Commercial Vehicle Solutions

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Date	July 31, 2024

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Scrip code: 533023

Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra - Kurla Complex
Bandra (E), Mumbai 400 051

Trading Symbol: ZFCVINDIA

ISIN : INE342J01019

Dear Sir(s),

Sub: Transcript of the Investor Call for the quarter ended June 30, 2024

In continuation of our letters dated 16th July 2024 and 24th July 2024 pursuant to intimation and recording of investor's call, we hereby inform that the transcript of the call has been uploaded on the website of the Company and the same can be accessed through the following link:

https://www.zf.com/mobile/en/company/investor_relations/zf_cv_india_investor_relations/zf_cv_india_ir.html#shareholderinvestormeeting_acc_656449_0

Request you to take the above information on record.

Thanking you,

Yours sincerely,
ZF Group

MANOHARAN MUTHULAKSHMI
Digitally signed by MANOHARAN MUTHULAKSHMI
Date: 2024.07.31 16:00:57 +05'30'

Muthulakshmi M
Company Secretary
ZF Commercial Vehicle Control Systems India Limited
(Formerly known as WABCO INDIA Limited)

"ZF Commercial Vehicle Control Systems India Limited

Q1 FY'25 Earnings Conference Call"

July 24, 2024

MANAGEMENT: **MR. P KANIAPPAN – MANAGING DIRECTOR**
MS. SWETA AGARWAL – CHIEF FINANCIAL OFFICER
**MS. M. MUTHULAKSHMI – COMPANY SECRETARY **

MODERATOR: **MR. ANNAMALAI JAYARAJ -- BATLIVALA & KARANI SECURITIES**

Moderator: Good day and welcome to ZF Commercial Vehicle Control System India Limited Q1 FY25 Post Results Earnings Conference Call hosted by Batlivala and Karani Securities India Pvt. Ltd. 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 an assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala and Karani Securities India Pvt. Ltd. Thank you and over to you, sir.

Annamalai Jayaraj: Thanks, sir. Good afternoon. Thank you for joining us today and welcome to ZF Commercial Vehicle Control Systems India Limited's call to brief you on their Quarterly Earnings. Today, the first quarter earnings for FY2024-25 will be presented by the management team of ZF Commercial Vehicle Control Systems India Limited. Your hosts today from ZF Commercial Vehicle Control Systems India Limited are Mr. P. Kaniappan, Managing Director, Ms. Sweta Agarwal, Chief Financial Officer, and M. Muthulakshmi, Company Secretary.

I will now hand over the call to Mr. P. Kaniappan, who will provide further insights into the results. Over to you, sir.

P Kaniappan: Thank you, Mr. Jeyaraj. Good afternoon to all of you! I warmly welcome you all to ZF Commercial Vehicle Control Systems India Limited's first-quarter results for FY 2024-25.

Certain forward-looking statements that we'll make today are based on management's good faith expectations and beliefs concerning future developments. As you know, actual results may differ materially from these expectations as a result of many factors.

ZF Commercial Vehicle Control Systems India Limited's results for the quarter ending June 30, 2024, were published on July 22, 2024. They are available on the website www.zf.com under the ZF CV India investor relations section. We hope that you have had an opportunity to go through them.

A transcript and recorded audio of this call will also be made available on the website www.zf.com under the ZF CV India investor relations section.

I am happy to talk to you today, as we give you an update about the business of the company.

Economic Update : I would like to start with a quick update on our operating environment, which is influenced by economic factors and the development of the commercial vehicle industry. The high-frequency indicators of domestic activity are showing resilience in 2024-25. The southwest monsoon is expected to be above normal, which augurs well for agriculture and rural demand. Coupled with sustained momentum in manufacturing and services activity, this should enable a revival in private consumption. Investment activity is likely to remain on track, with high-capacity utilisation, healthy balance sheets of banks and corporates, government's continued thrust on infrastructure spending, and optimism in business sentiments.

