



“Gabriel India Limited
Q1 FY '25 Earnings Conference Call”
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Moderator:

Ladies and gentlemen, good day, and welcome to Gabriel India Limited Q1 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

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 the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Kolhatkar, Managing Director of Gabriel Limited. Thank you, and over to you, sir.

Manoj Kolhatkar:

Thank you, and again, a warm welcome to everybody present on the call. I hope my voice is clear. Joining me today on the call, we have Rishi Luharuka, our CFO; Nilesh Jain our Company Secretary; and our Investor Relations Advisors, SGA. So, we are joining from different locations. So, we have uploaded the results and the investor presentation for the first quarter of this fiscal on the Stock Exchange and the company website. I hope all of you had a chance to go through the same.

I'll give a brief overview of the company operations and take you along through the presentation so that, I mean, we understand more in detail, and I'm going to give some commentary, and then we will open it up for questions as always later.

So, coming to the presentation, if we refer to Slide 5 and 6. Slide 5 is the top line numbers. I mean the revenue, we had again a good quarter of INR864 crores of sales with an EBITDA of 9% and PBT of 8%. Coming to Slide 6, where you can see the comparative. So, the revenue growth Y-o-Y is 7.3%. However, EBITDA growth continues to remain better than the top line growth.

So, we did 13% growth on EBITDA terms compared to same comparable quarter in the last year. And similarly, you can see for PBT as well, it's almost a 20% growth. The net cash position is almost INR 330 crores, including the company loan to our Sunroof Venture and capex that we incurred is INR30 crores in the quarter.

The next slide is Slide number 7, which again puts all the figures in a competitive format -- in a tabular format, which you must have had a look, so again, here, you can see that the revenue growth has been healthy and the EBITDA growth has been better. And gross margin, in fact, if you see, even on a Q-o-Q basis, the gross margin, there is a slight improvement. Y-o-Y, of course, we did mention there's an improvement in EBITDA and PBT, but even on a gross margin basis, Q-o-Q, there is an improvement of 0.3%.

And then we go to Slide 8. This is, again, a quarterly performance. So, we are sustaining the 9% EBITDA margins, which have been doing literally every quarter over the past almost 8 quarters. So, you can see that on the graph, very well here.

Slide 9, which is again the P&L statement, we have been through the this let's skip this and move to Slide 10, which shares the segment mix and the channel mix. So, as you can see, the segment mix remains more or less the same. Two Wheelers still constituting the major portion, which is almost 63%, Passenger car 24%, CV of 11%. And in terms of channel, we had direct Auto OEM sale of 87% and a replacement market channel of 13%.

Here, I just want to point out a small mistake in the presentation, the last line which says aftermarket has decreased, that should be read as commercial vehicle has decreased. So, the CV has decreased from 13% in Q1 last year compared to 11% for Q1 this year. The reason, of course, we all know that CV is facing a little bit of uncertainty, which happens during every election year, which is what we are seeing and which is what was expected as well. So that's why the CV portion has declined slightly.

Going to Slide 11, which basically captures our vision 2025, which is being among the top five shock absorber manufacturers of the world based on four pillars of exports, domestic dominance, M&As and technology.

Slide 13 is exports. Yes, we have had a bit of a challenging exports owing to a little bit of slowdown that we saw in Europe where we export to DAF of Netherlands and also due to the Red Sea crises, there has been a little lower offtakes because they had challenges from other components as well. Also there's a bit of slowdown in Colombia, which is also a big export market for us. But yes, both these will, for sure, will pick up, we're confident and you should see that in the coming quarter as well.

In terms of the domestic market performance, Slide 15, which talks about the 2 and 3-Wheeler including aftermarket, of course. So, there's a market share, there's a slight dip of from 31% in Q4. I mean the last quarter, trailing quarter to this quarter, 30%, just a small change which happened because the motorcycle -- I mean, Bajaj sold more motorcycles of the competition compared to us because ours are mainly going to the export model.

And as you know, the export is still not fully taken off as far as Bajaj is concerned, especially in the African countries. Here within these we have had some good launches with TVS iQube ST, Ather Rizta, the new model, the Apache 160-Black Edition and our pipeline continues to be robust. I'll come to the electric market share, which actually improved further, which you can see on Slide -- please move to Slide 16, yes, you can see the Slide 16.

So, in Slide 16, we can see that our market share has now grown to 87% with respect to EV 2-wheelers. So, EV 2-wheelers as you all know, had slowed down, they're doing almost 1 lakh a month, they've dropped down to almost to levels of 70,000 per month now. We know that the FAME-III, the EMPS, the electric mobility promotion scheme also will be ending in September. But what we hear is the FAME-III, which is in the draft stage, so I'm sure something will come up. I mean that's the expectation of it and hopefully, we can see numbers we get further. But as of now, it's about give or take 70,000 per month of which, I mean, 87% share is by Gabriel.

And I'm glad to also share that yesterday, there was Ola vendor conference, the first time, they gave out awards and Gabriel got an award for the fastest development from Ola. That's heartening news for all of us.

Coming to Slide 17. We have the passenger car picture here, where the market share has improved slightly, 1%, 24% from 23%, we have won two new programs which are in the launch which are in the production stage. One is the Tata Motors' Curvv EV.

