakshminarayan occupy the chair to conduct the proceedings of the 19th Annual General Meeting.

We bow to you O Mahamaya, O Mahalakshmi, the Goddess who removes all the sins / difficulties, to lead us out of all the difficult times and bless us with good health.

The meeting is called to order since the requisite quorum is present including the Directors holding shares.

Let me now introduce the directors who are attending the meeting through Video Conferencing.

- Mr. Mahesh Chhabria, Independent Director, the Chairman of the Audit Committee, member of Nomination and Remuneration Committee and member of Risk Management Committee
- Dr. Lakshmi Venu, Independent Director, the Chairman of the Nomination and Remuneration Committee, member of Audit Committee and member of Corporate Social Responsibility Committee
- Mr. P Kaniappan, Managing Director and Chairman of the Corporate Social Responsibility Committee, member of Stakeholders Relationship Committee and member of Risk Management Committee
- Mr. Christian Brenneke, Director and Senior Vice President – R&D and System Solutions, CVS Division, ZF Group and is a Chairman of Risk Management Committee and member of Nomination and Remuneration Committee
- Mr. Philippe Colpron, Director and Executive Vice President, Head of Aftermarket (Division B), ZF Group, member of Stakeholders Relationship Committee and is a member of Risk Management Committee
- Mr. R S Rajagopal Sastry, the Chief Financial Officer
- Ms. M Muthulakshmi, the Company Secretary

Also present are Mr. K Raghuram, Mr. K Sudhakar, Partners and Mr. Bhupesh Kimani, Associate Director from M/s. B S R & Co. LLP, Chartered Accountants - the statutory auditors and Mr. K Sriram and Mr. G Karthikeyan, Partners of M/s. S Krishnamurthy & Co., Company Secretaries - the Secretarial Auditor.



Dr. Lakshmi Venu, Independent Director who is also a member of the Audit Committee, the Chairperson of Nomination and Remuneration Committee and member of Corporate Social Responsibility Committee, has requested for leave of absence owing to unavoidable circumstances. In place of Dr. Lakshmi Venu, any questions relating to Nomination & Remuneration Committee, will be answered by me, being one of the Members of the respective Committee.

The remote e-voting process had been completed on 26th July 2023 at 05:00 PM (IST). E-voting is organized in this meeting to facilitate those members present who did not participate in the remote e-voting process and request the members who have not casted their votes in remote e-voting to cast the vote now.

Mr. K Sriram, Practising Company Secretary, who has been appointed as Scrutinizer for the remote e-voting process will also act as the scrutinizer for the e-voting at the AGM.

The consolidated results of the remote e-voting and the e-voting at the AGM will be announced within two working days through BSE Ltd. and National Stock Exchange of India Ltd (in which the company's shares are listed), website of the company and the registered office of the company.

With the permission of the members present I take the following as read:-

- A. Notice calling the 19th Annual General Meeting;
- B. The audited standalone and consolidated financial statements for the year ended 31st March 2023;
- C. Board's report; and
- D. Unqualified statutory auditors' report and annexure
- E. Unqualified Secretarial audit report and annexure

Ladies and Gentlemen, it is my pleasure and privilege to welcome you all to the 19th Annual General Meeting of your Company. I am happy to present the performance of the company for the year 2022-23.

Before we discuss the performance and results for the year gone by, I would like to provide you with certain insights into the macroeconomic conditions and the market scenario that prevailed during the period.

The global economy is sustaining the momentum gained despite headwinds from a few key indicators like inflation, tighter financial conditions, banking sector stress, and lingering geopolitical conflicts. For several emerging market economies (EMEs), weak external demand, elevated debt levels, and geoeconomic disintegration amidst tighter external financial conditions pose risks to growth prospects, although capital flows are cautiously returning to them on renewed risk appetite.

