“Gabriel India Limited Q3FY25 Earnings Conference Call”

January 30, 2025

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MANAGEMENT: **MR. ATUL JAGGI – MANAGING DIRECTOR – GABRIEL INDIA LIMITED**
MR. RISHI LUHARUKA – CHIEF FINANCIAL OFFICER – GABRIEL INDIA LIMITED

Moderator: Ladies and gentlemen, good morning, and welcome to the Gabriel India Limited Q3 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 participants' lines will remain 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 "*" then "0" on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Atul Jaggi – Managing Director of Gabriel India Limited. Please go ahead, sir.

Atul Jaggi: Yes, thank you so much. Good morning, everyone and a very warm welcome to all the participants who are there on the call.

With me today we have Mr. Rishi – our CFO and SGA, our Strategic Growth Advisors, our IR Relations Advisor.

We have uploaded our results and the presentation for the quarter ended 31st of December on the stock exchange and the company website. I hope each one of you had a chance to go through the same.

I would like to begin by highlighting the Gabriel India's recent acquisition of assets from Motherson Marelli Auto Suspension Parts Private Limited, that is MMAS, through an asset purchase agreement:

So, MMAS is a Pune-based joint venture between Marelli Europe and Motherson International Limited, basically specializing in the design, production, and marketing of shock absorbers, front struts, and the gas springs for cars and commercial vehicles.

This acquisition helps us to improve our position in the suspension market, enhances our capabilities and expands the product portfolio, which will help us drive our growth trajectory. With this move, we have also added an additional capacity of 3.2 million shock absorbers and 1 million gas spring units. A gas spring will actually be a new product line for us.

Additionally, we are also entering into a technology assistance agreement with Marelli Suspension Systems Italy, to further help in the advanced suspension offerings for the future OEM requirements.

Now I will provide a brief "Overview of the Operations" and "Key Highlights" for the automobile industry:

The standalone operating revenue for Q3 grew 14% year-on-year, reaching 924 crores driven primarily by higher volumes and improved sales in the two-wheeler and the passenger vehicle segments. EBITDA during this quarter stood at 8.6%.

In Q3, FY '25, Inalfa Gabriel Sunroof Systems Private Limited reported revenue from operations of 92 crores with PAT margins at 6.7%. The sunroof business continues to experience strong demand primarily by the rising volume, the customer preference for the sunroof product and the new vehicle launches. Our well-timed entry has helped us strategically, and we are now set to double the capacity by the calendar year 25 to meet the growing customer demands.

Coming to the “Industry Highlights”:

On the passenger vehicles, in this quarter, the last quarter, the sales volume grew by 6.6%, reaching 12.6 lakh units. The UV segment saw a very robust 16% Y-o-Y growth primarily driven by strong demand and aggressive launches in the SUV segment. We also saw some improvement in the passenger car segment.

The slowdown that we saw in the first half of the year in the PV segment has significantly improved post the festival season and we see that trend continuing even in the remaining part of the year.

On the CV side, the last quarter saw muted growth of 2.2%, primarily due to the retail volumes declining Y-o-Y by 1.3%. This is primarily attributed to the delayed fund releases on the infrastructure projects from the government. Despite this, the OEM seems optimistic on the improvement in the demand in this particular quarter.

On the two-wheeler side, we saw year-on-year growth of 7%. This was led primarily by the scooters at 13% and followed by motorcycles at 4.5%. The three-wheeler demand, however, saw a muted growth.

The trend in the two-wheeler continues to be strong while we saw a month-on-month decline in the month of December. But this seems to be a temporary phenomenon. We remain optimistic about this moving forward in this quarter and the further quarters coming up.

On the EV side, the industry is into the transition phase. While the penetration continues, the replacement of FAME with the PM E-Drive program has reduced the direct subsidies per vehicle, which has led to the decline in the overall two-wheeler volumes. While the volumes on an annualized basis have grown, but yes, we are seeing a month-on-month decline in the last couple of months.

However, in the increasing PLI incentives for battery production, which will impact on the lower battery cost, will significantly sort of reduce the battery cost and this will improve the EV affordability, and the demand hopefully would remain positive moving forward.

On this note, I come to the end of my opening remarks. I now request the moderator to begin the question-answer session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and 1 on their touchstone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use their handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Once again, a reminder. ladies and gentlemen, if you wish to ask a question, please press "*" and "1". The first question comes from the line of Jay Kale from Elara Capital. Please go ahead.

Jay Kale: Yes, good morning, and thanks for taking my question and congratulations on a good set of numbers. So, my first question is regarding your Marelli Suspension acquisition. Just wanted to understand, you know, this entity has been in a kind of a bit of break-even and a marginal PAT loss as per their reported numbers. How are you seeing the turnaround of this entity? What are the kind of synergies that you have with this entity? Where are the low-hanging fruits to improve profitability? And any timeline of when you could take this entity closer to your existing business margins?

