

20th November, 2025**The BSE Limited**

Department of Corporate Services
Floor 1, New Trading Ring
Rotunda Building, P.J. Towers
Dalal Street, Fort
Mumbai 400 001.
Scrip Code - 520057

National Stock Exchange of India Ltd.

Exchange Plaza, 5th Floor,
Plot No. C/1, G Block
Bandra – Kurla Complex
Bandra (E)
Mumbai 400 051.
Symbol – JTEKTINDIA

Sub : Transcript of Analysts' and Investors' Call.

Dear Sir,

Pursuant to regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Analyst and Investors' call held on 18th November, 2025 on the financial results for the quarter and half year ended 30th September, 2025. The said Transcript has been uploaded on the Company's website also, the link of the same is given below:

<https://jtekt.co.in/Menu/OpenFile?fileId=8e116888-28f0-4b79-832f-c34bb658fbde&fileName=Transcript.pdf&fileType=pdf>

This is for your information and record.

Thanking you,

Yours faithfully,

For **JTEKT India Limited**

Saurabh Agrawal
Company Secretary



“JTEKT India Limited Q2 FY’26 Earnings Conference Call”

November 18, 2025



MANAGEMENT:

MR. MINORU SUGISAWA – CHAIRMAN AND MANAGING DIRECTOR, JTEKT INDIA LIMITED

MR. YOSUKE FUJIWARA – WHOLE-TIME DIRECTOR, JTEKT INDIA LIMITED

MR. RAJIV CHANANA – WHOLE-TIME DIRECTOR, JTEKT INDIA LIMITED

MR. A. D. RAO – ADVISER (MANAGING DIRECTOR OFFICE), JTEKT INDIA LIMITED

MR. ASHISH SINGH – STRATEGIC DIVISION HEAD, JTEKT INDIA LIMITED

MR. TERUMITSU KUWANA – HEAD (SALES & MARKETING), JTEKT INDIA LIMITED

MR. YASUAKI DOI – HEAD (MANAGING DIRECTOR OFFICE), JTEKT INDIA LIMITED

MR. VIKAS GOEL – CHIEF FINANCIAL OFFICER, JTEKT INDIA LIMITED

MR. SHYAM SUNDAR ROY – DEPUTY HEAD SALES AND MARKETING, JTEKT INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY 2025-'26 Earnings Conference Call of JTEKT India Limited.

As a reminder, all participants' 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to the Management of JTEKT India Limited. Thank you, and over to the Management.

Rajiv Chanana: Good afternoon, everyone. Let me introduce the team from JTEKT India Limited. We have with us Mr. Minoru Sugisawa – Chairman and Managing Director of JTEKT India Limited, Mr. Yosuke Fujiwara – Whole-Time Director, Mr. A.D. Rao – Adviser – MD Office, Mr. Ashish Singh – Strategic Division Head, Mr. Terumitsu Kuwana – Head Sales and Marketing, Mr. Doi – Head MD Office, Mr. Vikas Goel – CFO, and Mr. Shyam Sundar Roy – Deputy Head Sales and Marketing. And I am Rajiv Chanana – Whole-Time Director at JTEKT India Limited.

I now hand over to Sugisawa-san to start the conference with his opening remarks. Thank you.

Minoru Sugisawa: Thank you. Good afternoon, everyone, and welcome to the JTEKT India Limited Quarterly Earnings Call.

I would like to thank all participants for joining this call and the organizers. For the first half of current Financial Year '25-'26, the Passenger Vehicle segment registered a growth of 1.6%, while we have seen a steady growth in Passenger Vehicle segment since FY '21-'22. However, the growth momentum has been declining over the past 2 financial years. The recent taxation reform, which lowered the GST rate from 28% to 18% for smaller vehicles and from 50% to 40% for larger ones, has sparked optimism in the market. The new GST rates became effective from 22nd of September 2025.

During September and October 2025, passenger car sales reached 9.3 lakh units compared with 8.6 lakh units sold during the same period of last year, making a 7.7% increase in the domestic passenger vehicle market.

According to a report by FADA, the ongoing Indian wedding season, positive agriculture cash flows and new product launches are expected to sustain market momentum through the year-end. At JTEKT, we share the same optimism.

