

AUTOMOTIVE AXLES LIMITED

12th August 2024

The BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Scrip Code: 505010

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G- Block
Bandra (E)
Mumbai - 400 051
Scrip Code: AUTOAXLES

Attn: Listing Department

Dear Sir/Madam,

Sub: Analyst / Investor Conference Call Transcript.

In continuation to our earlier intimation dated 31st July 2024 regarding Intimation of Analyst / Investor Conference Call and with reference to Regulation 30 read with Schedule III, Part A, Para 15 (b)(ii) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 enclosed herewith Transcript of Analyst/Investor Conference Call conducted to discuss on the '**Automotive Axles Limited Q1 FY25 Financial Performance Discussion**' held on Wednesday, 7th August 2024 at 3:00 PM (IST).

The Transcription and audio recordings of the same is available on the website of the Company https://www.autoaxle.com/Analyst_Investor_Meet.aspx

This is for your information and record.

Thanking you,

Yours Truly,

For Automotive Axles Limited

Debadas Panda
Company Secretary & Compliance Officer

Encl: as above



Regd. Office & Mysuru Unit :

Hootagalli Industrial Area, Off Hunsur Road, Mysuru – 570 018, Karnataka, India

Telephone : 91-821-719 7500, Fax : 91-821-2402451

Email : sec@autoaxle.com, Website : www.autoaxle.com

CIN : L51909KA1981PLC004198

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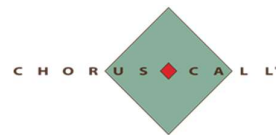


Automotive Axles Limited

“Automotive Axles Limited Q1 FY '25 Earnings Conference Call”

August 07, 2024

Automotive Axles Limited



MANAGEMENT: **MR. NAGARAJA GARGESHWARI – PRESIDENT AND
WHOLE TIME DIRECTOR – AUTOMOTIVE AXLES
LIMITED**
**MR. RANGANATHAN S. – CHIEF FINANCIAL OFFICER –
AUTOMOTIVE AXLES LIMITED**
**MR. KISHAN KUMAR – GENERAL MANAGER,
MERITOR OF INDIA LIMITED**

MODERATOR: **MR. SAILESH – BATLIVALA & KARANI SECURITIES
INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Automotive Axles' Q1 FY '25 Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sailesh from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Sailesh: Yes. Thanks, Sumit. Good afternoon, and thanks to everyone who have logged into Automotive Axles 1Q FY '25 Earnings Conference Call. Now let me introduce you to the management participating with us in today's earnings call. We have with us Mr. Nagaraja, our President and Whole-Time Director, Automotive Axles; Mr. Ranganathan S., CFO Automotive Axles; and Mr. Kishan Kumar, GM Meritor of India.

I would now like to turn the call to Mr. Nagaraja for the opening remarks, followed by Q&A. Sir, you may begin.

Nagaraja Gargeshwari: Thanks, Sailesh. Good afternoon, everyone. I'm Nagaraja Gargeshwari, President and Whole-Time Director of Automotive Axles Limited. I warmly welcome all of our investors and shareholders to this quarter 1 FY '24-'25 investors call. I have with me Mr. S. Ranganathan, who is the Chief Financial Officer of your company, welcome Ranga. We also have Mr. Kishan Kumar, who is the President and Whole-Time Director for Meritor HVS India Private Limited, which is our sister concern.

Just now we concluded our Board meeting and updated the Board of Directors on your company's first quarter performance for the current financial year and the Board has been very appreciative of the progress that we have made in the last several years. What we would like to do now is, Ranganathan will give you a quick update on the financial results and then followed by question and answers.

Thanks again for calling into this teleconference. Over to you, Ranga.

Ranganathan Sankaran: Thank you, Nagaraja. And once again, a warm welcome to all the investors. The Q1 '24-'25, we have overall income of INR498 crores with operating margin of 29.8%. And as far as revenue is concerned, compared to the last quarter, we have degrown by 7.4%. That's largely because of MHCV market volumes. An operating margin -- overall prices, core operating margin will keep intact and -- but operating margin as per the SEBI Circular improved by 0.5%.

