



## “Subros Limited Q2 FY23 Earnings Conference Call”

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**MODERATORS:** **MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

**Moderator:** Ladies and Gentlemen, Good day and welcome to Subros Limited Q2 FY23 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 this conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities. Thank you and over to you, Sir.

**Annamalai Jayaraj:** Thanks Neerav. Good evening everyone. On behalf of B&K Securities welcome to Q2 FY23 Post Result Conference Call of Subros Limited. I also take this opportunity to welcome the senior management team of Subros Limited.

We have with us today Mr. Parmod Kumar Duggal – Chief Executive Officer and Mr. Hemant Kumar Agarwal – Chief Financial Officer and Vice President Finance.

I would now invite Mr. Duggal for the opening remarks to be followed by the question-and-answer session. Also, may remind you of the safe harbor the company maybe making some forward-looking statements that are to be understood in conjunction with the uncertainty and the risk that the company faces. Over to you, Sir.

**Parmod Kumar Duggal:** Thank you Jayaraj. Good evening ladies and gentlemen. My name is PK Duggal. A warm welcome to all of you on Subros Investor Call for Quarter 2 for FY23. The automobile industry started the year 22-23 on a very promising notes and our first and second quarter they are very good from a growth perspective. The market is showing a sharp recovery and the order booking is high. The passenger vehicle industry has grown by 38% on production basis in Quarter 2 of FY23 and commercial vehicle industry truck has registered a growth of 32% during the quarter. I think there are much more positive sentiments for the growth of auto industry in India now. While on the one hand we see a revival of vehicle demand on the other hand high commodity prices and inconsistent semiconductor available has aggregated the problem for auto manufacture which is causing a major concern for the industry per se. The increasing price of commodities in India has resulted a record high price of new and used vehicle in the industry. The results of Quarter 2 for FY23 has been shared with the stock exchange and also posted on the website.

Let me elaborate the summary of the result one by one. First I will update you about the industry relevant to our business. In this quarter, passenger vehicle industry has grown by 38% as I mentioned before in comparison with the corresponding quarter of the last year whereas Subros PV segment thermal product growth in Quarter 2 is 34% on sales basis in comparison of the corresponding quarter of the last year. So, our performance is more or less in line with the industry performance subject to some difference of some order mix. Commercial vehicle bus is also improving, tourism sector, school bus business is also reviving now. For AC fitment ratio is yet to be improved in the bus fitted from the OE side. The company has

registered a growth of 2% in comparison of the corresponding period in this particular segments. Further on commercial vehicle truck segment for N2, N3 category which is relevant for the AC or blower business for us.

Industry has shown a aspects after two years. Industry has grown by 62% in the first half of FY23 as compared to the corresponding first half of the last year. Subros growth in this segment is 88% during the same period. Growth is mainly because more AC fitment ratio we observed in this particular market. Consumer preference is shifting towards AC truck as compared to normal truck. This year the big impact of environmental change has been seen in various part of the country impacting our home AC sales. This sector is showing promising growth now in this half, home Air Con sale has grown by 83% as compared to the previous figures. Revenue from operation finally is recorded as 695 crore in this quarter corresponding quarter was 529 crore overall there is a growth of 31% in the revenue over corresponding quarter of last year.

In this quarter the car and non-car segment has contributed 94% and 6% respectively. Maruti and Suzuki Gujarat has contributed 85% of the total sales of our company. In this half home AC has contributed 77 crore which is almost 5% of the total revenue contribution. Our share of business in the passenger vehicle air conditioning market is 40% and share of business in truck segment is 49% and bus AC is it is 20%.

Now, I will talk about the operational performance. As I mentioned before there is lot of challenges in supply chain which has never been experienced by anyone in the industries. Commodity price fluctuations, logistic cost escalation \$US at the highest ever level has impacted the margin in a big way. Significant increase in the lead time of import shipment and subsequent fluctuation of schedule by the OEM due to semiconductor shortage. The availability of **(Inaudible)5.55** part at vendor end has impacted our inventory level by almost 10% to 15%.

