

AUTOMOTIVE AXLES LIMITED

9th February 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 29th January 2026 regarding Intimation of Analyst / Investor Conference Call and with reference to Regulation 30 read with Schedule III, Part A, Para 15 (b)(iii) 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 3QFY26 Financial Performance” held on Friday, 6th February 2026 at 10:00 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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Automotive Axles Limited

“Automotive Axles Limited
Q3 FY '26 Earnings Conference Call”
February 06, 2026

Automotive Axles Limited

B&K



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 – WHOLE-TIME DIRECTOR –
MERITOR HVS (INDIA) LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to the Automotive Axles Limited Q3 FY '26 Earnings Conference Call hosted by Batlivala & Karani Securities. 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 your touchtone phone. Please note that this conference is being recorded.

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

Sailesh Raja: Yes. Thanks, Shubham. Good morning, and thanks to everyone who have logged into Automotive Axles' 3Q FY '26 Earnings Conference Call. From the management side, we have with us Mr. Nagaraja, President and Whole Time Director, Automotive Axles Limited; and we have Mr. Raman K., Interim CFO of Automotive Axles Limited; and Mr. Kishan Kumar, who is Whole-Time Director, Meritor HVS India.

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

Nagaraja Gargeshwari: Thank you, Sailesh. Good morning, everyone. Wish you a belated Happy New Year 2026. I have with me Mr. Kishan, General Manager and President, MHVSL and also Mr. Raman K., our new Interim CFO. First of all, it was an exciting quarter. Started a little bit slow, but momentum picked up. And I'm very glad to share with you that we were able to convert most of our order book. And to start with, Raman will quickly go through the financials and followed by Kishan giving you an update on the market outlook for rest of the year, including how our new products are faring. Over to you, Raman.

Raman K.: Thank you, NG. Good morning, everyone. Thanks for joining this call. So I'll start off with the financial updates. So for the quarter ended Q3, our revenue was INR562 crores. And including the other income, our total income stood at INR570 crores or INR5,709 million. Our expense structure has been fairly stable over the past, and we have been kind of closed all our expenses at about INR507 crores, leaving us with EBITDA of INR725 million or INR72.5 crores, which is at about 12.9%.

So when you compare the sequential quarter, the revenue growth happened at about 21%, and the margin growth has happened at about 26%. So we have -- and on basis points percentage, our margins grew by 52 bps quarter-over-quarter. And maybe giving you a same year-over-year comparison, I think our revenue grew by about 6% year-over-year, and our EBITDA grew by about 14% year-over-year. And on a percentage basis, it grew by 93 basis points.

And in this quarter, there is an exceptional item of about INR12 crores, which was an impact on the wage code that we had to take. The new wage code came into effect on 21st November. So we assess the impact based on the new wage definition and basis our feedback from our SAT auditor, so we have taken the impact of about INR119 million, so close to INR11.9 crores. So

considering that, our profit before tax is about INR512 million or INR51 crores, which is at about 9.1%.

So comparing to sequential quarter, we had about 10.4% PBT. And considering this exceptional item because that exceptional item had an impact of close to about 2% to the margin. But overall, the margin has kind of dipped only by about 1.3% quarter-over-quarter. And coming to the PAT, so we ended the quarter about INR388 million, at about 7% PAT. So again, that has the impact of the exceptional item of INR12 crores.

So I think these were the key highlights of the financials. With this, maybe I'll turn over the call to Mr. Kishan for the market updates.

Kishan Kumar:

Thanks, Raman, and good morning to all. So the last quarter was, like Nagaraja just said, it started at a pretty reasonable average quarter that we have been seeing in the past several years. But after September, post the GST rate cuts, there was real traction in terms of demand, and this came from almost every OEM that we are partnered with and which translated into a very strong quarter in terms of the volume. That did have some change in the product mix compared to previous years, which was anticipated.

And the overall, if I can say the upturn in terms of percentage from where we started to where we ended, we were able to convert most of that. It was a significant ramp-up in terms of some of the products that we have launched recently. And I'm happy that it turned out pretty reasonably well.

Looking forward, the next quarter, which is this quarter, which is typically again a very high quarter in the financial cycle for the several past years, the momentum is going forward. So we are expecting it to be better than last year, at least by 5% to 10%. One thing that we are very closely monitoring is how the OEMs are maintaining their inventory. So far, it is in a very healthy level. So there is a real conversion of sales. And I think we are very positive that this quarter will also turn out to be one of the best for the industry. Thank you.

Moderator:

Thank you very much. The first question comes from the line of Shikha Mehta from Time & Tide Advisors. Please go ahead.

Shikha Mehta:

Congratulations on a great set of numbers. I was just looking to understand our numbers a bit better. So when we said there has been a bit of product mix and we saw good volume growth, can you quantify the volume growth, if possible? So how much of our top line growth year-on-year has come from volume and from pricing, if possible?