Improving world trade prospects could support external demand. Headwinds from geopolitical tensions, volatility in international commodity prices, and geoeconomic fragmentation, however, pose risks to the outlook. Taking all these factors into consideration, real GDP growth for 2024-25 is projected at 7.2 per cent with Q1 at 7.3 per cent; Q2 at 7.2 per cent; Q3 at 7.3 per cent; and Q4 at 7.2 per cent. The risks are evenly balanced. Source : RBI's Monetary Policy Committee Report.

Indian Commercial Vehicle Industry : The commercial vehicle (CV) industry, specifically in the CV >6t segment, grew at 6.5% during FY 2023-24. However, Q1 2024-25 presented some challenges like election-related disruptions, rising vehicle costs, higher inventory levels at customers, and model mix considerations, which had a negative impact. Commercial vehicle production (> 6 tons) in Q1 of FY 2024-25 registered a degrowth of 3.5% at 98,007 units in the corresponding quarter of the previous FY. While EV bus sales were steadily rising in FY 2024, we observed a dip below Q1 2023 levels in Q1 FY 2024- 25.

OE Sales : In Q1 FY 2024-25, the commercial vehicle (CV) industry saw a significant shift in mix towards Intermediate Commercial Vehicles (ICV) where our Value per vehicle is relatively lower, delays in infrastructure projects, cautious buying behaviour, and increased M&HCV inventory levels. As a result, our overall sales performance was impacted. During the quarter, the company recorded sales of INR 430 Crores, compared to INR 447 Crores in the corresponding quarter of the previous FY, resulting in a degrowth of 3.8%

However, we expect an improvement in sales in the upcoming quarters due to the following assumptions.

- Resumption of infrastructure projects and mining activities.

- Strategic focus on new products, such as the Lift Axle control system, positions us well for improved sales performance in the coming quarters.

- Increased penetration of EV aggregates such as e-compressor and EBS aligns with market trends and customer preferences.

- Anticipating potential government mandates related to Advanced Driver Assistance Systems (ADAS), including features like Advanced Emergency Braking and Lane Departure Warning, we are proactively collaborating with original equipment manufacturers (OEMs).

Aftermarket: Moving onto the aftermarket, the performance in Q1 FY' 24–25, improved to INR 126 crores, a growth of 4.1% over the corresponding period in the previous Financial Year.

The key growth drivers include:

- Increased sale of Door Control Systems by engaging with ARAI-approved bus body builders.

- OE Spares (OES) segment growing at 46% due to increased consumption of BS VI and electric vehicle products, particularly e-compressor kits, and filters.

Future growth in next quarters, will be driven by:

- Increasing penetration of the Door Control Systems business.

- Providing Advanced Driver Assistance Systems (ADAS) & Driver Behaviour Monitoring System (DBMS) to a leading corporate customer for their employee transportation bus fleet.

- Supply of Trailer Pulse systems to a leading corporate fleet.

- The company has identified an opportunity for supplying compressors for harvest combined machines and also expects business growth in the Industrial/off-highway segment.

- The company has identified opportunities for supplying Diesel Exhaust Fluid (DEF) in Bangalore, which will cater to the state's State Transport Unition (STU) annual requirements.

Export – Goods: The company registered export sales of Rs 277.7 crores in Q1 FY 2024 – 25, a drop of 2.1% over the same quarter in FY 2024. This degrowth is due to

- Delay in sea shipments as lead time increased from 6 weeks to 08-09 weeks.

- Slowdown of production at a major overseas customer

However, the future looks positive due to increasing order books due to growth in the Bus segment in Europe and electric trucks in US. Additionally, there are new projects in the pipeline such as clutch compressor assembly and actuator assembly for OE customers.

Exports - Services: Export of services grew at 16% with service income of INR 107 crores in Q1 as against INR 93 crores in the same period of the previous FY due to increase in engineering & related support activities to global.