Atul Jaggi: Yes, thank you. Thank you so much. See, in terms of synergies, there are clear synergies on the product side. There is a very similar product line, very similar customer portfolio that is there, so there are clear synergies. As I mentioned earlier, the gas spring, the gas dampers is a new line for us which we always wanted to enter into. So, this gives us a clear benefit there.

In terms of the customer portfolio, the customer portfolio is quite good with Tata, Maruti and obviously Renault being the top three customers, and some exports also would help. So, I think building these synergies is not a big challenge, to be honest with this. Yes, we also get access to the technologies that are available, and we also get access to better product range that is available there, so.

Rishi Luharuka: And Jay, on the margin profile, you are right in terms of what you noticed, but there are a lot of one-time adjustments which are required to look at the numbers on an ongoing basis. Second is obviously the operating leverage that will happen with the increased synergies.

In terms of the timelines that you asked, well, we have a plan, which at this point in time we are not able to share. But we have clearly curated a plan in terms of improving the margins and bringing it to the levels that Gabriel will be at.

Jay Kale: Okay, understood. And just on the technology side, you know, what is the kind of technology because you all have been in the suspension market for quite long and you are one of the leaders over there. But what is the kind of incremental technology that, you know, you could benefit from this acquisition? I understand you all are working on semi-active, and you all have, you know, made the semi-active suspension from your R&D globally as well. But any new products or any new global clients that you all can leverage from the Marelli relationship?

Atul Jaggi: So, as I mentioned, Renault is a running client, which is a global client that is there. In terms of technologies, I just mentioned earlier, gas spring, gas dampers is one product where the technology is already available there, the product is running, and there are enough opportunities in the market to ramp up that. So, that definitely helps.

And, again, within the shock absorbers, you know, every company uses a different technology. So, there are always some pros and cons of every technology there. So, some add-ons we see where we can utilize some of them, say, on the commercial vehicle side as an example.

Rishi Luharuka: Jay, on this particular point, a couple of things to note. One is, as Atul rightly mentioned, the gas damper, that's a new product. A good scope there. With increasing SUV population, the door balancer requirements are going up and up. That's one.

Second is that the territory is largely India and the exports that currently this entity was doing. So, in terms of synergic benefits, renovating added helps. In terms of the technology piece, there are designs which are different and have different or similar capabilities, which adds to the product basket in terms of what we can offer. And as just right now Atul mentioned, on the CV side also, there are such opportunities.

Jay Kale: Understood. And you know, you had mentioned historically that in the next two to three years, at least one or two more new products. I am assuming that this acquisition is seen more of as a consolidation from your side and not necessarily one of the two new products that you all maybe plan to do it in the next one or two more years. So, I think that trajectory is expected in the next one or two years. I am assuming that, if you can just clarify on that.

Atul Jaggi: Yes, so see, M&A is not an event, right? It's a journey. So, we are on that journey. We are certainly not saying that we are pausing. This is one of them which came across and we were able to conclude it. As we speak, there are other opportunities that we are evaluating and we will come back to the market at an opportune time.

Jay Kale: And this is just one last question, if I may squeeze. On the sunroof margins, if you could throw some light and, you know, how have they, if you see consol minus standalone, I am assuming that there is some dip on a Q-o-Q basis, while, you know, Q2 was substantially higher. What should be a sustainable margin on sunroof? And if you could also, you know, consistently kind of disclose those numbers, that will be really helpful for us to track the sunroofs.

Atul Jaggi: So, with one subsidiary, Jay, I don't think it's a simple math, right? Consol minus standalone. There are other reasons why we have taken it out of the investor's presentation directly. So, I request you all to bear with that.

As far as the numbers are concerned, it was a good quarter. The sales was as per the budget that we had anticipated. We are also in the process of now going SOP for the AY program, which is the Kia platform. And with that, we are now anticipating to ramp-up the production.

We have already mentioned that we are looking at doubling the capacity and the orderbook for that is already in place. And very soon we will be in a position, maybe in two years of time, where we will be almost exhausting that capacity as well. So, in terms of the pipeline, it's looking as per the plan that we had casted out, in fact, a little more aggressive than what we had planned for.

Coming to the margin profile, you are very right. The last quarter was an abnormally high margin. This quarter, there has been some one-off costs to the extent of 22 million. But to answer your question on sustainable margin, it will depend upon the product mix and what plays out, how much TVS, how much BLDS, what is the proportion of that, which are the customers that we are going to add.