And our PBT is about 13.2% for the current quarter compared to 13.5% same quarter last year. It's largely because of the volumes, and it's an under-absorption impact on the financial results. Overall, the cost and the margins are in line with our control limits, and we are waiting for the market to grow. Once we start market growing, I think we can -- our EBITDA margin will substantially improve. And we are also working on the long-term objective of how to maximize

the shareholders' interest and improving the overall value to this. With this and a quick update for all of you for the financial results of the company.

And I leave to Sailesh for taking it forward.

- Sailesh Raja:** Yes, Sumit, we can begin Q&A.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Hiranandani from SMIFS Limited.
- Amit Hiranandani:** Sir, could you please explain the steps the company is taking to address segments, particularly in the rapidly expanding Bus segment and Construction Equipment segment? And by when we can see some revenue flowing in from these segments?
- Nagaraja Gargeshwari:** Kishan?
- Kishan Kumar:** Yes. I can take that question. Thank you for the question. We already have pipeline for the two segments that you talked about. The first one being buses, which has been a gap in our product portfolio, we have now identified the product gap and the new products -- the new axle is getting launched Q4 of this year. And the second segment, the Construction. We already have a product which is upgraded now to meet the high HP requirements of the industry. So specifically the tippers where we see high HPs becoming more popular, we have an upgraded product that is getting into SOP in Q3 and Q4 -- between Q3 and Q4. Thank you.
- Amit Hiranandani:** And sir, do we have the confirmed orders for these Buses and Construction Equipment segments?
- Kishan Kumar:** Yes, we have.
- Amit Hiranandani:** Okay. Sir, additionally, we would appreciate if you could provide a general revenue breakdown among the axles, brakes and others because this information will greatly assist us in analyzing and modeling the company more effectively?
- Kishan Kumar:** Do you want me to take it up?
- Ranganathan Sankaran:** No. As a matter of principle, generally, we don't see -- I think we have mentioned it earlier also that axles definitely play a significant role in the overall revenue share of our business. And brakes basically being the low-priced products, definitely and also little bit of -- has a very -- compared to axles, it's very low in terms of the share. To be an indicative, brakes may somehow come to about 10% to 15% of the market share -- total volume share, sorry.
- Amit Hiranandani:** Great. Great. And sir, lastly, are there any plans to release a 5-year growth strategy for the company?
- Ranganathan Sankaran:** We are currently working on it. We have our strategic initiative, which has set in about right from 2012 onwards. And every 3 years, we'll revise that. And we are currently working with the Board for the strategy, and we will come back to you on this soon.