Digital Business: In Q1 FY 2024-25, our digital business showed a remarkable growth of 31.9% compared to Q1 of the previous FY. **Our** growth was due to achieving 100% connected vehicles from a leading OE customer, supported by enhanced field support and increased customer awareness. Additionally, successful empanelment in additional states contributed to improved subscription revenue.

R&D / Engineering :The company inaugurated an Electronics Testing lab and design office, strategically aligning with our footprint planning in India. These new facilities will enhance our capabilities and accelerate product development, reinforcing our position as a leader in the industry.

MoU with IIT Madras :In May 2024, the company signed a Memorandum of Understanding (MoU) with the Indian Institute of Technology, Madras (IITM), to collaborate on the 'Mobility and Intelligent Transportation' (MInT) initiative. This initiative aims to develop the Bharat Multi-Modal Mobility Stack (BM3S), a revolutionary digital mobility infrastructure facilitating the creation of comprehensive system solutions for sustainable and intelligent transportation globally. This collaboration aims to co-create a digital platform aligned with the UN's Sustainable Development Goals (SDGs), focusing on sustainable transport, accident prevention, and energy efficiency.

Manufacturing: The company continued its focus on ramping up its new manufacturing plant at Oragadam. We achieved this by producing e-compressors, Hydraulic ESC, and ASP cartridge assemblies. Furthermore, we established smart machining cells within the plant to facilitate component machining for the mentioned assemblies.

We set up assembly cells for Double Diaphragm Spring Brake Actuators (DDSBA) and Automatic Slack Adjusters (ASA) in the plant. These additions were aimed at supporting footprint rationalization for exports.

Key new products launched during Q1, including the e-compressor, Automated Manual Transmission (AMT), Air Processing Unit (APU), Electronically Controlled Air Suspension (ECAS) ECU for domestic OEMs, and Actuator 4.0 for exports.

Our focus on productivity and quality continued, driven by smart automation, robotic technologies, testing automation, and leveraging digitalization in our assembly and machining cells.

IT and Digitalization : The company remains steadfast in its commitment to strategic growth and sustainability in the workplace and daily operations leveraging IT and digitalization as a key driver.

The company is rolling out a Digital Manufacturing Platform across all production sites in India which will help the company improve the transparency of KPIs in the factory, allow standardization and real-time management of efficiencies. The roadmap is firmly in place, and we are pleased to share that implementation has already commenced at our Ambattur plant and is soon to be extended to the Oragadam plant.

ESG :To enhance energy efficiency and reduce consumption, both our Ambattur and Mahindra World City plants collaborated with IIT Madras and came up with measures to support energy savings of over 10%.

Additionally, we are committed to achieving 100% renewable energy by 2025. The company recently signed a group captive wind energy agreement for 1 crore units/annum, which contributes 40% of our renewable energy supply starting from June.

As part of the Zero waste for landfill/incineration policy, Mahindra World City plant signed a contract with a third party to reuse hazardous waste for cement co-processing supporting the policy.

Notably, our efforts have been recognized, and Mahindra World City plant received the Best Kaizen Award in Sustainability at the CII National Kaizen Competition.

Awards and recognitions: In the first quarter of FY 2024-25, ZF Commercial Vehicle Control Systems India Limited achieved significant recognition. The Industrial Engineering (IE) team won the CII National Platinum award for a Low-cost automation project & Product Engineering (PE) team won the Regional round of the ACMA Mastermind Quiz Competition.

Our employees actively participated in external Total Employee Involvement (TEI) and related competitions, winning 6 National awards, 4 Regional awards, and 3 State-level awards across various categories. These accolades were earned through our commitment to excellence and participation in competitions organized by Confederation of Indian Industry (CII), Automotive Component Manufacturers Association (ACMA), and Quality Circle Forum of India (QCFI) among others. We remain dedicated to our pursuit of excellence.