Now I would like to discuss with you the company's financial results. The financial results for Quarter 2 and First Half of this financial year are now available with you. During the First Half of current Financial Year '25-'26, JTEKT achieved a sales growth of 5.6% compared to Passenger Vehicle market growth of 1.6% during this period. EBITDA margins improved to 7.2% in Quarter 2 from 5.3% in Quarter 1 during current financial year. However, the margins

for the first half of the current financial year at 6.3% are down from 7.6% achieved during the last Financial Year '24-'25.

The sales growth of 4% during first half year was lower than the target set as per our business plan and a result of we could not absorb the increase in fixed costs, mainly employee costs, which as a percent of the sales increased by 0.8% due to salary increment. In the variable costs, manufacturing costs increased by 0.2% due to higher power tariffs and increased power consumption from new production lines currently under trial and establishment. Also, material cost was higher by 0.2% due to product mix.

We expected higher sales from the vehicle launch during this year. However, due to delay in launch as well as a lower-than-expected volume, the product mix was not favorable, resulting in no improvement in our gross margins.

We expect market conditions to improve in the second half. And as a result, the factors mentioned lower market growth, reduced volume of new models and lower exports should also improve in the short term, leading to better profit margins.

As we conclude, I wish to convey my deepest gratitude to our shareholders. Your trust and the support have been instrumental in making our maiden rights issue a great success. Our promoters, JTEKT Corporation Japan and Maruti Suzuki participated fully in the rights issue, and the enthusiasm from our public shareholders was overwhelming with applications exceeding twice the number of shares offered.

With this, I would like to thank you all for your participation and open the conference for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. (Operator Instructions) Question is from the line of Shravan Vohra from Premier Capital. Please go ahead.

Shravan Vohra: I had a couple of questions. I just wanted an update. So, last call, we had mentioned that we expect the current CAPEX that we are going through to be completely done by March '27 next year. Could you share an update on that? And any commissioning timelines that you can share for the different CAPEX that we are doing, including the backward integration of the CVJ forging?

Rajiv Chanana: Yes, sure. Thank you, Shravan. So, a major part of capital expenditure, which our company has planned is towards capacity expansion. Last year, in our stock exchange reporting, we notified expansion in our Rack and Pinion premium gear, which we call manual gear, electric power steering gear and CVJ.

We are happy to confirm that sixth manual gear line at our Dharuhera facility has become operational during the first half year, sometime in August '25. And with this, our production capacity has gone up from 28 lakh units to 32 lakh units on manual gear.

Further, the third CPS line, which we reported last time in our investor call has become operational again from July-August 2025. And this has increased our CPS capacity from 10 lakhs to 15 lakhs. So, these are the 2 CAPEX which we have already commissioned. Currently, we are working on the fourth manual gear line at our Chennai facility. This will be primarily for meeting our export requirement, the Brazil Order, which we mentioned last time.

We are working on a second CVJ line at our Dharuhera facility, which is also under implementation at this point of time and is likely to become operational within a month or two. And this will increase our CVJ capacity from around 3.7 lakhs to 4 lakhs to around 7.5 lakh to 8 lakhs.

So, if we look at the H1, the first half year capital expenditure, that was approximately INR 118 crores. So, we had cash generation from our business of INR 72 crores during the first half. And during this period, we incurred capital expenditure of INR 118 crores. So, there was a little increase in bank borrowings, long-term borrowings by about INR 76 crores. However, the debt equity continued to be at 0.23 level, slightly up from 0.7 level, but still very healthy when we look at the overall financial parameters.

The third expansion, which we want to talk about is the CAPEX project about setting up a new facility in the state of Gujarat. So, this was announced in October 2024 about setting up this facility.

A major portion of the rights issue proceeds, which we just spoke about, about INR 114 crores out of about INR 249 crores. It has been allocated for construction of building and utilities for setting up the new manufacturing facility in Gujarat. We expect completion of building early 2028. At present, the activity of factory designing has been completed, and we expect full-fledged construction to start from December 2025.

We expect expansion of capacity by OEMs in Western region and we are aware that it will be very difficult to cater that requirement from our Haryana facilities. So, this facility is very important for our future growth. At this point of time, we have committed funds of INR 250 crores for this project, and we shall keep on reporting the progress of this project as we achieve various milestones.