- Moderator:** The next question is from the line of Pradeep Rawat from Yogya Capital.
- Pradeep Rawat:** So my first question is regarding the demand outlook for MHCV both in domestic as well as in the global markets. So can you throw some light on that?
- Nagaraja Gargeshwari:** Kishan?
- Kishan Kumar:** Yes. Thank you, Pradeep for the question. So, this year, we are seeing a degrowth of almost like 5% -- to the tune of 5%, and Q1, Q2 is where most of this will come in. And we are expecting Q3 and Q4 to perform better. And going forward, for the next year, we see the market may remain flat. There may not be a big movement in terms of the volume, but we do expect little bit of change in the product mix. And the global market, Europe is flat as we have seen it, and US is also seeing some slowdown but it is still within our forecasted volumes.
- Pradeep Rawat:** Yes. And what would be the percentage revenue from export, particularly to US and EU?
- Ranganathan Sankaran:** No, we have mentioned it in the earlier calls also. We -- exports overall business, it's more close to the double digits. And we are working on the long-term strategy, how to improve on it.
- Pradeep Rawat:** Okay. Understood. What is the capacity utilization?
- Ranganathan Sankaran:** Sorry?
- Pradeep Rawat:** Capacity utilization?
- Ranganathan Sankaran:** Capacity utilization?
- Pradeep Rawat:** Yes.
- Ranganathan Sankaran:** Okay. So for the current volumes, Nagaraja, you can correct me if I'm wrong. We are close to about 65% to 70% level, 65% level is more or less is what I guess. It will fluctuate. At this moment of time, volumes, this is 65% to 70% level.
- Nagaraja Gargeshwari:** Yes. Just to clarify on that. We are at 70% when you take it for the whole year, even it out. But there are always particular months where our peak capacity is going all the way up to 80%, 85%. So what we have been working on, like Ranga mentioned, we are working on like a medium-term and long-term strategy, 5-year strategy, how we can optimize our capacity utilization and also to balance out the overall capacity where to invest. During the last investor call, we did mention that we are investing close to about INR100 crores in -- update our lines, including gear manufacturing and assembly. So we are -- on an average, we are about 68% to 70% utilization.
- Pradeep Rawat:** Yes. Okay, understood. And what would be the sustainable margin or revenue growth that we can foresee for our company?
- Ranganathan Sankaran:** I'll see that if the capacity happens at 100%, I think we can -- for the whole year, we can go in for about 13%. But of course, as we go on the long term, we are working on a plan how to maximize it and we have various options, we are sorting it out. At this moment of time, if we do the capacity, periodically, though Nagaraja says it's around 68%, 70%, real time, it's probably -

- we can utilize because of the ratios and number of varieties of products and the mix of the products what we have, more or less, the time tested is about -- the utilization will be at 90% to 92% level and so -- in the peak. So if we touch the peak, probably we'll be touching about 13%, here and there marginal variation can be there, but more or less you can take it as 13%.

- Moderator:** The next question is from the line of Muskan Rastogi.
- Muskan Rastogi:** I have few questions. In FY '25, are we expecting LCV industry to perform better than MHCV? And what is our LCV and Bus mix in our product portfolio?
- Nagaraja Gargeshwari:** Kishan, would you take it?
- Kishan Kumar:** Yes. So thank you, Muskan for the question. We don't play in the LCV core segment. So our products are typically 7.5 ton and above. And even though we have some feel for the LCV market, it seems that LCV has growth potential, and there is no reason that I see whether it will outperform the MHCV. Coming back to the specific question on the Bus. Yes, today, we are present only in one specific model of Bus. And with the new product launch that we are planning for Q4 this year, we are hoping to increase our market share in the Bus with the other segment, which we are not present as well. And add to that, on the ICV we have a new brakes that we are launching. So that also gives us opportunity to increase our market share beyond where we are in the brakes today.
- Muskan Rastogi:** Okay. So sir, I'm asking 7 tons to 15 tons and HCV above 16-ton mix?
- Kishan Kumar:** Yes. So the 7 to 19 or 15 tons that space, we have a product. So we are not heavily present there. But the Buses where we are talking about, that is a segment that is our core focus right now. But as far as the 7 to 15 tons, the current product portfolio, that business that we have is comparatively less when you see 15 tons and above.
- Muskan Rastogi:** Sir, in terms of product launches and axles, the company has planned to launch axles above 49 tons, also for 9-meter buses, when do you expect these launches? And who are the existing players in axles for buses? And what will be our USP in axles for buses?
- Ranganathan Sankaran:** Okay. So as I mentioned earlier, the launch timing is between Q3 and Q4, and it is as per the time plan right now. And the USPs will be specifically talking about the bus. It's a noise-sensitive axle that we are launching and also with the higher efficiency which is more critical. And our axles are also EV-ready, which means the same mechanical axles can be used in buses where we have a central driver or remote mount configuration of motor and our axles are capable to manage that duty cycle as well.
- Muskan Rastogi:** Okay. Okay, sir. Are we seeing any competition in brakes business and how many customers do we have in brakes as of now? And also, are we exporting anything in brakes? What are our key USP in brakes if you could help me out with that?
- Management:** Right. Coming to brakes, our predominant focus and the market also is in the drum brake segment. And there are only 2 players. Other than us, there is the competition. So we have 40, 60 or 45, 55 share of market share depending on specific models that we sell in the market. And

we are pursuing certain export opportunities in the brake because the brakes that we have in India are very unique for India. They are all heavy-duty applications which is different in other regions. And we do have a disc brake in our product portfolio, but in Indian market, the volumes are very small and we are expecting it to be small for the next 2 years foreseeable future, but we are ready when the market is up, and we can come up with a strategy for that as well.