CSR : At ZF Group, our CSR efforts are guided by the "Acting Now" principles, focusing on four key pillars: improving road safety, enhancing the quality of life in neighbouring communities, promoting environmental sustainability, and supporting skill upgradation.

During Q1 FY 2024- 25, we actively pursued the following CSR initiatives:

o The company upgraded four Urban Primary Health Centers in Zone 7, Ambattur, by providing essential medical equipment and improving infrastructure.

o The company upgraded the Perambakkam Primary Health Centre's operation theatre with advanced equipment and improved infrastructure.

o The company extended support to Government Inter College in Barabanki, Uttar Pradesh, by providing 100 study tables and benches, contributing to a conducive learning environment.

o The company's efforts led to the enhancement of water storage capacity at Vaipur Lake, Oragadam's to 3000 m^3, thereby promoting sustainable water management.

Financial Updates : For your reference, the results were made public at 13:12 on July 22, 2024. I hope you have had a chance to go through them.

Our overall revenue in Q1 of this financial year was INR 832.7 crores as against INR 864.5 crores in Q1 FY 2023-24, a degrowth of 3.7%. Though the market is facing headwinds in the near term, our fundamentals remain strong which is reflected in Profit before Tax of INR. 133.5 crores & Profit after Tax of INR 99.4 crores, in this quarter. Our PBT in Q1 FY 2024-25 is 16%

of product sales as against 15.5% in Q1 2023-24 and our EBITDA for this quarter is 19.7% as against 18.8% in the same quarter of the previous financial year.

We continue to carefully review the environment and our performance to consider further opportunities.

Thank you.

We now welcome your questions and feedback.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Thank you so much sir, for the opportunity. Sir, firstly, can you update on the CV outlook for Indian market? Earlier, you had mentioned about single-digit growth for FY'25. Is that outlook maintained? And secondly, on export side, you had given the guidance of 15% to 20% growth for this year. As Q1 has seen a decline, do you maintain the guidance also?

P Kaniappan: **A**s of now, we maintain the same guidance because in the OE market, if you look at the changes, the marginal de-growth are actually factored in our forecast itself. In fact, we expect a much steeper drop because of the election-related disturbance and also topics of some of the project activities in the construction and mining area. But in reality, the growth is only to the tune, slightly less, in the range of about 5%.

So now, of course, in our view that the Budget is presented, the government is into action, from now onwards, we expect some improvement. Also, if you see last quarter, the projects that are done using tender programs like electric bus production or bus production also, we had some challenges. So all those things will start getting back on track.

On the export front, we are launching a new compressor project to one of the global customers, also a break chamber to another customer. So these are supposed to offset some of the headwinds that we face with another Customer. Our growth is largely driven by the project, so already two compressor projects and one break chamber project coming from August onwards. We expect it to come back to our earlier guidance.

Mumuksh Mandlesha: Got it sir. So on the export front this freight cost has gone up and the delivery time has gone up in recent times. So is that going to impact the growth of the margins in the upcoming quarter Q2 quarter sir?

P Kaniappan: No, now it has factored all these things in our plan. So this Red Sea impact had some challenges. We've also realigned our logistic planning, certain items we're trying to pick up through air. So we are back now in the sense that those things will not impact our top line for export.

Mumuksh Mandlesha: On the margin front, gross margin has seen an improvement both sequentially and Y-o-Y basis. What is driving the improvement? Also on the employee front cost it has increased this quarter. Is it mainly from increments and performance bonus?

Sweta Agarwal: I'll take your question in part. The improvement in margin is largely driven by our productivity, price increases to customers and the fact that we are facing an RM stabilization in the RM cost which is leading to our material productivity being better. On the increase of the employee cost that cost is largely attributed to our R&D business with a headcount increase of about 120 people. However, that is the basis for which we earn our service income and hence that has been offset by the increased service revenue that you can also see on our results.

