

# AUTOMOTIVE AXLES LIMITED

22<sup>nd</sup> May 2026

**The BSE Limited**  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai - 400 001  
Scrip Code: 505010

**National Stock Exchange of India Limited**  
Exchange Plaza, Plot No. C/1, G- Block  
Bandra (E)  
Mumbai - 400 051  
Scrip Code: AUTOAXLES

**Attn: Listing Department**

Dear Sir/Madam,

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

In continuation to our earlier intimation dated 14<sup>th</sup> May 2026 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 4QFY26 & FY26 Financial Performance’ scheduled on Wednesday, 20<sup>th</sup> May 2026 at 09:00 AM (IST).

The Transcription and Audio Recordings of the same is available on the website of the Company.

This is for your information and record.

Thanking you,

Yours Truly,

**For Automotive Axles Limited**

**Debadas Panda**  
**Company Secretary & Compliance Officer**

Encl: as above

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



**Automotive Axles Limited**

**“Q4 FY '26 Earnings Conference Call”**

**May 20, 2026**

**Automotive Axles Limited**

**36ONE**



**MANAGEMENT: MR. NAGARAJA GARGESHWARI – PRESIDENT AND  
WHOLE TIME DIRECTOR – AUTOMOTIVE AXLES  
LIMITED  
MR. RAMAN K. – INTERIM CHIEF FINANCIAL OFFICER  
– AUTOMOTIVE AXLES LIMITED  
MR. KISHAN KUMAR UDUPI – WHOLE-TIME  
DIRECTOR – MERITOR HVS (INDIA) LIMITED**

**MODERATOR: MR. SAILESH RAJA – 360 ONE CAPITAL MARKETS  
PRIVATE LIMITED**

**Moderator:** Good morning, ladies and gentlemen, and welcome to the Automotive Axles Limited Q4 FY '26 Earnings Conference Call hosted by 360 ONE Capital Markets 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 this conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference has been recorded.

I now hand the conference over to Mr. Sailesh Raja from 360 ONE Capital Market Private Limited. Thank you, and over to you, sir.

**Sailesh Raja:** Yes. Thanks, Swapnali. Good morning, and thanks to everyone who have logged into Automotive Axles' 4Q FY '26 Earnings Conference Call. From the management side, we have with us Mr. Nagaraja, who is President and the Whole Time Director of Automotive Axles Limited; Mr. Raman K., he's Interim CFO, Automotive Axles Limited; and Mr. Kishan Kumar, Whole Time Director, Meritor HVS India.

So now I'll ask Mr. Nagaraja for an opening remarks, post which we will open for Q&A. Over to you, sir.

**Nagaraja Gargeshwari:** Good morning, ladies and gentlemen. I'm Nagaraja Gargeshwari, President and Whole Time Director of Automotive Axles Limited. As Sailesh mentioned, along with me are Kishan Kumar Udupi and Mr. Raman K.

First of all, thanks to the strong market, as you're all aware, we are able to close FY '26 on a very high note. We were able to convert the demand and improve both the top and bottom lines. So what we'll do is, first, Kishan will take us through the market and how we are looking at it and followed by Raman sharing the results of Q4 and also the full year FY '26. And then we'll open up for the question and answers. Over to you, Kishan.

**Kishan Kumar Udupi:** Thanks, Nagaraja. Good morning to everyone. Like all of us know, and I think I have been repeating this in the previous calls as well. The industry, especially in the commercial vehicle, about 7.5 tons. It's been on a tremendous ride for the last 3, 4 years. We have been seeing consistently 400-plus market since FY '23.

And that continued and ended in even a better place now for the FY '26 full year with the market closing at around 480,000 vehicles it is 16% above FY '25. And the special note here is that Q4 is a phenomenal number for the industry, each OEM crossing their own individual records and so did we, with our delivery and production during this quarter.

And what we can probably make out of the last year was probably the GST cuts that happened later part of the year. And then the fleets, the large and small fleets trying to get the benefit out of it. The replacement cycle also kicked in a little bit earlier than the earlier predictions. So the fleet actually went ahead replacing the vehicle. So very positive sentiment overall and that showed up all the way to the last date of March.

In terms of production and sales. And one more positive note here is which probably there will be questions later. We also converted a good amount of the new products that we launched

during the year and the ramp-up was pretty good done, and we were able to convert that as well at a very high success rate, I would say. So with that, probably I will hand this over to Raman for a financial summary. Thank you.

**Raman K.:**

Thank you, Kishan. Good morning to all the participants in the call. So I will take this opportunity to present the results for Q4 as well as the full financial year FY26. So from a top line perspective, we ended quarter 4 with a revenue of INR6,643 million, which is comparing to sequential quarter, we were up by about 18%. And year-over-year also, I think we had a similar growth of about 18.5% -- 18.7%.

The other income is about INR55 million. That is kind of lower when compared to last quarter given the geopolitical situations and the interest rate cuts that happened in the market. So we -- our investment income was slightly lower in the quarter. But nonetheless, I think most of the investment income are in the recovery stage at this point as we speak.