So, as you remember, I had mentioned that we were working on an EV platform with Tata, so this was the platform and it has been launched now. I mean the response is good and Stellantis, the Citroen Basalt vehicle which also is a good vehicle at a good price. Both these are supplied 100% by Gabriel. As far as market is concerned, we saw a healthy increase of passenger vehicles in Q1, almost 6%, why I say healthy because the base is high, but still we grew.

We are expecting -- I mean, the industry is expecting that there will be, of course, as a little bit of a moderation here, but it all depends on how the festive season goes. The inventory levels are high, which you may be again reading in the papers, but we expect that it should be in the range of between 4% to 6% by the end of the year. So, growth is still, of course, welcome based on the high growth that we have seen over the past 3 years.

Coming to Slide 18. This is a utility vehicle, which is what is the happening area as far as the passenger car is concerned. And here, I'm glad to share that we have 35% of the market share in utility vehicles and most of the top and sort of UVs are serviced by Gabriel.

Slide 19 is commercial vehicle. We continue to be strong, in fact, even Ashok Leyland market share has, in fact, all improved further and we are almost over 90% as far as market share is concerned for all commercial vehicles in India. So, we are looking to export that we have broken through.

We are also talking to Fuso which is again part of Daimler, so through Daimler India, we're working on development of Fuso, which is of Japan and also some other customers, and we're also in discussions with Volvo. I mean, I'm talking of Volvo Global, we're already almost 100% with Volvo Eicher in India. Through that, we are discussing on Volvo Global as well. DAF, we already mentioned in the last call that we had the RFQ for the axle dampers and we are working on the same currently.

Slide 20 is the railway presence, which is unchanged because, of course, as mentioned earlier, we're there on every product that Indian Railways has in the market on the rails. So we are there. Even the Siemens E Loco, we have got the LOI, so we are working on this. It's a small volume nevertheless, but it's a good breakthrough because this is not exactly in Indian Railway, this is Siemens E Loco. This also opens up doors for us as far as the new customer is concerned, which is Siemens.

Slide 21 is the aftermarket where we continue to grow. We almost hit INR420 crores last year and even the first quarter has been good at almost INR120 crores, of course, there is pressure in the aftermarket segment as well, but Gabriel being the leader and a very well-known brand name and through our new products which we launched in this -- we have launched many new product

lines, the latest of which is the alloy wheel rims, we are able to get a good growth in the marketplace.

Slide 22 is the M&A. This is the actual picture of the, Inalfa Gabriel Sunroof Systems, plant in Chennai, in Santhavelur, you can see the exterior of the plant in the picture. This is Slide 23. The picture of the assembly line and the polyurethane line, so state-of-the-art plant and very well maintained with all the production metrics or the KPIs being really among the best that Inalfa has seen globally.

So as far as the consol P&L is concerned, maybe I'll hand over to Rishi. Rishi, if you can just explain this slide.

Rishi Luharuka:

Yes. Thank you. So overall, in terms of the Inalfa's profitability, we closed the quarter with INR82-odd crores of sales which was more than 5% over and above our target number that we were anticipating at the beginning and with the 14% healthy EBITDA, we've mentioned that it is in the double digits and that's what this entity is currently turning out to be.

As we've shared in the past, this is a cost plus R&D tech center while for the purpose of consolidation there is a revenue from operations being shown, but ultimately in the consolidation, it gets knocked off and is a part of my capital work in progress in the stand-alone entity of Gabriel. Here, we are handling the new generation of technologies for suspension. That's all. Over to you.

Manoj Kolhatkar:

Okay. Thank you, Rishi. So Slide 26 is a picture of our European tech centre. I mean this is the overall building of the facility that we have tried to show in a small circle where our office and we also have a workshop, not only office, but we have some workshop to do our trials, do fitments and test our vehicles in the adjoining racetrack.

The next slide, Rishi. Yes. I think this is -- so this is the standard deck which all of you are aware, so I'll go back -- we can now stop as far as the slides are concerned. I think that's been the overall picture of the first quarter. We just started off well. I mean, honestly, our expectation for sales was a little higher. But as you can see, the industry is looking at a little bit of moderation because you had some excellent deals as far as the numbers are concerned for the industry.

So yes, we are, of course, treating the period ahead with caution and ensuring that we have a strong control on costs and we continue on our EBITDA improvement journey as we have done for almost eight quarters. So with this, I'll end my address at this start and keen to look forward to all the questions that you have. Thank you. Over to you.

Moderator:

The first question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

Mumuksh Mandlesha:

Congratulations on the solid margins. Sir, firstly, just can you update more on this Inalfa TLA which has now shifted to -- from JV to TLA? And on this particular thing, will any royalty be changed since there is no JV now, the royalty currently Inalfa charges will remain same or that may change in the royalty rates?

Manoj Kolhatkar: Okay. Thanks for the compliments on the good set of numbers. Coming to the TLA, yes, we did come up with a notification as soon as we got it from the government from DPIIT. So yes, we'll continue now through the TLA or TCA as we call it, -- both the partners right at the inception itself had thought that this will be a good way to go ahead because of, of course, foreseeable challenges.

And this is a long-term TLA. And this is -- so we will continue as strongly as we have so far. There's a statement that we have released yesterday again, which is backed up by Inalfa as well that their commitment to India market is very strong, and we will continue to work towards seeking support of the government and working out on options. So as far as royalty is concerned, the royalty percentage in the terms of the agreement which are, as you know, confidential so we are held by the confidentiality agreement. So we will not be able to say more than that, unless Rishi, do you want to add something to this?

