

A New Beginning



INSIDE OUT

- 2** A New Beginning
- 3** The Imminent Disruption in the Automotive Industry
- 4** DivgiWarner sets up “4x4 Knowledge Centre” at the Mahindra Thar Festival
- 6** A Mindshare With Stalwarts Within Our Workforce
- 7** DivgiWarner sets up a Synchronizer Durability Testing Facility at Sirsi
- 8** DivgiWarner organizes Annual Employee Meet, 2016

‘A moment comes, which comes but rarely in history, when we step out of the old to the new ...’

– Jawaharlal Nehru
15 August, 1947



If you are reading this newsletter, it is because more likely than not you are a stakeholder in our business enterprise. DivgiWarner was set up in 1995, after almost 2

years of negotiations, as a joint venture company between Divgi Metalwares Pvt. Ltd. of Pune, INDIA, and BorgWarner Automotive then based in Chicago, Illinois, USA. The vision was to bring contemporary automotive transmission and drivetrain technology and products to India in the wake of the landmark economic reforms of 1991. Equally, the vision was to harness Divgi Metalwares’ 30-year experience base (in 1994) and bring a competitive cost base in manufacturing for BorgWarner plants across the world. Over the last 20 years the company has developed considerable indigenous expertise in the domain of all-wheel drive and transmission synchronizer systems technologies fulfilling very substantially the original vision of the founding members of the company.

I now write to inform you that for internal reorganization purposes BorgWarner and Divgi Metalwares have decided to restructure their ownership in the company, such that effective August 31, 2016, BorgWarner has sold its entire shareholding in the company to Divgi Metalwares and, as a result, the company will be renamed to Divgi TorqTransfer Systems Pvt. Ltd, or Divgi-TTS for short.

However, even following the sale, the company will continue to work closely with BorgWarner in various areas and will have the benefit of BorgWarner technology that it has been using in relation to its business. In particular, the company will continue to design, develop, and manufacture the complete portfolio of products with which it has been supporting its customers under a continuing technology license from BorgWarner which has been extended to a further term until March 2024. To ensure a seamless transition, BorgWarner has also entered into a non- compete covenant with respect to India and Thailand.

The reorganization will not have any effect on any ongoing or future transaction between the company and its customers. Towards that end, BorgWarner and the company remain committed to work with each other to ensure that our customers continue to have access to the complete range of products. We also wish to convey our gratitude to our customers for their support and encouragement over the years and look forward to many more years of a happy association.

As we mark this new beginning, we rededicate ourselves to the vision to build a great Indian brand that is globally recognized for our product technology leadership in drivetrain components and systems. India finds itself in a new global sweet-spot and I am very optimistic and confident that the people of Divgi-TTS will bring a new era of accomplishments, economic prosperity, glory, and fulfillment for themselves, the organization and for brand India.

Jitendra Divgi
Managing Director

The Imminent Disruption in the Automotive Industry

Hirendra Divgi

CONTRIBUTOR

World leaders signed a historic Climate Agreement in Paris in December 2015. History was being made in Dubai at the same time, when for the first time an industrial scale solar generation plant without any subsidies, attracting global finance, bid at US \$ 5.60 per KWh to the grid. It was a wakeup call to the global energy industry. Oil would have to be at US \$ 10.00 a barrel to compete at this price. The implications of this event are profound for it signals a crucial convergence of technology and global finance to bring about a major disruption in the automotive industry.

Earth has an estimated potential of 40,000 exajoules solar energy per year. That is 50 of times the annual current global consumption. The tipping point of the cost of solar energy becoming less than that of fossil fuels is being achieved. This is a key driver to the oncoming disruption in the automotive industry.

Disruptions happen when multiple technologies and business innovations converge. Our current automotive paradigm is confronted with the converging trends as highlighted in the "Convergence Trends" frame

Whether this tide will lead on to fortune or disruption and ruin depends on how we prepare and adjust to these trends. The signs are clear that this will happen sooner than later and in the space of the next 15 years we could be in an era where millions of electric cars are produced every year. To remain in a position of product leadership will require us to find our own unique niche in this new paradigm that is dawning upon us.

Convergence Trends

- Solar costs have dropped 80% in the last 3 years and have currently achieved parity with gas. Further, it is expected that in the next 7 years solar energy costs will be lower than grid distribution costs.
- Costs of storage batteries, lithium ion are reducing on a steep curve.
- Distribution of electricity is cheaper than physical transport of fuel.
- Quality of life and health cost choices of future customers.
- Fuel will be virtually free by 2030 with zero maintenance cost.
- Electric technology has very flat cost vs performance curve in terms of power and acceleration compared to IC engines; Ferrari and Lamborghini performance at Toyota Corolla costs.
- Computer-based self-parking, self-driving and all related technologies lend themselves more easily to electric vehicles.
- Business Innovations:
 - Self-sustaining solar generation part of the electric car package.
 - Smart localized grids enabling users to buy and sell energy depending on usage of cars.
 - Super markets, for their customers & factories & offices for their employees, offering free charging in parking lots using acres of their rooftop solar.
 - Personal car owned fleet has a utilization of about 5% costing approximately US \$12,500 to own and maintain a car per year in the US. Estimates of Taxi Aggregator Uber stand at US \$1,500 per year for the same amount of usage.