And moving down, so when compared to the material cost, I think we had a total material cost of about INR4,518 crores -- sorry, million, which is at about 68%, which has slightly improved year-over-year. And this is in line with the new business model as well. The employee benefit expenses stood at INR473 million at 7% on revenue, which is kind of mostly flat when compared to sequential quarter. The finance costs and depreciation are more or less in line.

The depreciation is slightly up because we had some of the investments that kind of got capitalized in the last quarter. So there is a slight increase in the depreciation when you compare to the sequential quarter. The other expenses stood at INR880 million. So I think that is again slightly up. Obviously, there is a variable portion in that other expenses as well. So that is the reason it has moved up. Otherwise, all other fixed expenses remain quite stable.

So that leaves us with a total EBITDA of INR825 million, which is about 12.4% on the revenue for the quarter ended Q4. And there were no exceptional item. We had reported some exceptional item in the last quarter. For this quarter, we don't have any exceptional item. And that leaves us with a PBT of about -- PBT is at INR723 million at about 10.8% -- and our PAT stood at INR539 million at 8% PAT -- sorry, at 8% PAT -- at 8%.

So when you compare this over the last Q4, like Q4 of last financial year, I think we ended up with a similar PAT of about 8%. So, I think in terms of profitability, we have sustained the same level of profitability, though we had the cost structure from last year to this year significantly varied due to the reasons that we explained in the last quarter.

And coming to full year, the revenue overall for the financial year '26 was INR21,777 million. And the total income, including the other income, which is the investment income is INR22,099 million. There is a 5% overall growth in the revenue year-over-year. And when comparing -- when coming to the cost structure, I think our metal cost for the current year stood at about 67.5%, close to 68%.

I think we are fairly stable and we have been improving year-over-year on the metal cost front. Employee cost stood at INR1,592 million at about 7.3%. So we had a lot of expenses this year. We had the workmen settlement that happened in the last quarter, as we explained in the last

investor call. So that had an impact. So that is a onetime settlement for the next 4 years. So that has an impact. So that -- so from last year when compared to previous year, it has kind of gone up from 6.7% to 7.3%.

And our total other expenses, which is the next significant item is about INR3,106 million at about 14.26% on revenue. So as I said, there is a variable portion in the new business model. So, I think fairly -- I think it is in line with the revenue that we had over the year. Overall, our EBITDA for the full year is at INR2,692 million at 12.4%. And then we had the exceptional item, the annualized impact what we discussed last time of about INR120 million.

Netting of that, our EBITDA stood at 10.6% for the year. When you compare to previous year, we had 10.1%. So we are about 40 to 50 basis points above there. And the PBT for the full year stood at INR2,198 million at 10% and our PAT for the full financial year was INR1,643 million at 7%.

So -- and when coming to the cash flow, I think the major significant highlight that I want to give an update is on capex. So when compared to last year -- sorry, in the last financial year, we spent more than INR70 crores of capex. So whatever investments that was committed, most of -- about 60% to 70% was spent in the last year. And instead of all that, we were able to generate net of investments, INR30 crores of cash that we have generated in the last financial year. So that's the financial update. I'm happy to take any questions.

I'll hand it back to NG and Kishan for any other comments.

**Moderator:** Thank you. We will now begin with the question and answer session. We take the first question from the line of Samarth from Janak Merchant Securities. Please go ahead.

**Samarth:** Sir, so we have changed the sales agreement. So as per the new sales agreement, we pay technical fees to Meritor HVS. So can you share how much percentage of the sales we are paying to them now? Because you had mentioned that you will come out with this number somewhere around Q2, but we are yet to disclose the number?

**Nagaraja Gargeshwari:** Raman, would you take that?

**Raman K:** Yes. I'm just giving that. So see, overall, see the technical fee is anywhere in the range between 4% to 4.5% depending on the mix of revenue that we have. So I think that's the broad percentage in which the technical fee operates. I hope that answers your question.

**Samarth:** Sir, and in the last year in Q4 FY25 call, we had mentioned the aspirational target of INR4,500 crores to INR5,000 crores top line over the next 4 to 5 years and you had mentioned that exports would be a key lever for this strategy. So can you talk more about exports? And now considering that U.S. Class 8 is also recovering and European markets are also stable. So do you expect that we see a significant growth in exports going forward?

**Kishan Kumar Udipi:** I can take it. This is Kishan. Thanks for the question, Samarth. Yes, in the long run, if you ignore the current -- the temporary situation that we have seen in the U.S. with the tariff, I think in the

long run, the visibility is still to accumulate a good export orders and this is also part of our global supply chain strategy.

So the investments that we are doing in AEL, whether it is for the capacity or to bring more robust process, that is all in line with the demand that we have in the export and domestic market. So overall, as you rightly mentioned the forecast with the domestic market growth, export and all other initiatives that we are taking up, the top line should grow in the order of rough order of INR4,000 crores to INR5,000 crores with export being a large -- better than the current contribution what we have today.