Mumuksh Mandlesha: Got it. It's possible to quantify what kind of price hike was taken in this quarter?

Sweta Agarwal: An overall price rise of INR 7 crores is what we have seen in this quarter compared to the previous year's quarter.

Mumuksh Mandlesha: Got it, ma'am. Thank you so much for the opportunity.

Moderator: Thank you. We have our next question from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

Mukesh Saraf: Good afternoon and thank you for the opportunity. First question is on your CV output that you mentioned that you're maintaining. Could you give some colour on how the mix also could move especially the trailers, because obviously last year we saw the trailer mix go up significantly and that obviously benefited us with the trailer ABS and some other products. So do you see any kind of mix deteriorating back to the intermediate vehicles the way we saw it so far in the first quarter?

P Kaniappan: Mr. Mukesh, our view is that we will be back. In the sense of the market, there's no reason why the market should be different from what it was in 2023 in terms of the trailer production mix. Particularly in this Q1 quarter there's a drop of about 13% with the overall mix of trailer production 13% less than the previous number, but that is specifically because the industry was affected because of all this election and the shortage of some of the other things. So it will be back.

Mukesh Saraf: On the exports side would you be able to provide a broad breakup on the product lines you have compressors, actuator, the brake chambers etc.

P Kaniappan: Actually, our main issue last quarter was one of our important customers BMW to whom we are supplying the air supply unit. There is a demand reduction it is gone to the tune of about 12%, but then other areas in fact we have some back orders we are trying to offset this drop by increasing the supply of other products. Actuators particularly there's a huge back order.

In fact we're trying to use Oragadam site to produce and we've set up another line there now. We have four lines now. We've got a sixth line in Oragadam to support this clearance of the back order. Also, we were supplying compressors from our Mahindra city plant to Volvo globally.

Then we started our business with another customer DAF and a DAF back-order group. We started with one version.

The second version we introduced this year. Now the third version which is a twin-cylinder cylinder high-end compressor we are launching from August that will add to our growth top line. Also in a matter of one or two months we'll be starting our compressor line project to another top Indian global customer Daimler Trucks also. So this will not only offset, we expect that to increase the growth to meet our overall guidelines.

Mukesh Saraf: Right and we maintain the 15% kind of growth this year in exports broadly?

P Kaniappan: Yes, that's our target plan.

Mukesh Saraf: And just one last clarification, when you manufacture from the new maybe subsidiary company for these orders, you'll still get the tax benefit, isn't it sir?

P Kaniappan: Yes, we will, but the location is different, but having these compressors and products are just same legal entity we are doing whereas as only a new and smart product like electric compressor we are going to subsidiary.

Mukesh Saraf: But just the plan that you are setting up that will be in the subsidiary or will be in the standalone?

P Kaniappan: Oragadam there are multiple legal entities. One is the subsidiary. The other one is also our main same current legal entity itself.

Mukesh Saraf: All right. Thank you so much. I will get back in the queue.

P Kaniappan: Thank you.

Moderator: Thank you, sir. We have our next question from the line of Neha from JM Financials. Please go ahead. Ms. Neha your line has been unmated please go ahead with your question. As there is no response we'll move on to the next question. The next question is from the line of Kush from B&K Securities. Please go ahead.

Kush: Yes, thanks for the opportunity, sir. I just wanted to get more insights on what is the demand outlook for the domestic EV buses for this year?

P Kaniappan: See domestic EV buses still are in a very low base. Last year we were in the range of 1,200 plus compressors. This year it is almost 53% drop in the first quarter. It's a similar timeframe, but we expect that to catch up because the drop is largely because again these are produced based on tender and government programs etc. So we already got signals that it will start picking up from this month itself. So the numbers that we are talking are Q1 of 2024. Actually Q1 24-25 we were in the range of 1,250, this year the same time frame about 550 compressors, 550 buses are supplied through EV compressors.