Commodity price fluctuation during the last 6 months has a substantial impact on material sales ratio. Though there are trends now for easing these fluctuations, but it will take another quarter or so to normalize the impact on the financial. Although we have a compensation formula with our key OEMs, this is on a periodical led basis. So, it will have an impact in subsequent quarters. The company has realized EBITDA of 44.05 crores in Quarter 2 of FY23 as against EBITDA of 37 crore in the corresponding quarter. So, if we compare EBITDA from the corresponding quarter over the last year it has improved by 19%. Profit before tax in Quarter 2 is 14.72 crores which is 2.12% of the net sales and if we compare this with a corresponding quarter of the last year it has improved by 92%. Profit after tax is 9.82 crores which is 1.41% of the net sales and it has also improved by 92% as compared to the corresponding quarter.

So, finally the summary of financial results is revenue of 695 crore in Quarter 2 with a growth of 31%, EBITDA of 44 crores with a growth of 19% with the corresponding quarter PBT of 14.72 with a growth of 92% and PAT of 9.82 with a growth of 92%. Now, let me update on the

business side on the various aspect. Business performance for Quarter 2 is better than the corresponding quarter of the last year. Semiconductor availability has now become again a challenge and now it will have impact in Quarter 3 and Quarter 4, but not significant it would be a mild impact. Container cost started easing now which will ease out on our logistic cost as well. Growth in coming months is expected months is expected to be increasing trends as comparison to the last year and we will watch the situation and keep ourselves adjusted to the situation. This time we are also expecting double-digit growth this year as we plan at the start of the year.

As I mentioned in our previous update the mobility landscape and the fundamental shifts will happen in the next 8 to 10 years with the ACE trends. Autonomous driving, connected car, electrifying and shared mobility. Amplified their impact enabling Subros to ever ways aggressively manage this transformation. We are in discussion with our collaborators Denso Corporation Japan for necessary technologies required for this transformation. Today, only 2% to 3% of new vehicle sold globally are electrified. This opportunity had is much larger and Indian players can become home of innovation both for domestic as well as for international market. This is a significant success we have received in new business acquisition from our OEMs and business up to 2,025 has already been tied up which will ensure sustainable growth for future.

The company is also focusing in learning new opportunities in the business of EV, hybrid and CNG space. Since the focus of the market is to move for non-IT technologies on alternative fuel technologies our focus is on driving such business in a very high scale. So, far almost 125 crore worth business in this particular segment is already secured and has a long-term direction we set the target of 10% of our total turnover should be contributed by EV, hybrid or CNG technology. Business expansion in rail coach is also improving and we are now getting businesses in to coach aircon as an initial order and we will talk as we enter to this market with a full sale.

Development activities for the new programs and also along with the customers engagement is in progress and all the projects are within the milestone as set by the customer. As we reported in past call we secured business from Maruti Toyota Alliance project which is assembled in Toyota plant in Bangalore. Our Chennai plant has already started supply for this plant and we already secured two month of sales in this project. So, this is for brand Vitara which has started in August 22 both for mild hybrid and also for the strong hybrid car and also for the future programs of Maruti Suzuki our alignment is there and we already secured business in this respect. So, thank you very much from my side and now I am ready to take questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashin Modi from Equirus Securities. Please go ahead.

**Ashin Modi:** My first question is regarding the revenue growth so we have highlighted that this quarter we have had a 32% year-on-year revenue growth, could you please tell us what would be the ASP growth and what would be the growth in terms of volume?

