# AUTOMOTIVE AXLES LIMITED

7th February 2024

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| **The BSE Limited** | **National Stock Exchange of India Limited** |
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**Attn: Listing Department**

Dear Sir/Madam,

**Sub: Analyst / Investor Conference Call Transcript.**

In continuation to our earlier intimation dated 1st February 2024 regarding Intimation of Analyst / Investor Conference Call and with reference to Regulation 30 read with Schedule III, Part A, Para 15 (b)(ii) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 enclosed herewith Transcript of Analyst/Investor Conference Call conducted to discuss on the **'Automotive Axles Limited 3Q 9M FY23 Financial Performance Discussion'** held on Monday, 05th February 2024 at 12:00 PM (IST).

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

This is for your information and record.

Thanking you,

Yours Truly,

**For Automotive Axles Limited**

DEBADAS PANDA

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ISO 9001:2015 / IATF 16949 : 2016, EMS : ISO : 14001:2015 & OHSAS : ISO : 45001 : 2018

Automotive Axles Limited

# "Automotive Axles Limited
# 3Q FY'24 Result Earnings Conference Call"
# February 05, 2024

Automotive Axles Limited

B&K SECURITIES
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CHORUS CALL

**MANAGEMENT:** **MR. NAGARAJA GARGESHWARI – PRESIDENT AND WHOLE TIME DIRECTOR – AUTOMOTIVE AXLES LIMITED**
**MR. MUTHUKUMAR N. – INDIA LEADER, CUMMINS-MERITOR – AUTOMOTIVE AXLES LIMITED**
**MR. RANGANATHAN S. – CHIEF FINANCIAL OFFICER – AUTOMOTIVE AXLES LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Automotive Axles 3Q FY '24 Results Earnings Conference Call, hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Sailesh Raja:** Yes. Thanks, Kiran. Good afternoon, and thanks to everyone who has logged into Automotive Axles 3Q and 9 months FY '24 Earnings Conference Call. Today, we have the senior management team. We will be hearing from Mr. Muthukumar N., India leader, Cummins-Meritor, Mr. Nagaraja, President and Whole-Time Director, Automotive Axles Limited; and Mr. Ranganathan S., CFO, Automotive Axles Limited.

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

**Muthukumar N.:** Thank you, Sailesh. Good morning, ladies, and gentlemen. Thanks for joining for the Automotive Axles' Investor call today. We really appreciate your time and looking forward to giving an answer to most of your questions. I have with me my colleague, Nagaraja and Ranga. And Ranga will share with you the last quarter financial year-to-date financials. And then we are here to take the questions from you. Over to you, Mr. Ranga.

**Ranganathan S.:** Thank you Muthu and a very good morning to you all. Thanks for taking your time and participating in the third earnings call of Automotive Axles Limited for financial year '23-'24. We are glad to present the financial performance for Q3 and for the 9 months ended December 2023.

So before we start the financial performance, I just wanted to -- happy to share with all of you like Automotive Axles has been awarded the TPM Excellence Award. We are going through this journey for the last 2 years. And it's our pride to announce that a good recognition for overall the production systems and their interconnectivity and their system working around Automotive Axles. So it's a very prestigious one in the milestone of Automotive Axles' journey. I just wanted to share this with all the investors.

With this introduction, I just take you through the quarterly performance. The quarterly performance for this quarter, we did about INR545 crores, and as compared to the previous year, the same quarter were INR657 crores. And EBITDA is close to about INR622 crores as compared to INR791 crores, close to about 20% to 21% dip.

Over to the volume, what we have performed in this quarter, I think to that level, except for the impact on the fixed cost absorption, we are holding up to the performance for the rest of the year. PBIT is close to 9.6 for this quarter and the same year last quarter is about -- for Q2 last year is about 6.79. And so with this, the YTD 9 months performance, if we really look at it, we did about INR1,668 crores, more or the same level as compared to last year, we are slightly up by 2% in terms of the 9-month performance.