Kush: Understood. Thanks for that. And sir just another question on the margin front we're around 15% levels right now. So going forward what levels could we expect ZF to do and any strategies to achieve that?

Sweta Agarwal: Hi. I will take that question. We expect to keep on progressively improving our margins quarter by quarter. We have strong measures in place to be able to tackle both on the cost front as well as negotiations with our customers. So we expect the margins to continue growing even if we face market pressure.

Kush: Understood. And just one last question on the export side. Are we seeing any export opportunities to the ZF Group the parent company.

P Kaniappan: Most of our sales is only to the ZF actually through the ZF Group locations in different regions. Because we don't directly go to the end customers, except in the case of BMW. In a way, it's the company sales. They in turn deal with the end customers. So ours is more like a manufacturing location rather than taking the full responsibility and accountability for the field issue and other things which we left it to our parent to handle. So it's largely the inter-company sales.

Moderator: Thank you. The next question is from the line of Mitesh from Aditya. Please go ahead.

Mitesh: Yes. Good evening, sir. I had a question for Mr. Kaniappan. Sir, if you don't mind, can you highlight the reason for taking up the directorship at Sundaram Clayton?

P Kaniappan: Actually, you'll be knowing in the public domain that I will be retiring by this year end. So actually, my term ended by June itself. But then the ZF leadership wanted me to continue for more six months to ensure that the transition is smooth.

But I had already committed to Sundaram Clayton Group that I would be available to take Board position. So the ZF has in my contract has permitted me to handle that role as well. So that's the reason. But in no way reduces my commitment to Sundaram.

Moderator: Thank you, sir. We have a follow-up question from the line of Mumuksh from Anand Rathi Individual Equities. Please go ahead.

Mumuksh: So I'm asking on the new regulation side, the government has been formed now, sir. Which regulation do you see first being implemented? There's the ESP for Trucks pending, EEBS is pending, ADAS, other systems are pending. So which one do you see the government taking the regulation first?

P Kaniappan: See, one aspect is on the bus segment, the application of Electronic Stability Control. It's already mandated. We have now, the new government, the new tender and we have got some indications that we have to get ready for a higher ESP supply.

That regulation is already in place. The next regulation is in the area of autonomous emergency braking and the lane departure one. We have been, earlier meetings also have said that regulation is ready. It has been discussed with the committee and all those things. So the government has to take a call.

Number three that will be the one that we can expect. Prior to that, ESP could be extended to the truck segment as well, because right now the ESP is applicable only for the bus segment. The normal trend is that after one or two years of bus; after experiencing the technology, it will be extended to the truck segment. We expect that to happen. Then we can expect the AEBS regulations.

Mumuksh: Okay. Sir, do you think that this AEBS and other systems, lane departure systems, would be implemented phase-wise, where the buses would be implemented initially and then taken to trucks, sir?

P Kaniappan: Actually, we don't know. Normally, the government takes a call based on the potential issues. I am not in a position to answer that. We have to see the move of the government.

Mumuksh: Got it, sir. And lastly, what will be the digital revenue in our business? What kind of revenues will be generated from the digital business?

P Kaniappan: Digital, we have two types of revenues. One is we sell the hardware systems at the time of fixing the system in the trucks and buses. Then we also have a subscription revenue in the market. So, all put together in the range of about INR 80 crores for a full year.

Mumuksh: Sorry, for what period, sir?

P Kaniappan: About INR 80 crores for a full year. So, the OE and the subscription revenue put together. Subscription, we actually include in our aftermarket sales. The hardware business comes from the OE.

Mumuksh: Okay. And how do you see the growth for this segment, sir?

P Kaniappan: On this segment, there are two or three. Obviously, the growth has been quite strong as of now. Going forward, we are going to focus more on the aftermarket. In the OE segment, one of the customers, we have been working from 2020 onwards. Customers in the OE front, they also try to develop their own solutions largely. We are in parallel working with the fleet in the aftermarket segment.

