Date: August 1, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001
Scrip Code: 544022

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block - G, Bandra
Kurla Complex, Bandra (East),
Mumbai - 400 051
Symbol: ASKAUTOLTD

Sub: Transcript of Investors/analysts Call – Q1 FY 2024-25 Unaudited Financial Results

Dear Sir/Madam,

Pursuant to the requirement of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of Investors/analysts Call organized on July 29, 2024 post declaration of Unaudited Financial Results of the Company (Standalone & Consolidated) for the quarter ended June 30, 2024.

The same shall be available on our website i.e. www.askbrake.com.

This is for your information and records.

Thanking you.

Yours Faithfully,
For **ASK Automotive Limited**

RAJANI SHARMA
Digitally signed by RAJANI SHARMA
Date: 2024.08.01 17:55:55 +05'30'

Rajani Sharma
Vice President (Legal) Company Secretary
& Compliance Officer
Membership No.: ACS14391

Encl: a/a

"ASK Automotive Limited Q1 FY25 Earnings Conference Call"

July 29, 2024

MANAGEMENT:	**MR. PRASHANT RATHEE – WHOLE-TIME DIRECTOR, ASK AUTOMOTIVE LIMITED** **MR. AMAN RATHEE – WHOLE-TIME DIRECTOR, ASK AUTOMOTIVE LIMITED** **MR. NARESH KUMAR - CFO, ASK AUTOMOTIVE LIMITED** **MR. SANJEEV ARORA – VP (FINANCIAL STRATEGY & INVESTOR RELATIONSHIP), ASK AUTOMOTIVE LIMITED**
MODERATOR:	**MR. BASUDEB BANERJEE – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to ASK Automotive Q1 FY25 Post Conference Call hosted by ICICI Securities.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Basudeb Banerjee. Thank you and over to you, sir.

Basudeb Banerjee: Thanks to the management of ASK Automotive who gave us the opportunity hosting the call. Management is represented by Mr. Prashant Rathee – Whole-Time Director; Mr. Aman Rathee – Whole-Time Director; Mr. Naresh Kumar - CFO and Mr. Sanjeev Arora - VP Financial Strategy & Investor Relationship.

And before the call begins, I would like to let the audience know that Mr. Kuldip Singh Rathee - Chairman and Managing Director, suffering through fever for last one day and that is why not able to join the call unfortunately.

So, without wasting any time, over to the top management of ASK Automotive.

Prashant Rathee: Good evening, ladies and gentlemen. I am Prashant Rathee - Executive Director of ASK. It gives me immense pleasure to connect again with all of you today to update you on our Business Performance for the 1st quarter ended June 30th, 2024.

I would like to begin by giving some insights on the Indian economy, followed by the industry update and thereafter our business performance.

I continue to firmly believe that we are in the midst of exciting times, both as a country and as an industry. Amidst the prevailing global uncertainties, Indian economy continues to exhibit remarkable resilience. The Indian economy has grown steadily at a rate of 7% in last 3 consecutive years and is forecasted to grow at a similar pace in FY24-25. The RBI recently projected GDP forecast of 7.2% for the year FY25. The recently announced budget by the Government is a growth-oriented budget reflecting policy continuity and stability.

We see several positive initiatives which are aimed at strengthening, manufacturing infrastructure development and employment creation in India. Some of the initiatives which are significant to auto and auto component sectors are allocation of Rs. 11.11 lakh crore towards the capital expenditure for development of infrastructure. This is likely to have multiplier impact on economic growth and employment creation. Similarly, allocation of Rs. 2.66 lakh crore for the rural development is likely to increase rural per capita income and rural spending, thereby positively impacting the two-wheeler industry. Allocation of Rs. 3,500 crore for the production linked incentive for the auto and auto components sector and retained allocation of around Rs.

2,700 crore for FAME India incentive is likely to support the growth of the auto manufacturing specially two-wheeler EV in India. Also, exemption in the custom duty on import of lithium and cobalt etc., is also likely to lower the battery production cost and help in making EVs more affordable which will indirectly propel the growth of the EV sector.