Muskan Rastogi: Okay. Okay, sir. And the question, sir, in terms of cost reduction measures, our focus was to improve material and conversion costs. What are the key initiatives that you're taking for the same? And when and how improvement -- how much improvement do we expect in this year?

Nagaraja Gargeshwari: I'll take that. So there are several ways we are looking at margin enhancement. So it could be like what Kishan mentioned, optimizing our product. And then also working with our supplier in terms of improving their productivity, their efficiency, going for lightweighting of parts and also enhance the manufacturing process and improve the yield.

This is something we have been doing it for the last several years. In fact, we started off this initiative way back in 2012. Every year, as you can probably go back and look at our margin enhancement that has happened over the last several years, this is one initiative, which is really kind of helping us. And this is a continuous process, as Ranga mentioned, in spite of revenue drop and then there is a little bit increase in our fixed cost, we are able to offset it through these initiatives. So we have been continuously working on that to answer your question. And then, you'll be seeing it in our margin enhancement or margin sustenance activity.

Muskan Rastogi: Okay, sir. Sir, one last question. 2, 3 years back, we did out key growth plans, like entry into LCV, HCV, Buses segment exports. Share of the business increases -- increased with customers, how has been the growth in these segments as compared to last 3 years? Also in the next 2, what is the focus area to outperform the industry?

Nagaraja Gargeshwari: I'll probably take up the first portion and then Ranga and Kishan, please feel free to do that. So just about for 3 or 4 years ago, or just now Kishan touched upon, our brakes share of business was somewhere around 30% to 35%. And as he mentioned, we have grown it up close to about 40%. And we have a plan to grow it up to 50%, okay.

Sometimes it is little bit difficult for us to tell whether it is going to happen in 1 year or 2 years. But our effort is continuously to increase our share of business. And we are doing it in multiple ways. Like Kishan mentioned, we are launching some new products which gives us a presence in the segment where currently we are not there. So this is the same thing for both the brakes and axles.

Ranga, do you want to add anything to that?

Ranganathan Sankaran: No, see, the product mix, really plays an very important role. And definitely, we are -- as Nagaraja was saying, we always try to -- market days not in our control. Nevertheless, the share of business is what we are really focusing on with the long-term management with our customers.

We are totally focusing today on the quality and the delivery performance because auto industry is more about the delivery on time every time. So that is the area we are constantly working on it. It's always a challenge. There is no kind of milestone we can achieve overnight. So that is one area we are consistently working on to make sure that our share of business is intact and ensure that we capitalize the maximum. That is one thing.

And we have substantially improved over a period of time. That's how the last about 5, 6 years, you see that our consistent performance and focus on the cost as well as the delivery has really enhanced the profitability substantially.

We have come to a stage where we are looking at to take this organization to a next level. We are seriously working on as Kishan was saying about the current gaps in the product portfolios. We are addressing it this year. And for that, we are putting up our strategy to see that how you keep the customers happy with our new valuation of new products as well as our automation of the -- our manufacturing process to ensure that we deliver the products on time. So hopefully, you will definitely see a much more improvement in the share of business on an overall basis in the coming days.

Muskan Rastogi:

Okay, sir. Sir, also one last question. Any update on highway -- on off-highway vehicles access, like any customer additions there?

Management:

Let me take that. The off-highway market in India, the space where we can play a role is relatively small compared to the rest of the world. When I say that if you look at the peak for the off-highway market was around 2018, '19 time and the next peak we are expecting maybe in the 1 year or 12 to 18 months down the line, we will see the peak.