Also, we have some good solutions for the trailers already, which is already being launched in the aftermarket route. We are also reaching out to the trailer customers in the OE, the trailer manufacturers also. And that combined with the trailer EBS, Electronic Braking System, is a high content type of product.

Because together, we are able to really take a lot of data about the trailer system. How we can improve the efficiency of the trailer transportation. Also, we can use a lot of the capability available in this digital system to monitor even if there is a reaper type of truck trailer.

Where you can real-time maintain and monitor the temperature. Because in those cases, that's very critical, refrigerated transportation. Like that, there are so many possibilities. The product that we offer is a global product isn't quite accessible globally, so that's how we are looking at the domestic. In the OE front, we don't see a big growth.

We will grow with the customers. But then, these vehicles, when it goes to the market, it gets registered in our digital platform. So that we do an aftermarket service in those vehicles, for which we get a subscription.

But growth will be more going forward in the aftermarket fleet. Then we also, as I read out, there is a corporate company, a company for employee transportation. They would like to have the ADAS solution, which also will come into the digital type of business. Where we have trailer behaviour monitoring and other systems. So that the vehicle transportation becomes much safer and efficient. So, there are multiple opportunities. Maybe in the future calls, I will be able to share some of the progress in this area.

Mumuksh: Lastly, what kind of market share we would have with the OEMs for the telematic solutions?

P Kaniappan: So, basically, we work with one customer. Largely, it's our customers so far. But going forward, I expect customers also to look at alternate solutions. But then, in this digital business, they go with one customer because it's more like a platform-based solution. But the big customers in India, they would like to have their own solution, their own hardware, their own internal development of software, etcetera. So, the opportunities are limited from a larger perspective, unless we have a differentiated offering.

The differentiation comes from our global support system as we move forward. Today, as such, what we are offering is the basic solution in which there could be competition. But as we move forward, we expect to strengthen our position further.

Mumuksh: Okay, sir. Thanks so much for this. Thank you.

Moderator: We have our next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Hello, sir. Thank you for the opportunity. I want to melt down the guidance earlier. But can I understand what will be our growth this year in terms of exports and domestic people? Just give me a number?

P Kaniappan: So, our larger guidance, we try to outperform the market. Market itself this year, we expect in the calendar year from January to December, we expect the market to degrow about 3% versus the previous year. So, market, if you take a financial year, this year, January, February, March was not a good quarter.

Next year, January, February, March, we expect it to be better. Overall, it could be zero, flat, or some marginal plus. That is how we look at the market. And the market, our forecast has not changed much, even though there has been a marginal degrowth in this quarter. This is largely driven by the election-related disruptions. But anyway, we have factored in our plan.

We expect the market to recover going forward. But still, at the full-year level, we will be minus 3%, because the first half of the year, we are almost minus 7% this year. The recovery will not completely offset, but partially offset for the calendar year. Now, coming to our sales, we expect to outgrow the market at least about 10%. That has been our internal target. Last quarter, we could not do, because the mix also became unfavourable, because the number was very close to typically about 30,000 to 32,000 vehicles.

The mix was not favourable, because it was more of buses, more of light, intermediate commercial vehicle type of segment, where the content is low. But we now believe the market will be back to this normal mix. Plus, we are also launching some new products.

Already, we have started selling some lift-axle control systems, also electronic control for air suspension, some of the buses to one of the bus customers. These are all very high-content products. So, with all that, plus, already, I've been always highlighting some of the new products that we are launching, mostly in the electronic stability control, or EV electric compressor, or electronic braking system, such products.

With those things, we are planning to outperform the market by about 10%. Probably, this can be taken as a guideline, and barring any unforeseen thing, which will have a negative impact on the mix, we should be delivering our numbers.

Vignesh Iyer: Right. So, if I get it right, your 10% internal target of outperformance will be majorly due to your increasing content per vehicle, right?

P Kaniappan: Absolutely, yes.