- Parmod Kumar Duggal:** So, you are referring to the growth in volume versus revenue.
- Ashin Modi:** YesPV you have said you grew by 34% year-on-year?
- Parmod Kumar Duggal:** So, PV out of the total turnover of 694 crore has contributed 553 crore that is on a PV space and on the ECM it is around 98 crore so put together it would be around 651 crores.
- Ashin Modi:** Sir, I am telling that we have grown in passenger vehicle AC by 34% year-on-year, so could you give us by what would be the volume growth in it and what would be the pricing growth in it?
- Parmod Kumar Duggal:** So, volume growth would be in the range of around 30% and 4% is the price differential which has because of the fluctuation which is come from the [(Inaudible)13:00].
- Ashin Modi:** Sir, on a year-on-year basis what would be the raw material fluctuation would be there I mean if our ASPs have increased by 4%, so there is still a lot of place of recovery from the OEMs that is there?
- Parmod Kumar Duggal:** So, the net impact on us is roughly 7% to 8% out of that 3% to 4% is compensated so far from the customer side and balance is a quarter lag impacted may be 2% to 2.5% will be compensated, but there will be a quarter lag on that.
- Ashin Modi:** And sir continuing on the margin front what would be the other levers driving margin I mean commodity or logistic cost and when can we expect this margin revival to start?
- Parmod Kumar Duggal:** Margin stress is because of majorly I will say four elements have contributed back. First, is of course logistic cost is extraordinarily high and the impact of logistic cost is roughly 2% to 2.5% of the total revenue so far that is on a periodical basis. Although it started easing out now, but it will take another 3 to 4 months to come back to maybe not the same level as before COVID, but it would be substantially lower than that. Second is about commodity which are mainly from aluminum, copper, steel and last is about PP that is polyene plastic. So, these are three commodities which has contributed higher trends in the last 6 months' time. Although PP has started normalizing now and the third impact is because of the various economic factors in various part of the geography the fabrication cost has also gone up. So, the cost of manufacturing raw material converted into our usable product has also increased. So, we are expecting it will take another 6 to 8 months' time to see a fully revival into that, but our effort is now to offset these impact with either customer claim or to expedite cost on projects internally at Subros.
- Ashin Modi:** And sir the last question is that our share of business in PV has stated 40%, so how are we growing in Maruti and second based client M&M our share of business in Maruti and M&M and where do you see that going forward?

**Parmod Kumar Duggal:** So, share of business within 40% in Maruti we have grown by almost 2% to 3% so far in last one year and going forward it would be another may be 3% more by maybe 24 or so based on the business engagement we already tied up. In Mahindra, we started two years back roughly 17% now we have reached to 25% of share of business in Mahindra and this will further grow by may be 8% to 10% going by the current engagement we have in next two to three years' time.

**Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital Market. Please go ahead.

**Abhishek Jain:** Sir, what is the reason for the lower gross margin from last many quarters from last 10 to 12 quarters we have lost on 1,000 bps the gross RM cost has increased from 67% to 77%, so is there any impact of the constraint for the pricing actions with the OEMs or it is another impact of the logistic cost. Logistic cost is also passed on a quarter-on-quarter basis, but we have not seen any improvement from last many quarters, even from last two years?

**Parmod Kumar Duggal:** Abhishek maybe 6 quarter this impact is there when the COVID has started maybe slightly after the COVID got matured in November or so. The impact as I in the previous question tried to reply the four elements not only the logistic cost, but the commodity cost and the fabrication cost and also coupled with the new businesses which we started are definitely with the lower price than the past models which got replaced. So, this is a cumulative impact of that, but as you mentioned commodities are back-to-back concentrated by customers, but it will not be in the same period. It has to have either six months or a one quarter lag. Container cost was not as part of the pricing formula to be compensated by customer we made a special request to customer last year to get partial compensation and this year again we are approaching back to the customer for compensation still under negotiation final amount will be considered based on that. So, this is a dynamic market situation where customers are also the contracts are not fully means hedged for all the fluctuation, but we are learning from the environment and negotiating with the customer time-to-time basis. It will take another may be two quarters to ease out the situation, but we are working towards that.

**Abhishek Jain:** So, as a fabrication cost is now you are talking that permanent in nature from the last many quarters, so what is the client feedback right now to take a price action in this regard?

**Parmod Kumar Duggal:** So, far this was not part of compensation formula because normally it is linked to the LME, but now fabrication has become a major cost escalation. So, negotiation started so they are positive to compensate, but not yet concluded with the said formula. So, once we decide for fabrication cost reimbursement it has to be based on the formula agreed between us. When the decline will happen, they will take back the benefit, but right now we are seeking for escalation compensation.