Nagaraja Gargeshwari:

Thank you very much for this. I will probably also ask Kishan to add the comments after that. For us, it's a little bit tricky and a bit difficult for us to quantify the overall growth with respect to a specific product or product mix. What we can -- I can tell you is the product mix has been positive. And our new product, what we have introduced, MS185, that volume is getting traction, which along with the operational efficiency, which has really helped us converting those additional sales. Kishan, would you like to add anything to that?

Kishan Kumar: Yes. Thanks for the question. The way we look at is, first is whether do we have the full bandwidth when this product mix change happens. And in this case, in the previous quarter, we were able to convert most of the upturn. So the 10% increase what we saw -- 10% to 15% increase what we saw in the quarter. We had the products available. We had the capacity to ramp up to that level.

Now what it means to our financials in terms of number is, just as a comparison, again, tandem axles versus single solo axle. So there is definitely a difference in the per axle realization because of the architecture, the content, and the fact that there is more meat, more material in the tandem. So that impact is natural when the product mix change happens. So that is something we have been seeing for a long period of time.

So in a nutshell, I agree with Nagaraja. It's with the mix that we see, this is probably going to be a normalcy. This is what we have to be ready and the agility that we have in our product portfolio and the capacity and the overall operations efficiency is what is driving us towards the right approach to manage this situation. Thank you.

Shikha Mehta: And sir, if I could, I just had 2 more questions. One is, if you see Ashok Leyland's data, who, of course, is a major customer for us, I think 60% to 70% of our revenues will be coming from them. In the MHCV segment, which we cater to, if you remove their bus volumes, they see -- they've been seeing almost 20%, 25% [inaudible 0:09:33].

Moderator: Ms. Mehta? Sorry, you are not audible. Can you please repeat the question?

Shikha Mehta: So I was talking about Ashok Leyland is a major customer for us. And if I see their volume growth since November has been north of 20% only on the MHCV segment without buses, which, of course, we are -- we might cater to at some point. But currently, I guess, a large chunk of our axles go into the MHCV segment. So when can we see that kind of volume growth come through for us? Or would it not convert in the same way?

Kishan Kumar: I can take this, Nagaraja. So if I understand rightly, your -- if we discount the buses, you are saying, you are looking at a 20% to 25% growth in Ashok Leyland M&HCV segment. Can I confirm that?

Shikha Mehta: Yes, yes, yes.

Kishan Kumar: Right. So I have not even seen the data. But going by what you're saying, if there is a change shift of 20% to 25%, that will translate into volumes considering where we have a single source, which means we are the 100% suppliers. That is with us. We convert that completely. That is what we did in the previous quarter. And then there is a common source where the customer has a dual sourcing strategy, they can buy either from us or the competition.

So that will decide or that will give you a comparison of their strategy versus how we grow along with their requirement or demand. So what we see is depending on what they demand, we need to be close to 99% delivery. That's the target. So that's how the numbers roll up when we look at our financials.

- Shikha Mehta:** Understood, sir. And sir, could you give any indication on how many products we will be a single source supplier, even in percentage terms or ballpark?
- Kishan Kumar:** Roughly 30% to 50% is -- it depends on the product mix, again, roughly 30% to 50%.
- Shikha Mehta:** Got it. Got it. And sir, lastly, on our EBITDA margins, as we mentioned, the product mix seems sustainable. So these margins would also be sustainable for us, right?
- Management:** Yes, I think -- sorry, Kishan.
- Kishan Kumar:** Raman, go ahead.
- Management:** Yes. So yes, when compared to last year, I think as I explained, like the margins have grown. So there is -- the mix is, as they mentioned, that is some very critical factor that helps us maintaining the margins. You're right there.
- Moderator:** The next question comes from the line of Akash Vora from NVA FM.
- Akash Vora:** Sir, just adding to the earlier participant's question, I would like a more detailed and elaborated response on when do you expect the industry growth to reflect in our numbers? Because industry clearly, for the last 3, 4 months, be it our key customers, even if we are a dual source supplier to some OEMs, that should effectively reflect in our numbers as well, right? So I mean, just wanted your thoughts on how you see Q4 shaping up and for FY '27, what kind of growth estimates are you all building in?
- Nagaraja Gargeshwari:** Kishan, you are taking that? Okay. It looks like Kishan has dropped off. He will join. Let me try to answer this question. As you can see there in the numbers, if I'm right, our top line has grown almost by 21%, 22% compared to the last quarter. So we are expecting this one to continue. But again, FY '27 is anybody's guess.
- While we are having a positive outlook in terms of stability, whether we can grow from there, it all depends on the inventory that all the OEMs are going to end up at the end of this quarter, which probably we'll get a much better outlook as we near the last week of March. But based on the order book, we think that this quarter is going to be stable and the next quarter will be probably a little bit flat, just like any other earlier years. But the Q2, Q3, Q4 of FY '27, we're still waiting for the OEMs outlook so that we can align our capacities and supply chain to that requirement.
- Akash Vora:** Sir, one more question from my side, that is, sir, I wanted to ensure, do we have the capacities to, I mean, handle a 20%, 25% ramp-up in Q4 as well as, let's say, there's a further 8% to 10% jump in FY '27 in the market. Will we be able to handle those capacities? And last question would be on the new product, MS185. I would like to understand more about that. What is that product? Where does it find its end use? And what traction are we seeing there? Yes, that's it from my side.
- Nagaraja Gargeshwari:** Okay. Kishan, are you there?
- Kishan Kumar:** Yes. Sorry, I got disconnected. I don't know how much of what I was saying was...