In nutshell:

The combination of a strong domestic demand, particularly bounding of the rural sector, improving private consumption and government's continued thrust on the capital expenditure is expected to bolster the economic growth of the country. This we see as a very positive news for businesses across all sectors in India. We at ASK are committed to harness these opportunities to drive our business growth in future.

On the industry update:

India has positioned itself as a global automotive hub and automobile industry is one of the primary drivers of the growth of the Indian economy accounting for 35% of the manufacturing GDP and around 6% of the total country GDP. Notably, India is the largest producer of three-wheelers, the second largest producer of two-wheeler and third largest producer of passenger automobiles. As per SIAM report, the automobile sector across segments grew at 16% in Q1 FY25 against the same quarter last year.

Amongst all sectors, the two-wheeler segment was a star performer, which exhibited a considerable growth in the vehicle production of 19.6% in Q1 FY25 on year-on-year basis. The two-wheeler industry registered robust vehicle production volume of 5.9 million in Q1 FY25 against 4.9 million in the same quarter last year. The strong demand momentum in two-wheeler segment was fueled by positive market sentiments, pent-up demand from the rural sector and enhanced model availability from two-wheeler OEMs.

Overall, a positive outlook on the country's economic growth, growth-oriented budget, reviver of the rural spending, buoyed by better than normal monsoon forecast and coming festive season. The two-wheeler segment is expected to maintain the growth momentum in the remaining part of the year. This in turn is likely to provide significant growth opportunities for ASK in FY25.

Moving on to the ASK business performance:

We continue to deliver a robust performance in our business in Q1 FY25. I am delighted to share some good news with you today. First, during Q1 FY25, we delivered a strong growth of 31% in revenue, 59% in EBITDA and 63% in PAT year-on-year basis. This is the highest ever revenue and PAT earned by us in any quarter in the past.

Secondly, we have yet again outperformed the two-wheeler industry growth on year-on-year basis in Q1 of FY25.

Thirdly, as guided you in our last call on our target to deliver an 11.5% EBITDA margin, we have achieved the EBITDA margin of 11.9% in Q1 FY25, which is 210 basis points higher than the Q1 FY24 and 100 basis points against Q4 FY24. Such improvements in the margin are mainly driven by better economies of scale due to higher volumes, benefit from the ramp up of production at our new Karoli facility and our continued focus on cost optimization initiatives. As we move forward, our aim is to sustain this level of EBITDA margins and improve gradually in the subsequent quarters.

Let me now go into further details of the performance on both the revenue and margin side:

In Q1 FY25, we recorded a consolidated total income of Rs. 865 crore against Rs. 658 crore in the same quarter last year, thereby posting a 31% growth year-on-year. All the three product segments continue to perform well in Q1 FY25. We have sustained our market leadership position in the Advanced Braking System with 26% year-on-year growth. In line with our strategy, the Aluminum Lightweighting Precision Solution segment (ALPS), revenue recorded significant growth of 39%. The ALPS segment is now our biggest segment contributing 45.3% of the total revenue of our company.

Our third business vertical, Safety Control Cable also posted a strong growth of 33% in Q1 FY25 with increasing revenue in all three channels, namely OEM, OES and independent aftermarket.

On the profitability side:

We have a strong start of the year with EBITDA in Q1 FY25 at Rs. 103 crore against Rs. 65 crore in the same quarter last year thus posting a growth of 59% year-on-year. We have achieved a PAT of Rs. 57 crore in Q1 of FY25 against Rs. 35 crore in the same quarter last year recording a significant growth of 63% year-on-year. As a result, our EPS for the quarter has increased to Rs. 2.88 against Rs. 1.77 in the same quarter last year, depicting 63% growth year-on-year. Our credit rating by CRISIL has been refunded to A1+ for short term and AA- for the long term. The good news is that CRISIL has revised our outlook to positive from stable. This is a testimony of the strength of our business and its future growth prospect.