As we all know, competition is also heating up on that. And with localization, the prices ideally should go down, but we are clearly looking at a margin which is accretive to Gabriel in the range of 12% to 14% is what we had mentioned always. That's the endeavor to keep it at that level going forward.

Jay Kale: Thanks and all the best. I will come back in the queue for more questions. Thank you.

Moderator: Thank you. The next question comes from the line of Amit Hiranandani from Phillip Capital. Please go ahead.

Amit Hiranandani: Hi, team, thanks for the opportunity. Continuing on the ongoing acquisition, which is going on, so, by when we are going to have the technical agreement signed with them? And secondly, continuing with that, what is the penetration of semi-active suspension in India? And where do you see it moving in the next five years? And presently what is the penetration level for the same in the developed market please?

Atul Jaggi: I will take the first one, Amit. The Technology License Agreement and the Technology Assistance Agreement are all sort of clearly agreed between both the parties. Once we have finished the conditions which are required customarily for closing a transaction, we should be able to enter into that and make it effective. And again, we have already specified the long stop date in our disclosure. So, that's the timeline that we are working with.

On the semi-active, yes, see, on the semi-active, while it is too early to start giving a percentage to the penetration there because this is one product which is while I think a lot of discussions have happened in the past, but the EV that was launched, the BEV, one variant of that has come up with this particular suspension, the semi-active suspension, which is sort of locally assembled here. Yes, there are a couple of models, the top-end models, where as a CKD or a CBU, they have this suspension.

So, this is just starting. In terms of where this will go, again, very difficult at this time to put a percentage to the penetration. But yes, because Mahindra has launched a variant with this, there are other customers also who have started discussion on this particular topic and they are quite interested in this.

Amit Hiranandani: Right, sir. Any idea of what is the penetration level of semi-active in the developed markets?

Rishi Luharuka: We can come back to you.

Atul Jaggi: We will come back to you on this.

Amit Hiranandani: And sir, can you please help us with the basic financials of Marelli Motherson, like how much was the EBITDA margin and loss in FY '24 and current capacity utilization of this entity? And also, do we need to incur any CAPEX for the acquisition?

Atul Jaggi: So, Amit, past records we really cannot share given that we have an asset purchase. So, that is something that you will have to sort of find to yourself. The second question is with regards to the asset utilization. Well, the entity has done 200 to 160-odd crores in the past. You can check that from the RFC filing. And with that, broadly, the gas damper is fully utilized. And 60-70% would be utilization for suspension. And as we have always mentioned, these numbers are subject to bottleneck and capacity enhancement will depend upon what is the bottleneck.

And as regards to CAPEX, well, it will all depend upon what kind of program we are able to synergize and add to this entity or add to this asset. So, typically in Gabriel, we have done asset turnover of five. We don't see any reason why it should be anything lower than that.

Amit Hiranandani: Right, sir. But, sir, are we on track to achieving the EBITDA margin for the standalone, even after the acquisition of this Motherson's entity?

Atul Jaggi: We will have to see. There will be some stress because of that for sure. But in terms of track, yes, we are pushing order.

Amit Hiranandani: Okay, sir, I will come back in the queue. Thank you so much.

Atul Jaggi: Thank you, Amit.

Moderator: Thank you. The next question comes from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Yes, thank you, sir, for the opportunity. Sir, my first question was on to the sunroof business. I believe, sir, there is a drop in margins and even the top line has reduced on a quarter-on-quarter basis. I believe, sir, the volume, sir, so we were looking to ramp up the volume. So, any particular reason, like, so why the top-line has dipped?

Atul Jaggi: Last quarter was the festive quarter, last to last quarter. So, there is a very, very marginal number. So, from a revenue perspective, actually, it is poised to grow now that we are going to start the SOP for the new program of Kia. And on the margin, we have already mentioned now that there was a one-off in this quarter. But on a sustainable level, we are looking at anywhere between 12 to 14% of EBITDA.

Aditya Khetan: Okay. And in terms of competition, so do you see in the longer run, so many players have now started to like expand into the sunroof business. Is there any number which you can put, so whether the growth could be slower or the ROCEs could come down in the longer run into the sunroof business?

Atul Jaggi: So, it is difficult to say, the competition that you are mentioning is still to pan out and see what they are going to do. One of the competition is going to be up north, where we are not there yet. We are in the South and most likely in west. But to that extent, we are competing with Webasto, who was already there in the space before Inalfa Gabriel came to India.

Well, on the ROCE, if you look at the steady-state margin. you can sort of assume that we will be able to retain steady-state ROCE as well.

Aditya Khetan: So, the recent acquisition supports our ramping of the complete business. Sir, what is the peak expected top line and EBITDA from this business?