According to the provisional estimates released by the National Statistical Office (NSO), India's real gross domestic product (GDP) growth accelerated from 4.5 percent (year-on-year) in Q3:2022-23 to 6.1 percent in Q4, supported by investments and higher net exports. Real GDP growth for 2022-23 was placed at 7.2 percent, higher than the second advance estimate of 7.0 percent. Indian Government's thrust on capital



expenditure, moderation in commodity prices, and robust credit growth are expected to nurture investment activity. However, weak external demand, geoeconomic fragmentation, and protracted geopolitical tensions pose risks to the outlook. Taking all these factors into consideration, real GDP growth for 2023-24 is projected at 6.5 percent

Indian commercial vehicle industry performed much better and saw a growth of 37% (Commercial Vehicle > 6 tons) over the previous year as the market recovered from the lows caused by the COVID-19 pandemic. The growth is also due to the spurt in infrastructure projects. The demand for FY'23-24 looks to be promising due to growth in segments like construction, infrastructure, and logistics.

In line with the growth as reported in the commercial vehicle industry, the Company achieved a total sale of Rs.3,512 crores in the financial year 2022-23 as against Rs.2,581 crores in the previous year. The Company earned a profit before tax of Rs.427 crores for the financial year 2022-23 as against Rs.196 crores last year and a profit after tax of Rs.318 crores in the financial year 2022-23 as against Rs.142 crores in the previous year. Your Company continues to take strong measures to improve overall productivity and selling price corrections. You will note that the top line grew by 36% and the profit after tax also grew by 124%.

The Company is aligned with the Government of India's continued focus on electrification in the CV industry through FAME II & other incentives; the adoption of EVs is gaining momentum, especially in the bus segment. Your Company is contributing to the success of these initiatives by offering state-of-the-art solutions from its product pipeline to introduce world-class systems and solutions to the Indian market. As indicated in earlier interactions with you, the following are the more significant offerings covering Electric and convention ICE mobility.

- Hill Start Aid (HSA)
- Automatic Traction Control (ATC)
- Air Disc Brakes (ADB)
- Electronic Stability Control (ESC)
- Automated Manual Transmission (AMT)
- Fleet Management Solutions (FMS)
- Advanced Air Processing Units among other technologies.

For the benefit of the shareholders, videos of some of these technologies were played before the start of this meeting which would have given you better insights. Anticipating evolutionary changes in the traditional aftermarket business models, the company is striving to introduce new business and revenue models with the launch of connected vehicle solutions, retro fitment with advanced technologies, and sales of solutions to the city buses such as door control systems. The company is also looking at ramping up its sales, service, and distribution network to effectively cater to fleets and mobility users across the country. The authorized service centre network is expanding and currently, the company has around 280 service centres with a pan-India presence to cater to customer requirements. These initiatives have resulted in improved service practices, availability of genuine parts and generated additional revenue for the company.



Our engineering team continued the demonstration of high-quality product development and engineering capabilities both in mechanical and software development. They continue to be the Centre of Excellence for frugal engineering and to be the choice for ZF Commercial Vehicle Solutions Division to develop products and software. Our Mahindra City Plant won the coveted "ZF excellence award" in the ZF DNA of quality excellence category, as one of the 6 Excellence awards awarded by the ZF Group annually. Our Ambattur plant also got the "Q Prime Certification" from Daimler India Commercial Vehicles.

INITIATIVES IN MANUFACTURING

As the demand picked during the course of the financial year 2022-23, the Company proactively created additional manufacturing capacities including a special focus on realizing self-reliant plants closer to customers, and new manufacturing lines were set up for Inversion Relay Valves, Trailer Control Valves, Integrated Pedal Units, and Graduated Hand Control Valves. Manufacturing capacities were scaled up for the export of Twin Cylinder Compressors and Air Supply Units to Europe and actuators for the domestic market to capitalize on growth opportunities. New products such as compressors, air supply units, vacuum pumps, actuators, and push-type connectors were successfully launched to international and Indian OEMs. E-compressors were launched in the domestic market for EVs pioneering transformation towards next-generation mobility technologies.