A quick update on the status of the expansion plans of our production facility:

Our CAPEX spend for Q1 FY25 was at Rs. 80 crore including investment of Rs. 35 crore in our upcoming solar plant in Sirsa, Haryana. We are waiting for the last mile approval from the government authorities for commissioning of this solar plant. Our Karoli plant is now ramping up well and has started to reap the benefits of economies of scale with increased production. Regarding our new upcoming plant in Bengaluru, the construction work at the facility has started and is progressing well as per plan. We expect the new plant to be operationalized in Q4 FY25. We are hopeful of outperforming the industry growth in the subsequent quarters of FY25. We are committed to keep contributing towards the value creation for our stakeholders and investors.

Now, with this, I open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is on the line of Kunal from Kitara Capital. Please go ahead.

Kunal: I have two questions, one regarding more than 30% growth in sales, as industry has grown about 15%, we have grown this much due to growth in individual segments, I agree. But I just wanted to ask is it due to the increase of share in business of some players or we have onboarded new players?

Aman Rathee: So, just to give you a brief, the industry has also grown at 19%, but yes, you are right, we have outgrown the industry and the main contributor has been both that we have with the existing customers also there were some pipelines which has started the business and also acquisition of new customers. Both have contributed and the major growth which we always mention that aluminum is our sunrise sector. So, there our growth has been more than the other segments.

Kunal: I wanted to ask the share of revenue of top 5 customers last year versus this year?

Aman Rathee: Share of revenue of the top three customers are actually contributing a huge percentage in the overall industry also. So, as you can see that, Hero, TVS and HMSI, the industry itself is a big portion of that, yet we have also grown in the same lines.

Kunal: So, how much it was same quarter last year versus this quarter if you can share?

Aman Rathee: That is something we have to come back to you.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: Sir, my question like now we have done very well, but what our expectation going forward from here onwards, like we will maintain this EBITDA margin, but on the growth side will we exceed the expectation. So, what are our expectations from upcoming quarters and year?

Aman Rathee: As we mentioned in the last call also that we are very optimistic that the positive momentum is there in the industry. And we had mentioned in our last call that we will be improving the EBITDA margin by 100 basis points. This has been a very good quarter for us and we are very hopeful that with this momentum we will maintain and sustain the current EBITDA levels which are inching towards our historical EBITDA numbers of 12% to 13%.

Jyoti Singh: And sir, any active discussion in pipeline to add more customer?

Aman Rathee: Yes, so as we told you in the last call also that we have a very strong focus on the export side also and we are moving in the right direction and we have also already established some products and some orders from our customers which will come in the pipeline as it goes into mass production.

Prashant Rathee: And we keep looking for new customers and with the existing customers, we keep on adding our baskets of new products. So, this is how we are able to beat the industry growth.

Jyoti Singh: But sir, currently we are only approx. 4% on the export side. So, are we targeting to increase it further?

Aman Rathee: Yes, surely as we told you in the last call also that we have a very strong focus towards exports and exports is one area where we are focusing very closely and we are moving in the positive direction and we hope that exports contribute 10% of the total revenue over a period of 5 years. So, that is our target and we are moving in the right direction.

Moderator: Thank you. The next question is from the line of Dhvij Patel from Finterest Capital. Please go ahead.

Dhvij Patel: So, I actually had two questions, but one on the export side, which is already answered by you. There is something else I wanted to understand. Since we are setting up a 9.9 MW power plant for solar consumption, so how much of an electricity cost will we be saving?

Aman Rathee: So, you are right with our focus on ESG, this is a group captive plant which we are setting up in Sirsa. It is in the final stage of commissioning, and we feel that we will reap the results of these. It will not only contribute in terms of cost savings, but also it will make sure that our ESG score is also good and during the investment period only we were very clear that we are looking at a 5-year payback for this investment. The investment that has gone is Rs. 48 crore in this.

Moderator: Thank you. The next question is from the line of Sanidhya from Unicorn Assets. Please go ahead.