**Samarth:** Sir, will this be limited to subsystems or we will go for completely assembled axles only in exports?

**Kishan Kumar Udupi:** Samarth, I think we have answered this in the past. So the product line as such in Europe and North America don't allow us to supply the fully dressed axle because the products are different. So it is largely going to be limited to the assemblies, subassemblies and probably child parts.

And also in all those regions, there is a requirement to customize the end product to meet the -- those regions OEM requirements, just like how we have a customization. So that also limits the export content to -- or scope of export to the extent to the drive, what we call the subassembly and maybe some child parts.

**Samarth:** Got it, sir. Sir, and like earlier we had mentioned in the existing production facility that we have, we can do somewhere around INR2,700 crores in sales. And now we are -- since we are doing the capex, so is this capex target or we need to spend more?

**Nagaraja Gargeshwari:** I'll take that, Nagaraja here. So again, it all depends on type of product mix that we are looking at. Currently, what we are looking at trying to understand or forecast the peak market demand and then putting up enough capacity to that. And there will be one more set of investment is going to come in next 6 to 18 months' time. With that, we will be having enough capacity to meet our aspirational top line.

**Samarth:** Sir, can you -- like how much will be spent in this new facility or the new capacity creation?

**Nagaraja Gargeshwari:** Yes. Again, I think at this point of time, it will be a little bit challenge for us to forecast what it is because we are -- like Kishan mentioned, we are looking at the needs of both the domestic customer and export opportunities. Based on that, we may have to come out with the overall plan. That is what we are kind of working on in next like 6 to 12 months. And then once we finalize on our next set of capex, we'll be sharing with all of you.

**Samarth:** Sir, last question from my side. We were having another three products like the slipper suspension, the off-highway axle, which were also where we had good growth plan earlier and even the ICV axles. So what is the status on this?

**Kishan Kumar Udupi:** Let me take that question. This is Kishan again. So coming to off-highway, we do have sustained the business over the past several years with this customer. And apart from that, we are closely

monitoring the off-highway industry. And the products we have in the global portfolio, they are very unique to those regions.

So India is very unique. So for that matter, it is still a very close watch and plan your long-term strategy. Right now, the current product portfolio, what we have is what we are supplying. And coming to the slipper suspension, we are still supplying that to our largest customer with a different arrangement where we have handed over the supply chain under an agreement so that it is easier for them to manage because it has to be closely associated with the chassis or the assembly line.

So both the businesses we continue to pursue and the last question was ICV. ICV is typically not a very strong hold for us globally as well. We do have products which we continue to improve and supply to the same customers. And for us, the core is the heavy-duty market, which is where our largest portfolio and the product the launch that we have done in the recent past. So that remains our focus.

**Samarth:** Got it, sir. Sir, is there any situation where we are not able to supply enough demand means because of our capacity constraint in the domestic markets?

**Nagaraja Gargeshwari:** So I'll take that. Like I mentioned, we foresaw that the kind of product mix is going to probably limit our ability to serve the market. And that's the reason we initiated it about 12 months ago. At this point of time, unless the market really goes beyond the volumes what we have seen in the last Q4, I don't think we have any capacity constraints at this point of time.

**Samarth:** Got it, sir. That's all from my side.

**Moderator:** Thank you. We will take the next question from the line of N Modi an Individual Investor. Please go ahead.

**N Modi:** Sir, my question is regarding capacity utilization at what percentage of capacity we are running our plant at the moment?

**Nagaraja Gargeshwari:** So the last quarter, when I look at it, it was over 90%.

**N Modi:** And presently, sir?

**Nagaraja Gargeshwari:** The last quarter, we almost 90% of our capacity. We are really doing at the peak of our capacity.

**N Modi:** Last quarter, we are talking -- at the moment, sir, in the month of April, May, what we are doing?

**Nagaraja Gargeshwari:** Pardon me, could you repeat?

**N Modi:** In the month of April and May, what we are doing?

**Nagaraja Gargeshwari:** So April and May, again, the market has softened a little bit. We are still -- we generally operate somewhere between 70% to 80% of the capacity. So that's what we'll be looking at. But again, it will be very difficult to look at one particular month. We should be looking at a broader horizon because the capacity on a particular day, a week or a month, it will be completely misleading.