As part of sustainability initiatives, the Company has rolled out an energy efficiency program involving all stakeholders in the operations as well as in other areas where a 9% energy reduction resulted from implementing 54 projects across the sites. As part of renewable energy sources, we have purchased 2 MW of Solar & 1 MW of Wind energy from third parties in Ambattur and Mahindra city respectively contributing renewable energy coverage to 14% of the Company's demand. During the year, the company has also installed roof top solar panels with a capacity of 636 KWP at the Mahindra city plant with an average production of 2800 units per day.

Mahindra City plant participated in the Kaizen Hansei Manufacturing Excellence assessment and won Gold Award. The team from Mahindra City won First prize in the CII State-level Kaizen competition and won first prize in the Regional Kaizen competition from ACMA.

The team from Ambattur won First prize in the CII National Level Lean competition.

The team from Jamshedpur won First prize in the Regional QC competition from ACMA and won first prize in the Regional Kaizen competition from ACMA.

Total Employee Involvement (TEI) continues to be the key pillar that engages employees across all sites and functions of the Company. In 2022-23, we won a total of 39 external awards from all competitions which include 14 at the national level, 10 at the regional level, and 15 at the state level conducted by the Confederation of Indian Industry, Automotive Component Manufacturers Association of India, Quality Circle Forum of India and others.



The Company is continuing to grow in the Export business with the following products, during the FY 2022-23:-

- Air supply units to global customers
- Air Compressors for new customers
- Lever for the Air Disc Brakes

DIVIDEND

Consistent with the dividend policy, your board of directors has recommended an increase in the dividend to Rs.13/- per share (260%) for the year ended 31st March 2023, as compared to Rs. 12/- per share (240%) for the year ended 31st March 2022.

EXPANSION

As informed to the shareholders in the last AGM, a wholly owned subsidiary i.e., ZF CV Control Systems Manufacturing India Private Limited was incorporated on 5th January 2022 and the subsidiary has commenced its commercial production with effect from 03rd March 2023.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company continues to engage in socially relevant projects through its CSR initiatives, directed at "promoting road safety", "skill development", "environment and sustainability" and "community development including healthcare", which is its four-pillar approach.

Various community services were undertaken including health checks for drivers during their training programs, upgrading the infrastructure facilities of Primary Health Care Centres, Hospital facilities upgradation, Government School building renovations, toilet renovations of the Government schools and other women welfare-oriented projects, road safety infrastructure in and around the plant locations, etc.

The Primary Health Centre of Maraimalai Nagar, Chengalpattu district, was supported with equipment like an ECG machine, Vaccine storage refrigerator & freezer, Foetal doppler, and Glucometers and was also supported with desktop computers, printers, and tabs for the digitalization of patients' data. Also, this PHC is installed with 5kVA Solar Power for green energy. The Primary Health Centre of Ulandhai, Thiruvallur district, and Vidayalur (Perumbakkam) was supported with medical equipment.

The Company renovated the toilet for both the boys and girls at The Government higher secondary school, Athipet, Chennai, and good sanitation facilities have been provided to the school children. The building of Anganwadi school located at Barabanki, Lucknow, was very badly damaged and we have constructed a new building for the Anganwadi children. The Junior high school, located at Barabanki was supported by the renovation of the toilet, furniture for two classrooms, and boundary wire meshing to prevent stray animals' entry.



To support the women's welfare, the Company constructed a new toilet facility along with a drinking water facility at Mahila Thana, Barabanki to support the deprived women society who come for counselling at Mahila Thana.

For the benefit of the shareholders, I now request the moderator to play a video on the CSR initiatives undertaken by the Company

Moderator: Thank you, over to the chairman for further proceedings

UPDATES FOR Q1 OF FY 2023-24:

The Company's revenue from operations for the quarter ended 30th June 2023 (Q1 2023-24) was Rs.987.40 crores as against Rs.809.57 crores for the first quarter of 2022-23. The Company had a profit after tax of Rs.99.70 crores for the Q1 2023-24 as against Rs.62.40 crores for the Q1 2022-23.