Rishi Luharuka: Only one point, Mumuksh, that the current construct of 5% royalty that we've shared is between both the JV partners, and that construct will continue until the resolution of the PN3 approval comes through.

Mumuksh Mandlesha: Great, sir. Sir, continuing on the sunroof side, can you update on any new order win, sir? And on the sunroof margins, sir, whether this kind of margins will be sustainable and also we get them improved due to localization and volume, sir?

Manoj Kolhatkar: Yes, Mumuksh. So the margins, are definitely good. Rishi has said it those margins as well -- EBITDA margins. And with localization, the -- I mean, currently localization percentage is still low. But as we go into each and every program, like I had mentioned, the Kia program, which will start production from January, the localization is even little better. And as the overall ecosystem of the sunroof as a system improves, the supplier ecosystem, this would only keep on improving like we have seen in so many other products as well. So with that, the margins will improve. But yes, obviously, we will have to share some of the improvements with the customers. So fair to say that I think we should be able to sustain the margins for sure.

Mumuksh Mandlesha: Got it, sir. Any update on new order wins, sir?

Manoj Kolhatkar: On new order wins, we are discussing with Hyundai and Kia both. There are a lot of discussion happening. As of now, we are not able to share more, but yes, definitely some positive discussions going on. And even with non-Hyundai and Kia customers, we have had very advanced discussions with -- we are in advanced discussion phase with Stellantis and with Skoda, Volkswagen. In the new platforms, definitely, we have an understanding that we will be getting the RFQs. So yes, all in all, I think a very good order book. I don't see a concern on that front.

Mumuksh Mandlesha: Just on this space, sir, recently some peers have announced sunroof plants and I think one particular one with a partner of the Japanese market leader and this seems to be close to Japanese customers like Maruti and Toyota. So just on the Maruti entry, because currently they would have a few models with sunroof, but going ahead they would add up more models. So how do you see the Maruti opportunity for us and also the competitive intensity in this space?

Manoj Kolhatkar: Yes. So see, the competition intensity was expected to go up, because it's really a blue ocean when we started. We are only the second or third player. So yes, it's a very attractive segment. And fortunately, there is room for everybody because the growth has been terrific.

The SUVs are growing, SUVs are coming with bigger and bigger panoramic sunroofs, the traction in the SUV segment as far as sunroof penetration is concerned is in some models as 100%. So there is definitely a scope for many things. Yes, the competition, as I say, you know, is always, always good for the end customer and for us as well, because we all remain sharp. So, we'll have to see.

As far as your specific question on Japanese, there's an announcement that's a Japanese JV. But we, again, as you know, we have very strong relations with Maruti Suzuki, with, in fact, the entire Indian auto component industry. In fact, Hyundai and Kia have got added as a new customer to us. We were never there in Hyundai-Kia. We had a Santro model for suspension long, long back. After that, we have not been a customer to Hyundai-Kia.

But now through this, we have got entry in Hyundai-Kia. The other customers, any which way, we have excellent relations. So, yes, you know, it's, as I said, it's a free market. So, we'll have to see. I think only the best person will be in the business. So, I don't think it's that, you know, any particular business is not going to be with you because of some alignments.

Mumuksh Mandlesha: So, broadly, I mean, we should be at least over medium to long term among the top two players.

Manoj Kolhatkar: Yeah, that's clear. Absolutely. That's clearly our vision. Inalfa is number two, globally number two. And, you know, they continue to support us strongly on all fronts, even in new businesses. So, yeah, I mean, why can't we, you know, continue with number two status in India? I mean, that's clearly what we are also going for.

Mumuksh Mandlesha: Got it, sir. Sir, this is for Rishi sir. Just on this sunroof business, how much has been the investment till now, sir? And also, can you mention the loan given to subsidize or quantify the loan, sir?

Rishi Luharuka: So, Mumuksh, the outstanding loan currently in the books of Inalfa as on first quarter end is Rs. 60 crores, Rs. 59.5 to be precise. And in terms of total investment that we have put in, that's close to Rs. 90 crores.

Mumuksh Mandlesha: And other Rs. 40 crores we are putting for the phase two expansion.

Rishi Luharuka: That could be an additional line, yes.

Mumuksh Mandlesha: And, sir, lastly...

Moderator: I'm sorry to interrupt, sir. Mr. Mumuksh, could you please fall back in the question queue? Thank you. The next question is from the line of Viraj from SIMPL. Please go ahead.

Viraj: Yeah, just three questions. First is on sunroof. The 14% margin which we did is after the 5% royalty payout. Is that correct? And when you say the royalty payout is between two partners, I think the earlier communication was that it will be between three partners, one being the parent

entity of KBA, second being Gabriel, and third being Inalfa. So is there a change now? How's the distribution of that royalty, if you can share?

Rishi Luharuka: So, Viraj, first question, 14% is after the royalty payout. Second question is that the royalty split is between two entities. One is Gabriel and the other is Inalfa, parent entity. And the third part that you mentioned, that's the management fee. So the 14% is after the management fee as well.

Viraj: So you mean after the management fee, which the subsidiary would pay to the parent of KBA?

Rishi Luharuka: Correct. The parent of Inalfa.

Viraj: Parent of Inalfa or parent of KBA?

Rishi Luharuka: Parent of IGSSPL, which is Gabriel.

Viraj: Right. So when you look at standalone numbers, where does the royalty get reflected?

Rishi Luharuka: The royalty is a part of the, you're saying in my standalone results, right?

Viraj: Yes.