Atul Jaggi: As of now we are not able to share those information. This is going to be as it's an asset purchase, it is going to be a plant of Gabriel once we have completed the customary conditions. But you can look at the past numbers and given that we have acquired full business, some assumptions can be drawn.

Aditya Khetan: Got it. Sir, just one last question. Sir, on to the base business of our suspensions, is it possible to share the volume growth on Y-o-Y and on quarter-on-quarter business and also the absolute value, if you can share it?

Atul Jaggi: Absolute value obviously is there segment by segment in the investors' presentation. On the volume, we do not share that information given the sensitivity of the price and realization for shock absorbers.

Aditya Khetan: So, sir, at least at what utilizations level we would be operating that plant as of now?

Rishi Luharuka: Which plant are you talking about?

Atul Jaggi: Are you talking about MMAS or?

Aditya Khetan: Sir, the base business plant of suspensions.

Atul Jaggi: We have eight plants. So, see, again every segment has a different utilization, every plant has a different utilization. It is very difficult to sort of put one number to that. But yes, 60 to 70 is the number that we keep. Again, the logic being very different for every segment. Because if you take a two-wheeler segment, the festive demands are so high that on a normal year level, we keep it at around 65 to 70% so that we are able to service the customers well there, but mostly on the assemblies we look at a two-shift kind of demand, working plan.

Aditya Khetan: Sir, just one last question, sir. Is there any scope for further increase in market share in the two-wheeler and the passenger vehicle segment?

Atul Jaggi: Yes, definitely is.

Aditya Khetan: So, sir, in the next you can say, so two to three years, any numbers, sir, so we are targeting?

Atul Jaggi: Yes, with some acquisitions, we are seeing some growth. There are some more businesses that are there in the pipeline. So, say, in the case of two-wheeler, the share of business has been continuously improving. We see that trend continuing. Again, putting up a number also becomes little difficult because it also depends upon because the penetration is very different with different customers. So, it also sometimes depends upon how that customer sort of performs in the market. But yes, there is a healthy business pipeline and even at a customer-to-customer level also we are seeing a share of business improvement in most of the two-wheeler customers where we are and again key customers like Maruti in the case of passenger car segment.

Rishi Luharuka: Yes, and Bajaj was, as we had disclosed in the past, Bajaj was one of our endeavors in terms of the SOP and with now two new programs, the Dominar and the Pulsar we are now there with them, deeply entrenched. So, that will certainly help our share of business.

Atul Jaggi: And just to also share with you, like with Yamaha recently, we have won a new scooter business. So that will again help us a little bit more on the Yamaha side. So similarly, again, this continues. So, there is a good healthy pipeline that is there. And I think already shared with you, Maruti, I think two launches are already planned this year.

Aditya Khetan: Got it, sir. Thank you, sir. That answers my question.

Moderator: Thank you. The next question comes from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Thank you, sir, for the opportunity and congratulations on the good growth and the recent acquisition, sir. Sir, continuing on the suspension new order wins, you have also mentioned some TVS order wins across the CNG, EV 4-wheeler and the electric 3-wheeler. Can you talk about this opportunity, sir?

Atul Jaggi: On which customer you said?

Mumuksh Mandlesha: TVS Motor with the CNG and the electric four-wheeler, electric three-wheeler, which you mentioned in the presentation.

Atul Jaggi: Yes, so these are all the confirmed businesses under development. So, I don't know exactly what information you are looking at.

Rishi Luharuka: Mumuksh, can you elaborate the question for us to understand?

Mumuksh Mandlesha: Yes, I mean, just in terms of the size of the opportunity, if you can indicate what could be the opportunity size for this and when the business would start the SOP of this orders, sir.

Atul Jaggi: So these, again, Mumuksh, you are aware that we are bound by the contract not to share the SOP and neither the volumes currently. But we can certainly share the order wins.

Mumuksh Mandlesha: Got it, sir. Sir, this quarter, exports have seen a very good growth. Can you elaborate what has led to the growth and what would the outlook rate for this?

Atul Jaggi: So, in this quarter, there are a couple of reasons for that. We saw better growth in the aftermarket orders and we also saw a much better pull from the Latin America market. So, these are the two primary reasons for that.

Mumuksh Mandlesha: And going ahead, sir, how do you see the growth pattern?

Atul Jaggi: We see reasonable numbers. Again, exact numbers will be very difficult to share, but yes, we see a good demand continuing.

Rishi Luharuka: Mumuksh, we have been always saying that our endeavor is to achieve a 10% export of the total revenue. There have been unfortunate situations like the Renault and then the Russia issue. But we are getting more and more entrenched with DAF in terms of improving their export and looking at some other opportunities as well. And now with the asset purchase that we have done, some bit of export will happen from that acquisition as well. So, there are two or three sort of opportunities that we are exploring in addition to what comes with the MMAS. So, we are very hopeful of converting them into order.