If we really look at it, the EBITDA, we are at 11.6 compared to last year, we are up by 5%. In terms of percentage, we did about 11.6% as compared to 11.2%, and PBIT is concerned, we have got about 9.8% as compared to 9.2%. In terms of absolute values, we are up by 9%. So the volume is totally driven to the market and so probably, we're not showing significant growth in the top line.

Nevertheless, we are trying to see a cut over the last year, we wanted to show some overall top line growth. But nevertheless, if you really look at it, our efforts, continuous efforts, all these years, we are going through a mission '25, our EBITDA has improved and protected.

And we continued to focus on I mean all the cost reduction, cost control and profit improvement programs. And definitely, our marketing under the leadership of Muttu is working with all the customers to ensure and improve our business share with each customer and try to maximize the revenue for the organization.

So with this introduction, and I'll probably open the floor for the questions, if any. Thank you.

**Moderator:** We have our first question from the line of Radha.

**Radha:** Sir, my first question is on the industry perspective. So we are seeing that the trend in developed countries like North America is that the CV players, they outsource 100% of the axle manufacturing to independent manufacturers like us.

So we believe that in India also gradually the industry will lean towards this global trend. So how has that panned out in the last 2 to 3 years? So for example, VE CV recently has announced its foray into small commercial vehicle segment. So whether more CV players are going for independent axle manufacturers? And how is the state of the industry as of now?

**Muthukumar N.:** Thank you Radha for asking that question. You are right. I think that globally the trend of OEMs are with the electrification for new power vehicles are coming, whether it's hydrogen, hydrogen fuel cell, most of them want to drop their development initiatives on the conventional axle and trying to give it to an axle player.

This is what the global trend that's starting, but not in India. So the main reason for that is, in the 2018, '19, most of the Indian OEMs, which has axle manufacturing by themselves had to meet the huge capacity and Indian market has not crossed the 2018 volume in terms of the number of vehicles, of course, in the pandemic, we have crossed it.

So the situation has not come, and you know the global survey. I think about the -- how the adoption of electrification or the new power fuels in India, it talks about the segment where we are playing, Automotive Axles like 7 points above on medium and heavy commercial. They talk about 10% to 15% by 2032 due to what the latest survey says on electrification.

So I'm sure that the trend will come, but whether it's not the question of whether it will come. It is going to be when it will come, maybe, '25, '26, OEMs will start making it if the market is going to cross 500,000 vehicles, which we believe that it will happen by 2028 in commercial vehicle market.

And at that point of time, when there is no capacity, they will outsource with axles to outside and also start investing on -- depending on the technology at that point of time on electrification or fuel cells and something.

So this situation is little fluid, but the government is doing a lot of support in terms of the bus for the electrification and you know our presence in bus is very less, but unfortunately, the bus axles are being sold. Electrification of bus axles are sold at a very high subsidy. So it's a question of the technology breakthrough has to come to make the cost almost neutral with the current technology. I think that is where the market is going to pick up, and that is where it will cross the 15% threshold by 2032. It will come, but it's a question of when it will come. We believe that it's not going to come before '26, '27. Hope that answers your question.

**Radha:** Sir, what is the confidence that the OEM, s will not expand the capacities any further? And will resort to given the contracts through independent manufacturers like us?

**Muthukumar N.:** I can't say that I think that has to be answered by OEM. We can't answer for the OEM strategy, but we believe that being an actual expert, will do further investments on this because their focus will be on the new generation vehicle. You touched upon the point on VECV announcing their small commercial vehicle, for information, we are not present in that segment.

**Radha:** It is helpful. The second thing from a finance perspective, the industry has crossed FY '19 peak level. So going forward, if at all, there is a slowdown or a down cycle in the CV industry, we seemed to be better place at this time given that we have announced entering into the 7.5x to 16x segment and already we have customers as well in this segment. And other than that, we also have defense customers. So I wanted to know what percentage of your revenue is coming from this segment? And how has the mix changed as compared to the previous peak of FY '19? And any other plans that can help us mitigate through this cycle?

