



“Gabriel India Limited
Q3 FY26 Earnings Conference Call”
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MANAGEMENT: **MR. MAHENDRA GOYAL – GROUP CHIEF EXECUTIVE OFFICER – GABRIEL INDIA LIMITED**
MR. ATUL JAGGI – MANAGING DIRECTOR – GABRIEL INDIA LIMITED
MR. MOHIT SRIVASTAVA – CHIEF FINANCIAL OFFICER – GABRIEL INDIA LIMITED
MR. NILESH JAIN – COMPANY SECRETARY – GABRIEL INDIA LIMITED

Moderator:

Ladies and gentlemen, good day, and welcome to Gabriel India Limited Q3 FY '26 Earnings Conference Call. This call may contain forward-looking statements about the company that are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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I now hand over the call to Mr. Atul Jaggi, Managing Director from Gabriel India Limited. Thank you. And over to you, sir.

Atul Jaggi:

Thank you. Good evening, and a very warm welcome to everyone on the call. Although it's a bit late as this is our first interaction in the new year, I would first like to extend my warm new year wishes to all the participants. Wishing everyone a very happy New Year joining the call today. With me today, we have Mr. Mahendra Goyal, our Group CEO; Mr. Mohit Srivastava, our CFO; Mr. Nilesh Jain, our Company Secretary; and SGA, our Investor Relations Advisor.

We have uploaded our results and investor presentation for the quarter ended 31st of December 2025, on the stock exchanges and on the company's website. Hope each one of you had a chance to go through the same.

Let me start by highlighting a few recent developments. The conclusion of long-pending India-EU free trade agreement after nearly 2 decades of negotiation. For the auto components, it creates opportunities in exports, technology partnerships and investments, positioning India as a trusted manufacturing and sourcing partner for European OEMs amid diversifying global supply chain.

Additionally, U.S.-India trade deal announced yesterday reduces reciprocal tariffs from 25% to 18% with the agreement expected to be finalized soon. Together, these deals are a major boost for the Indian economy, driving capacity expansion, greater MSME involvement and a growth of industrial clusters in key states.

Union Budget '26-'27 arrives at a great time with strong growth, low inflation and robust capex as the country aims to become the world's third largest economy. The auto sector already number one in 2-wheeler, 3-wheeler and number three in car, trucks, received strong support through increased PLI funding, electronic incentives, duty cuts on EV materials and new mineral corridors to lower cost and accelerate local manufacturing.

Let me now turn to our company's performance and share a brief overview of our operations and key highlights. In Q3 FY '26, our stand-alone operating revenue grew by 16% Y-o-Y, reaching to INR1,072crores, supported by higher volumes and strong sales performance in all our segments. EBITDA grew by 21% year-on-year, reaching INR96 crores, with margins improving from 8.6% in Q3 FY '25 to 9% in Q3 FY '26.

This improvement in margin is attributable to higher volumes and the continued impact of our operational excellence initiative under the CORE 90 program. As per the new Labor Code Act, the one-time impact of INR13 crores has been accounted as an exceptional item. This impact has been optimized pursuant to our conscious efforts in the past to streamline the components of salary in line with the wage code.

Moving on to the business wins. This quarter has seen really good progress being made in the stand-alone business with wins flowing in CV, 2-wheeler, solar and e-bike segment. Specifically, in the 2-wheeler, I'm very happy to announce that we have made inroads into Hero Moto Corporation.

I think this has been a point of discussion for quite some time. And we also have additional business wins on inverted front forks with multiple customers. On the e-bike segment, again, happy to share that we have received our first development order from a customer in Europe. With respect to solar dampers, we are progressing well on multiple fronts with samples submitted for validation to 2 customers and feedback being awaited from them. Additionally, there are 2 more developments under progress.

In Q3 FY '26, Inalfa Gabriel Sunroof Systems Private Limited reported revenue from operations of INR107 crores and EBITDA margins at 13.5%. With respect to the business wins in the sunroof segment, I'm very happy to share that IGSS won new business with Hyundai for 3 model variants. This is in addition to already shared models under development with both Kia and Hyundai.