So, just to answer the 2 lines, fifth line was implemented last year and sixth line of MS-Gear has been implemented this year. One CPS line has been implemented. We are working on fourth gear line in Chennai and one CVJ line in Dharuhera. So, these are the overall capital expenditure towards capacity expansion.

Shravan Vohra:

Sir, just one clarification on the CVJ forging backward integration. Where are we on that? And what do we expect out of that?

Rajiv Chanana:

So, there are certain critical parts of CVJ like JF outer and JPL, and these require forging process. These are manufactured using the forging process. So, in order to maintain competitiveness of

CVJ, our company intends to start in-house production of these forging parts and these constitute an important content of CVJ. These forging parts are currently sourced from outside, like today, we do not have any facility within the company. So, by enhancing in-house production capability, our company will not only secure the cost and quality advantage, it will also support both domestic market growth and overseas supply.

So, as you will recall, we have allocated around INR 55 crores out of the rights issue proceeds for this particular project, basically for import of machines, which are required for setting up this facility. We are working on it, and we expect that this will result into an installed capacity between 4 lakh to 5 lakh units. So, we will keep reporting that. Currently, this expansion project is on, and we expect that we should be soon completing this project.

Shravan Vohra:

Got it. And sir, my second question is on like the Global President was in India and your LinkedIn page mentioned like the interaction was around how you make India a part of the global supply chain and Vision 2030. So, could you talk to us a little bit more on exports to the group company other than the Brazil project and any new product introduction? Or what is this Vision 2030? And what kind of expectation we as minority shareholders can have?

Rajiv Chanana:

There are 2 things. One is that there is a positive sentiment about growth within India. And we expect that the volumes in India will continue to grow. And we have seen that growth of between 5% to 7% over the years. So, that momentum, we expect that will continue. So, to cater to that Indian domestic requirement, we need to continue to enhance our capacity. So, as we mentioned last time, over the last 3 years, we have spent about more than INR 700 crores on capital expenditure, and that is mainly towards expanding our capacity within Haryana, Chennai and now the new location at Gujarat.

So, this is one thing, which our President, last communication, which was there at their investor call, they mentioned that they have allocated about INR 1,800 crores for capital investments in India. So, out of that, this is INR 700 crores, which has gone into actual on the ground investments over the last 3 years.

Coming to overseas, like the growth strategy whereby we get involved. So, there are 2, 3 ways whereby we get benefited from global support. One is that increasing exports, as you rightly mentioned. So, this exports, we already reported at the last conference call that we received the purchase order from JTEKT Brazil, we will be starting the supply of steering manual gears.

JTEKT Brazil is a group entity and start point will be around 1 lakh units, but this has got a huge potential. So, we expect that as the new platforms on the same platform, new models will be introduced, overall exports will go up to 5 lakh units. I think that's kind of a potential this particular order has.

And this has happened after we continue to make efforts for almost 2 years. Please understand that one of the main conditions to achieve growth in exports is to have a very strong and a very

stable supply chain. We have been working and we hope that we have been able to convince our JTEKT management about a strong supply chain in India and which is considered to be the main thing for getting any global export orders.

So, if we look at the potential of this business is that the U.S. exports are just about 4% of our total sales. This business can create about 6% to 7% growth. So, our export contribution in overall sales can go up between 8% to 10%. So, that's the potential of this export.

So, what we are trying to say is that let's grab this order, perform well and maybe the similar opportunities will keep coming. This opportunity has come from Brazil. There can be other opportunities coming up from other regions as well. So, we want to be successful. And stand-alone also, this business has got a huge potential for growth. So, I hope I have answered your question.

Shravan Vohra:

Got it. Sir, just one last small clarification from me and then I will fall back in the queue. The EBITDA margins, we understand that because of slower growth and the fixed cost absorption, there was this issue in the first half. After FY '25 also being an issue because of all of the one-offs that you explained in the last quarters.

But my question is on gross margin, sir, where you highlighted that mix has been an issue. But gross margins have been trending lower for the last 6 quarters. So, Y-o-Y, there has been a degrowth in gross margins for the last 6 quarters. So, what is this mix issue? And how should we see gross margin improving, just specifically gross margin, sir?