**Muthukumar N.:** See commercial vehicle market ups and downs will come, and we have seen in the last 3 cycles any time when the market goes down, we are always ahead of market in terms of this. Whatever the new generation actions that have been launched after 2019, your company doesn't take in full be it a 55 ton with the largest [inaudible] in place of axle because of 185. We are going in for a deeper with a higher tonnage and higher ring gear size.

All these new product developments have been done. But of course, I don't want to comment anything on to the segmentation, share what we have and all because it's highly complex. But the one thing that I can tell you is the market is moving towards more of a tractor trailer from the rigid trucks where we are present.

And of course, 15-to-19-ton vehicle whatever you said is also we have present in both the customers. But other than that, I don't -- it's extremely challenging for us to fit that into segment rate sales or the sales between different countries. Ranga, if you want to add, please add that.

**Ranganathan S.:** No, good.

**Radha:** In previous con calls, in our conversations, you had mentioned that aftermarket margins are better for our company. But what I understand is the kind of products that we have, the product into design, to sustain the entire life cycle of the vehicle. So could you please explain what are the products that we are talking about that we tell the aftermarket and where the margins are better?

**Muthukumar N.:** See, the bigger challenge, there is a general perception with the aftermarket are better profitable. No doubt, aftermarkets are better profitable, but you also have a lot of additional cost in terms of reaching to the customers, your channel partners and all.

Having said that, one side, we are improving our product reliability to meet the OEM demand. Most of the customers who buy vehicles from OEM and you know the trend in the commercial vehicle market today is 6 years and 6 lakh kilometers. And people are talking about 1 million cycles in the days to come. With an advent of technology, with an advent of data analysis that's available digitalization every company is looking at how to enhance the product.

And at the same time, we wanted to penetrate more into aftermarket. This is a typical -- once the product reliability is up and up, your aftermarket sales is going to be there. So we are trying to look into an innovative way that what are the other things that we can sell. We are even talking about remanufacturing of some of the axles to make sure that the total cost of ownership for the end fleet operator comes down.

So it will always be a chicken or egg situation in this. But nevertheless, I would say that we will always stay focused on to the customer and whatever brings value to the customer, of course, and all the stakeholders, we will do the right thing, which is good for the market, which is good for the country.

**Radha:** Understood. Any new customer additions in this quarter or last 2 quarters in defense or the private, NCV buses exports and has the export mix increased from 15% in the quarter?

**Muthukumar N.:** I would say -- I will answer on the customers, so do you know the NCV are supplying 4 major players, 5 major players in commercial vehicle and we can't have a product addition, but definitely not a customer addition in counter or something in terms of business. I think that what is happening to this.

In terms of exports, as you all know that we are exporting only to the Meritor and not directly to any of the customers because we are making axles and actual components and subsystems to the global Meritor. So we are adding the product nevertheless, and we are -- the exports have grown even though we don't see directly the number, I think it is about 1.8x Ranga?

**Ranganathan S.:** Yes, Muttu.

**Muthukumar N.:** It's about 1.8x of previous year, so exports growing, that is why even though the market -- domestic market has dropped, our domestic market has light, flat and come down, at least we are able to -- little better in terms of performance. But not -- I wouldn't be able to say that there is any specific addition of customers on to this.

**Radha:** Sir, exports we also have Volvo as a customer?

**Muthukumar N.:** It's a only customer, not Volvo, now it has become Now, it has become UD Trucks of Isuzu, Thailand, where we are supplying to them. Our agreement -- we had earlier an agreement complete closure by 2024. Now it is extended up to 2027. We are supplying axles and brakes to them.

We are supplying to the customer where Meritor is not directly competing. Okay. And this is to the Thailand facility where we are supplying. It is in the region, where Meritor is present, they are supplying to them.

**Radha:** Okay. Sir, lastly, so you'd mentioned that our aim is to become #1 player in brakes as compared to the #2 player right now. So how do we see the change in product mix spanning out due to this? And does brake have lower margins as compared to axles? And how will the overall margin change if the change happens in the product mix?