Mumuksh Mandlesha: Got it. And sir, M&A exports part would be like in the PV and sir, which customer would be broadly, sir?

Atul Jaggi: It is Renault. Renault is one customer and Stellantis is another customer. So, these are the two customers that are there.

Mumuksh Mandlesha: Got it, sir. Sir, on the sunroof, sir, for the recent additions with Syros and the Creta EV model, I mean, just can you indicate what kind of volumes could we see for these two models? And any update you want to share in terms of new order wins or any new orders in the RFQ stage which could be executed in the coming quarter, sir?

Atul Jaggi: Mumuksh, you are right with Creta EV as well as with the Syros EY, there is an uptick in the volumes which we are noticing now. And with that we will go into the fourth quarters. In terms of order wins, we have spoken about BC4T and BC4I last time, the small export to Turkey as well. This quarter there has been no new wins in terms of programs. The RFQ discussion obviously is confidential and cannot be shared at this stage.

Mumuksh Mandlesha: And sir, the new capacity will be ready by end of the calendar year. Right, sir?

Atul Jaggi: That is right. A little before that.

Mumuksh Mandlesha: Before that. And sir, on this MMA you mentioned about the gas spring suspensions. I just want to understand what kind of a size of this opportunity market is there in India. Can you just elaborate on this product, sir?

Atul Jaggi: So, the market size for this particular product in India is quite large and to be honest even globally also, there is a huge demand for this particular product. There are not too many players who are there in this product. So. In India, like SUSPA is one company which controls the maximum market share. I may not, but approximately it must be, say, maybe 90% plus are there. So, the opportunity definitely is huge there.

And as Rishi mentioned, with more and more SUVs, the product also gets upgraded, the opportunity size also improves, because again, the cost varies between sort of segment to segment in this. And in terms of, moving forward, we also see export opportunities with this product.

Mumuksh Mandlesha: Got it, sir. Sir, in the presentation, you have mentioned about the e-bikes new traction there. Can you update what's the new opportunity there, sir?

Atul Jaggi: So, see, as you are aware that we have been working on this product for quite some time, we have been able to, basically I think we are doing three things on that. One is on the product side, on the technology and the product side where we have a dedicated team sort of who is working to develop more product, product range here. We have a couple of experts from this industry whom we had hired. So that part is being done.

The second is on the customer side. We are again working with multiple customers to sort of explore opportunities and now we are quite hopeful with some product range already available with us and some good customer connect, we are quite hopeful. Or rather when I speak, the team is already in Europe right now, again, working on the same with multiple customers. So, we are quite hopeful of something materializing very soon in this particular segment. Again, the segment sort of offers good opportunity both in terms of product, in terms of technology, in terms of the size of the market that is available. So, we are quite optimistic about it.

Mumuksh Mandlesha: Got it, sir. Just last…

Moderator: Mr. Mandlesha, if you can please join back the queue.

Mumuksh Mandlesha: Sure.

Moderator: Thank you. The next question comes from the line of Viraj from SiMPL. Please go ahead.

Viraj: Hi, thank you for the opportunity, and congratulations on a good set of numbers in the challenging environment. Three to four specific questions. First is on the acquisition which we announced. So, just to clarify a few things which we would be having with Marelli, that would primarily be covered the existing product range?

Atul Jaggi: As your voice is muffled, we are not able to hear you at all.

Viraj: Am I audible now?

Atul Jaggi: Yes, much better.

Viraj: Yes, hi. So, the first question is, the technical license agreement which we will be entering into with Marelli, that will primarily cover the existing product range or it will also cover much more, say, other advanced set of products in suspension.

Atul Jaggi: We cover both current as well as add-ons.

Viraj: And would that have a no compete outside of India?

Atul Jaggi: There is a territory restriction, but includes the current exports.

Viraj: Second question is in terms of the product which we will be adding to the portfolio in suspension, can you give some color in terms of the addressable opportunity it kind of adds to the existing suspension business?

Rishi Luharuka: Currently small, Viraj, and I will let Atul pitch in here. But as of now, we are obviously not sharing what is the potential that we have internalized the numbers with, but the current opportunity in terms of the overall percentage to Gabriel consolidated numbers is small.

Viraj: No, so basically where I was coming from is, if I look at the product and look at penetration, say, outside of India, just to get a flavor, you know, what kind of registration these product categories we see in mature markets? Just to get a flavor, not doing exact numbers or, you know, just an indication.