Sanidhya: Sir, firstly on the margin side, so can you guide me on what led to the higher margin?

Aman Rathee: So, basically, Sanidhya with the results which have come is also leading by the economies of scale which we have achieved. So, there were economies of scale which has directly impacted the manufacturing cost as well as the manpower cost. And also because of the growth momentum, we saw that the economies of scale accelerating that growth. So, these were the numbers and also because of the Karoli plant, which has now become operationalized and that is another reason for better margins.

Sanidhya: In the last concall, Kuldip sir was highlighting that the Aluminum segment has a slightly lower margin and export has higher margins, but if I look at the current quarter's market share, so export has gone down, aluminum has gone up still we are able to maintain our higher margin and the only thing really changed is the OEM ICE share in the total revenue. So, is it that the ICE market has a higher margin than the others?

Aman Rathee: So, it is not the case, however, if the exports had gone up the same way, then the results would have been even better. That is all I can say.

Sanidhya: And any particular challenge you are facing in terms of export because Y-o-Y the number is down, quarter-on-quarter, the number is down, if you compare to last year the number is down.

Aman Rathee: Yes. So, that is a very good observation. And here I would like to highlight that it has gone down as compared to the Q1 of last year. However, we have grown from Q4 and this was already anticipated because two of our prestigious customers from US, they had already informed us that they are in the process of inventory correction. So, it has gone according to our budget, however, we were already told that they are going through that correction phase. That has already happened and now from the last month itself, we have seen the volumes picking up again.

Sanidhya: Also sir, could you guide me regarding margins in the particular product segment and also on the like domestic market margin versus export margin?

Aman Rathee: On the product side, it is very difficult to do that, but yes on a segment wise, export is surely much better margin than the domestic market.

Sanidhya: So, I wouldn't need the absolute numbers, maybe you can just guide me on a broad basis that ABS has particular mid-teens or what kind of margins emerge and whereas aluminum products have different?

Aman Rathee: I would love to do that, but again it is very specific to customer, it is very specific to product line, the criticality of the product, the engineering involved in the product. But yes, I can tell you that it is better than the domestic.

Sanidhya: And any new clients we are acquiring on the electronic vehicle side because I could see that the ICE contribution is significantly higher in terms of the end-usage of the client?

Prashant Rathee: In EV, actually if you see there is no new entrant in the market. But what we are doing is increasing our content for vehicle with our existing customers that we are doing in a continuous process.

Sanidhya: Any new products we are developing for the EV?

Aman Rathee: Yes, so just to give you a brief idea that in EV, as you know, the aluminum usage is increasing and the lightweighting and heat management are very critical in terms of the overall efficiency of the battery of the EV vehicle, so there through our engineering, we were able to do a lot of migration of some of the products and doing lot of critical products because of which our content per vehicle in EV is higher. So, that has resulted and that is why we see good potential in it.

Sanidhya: What I am saying is, if you see the aluminum product segment, the contribution from that overall in the product segment has increased whereas if you see the electronic vehicle segment, the contribution from that has decreased, so couldn't understand that because most of the aluminum products would be going to the electronic vehicle segment, whereas the electronic vehicle channel has decreased the percentage share?

Prashant Rathee: Some developments are actually in the pipeline, which we are mentioning, and they will further enhance, and you will see that changing with the numbers.

Aman Rathee: So, in the next quarter and the other quarter, you will see that actually, EV as an industry is also evolving. So, you will see some new models also coming from some of our very prestigious customers.

Prashant Rathee: And the developments which we have for those models will materialize in the coming quarters.

Sanidhya: Should we see this number more on a year-on-year basis versus specific quarter basis?

Aman Rathee: Yes, that can be one of the conclusions.

Moderator: Thank you. The next question is from the line of Joseph George from IIFL. Please go ahead.