- Nagaraja Gargeshwari:** Yes. So you want to take this call?
- Kishan Kumar:** Sorry, I missed the question, sorry.
- Nagaraja Gargeshwari:** Okay. Yes. Maybe I'll just add it up and then -- so the thing is like this. Our current capacity utilization is around 80%. Again, our capacity is going to go up and down depending upon the product mixes and then different configuration and it keeps changing almost on a weekly basis. But the current outlook, we can say that whatever the demand is there, we probably will be able to meet most of the requirement in the short-term, unless there is a big change in the weekly or daily bucket that changes.
- So capacity-wise, we'll be like we discussed about, we are investing it and starting from Q1 FY '27 and by Q3 FY '27, we would have added all the capacities that is required for the outlook of somewhere around 500,000 M&HCV segment. With respect to MS185, where it is used and their application and how the traction in the market, maybe Kishan can answer that.
- Kishan Kumar:** Yes. Thank you. So it's definitely the trend. I think we have spoken about this in the previous investor calls as well. The shift in the heavy-duty or high tonnage vehicles, multi-axles into tractor trailer, tandem into tractor trailer, that's going to stay. Now where will it reach as a peak? That's anybody's guess today.
- But we think with the share of business that we have with our customers and the plan that we have to ramp up and to meet that demand, we are, in fact, looking at a demand in 2030. So it's 5 years or 4 years from today. So that is what our focus is. And 185 is very relevant to the industry, and that will continue to see the growth. Where it will stop probably that's -- like I said, we will see in the coming years when the change in the powertrain, mainly the engine, that will start driving further change in the axle. And we have a global portfolio ready for that. Thank you.
- Moderator:** The next question comes from the line of Abhishek Kumar Jain from AlfAccurate.
- Abhishek Kumar Jain:** Congrats for decent set of numbers, sir. Sir, your revenue growth was just 6% Y-on-Y versus the industry growth of 17%. And you had also underperformed in the last quarter as well. So just wanted to understand, is it because of the change in the product mix due to slowdown in the tipper and higher sales of the buses? And just wanted to understand how long it will continue? When will it start to outperform versus that industry? What would be the suitable tailwinds? When will it start to show the numbers?
- Kishan Kumar:** Let me answer this first. You are partially right. The impact happens when our core, which I can say that the tandem and probably the high tonnage axle, that shifts to a market segment where we are not strongly present, which is today the bus. And there was definitely more buses in the last few months and even the previous quarter. But that is not the primary only reason. The other reason, which I was trying to answer in the previous question is it's also what we do outside the M&HCV.
- Those markets also influence to some extent our top line. So I was talking about the defense and off-highway, where we are present very limited part. And then the export, which has been, I will say, a considerable drop. So all these 3, 4 things put together is why if you just look at the

M&HCV growth and then compare with our top line growth, it will never match. These industries behave differently. It is not even just India. It is the global markets that also will have impact on some of these things.

Abhishek Kumar Jain: So can you please -- yes, go ahead.

Kishan Kumar: The second question that you asked was how long this will continue? What is in our control is getting the product there, right? That's been the focus. And we have spoken about bus axle. There may be a few questions on that. I'm not sure how many of you have seen an announcement that came in about a few weeks ago, where the requirement or the mandate is beyond October 26, all the 9-plus meter city buses, they have to be low floor.

So we are really evaluating this, what does it mean to the new product that we are -- we have in the pipeline? So once we have the clarity, I'm not saying we are stopping anything. It's just how the OEMs will take this and how their architecture will change. That will define the overall powertrain and the impact on the axle.

Abhishek Kumar Jain: Okay. So just wanted to understand the contribution of revenue from the MHCVs versus the non-MHCV segment, defense and export?

Nagaraja Gargeshwari: Raman?

Kishan Kumar: Sorry, Kishan. Sorry, can I get the question again, please?

Abhishek Kumar Jain: So what is the contribution of MHCVs versus non-MHCVs segment revenue? I mean to say that defense plus export.

Kishan Kumar: Okay. So see, our export has always been in the mid-teens. And within the axles segment, predominantly, we are on on-highway segment. So that could be about, maybe I would say the off-highway or the defense segment should make us about another 10% within the axle segment.