Rajiv Chanana:

So, I think this question is very relevant, maybe from the other investors who are joining this call. So, let me explain you in a little detail. I was expecting this question, so I have prepared some answer for that.

So, while we have seen EBITDA margins improving from 5.3% in Quarter 1 to 7.2% in Quarter 2 of current financial year. However, we know that the margin for the first half at 6.3% are down from 7.6% for which we achieved last year. So, one major factor for declining profitability was increase in employee costs, as you also just now mentioned.

As a percentage of sales, it went up by 0.8%. Even though we achieved a sales growth of 4% during the first half year, however, when we compare this with our plan, it was significantly lower. So, our expectation, whereby we agreed on the increase in cost, increments, et cetera, was slightly on the better side.

So, as a result, the lower than target sales, we could not absorb the fixed cost, and this has gone up by 0.8%. We were able to contain other fixed costs like administration expenses. These are still at 1.9% when you look at our financials. And this is despite the company incurred a huge rights issue expenses of about \$8.2 million. So, we absorbed this \$8.2 million of rights issue expenses and still maintain our administration expenses at same level. However, increments to our employees is important, and we continue with that cost increase which we could not absorb.

When we look at the variable cost, the margin part, which you just mentioned about 0.2% in the material cost category. Unfortunately, let me explain you that the certain conditions which prevailed last year, so we are talking on a long-term basis. As you rightly said, over the 5, 6 quarters, we could not improve our margins. So, I am trying to explain to that. So, they have been the condition which have been prevailing in the last about 4 quarters or so, that was mainly export to sales. One of the main negative factor was export sales to U.S. And even though we reported that that impacted our profitability by a negative 0.56%.

And these still is not recovered. We have a new challenge of reciprocal tariff, which was imposed by U.S. government. And we could achieve export sale of only INR 298 million, which is almost at the same average level when we compare it with the last year export sale of INR 512 million for the full year. So, as a result, this is one of the reasons, like the negative impact, which has come due to lower export sales during the last year, that has continued even during these 2 quarters also.

Another factor, which we mentioned last time which is continuing to impact profitability in a negative way is about 0.6% impact of new product development cost. And unfortunately, as you may be aware is that there have been some delays in start of production of certain models. And as a result of that, including our export to Brazil got slightly delayed.

And however the new product development activity continued to be carried out, and we need to be sure at all point of time that our machines are ready and our lines are ready. So, that new product development costs continued to be high even during the current 2 quarters. These are the 2 conditions which have not recovered. But as I said, these are temporary situations, and we expect that both the situations will improve.

Now coming to what are our expectations, we budgeted while we were calculating our margin, we expected higher volume of new products, including e-Vitara, the new Maruti Suzuki model for the current year. And for these models like e-Vitara, Victoris, good thing is that we are supplying all our products like rack and pinion gear, which is manual gear, column electric power steering, constant velocity joint. This is a complete set which we are supplying to them. And fortunately, we have better cost ratios for such product.

Now there has been delay and volumes have been lower and then our expectations. So, what has happened is that this could not pick up, like the margins which we expected, this could not pick up. And similarly, the export to U.S.

As a result, there was a product mix change and overall material cost continue to be higher. If we try to summarize all these factors like first factor is about continuous low exports to U.S. development cost. The non-absorption of fixed costs because of lower sales in the market, just about 4% growth. And lastly, the product mix not being good, because of certain delay in start of supplies for the new model.

So, all these factors, all these 3 factors, in our opinion, are temporary, and we expect that these factors will improve in the next 6 months' time or the next 2 to 3 quarters, and we expect to come back to our original profit levels. So, this is my take on the margins.

And as I have been explaining, these are all hardcore numbers, which we have already reported yesterday at the stock exchange also. And you can also verify by looking at our financial. And we expect that once these factors are settled over a period of time, we will come back to our original margin levels.

Shravan Vohra: So, how do you see growth for second half and margin for second half, sir, just ending my questions there. Thank you so much.