**Muthukumar N.:** Okay. There are 2 things aspiration of growth meeting the #1, yes, we are on the target, we are moving in, as you know, brakes are at a lesser margin, it is definitely going to have an impact. But at some point in time, it's not the question of margin but your aspirations will be in terms of top line, and we continue to keep growing. We continue to increase penetration of brakes with both the largest joints, and we are on target moving towards that.

Whether if you see whether it's have an impact on the overall profitability because we are adding at existing volume and definitely with the adoption of fixed cost, I don't think we'll be able to -- we'll be diluting the existing margin just because of increasing the brakes shift.

**Moderator:** The next question is from the line of Shridhar Kallani from Axis Securities Limited.

**Shridhar Kallani:** So one question from our side. One of the rating agencies is projecting that the commercial vehicle industry will decline by 4% to 7% in FY '25. And in the last call, we said that we expect a single-digit growth in FY '25. So what is your general view on the industry per se what kind of growth you expect in FY '25 or degrowth. Any color on that?

**Muthukumar N.:** The market has been predicting that in FY '25, the market will grow down by about 8% to 10% is what has been prediction, what has been said even during FY '23. Basically because the U.S. market, North American market has started coming down or they were predicting that the market will come down and you know the Europe capability come down by about 10%.

But we believe with a very, very strong factorable India in terms of stability, in terms of inflation, or in terms of infrastructure spend, or in terms of the government policies, in terms of infrastructure. When I say we, this is based on the feedback from the various OEMs. If not growth, I think the market will be flat for next year. I think this is what we have all been predicting.

Last year, when the same, I think, 3, 4 quarters before when most of you asked that this year itself it's going to drop, we said flat or up to 7%, 8%, single digit. But now it looks like the market is flat. In fact, last quarter, there was an apprehension that the market will go down. Yes, it did go down in December, there is a problem concerned, right? But of course, we believe that the full year will be market will be flat. And next year also, we believe that the market will be flat before it takes on to the higher thing.

But please I wanted to bring it to your notice when we are talking about flat, it is only in terms of the number of vehicles. In terms of tonnage, most of the OEMs are doing higher tonnage, so higher value-added product is what going on, the availability of tonnage vehicle, we are already growing.

**Shridhar Kallani:** Understood sir. So if we take care of tonnage then from an EBITDA margin perspective, is it safe to assume that we will be able to maintain our margins and any color on commodity outlook going forward for next quarter?

**Muthukumar N.:** Sustaining margin if the volumes remain flat, yes, I think we'll have challenges, but the continuous improvement, the plant team, what the operations team is doing is extremely helping us to sustain our profitability. Of course, we are not meeting our ambitious growth target.

In terms of -- that's the first question and second thing you asked the question on the commodity. After about 3 or 4 quarters and the commodities have started coming down, we see from this December, the steel prices are set to go up, okay? It's already -- the first settlement of steel price is going up, has been settled.

But nevertheless, I wanted to bring it to your notice like earlier what we've got in. The commodity up and down is basically an adjustment that we do, it's a back-to-back, and your company will not have a major impact due to commodity increase or decrease.

**Moderator:** The next question is from the line of Chetan Dhruva.

**Chetan Dhruva:** One question, sir, regarding results of this quarter. There has been a Y-o-Y decline -- sorry, I'm sorry, I missed your initial part of the address. So I just wanted to know why there was a decline if the market was flat, was it a temporary loan or some phenomena, which not visible to us.

**Muthukumar N.:** Yes. If you see the first 2 quarters we were on target in the market. Last quarter, if you have seen, the volume was flat, but the inventory correction has happened in all the OEMs in terms of the sale, so the actual production last quarter has been less. I think that's the reason for our drop. It's a momentum. It will pick up this quarter because the inventory has to be in the pipeline back. People thought that the market will drop and most of the OEMs have dropped their production and inventory was brought down. I think that's the reason.