Abhishek Kumar Jain: So 90% is MHCV?

Kishan Kumar: Correct, yes.

Nagaraja Gargeshwari: I'll slightly change that, sorry, I'll slightly change that. It varies. So in the recent quarter, if you see, it may be 90% because there's a drop in export, off-highway demand, and defense demand. But if all the industries or the other industries come back, it can shift 70-30 or 80-20 also.

Abhishek Kumar Jain: Okay. Got it. And just wanted to understand, is slowdown in the tractor trailer is also impacting the overall revenue of the company because that in a tractor trailer, there is a higher requirement of this axle versus that -- sorry, in a tipper, there's a higher requirement of the axle versus that tractor trailer? So just wanted to understand slowdown in the tipper segment is impacting overall revenue?

Kishan Kumar: Yes. You're right. That has an impact.

Abhishek Kumar Jain: So can you give me the mix of tractor trailer, haulage, and tipper revenue, in overall revenue?

- Kishan Kumar:** Raman, I don't think -- yes.
- Nagaraja Gargeshwari:** We generally don't share the customer mix and the product mix because like what Kishan was mentioning, it can dramatically change month-to-month, week-to-week. So it becomes very difficult for us to kind of segregate and then share that product mix. I'm sorry. So...
- Abhishek Kumar Jain:** Got it. So most probably the last quarter, you had mentioned that tractor trailer total mix is around 30%, 32%. So most probably the tipper would be 50%?
- Nagaraja Gargeshwari:** Again, we don't want to speculate there. I would say that a good percentage of our last month production came out of our prime axle portfolio, that is tipper axles and then the MS185.
- Abhishek Kumar Jain:** Okay. And my last question on that. In this quarter, many OEMs are saying that there's an improvement in the demand of the tipper segment and Ashok Leyland has also launched 2 new tippers. So just wanted to understand because of the change in the outlook of the tipper, revenue growth can outperform of your company, as you are saying that 20%, 25% growth in the next quarter of revenue?
- Kishan Kumar:** So let me correct that. I'm not seeing 20% to 25% growth. But what I am seeing is, definitely, it's going to be better than the previous quarter 4. And the tipper launches are there from the OEMs, and it will keep happening. What I would like to end this question is, we are 100% present where there is a new launch with this customer.
- Moderator:** The next question comes from the line of Pritesh from Lucky Investment.
- Pritesh:** Sir, just to ask very clearly, from all the earlier 3, 4 questions which have been asked, we are a little bit concerned because when we look at the OE growth and when we look at your growth, there is a difference. So is there any loss of wallet share with Ashok Leyland? Is there any loss of market share with Ashok Leyland?
- If you could just comment on that? And if not, then maybe you want to comment on the residual 35% of your business because I think 60% of the business is Ashok Leyland. What's happening in the residual 40% of the business for us to understand the deviation between the OE growth and your growth for this quarter or last quarter, whatever, that would be very helpful, sir, for a more clearer understanding rather than running around the bush, sir?
- Kishan Kumar:** Let me attempt this question again. So if we look at -- it is not just one OEM. Last quarter, I think every OEM had a higher demand. And against that demand, our delivery performance was in the north of 97%, 98%, which means to the capacity we have and what we could do to increase and maximize the additional volume that was in the market, we were able to serve that at the rate of 97% to 98%.
- This did not result in any drop in the market share of -- our share of business with the customer. Of course, there were mix changes where single source was the priority. As you understand, no line stockage is expected. So we were able to do that.

And the second question is, again, which comes again and again, if there was a way to plot our growth, removing all other elements from the revenue, which is coming from non-on-highway or M&HCV segment, then you will see that it is as on par with the industry growth, right?

Provided there is no serious impact from the product mix, mainly the bus because we have been saying that bus is one thing which we get impacted, and that is where our focus was in launching the new axle. So whenever there is more bus, yes, we have an impact. But if it is the regular M&HCV segment and if you have seen our product portfolio, we are there from 7 ton all the way up to 70 ton. And every slicing that the market has, we have a product available, except the buses.

Pritesh: So in this comment, it's fair to conclude that above 7, 7.5 ton, you are mirroring industry growth rate and you do not have any loss of market share with the main customer and, obviously, the other 30% of the business which is from other customers. Is this a fair conclusion?

Kishan Kumar: That is a fair conclusion. And even the other on-highway customers, we are able to meet their demand. So what is not in our control is the other segments, which will not show up in the top line because we don't give that difference of M&HCV and other segments. But if you compare growth to growth, let's put it in terms of number of axles, it is in line with what is the demand.

Pritesh: And the other segment is what? Other than MHCV, that's what your reference is? So you have an MHCV business and a non-MHCV business, right?

Kishan Kumar: That's right.

Pritesh: And non-MHCV business is what portion of your revenue?