In that high-peak market, our addressable market is only about 40%. When I say 40%, that's mainly because we are in the wheeled applications. And in India, off-highway is more moving towards the tracked application where we do not have a presence even in the global market. We do have products. Some of them are in the pipeline, some of them are in the development stage, but we are really watching it closely because there is also a possibility some of the off-highway may even move to EV.

So we are constantly monitoring the market what is happening. And we are evaluating whether we have the right to play considering there is a change in the segment and more and more tracked applications are becoming more popular in the year. And the only one segment where we see growth in the Backhoes and that is predominantly vertically integrated to the OEM, which is the highest share of business today. So this is our view, and we are constantly monitoring that.

Moderator:

The next question is from the line of Sunil Kothari from Unique PMS.

Sunil Kothari:

Yes, sir. So this first quarter, sir, degrowth compared to last year's first quarter, is mainly what volume degrowth or some price reduction because of lower raw material costs, if you can say some detail?

Ranganathan Sankaran:

No. See, the overall, and Kishan was saying the initial thing, overall, we see the market last year is about 425,000 level. And as of today, this financial year, '24-'25, we are expecting about 5%

to 6% down overall for the year. So when it comes to generally the first quarters, I know, the volumes are -- we are seeing is substantially low. And we expect it to do well with Q3 and Q4 to reach to the 400,000 vehicle level. So what you see in this quarter maybe this quarter, but overall for the year, we may -- in the last 2, 3 quarters, maybe do well. So and -- as far as your commodity prices are concerned, that has a plan, but I don't think it's very significant. So that shows a degrowth on the top line. So it's hardly about 1%.

Sunil Kothari: Sir, sir, our major customer, Ashok Leyland has grown almost 10% year-on-year this quarter, and we grew 7.5%. So just trying to understand what are any market share we lost or what has changed? Because we are very highly dependent on Ashok Leyland. That's what I'm trying to understand.

Kishan Kumar: Yes, I can take that. So your observation is right, and that is exactly why our product strategy is towards buses. So Ashok Leyland, our largest customer, they have done exceptionally well in buses. They are the #1 when it comes to in the Bus segment. They have this, right? And that is where we had a lower share of business with them because of this product mix stage. And that is exactly where we are coming up with this new product launch in the Q1 -- Q4 of this year, which is, again, where most of the buses are expected to be in the market. So that's exactly what you have observed and what we are trying to fill the gap.

Sunil Kothari: Okay. And sir, last question is, since long, we are now associates of Cummins also at a parent level. So any change, any product range for maybe development or exports or outsourcing? Anything do you see happening for us because of Cummins ownership now?

Ranganathan Sankaran: Generally, I'd say, at this moment of time, as we had mentioned in the previous call, the product lines are different. I think Kishan can add more. We are working with the customers along with Cummins to see that some of the areas where you're not present and how to begin the journey with them. It's a very -- it's a kind of long-haul journey. So -- but definitely, that collaboration, we are working together, but some of them is about -- may not come in the very short term.

Kishan, do you want to add something more to it?

Kishan Kumar: Yes. In addition to that what Ranga said, we do not have the same product range, but there are complementing applications. So for example, a specific application, we can have a complete powertrain diesel transmission and axle and see what value it brings to the end customer, efficiency and all other application-related, duty-cycle related improvements that we can do as a whole system. So that is something we are evaluating and working with 1 or 2 OEMs on that. But like Ranga said, it's a long stretched process. It is a combination of both the worlds that we are trying to bring together.

Moderator: The next question is from the line of Deep Shah from Yes Securities India Limited.

Deep Shah: Sir, just a clarification on the MHCV industry growth rate that you had mentioned. I just missed IT. So you said it's expected to be 5% to 8% decline. Is it for FY '25?

Ranganathan Sankaran: Yes. Compared to last year, we are expecting 5% lower volumes this year.