Rishi Luharuka: Yes. So royalty is on the sale part. Give me a second, I'll answer you that question.

Viraj: Yeah, see, I am asking this is, you know, if you see this quarter, communication in the past has been aftermarket, and even two-wheeler, they are the highest margin products for us, or category for us. Now, aftermarket is weak, CV declined. Two-wheeler we have seen relatively low growth compared to industry.

Now, still, despite all these high margin categories doing okay or not great, we're still on similar gross margin and similar EBITDA margin. So I'm just trying to understand what explains this better performance for us.

Manoj Kolhatkar: Okay. So, Viraj, while Rishi comes back to the figures, of course, yes, we always maintain that IGSS is going to be an EBITDA accredited business for us. That was the plan and it's going as per plan, number one.

Number two, while you said, you know, that everything is under pressure, in fact, two-wheeler is doing well, you know, aftermarket continues to, while under pressure, it continues to do well. And, you know, we, as you remember, we have something called core 90, which is to ensure that we, you know, we continuously look at each and every element of cost and keep driving it down. So even that has helped in our sustaining this margin.

So there's a play from all sides. It's not that, you know, the core business or the components of the core business are under pressure. Even there, we have been able to, you know, incrementally keep on improving.

Viraj: No, so to put it differently, you know, you talked about incrementally demand being relatively weak in PV. PV, so far, has been weak. So if one has to just understand, say, internally and get

it standalone, what levers do you think you would have to further improve the profit margin? So if volumes were to be muted, how should one understand the drivers of margin improvement?

Manoj Kolhatkar: So, yes, I mean, in terms of aftermarket, for sure, you know, the railway business is improving, you know, while it's a small part of our revenue, but, you know, it's a good healthy margin business and that's improving. I mean, it was low after the COVID for at least two years. So that's picking up.

In addition, you're pursuing exports on a more long term. Right now, while exports are due to reasons, it's down. Exports will also be our lever to improve our margins going forward. And in addition to that, yes, we definitely are looking at some other products. As you know, we are looking at, you know, some e-bicycle product, front fork, which should be at a good margin. So, yeah, so there are several fronts.

And then there's IGSS, of course. So Viraj I mean, you can't pinpoint, you have to take a host of actions, right? Because things can happen in different segments differently. The good part is we are a company which is always very well balanced as far as portfolio is concerned in segments, as far as suspension is concerned. And now we have this additional sunroof business as well. So, from that perspective, yeah, I think well-positioned is all I can say.

Viraj: Okay. You know, the quantum of royalty, if you can share. And this last thing, on the two-wheeler segment growth for us, you know, if I compare it to end industry growth, we seem to have underperformed. So, anything to read there in terms of, has there been any loss of business or?

Manoj Kolhatkar: No, there is no loss of business, Viraj. As I said, it's a very marginal change that has happened. It's due to the product mix. It's mainly due to the product mix. Some of the models, as I said, particularly Bajaj, our product, actually their sale went down because it's mainly exports to Africa. And you know the reason there.

But it will surely come back. Yeah. And also while we speak, I am again glad to share that we have been able to get business from Bajaj on models of Pulsar and Dominar as well now.

Viraj: Okay. On the royalty amount, sir?

Rishi Luharuka: Viraj, this is a part of the sales of services grouped under the revenue from operations.

Viraj: The quantum for the quarter?

Rishi Luharuka: Sorry?

Viraj: What will be the quantum for the quarter in standalone?

Rishi Luharuka: That would be, you know, I'll end up sharing the percentage sharing, which I'm not able to currently.

Viraj: Okay.

- Manoj Kolhatkar:** Thank you, Viraj.
- Moderator:** Thank you. The next question is from the line of Amit Hiranandani from SMIFS Limited. Please go ahead.
- Amit Hiranandani:** Yeah, thanks team for the opportunity and congratulations for a decent set of numbers. Sir, I just need some clarification on the sunroof JV. So, after going through the latest press release, so is our understanding correct that now instead of making a JV, now the subsidiary format will continue and Inalfa will take some share in this subsidiary? I mean, is our understanding correct?
- Rishi Luharuka:** Sorry, can you please repeat that Amit once?
- Amit Hiranandani:** Yes, yes, sir. Basically, after going through the latest press release, so wanted to understand that our, you know, instead of making a JV now, the subsidiary format will only continue and Inalfa will take some equity share in this subsidiary. Is this understanding correct?
- Rishi Luharuka:** No, let me take it from the top, Amit. So the intention was always to form a joint venture, right? Because of the government regulations of Press Note 3, because we were waiting for the equity infusion to happen.
- At this point in time, it is a 100% subsidiary of Gabriel. The PN3 approval right now has had a bump, which was already taken into consideration when we were forming the TCA. So at this point in time, the current construct, which is 100% subsidiary with the TCA with Inalfa Netherlands, that will continue.
- Amit Hiranandani:** So are we still, you know, reapplying for the JV? So if yes, then how will be the arrangement? How much Gabriel will own in that JV?
- Rishi Luharuka:** So yes, we would be looking at various options. And at this point in time, we are not in a position to share the construct or what are the various proposition we might have.
- Amit Hiranandani:** Okay. Understood. And sir, just on the -- continuing with the sunroof side, so most of the questions on the sunroof is answered, just wanted to know that we sold roughly about 23,000 units in Q4 and how many units sold in Q1 FY '25?
- Manoj Kolhatkar:** Well, Amit, we are actually constrained on to give the numbers as far as the exact number is concerned, but our daily production rate is actually much better than what we saw in Q4 of last year.
- Amit Hiranandani:** Fair enough, sir. Sir on the FSD Tech-- any new order wins FSD?
- Manoj Kolhatkar:** Not yet, but we recently had a discussion with Maruti where they are interested in one particular vehicle, but they have actually now changed it to another upcoming vehicle where we will demonstrate the concept to them. So then definitely there is interest from them as well as from Tata Motors both, two customers that I can think of immediately as far as FSD is concerned.
- Amit Hiranandani:** Okay. And sir, on the standalone EBITDA margin. So basically, it's Q-on-Q it's 9%. There is improvement despite increase in the revenue and better mix towards 2-wheelers and stability in