Kishan Kumar: It ranges depending on how the export market behaves, it can be 15% to 25%.

Pritesh: So whatever deviation-- yes.

Nagaraja Gargeshwari: Sorry, Kishan, please go ahead.

Kishan Kumar: It is a mix of export, defense, and off-highway.

Pritesh: Perfect. So whatever deviation that we are trying to gauge or see is to do with that 20% of the business?

Kishan Kumar: Yes. Primarily export. Export is the primary -- it's not just us. I think most of the companies in this domain who are into export, they have seen this reduction.

Pritesh: Correct. So now from a course correction point of view, what do you see on this 20% of the piece? How does it shape up over the next 1 year? And first of all, in the 9 months, if you could tell us this 20% of the piece, what is the shrinkage in this 20% of the piece is, that one number, if you did would be very helpful for us to solve this -- resolve this math.

Nagaraja Gargeshwari: Raman, I'll turn that question to you. I don't know if we can...

- Pritesh:** Because if one number -- see, if you give us one number, we can stop moving around the bush. We can come to some conclusion.
- Management:** Maybe I'll try to...
- Nagaraja Gargeshwari:** Yes, go ahead, Raman.
- Management:** Sorry, NG. Yes. So see, overall, as we explained, right, the move with the export can vary depending on a lot of circumstances earlier.
- Pritesh:** Sir, we are not asking you for the reason. We are just asking you in 9 months, what is the drop in the 20% of the revenue. Twenty percent of the business, is there a shrinkage? If there's a shrinkage and what is the shrinkage?
- Management:** See, like I will just put it this way. Maybe, see, out of the total wallet share, as Kishan mentioned, so we have between exports and the other business, we have closer to about 20% -- somewhere it ranges between 15% to 25%. So when I see a total 9-month window, so this -- again, depending on the quarter, there are a lot of other factors that come in. So that's the reason we are not able to exactly give you how this movement happens because you have to factor up all the macroeconomic stuff and everything that's going on.
- Pritesh:** No, sir. Sir, go ahead. No, nothing. Please go ahead.
- Management:** Correct. So one thing that we can assure is like we have a complete understanding of how the market is working. So I think we'll be in the range of 15% to 25% across in that particular export and the off-highway business that we have.
- Pritesh:** Okay. Perfect. So I'm just concluding this. Your 80% of the business with MHCV, there is no loss of market share. You have to mirror the OE growth eventually, barring some distortions for a few months here and there based on who has what kind of inventory in the system. The 20% of the piece is where there are variations and hence the overall revenue growth of Auto Axle at times doesn't mirror the OE growth, which we are trying to do, correct? Are you constrained by capacity by any way? That's broadly, right?
- Management:** Broadly, right. Yes.
- Pritesh:** Are you constrained by capacity for growth?
- Nagaraja Gargeshwari:** No. That's what I told. Right now, we are not constrained. And like I said, by Q3 FY '27, we'll be completely improved our capacity to meet the peak demand in the next 3 years.
- Pritesh:** Perfect.
- Nagaraja Gargeshwari:** Of course, assuming that -- of course, one comment, of course, assuming that we have been continuously trying to increase our share of business, right now with the kind of line of sight, we'll not be running out of capacity.

Pritesh: Okay. Just 3 quarters back, my last question, you had talked about 2 products, 175 axle and 180 axle and bus axle, which were introduced to your key customer. And you're talking about a wallet share rise of about 2%, 3%. What is the progress there on those new product lines with the customer? So here, we were actually looking at you increasing market share and growing faster because of this product line. So if you want to update us on this?

Kishan Kumar: Sure. So there are 3 products. One is the brake, 394 brake, which we went into production end of December and this year. So the way to look at this brake is this is the next trend. This is the future. With all the shift that we are seeing, this is going to replace some of our existing volume. It may not be the additional share of business. This is the trend that we see in the industry, and that is why the brake is developed, and it is in production now.

The second product is -- it's for the tipper market, which is where our strength is. And this is also going into production this quarter. It's going to be a pilot production and it will get into a full SOP. Again, there will be some cannibalization of the existing tipper axle into the new tipper axle. This is again an upgradation of the technology and making it more suitable for the market.

The third product, which is the bus axle, that's the real product gap where we are not present. And this is almost -- this is ready. I will say this is ready, tested. But the concern we have now with this latest mandate from the government that all 9-plus meter city buses have to be low floor. We are reevaluating, what does it mean to the OEM, what will be their powertrain strategy, and then how this may or may not impact us? So that's ready, but it's not ready for the launch because we really need to focus on what is the next stage coming in.

Pritesh: Okay. Does the first 2 products by virtue of their tech advancement help you gain some share with your OEs or it's just a continuity of business for you?