Atul Jaggi: Viraj, these are primarily the shock absorbers, correct, which are there. In terms of penetration or in terms of opportunity, the entire world is open for us. I think we have been discussing about exports from Gabriel for quite some time.

Rishi Luharuka: But I think the question is on the door balancers.

Atul Jaggi: Oh, you are talking of the gas springs?

Viraj: Yes, I am just trying to understand, you know, the product which we added to the portfolio. What is the penetration?

Atul Jaggi: Viraj, I will give you the content per vehicle. There are two for the rear boot. There could be one for the front bonnet. So, that's the minimum that a vehicle can have.

Viraj: Okay. There is two more questions. One is, if you look at the said assets which we are purchasing, they have had issues in terms of ramp up and quite a high rejection rate. Do you see any possibility of higher provisions related to warranty or any product liability risk which we would be facing once we take off?

Atul Jaggi: Given that it's an asset purchase, we are not taking over any liabilities.

Rishi Luharuka: No, for the period which has belonged to this entity.

Atul Jaggi: So, there is no liability.

Viraj: Okay, and last question is on the suspension. You know, see, if you look at the contribution margins which we are earning right now, it's an environment where the prices are very benign and certain high margin segments are relatively doing well post aftermarket two-wheeler. Still in our contribution margin is still around 25%-ish compare to the past where it has even gone to 27-28%. So, would it be right if that margins what we are earning in the business would still remain in that 8.5-9 given that, you know, in the past we have been slightly more aggressive?

Atul Jaggi: Viraj, your voice was dropping, but if I have understood your question correctly, looking at my contribution margins, yes, obviously the product mix plays a big role. And as you rightly said, we have been working on the mixes which are of a higher contribution. 75% is raw material cost, as you are aware. So, that has to be factored into when we are looking at an increase in the EBITDA margins to a double digit. We are sort of short of 1.5% there at this point in time. So, some part of that will have to come from contribution, and some part of that will have to come from operating leverage, and we have already spoken about the Core 90 program. So, under that, all aspects of cost as well as revenue and income are sort of taken into consideration. So, you can sort of assume a fair split between cost elements and income elements.

Viraj: Okay. Thank you very much and wish you good luck and the team.

Atul Jaggi: Thank you, Viraj.

Moderator: Thank you. The next question comes from the line of Chetan Gindodia from PGIM Mutual Fund. Please go ahead. Chetan, please unmute your line from your end and ask your question.

Chetan Gindodia: Hello.

Moderator: Yes, Chetan, please go ahead.

Chetan Gindodia: Yes. Sir, firstly, congratulations on a great set of numbers. Firstly, sir, any new labels that you are added other than, say, Hyundai or Kia, which has been our base customers for the sunroof business, or any other OEMs we are in discussion with?

Rishi Luharuka: Yes, we are in discussions with other customers other than Hyundai and Kia. Can't share their name unfortunately, Chetan.

Chetan Gindodia: Okay, got it, sir. Sir, for the sunroof business, can you share any kind of revenue targets or any guidance you have for this business, especially given that we are doubling our capacity over here and you said that you already have the customers for the expanded capacity as well? So, any guidance if you can share on that side.

Atul Jaggi: See, when we had gone live with this entity, we had mentioned that we are clearly looking at 800 to 1,000 crores in 5 years of time and that is the continued endeavor.

Chetan Gindodia: Okay. Great, sir. And sir, lastly, of that we have already done two sort of acquisitions, firstly with the sunroof business and now with the new plant that we have acquired. So, is there more to come for on the inorganic side going ahead as well? Or is this more or less done for you now?

Rishi Luharuka: No, I think as we mentioned earlier also, see, this is an ongoing journey. So, there is no full stop to it. As we speak, again, one or two discussions are going on. How they materialize, we will see in the next sort of due course of time. But our focus remains there. Our efforts remain.

Chetan Gindodia: Okay. Great, sir. Thank you, and all the best.

Moderator: Thank you. The next question comes from the line of Abhishek Jain from Alfaccurate Advisors. Please go ahead.

Abhishek Jain: Thanks for opportunity and congrats for a strong set of numbers, sir. Sir, in this base business, we have seen a very impressive growth in the two-wheeler side, that is 19%. What is the muted growth in the industry? Is it because of the higher value from the electric two-wheeler side, from the Ola and TVS?

Rishi Luharuka: Sorry Abhishek, your voice is not clear, so.

Abhishek Jain: Are you able to hear me?

Atul Jaggi: Abhishek, you need to take the mic a little away from your mouth. It's very muffled.

Abhishek Jain: Hello sir.

Atul Jaggi: Yes.

Abhishek Jain: Is it fine?

Atul Jaggi: Yes. Better.