the commodity prices, so our target was to hit double digit label, so by when we can expect this, sir?

Manoj Kolhatkar: So if you recollect we have told that I mean our target was to get into double digits in 2 years' timeframe, that was what we're planning to. So to put it very precisely it is somewhere in the next year is what -- next fiscal is what we're planning to, at least we try to end the year with that double digit.

Amit Hiranandani: I mean, exports is presently weak and aftermarket is also in -- some gray market is emerging back again. So despite these headwinds, are we confident of hitting double digit?

Manoj Kolhatkar: Well, yes, I mean you can take some confidence from the way we have continuously increased. So as I said, it can't happen in a jiffy. It has to be a journey and a slow and steady and creeping increase is something that is actually sustainable in my view, a flash in the pan is always very difficult. So which is the road that -- which a journey we've adopted and we'll continue on this improvement part and yes we target to be there at double digit certainly.

Amit Hiranandani: Any new product launch is planned ahead, sir?

Manoj Kolhatkar: So two products that we had mentioned last time is in suspension category itself. One is the e-bike. So we recently were there in the e-bike show in Europe in Frankfurt. So we had some discussions there. So we're looking at engaging some expert who was from this field because the customers here are completely new to us, but very exciting market. And I was there in the show myself and really absolutely exciting market that is one.

And the second is the solar damper which is used for damping the solar rays in the solar farms. So that discussion is again in a very advanced stage with one player as of now. They have had visits, they have been very satisfied with what we had to show, our design capabilities, our testing facilities. So yes, these are the two new ones.

Amit Hiranandani: Sir, these are the applications but basically -- product -- anything new, just like sunroof anything new we're planning?

Manoj Kolhatkar: Product diversification you mean. So there as I said, we are looking at options. I mean scanning opportunities in the market. As of now I can't share more on that front.

Amit Hiranandani: And lastly, if you can throw some more light on the solar dampers side because this is a new product for us. How is the traction or the realization, broad market size potential, any competitive landscape if you can throw some highlight on this?

Manoj Kolhatkar: So the market is huge, and it's only going to keep on increasing because of the overall push by the world on renewable energy, so clearly it's a big market. The numbers are significant, difficult for me to right now share offhand, but the margin is again there I mean would be slightly better than what we are doing.

Amit Hiranandani: Okay sir. All the best. Thank you so much sir.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate Advisors. Please go ahead.

- Abhishek Jain:** Thanks for opportunity and great set of numbers. Sir, my first question on the sunroof side. Last year your volume was around 23,000 units, and that was early in the quarter 4. What is your target for FY '25 in terms of the volume of sunroof?
- Manoj Kolhatkar:** Well, Abhishek, as you know, we don't share the numbers as far as the targets are concerned, but like I answered earlier our daily production rate of the sunroof is definitely much better than what it was in the Q4 of FY '24.
- Abhishek Jain:** Okay. So in quarter 4 it was around 8,000 so most probably that we are able to achieve the 10,000 to 12,000?
- Manoj Kolhatkar:** Yes, it's almost close to that, yes.
- Abhishek Jain:** And sir, in this quarter we have seen a very impressive margin of around 14% on sunroof. Is it after factoring royalty of 5%?
- Manoj Kolhatkar:** Yes, Abhishek. It's after factoring of royalty.
- Abhishek Jain:** So most probably as the scale will increase in the coming quarter and because you will be able to do volume of around 180,000 to 200,000 units. That means that with the increase in the volume, margin will improve further?
- Rishi Luharuka:** So the operating leverage should kick in, but there would be other cost pressures as well, so it's a new entity at this point in time. So we are targeting to -- around the margins that we have currently reported.
- Abhishek Jain:** Okay. And what would be the total investment under sunroof plant if you invest solely?
- Rishi Luharuka:** So as of now, as we answered to Mumuksh we've done INR86 crores of total CAPEX and the current loan outstanding from Gabriel to Inalfa is at INR60 crores.
- Abhishek Jain:** So total investment would be around INR140 crores, right?
- Rishi Luharuka:** At this point in time, the total investment of one line that we have put in is at INR86 crores.
- Abhishek Jain:** And for the second line, what would be?
- Rishi Luharuka:** Another INR40 crores.
- Abhishek Jain:** And total investment would be INR120 crores, INR130 crores, right?
- Rishi Luharuka:** Yes, for two lines, yes, that's the number.
- Abhishek Jain:** Okay, sir. And my last question is on the 4-wheeler side. Basically, as you mentioned that there will be growth of 5%, 6% for industry, but also won the new business for new swift and that's why that incremental revenue will come in this -- in this year of around INR100 to INR120crores. So can we expect that you will outperform industry growth and you would be able to achieve a growth of 17%, 18%, at least?