A New Vision. . .

A Clean
Energy-Efficient World



DivgiWarner sets up “4x4 Knowledge Centre” at the Mahindra Thar Festival

Gajanan Chitale
Customer Support

CONTRIBUTOR

World-over, Goan ethos is synonymous with leisure – lazing on the palm-fringed and pristine white-sand beaches, swimming in the turquoise sea and savouring the variety of seafood with beverages to enhance the ecstasy and wonderment of this captivating state of India.

However, on 5-6 August, 2016, the environment was unrecognisably transformed to an adrenaline charged adventure zone at the IT Park, behind Manipal Hospital, Miramar, Goa. Easy to guess why though...the Mahindra Thar Festival, an event showcasing the power of the 4WD Mahindra Thar – had come to town. The debut Thar Festival, open to only the fraternity of Mahindra Thar enthusiasts across India had its mix of off-roading events for casual enthusiasts as well as events such as the “Club Challenge”, India's biggest off-road event for the die-hard off-roaders. Live music, fun games and tattoo stalls added the festival touch to the event. The machismo of the 4x4 was all-pervading.

Enter DivgiWarner, with its transfer case transforming the Mahindra Thar into the 4x4 that it is. As a gesture of its support to Mahindra beyond its day-to-day core business, DivgiWarner had set up a stall at the event, essentially to educate the 4x4 enthusiast on the functioning of the transfer case and how it forms the crux of Mahindra Thar's image as a “dare-devil” machine. Visitors at the stall were explained the functioning of the transfer case and the auto-locking hub through product cut-sections displayed at the stall.

While several off-roading enthusiasts who visited the stall grasped the essence of 4WD technology, the team of DivgiWarner – Gajanan Chitale, the 4WD specialist, Ashok Devihosur, the designer and Vijay Nevrekar, the customer interface – through end-user interactions, gained several insights into how the product features can be enhanced to maximize the 4x4 experience of Mahindra's customers.

The feedback is under review by the Engineering Department.



MAHINDRA THAR FESTIVAL



A Mindshare With Stalwarts Within Our Workforce

CONTRIBUTOR

Gopal Dalvi
Human Resources

Sudhir Mirjankar
Head - Finance & Company Affairs



Education: Graduate in Commerce and Post Graduate in Business Administration with specialization in Finance

Date of Induction: 26 March, 1997

Career Goals: To work in a highly challenging and competitive environment for the enhancement of my creative abilities and for the optimum profitability of the organization.

Hobbies: Spending time with family and friends, Travel, Sports

Family Details: Spouse: Seema, Son: Aaryan

What is your current role in DivgiWarner?

I am heading the Finance function of the Shivare Plant within the Divgi Group. My current assignment includes planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the company. I am required to achieve company targets by managing the budgeting process, by continuously monitoring rolling forecast and reporting achievements through monthly actuals.

What has been your experience with DivgiWarner?

I joined DivgiWarner in 1997 after completing my graduation as an Accounts Trainee just a couple of years after it was formed. Right at the outset, I got the unique chance of working directly with the Managing Director for the initial two months. I think those two months really helped me to understand the organization very effectively. As part of the Accounts Department, I got the opportunity to directly interact with BorgWarner in setting up the Financial Reporting Tools. This activity involved the developing and restructuring of the financial system to facilitate the preparation of the budget, forecast and monthly MIS of the company. Over all these years, I have seen this system maturing and how this system has helped DivgiWarner.

Restructuring the financial reporting of the company to accommodate the requirement of Transfer Pricing introduced vide finance bill 2001 and preparing and implementation of the Business Manual in accordance with SARBOX helped me to sharpen my finance skills which supported me in further strengthening the financial systems within the organization. As part of the role, I also got the opportunity to work with renowned CA firms like Deloitte, PWC and B K Khare on activities such as Statutory Reporting, Internal Auditing, Income Tax assessment etc.

In 2004, I got the opportunity to visit China to attend training on "Hyperion Financial Reporting", the

reporting package used by BorgWarner for MIS reporting globally. This training enhanced my effectiveness in reporting the financials of the company to the Management. In the same year, we introduced the Risk Strategy Analysis and Reporting Tool. The tool, essentially a Financial Analysis Model for life cycle of products/ components, helped me understand the nuances of optimal product pricing. The rich experience helped us win prestigious products businesses from Ford, TATA Motors and Mahindra and compo-

nents business from BorgWarner and Toyota for their overseas requirements.

DivgiWarner's global export business gave me an exposure to the Import & Export process required to be maintained in the organization. Liaison with government departments like Customs, DGFT & Excise to get Incentives like DEPB, duty drawback, etc. was also a great learning experience.

What has been your contribution in DivgiWarners Product Leadership Initiatives?

I think Financial Analysis activities for acquiring new business and the Ford, TATA Motors, Mahindra and JLR projects, to name a few, have been some of the initiatives where I have contributed significantly.

What do you believe are some of your notable achievements at DivgiWarner?