Kishan Kumar: It is both, sir. It is both. I would say it would be the continuity to a large extent because this is a change. This is a brake replacement. And then there is an additional, I would say, 5% to 10% opportunity where it can be applied to the new vehicles where we are not present today. So the product can serve both.

Moderator: The next question comes from the line of Ankur Kumar from Alpha Capital.

Ankur Kumar: Sir, most of the volume-related questions have been answered. So I just wanted to inquire on the raw material side, cost side. So our COGS has improved in the last 2, 3 quarters. So do you expect this trend to continue, this gross margin improvement trend to continue?

Nagaraja Gargeshwari: So I want to be a little bit cautious here because the way we are reporting our results has slightly changed because of the recent related party transaction that happened 3 quarters ago, okay? So a few numbers are kind of moved in and around. But you are right. We have been always focusing because 70-plus percentage of our cost is the raw material. So we have been always focusing on that, optimize our supply chain, developing innovative designs, lighter designs so that we can always continue to improve in that. So that trend will continue.

And as we also look at having a better realization by introducing new products, so that number will be continuously, you are going to see the improvement. But also considering the nature of

our product, okay, so there is only so much that we can do. But there is an opportunity over the next 2 to 3 years to improve in that area as high-performance, high-technology products are going to come in. So that COGS -- cost of raw material is going to come down.

Ankur Kumar: Got it, sir. And sir, on -- in this quarter, there is a significant jump in the other expense. It has moved to over INR81 crores versus INR60-odd crores in the last quarter. So can you explain what is the increase in this?

Management: So I'll take this question. So see, it's like -- I think we have already explained, right? So we have the technical fee arrangement with Meritor. So whatever is the revenue growth, so to that extent because it works as a percentage on the revenue. So you'll see the same amount that will also move in the other expenses. So maybe that is one significant portion. Given that revenue has grown by about 22%, you would see a similar kind of a growth there. So yes, that's mostly about that.

Ankur Kumar: Sorry, but if I look at Y-o-Y, revenue has grown much lesser than this growth in this other expense?

Management: No, yes, right. So last year, again, we don't have this technical fee arrangement, right? So it is only pertaining to this year. So I'm just comparing quarter-over-quarter. So where the revenue grew by 22%, the cost has also grown in the similar range.

Ankur Kumar: Okay. And in terms of Q4, do you expect things to go in our -- growth to be in line with the OEM growth? Or do you think it will still continue to grow slower than the OE?

Management: Maybe NG, if you can take that?

Nagaraja Gargeshwari: I think Kishan has answered it. I think with the current product mix and then our share of business with all the OEMs and with a little bit of flat export and aftermarket outlook, I think we'll be in line with the industry, barring those product lines where we are not present. As long as tractors and tippers, they continue to grow, we will be keeping up with the industry or probably there is a good opportunity for us to also improve in other areas.

Moderator: The next question comes from the line of Rakesh Sharma from [\[inaudible 0:40:11\]](#).

Rakesh Sharma: Congratulations for a great set of numbers in a challenging environment and constrained product portfolio. What I would like to ask is that, sir, after this India-U.S. FDA or any -- or the deal, whatever you talk about that, and this EU deal, what will be the benefits in the next 3 to 4 years for the company?

Kishan Kumar: Thank you for the question. I will start. So yes, definitely, we see this as a much waited positive move, both the European and as well as the North America or U.S. specifically. I'll talk about the Europe first. We don't see a major -- at least as of now, the details available, we don't see a major movement in the way we are actually exporting into Europe because it's more what we are seeing is the import benefits, which we are not -- on our BOM cost, if you see, we are almost everything locally available. So we don't see a big change there. But details are awaited. So we have to really understand it from a more holistic way.

Coming to the U.S. tariff, it's not just the tariff when it is U.S. It's important to understand what the market is -- what is happening in the market there. And as we stand beginning of February, I think the market is still expected to be low. And when I say market there, the addressable market for us is in the commercial vehicle is the Class 8, which is the heavy duty. That is where our strongest presence is.

And until unless the market improves, the tariff alone will not drive any major shift. And -- but what we are expecting is with this, at least there is some certainty and clarity, and that should help the OEMs there to plan their supply chain because everything requires 4 to 6 months. If they are expecting a market come back in H2, calendar year H2, they have to start putting things in action in March.

So we are expecting that will start now. That dialogue has been almost like nothing till now because of the uncertainty. That will come back. And in the overall 3 to 5 years horizon, I think there are very good opportunities with the ramp-up and everything that we are doing in the plant, that will keep us ready when the market comes back there.

Rakesh Sharma: Perfect, sir. And sir, starting FY '27, can we expect a revenue growth of 10% and after the new capacity comes in and all this deal starts to kick in, in the next financial -- in the next calendar year. So can we expect a growth of 15%, something like that, starting FY '27 10% and after that 15% revenue growth possible?