- N Modi:** Okay. Sir, by what time our capacity is expected to be completed with capacity enhancement?
- Nagaraja Gargeshwari:** So as we committed to you, the Phase 1 and I would say, Phase 1 and 1A, that's what we call is that capacity will be completed by end of December '26. And then that's what we were telling to earlier question that in next 6 to 9 months, we'll be coming and forming up our next phase of capex -- capex investment based on both the domestic and export market outlook.
- N Modi:** Okay, thank you.
- Moderator:** Thank you. We will take the next question from the line of Lakshmi Narayan from Tunga Investments. Please go ahead.
- Lakshmi Narayan:** My first question is that in terms of the current supply to the...
- Moderator:** Sorry to interrupt in between Mr. Lakshmi Narayan, you were not audible. Could you please use your handset mode and speak?
- Lakshmi Narayan:** My question is that currently, after the technical fee agreement, now we would directly supply to the OEs or Tier 1s, right?
- Nagaraja Gargeshwari:** Yes, your understanding is correct.
- Lakshmi Narayan:** Yes, both in exports as well as in domestic?
- Nagaraja Gargeshwari:** Yes.
- Lakshmi Narayan:** Yes, the second question is that, see, I've been told that -- I may be wrong, please correct me. So I have been told that there is a transition towards tractor trailers. And if that happens, there is -- the axle, there is the usage of axles will also come -- I mean, multi-axle trucks would actually come down because of the tractor trailer. If that is the case, does it -- how does this positively or negatively impact us?
- Kishan Kumar Udipi:** So let me take that. This is Kishan here. Thanks for the question. You are right. There is a very clear trend for the last couple of years where we see the proportion of tractor trailer, specifically 4x2, that is on the increase. And in fact, we were expecting this, anticipating this even before the trend started happening because this is a very typical trend we have seen in the global markets, and we had always the product ready.
- So the product that we launched, the 185 a couple of years ago and which we are now ramping up significantly, that is to cater to this heavy-duty tractor trailer market. What it means to us is where there were rigid or the rigid multi-axles, that proportionately will reduce, but then the tractor trailer will increase.
- So it will be a cannibalization of some of the products that we have in the rigid axle, multi-axle rigid axle rigid vehicle platform, getting into the 4x2 tractor trailer. And this product, what we have launched with one customer like 3, 4 years ago, now we have launched with all our major customers.

And that is probably the highest axle number of -- in terms of capacity also that we are creating and expecting that this trend will continue for some time. But on the other side, there is enough headroom in the industry where even the multi-axle rigid vehicle will also grow.

So if you have seen any of the forecast, we are expecting the overall TIV by '29, 2030 to be 500,000 plus, which means there is enough headroom for each of those platforms also to grow, which is a positive news for us because we have every segment covered with our portfolio. I hope that answers the question.

**Lakshmi Narayan:** Yes, yes. And so which means that it is not deflationary for you as for example, the last concluded year or the year forward, it has not been deflationary for you in terms of the -- your components that actually goes into these vehicles, right? Am I right?

**Kishan Kumar Udipi:** You are right in a way because we have a product available and it's not a loss of business for us. But on the -- if you take a pure number of axles that we produce because the configuration changes from a multi-axle to a single axle, that will bring the number of axles down, but not at the cost of loss of business. It's a continuation of business because we have the products available.

**Lakshmi Narayan:** Got it. And the other thing which I observed is that at least for the last 1 month or the last 2 months, there has been an increase in steel prices and all the metal prices in general. How that is actually impacting us?

**Nagaraja Gargeshwari:** I'll take that. Probably, Raman, you can add to that. We always have a back-to-back agreement with most of the customers when it comes to commodity changes. And this is a standard industrial practice. There may be a little bit of a lag or lagging in that adjustment. But definitely, the business is always protected and it is a standard industrial practice.

**Raman K.:** Just to add to that, our financial results are already trued up to the last increase. So I think we always take the provisions and the settlement may happen later, but the financials are completely protected for any markets.

**Lakshmi Narayan:** Okay. So does it mean that since our fixed costs are there, this inflationary thing will be more contributing to our bottom line, right? Is that how it is if there is inflation is secular for the next 9 -- 6 to 12 months?

**Nagaraja Gargeshwari:** Maybe I will just take it, Raman again, probably add to this. See, if you really look at our operational efficiency, there is always a focus on improving the productivity and then at the same time, also growing our top line. And thereby, we protect our bottom line. And even in cases, as you can see in the Q4, we also improve it.

So while there is always an inflation, if you look at the last several years of our results, we have been able to always bring in the efficiency and then productivity improvements and both in internal operation and from our supply chain. So we always have to work on that, and that is one of our strength.

We've been doing a good job, and we are very confident going forward also, we'll be able to take care of that any potential inflation and then also offset it by our productivity improvements. And one of the reasons for the capex improvement is not only to add in additional capacity, but also to bring in the latest technology and efficient equipment so that we are always improving -- focus on improving our bottom line.

**Lakshmi Narayan:**

Got it. Sir, just one more question, if I can squeeze in. You mentioned that as an industry, we are clocking more than 400,000 per year. And so 2 questions. So is it right being so cyclical as it was because this is something which I heard from one of your OEs also saying that rating industry is not very cyclical in the last 3, 4 years.

And second, as we look ahead in the current year, the demand continues to be strong. That's what I could hear from your first few statements. Can you just help me understand or dwell deeper into these 2 obsessions?

**Kishan Kumar Udipi:**

Okay. Let me take that question. This is Kishan. What you have heard about the cyclicity being more, I would say, narrowed in terms of the peaks and valleys, that is true. And the numbers are in front of us. So the year we came out of COVID, FY '23, we had a 37% growth, and we crossed 400,000 for the first time after COVID.

And then from there onwards, it's always -- the variation is within the 5% until last year. So last year, we saw -- last year, this is FY '26, we saw a significant growth of 16%. And this is expected to continue because there is consumption. There is rural consumption. There are very clear indicators, whether it is GDP, IIP. So it is going to continue.