Rajiv Chanana: Yes, sure. So, sales growth expectations are there, like we touched 4% sales in the first half, and that was primarily supported by new business of Maruti Suzuki, e-Vitara and Victoris, as I said, where we are supplying the complete set of goods. And these items contributed about INR 260 million in the first half year. And this actually helped us to grow in the Maruti Suzuki and Toyota segment by about 5%.

The negative came actually from Honda and Nissan. Honda, you are aware that they could not grow in the market during last year, and they declined by about 37%. And that brought a 1% negative. So, overall, we were able to grow by 4%.

Coming to the new things, how we will be growing further, we expect JTEKT Brazil will start next year. And we hope that from June or July onwards, our production and sales will start. There is one more variant similar to e-Vitara, which is likely to be launched by Maruti Suzuki.

We don't know the exact date, but maybe August '26, and we will be supplying for that product. We have started supplying for Tata Coral, which is an EV vehicle, carry vehicle. So, there are many, many things which are happening. Honda is coming up with maybe a new EV vehicle next year, possibly, something linked to Elevate.

So, we are working with various customers, and we expect that the new products which we have won from Maruti Suzuki, these products will be doing good in the market. And as e Vitara will be launched in the domestic market, we expect a good response for that. And these new models will be able to generate more revenues for us, supported by exports to our overseas customers. I think these are positive factors which will help us to grow our sales in the next few years' time.

Shravan Vohra: Got it, sir. Thank you.

Rajiv Chanana: Thank you so much.

Moderator: The next question is from the line of Ria from Niveshaay. Yes, Ria. Kindly unmute your mic.

- Ria Chhaira:** Good evening. And thank you for the opportunity. I wanted to ask, could the Management provide insight into the volume and revenue guidance for each of our major product categories?
- Rajiv Chanana:** So, customer level you want?
- Ria Chhaira:** Volume and revenue guidance, both for product category.
- Rajiv Chanana:** So, I can tell you the various breakup at a customer level as well as a product mix level. So, first, going by the product mix level, like CPS contributes about 46% for the first half year, 49% last year and 46% our total revenues, followed by MS gear, which is a manual gear, which we supply. That contributes about 27% of our total volumes.
- And this is followed by various other products like column, IMS, HPS, et cetera, which contribute the balance remaining part. So, overall steering is about 95% of our total sales revenues at this point of time.
- Driveline, currently, CVJ contributes about 4% of our total volume, and then we are supplying certain other driveline product like case differential, et cetera, to Tata Motors. So, overall, this accounts for about 5%. So, that's a broad breakup of sales at product level. Do you need at customer level also?
- Ria Chhaira:** Yes. So, I thought maybe you could give it in volume terms.
- Rajiv Chanana:** So, that will be too difficult for me because each product for one customer, we are supplying many, many products for many, many models. And then for each model, we are supplying somewhere manual gear, somewhere CPS and somewhere column. So, it will be very difficult for me to give you breakup of volumes at this point of time. Maybe if you want, I can tell you the models where we are supplying, or the value of sales.
- Ria Chhaira:** It would be perfect if you could give me the model.
- Rajiv Chanana:** Yes, sure. So, I will give you for Maruti Suzuki to begin with. So, we have electric power steering for A segment of vehicles, we are supplying for New Alto. We are supplying for Espresso, Ignis, Wagon R. The B segment, we are supplying for Brezza, Ertiga, XL6, Jimny, YY8 sorry, e Vitara and Victoris. And this is CPS, electric power steering. And when it comes to manual gear for the A segment, we are supplying for Alto and Wagon R. And for B segment, we are supplying for Ertiga, XL6, Swift, Desire, Grand Vitara, Baleno, Fronx, Jimny, Victoris. These are Maruti Suzuki products.
- For Toyota, TK, well we are supplying for all the products which they manufacture, Innova Hycross as well as Fortuner, we are supplying for that. Is that okay? Or should I tell you about Mahindra and Tata also?
- Ria Chhaira:** If it's possible, I think that would be better.

Rajiv Chanana: No problem. For Mahindra, we are supplying for Bolero for the classic model and Scorpio Classic. We were supplying for XUV 3XO and XUV400 Electric. These are the models for which we are supplying HPS and MS Gear and somewhere in column. These are the products which we are supplying to them. For Tata, we are supplying driveline product case differential for various models like Tiago, Tigor, Altroz, Punch, Nexon. And for Harrier, which is their good selling product, we are supplying MS gear at this point of time.