- Deep Shah:** Okay. And the one question related to that is, since we are launching 2 to 3 products somewhere in the second half of this financial year. Let's say, if industry expected to be let say flat in FY '26, what kind of an outperformance do we expect because of the new launch, et cetera?
- Ranganathan Sankaran:** Yes. With the launch of new products, we are trying to protect our vulnerability. For example, buses are expected to be more because during the COVID, we had a shortfall of buses and there are more bus that is expected, right? That is exactly why we want the product in that segment.
- Even on a flat volume, the product mix usually hurts us, and that is what we have seen in the previous quarter. And to be able to manage that is where the new products are coming in. The second example is the ICV brakes where we are not present today. But that's again a product mix challenge. That's why we have selected that as a new product entry. Irrespective of what the volume is or how the market behaves, we should be able to have or protect our share of business with -- even with that product mix.
- Deep Shah:** Okay. And sir, with the launch, especially on the bus side that you just mentioned, which is expected to be somewhere in FY '25. Are we going to be, let's say, 50% share of business from day 1? Or how it is going to be, you can throw some light there?
- Ranganathan Sankaran:** It's going to be incremental, but our aspirational target is to reach at least 20% to 30% over a period of 6 to 12 months. And a lot of other things depend on that. It depends purely the segments -- like, for example, if they are EVs, the tenders will be depending on the type of bus. And the number of buses will be, again, going back to the 9 meter or 12 meter, depending on that, we will have a right to play. More than anything, we will have a right to play with the products that we have.
- Moderator:** The next question is from the line of Pradeep Rawat from Yogya Capital.
- Pradeep Rawat:** Sorry, I just missed that. What are the revenue expectation that we are having from the new products that we are launching that is expected to launch in third or fourth quarter?
- Kishan Kumar:** Pradeep, the launch?
- Pradeep Rawat:** Yes, the launch in fourth quarter.
- Ranganathan Sankaran:** Kishan, just a minute, sorry. I'll just give you a preamble to it and Kishan can add value. See, the product launch is going to happen definitely in terms of -- as a new product cycle may start with a very humble beginning. And hopefully, that what Kishan said, it can do well in the coming days. And in terms of -- we are in the final stages of pricing with customers. So indicatively, the volumes Kishan will be able to indicate to you. Yes, Kishan?
- Kishan Kumar:** So like Ranga said, the launch in Q4 and then ramp up, depending on that, the full potential we will hit probably by Q2, Q3 of next year, probably by Q2. And current forecast for this segment of Buses, it's about INR1,500 to INR2,500. Again, these are all tender base, so which can change overnight.

And we don't expect 100% share of business in this segment. There is always competition, so we are displacing competition. So I would say, about 30% to 40% in that segment is what we are aiming for. And like Ranga said, based on the pricing that we settle, the revenue will be equivalent of that.

Pradeep Rawat: Yes. So you are saying that the market sale is INR1,500 crores to INR2,500 crores and you are targeting for a 30%, 40% market share?

Ranganathan Sankaran: In this new product launch, which is around 1,500 to 2,500 buses, I'm talking about the current visibility of the tenders that is in pipeline, which is where all the OEMs will start participating.

Moderator: The next question is from the line of Rikin from Jinay Securities.

Rikin: Sir. Can you throw some light on your capital expansion plans for FY '25 and '26?

Ranganathan Sankaran: Nagaraja?

Nagaraja Gargeshwari: Yes. So is my understanding correct that you're looking at this year and next year?

Rikin: Yes, sir, true.

Nagaraja Gargeshwari: Yes. Together, we'll be looking at close to about INR100 crores plus, and we already got an approval from the Board. This is, again, mainly we'll be investing in upgrading our housing value stream and also gear manufacturing. These are the two areas where we will be investing.

Rikin: Okay. And anything related to defense products, which we have right now in our portfolio?

Nagaraja Gargeshwari: At this point of time, we don't need any additional investment in the defense product because whatever the investment we are doing, that can be leveraged for the -- all the products. So we are trying to make our lines so flexible so that we should be able to utilize these new capacities or capabilities for the defense products as well.

Moderator: The next question is from the line of Amit Hiranandani from SMIFS Limited.