And whoever the OEM partner, it is not just one. I think most of the OEMs are expecting this year, FY27, should also be a good year. So when I say good year, it is 400 plus, but whether it is 420, 450, 480 that is probably too early to say because if you look at FY26, nobody forecasted 480. It was around 450, 460. So there is always a room to cross I would say, the average of last 4 years.

**Lakshmi Narayan:**

Thank you sir. I will go back in queue.

**Moderator:**

Thank you. We will take the next question from the line of Radha from Motilal Oswal Financial Services Limited. Please proceed.

**Radha:**

Hello sir. Thank you for the opportunity. Am I audible?

**Moderator:**

Sorry to interrupt. Mrs. Radha, I request you to please use your handset mode and speak.

**Radha:**

Yes. Sure. So sir, my first question is, I understand that while our focus has always been in MHCV, but since the company had entered into LCV, ICV segment a few years back, so can you give us some sense from the next 3 to 5 year perspective on your thoughts on expanding the addressable market available for the company by launching products, more products either in LCV, ICV and if possible in SUV also in the future?

**Kishan Kumar Udupi:** Sure. Thank you for the question. This is Kishan. So what we have been doing consistently in the past several years in terms of our product strategy that is aligned with how the industry is moving and where our core strength lies. And globally, it is in the US, if you have to talk about the US market, it is Class 8.

And Europe, it is heavy-duty axle and heavy-duty vehicles. And even in India, we are in the same for. And this is what differentiates us from the competition. So we will continue to do that. All our product launches are focusing more on the medium and heavy-duty and more so in the recent part on the heavy duty.

Having said that, we already have enough products in the ICV, LCV where we strategically want to play. And we necessarily don't want to go beyond a certain GBW or GAW level because that requires a lot of investment in the plant and the return on that investment may not be as good as in our core business. So for that purpose, product strategy and our supply chain and capex, that's always been focused more towards the heavier side of the industry.

**Radha:** So what percentage of your revenue is coming from LCV, ICV currently?

**Kishan Kumar Udupi:** Raman, do you want to give an answer to that?

**Raman K:** Yes, Kishan. So LCV, ICV, it's a very small portion of the revenue that we have. Maybe I would say somewhere in the single digits at this point, maybe low, less than 5%.

**Radha:** Understood, sir. Sir, secondly, since India is a cost-effective production and a lot of auto ancillary companies are keeping India as a production hub to export to their group companies and the margins are, in fact, better in the exports market.

So considering that we have Meritor as a partner, so currently, what percentage of overall sales is exports to Meritor Global? And do you see this as a big opportunity going forward?

**Kishan Kumar Udupi:** Yes, I can take the second part of it. Yes. I think we answered that partially in one of the earlier questions. Export is a growth area for us, and it is part of the global supply chain strategy as well to make sure that all the investment that we are doing is utilized to the best of its capacity.

And even the answer to what extent we can grow in the export is basically the product portfolio that are common today. And there are also opportunities depending on how the domestic market behaves in the future. Right now, even though we are talking about 500,000 plus if there is a downside, we always have the ability to do the global products. So that is already plugged in our manufacturing strategy.

**Radha:** Understood, sir. Sir, lastly, I understand that you already have e-axles as a product already ready with you for many years now. So can you give us some sense on how the content per vehicle increases on an average if you compare it with the conventional ICE axles?

**Kishan Kumar Udupi:** Let me answer this question again. The technology or the architecture that we have in the e-axle that is an add-on to the traditional mechanical axle. That means what we are currently

manufacturing in terms of the mechanical parts, gears and other things plus the electric motor and other electronics, power electronics.

So it's always an add-on. Now coming to, which again, you have not asked this question, but coming to India more specifically for e-Axle ready, I think the industry is not ready. We are still in the traditional central drive plus mechanical axle world, which we have anyway protected with our current product portfolio.

**Radha:** I understand that, but I just wanted to understand how the content per vehicle will improve if and when it happens?

**Kishan Kumar Udupi:** That's like I said, 100% of what we are doing today plus the power electronics. And it all depends on the pricing strategy for India, it is too early to comment on that.

**Radha:** Okay. Thanks and all the best.

**Moderator:** Thank you. We will take the next question from the line of Saket Kapoor from Kapoor & Co. please go ahead.

**Saket Kapoor:** Sir, thank you for the opportunity. Firstly if you could just give us some colour on the tonnage part. I think you alluded to some number of peak revenue we are prepared for 5 lakh tons. So currently for this quarter and for the year as a whole. What have been our tonnages?

**Kishan Kumar Udupi:** I'm not sure if I understood your question well. The way I'm reading the question is you are talking about the gross tonnage of the industry. Is that right?

**Saket Kapoor:** Both sir. Firstly, you talk about that we are prepared when the industry requirement 5 lakh reaches and since you mentioned about, we are operating at about 90%, 95% what was out number for the quarter? And second question or just a continuation to the same was sir, last quarter, you spoke about some specific changes in the bucket segment with respect to some state government making some changes with the floor height. And that will lead to the second product that we have developed. So what is the update on the same? And when will that product be introduced sir?