**Chetan Dhruva:** All right. So is it really picking up in this year?

**Muthukumar N.:** Yes. Last month of January, we did better, so OEMs are still the same. See, I think one thing that the OEM did good is they have controlled their inventory. They brought down their pipeline shelves and made the sales as a flat, though the production has dropped. So inventories have come down, it's only short term. If you see our drop, I think Ranga was telling that we are almost flat between last year and this year, it's only the inventory adjustment and not much. I think this quarter, we're already picking up, right Ranga?.

**Ranganathan S.:** Yes. Overall, for the 9 months, subject to the commodity, we are about -- actually about 2% up on the revenue.

**Muthukumar N.:** I think that's the number.

**Chetan Dhruva:** Thanks for clarification. So there's no systemic...

**Muthukumar N.:** The market is changing a lot. Suddenly, the bus is picking up a lot because of the government subsidy and everybody is under pressure to sell it before this quarter. And so those are the small, small segmental changes, which will have an impact here and there, but by and large, overall we don't feel with a very, very strong product background with a very strong operational performance in terms of delivery and quality. We continue to grow. Our aspiration, we all know, growing doubling the market growth.

**Chetan Dhruva:** So overall for the year, we see us doing around high single digits in terms of revenues?

**Muthukumar N.:** Sorry sir?

**Chetan Dhruva:** Overall for the year, do you see the company doing at least high single digits in terms of growth?

**Muthukumar N.:** This year, it all depends on the February how the OEMs are going to do it. They are going to put the inventory on to 0, completely 0, then it may be almost flat, right, Ranga. It looks like it's a flat point of time.

**Ranganathan S.:** Absolutely, absolutely.

**Muthukumar N.:** The market is operating at much, much lower than the capacity available. So people will be able to flexibly play. If you are running at the brim, then people will not take a chance. Today, even by dropping production in December by 40% companies are able to increase the production in

January because we have a huge capacity that's available. You know what's happening in tractor industry and enough capacity is available in the casting, foundry, forging.

The supply chain is not at a risk. So people are very, very cost conscious and people will keep -- conserve the cash even we are doing that conserving the cash at this point in time and restricting our expenses and making sure that we are preferred even in the case of anything worst happened. So with that situation, everybody is playing very, very cautious, and that is going to have an impact a little bit here and there.

**Chetan Dhruva:** So this is...

**Muthukumar N.:** Post May, June when the elections are over, I think the full spread budget is going to come and what is going to be the talk for improving it, all the things where it comes, it will definitely help.

**Ranganathan S.:** Just to add one more point, what Muthu said, last -- if you see last year of '22, '23, after the COVID year, the major recovery for year as far as [MH] CV is concerned, really if you see the Q3 is substantially improved compared to the previous year at 75%. In the last year, revenue is concerned compared to the previous year, '21, '22. So -- but when you're saying that we are compared to the last quarter, the market is holding up to the same level.

And as Muthu rightly said, we have to wait and watch how the OEMs are going to look at the market and manage inventory in February and March. Based on which, overall, we may be a flat or maybe marginal reduction can be there, depends on how the February/March is concerned. At this moment of time, we are anticipating at a flat revenue for the whole financial year as compared to the previous one.

**Chetan Dhruva:** Appreciate and good luck for this quarter.

**Moderator:** The next question is from the line of Sailesh Raja from Batlivala & Karani Securities.

**Sailesh Raja:** Sir, on the off-highway segment front, we have limited opportunities in the domestic market and as to [OEs] are actively producing axles for the existing model. So any talks with the domestic customers for their new models and also with the overseas customers to have reasonable scale in this particular product sir.

**Muthukumar N.:** See, off highway, as you rightly said, most of the OEMs which are making vehicle, they've integrated and they are manufacturing by themselves. The JCB who holds majority of the Indian market in offering business. Maybe talking to them about some supplies of components and all. Again, it depends on the overall -- the value addition what we are going to do and end up on the aspiration for top line and bottom line where we are going to go before.