Some which I feel are notable are listed below

- Systematic and structured MIS reporting within target time.
- Process implementation of DEPB for smooth receipt of Export Incentive from DGFT.
- Financial analysis of our pricing structure with various customers.
- Smooth BorgWarner Internal Audit 2014 achieved due to process improvement
- Contribution in defining the company's business processes and documenting the same into a Business Manual including its subsequent revisions.
- Implementing cost reduction monthly tracking table.

Rapid Fire

1. **Favorite Quote:** "Challenges are what makes life interesting; Overcoming them is what makes life meaningful."
2. **Favorite Book:** Shivaji, the Management Guru
3. **Life is:** What you make of it
4. **Family is:** forever.
5. **On Sundays:** Play cricket, Badminton with family, listen to audio books related to Finance, History & Computers

DivgiWarner sets up a Synchronizer Durability Testing Facility at Sirsi

Uday Netrekar
Product Engineering

CONTRIBUTOR

For a vertically integrated technology products company such as DivgiWarner, with a vision to be recognized as a world-class Indian brand in automotive drivetrain components and systems, nothing can be more clichéd than stating that Product Development plays a vital and integral role in the total product picture. The cliché notwithstanding, it continues to remain one of the most relevant statements in our business environment. Understanding that time to market is key to ensuring our clients' ongoing success, short lead time developments for our clients becomes a vital aspect of our business strategy.

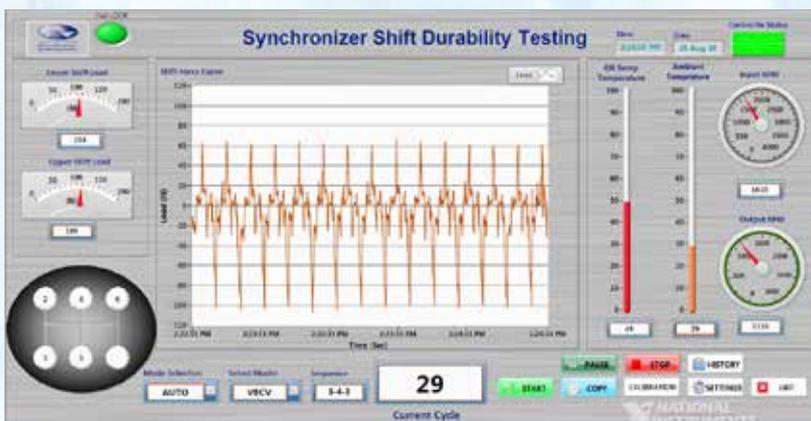
And that is why, in the month of April, 2016, DivgiWarner set up a Synchronizer Test Rig at its facility at Sirsi to monitor transmission synchronizer system durability and shift performance through set product life cycles for existing and under-development products.

The availability of an in-house test rig allows multiple permutations and combinations to be conducted on product durability and performance test processes; number of cycles to be performed, variations in several measurement parameters, kind of data to be acquired and measurements done and other such details that enable a quicker diagnosis of the problem on hand. Several other benefits such as enhancement of technical expertise on the subject and retention of product confidentiality within the "four-walls" of the organization render a sense of contentment over the business activity.

To the customer, it simply means an accurate diagnosis of its problems fine-tuned to its specific requirement with a quicker turn-around time that enables it to get to market that much faster.

FEATURES

Test Bed	Universal adaptability of the test stand allows us for validation & testing of gearbox with different inline and transaxle configurations
Gear Box Interface	Any combination of cable or lever type of gear box can be interfaced with the test stand
Mechanical Structure	Adaptability & Interchangeability of the mechanical structure help to incorporate diverse and varied transmissions into our testing domain



DivgiWarner organizes Annual Employee Meet, 2016

Gurleenkaur Sandhu
Human Resources

CONTRIBUTOR

“A team should always know where it is coming from and where it is headed; only then will everyone be on the same page and become a cumulative force.”

The above thought played on every employee's mind during the recent All Employee Meet, a platform for employee communications, held on 18 July, 2016 at Hotel Spree, Chinchwad, Pune Dist., Maharashtra.

After the traditional “Lighting of Lamp” ceremony, Mr. Jitendra Divgi, Managing Director, stressed on the need to see the clear picture and “Connect the Dots” right from Values & Beliefs to Organizational Cultural Attributes as an effective execution of the “Market & Sell, Develop & Launch, Supply & Support” business strategy.

Functional heads/superiors supported the strategy through presentation of factual data/trends and qualitative information.

Chief Guest, Col. (Retd.) Ajay Dabholkar, a Siachen veteran having served the nation for 27 years, rendered a thought provoking keynote address to the employees that included various examples of commitment, courage and discipline in the life of a soldier. Col. Dabholkar currently is CEO of “Club Mahableshwar”, Mahabaleshwar, Maharashtra.

Teams contributing to the company's progress were also felicitated by Col. Dabholkar during the event.

The evening ended with the vote of thanks by Plant Head, Mr. Pravin Jarande and some light refreshments.



All matter in this newsletter is copyright & is for meant for private circulation only. For additional information visit www.divgi-warner.com