On a consolidated basis, our quarterly revenue stood at INR1,179 crores, showcasing an impressive growth of 16% on Y-o-Y basis. EBITDA for the quarter stood at INR111 crores with margins standing at 9.4%. Adjusted PAT after excluding one-time exceptional expenses of INR13 crores for the quarter was INR68 crores, marking a 13% Y-o-Y growth.

Coming to 9 months performance for FY '26, the consolidated revenue stood at INR3,457 crores, reflecting a growth of 16% as compared to 9 months period for FY '25. EBITDA stood at INR335 crores, marking a growth of 19% on a Y-o-Y basis with margins standing at 9.7%. PAT after excluding one-time exceptional expenses of INR13 crores stood at INR199 crores, marking a notable growth of 10%.

Coming to the industry highlights. The auto industry delivered a strong Q3 FY '26 performance with total sales up 18.9%, while the production volumes were up by 16% to 9.2 million units. This was driven by broad-based growth across segments, festive demand, GST cuts. Export surged 24.7% to 1.7 million units, reinforcing India's growing role as a global manufacturing and export hub.

Q3 FY '26 2-wheeler segment posted a strong 18% growth, reaching 7 million units, one of the best quarterly performance in the recent few years. On 3-wheelers, the segment grew by 29.9% to 3.4 lakh units, driven by higher demand in passenger and goods segment, a better supply chain and exports surging 70% year-on-year to 1.3 lakh units.

Coming to the passenger vehicle, the segment achieved a historic high with total sales reaching 1.5 million units, up 19% year-on-year, driven by sustained SUV/UV demand. A meaningful revival in the entry level / small cars, strong festive momentum, GST rationalization and easier financing.

The commercial vehicle segment, again, staged a strong recovery with -- around 21% year-on-year growth to nearly 3.1 lakh units, making one of the best quarterly performance recently, led by higher freight movement and rising infrastructure activity. The Indian auto industry is expected to keep up the strong double-digit growth momentum in the quarter 4 also.

On that note, I come to the end of my opening remarks. I now request the moderator to begin the question-and-answer session. Thank you.

Moderator: Thank you very much. The first question is from the line of Mumuksh from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh: Yes. New year wishes to the management and good to hear new sunroof and Hero orders. Sir, firstly, you can give more flavor on these new orders. It seems major orders. If you can help us understand what kind of time line would be there in the sunroof side, these 3 variants, is it half sunroof, full sunroof? And when the business starts? If you can also give more flavor on the business side potential for these 2 orders?

Atul Jaggi: Okay. Sure, Mumuksh. So this is -- as I said, this is Hyundai order win with 3 variants. This is a TVS type of sunroof. The total volume expected is 130,000 with an annual turnover of roughly around INR120 crores. The start of production is expected to be by December of 2027.

Mumuksh: Great. Great. And for the Hero order, sir?

Atul Jaggi: We are already developing one model with them. We are working on the SOP date. I think I'm expecting the start of production by end of quarter 1 financial year or maybe start of quarter 2. And then there are a couple of models under discussion. So as of now, there is one win. But then now since the account is open, I think we are expecting more orders to flow. And we are already in discussion on a couple of new further model.

Mumuksh: Great to hear that, sir. So on the sunroof second line expansion, has that started now? And how is the ramp-up planned up for that capacity?

Atul Jaggi: Yes. So as I've shared earlier, while the second line investment has happened, but because of one of the models, the Syros, which was not doing well, the second line utilization was not great. So one, I think we are waiting for a refresh of that model around March or April, which would improve the utilization of the second line, but we intend to make that line as hybrid. And with the recent wins, the few models under development that I had already shared with you.

And then this -- the recent business acquisition, we are looking at a very good utilization of the second line moving forward there. So the second line will get converted into hybrid line to ensure that we can make BLT as well as the TVS type sunroof. And so utilization will not be a major issue moving forward once this model come into the play.