**Kishan Kumar Udupi:** I'm still not clear on the first part, let me take a hit on that, how I'm going to answer that. So in terms of tonnage, there are 2 things. One is a, our axle, what we supply to what vehicle it goes in terms of tonnage carrying capacity. And today, if you see the heavy duty when we talk about it is 50 ton and above.

And our product portfolio today with the single axle, 185 largest axle in the industry and the tandem and HR axle, we are already there. We are going up to 70, 80 ton range. In terms of the industry tonnage for the full year we were at 9.4 million tonnage that is the total tonnage carrying capacity of the industry.

And just to give you a comparison of this versus the previous peak, which was FY19, where we also did the similar vehicle production of 476,000, was 8.7. 8.7 to 9.4 with the same industry

level, that addition is coming from that heavy-duty or higher tonnage vehicles, which is more and more increasing in the past few years and it is going to continue.

The second part of the question is related to the bus code, the low floor. Yes, there is more clarity on that. And it looks like the current product portfolio, what we have can meet most of the requirements, but then there are also some OEMs have a different strategy and is actually evolved. So it is still something that is evolving. But the products that we have for that space, those are protected for that particular regulation that came in.

**Saket Kapoor:**

Right. And sir, I think we did capex closer to INR70 crores last year sir -- INR73 crores rather. So, what are we emphasizing for the current year in terms of capex. And as you were answering to my question, if you could come up with the Investor Presentation, wherein we speak about our product profile, the industry scenario, where are you places in? And some color so that -- my questions are more aligned, and I get -- we people get more aligned to what the industry trends are that would suffice a lot of understanding to the...

**Raman K:**

Raman here. So, I'll take the question. So, on the capex part, first piece of -- I think last year to now, I think last year, we spent about INR30 crores vis a vis INR70 crores in the coming year also, we are expecting because the major spend are we going to complete the phases that we had already spoken about. So, we'll be almost similar range of capex spend will be there in the upcoming year as well.

And to your second question on the Investor Presentation, I think, yes, we will look at the possibility of having a presentation then. Yes. And at least that is once a year or something for the product portfolio.

**Saket Kapoor:**

Right, sir. And last point is on the employee benefit expense's part. Is it proportionate to what the utilization levels were for the quarter? I think we hit a number of INR47 crores, INR48 crores for the quarter. That is on the higher side. So, how should that be aligned?

And so just to get more sense, you mentioned that we will be doing a similar amount of capex that we did for the last year. So, in terms of the capacity augmentation what should we end the year in terms of the incremental capacity that we will be operational by the end of this fiscal.

**Nagaraja Gargeshwari:**

So, the second question I will take probably first question, Raman is going to come back and talk to you. See, again, like we mentioned, the capacity what we are putting in here, there is an augmentation, like I mentioned, with this -- all the projects going on, we should be able to really meet any of the near time demand that is coming in a domestic market and also potential opportunity from the export market.

So, as Kishan mentioned, we are expecting domestic peak, something should happen at the [inaudible 42:33] levels. We don't know what the product mix is. But we are putting enough capacity to meet those peak demands. And again, the capex, I want everyone to be on the same page that it is not just the capacity, but also, like I mentioned, how do we bring in the new technologies and productivity so that we can always offset the inflationary pressure that might be there on our fixed cost. Raman, would you like to take the earlier question.

- Raman K:** Sure. Just on the employee benefit expenses, we had about INR47 crores for the quarter. So, that's had a bit of one-offs this time. So, we had some leave encashment settlement and all that happened. So, about 8% of it was a one-off. So, -- but on a like-for-like, it should be lower by around 8%.
- Saket Kapoor:** Okay. Only just to make small sense of that is, since we will be working also on the efficiency part. So, what should be the EBITDA margin range -- where are we currently and with the type of efficiency and the aspirational program that we took, I think, so for on a 5-year basis, where should our EBITDA margin shipping. And does the current asset of business environment provide us into a different paradigm altogether with the type of changes and the capex that we have done?
- Nagaraja Gargeshwari:** While we don't want to do our forward-looking statements at this point of time, like we have been always sharing and you can look back October the past records. One is, we have been continuously focusing on improving our top line, but at the same time, protecting the bottom line.
- All the efficiency what we are bringing in, we can assure you that it will not only offset any potential inflationary pressures or potential adverse product mix. But at the same time, we have been always working towards, and we have demonstrated that our bottom line is always going to improve.
- Definitely, the product mix and top line will kind a helps us get a much better fixed cost absorption. But the rest is assured. I would say that you can look forward to the improved our margins.
- Moderator:** We will take the next question from the line of Shikha Mehta from Time & Tide Advisors.
- Shikha Mehta:** Taking off from the previous participant, since our new capacity is expected to come live maybe by December this year. And we're currently as on Q4 already at 90% utilization. Is it a fair assumption to make that going forward, whatever improvement we see in our top line for the next 2 or 3 quarters will be mainly based on new products, which might get us better pricing and better margins.
- Nagaraja Gargeshwari:** Kishan, you want to take it up.
- Kishan Kumar Udipi:** Yes. I can answer the second part of that, more specifically on the new products that we are launching. Yes, these new products are aligned with the change that we are seeing in terms of the OEM strategies. And like I mentioned earlier, some of them will partially cannibalize our current product line. But whenever we launch a new product, we try to capture the value pricing from that in terms of what features and what benefits that gives to the end customer.
- So, yes, marginally, it will be better in terms of profitability compared to the legacy products, and we capture the value in terms of placing the right pricing strategy, knowing that there will be a migration to certain extent from the traditional to the new product that we launch. And this has been a policy for a long time. This is not something new, and we continue to do the same.