Joseph George: Just couple of questions. One is you know that aluminum prices have moved up substantially to $2,100 per ton for a long time, 6-8 quarters, now it has moved to the band of $2,400 to $2,600. Just want to understand how that has impacted your business in the 1st quarter? Did you have low-cost inventories in the past and hence are we likely to see any impact in the second quarter or is it that the high cost inventory has hit the P&L, but you got price escalations from customers and as a result that was mitigated?

Aman Rathee: I would just like to mention that first of all, inventories are very low in our case. We already do mostly just on time basis. When it comes to the increasing alloy rate, as we had mentioned before also that we are fully hedged with our customers, and we are doing back-to-back. So, there is no impact of the increasing aluminum.

Joseph George: Just one follow up question. Could you give the CAPEX guidance for this year?

Aman Rathee: So, in terms of CAPEX, as we mentioned already that we plan to make the Bangalore plant operational by Q4 FY25.

Joseph George: I just wanted to understand what is the amount of CAPEX that you expect this year from a cash flow perspective?

Aman Rathee: Approximately Rs. 250 crore to Rs. 300 crore for the whole year

Moderator: The next question is on the line of Naveen Kumar from Narnolia Financial Service Limited. Please go ahead.

Naveen Kumar: I have a couple of questions. First one is that in your press release you mentioned that the auto two-wheeler industry grew by roughly 20%. So, is this momentum going to continue? Are we expecting 20% growth in FY25?

Aman Rathee: So, the industry has grown by 19%, but yes, it also includes a base of the last year which has been less. But yes, the industry is growing, there are positive signs in terms of that momentum, in terms of monsoon, but in the long run we feel that the industry will grow at around 7% to 8%.

Naveen Kumar: 7% to 8% in the long term?

Aman Rathee: It is the usual trend in the past also.

Naveen Kumar: Sir, one more question on the export side. We have seen that the revenue has declined in this quarter and that you already mentioned that this is because of inventory corrections, how are we seeing the next couple of quarters panning out?

Aman Rathee: So, the next couple of quarters, again, as I told you that it was a particular case of two of our prestigious customers who wanted to correct their inventories and June onwards only we have seen the trend coming back and in the next quarter you will see a growth there in that segment. A lot of things which are in the pipeline will also come into mass production, which will further enhance the export growth and export is a very strong focus area for us. So, you can expect good growth in exports in the coming years.

Naveen Kumar: And couple of questions related to our JV, if we see our share of JV, it has come down to Rs. 1.3 crore in this quarter that was close to Rs. 10 crore in third quarter of last financial year. So, is this number going to increase or it will remain closer to that?

Aman Rathee: So, JV also is progressing well. However, in case of joint venture also the same phenomena happened because of the exports getting little impacted. That was because of again the same thing, not just the customer but also availability of the shipments which were because of the supply chain disruptions and Israel-Gaza war. So, because of that, there were some concerns, but we are progressing very strongly in the OEM segment where our share of business is also increasing. So, we are seeing those momentums and I feel that the end of the year will be as planned.

Naveen Kumar: And sir, one more question related to basically the update on AISIN. In April you have done contract with AISIN for aftermarket, any update on that?

Aman Rathee: We have applied, we have got the name registered. The company is under incorporation. So, we are progressing in the same way and as per the plan and we hope to have something ready in the Q4 FY25, where we will be launching under the AISIN and ASK brands.

Moderator: Thank you. The next question is from the line of Jainis Chheda from Spark PWM Private Limited. Please go ahead.

Jainis Chheda: I have a few questions. One is on how much of the Rajasthan benefits are taken into consideration in the current margins or if any?

Aman Rathee: So, there are no margins have been taken in terms of the subsidy from Rajasthan in this quarter.

Jainis Chheda: And what will be our current capacity utilization excluding the new plant and including the new plant?

Aman Rathee: So, Karoli plant has come to almost 40% capacity utilization and then every quarter you will see better and better utilization.

Jainis Chheda: And overall, what will be the capacity utilization of the organization level?

Aman Rathee: So, organization level, I would say all plants are almost full except for the Karoli plant where you will see quarter-on-quarter increase in terms of capacity and now with our new Bangalore plant also coming in the Q4 FY25. There also, you will start seeing some capacity utilization from Q4 FY25.