- Manoj Kolhatkar:** So your voice was not -- Rishi could you...
- Rishi Luharuka:** I think the question was around 2-wheeler growth coming forward.
- Abhishek Jain:** 4-wheeler growth, sir. What would be the 4-wheeler growth in FY '25?
- Manoj Kolhatkar:** 4-wheeler growth, I said it will be around 4% to 5% give or take. That's what we had started with, but there are views currently which we are -- again, I'm going by what we have read in the papers from several OEMs that it may actually turn out to be a flat year, it all depends on how the festive season pickup goes.
- July, fortunately, the month of July as far as the industry is concerned there was a 13% growth in PC compared to same month last year. So that is good news. In fact, 2-wheeler also grew almost 17%, 18%. But passenger cars grew by 13%. So we'll have to see how we -- I mean, as I said, how the pickup is in the festive season, but I would say 5% growth is a good thing to expect.
- Abhishek Jain:** But what is your growth in the business in 4-wheeler.
- Moderator:** I am sorry to interrupt Mr. Abhishek. Could you please call back in the question queue for further questions?
- Abhishek Jain:** Okay thanks.
- Moderator:** Thank you. The next question is from the line of Mahesh from Atul Investor Advisors. Please go ahead.
- Mahesh:** Sir, just view on the Inalfa thing that we are briefing, can you please tell, I mean, this could give you -- I mean, because we are about to grow and we were about to go for another line. So does this mean that Inalfa now will be like looking, I mean, taking a step back and seeing whether this growth should go ahead or not because the technology has been shared by them, right? So does this give a picture that the growth might will be on the sunroof side, we might see a -- there might be some delay on that, if you could please throw some light there?
- Manoj Kolhatkar:** Mahesh, no, not at all. I mean that's why immediately, after this, PN3 approval which did not come through that's why we came up with the statement based on our discussions with Inalfa themselves, they've clearly reiterated with commitment to India as their key growth market. It is not, and they're committed to Hyundai and Kia globally. So it's not that India is one market only where they have Hyundai-Kia.
- They have a huge exposure to Hyundai-Kia globally, as well as, of course Volkswagen is a key customer, Mercedes is a key customer. There's so many, I mean they supply to the entire auto industry. And India is, as the only growth market currently in the globe.
- So they stand committed and they have stated that they'll continue to seek the support from the government to find options and we've written very clearly being fully committed to supporting IGSS through the TCA. So absolutely no change in direction, change in the push or change in the plans as far as IGSS is concerned, as far as investment is concerned, support is concerned, new customer acquisition is concerned or any such front.

Rishi Luharuka: Also to add, Mahesh, the situation, this outcome also envisages one of the options. And while the TCA was drafted and executed between both the organizations, it was taken into consideration the long term commitment and the continuity of the business here. And also the fact that Hyundai is a global customer to them.

And to that extent, servicing the customer is extremely essential. And as far as capital adequacy is concerned, currently, we've put in the money on their behalf, as far as the equity is concerned. And going forward for all kinds of expansions, Gabriel stands committed to put the money to infuse over and above the internal accruals of the organization.

Mahesh Atal: But I just want to know what option could be possible? Because it gives the picture that like, wherever they go in Inalfa they just have a major share in the JV. That's their thing, wherever they go. So, in this JV also, we were thinking of giving them a 50% stake, if I'm not wrong. So, what options are there on the table? I mean, like, because right now the government has disallowed.

So, what options are there? I mean, because it gives a question mark like, the growth trajectory might be little delayed, it seems like that currently. I mean, I'm not aware of all the things but still, if you could tell us some options what? Because Gabriel, as such, is a technology taker from them, right? So, you're always on the second step. So, what, I mean, I just, that's a question mark, if you could answer that.

Rishi Luharuka: Mahesh, as we've stated in the previous discussion at this point in time sharing the various options would actually be in violation of the confidentiality clause. So, we are not in a position to share that but at the same time, we are actively evaluating the various options and discussing as to what would be the way forward. But certainly, one thing is for sure that the commitment towards the entity, the customer and the growth plan that remains rock solid.

Manoj Kolhatkar: Yes, Mahesh, just to add Inalfa is world's number two, and they have formally, you put it, I mean, obviously, if it comes from such a big company that they are reiterating their commitment to India as a growth market, and that they'll continue to support. So, I think, yes, I mean, and like Rishi said, this situation was kind of envisaged as well, because of obviously.

Mahesh Atal: Yes, so, but when do you see the output, I mean, when that option will go on, by what time?

Manoj Kolhatkar: I mean, it's very difficult, because this itself took almost a good one year.

Mahesh Atal: I understand, yes, that's the reason. The thing is that, I know that the talks will go on and you'll find some options but is there any timeline that you have formulated, like we'll see?

Manoj Kolhatkar: So, Mahesh, the thing is, it's not between us and Inalfa, where the cooperation remains absolutely strong. There is, I mean, of course the government also, who has their own process and time, which is what we cannot just cannot regard in this.

Mahesh Atal: Yes, because my, why I'm asking you this thing is because this was a growth engine for us and there's it feels as if there's a vent. So, I just want to clarify.