- Shikha Mehta:** And so, I think on the previous con call, you had mentioned that from a single -- from -- sorry, to a tandem axle, I think your realization goes up almost 2x to 3x. Is that correct? Is that the right way to see it?
- Kishan Kumar Udipi:** It's not to that extent. It depends again on the product family and specifically the tonnage or the JV of the vehicle. It is probably not 2x to 3x extent. It's -- I don't know if you can put a number there. It is probably around 10% to 25% as a broad range, not more than that.
- Shikha Mehta:** Okay, sir. Understood. All right. And sir, lastly, on our market share. I think we have around 50% plus market share with Ashok Leyland. Is that maintained this quarter? Do we have any comment to make on that?
- Kishan Kumar Udipi:** On an average, the whole year, we have maintained as per our agreement with Ashok Leyland, like Nagaraja mentioned earlier, it is very difficult to speak one particular day or a week or a month because the product mix changes so much. So, we always try to keep the healthy average where our top line and the profitability, both are well balanced.
- Shikha Mehta:** All right, sir. And as on date, are we supplying products other than brakes to Tata?
- Kishan Kumar Udipi:** No. Our primary supply to Tata is only brakes right now, but there are cases when there are products which they need for the export market or for example, buses. There are certain business that we do with them. Time to time, not a regular business.
- Shikha Mehta:** All right. And is this something that is part of our strategy to increase as a wallet share? Or are we happy with where we are currently?
- Kishan Kumar Udipi:** So, in terms of brakes, I think we are pretty well placed where we want to be. And I think the focus in brakes is always to have a healthy share so that we also cater considering the capacity that we have, we always have multi-OEM strategy there. It's not just single OEM.
- Shikha Mehta:** No, sir, I was asking on the axle side. Is there a strategy to increase our wallet share in Tata Motors or not really? We're happy with where we are?
- Kishan Kumar Udipi:** There are continuous discussions. But right now, I don't -- I can -- I'm not in a position to confirm there are different discussions at different levels.
- Moderator:** We will take the next question from the line of Avadhoot Joshi from Trivantage Capital.
- Avadhoot Joshi:** Congratulations on a good set of numbers. Just on the demand side, Lakshmi sir already asked about it. But looking at the sales price increase that we have seen and the availability of diesel, do we see anything changes in the schedules as kind of a thing from the OEMs happening in the near future? Or have we seen already that the schedules are revised? Any kind of sense on that and the overall demand considering that the diesel price is increasing. If you can throw some light on that.
- Nagaraja Gargeshwari:** Thank you for the question. So, let me restate what I mentioned earlier. The industry, as such, is in a very stable 400-plus scenario every year. And the next year as well, we are expecting it to be 400 plus. Now the other dynamic sectional dynamics like the diesel cost, that's too early to

comment right now. because that is demand. And specifically talking about Q1, Q2 of this financial year, that's a typical softer market.

Historically, it's been like that and we think it will continue that. And then how we come out of monsoon and how we end Q4, that will probably define whether it is a 400 plus 20%, plus 5%. So, that's something we can watch. But on a demand level, there is a consistent demand, what we have been seeing for the Q1 and Q2, that is continuing. Whether it changes significantly or not, it's time only can say that.

**Avadhoot Joshi:** Understood. So, as of now, there is no change to whatever we are seeing from the OEM demand. That's what I can tell us, right?

**Nagaraja Gargeshwari:** That is true. It is a very typical Q1, Q2, but we see historically, and that's the level of demand we are seeing.

**Moderator:** We will take the next follow-up question from the line of Lakshminarayanan from Tunga Investments.

**Lakshminarayanan:** A few questions. as you step into the coming year, what are the three priorities for the company either qualitative or quantitative. The second question is that there is an operating margin which you actually reported just now.

Is this taking into consideration the technology fee? Or how does it work when the technology fee kicks in, and third question is that regulatory or safety norms go through changes, how do you benefit or our business is neutral when it comes to regulatory or safety norms for the commercial vehicle?

**Nagaraja Gargeshwari:** Okay. So, I'll take the first part of the question, probably Kishan can talk about the safety norms and what is happening in the industry. So, our 3 focus areas, we have been always telling that, one is we wanted to make sure that we are completing all this capex investment on time and then bringing in all the benefits associated with that.

And so that is our focus again by December, we should have those things in place. And we are also kind of potentially looking at the technology. We were talking about the gears required for buses and coaches and then product associated with that, which is under development and testing, which, again, we're going to kind of look at it.