Jainis Chheda: And in spite of dip in the export, the margins are at roughly 11.5%, so once exports again start picking up, do we see your margin expansion going forward or it will be somewhat at current levels only?

Aman Rathee: As I said, yes, If exports were good, then the percentage would have been even better. But yes, our focus is to sustain these EBITDA levels and come to our historical range of around 12%.

Moderator: Thank you. The next question is from the line of Jaiprakash from Korman Capital. Please go ahead.

Jaiprakash: Just a couple of questions, what is the two-wheeler contribution in your revenue?

Sanjeev Arora: It is about 80%-85%.

Jaiprakash: And the second question is sir, on the order book side. Do you have any order book which you have in terms of revenue visibility and in terms of capacity when you set up a plant, how do you really visualize the capacity required?

Aman Rathee: So, in terms of order books, we have little bit of clarity in terms of our customers and their growth and the product line and when we set up the plant, typically our turnover ratio is 1:2. So, for any kind of a growth of around Rs. 600 crore, we always look at a CAPEX of about Rs. 300 crore and that is how we plan. And that is why this year also you will see a CAPEX of around Rs. 250 to Rs. 300 crore for this year, which will take care of our growth for the next year with our Bangalore plant as well as full utilization of our Karoli plant.

Jaiprakash: And Bangalore plant will be fully utilized by FY26?

Naveen Kumar: We will be catering to the customers in the South and we are hopeful that it should reach capacity levels very fast.

Moderator: Thank you. The next question is from the line of Sanidhya from Unicorn Assets. Please go ahead.

Sanidhya: Sir, just a follow up, what the inventory level for the current quarter?

Aman Rathee: So, the inventory level, Sanjeev can answer.

Sanjeev Arora: So, historically we have an inventory in the range of about 23-24 days of time and that is the way we have been managing our inventory. So, for the quarter, we have been at about 24-25 days only.

Sanidhya: And the working capital?

Sanjeev Arora: Working capital overall has been in the range of about 19 days or so for the quarter, which is one of the best in the industry.

Sanidhya: Can I get the figure in INR?

Sanjeev Arora: Overall, working capital is close to about Rs. 170 crore.

Sanidhya: Including the inventory?

Sanjeev Arora: Yes, that includes inventory, receivables, net of payments.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets. Please go ahead.

Jyoti Singh: My question is on the promoter holding side as currently promoter is holding 85%. So, what is your view on that side? Are we planning in the near term to reduce it or how we are focusing on it?

Aman Rathee: Yes, so basically we have diluted 15% and for the next 10% as per the SEBI guidelines, we still have around 2 years to dilute it. We will keep in mind our stakeholders and others in view and we will surely inform you as and when we descend.

Moderator: Thank you. The next question is from the line of Shubh from RatnaTraya Capital. Please go ahead.

Shubh: I had just one question, sir, on the 12% or 13% EBITDA margin guidance that we have or at a sustainable basis, do you also consider the government subsidy in those margins or it is over and above that?

Aman Rathee: So, first of all, I would just say that yes, we are committed to sustain a level of around 11.5% to 12% which we promised you and this currently does not take into account any of the subsidies; however, we do foresee the subsidy to start around November for the year.

Moderator: Thank you. The next question is from the line of Riham Goel from Spark PWM. Please go ahead.

Riham Goel: I have two questions. One is, what is the current debt level and are they expected to go up?

Naresh Kumar: Our overall current level as on 30th June is Rs. 378 crore including short term and long term.

Riham Goel: And are you planning to declare dividend by the end of the year?

Sanjeev Arora: We declared the dividend last year, of course when we declared our results for the Year 2024 and we will look at our position as and when we close this year.

Riham Goel: And are the debt level is expected to go up?

Aman Rathee: Debt level will be almost in a similar range and it will actually end up slightly lower than this year.

Moderator: Thank you. The next question is from the line of Basudeb from ICICI Securities. Please go ahead.