Amit Hiranandani: Sir, most of the questions have been answered. Just wanted to understand the significant increase in the other income. What is the reason for this?

Ranganathan Sankaran: Okay. I'll take this question. Amit, this is like this. If you see the balance sheet, probably, the March also, we have substantial cash in hand, okay? We are trying to maximize the return on the surplus cash, and that's how you see the increase year-on-year.

Amit Hiranandani: So this run rate is -- will sustain for the coming quarters as well?

Ranganathan Sankaran: It depends on the capex investment, right? So we are working on that. As Nagaraja said, we are working at about close to INR100 crores. Still, we've not decided that we have to borrow or use the internal surplus cash. So most likely shortly, we may take the call. But if the capex utilization is out of the cash, obviously, to that action, you may not get the benefit of the top line.

- Amit Hiranandani:** Okay. Sir, 2 more bookkeeping questions. One is the exports growth for quarter 1 and the brakes business growth for the first quarter?
- Ranganathan Sankaran:** Export. See, export at this moment of time, we are sustaining it at the same level as compared to last year, if I'm not mistaken. And what's the other question, you said?
- Amit Hiranandani:** Brakes business, growth in the Brakes business?
- Ranganathan Sankaran:** I think your question is already addressed. Nagaraja has already addressed it. We are closer to the 40% level, and we are working on a long-term strategy to be between 45%, 48% level of market share, that's the long term. Today, we are close to about 37%, 38% level of the market share. And that will continue for some more time as we go along with the strategy, we are working on a long-term strategy of getting around close to 50% -- 48% to 50% level.
- Amit Hiranandani:** So sir, when we say this market share of 40%, so this is for the M&HCV brakes, we are not at to date present in the ICE segment?
- Ranganathan Sankaran:** Nagaraja?
- Nagaraja Gargeshwari:** Go ahead, Kishan.
- Kishan Kumar:** Yes. Currently, the majority of our products, brake products, right, they are in M&HCV. So the new product, ICV brakes that we have been talking, that's where we are trying to gain the additional market share. And that is the market which is also seeing the growth. And our product is in the validation phase and will be ready for launch in the next quarter.
- Amit Hiranandani:** And sir, lastly, are we doing something on the electric buses side? Anything? Any new products?
- Nagaraja Gargeshwari:** We already have axle, which is being utilized for one particular vehicle segment, as Kishan mentioned, the new product what we are going to launch in the Q4, that essentially will open up more opportunity for us for other potential segments.
- Amit Hiranandani:** Okay. So we have a one product already productionized you're saying?
- Nagaraja Gargeshwari:** Yes.
- Amit Hiranandani:** Okay. And any more plans to expand? Because this is a hot segment and growing very fast.
- Nagaraja Gargeshwari:** Kishan, you want to take that?
- Kishan Kumar:** Yes. So coming to electric buses, if you really look at the current configuration and probably the OEM strategy is to stay with the central dry or remote mount configuration, which means, all these configurations will need mechanical access, which we currently are making. And the only difference being we are making it more EV-friendly for the duty cycles. So our actions are actually fuel agnostic. So whether it is CNG, LNG, diesel, petrol or electric, our axles are capable to manage all those duty cycles. The new axle that we are launching is exactly with the same approach, where we want that to be more optimum and efficient for an EV application. Anyway, it will cover the diesel world as well.