Ria Chhaira: All right. Thank you so much. Sir, my second question is, could you help us understand what proportion for key clients, so the ones which you just mentioned? So, how much percent is JTEKT serving?

Rajiv Chanana: So, different customer you mean to say?

Ria Chhaira: Yes.

Rajiv Chanana: As a percentage of sales?

Ria Chhaira: Yes. So, basically, how much are we supplying to them? What percent of their business? And if you have any plan to...

Rajiv Chanana: I can give a broad idea, so that will not be accurate for me, will be difficult for me to tell you. I can tell you my numbers, but I think you can make it all. We can tell you our numbers and then you people can work it out how much is our competitor supply. So, difficult for me to estimate what is the percentage of my competitors in my business, but it will be difficult. I can give you my numbers.

So, like just to give you a breakup of my sales to different customers. So, about 56% of our sales goes to Maruti Suzuki, 12% to Toyota, 5% to Honda, 8% to Mahindra & Mahindra, 2% to Tata, 3% to Renault Nissan. So, this is a broad breakup of about 98%. Then there are small like PCA, PSA, Stellantis, all those people. And then the balance is exports, at this point of time, just 2%, but because the exports have been down. But generally, these have been 4%.

Ria Chhaira: Correct. And finally, I just have one last question. It is I would like to understand the pricing structure of our product lines. So, if you could share the prevailing prices for RPS, FPS, columns, axles and anyone. So, of course, they are depending model to model, but if you could just give an average price.

Rajiv Chanana: So, it actually ranges from model to model, as you rightly said. So, CPS, for example, maybe starting from INR 11,000, INR 12,000, it can go up to INR 18,000 or even more depending upon the variants which we are supplying. Manual gear will be maybe between INR 2,500 go up to INR 3,700. So, there is a large range and depending upon the size of the vehicle, and for example, it has ADAS features, it will have a different costing for that.

- Ria Chhaira:** Correct. So, in the previous call, you mentioned the CVJ, it an average price of INR 6,000. So, do you have figures for similar product line? Or is the range too wide?
- Rajiv Chanana:** CVJ, again, there is a range. So, depending upon the size of the vehicle, again, there are different technologies which are used for manufacturing CVJ, we call it long-term technology which serves to the larger vehicles. So, it also has a range between, say, anything between INR 2,800 to INR 3,900 or something.
- Ria Chhaira:** All right. Thank you so much, sir. I will be in the queue for the next.
- Rajiv Chanana:** Thank you, Ria. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sailesh Raja from B&K Securities. Please go ahead.
- Sailesh Raja:** Thanks for the opportunity. Sir, you had highlighted the additional cost one-off incurred during the quarter in the presentation. Similarly, could you outline the key initiatives that we have taken in the past. Like last year, we have increased the localization of the driveshaft axle in the CVJ product and also the consolidation of jacket assembly line at the Bawal plant.
- And what is the cost savings that we reported in first half of FY '26? And also, the CVJ forging facility that you are talking the backward integration, it will cover 2 lines of CVJ and what is the cost and payback period that we are expecting.
- Rajiv Chanana:** So, these activities, one of the activity which we talked about manufacturing rationalization. So, this is an ongoing activity and it's still continuing. So, post-merger of our JTEKT Fuji Kiko Company, we have been aligning our manufacturing set-up. So, one of the major component of CPS is the jacket assembly, so that we are trying to have at one location, like where the CPS is generally being manufactured, jacket assembly should also be manufactured at the same.
- So, those lines have already been shifted, not fully, but yes, we are in the process of doing that activity. And that has also brought us a lot many opportunities for other rationalization activity like at our (Inaudible) 34:41 facility where we have a space available, we are shifting our machine building division.
- So, many, many things are happening, which will bring a lot of cost advantages in terms of inventory reduction as well as the logistics cost. So, those activities are happening while we are looking at. So, we have our review meetings every week where we discuss different cost saving ideas and activities which are in place. So, that is a regular thing. This is one thing.
- Coming to forging, as you pointed it out, yes, the capacity will be around 4 lakh to 5 lakhs. So, it will be covering our total requirement, which we have. But yes, there will be a scope for further expansion also.