This -- also market is a very tricky in terms of paying that the product that's available in India is completely different from what is there in global. The same vehicle is not there. So any actions or component that you develop for India market, you can't export it back because like the JCB vehicle backhaul is very prominent in India, it's not across any other country.

So we need to have a huge product development, if you want to go for a global and then do this and need a huge investment to in terms of creating a capacity. We are working on a strategy update on whether we should invest at one point of time on this. And please note that India is becoming a favourable destination for global and even global Meritor is looking at what we can do more in India.

So all these discussions are on, but maybe at this point in time, I'm not able to give you more information on this, but your company is working on to see with how we can penetrate into that segment. But maybe, gentlemen, I wanted to remind you, it needs a huge investment in terms of CapEx and also in terms of the engineering time on product development because you need a huge pipeline of product development to be done.

**Sailesh Raja:** Okay. Sir, with Tata Motors, can you please update that the current share of business? I understand you don't share this number. Can you give some index number, say, 2 years back, say, it was 100? And how much it is now on? How do you see share of business going forward next 2, 3 years?

**Muthukumar N.:** We don't supply anything to Tata Motors in terms of axles at this point of time other than some different actions and some unique bus axles, front axles for low-floor bus, but which doesn't come as a part of the share because it's the front axles. But in terms of brakes, I can tell you that we have grown up by 40% when compared to what was the base index a year before. What we were in 2020, 2021, now we are about 40% up in brakes. I think that's what I can tell you.

Tata has a huge capacity that set up. And after Cummins has taken over Meritor, we have been working very closely with Tatas to find it out, but you know the equation when somebody has the capacity and then not running into the full, with the management key [decisions]. But we are asking them to find out how to provide a solution, which will make a win-win relationship between them. So your company continues to work with Tata to see how we can penetrate or how we can add, provide a value-added solution for it.

**Sailesh Raja:** Okay. that [inaudible] that in 2, 3 years' time.

**Ranganathan S.:** Sailesh, your voice was breaking.

**Sailesh Raja:** You can hear me?

**Moderator:** Yes.

**Sailesh Raja:** Yes. Similarly, can you give us index number for the exports 2 years back and how much it is now? And what kind of growth you are seeing in export for the next 2, 3 years? And also [inaudible] customer mix how this will change?

**Muthukumar N.:** Ranga, can you provide that index on export? I remember 1.8, but you can give the exact number in terms of?

**Ranganathan S.:** Yes, it will be roughly around -- I see last 3 years before, now the index is close to about 1.5x minimum I would say that. As Muttu was indicating that, year-on-year, we are seeing a growth at this moment of time between 10% to 12%. And, but nevertheless, we are working on the long-term strategies with multi-global, definitely, that's going to be a priority and a focused area. And definitely, we will try to maximize and try to do the best in the export. That's what our plan at this moment.

**Moderator:** The next question is from the line of Radha.

**Radha:** So I wanted to understand that in the previous peak NCV industry cycle, we have done INR150 crores capex expanded in both axles and brake capacity. So also around that time, we had introduced new products in the suspension. Any plans to do new products in this peak cycle and maybe anything in terms of new products that we can add?

**Muthukumar N.:** See, in terms of 2018, we did about like INR130 crores, INR140 crores capacity, and that is what has made us to grow from. If you see our revenue in 2018 at that point of time. And now we have grown more than about 30%, 40%, even when the market is about 20% less. I think that is an effect of what we have done.

Also, we have spent huge money at this point of time in terms of product development. And I wanted to be very, very happy to share with you that today whatever the products that are running today, more than 60% of that are the new launches that we have done, which has substantially increased the reliability of the product, like what we are talking about doubling our warranties and all. So whatever the investment that we have done has really helped us in terms of penetrating into the market, that is where we have grown better than the market growth.