- Amit Hiranandani:** Great, sir. Sir, lastly, if I can put in one question. Basically, I wanted to understand the midterm growth outlook for the M&HCV industry looking at the stable government policy. So FY '25, we already know that it's going to be flattish. But what would be the 2, 3 years' prospects for the industry, please?
- Nagaraja Gargeshwari:** Let me give you a perspective looking forward 3, 4 years, probably -- if the question -- I will take the question in a different way, when is our next peak. So probably the next peak will be around 3, 4 years down the line. The reason is, the trend in the market is to higher HP, higher tonnage vehicles, which means, if you really look back 2018 peak and today, with the lower number of vehicles, we are still managing the trucking load-carrying capacity. We are up at 8.7 trillion capacity at a 400,000 level market. So with the GDP and all other indicators being positive, we expect next 3 to 4 years, we will see the next peak for M&HCV.
- Moderator:** The next question is from the line of Muskan Rastogi.
- Muskan Rastogi:** Sir, I wanted to ask like revenue potential from the investment and -- what's the revenue potential from investment in gears manufacturing? And what is the payback period that you're looking? Is this like differential gears?
- Ranganathan Sankaran:** Nagaraja?
- Nagaraja Gargeshwari:** Okay. So there are a few things out there like what just now I think, Kishan, was mentioning, we are kind of investing in 2 areas. One is obviously to enhance the auto, I would say, that more like a technological upgrade, productivity improvement, which also gives us a kind of a capacity enhancement. What we are trying to do that is be ready for those peaks which Kishan was telling next 3 to 4 years' time. So obviously, when we go ahead and invest, we always look at kind of a medium-term anywhere between 2 to 4 years, the return on investment will be coming. But this is necessary because if we don't invest now, we will not be ready for meeting the peak requirements, which will be coming in the next 3 to 4 years down the road.
- Muskan Rastogi:** Okay, so what's the value content per vehicle for this gear product?
- Nagaraja Gargeshwari:** Ranga, I think probably you want to take that?
- Ranganathan Sankaran:** What's the question?
- Muskan Rastogi:** Sir, like I asked what's the revenue potential for the investment gears in manufacturing, which you answered and the payback period? So are these differential gears? And what's the value content per vehicle for this gear product?
- Ranganathan Sankaran:** Value content of the vehicle?
- Muskan Rastogi:** Yes.
- Ranganathan Sankaran:** Nagaraja, I don't think I can answer that question.
- Nagaraja Gargeshwari:** Yes. No, again, just to clarify that it's not just in the gears. It is also in the housing. So we are investing in all the critical value streams of our this one. So because we don't sell one particular

part now, we always sell it of the -- as a product. It is difficult for us to bifurcate into investment related to different components level.

Muskan Rastogi: Okay. Okay, sir. Sir, one last question. On exports, non-Meritor side, do you see any customer addition in next one year? Like last 2, 3 years, we didn't hear any customer addition from this non-Meritor side?

Nagaraja Gargeshwari: Kishan?

Kishan Kumar: Yes. So let me understand what -- when you say customer, I just wanted to understand what is your definition of customer?

Muskan the question was, if I understand right, when you say customer...

Muskan Rastogi: Non-Meritor.

Management: Yes, all our export is to other Meritor sites. And currently, we already have 40% business with North America, about 30% is Europe, Australia, about 10%, and South America, we are working with them. So this -- and of course, China is there, we supply some components to China. This actually covers all the different regions where Meritor is present. So we are actually working with everybody as of now.

The further area of scope, scope of improvement for us is to increase the content. That is what the pipeline that we're working on. But in terms of customers, we already cater to almost every site of Meritor globally.

Ranganathan Sankaran: Kishan, the question is, I think what she asked is, other than group companies, we have added UD. Other than UD, any options are there is the question.

Kishan Kumar: Okay. Sorry, that's what I was trying to understand. At present, no. It's -- right now, we operate through the other Meritor locations. And at present, we don't see that changing other than what we have achieved.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Sailesh for closing remarks.

Sailesh Raja: Yes. Thank you all for attending the session. We especially thank the Automotive Axles team for their time. Nagaraja sir, would you like to make any closing comments?

Nagaraja Gargeshwari: Yes. Thanks, Sailesh. Again, to all our investors, again, thank you very much for calling into this conference. And then please feel free to give us the feedback. I know that there are certain things as a policy, we are not sharing, especially in terms of specific segment revenue and things like that. But otherwise, I'm sure that the entire team has answered your question to the best of our knowledge. Thanks again for your continued support. So we'll again meet up with you for the next quarter. Thank you.

Moderator: On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.