OUTLOOK

The automotive industry will remain vulnerable to global headwinds in 2023-24, due to the energy crisis, slowing global demand, and continued supply-chain disruptions the only bright spot will be the transition to next generation mobility...

The Commercial Vehicle Market is expected to grow at a Compounded Annual Growth Rate (CAGR) of 2.2% from 2022 to 2029. In 2023-24, the Medium and Heavy-duty commercial vehicle segment is expected to grow by about 10% (>6 tons). Growth in the CV segment is expected with improved fleet utilization, higher replacement, government infrastructure spending, e-commerce expansion, government initiatives to promote electrification and sustainability, and technological advancements. Some of the trends that will drive the demand for commercial vehicles are –

- e-commerce will be a key driver for retail sales and is expected that about 25% of new sales will come through online channels (e-Commerce is expected to grow at a CAGR of 21% from 2022 to 2030)
- Connectivity and digitalization will open new opportunities and avenues for the industry.
- New business models such as freight aggregators will create demand for commercial vehicles.
- Vehicles scrappage policy for Government vehicles and the CESL tenders for electric buses will revive the bus market

With the shift from BS IV to BS VI in 2020 and Phase 2 of BS VI RDE (Real Driving emission norms) from 1st April 2023, the auto industry has taken a significant step in the right direction by harmonizing and coming on par with emission norms of the European and American markets. The Stricter BS-VI regime normalizes the playing field for OEMs and the auto component industry alike to participate in the global market through exports, given that the vehicles and the technology in them would be at par with the global standards. Stricter safety norms provide the company with a unique opportunity



to work closely with OEMs to penetrate the Indian market and introduce new technologies for the benefit of the end customers.

With the recent implementation of ESC in buses, The Company worked with the OEMs and launched ESC with many customers. With this transition to BS VI Phase 2 and ESC regulation for Buses, Q1 Vehicle Production growth was 7% over last year.

Industry shifts to better emission norms and upgrades of vehicle platforms have created numerous digitalization opportunities in the entire fleet ecosystem with huge potential to mobilize vehicle intelligence thereby providing deep meaningful insights on vehicle performance to the end user/fleet owner. When utilized effectively, these insights can potentially transform user experience to a whole new level and even help in reducing fuel consumption.

Despite fluctuating demand and vehicle availability issues, the government's push towards infrastructure development and growth in coal mining spurred sales of heavy commercial vehicles and the Growth is expected to continue in the coming months with steady demand on the back of infrastructure push.

ENTERPRISE RISK MANAGEMENT:

The company has formulated a detailed risk management policy and adopted an integrated ERM framework as aligned with the ZF group and is implemented across the company.

BUSINESS RESPONSIBILITY AND SUSTAINABLE REPORTING:

The Company published its Business Responsibility & Sustainable Reporting for the FY 2022-23. As part of the BRSR Reporting, the Company had done a detailed assessment of its Environment, Social, and Governance framework and you will find the same included in our annual report.

Sustainability is at the core of the Company's business conduct and the past year has been an eventful year as we continue with our commitments on working progressively towards achieving the Company's target of 100% clean energy consumption by 2030 and full climate neutrality by 2040. The Company's sustainability motto "Acting Now" goes beyond the spectrum of climate action and environmental protection by extending the focus on the creation of positive impact on people and delivering lasting values.

To align with our group's target and be at the forefront of climate action and the nation's net-zero goal, we have increased our renewable energy consumption from 2% to 14% in the current reporting period through various interventions such as solar rooftop and third-party purchase of solar energy as stated earlier. Moreover, with our continued efforts towards energy efficiency, we have been able to conserve our energy by 8%.