- Sailesh Raja:** Sir, can you please quantify what is the cost saving in first half, because of the initiatives that we have taken last year? And also, what is the payback period that we are expecting from this forging facility.
- Rajiv Chanana:** So, look, the payback will be slightly longer because depending upon the capital expenditure, capital expenditure is normally higher in such backward integrations. Same like PDC facility when we set up, initially, the payback period was slightly higher. But yes, we have not accurately estimated it. I will not be able to tell you at this point of time, but give me time. This is in the process of being setting up, and we will be sharing this information with you next time.
- So, coming to the cost reduction, yes, it's an ongoing activity. So, we do not put any numbers on a quarter-on-quarter basis, because every activity has an impact finally on the material cost and on the manufacturing cost. So, yes, it gets reflected in the financial statement as we move along.
- Sailesh Raja:** Okay. Sir, for the INR 460 crores CAPEX for the capacity expansion covering 12 lakh units of MS gears, 5 lakh units of CPS and 4 lakh units of CVJ. Can we potentially deliver around INR 1,000 crores of revenue clinically?
- Rajiv Chanana:** As I told you, the FECR actually depends on product to product, like we have mentioned that CPS, which involves more of assembly operations, the FECR can be as high as 5x. But when it comes to CVJ, which has got more of machining jobs as well, the FECR may be as low as 1.5. Similarly, for MS gear, yes, it can be between 2.6x to 3x.
- So, when we look at the CAPEX, which we have done for the CPS one line about INR 90 crores, approximately MS gear about INR 100 crores, and CVJ about INR 90 crores. And when we multiply with this FECR, yes, we have a potential to go up to INR 3, 300 crores with the capital expenditure from the current level of, say, around INR 3,400 crores or so.
- Sailesh Raja:** Incrementally we can do INR 1,000 crores, right, sir?
- Rajiv Chanana:** Yes, yes, possibly.
- Sailesh Raja:** I wanted to know the ROCE that we are expecting from this incremental CAPEX that we are doing INR 460 crores. So, INR 1,000 crores, if I take 40 days of working capital cycle, that is INR 90 crores, so INR 460 plus INR 90, around INR 550 crores. So, what kind of ROCE that you are looking from this investment?
- The question I am asking because currently we are doing around 8% margin, so INR 1000 crores 8% is INR 80 crores, depreciation would be around INR 40 crores because our depreciation is little faster that we are adapting. So, in that case, can the ROCE be at single digit at 7% to 8%?
- Rajiv Chanana:** It should be better. In our calculation, this should be better than that. So, we will look at the operating profit from our new business. So, we continue to work at around, for example, CVJ when we look at the overall profitability of this business, our target is that we should be moving

between EBITDA level of between around, say, 9% to 10%. So, that's how we look at our entire business. And yes, it should be more than single digit, yes.

Sailesh Raja:

Okay. Sir, one last question. If we see pre-COVID FY '19 to now, so other expenses, employee cost if you see it's largely remained stable. Well, our first questionnaire also he asked a similar question, where if you see the gross profit, so he asked on last 4, 5 quarters, but if you see last 6 years, the gross profit, marginally it has declined by 660 bps, 80 to 100 bps that we have already explained. So, can you please explain, so why there is a sharp decline 660 bps over the last 6 years.

So, what was the product mix in FY '19, now how much it is? And we are taking a lot of initiatives like increasing localization and all those efforts that we are doing it. So, by when do you see that there will be a good improvement. And with Gujarat facility, do you see there will be a good improvement in gross profits with improvement in production yield. So, could you please talk about this topic.

Rajiv Chanana:

Yes. So, like there are various things which we can look at as to how the profitability improvement unified. We are today where we are, yes, you are right that there have been a little stress on the operating margins over the years. And that is few reasons like exports didn't pick up, one of the reasons which we have been mentioned.

And so the product mix has not been favorable to us. So, going forward, what are the areas where we should be looking at whereby we can improve our profitability, including the margin level. One is the expansion in new products. So, like we will expand our market share in CVJ.