And that's where we want to kind of look at it, the opportunities and probably realize the additional -- the share of business in the segments where we are still present, but may not be very strong in that area. So, that is our second area of focus.

The third area, obviously, that is, I would say, it has become more like a routine and always be sensitive to the market demand changes and then continuously focus on protecting and growing our bottom line, and then continue to be ready for any potential opportunities available in the export market. So, those are all the 3 areas we would like to continue to focus, and especially this year.

- Lakshminarayanan:** Got it. Sir, about the other 2 questions, if it's margin...
- Raman K:** This is Raman here. On the margins, I'll take it. So, especially on the technical fee. So, the operating margin that we have declared now is after considering the technical fee -- so it is being on a monthly basis depending on based on the revenue, as I said, the mix of all that...
- Lakshminarayanan:** So, the fourth quarter is completely after taking into that particular number?
- Raman K:** Yes. No, it is all the quarters. So, all the quarter results are after considering the technical fee only.
- Lakshminarayanan:** Got it. And this is applicable on both exports and domestic or only domestic or exports?
- Nagaraja Gargeshwari:** It is based on the agreement, what we are having. I think we probably will not be able to disclose all those details.
- Lakshminarayanan:** Sir, my question is that as an external participant. What is the number one has to assume on a blended basis for the entire years because the exports and domestic keep changing -- now that is a margin that is being reported. So, I just want to understand that?
- Nagaraja Gargeshwari:** Like I said earlier, it is in the range of somewhere between 4% to 4.5%. That's a thing you can look at...
- Lakshminarayanan:** On the total revenue?
- Raman K:** On the total there is a broad range depending on the mix of domestic and exports.
- Nagaraja Gargeshwari:** The last question. Sorry yes. The last question was related to the regulations. So, there are -- in the next 3 to 5 years, a couple of regulations that will come in the safety space. And when we look at our product line, mainly the foundation break in this case, there is not much that's going to change, unless there is a very stringent norm on the stopping distance, which we are not seeing in today's discussion in the regulation space.
- It is more on building EBS and supporting systems where our conventional foundation breaks are qualified. It can be used. There is no change that we are expecting. Now the big industry move that has happened in the Western world is moving from drum to disc brakes with the current regulation landscape, what we have, we think it will continue to be in a very niche market like buses than maybe hazardous goods. And that means our current capacity and the demand, what we see from the drum brake that can continue.
- Lakshminarayanan:** Sir, in the Axle space.
- Nagaraja Gargeshwari:** Axle side, we are not seeing any major changes in the regulation. There was one where the overload has been, to some extent, regularized. But that's a typical overload that we see on Indian roads all the time. So, it has not changed anything in our product portfolio.
- Lakshminarayanan:** Sir, and as electronic braking system or ADAS, all of thing comes to mainstream, right? Whether there are trends such as smart axle or smart braking system, which means that there is some

amount of digitalization happening there. Is this a far-fetched idea or it will actually get absorbed and you are actually capable of handling either the signals are processed from the braking system or the axle in electronic braking or ADAS or whatever the? I just want to understand your view for that.

**Nagaraja Gargeshwari:** Yes, sure. And you're right. The ADAS and electronic braking system. That's going to happen, but that didn't have any influence on the mechanical axles or the brakes that we have. You're talking about smart axle. Yes, we have couple of axles that we qualify as smart axle in the global portfolio but they're not applicable for Indian markets as of now.

So, if it moves in that direction, the products are available. It's more of licensing them and industrializing them. And there is a wide range of different features that axles can provide, but that value has to be perceived by the end customer, which is where India has always been different.

**Lakshminarayanan:** And by how far are we? Is it like 2 years behind or 3 years behind some smart actions for second year?

**Nagaraja Gargeshwari:** I'm looking anybody's guess because Indian market behaves very differently from Western World. All I can say is when it happens, we will be there.

**Lakshminarayanan:** But the Smart Axle penetration is 100% in developed countries? Or is it even there, it was...

**Nagaraja Gargeshwari:** No, it's even that it is very limited, very limited. So, the definition of smart itself is very unique for each region. So, unless we know that, it's difficult to say when, what will happen.

**Moderator:** Thank you very much. Ladies and gentlemen, we will take that as the last question. And with that concludes the question-and-answer session. I now hand the conference back to the management for the closing comments.

**Nagaraja Gargeshwari:** Thank you. Once again, I really appreciate all of you who have called into this conference. And then thanks for all those questions. Like we mentioned, we are in the midst of going through the capex cycle, the phase 1 we have already completed, and then we'll be able to complete the next phase by end of December. We have been really focusing on bringing in the new products.

And as you can see that those results both on top line, both in the top line and our bottom line. Rest is assured we will continue to strive hard, and make sure that we meet all our customers' demands and continue to explore growing opportunities that potentially might be coming in our export market. And thanks once again, and have a great day.

**Raman K:** Thanks.

**Moderator:** Thank you all. On behalf of 360 ONE Capital Market Private Limited, we conclude this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.