**Abhishek Jain:** And what is the impact of their currency depreciation in the gross margin?

- Parmod Kumar Duggal:** So, currency depreciation since it is a quarter lag basis maybe 0.5%, 2.75% will be the impact because dollar has gone up again has come down. So, cumulatively with all currencies it would be roughly half to 0.75%.
- Abhishek Jain:** And that was very negative impact?
- Parmod Kumar Duggal:** As of now it is negative.
- Abhishek Jain:** So, as you are talking about that this logistic cost will be easing up, freight rate has gone down significant from the last three months and metal prices is also going down and these cost was not passed on earlier, so you will get a direct benefit into EBITDA from the next quarter onwards?
- Parmod Kumar Duggal:** So, it may because if we get this compensation then we have to revert back, but there we are not getting compensation then it will directly contribute due to the bottom line but considering the total cycle of import which is almost for 90 days including one month of inventory. So, the impact will come after 4 months.
- Abhishek Jain:** But impact on the gross margin is from last many quarters and it has not been compensated from last many quarters 800 to 900 bps of contraction in the gross margin, so will it not be reverse in the coming year?
- Parmod Kumar Duggal:** It will come that is why I am saying it will benefit to the bottom line directly, but there may be time gap on that definitely it will come back to that.
- Abhishek Jain:** So, can you give some guideline for this second half margin especially for the gross margin side?
- Parmod Kumar Duggal:** So, I will not be explicit by numbers, but yes there would be a better recovery now in four quarter. The third quarter is almost into mid of third quarter, but fourth quarter onwards we will see some recovery, but definitely quarter on from that fourth quarter onwards there would be a recovery coming in gross margin as well on the EBITDA margin.
- Abhishek Jain:** And sir other operating cost side also we are seeing the continuous it is going up, is it because of the increase in the power and the fuel cost?
- Parmod Kumar Duggal:** But I believe other operating cost has come down because if you see overall EBITDA differential between corresponding quarter and now is just 0.5% and as operating cost is increased by 3%. So, we have offset this impact of 3% by improving operational efficiency. So, that is why it is compensated.
- Abhishek Jain:** Other operating cost is around 8.6% of the sales versus the last quarter of 8.3%?
- Parmod Kumar Duggal:** Which data you are referring to?

- Abhishek Jain:** I am talking about the quarter-on-quarter it has gone up?
- Parmod Kumar Duggal:** So, 8.37 was last year and 8.62 is the current year that is what you are referring.
- Abhishek Jain:** Yes quarter-on-quarter 8.6 versus the last quarter is 8.3 last quarter I mean first quarter FY23?
- Parmod Kumar Duggal:** So, that maybe a small impact of some inflationary cost in consumable and power, but it is not substantial. Yes, there would be small impact of these inflationary factors.
- Abhishek Jain:** And sir in this quarter passenger vehicle segment growth was very strong on a quarter-on-quarter basis despite that the company has not reported growth in the revenue even you have **done** the business of actually 700 which is high selling model, so what is the reason for the sort of underperformance?
- Parmod Kumar Duggal:** So, if you take out you are comparing with last quarter versus current quarter that is it?
- Abhishek Jain:** Yes.
- Parmod Kumar Duggal:** So, 706 crore was the revenue of last year and if you separate out home aircon of 70 crore from there so it was around 630 and again 630 crore at this quarter the revenue is 693 crore whereas home Aircon is just 7 crore. So, from that comparison there is a growth in particularly PV segment process.
- Abhishek Jain:** But you want also business from the Suzuki and Toyota Alliance and you got some incremental revenue from there, so just wanted to know what is the number from these alliance and why the underperformance is there?
- Parmod Kumar Duggal:** So, let me correct the first figure which I mentioned out of 707 crore the PV segment business including ECM is 600 crore in the corresponding quarter and in the previous quarter, Quarter 1 and this time it is 651 so roughly there is a 51 crores growth in this particular segment and now addressing your second question which you asked about is the quantum of business which we got from Toyota Alliance and that is what was the question.
- Abhishek Jain:** Yes.
- Parmod Kumar Duggal:** So, this business is roughly for 190,000 of units as per the RFQ volume and it should be roughly 220 crores of incremental business to us and it has started in August 22. So, it is just a month before the end of the quarter.
- Abhishek Jain:** And how much incremental revenue we can generate in FY23?
- Parmod Kumar Duggal:** FY23 maybe roughly 110 crores or so.