- Manoj Kolhatkar:** No, I would not, I mean, absolutely. Well, I completely would not second that.
- Mahesh Atal:** All right. I think we'll look forward to have some the next phone call or maybe we may get more updates, I think. So, looking forward to that. All the best.
- Manoj Kolhatkar:** Sure, Mahesh. Thank you.
- Moderator:** Thank you. The next question is from the line of Aabhash Poddar from Aonis Alpha Investment Management. Please go ahead.
- Aabhash Poddar:** Yes, hi. Thanks for the opportunity and hope I'm all right. Firstly, congrats on a good set of numbers for both the domestic and Inalfa business as well. So, just again, sorry to harp again on the sunroof side. So, you said that you are clearly you expected this and it's obvious that the situation may arise and you may have to go this route. So, does this need to deter you from finding some businesses or diversifying the production in a certain manner now? Are you more careful post this, or no?
- Manoj Kolhatkar:** Sorry, are you holding the mic too close? It's a lot of, I don't know boom that I'm hearing. I don't know.
- Rishi Luharuka:** Yes, same at my end, Abbas. There's a lot of air that is flowing into the mic. Can you please...
- Moderator:** Sorry to interrupt, sir. The current participant has been disconnected. We will move on to the next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Manoj, one question to you, sir. So, your name has been taken Shashank in the name of Gabriel India right? And maybe we are hearing you for the last time with Gabriel call. So, sorry, it might sound personal but if you can, I just wanted to check, are you moving for a better or a bigger role in Gabriel group, sir or are you moving out of the group?
- Manoj Kolhatkar:** Pardon? Can you repeat it, Shashank?
- Shashank Kanodia:** Are you -- I just wanted to check, so, are you moving to a bigger role than the Gabriel group or are you moving out of the group?
- Manoj Kolhatkar:** Yes, thanks for the question. No, I mean, of course, yes, I have actually decided to move on outside the group. I've been here for 13 years. So, that's, I mean, my personal reasons are set completely, my own decision after a really, really wonderful period, which I treasure and yes and I'm sure it's absolute solid footing. Yes. So, maybe we can discuss later.
- Shashank Kanodia:** And secondly, on the Vision 2025, sir, so, I think M&A and some sort of that sort was expected from us to take us to the next league. So, it's been quite some time, we have not been hearing anything on that front. So, if the team can, no?
- Manoj Kolhatkar:** No. So, we had told clearly, if you remember that we are working on a couple of them and we had told them in this fiscal, which is 2024-25, we should be able to, I mean, that was our target, that we do at least one. And all I can say is, yes, we are working on in advanced stages with a couple of them.

- Shashank Kanodia:** Yes. Thank you so much. And thank you, Manoj.
- Moderator:** The next question is from the line of Aabhash Poddar from Aionios Alpha Investment. Please go ahead.
- Aabhash Poddar:** Yes, sorry, the line got dropped off. So, first off, congrats set of numbers for Inalfa and for the standalone business as well. So, one, just wanted to quickly understand, since we envisaged this issue earlier, does this create a challenge for us for our product diversification or merger & acquisition, whatever we are looking for in the future?
- And two, just to understand, have some clarity on the margin fund for Inalfa in the first quarter, if you hit 14%, I mean, not for a near-term target just in terms of North Star, because there will be a lot of push and pulls now with the margin with ASPs going lower but at the same time, localizations are sort of improving.
- So, how do we on a year basis, on a year or two out, how do we think of margins? Is it we can reach from 14% to, say, 18%, 20%? Or you would like to maintain where you are at the moment and pass on the benefits to the customers? So, just wanted to understand just your thoughts on this, please.
- Manoj Kolhatkar:** Okay, Aabhash. Yes, now your voice is clear. So, I'll take the second question, which is on the margin front. So, yes, you rightly said as of now, it's a growing margin. Yes, for sure. We can see maybe a little bit improvement as well, if things go well.
- But there is, due to added competition going to be, I mean, I can't be completely, what do you call blind to the market developments that are happening. So, there's going to be a little bit of push on the pricing side. And like, again, you rightly pointed out the supply ecosystem will develop and our efforts you identified some localization opportunities already will fructify and that will help us offset to some extent these pressures that we are seeing that we may see on the selling price. Again, we don't know whether we will see but we may see. So, yes, I think we should be able to sustain and if at all even improve it marginally, yes. And then we'll add new products, new technology products on the sunroofs. So that will help us take it further ahead as well.
- Aabhash Poddar:** Perfect. And just on the part where this -- the JV or whatever challenges that we face now, does it impede our ability to figure out new ideas, find new acquisitions or Just your thoughts on that?
- Manoj Kolhatkar:** Absolutely no. I mean, not at all. I'm sure, we'll find an engineer's way out, I mean, out of this. It is not totally unexpected. We'll find a way and if it does not dent or affect any of our plans as far as any other, I mean, activity is concerned, for sure, no. And yeah, we have healthy cash balance, and the clear focus from the Board and from the Company is to look at new opportunities. And something like this would be, of course, most welcome, which is a good idea.
- Aabhash Poddar:** Perfect. That's very clear. Thank you and all the best to you too, Manoj, for your future. Thank you so much.
- Manoj Kolhatkar:** Thanks a lot.