Basudeb: Sir, just wanted to know that is this two-wheeler alloy wheel project what you were planning, Minda Industries has been seeing success is that now for many years, many other players are also trying to enter that speed. So, from a HPDC alloy wheel perspective, what is the progress of the product and any specific orders you are looking at and any comments on the competitive intensity in that space impacting profitability, how do you look at that?

Prashant Rathee: So, Basudeb, we are very bullish on this segment. We will be taking the first mover advantage on coming through the HPDC alloy wheel way whereas others are in the GDC, there are lot of benefits also in the HPDC. So, we are very hopeful that the customers will gain confidence and we will start the initiative, but on a concrete basis, I think near to the Q4 we will be able to give you something on the concrete side because one or two customers, we are in advanced stage of discussions and things will shape up by then.

Basudeb: So, from product quality perspective, going through the Indian road conditions in rural markets, the HPDC alloy wheels are tried and tested, no issue?

Prashant Rathee: Yes. So, this is a proven technology. It is not an R&D because it has been successfully running in other countries also, in the developing countries as well as in the advanced world. So, this is a proven technology and now, like you rightly said, so that is why I am saying this will take slightly little time because the customer will also do all the testing internally and once they are satisfied, then only we will move ahead. So, that is why I am saying by around Q4, we will definitely get much more clarity and the way forward.

Basudeb: And as Aman said that November onwards, the Karoli plant subsidy from Rajasthan government, you will get, so how are you planning to account that it will be a lumpy accounting the moment you get or in future you will distribute it across quarters uniformly, how will you account that?

Naresh Kumar: We will account for it, as it accrues because this is linked to the state GST deposited by the company and as and when we deposit, you will organize it as the other operating income in our profitability.

Basudeb: So, basically these margins are devoid of that potential benefit, and it will be lumpy in nature whenever you are getting?

Aman Rathee: Yes.

Moderator: Thank you. The next question is from the line of Bismith Nayak from RW Advisors. Please go ahead.

Bismith Nayak: Sir, do we have plans to get into disc braking as well?

Prashant Rathee: We are already in the business of disc brake pads, so we are increasing our share and increasing our customer base in that. So, we are focusing on our friction material business.

Aman Rathee: Because in your question talking about the complete assembly, so as you have seen that our biggest customer is HMSI and we also told in the last call that when we went to HMSI for the development of the disc brake system, then their own company machine is present. So, that is why we are focusing only on the friction part and the brake system completely is done by machine.

Bismith Nayak: But I what I understand is a lot of EVs, they use mostly disc brakes only. So, we are not exploring that opportunity?

Aman Rathee: So, that is why I said, our biggest customer HMSI has his own subsidy machine, which is doing it and also but at the same time on the EV side, I would like to mention that it is not the case. They started with disc brake, but a lot of them are now moving towards drum brakes to make it more cost efficient because disc brakes are very expensive also.

Bismith Nayak: In the ALPS, what kind of OEM mix we have there, what kind of EV, two-wheeler, and other mix?

Prashant Rathee: We are catering to all the customers.

Aman Rathee: On the two-wheeler side, we are catering to most of the customers. On the EV side, we are catering to 80% of the industry.

Sanjeev Arora: I think we have a good presence in the EV sector. I think all the OEM's who are already having a share of about 80% plus, we are all supplying majority of our parts to them. So, we have a good presence across.

Aman Rathee: We are also present in non-automotive segment. We are exporting also.

Sanjeev Arora: That is the kind of mix that we have I think.

Moderator: Thank you. The next question is from the line of Megha from PI Square Investments. Please go ahead.

Megha: Just a break up on R&D, if you guys can provide, how much do we spend on the R&D on a yearly basis?

Naresh Kumar: Actually, our business is well established, and we have in-house everything. So, we don't keep track of any expenditure on R&D. Rather, we have big engineering team, but we count them in the normal expenditure, no special categorization region.