- Abhishek Jain:** And sir you are talking about there is some production constraint in the Q3 and Q4 so most probably that second half revenue we see some dip and the third quarter, four quarter number will be lower than the second quarter?
- Parmod Kumar Duggal:** No, we are not expecting that because what we have planned for although our quarter first half is almost from our plan it has covered substantially, but Quarter 3 may be slightly dip, but Quarter 4 is looking very promising.
- Abhishek Jain:** And my last question is there any impact of the old inventory in this quarter because the last quarter you had a very high inventory lying in your plant?
- Parmod Kumar Duggal:** There is no solution per se if the aging of the inventory is filling from one quarter to another quarter. This is a kind of safety for business continuity which is required because these days import lead time is uncertain earlier with the full efficiency it was between 21 days to 28 days when the container was reaching India, but nowadays it is 40 days to 45 days. So, to just offset this risk we increase the inventory level in our plant so it is not obsolescent, but it is safety socks which we carry.
- Abhishek Jain:** Is it also impacting the gross margin because earlier the inventory was at a higher price, but now the cost of raw material has gone down we need to take a path?
- Parmod Kumar Duggal:** Yes it would be there would be marginal impact of that also.
- Moderator:** Thank you. The next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.
- Mitul Shah:** Sir, I have two, three question first one again on the currency as you highlighted 75 basis impact, can you give broader details as of Q2 in terms of how much as a percentage exposure in given terms and how much in USD terms?
- Parmod Kumar Duggal:** So, \$2 million is the monthly exposure and 300 million JPY.
- Mitul Shah:** And this is more or less similar range over last year or it is sharply change in last one or two quarter?
- Parmod Kumar Duggal:** From last year the dollar exposure has gone up by 0.5 million and yen exposure has come down by 50 million.
- Mitul Shah:** Any hedging do we do or still it is almost....
- Parmod Kumar Duggal:** So, we have a hedging policy so we both our currencies as per our hedging policies.
- Mitul Shah:** What would be the approximate average hedging rate for the next 6 months for both the currencies if you can?

- Parmod Kumar Duggal:** For next 6 months if you talk about dollar average rate will be around 81 and for Yen it will be 57.
- Mitul Shah:** Second question in terms of various commodities as even metals and plastic has a different long-term contracts and lag effect of commodity cost, so how these contracts now shaping up as fluctuation is very high within a month also compared to earlier 3 months, 6 months contracts, so what is the change in terms of your procurement for metal segment as well as from the plastic side?
- Parmod Kumar Duggal:** So, there is no change as far as commodity contracts are concerned. So, like aluminum we have a defined timelines with the vendor with the quarter lag same as with the customer. Copper is always at the spot whenever you are placing the orders with the 15 days plus minus you can take an LME. So, there is no change as far as the process for commodity procurement is concerned. It is all linked with the LME at the time of placing the order.
- Mitul Shah:** So, based on this aluminum 3 months contract so whatever sharp commodity correction happened in last 3 months that sizable benefit should come in Q3 and Q4 is it right?
- Parmod Kumar Duggal:** Yes that will majorly come in Q4 because Q3 contract has already released in Quarter 2 that will get consume in Quarter 3 then Quarter 3 ordering will act in Quarter 4. So, partially in Quarter 3 fully in Quarter 4.
- Mitul Shah:** Same is the case with plastic also?
- Parmod Kumar Duggal:** Yes.
- Mitul Shah:** Plastic prices also corrected sharply in the last two quarters and lastly in terms of price reset with the OEMs as all those things are again pass through with a lag effect how the contracts there that is also quarterly or monthly reset or how it works then?
- Parmod Kumar Duggal:** Customer pricing contracts with the different customer which is at different price lag. So, few customers it is on a quarter lag, few customers which is on a half yearly basis and international customers where we are exporting so IPO is on annual basis. So, the contracts are different from different OEMs.
- Mitul Shah:** Again last thing on this if you assume the prices remains at around currently level of October, November considering the lag effect on both the side with your vendor, so roughly quarterly as well as on the customer contracts of 3 months, 6 months what should be net impact in Q4 or Q4 onwards in which we assume that prices remains at this level now, should it be positive more than 100 basis?
- Parmod Kumar Duggal:** No, I will not quantify this specifically, but yes there would be a positive impact on the bottom.