Abhishek Jain: So, in two-wheeler side, basically we have seen a 19% growth Y-on-Y, and we outperform the industry growth. So, is it because of higher revenue from EV side from Ola and TVS?

Rishi Luharuka: Again, it is not only from the EV side. It is also supported by the new launches that are there from TVS, better off-take from Bajaj and other customers and obviously the EV plays a role there.

Abhishek Jain: So, as you mentioned that you are winning new business from the TVS and plus Bajaj, also won the new business from the Yamaha and plus that there will be significant growth on the EV side where you have a market share of around 87%. In this case, how do you see 2-wheelers growth in FY '26 if industry growth would be around 5 to 6%?

Atul Jaggi: Again, we will not be able to share the sort of projected numbers that we have. Industry growth, as you rightly said, we are also expecting around 6-7% industry growth in this, but the effort is to continue to be better than the industry.

Abhishek Jain: Okay, and in a four-wheeler side, basically, there is a 14% growth. Is it because of the higher revenue from the UV side where your market share is 29%?

Atul Jaggi: Yes, you see the growth in the U.V. market anyway has been much better in this quarter. The overall growth has been at 16% in case of UV. So, that impacts us also positively.

Abhishek Jain: And how much is difference in the content per vehicle in the four-wheeler UV versus Sedan?

Atul Jaggi: It's not a straight math here and unfortunately, those numbers cannot be shared. But to give you some help on that, usually, you can look at the proportion of the car cost also.

Abhishek Jain: Okay. And as you mentioned that you are going to double your capacity in the sunroof, so how much current capacity and capacity utilization?

Atul Jaggi: We are currently at 180,000 sunroofs per year capacity. That's the one line capacity. Currently with the new program we will be exhausting that capacity.

Abhishek Jain: Hello.

Atul Jaggi: Yes, did you hear me?

Abhishek Jain: Yes. Okay. And in a railway segment, what is your plan and what kind of the revenue projections for the medium term?

Rishi Luharuka: Again, projections, we don't share. This is a small part of our top line but a very important part given that the segment we want to be present as well as from a profitability perspective, it's a good margin product. **Atul Jaggi:** And we have the entire product range. And Railway, as you know, it also depends upon how many coaches are finally built. And it is a tender business. So, it is never a single source business in railways, so.

Abhishek Jain: Okay. And my last question on the sunroof side, how much is the royalty payment you are doing at this point of time?

Atul Jaggi: Both the parties taken together 5%.

Abhishek Jain: 5%

Atul Jaggi: Both the parties.

Abhishek Jain: Both parties. Okay. Thank you, sir.

Moderator: Thank you. The next question comes from the line of Jeetu Panjabi from Em Capital Advisors. Please go ahead.

Jeetu Panjabi: Hi, Mr. Jaggi, thanks for answering all the questions. Sir, just one big question, right? You have taken over the mantle a few months ago. You have kind of seen this acquisition happen. You are also kind of working through the sunroof business. Can you articulate what's your vision for the business? Where do you want to take it over the next 2-3-4-5 years? How do you plan to spend energy? Like what will be the focus and the energy focus going into different segments? And is there anything different you intend to do from what Manoj was doing over the years?

Rishi Luharuka: Jeetu brother has always a good question.

Atul Jaggi: So, I think even in the last call also, while it was my first day, the second day rather, this question was asked. So, see, as you know, I was away from Gabriel only for 8 months there. So, even in the last strategic plan, I was a part working with Mr. Kolhatkar there.

I completely believe, I think, the four pillars that we have been talking about in terms of domestic dominance, in terms of focus on exports, focus on M&A and the technology. I think they remain intact. The vision is very, very clearly defined.

What I intend to do and what the effort has been till now in this new role and which will continue or rather I will say, it will sort of I will try to bring more focus to that is bringing peace to these things.

So, like I think we have been talking about exports, we all understand export is very important because it helps in the better mix. So, how can we speed up some acquisitions that we have been working on, on the export side, how can we do more in terms of bridging any technology gap that is there I think has been the focus and will continue to remain the focus.

Jeetu Panjabi: Okay, and anything different you intend to do from where you are on status quo as you think through your vision for the business.

Atul Jaggi: So, as I mentioned, I think two things. One on the current four-pillars that I said, more renewed focus, better resource allocation to expedite these things. Another area that definitely I would like to focus would be to also see that can we have better synergies and get into some different, even in the suspension side, also into different products range, like we discussed some time back on the e-bikes.

Now, it is a different segment, but it presents a good opportunity. I think at some stage we spoke about some of the industrial products also. Can we bring more focus to that so that we have even a better mix both in terms of the customer, in terms of the market and the segment profile? And yes, I think there will be more focus on how we can sort of get more product through M&A or through anything else.