Aman Rathee: But just to mention that all our lines are packed by a very strong technology and requires a very strong R&D in-house. So, for the friction material, for safety control cable, we are completely equipped with world class R&D technology in India. And not only that, on the aluminum side also, our engineering is very well equipped who handle very critical products. And I think that has been our USP of taking more and more critical products and delivering a better margin than the industry in terms of aluminum.

Megha: So, any ongoing expense that we have to incur in order to keep ourselves updated?

Aman Rathee: So, it is a continuous process and an ongoing expense. As Naresh said, we are not capturing it separately, but it is an ongoing expense where we are continuously doing R&D. On the friction side, we have dynamometers where we are virtually simulating actual vehicle conditions. On the safety control cable, we have to do a lot of R&D and testing. So, because these are all critical model products, safety is involved and that is why their entry barriers are also very high and that has been our differentiator in terms of the company.

Megha: And just one question on the long-term growth strategy. As you mentioned that you see the industry growing at 8% to 9% in the longer term, how do we see ourselves growing?

Aman Rathee: So, principally, yes, you are right. We continuously focus on outgrowing the industry and to outgrow the industry, we keep looking at new customers. We keep looking at existing customers and add more and more products. All these products which we focus on are well supported by our engineering and our R&D to make sure that the complete value addition is there, we are looking at better margins, better markets, more criticality involved so that we not only grow our topline, but also ensure that we are growing positively on the bottomline.

Moderator: Thank you. The next question is from the line of Jaiprakash from Korman Capital. Please go ahead.

Jaiprakash: So, just on the Aluminum Lightweighting, sir, so I understand overall industry growth is 7% to 9% and I believe aluminum weightage in the vehicles is going up. And is it true for ICE as well as it is just true for EV?

Aman Rathee: It is true for both because eventually we are seeing the trend that lightweighting and thermal management is becoming the future of the industry. So, it is applicable to both. And also what is happening is with more and more electronics coming in into passenger car and other segments, we also see a growing need for more heat sinks and other things. So, this will grow.

Jaiprakash: And sir, the CAPEX which you have done, is it for aluminum or is it for the other ABS brakes you have done, Karoli as well as Bangalore?

Aman Rathee: So, it is majorly for aluminum because as you see the growth is also coming, but at the same time, all our plants like Karoli plant also have safety control cable, is also doing friction material. So, basically all three verticals go into that.

Sanjeev Arora: But you are correct, majorly it is for ALPS only.

Jaiprakash: What is the competitive advantage we have in terms of the products?

Prashant Rathee: You are talking about aluminum, or should I give you an overview of the whole company?

Jaiprakash: Overall will be really helpful for both the products, brakes as well as the ALP products?

Prashant Rathee: See, on the friction side, as I told you that because of our R&D, there are very high entry barriers. It involves safety. So, it has to go through a lot of testing and we also over the years after so much of R&D and so much of the testing, we are able to develop 52 proprietary formulations. So, those are the things which kind of ensure that we are fully updated and also create an entry barrier for any of other people. In terms of aluminum, again it is backed by a very strong engineering. Through engineering, there are a lot of design migrations which we are doing, there are a lot of critical parts which we are doing which require special engineering skills. So, those are the things which we do to ensure that there is a lot of value addition, there are more margins there on that side and that is how we are maintaining our position.

Jaiprakash: And who are our closest competitor in India?

Aman Rathee: Again, it depends on segment to segment.

Jaiprakash: Anyone on the aluminum side?

Aman Rathee: So, on the aluminum side, like Endurance is also doing aluminum and then Sundaram Clayton is there and then in the North, Rockman is there, Rico is there.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the senior management for closing comments.

Prashant Rathee: So, again, thank you very much, everyone for your time and for your very good questions. So, hopefully we have been able to address all of them. Again, I would like to repeat that we are quite happy with the results and we will make sure that we are able to sustain this and we will work very hard towards continuing these positive results and creating value for our shareholders. So, thank you very much again for your time. Have a good evening. Thank you.

Management: Thank you, everyone. Bye-bye.

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