Furthermore, the Company strives to optimize the utilization of resources, minimization of waste, and recycling of materials as part of the circular economy approach. Notably,



the installation of eco nozzles across the Company's canteens reduced water consumption by 60% during FY 2022-23. Besides, the Company is proactive in reusing plastics waste, usage of recycled inputs in its products, and follows stringent waste management procedures across the plants and facilities.

The Company renders high value to stakeholders at large and pioneers in technological advancements by integrating our automotive components through connected systems with digital and electronic applications to enable vehicles to See, Think and Act thereby increasing the Safety and efficiency of our products. The Company takes pride in delivering safe, efficient, and outstanding products and services, and is determined to take focused steps toward building a sustainable, responsible, and profitable business for our stakeholders.

To accelerate sustainability and our focus on Climate neutrality, the Company will adopt key strategic interventions on our material topics in a phased manner.

I would like to acknowledge the shareholders for the trust and confidence reposed in the company. I especially thank the customers, suppliers, and bankers for their continued cooperation and support.

The employees of the Company merit special appreciation for their continued commitment and performance amidst the challenging environment during the year in review. I appreciate all the State Governments for their unstinting support of our operations. Thank you very much.

Let me now briefly explain the objectives and implications of each of the resolutions as set out below which were placed before them for voting:

- I. Item no.1 - Ordinary resolution for Approval and adoption of the audited standalone and consolidated financial statements for the financial year ended 31st March 2023 and the reports of Board of directors and auditors thereon.
- II. Item no 2 - Ordinary resolution to declare dividend of Rs.13/- per share for the year ended 31st March 2023 out of the profits for that year, payable to members as on the close of 7th July 2023.
- III. Item no.3 - Ordinary resolution for reappointment of Mr. Philippe Colpron, (DIN: 08344534) as director who being liable to retire by rotation at this meeting and being eligible and willing has offered himself for re-appointment as a Director of the Company.
- IV. Item no.4 – Ordinary resolution for ratifying the remuneration of Rs.6 Lakhs fixed by the Board to M/s A N Raman & Associates Cost Accountant, for carrying out the cost audit for the financial year ending 31st March 2024.



The subjects on the agenda are open to the floor for discussion and the shareholders' queries will be answered to the extent possible. Request the shareholders who have registered earlier to speak at this AGM to wait for your chance to speak. Request each shareholder to restrict their query to a maximum of 5 minutes so to provide opportunity to other registered shareholders.

Moderator: Thank you very much. We will now begin the 'Question & Answer' session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We were supposed to have our 1st registered speaker shareholder Manoj Kumar Gupta with us. But unfortunately, he couldn't join us today.

So going ahead to our next registered speaker shareholder we have with us Mr. Om Prakash Kejriwal. Well, Mr. Om Prakash Kejriwal you have been unmuted can we have your video turned on for the question?

Om Prakash Kejriwal: Good afternoon, everybody. Thank you, sir, for providing me the platform to speak. Thanks to our Secretarial department for helping me in joining the meeting through video conference from Kolkata. If possible, please conduct the next Annual General Meeting also in virtual mode so that more and more shareholders can participate from different parts of the Country.

Sir wow, what a performance.... Mind Blowing performance with good result.

On equity of Rs. 9 crores, our earning is Rs. 3444 crores and our net profit comes to Rs. 317 crores which brings the earnings per share (EPS) to Rs. 167 on face value of Rs. 5 which is more than double what we did in last year.

Dividend amounts to Rs. 13 per share which is 7.78% distribution of our net profit. It is too less sir. What is our Dividend Distribution policy?

The promoter is the majority shareholder holding 75% shares in our company and distribution of more dividend will also be beneficial to the promoters.

Further on Split of shares, Sir, the market prize of our share is in range around Rs. 12,000. Hence, I request you to consider split of shares in 5:1 ratio, which will enable participation of more and more shareholders in turn building the brand image too.

And please consider issuing bonus shares. Our company did not issue any bonus share in its lifetime.