Vignesh Iyer: Okay. I got it, Thank you so much.

P Kaniappan: Thank you.

Moderator: We have our next question from the line of Nirali Gopani from Unique PMS. Please go ahead.

Nirali Gopani: Yes, hi. Thank you for the opportunity. So, as you had mentioned that when we export it mainly to our parent and only BMW is an exception. So, are we talking to more such customers or anything on the passenger vehicle side that we are working on? Can we see growth in the next 2-3 years on that side?

P Kaniappan: Yes. So, the supply to BMWs is largely for the fast car segment. Because we have a product, which is originally from the WABCO portfolio, which is electronic control for the air suspension. This is purely a passenger car business and that's a growing business from our export portfolio. Also, this product is also a very proven global product. And we have been continuously growing in the last 2 years and all that.

But temporarily, we are seeing some de-growth to tune up about 12%. Also, partially because of stock correction and all those things happening on the customer side also. But otherwise, most of our products, it's a compressor, actuator type of product. The products are more or less the same, but the configuration and variations are different. But as such, a compressor is needed for all those customers who use air brakes. We use the basic system in any compressor, any commercial vehicle.

So, we started with one customer, then extended to another customer, now going to the third customer. So, because of the scale advantage, we are also able to make ourselves more competitive also. With that, we keep expanding our position and globally, we are gaining market share.

Of course, apparently gaining market share using the products that are produced in India. So, that's the way we work. So, Pas-car, one product line. This is roughly about 25% of our business from our export. Then 75% goes to commercial vehicle segment. All these products are very proven global products required for most commercial vehicles.

Based on the India price, our product lines are apparent organization. We can secure new businesses with all customers. So, we become a manufacturing site for that. That's the way the business model is.

Nirali Gopani: Right. But, sir, can we see new customers on the passenger vehicle side also? Is there any clarity from our global parents?

P Kaniappan: No, the same. Anybody who has the BMW base, for example, VinFast. VinFast is also a large seller product. If the volume increases, we'll be able to supply. There are some Chinese customers who are actually using the BMW license or whatever. So, those customers are buying. But the majority of our sales go directly to BMW.

Nirali Gopani: Okay. Okay. Fair enough. And sir, just one more question. If I'm right, the global parents also have appointed some Directors whose focus is only on India. So, globally, do we see any change in expectations from India? Whether India, any change in the growth numbers that we can, see? Anything that we can highlight on that side?

P Kaniappan: Can you say it again? I couldn't get the question finished.

Nirali Gopani: Our parents' company has recently appointed a director whose focus is only on India. So, is there any change in the expectations from India? Can we see further accelerated growth or maybe new products from the ZF? Anything on that side that we can highlight?

P Kaniappan: Yes. one of the Board members is responsible for India. It was a new arrangement in the last two years. And of course, the purpose or the idea is to focus on India and grow the ZF business in India. Also if you see even the Board in India, there are CVCS Limited, you know, structure itself has made certain changes. The Chairmanship has been taken over, taken by the ZF nominee. The ZF executive. So, though it is a Non-Executive, Non-Independent Director.

But then the reason, one way we will be able to benefit is the parent will know better the need to leverage the ZF company. And the footprint that we have created, et cetera. So, but then immediately, I'm not in a position to tell you, is it immediately adding to some new business or anything.

But directionally, we are moving in the direction to see how India can be leveraged. How the CVCS Limited footprint can be leveraged. Again, depends on what value we are able to add in terms of better cost. You know, those aspects. I expect that we should be able to see some improvement in our sales. Even largely from an export perspective. But we have to wait and see.

Nirali Gopani: Great to know that sir. Thanks a lot for this opportunity.

P Kaniappan: Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

P Kaniappan: Yes, thank you. Thank you very much. Of course, it's always a pleasure for us to really take your questions and answer. Thank you. Thank you very much.

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

P Kaniappan: Thank you.