Kishan Kumar: Again, let me take this question. More than the percentage, how we are looking at is in 2 ways. One is, do we have the right capacity and capability to meet the requirement, technical and the capacity requirement, both. And second one is what will be the trade-off if we have to do a trade-off, which we don't want to do, domestic market fluctuation versus the global market.

And this is exactly the long-term strategy that we have in place. So it is not the 10% or 15%. Is it what is our ability to convert the upturn at the best rate. So that's how we are thinking about this, not just the number in the short-term or in the 1 to 2 years' horizon.

Rakesh Sharma: Perfect, sir. Sir, any new product portfolio from the parent or any new product portfolio you have interest to introduce in-house?

Kishan Kumar: I will read this as whether for the current market, is there any new product required? Yes, I think the bus axle is the new product. But looking at the future trend, 5 years from now, engines getting into higher horsepower. We already have global products available. They are not localized because the market here is not ready. So when we see this happening, we will start the action of getting those localization plan in place, how we can make it more unique to India.

So this is something we have been doing for years and years. The good example is 185. We knew 185 will be required in 2022. We knew that. It's going to be there. So we are -- that's why we have a seamless launch of that product, and we are ensuring that we are ramping up also in the same pace.

Rakesh Sharma: 2032? 2022 not, 2032, right?

- Kishan Kumar:** No, sorry, 2022, we anticipated the MS185, which is the hot cake now that is required for the industry, and we had started all our work on that. And the product was ready at least 12 to 18 months before the demand.
- Moderator:** The next question comes from the line of Saket Kapoor from Kapoor & Co.
- Saket Kapoor:** So sir, as in the discussion, is it clear for us that going ahead, the next year will be the first year where we'll be seeing meaningful volume growth because of the fresh capacity addition. So is that understanding correct, first of all?
- Nagaraja Gargeshwari:** Let me just talk about this. See, we did not have any capacity constraints for the current market volumes. So we did not lose any revenue because of the capacity portion of it. Like Kishan has always mentioned, it was a product mix in the industry and at the same time, other than M&HCV, whatever the industry impact was there, that is what is kind of slowing us down in terms of growth or matching with the M&HCV growth.
- What we talked about the capacity is basically to look at the future capacity whenever the M&HCV market and then export demands come back in next 6 to 12 to 18 months, we will be ready to convert those demands without having to lose that potential orders.
- Saket Kapoor:** Okay. So just to simplify it, in terms of tonnages, will there be additional tonnages that we will be adding to our portfolio or will be only the product mix that is going to change, that is also on the advent of demand going ahead?
- Kishan Kumar:** Let me take this question.
- Nagaraja Gargeshwari:** Yes, go ahead, Kishan.
- Kishan Kumar:** Yes, tonnage. So I think it will be at least for the next 12 to 18 months, the tonnage will be the focus. But I think over that period, tonnage will not matter. What will matter is tonnage will remain. What matters is the top speed, efficiency, specific to axle efficiency, how much more further we can improve. So that is when our next-generation axles will come into play.
- And along with that, what the expectation based on the trend is when we move the average horsepower of the vehicle, which is still in the 200 horsepower today to 350, 400, that is when the next-generation high-efficiency products will be required. So tonnage, yes, it will remain where it is today. There may not be a big movement there because globally also, we don't see anything operating on-highway more than 60, 70 tons.
- I think we have reached that. That is already done. Now how to make it more efficient, that is the challenge in the industry. So I think our portfolio from global experience, it's already there. So how to seed them, how to work with the OEMs, that's the focus we are having.
- Moderator:** The next question comes from the line of Vijay from Nuvama.
- Vijay:** I have a couple of questions. First on -- so I did some back calculation based on industry growth for our MHCV segment and non-MHCV segment, 20% sales contribution. So is it correct that

our non-MHCV sales has declined by around 20% Y-o-Y? That understanding should be correct?

Management: So, that has definitely dropped. I'll start with that. Whether it is -- and I am not fully aware of what data you have used for your analysis, but internal analysis shows that it can be 5% to 15% now and also going forward in at least the next couple of months because the response I gave in the previous part of the question...

Vijay: 5% to 15% growth, sir, or contribution.

Management: No, the drop in the non-M&HCV revenue. I'm talking about the drop in the export revenue, for example, is in the range of 5% to 15% for us.

Vijay: Okay. Helpful to know. Secondly, sir...

Moderator: Sorry to interrupt, Mr. Vijay. We request you to return to the question queue for the follow-up question. The next question comes from the line of Aditya Bhoir from LFC Securities.

Aditya Bhoir: I just wanted a small clarification. For Q4, the comment was that it is expected to be better by 10% Y-o-Y. So in terms of sales revenue number [inaudible 0:51:06].

Kishan Kumar: You're breaking up.

Moderator: Sorry, Mr. Bhoir, your voice is not clear.

Aditya Bhoir: Am I audible now?

Moderator: Yes.