If you ask us today, whether we have a capacity, yes, last time we answered to you that we are still not running at 100%, we have capacities available, we can expand the business. But if you say whether it's the same capacity, whether you can produce off way in those products, those are the specialty products need a specialized achievement. I hope I answered your question. Ranga can provide you what is the current utilization of the plant.

**Ranganathan S.:** Yes, we are actually at -- the last quarter, if you look at it, we are at around 70% level.

**Radha:** Okay, sir. Sir, lastly, so you mentioned that with the brake’s product mix changing, we'll also have reduction in fixed costs, etcetera. So in FY '23, we had achieved all-time low breakeven point of fixed cost versus 10% of sales. So we had also mentioned in our last peak that we are focusing on reducing conversion in material costs. So in terms of that, so how much more headroom is there to reduce cost? And how can we achieve that?

**Muthukumar N.:** There's no limit for continuing -- I think our approach is about half cost approach, which we are operating. I think if you can see where we were in 2018 and now, I'm sure that you are the better analyst, you can put it together how we have progressed even after 5 years after COVID with challenging environment, the every company is talking about fixed, what are the challenges onto it and of course, on conversion, we continue to progress on that. So you will be able to see how we have progressed.

So we continue to keep progressing. If you ask me what is your target, are you going to move into the next level, it's difficult for me to set a target on saying that we are going to further bring it down like this. But one thing that they can show which is a continuous improvement, and we continue to keep optimizing our fixed costs and credible cost. I think Ranga, you can tell between 2018 and now how we have progressed in terms of both.

**Ranganathan S.:** Yes. See you really see -- there are 2, 3 things we need to see together. When you look at the P&L, one is about the lot of commodity which has come into the system. If we take a benchmark of '18, '19 and now and our internal assessment, definitely if we remove the commodity, the impact on as a percentage per se. And that is very significant improvement we have made in terms of -- both in terms of conversion costs as well as in terms of the metal cost optimization. Metal mark optimization is one of our primary goals of cost control, a cost sustaining strategy, what we are supporting it.

Commodity is given -- we can't do anything about it as Muthu said, whatever be the commodity in the market that get reimbursed by the customers. So if we are able to maintain overall basis, without having an impact, that's a great achievement there. But I suppose we have our own assessment, we remove that commodity, we have very significantly improved our -- that is our operating performance, both for metal costs and conversion cost perspective.

And at least 2% to 2.5% growth will definitely be seen. It's a rough cut, I'm saying that. So much effort has been gone in year-on-year because our focus has continued to be in the cost optimization strategies going forward.

It's not that maybe some areas, we may be stagnant but most often, it's more dynamic as new product comes in and also the market dynamic changes, product modification happens. We always find opportunities to improve our cost and the cost especially metal cost, and we'll continue to work on it. And a quite significant piece of this metal cost benefit year-on-year improvisation of the cost is being achieved -- that's the reason the commodities or in spite of the low volumes, we are upholding barring the mix -- the product mix, we are upholding the product margin, if you see, that's how we are able to maintain the consistency.

**Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to the management for closing remarks. Over to you, sir.

**Muthukumar N.:** Thank you Sailesh. Once again, ladies and gentlemen, thank you very much for the confidence that you put on our organization. As committed, we are -- I'm not saying that we are passing through a challenging time, but maybe the commercial vehicles and like 2-wheeler and passenger car going through the patches, and we will ensure that we continue to keep growth and bring value to our all the holders of this.

Once again, thank you very much for taking time to join with the call and ask your questions. Your questions make us to shape us and then keep progressing. Thank you very much. Ranga, do you want to add anything, Ranga?

**Ranganathan S.:** No. As Muthu said, we -- our growth will go in line with the market and our focus on cost optimization and operational excellence is continuously on, definitely, we try to grow our market in terms of the business share with the customers as well as in the aftermarket and the export business. That's a long-term opportunity we keep doing that. But definitely, we'll try to do our best outline with the market.

**Muthukumar N.:** Thank you very much.

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

**Ranganathan S.:** Thanks.

**Sailesh Raja:** Thank you.