- Moderator:** The next question is from the line of Sunil Shah from SRE PMS. Please go ahead.
- Sunil Shah:** Yes. Thanks for the opportunity. First of all, thanks so much, Manoj sir, for taking -- coming to these great levels. All the very best for the future endeavours for you at a personal level. Sir, my question is on the company front, really, I want to know when the percentage terms in of the content per vehicle.
- So in the four-wheeler segment, when we are doing the shock absorber and the dampener business versus the sunroof business in percentage terms, let's say, hypothetically, as shock absorbers as a content per vehicle is roughly, say, INR10,000 and -- sunroof is like, let's say, 10 times of that.
- So if a percentage on that in the four-wheeler space and give me the percentage in two wheelers for the new alloy wheels which we are talking about. I mean, not the absolute rupees but in percentage terms, how much is the content per vehicle going up, if you could kindly let me know?
- Manoj Kolhatkar:** Okay. So, Sunil, thanks for your wishes. Now coming to -- content per vehicle, yes, sunroof is definitely among the highest content per vehicle commodity in a car. So give or take, I mean, while we can't share the exact figures, but I mean, I'm sure you'll know from the market research. But the content of vehicle of sunroof depends, it's very difficult to give -- one brush to the whole thing. But let's say, 4 times to 5 times -- suspension content per vehicle.
- Now, that's as far as passenger car is concerned. Two is a very different ballgame, commercial vehicle is a different ball game. So -- but as far as passenger car is concerned, that is more or less broadly the ratio. And your second question on the two wheeler alloy wheel range, as we have started that in the aftermarket, of course. It's not our OE offering, but we have started in the aftermarket
- Again, there the content is -- two wheelers again, front forks and shockers are there so they're totally different pricing as far as both these are concerned. So alloy wheel rim will fall somewhere in between.
- Sunil Shah:** So, sir, --alloy wheels, when we kind of look at OEM supplies, is that your internal thing through your journey?
- Manoj Kolhatkar:** Well, Sunil, to be honest, it's an interesting commodity. For one thing -- it fits into the digital frame of agnostic products -- because like shock absorbers or sunroof, it is agnostic to the powertrain. Similarly, the wheel rim will also remain agnostic to powertrain, and there's a huge and growing demand in the aluminum regions. So, it's an interesting product, but yeah, we are tied up with somebody right now, where we are buying from him and selling it as aftermarket product, and we'll evaluate as we go forward.
- Sunil Shah:** Sure. One more point, which is -- we have launched these two new products alloy wheels, which we have kind of traded, and of course, the sunroof where we are in the JV. So what is kind of group companies point of view? My thoughts are like, in product development, like we as a company, Gabriel believe?

And -- the fear as an investor, which I have is cannibalizing these product in our group companies or how have the new product launches happened in the other group companies over the last, say, 2 years, 3 years? Anything on that through your recent past or maybe the future direction? product development, yes.

Manoj Kolhatkar:

No. So Sunil, you can see that there is actually absolutely no cannibalization that happened in the past as well -- other than one small part of the portfolio of Mando, of shock absorbers, which is mainly for getting to Hyundai and Kia so we have never had any conflict which is what we ensure similarly from the other side also, Gabriel also -- we also ensure that there's no conflict of a new product when we introduce with any of our partners.

So from both ways we do this sanity check. But no fear on that front at all of cannibalization. It's one group, and Gabriel -- if at all, Gabriel is the flagship company, will remain a flagship company, and the only listed entity. So I think you can take confidence from that.

Sunil Shah:

So, sir, mostly the word cannibalization my thought was the new product launches which have happened in the other group companies in the recent past. Has anything developed there in products which they have come out absolutely just like...

Manoj Kolhatkar:

So, absolutely. We work -- as we have shared. We have the vertical called ANEVOLVE, which we launched in the auto store in 2023, which -- where they are selling motors, two-wheeler motors, in both hub motors are center motors, and chargers. Again, two wheeler chargers. So we -- and the battery controller module, so BCM. And this -- these are three products that they have introduced as far as EV two wheelers is concerned. So that's only on the EV side, specific EV products.

Other than that, in terms of -- we are, I mean, at the group level, through ANEVOLVE, we are looking at -- options in, let's say, even in -- hydrogen fuel cell. we're looking at developing our own control modules for charging. So those are things that are happening as far as new products are concerned. But there is no -- just to repeat, there is no product that will eat into or cannibalize our conflict with shock absorbers or dampers or sunroofs for sure.

Moderator:

Thank you. Ladies and gentlemen, due to time constraint that was the last question for today's conference call. I would like to hand the conference over to Mr. Manoj for the closing comments.

Manoj Kolhatkar:

So thank you. Thanks, everybody, for your comments as always and inputs as always. I know there's a lot of what you call interest in what is the development post, so we had to share this as a movement as it came from the DPIIT, from the Government of India. And as me and Rishi have continuously reiterated, we continue to remain in a strong cooperation between us and Inalfa as far as sunroof is concerned.

And we will work on finding ways to find some innovative solution to this. Nevertheless, our plans as far as growth, technology, new products, customer acquisition any other development will continue as strongly or even more going forward, which you will see, hopefully, by the next con call as well.

As regards the core business of suspension, there are some interesting new products which are shared. And yes, we all remain hopeful of a very good festive season to take -- to bring back the little moderation that has happened to the market overall, particularly in commercial vehicle and passenger cars.

Two-Wheeler is strong which is the best part. So which is 63% of our portfolio. So yes, I mean, our balanced portfolio always holds us in good stead. And as I see, we will continue to -- continue the journey of constant EBITDA improvement and of course, overall growth. So thank you once again, thanks for all the cooperation and we wish you all a very, very happy festive season. And I must say that I'll be signing off but yes, the team, we have a very, very strong team which will take you to the next level for sure. Thank you so much.

Moderator:

On behalf of Gabriel India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.