Certainly, I have few queries on our business model, types of work we are doing in automobile sector, capex plan for next 2 to 3 years, total exports in financial year 2022-2023 and in which countries we are exporting our products.

There is a company named ZF steering gear, is it our group company?

Please invite us to see our factory. We are very much interested to visit our factory.



And please, send me 1 physical copy of our annual report. I was also requested previously.

We are always with you as a long-time investor. Thank you. Thank you.

Moderator: Thank you so much. So, these are the speaker shareholders who were supposed to be with us. I now hand over the proceedings to Chairman. Thank you so much. And over to you Sir.

Mr. Lakshminarayan M, Chairman:

Thank you, moderator, Pleasure to hear you Mr. Prakash, you are speaking from Calcutta has been very nice. You also mentioned that you'd like to have more of these virtual proceedings, I'm sure that the country will go towards the hybrid model where we will go for virtual as also physical, but that decision will be taken to the course of next year.

Sir, I also want to tell you that, I represent minority shareholders as well. Just for your information, I, thank you very much for complimenting, you know. Mr. P Kaniappan who is also here will speak a few words at the end and Mr. R S Rajagopal Sastry, operating people and Dr. Christian Brenneke, who is helping us with all the software and hardware development and the products of the future and Mr. Philippe Colpron, who's really helping us out by going into a very big way in the Indian after market.

These are the people who are really adding lot of value to the company and therefore they need all the appreciation that have been passed on. We are just a communicating media.

I do agree with you that. We must look at what needs to be done to the shareholders. Please believe me that whatever we are thinking of and what are the board is considering, we are really looking at medium to long term. And therefore, whether it's a question of increasing the dividend, where there's a question of splitting the shares or bonus or whatever, ultimately, your money is very safe with us. Please don't worry about that.

It obviously gets reflected by the stock price, and we will continue to do a better job and at the appropriate time the board will consider your suggestions. And then we'll take a proper decision.

On the business model, we are essentially driven towards the commercial vehicle industry, and we work mostly on the Indian and the worldwide commercial vehicle industry.

Now, you did ask me about Capex and export, for which I ask Mr. P Kaniappan to talk about. But on the other items. We have nothing to do with M/s. ZF Steering Gear India Ltd. This was a company, where ZF had interest long ago, and currently ZF has no interest in this company and sold all it's stakes.



On the factory visit, we had organized it some time back. But we will again, take it up. And physical copy of the annual report will be sent to you.

I request Mr. P Kaniappan to talk about the capex and export.

P Kaniappan: Thank you for the opportunity to clarify some of these points.

We have invested in Oragadam plant, so that comes with another 85 crores. We are now investing on many advanced technologies. You know, Indian market is moving towards adoption of many advanced technologies in the commercial vehicle segment, so we are investing in advanced technologies. The Capex roughly comes around Rs. 100 crores every year. It could increase as we move forward.

On the exports, we are having a specific plant in the special economic zone (Mahindra World City) for export, and we have been quite successful in making India as a manufacturing base for few of the products.

From here, we are supporting markets in Europe and US through our parent organization, we supply to the plants in those countries, they in turn will sell it to the customers.

In few instances, we also directly supply to the customers such as BMW.

Our export is roughly in the range of about 30 to 35% of overall sales. Last year we made up to Rs. 3500 crores overall sales, so you can take about 30% of it.

Mr. Lakshminarayan M, Chairman:

Thank you. Mr. Kaniappan. Great job done.

This is not the end. You can always write to us and get in touch with us and the company secretary or the Registrars and share transfer agents for getting all the queries addressed.

Of course, we will request the help of the managing director to have a look into it and answer all the queries aided by Mr. R S Rajagopal Sastry, Chief Financial Officer of the Company.

I now request the members who have not exercised their votes till now to cast their votes now. The voting process will be open for 15 more minutes and the meeting will be closed after 15 minutes.

The results would be published through the Stock Exchanges and the company's website within 2 working days. The Meeting would stand closed after 15 minutes.

Thank you....