- Mitul Shah:** Q4 onwards right?
- Parmod Kumar Duggal:** Yes.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** Sir, what is your CAPEX plan for FY23 and 24 and how much CAPEX you have already incurred in the first half FY22?
- Parmod Kumar Duggal:** We are keeping CAPEXs in the range of 70 crore to 90 crores net of customer recovery every year and now since 23-24 we are seeing certain capacity ramp up plan by the customer including Maruti setting up new line in the new location Kharkhoda. So, we will be now planning our CAPEXs in the range of 100 to 120 crores in next FY23-24, but of course the guidelines are very clear that we need to manage within the internal accruals to strength for our new capacity so that is how we are trying to keep financial prudence positive.
- Abhishek Jain:** But in a first half FY23 presentation is showing that you have done a CAPEX of around 96 crores?
- Parmod Kumar Duggal:** These are the payments incurred for the CAPEXs which has already been done carried over from the last year or few advances which have been paid for the moment of equipment in a cumulative of that and including there was land purchase which was a contract done based on currently our plant and machinery as the plant and land and building is on rental basis which we converted to ownership which will offset certain lease rent payment and moving to that appreciation.
- Abhishek Jain:** For the new plant how much CAPEX is required?
- Parmod Kumar Duggal:** It is not a new plant it is the existing plant of our die casting which was on lease before. Now, we have converted this lease in our name earlier we were sub-lessee now we become the main lessee that is the change for that we have paid an amount to the original 26 crore approximately only change of title.
- Abhishek Jain:** And sir in a railway segment what is the outlook in a railway segment government spending has gone up significantly last couple of quarters, what kind of the opportunity you are seeing there?
- Parmod Kumar Duggal:** So, railway has changed complete business model now and now Tier-1 we have given the **(Inaudible)35:11** project to take care of the complete wagon. So, we are aligned to all bit players in railway and we see a huge potential coming in next two to three years' time I think from the currently level of railways sales which is roughly may be 10 to 12 crore we see 5x or 6x growth coming in from this segment.

- Abhishek Jain:** What is your target for FY24 and 25 in a railway segment?
- Parmod Kumar Duggal:** That is what I said 5x to 2x so that means it would be roughly 70 crores around.
- Abhishek Jain:** And what part of the margin you make in this segment?
- Parmod Kumar Duggal:** In railway side.
- Abhishek Jain:** Yes.
- Parmod Kumar Duggal:** So, these margins are better than the previous segment.
- Abhishek Jain:** And in home AC segment as you mentioned that there is a 77 crores revenue in the first half, so what is the full year target and are you looking for the further CAPEX in this particular segment especially in the backward integration sort of thing?
- Parmod Kumar Duggal:** So, right we are going slow on this home AC segment because the fluctuation of commodity has a direct impact on this segment and the margins are shrinking because customers are not compensating in a very structured manner as the mobility OEMs are doing. So, here the contracts are on a month-on-month basis which is hardly putting pressure on us. So, we are not going very aggressive in the second half in the home AC segment till the time market is stabilized and so far we are muting all the investments in this particular segment. We will first utilize our existing capacities only then we will go with a new inventory.
- Abhishek Jain:** Sir, just if you can give the numbers again for this PV, non-PVs revenue from the CV, railways in the first half?
- Parmod Kumar Duggal:** Roughly 1,200 crore out of 1,400 crore has come from PV and balance 200 crore is from non-PV which is substantially contributed out of 200 crore around 75 crore from home aircon, 77 crore very precisely and 123 crore from other than that will contribute bus aircon, truck aircon, rail and other aftermarket etcetera.
- Abhishek Jain:** What is the contribution of the bus aircon and truck aircon?
- Parmod Kumar Duggal:** So, bus aircon would be roughly 20 crores and truck would be roughly 40 crores.
- Abhishek Jain:** And in 1,200 crore what is the contribution from this ECM segment sir?
- Parmod Kumar Duggal:** ECM is roughly 185 crore in the first half.
- Abhishek Jain:** And you supplying only to Maruti or started supplying to some tractor players also?
- Parmod Kumar Duggal:** So, tractor supply for this new Mitsubishi project will start from January. So, we have already developed our products and it will be ruled out now.