As I said, our second line is going to be ready now. And using the same administrative setup, when you expand your capacity, the administrative setup continued to be there. So, we will be able to expand our manufacturing operations with the same operating setup. This is one.

Second is that expansion of exports. We expect that the customer in U.S. post the expected resolution of this current trade conflict, there's going to be expansion of exports. Next year, we will start supplying to Brazil, our group entity. And this business has a huge potential, as I said, and much better profitability when we compare that with the domestic market. So, that will obviously help us to improve margins overall.

And as I said, within 2 to 3 years' time, this business has got a potential to go up to, say, INR 150 crores, and that will be a significant portion of our overall sales. It improves our contribution of export by to 6%. Operating margins will definitely improve.

The third factor, which we have been mentioning is the JTEKT support, which we have been getting. So, they talked about strengthening Indian side by promoting India as a global site. So, we have more opportunities coming up, and we expect that not only support in backward integration, PDC, forging, et cetera, by providing us the technology, plus also increasing exports

from India. We can even do machining operations, which are more labor-intensive in India and which can export. So, there are other opportunities which we can see.

The fourth point is we are having a close coordination with our customers through the front-loading activities. So, we understand their requirement and get involved with them. The Award of 3 business from Maruti Suzuki is a testament to that. So, we are improving our association with our customers as far as possible.

The last point, the fifth point is about internal cost reduction activity, which are continuing to bring more competitiveness, including manufacturing rationalization. So, in all areas like new products, exports, taking support from global entities for expanding our business with coordination with customers and our cost reduction activities. Like as you rightly said, over the last 6 years' time, we have not allowed our cost to go up, not on the fixed cost, where the management is supposed to control, we have done that. So, these factors are...

Sailesh Raja: So, that has been well controlled sir, only in the gross profit. Sir, can you please share product gross margin. If it is very confidential, then you can at least have the index numbers.

Rajiv Chanana: That will not be possible. Just to give you an answer to this question, the product level margins will not be very, very different. It's not that there will be a huge difference or one is at 10% another is at 2%. That kind of thing does not happen, because you are supplying to customers. And it's a very, very transparent and a very, very competitive process, when you talk to customer and try to negotiate the pricing, there are competitors also setting there. So, it's not that we may have a huge profit in one model and a loss in the other one. It doesn't happen like that.

Sailesh Raja: What is our cost of debt? That's my last question. Thank you.

Rajiv Chanana: Okay. Thank you so much. I think we have covered our time. If somebody has got the last question, maybe we can answer, but then we have to close the call.

Moderator: Sure, sir. We will take the last question?

Rajiv Chanana: Yes, please.

Moderator: The last question is from the line of Aaroohi from Kredent Family Office. Please go ahead.

Aaroohi Gourisaria: Yes, I wanted to ask that since FY '18, FY '17, your gross margins have seen a declining trend. So, when do we expect a recovery of margins?

Rajiv Chanana: Ma'am, as I said, we are making all the efforts. I think my answer to the last question was exactly on the same line. So, we have areas where we are working, as I said, expanding our new product, CVJ, expanding our export, not only we expect U.S. export to increase, but we also expect that next year when the Brazil exports will start, it has got a huge potential to grow up to INR 150 crores kind of a level. And we also mentioned that we are continuously getting support from our

parent company for expanding our export to group entities as well as for activities like backward integration into 4G process.

We have a close coordination with our customers, and we are working with them kind of a front-loading activity where we understand their requirement upfront and try to meet those, even before the model is conceived and launched. And we continue to work on our cost reduction activities on a continuous basis.

So, I made the same comments a few minutes back. I think these factors, if we continuously follow we should be able to control our cost increases in the fixed cost category, and we should be able to improve our margins. And we are working towards that.

Aaroahi Gourisaria: All right, sir. Thank you so much.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Minoru Sugisawa: Okay. Thank you. I would like to thank everyone for joining this call. I hope we have been able to respond to all your questions adequately. We are really positive about the growth in automotive sector, and we will continue with our efforts to expand to meet the industry requirements. Again, thank you very much. Stay safe, stay healthy, and thank you once again for joining with us. Thank you.

Rajiv Chanana: Thank you.

Moderator: On behalf of JTEKT India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.