Jeetu Panjabi: Thank you so much. Hope to meet you in person at some point. Thank you.

Atul Jaggi: Looking forward.

Moderator: Thank you. The next question comes from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Hi, sir, good morning. Sir, just couple of clarifications. Earlier we had a target for revenues for sunroof for the current financial year was 400 crores. Will we be able to meet that aspiration? And also you mentioned earlier in the call that there was a one-off of about 22 million. If you could just maybe clarify what was this pertaining to?

Atul Jaggi: First question, yes, we will be able to meet our target for sure. Second question, these were one-time costs in terms of some price settlements with the customer.

Alisha Mahawla: Sorry, couldn't hear you very clearly.

Atul Jaggi: These were price settlements with the customer as well as some other costs which are non-recurring in nature.

Alisha Mahawla: Understood. Okay, sure. Sir, the next question is margins on the standalone business while you did spell out that, you know, there are a couple of steps that we can still take and like it was asked earlier the recent asset purchase that we have done, will this mean that the double-digit margin that we have been working towards since the last multiple quarters will now probably be slightly more back-ended?

Atul Jaggi: One is that in terms of the total top line, it's not very significant compared to Gabriel. That's one. So, even if we do a weighted average, it should not be impacting significantly. The idea here is not to find reason to delay the pursuit. We are still on the target and will continue to do so.

Alisha Mahawla: So, we still stand by FY '26 to hit double-digit margins in the standalone business.

Atul Jaggi: FY '26, we have said two years, so yes.

Alisha Mahawla: Understood. And lastly, our net working capital cycle has been inching higher. It used to be 20. It's up 20 days. Now it's 26 days. What is leading to this change and where is this number now expected to settle?

Atul Jaggi: 20 days was an aberration. I would safely assume it to be in the range of 21-22 days. You are very right that this quarter we have a little higher working capital. That's largely owing to the holiday season in China. So, some amount of inventory built up was required to maintain supply chain on the imported inventory and some amount of increase in the finished goods. On a steady-state basis, we would always expect it to be in the range of 20.

Alisha Mahawla: 20 days.

Atul Jaggi: Yes, some part of that was planned. Yes.

Alisha Mahawla: Okay, and just one last question. The acquisition that we have done, you did mention that maybe, you know, at least they are operating at almost full capacity. So, are we looking at doing any incremental CAPEX there? Is there anything that we would maybe want to spell out currently?

Atul Jaggi: So, I think what was mentioned was that in terms of the gas damper, they are working at almost the full capacity. In terms of the other shock absorbers and the struts, it's available there. Definitely gas damper presents good opportunities. So, we will have to look into the bottlenecks and then see what kind of CAPEX is needed to enhance, but yes, capacity enhancement would be needed in that particular segment and not on the other products.

Alisha Mahawla: Yes, shock absorber is at what capacity utilization?

Atul Jaggi: Should be around 60%. Maybe 55% to 60% should be the number.

Alisha Mahawla: Okay, great. Yes, thank you.

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

Jyoti Singh: Yes, thank you for the opportunity. Sir, I just wanted to clarify on the e-bike side as you keep mentioning that it's very good demand. So, we are basically seeing for the Europe or any other region that we are targeting and what kind of opportunity we are seeing and margin contribution on that side, if you can explain?

Atul Jaggi: The market that we are looking at is Europe. We are not looking at any other market as of now. We are looking at Europe as a market. Europe is the biggest e-bike market in the world. And so that is the market that we are looking at, and this is where we are working with multiple customers right now.

Jyoti Singh: And what kind of margin we are seeing, sir, from this segment?

Atul Jaggi: Again, margin profile at this point in time cannot be shared. At this point in time, the idea is to enter the market and then to scale it up.

Jyoti Singh: Thank you sir. And sir, another question on the sunroof side, like earlier you mentioned you are in active discussion with the Indian OEM like M&M and other players. So, still it is in the pipeline or any, you know, active discussion on that side?

Atul Jaggi: No, active discussions are going on with I think 3 OEMs rather, I would say. But yes, as Rishi mentioned, there is no firm LOI as of now, but yes, technical discussions are going on.

Jyoti Singh: Okay. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to Mr. Jaggi for his closing comments.

Atul Jaggi: So, I take this opportunity to thank everyone joining the call. I hope we have been able to address all the queries. For any further information, please get in touch with us or SGA, our IR Advisors. Thank you so much for joining the call again. Thank you.

Rishi Luharuka: Thank you.

Moderator: Thank you. Ladies and gentlemen, that concludes the conference of Gabriel India Limited. Thank you for joining us. You may now disconnect your lines.