Aditya Bhoir: My question was, for Q4, the commentary was that it is expected to be better by 5% to 10% Y-o-Y. So is it in terms of revenue numbers?

Kishan Kumar: Okay. I understand the question. Thank you. So it is the industry volume. So we are looking at the industry volume. The revenue will again be a mix of many things that we have been discussing in the previous questions.

Aditya Bhoir: Okay. So it is -- the industry is expected to grow by 5% to 10%.

Kishan Kumar: That's right, compared to the previous quarter, yes.

Moderator: The next question comes from the line of Krushi Parekh from BugleRock PMS.

Krushi Parekh: So the question is that we mentioned about the new product on the bus axle side and the regulation that is likely to start impacting our product itself. So how much tweaking or anything that we anticipate and the time line that we anticipate once this regulation kicks in? And as a continuity of this particular question, so how much of the market share we expect to have for our current largest customer for this particular product itself altogether? So any discussions that you've been having on this line as well?

Nagaraja Gargeshwari: Yes. Thank you. So the regulation, what it states is from the October '26 onwards, it has to be a low floor. And when we say low floor, there is a number associated with that, 400 millimeters. Now what we are trying to understand further is this 400 millimeters, whether it is a completely flagged floor or there are steps allowed because you may have already seen there are low entry buses, low floor buses with different architecture and different definition.

So -- and second point here is once that is understood, OEMs will have to look at what tweaks that you mentioned, right, what tweaks they have to do to meet this requirement. And in this exercise, what we will figure out is our current axle, if you really see, it meets most of this 400 meter, depending on how the 400 meter is defined.

So we are trying to get that detailed analysis done. Second, say that we have figured it out and our current product line is matching the requirement. The expected penetration with our largest OEM may be 3% to 5% because that is the only gap we see. It's 3% to 5%. And the third part to your question was if it is not meeting the tweak, we don't know that yet.

Whether it's a totally different architecture, whether it will require a complete low floor, which we have in the global portfolio, whether we need that, we have no idea right now. So we are still trying to analyze this in a detailed manner technically and also understanding from the OEMs, how they will approach this. And each OEM may approach in a very different way.

Krushji Parekh: Okay. So just to clarify, the 3% to 5% that you mentioned, it is the 3% to 5% market share of the buses portfolio that they have.

Nagaraja Gargeshwari: Three to 4% of, yes, our customers' portfolio. Yes, you're right.

Moderator: The next question comes from the line of Akash Vora from NVA FM.

Akash Vora: Sir, are we in any way losing, what we can say, losing market to kind of OEMs doing their in-source manufacturing for axles? Is that a possibility? I mean, is that happening in India where the OEMs are in-house assembling the axles by procuring, let's say, the axle housing, the beam, and the shaft from various other domestic players?

Kishan Kumar: When you -- okay, let me start with what we are seeing globally. We're seeing globally OEMs are actually moving away from doing anything to do with axle. So we have examples in Europe and North America where discussions are going on where OEMs are asking us do our axles, even including their own design, right?

That's the trend where the focus is on other technology and the other relevant value that they want to create on the vehicles. Coming back to India, within our existing business, we have this model where we supply as a kit, different parts. That's purely basically because of logistics. But the entire content is ours.

It is not that -- the modularity, what you're saying, that doesn't exist in the industry, where they pick something from somebody and then try to assemble it themselves, no. It is mostly content is from one supplier, but it is supplied in different conditions.

Akash Vora: So in the present moment, you are saying that the whole axle is what they look to procure from players like you, right, and not axle components, they'll be procuring separately and in-house assembly. That would not be the case?

Kishan Kumar: So the answer is we are supplying the whole axle, and we are also supplying the axles in kits to the same OEM. It is depending on the logistics, their plant capability, what they have in that location based on that. So the answer is the full content at the vehicle level belongs to us. It cannot be that supplier or competition gives something, competition 2 gives something and they bring something else and make it -- it doesn't fit that way. The architecture will be very different.

Akash Vora: Sir, just a follow-up on this. I mean, who's our current competitor? I mean, in the domestic market, who is our current competitor, biggest competitor, since we had dual source as well for many OEMs?

Kishan Kumar: So our -- in terms of largest competition we have is the captive OEMs where like we have Tata Motors, Eicher, they do their own axles. So if you look at from that way, they are the largest competition. But of course, as an independent axle brake supplier, we have multiple. We have Brakes India in brakes, Dana, American Axle and some pieces in the off-highway segment, which is very small.

Akash Vora: And for Ashok Leyland?

Kishan Kumar: It's the same names that I mentioned earlier.

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

Nagaraja Gargeshwari: Okay. Thank you very much once again having trust in Automotive Axles and continue to be our stakeholders. Just to summarize it, the last quarter, it was exciting, and we are able to convert it. The current quarter is also looking quite positive. We will do everything possible to make sure that we convert these opportunities. And thank you very much for calling in, and have a great day.

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