- Abhishek Jain:** And you also supplied Toyota a new plant ECM?
- Parmod Kumar Duggal:** Yes ECM is getting supplied to Toyota Maruti Alliance project also including hybrid.
- Moderator:** Thank you. The next question is from the line of Harsh Gemavat. Please go ahead.
- Harsh Gemavat:** My question was more on the non-PV side so our mix for non PV was only 6% currently, so are we looking at any potential order book visibility in the PV or the real segment like in the short term one to two years?
- Parmod Kumar Duggal:** So, as I mentioned before that this contribution currently which is around 6% is our target is to take it to 12%. So, we are looking at huge expansion in bus side, railway side and truck side will be the result of the regulation which is on hold as of now which is AC mandatory for N2, N3 category. So, if that is revised then it would be extraordinarily high then it would be roughly 15% contribution from non PV side.
- Harsh Gemavat:** Based on the truck side as you mentioned what is the current mix of AC and blower in the truck segment and where do you expect it to see in the next two to three years?
- Parmod Kumar Duggal:** So, in N2, N3 category currently the AC fitment ratio is roughly in the range of 15% it is between 15% to 17% roughly it is 15%. So, 85% is blower. So, if that is converted 85% into the AC part the pricing gap between blower and AC is almost 7x so it would have a multiplier impact.
- Harsh Gemavat:** Sir on the EV side so we started supplying to this Grand Vitara hybrid model, so is there a potential content increase in those vehicle?
- Parmod Kumar Duggal:** Yes it is having for strong hybrid it is almost 10% to 15% price differential which is on a higher side.
- Harsh Gemavat:** And for the mild hybrid it is at similar level I am assuming?
- Parmod Kumar Duggal:** Yes it is understood because there is no product change required.
- Harsh Gemavat:** Sir overall we got 125 crore of order in the EV and hybrid segment, so this is more towards the Grand Vitara or is there some other?
- Parmod Kumar Duggal:** So, Grand Vitara is already done 125 crore is the future orders which we received other than Grand Vitara. So, if we had Grand Vitara hybrid it would be roughly 200. So, the additional business which we receive is a future model of Maruti EV it will be purely EV segment and also from Mahindra side. So, that is how would be 24-25 the start of production will happen.
- Harsh Gemavat:** Sir another one I think you mentioned the SOB for Maruti and Mahindra I think I missed them, so if you could repeat them?

- Parmod Kumar Duggal:** You need to repeat your question.
- Harsh Gemavat:** So, you had mentioned share of business from Maruti and Mahindra earlier I missed it because of some bad connection so if you could just repeat yourself please?
- Parmod Kumar Duggal:** Share of business in Maruti I mentioned about roughly 74% Mahindra was 17 which is now move to 25%. The overall share of business in the market for PV is 40% in the CV truck segment is 49% and in the bus it is 20%.
- Harsh Gemavat:** And sir one last question I would like to ask is on the import content so what is our current level of import content percentage of import content?
- Parmod Kumar Duggal:** Current import content is roughly 17% of the revenue is our current imports. It has substantially reduce from 26% that was there in 2018 and now we are targeting to reduce it by another 6% to 7% by another two years or so.
- Moderator:** Thank you. As there are no further questions I now hand the conference over to the management for closing comments.
- Parmod Kumar Duggal:** So, we have discussed enough on this subject. So, right now our priority as a management and from the company side is to improve the margins and improve the bottom line because on the top line we see lot of excitement, double digit growth so far 30% plus growth and finally at the end of the year we will be in a better position in terms of revenue. So, finally the bottom line has to reflect the whole effort going forward. So, we see that in the next financial year first half will be much more promising. So, our efforts are on that is the first priority and the second priority is align ourselves with this EV mobility transformations. So, we are in discussion with all customers now mapping our product with their product line or the vehicle line up. So, that is our second major trust where this non-IC engine based product alignment we have to expedite. So, these are with that focus thank you very much to all of you for participating in this investor call. Good luck.
- Moderator:** Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us, you may now disconnect your lines.