- Mumuksh:** Got it, sir. Finally, sir, just on the financial part. This quarter, other expenses increased by INR8 crores Q-on-Q. Nature of the increase, sir? And any one-offs as per se on M&A part, which are we doing in the numbers, sir?
- Atul Jaggi:** Yes. So yes, so the increase is primarily in the other cost is for 2 reasons. One is the enhanced technical support from the partner where we would like to expedite the new business supports and localization support to improve the localization in India to reduce the RMC percentage on the sunroof business. This is also evident from the recent business wins and our increased customer engagement with the other OEMs. And second, on the account of the restructuring cost basis the milestones. So these are the 2 reasons why we see an increase in the cost.
- Mumuksh:** So broadly, these are one-time, sir?
- Atul Jaggi:** It is a mix of one-time and recurring technical support.
- Moderator:** The next question is from the line of Nikhil from SIMPL.
- Nikhil Upadhyay:** Congrats on good set of numbers. I hope I'm audible.
- Atul Jaggi:** Yes. Yes, Nikhil.
- Nikhil Upadhyay:** Yes. Two questions, sir. One is, if we look at the 2-wheeler industry and map it against our growth in the 2-wheeler and same in the passenger vehicle, it seems we've lost some share. If you can just share your thoughts on what has led to a lower growth versus the industry growth or the production growth for both 2-wheeler and PV for us?
- Atul Jaggi:** So Nikhil, thanks. So in terms of the loss in share, there's no loss in the market share that is there. If you look at the production numbers, yes, this quarter, we see against the 2-wheeler, if you see the -- the production, while the sales number are different, but obviously, we go with the production numbers. So the market has grown between 15% to 16%. The Gabriel growth is around 13% is primarily because of 2 reasons. One, this quarter, the Hero growth has been much higher than in the previous quarters.
- And secondly, I think it is a mix of the -- it is more to do with the model mix factor that is there, but there's nothing abnormal. Rather in this segment, as I mentioned, I think we had further business wins with multiple customers, including TVS, Bajaj, Kawasaki and a couple of other customers. So we have a solid business pipeline that is there in the 2-wheeler, especially on the inverted front folks.
- On the passenger car side, I think, again, our share of business with MSIL continues to improve. But again, as you see in this particular quarter, the growth with Tata and Mahindra is there, and it is, again, a model mix issue. If we take out the MMAS part because if we take out the models that we are supplying from the Chakan 2 facility, then we are obviously in line with the market.
- Nikhil Upadhyay:** So MMAS is broadly on the EV side?
- Atul Jaggi:** There are some models that we are supplying in the passenger car side from there, like Tata Harrier is there, Safari is there, Nexon is there, both for EV and ICE.

- Nikhil Upadhyay:** Okay. Secondly, on this -- the new initiatives on dampers and e-bikes, like what is the progress? And when do you see commercialization?
- Atul Jaggi:** So as I shared, again, finally, I think we were always discussing about development of the e-bike forks. As I mentioned in the opening remarks that I'm happy to share that we have secured our first order win. Currently, the sort of the development orders are being released by the customer.
- This is for an e-bike in Europe for an upside down front foot, a good technology product and we are looking forward. The start of production expected is around, I think, the quarter 3 because now the development will start and around quarter 3 of the next year, we will be seeing the start of production. There are certain other businesses under discussion, but the LOI is not received for them. I will keep sharing the progress.
- Nikhil Upadhyay:** And the solar dampers?
- Atul Jaggi:** Solar, as I said, there are 3 business wins already, 2 products are under validation with the customer. One is under development. So once the validation happens, we will get into the mass production time line.
- Nikhil Upadhyay:** So I think in last call, we mentioned commercial should start in FY '27 first quarter or second quarter. So are those time lines still meeting? Or is there a delay there?
- Atul Jaggi:** Sorry, Nikhil, I think your voice cracked. Can you repeat?
- Nikhil Upadhyay:** So I think our last call, our idea was that we should see commercialization of solar dampers in FY '27. I think first half. Is there some delay there or...
- Atul Jaggi:** No, we are on track. As I said, I think the validation is ON for a couple of the models. Once it is done, we will get into the mass production time line. So as of now, there is no delay. Rather, I would say that with the tariff being changed for the U.S. market, I'm really positive about -- because North America is a big market. I'm very optimistic about more traction from the customers on this.
- Nikhil Upadhyay:** Okay. Just last request, sir. See, we are merging all the entities. And like in Q1, we had shared their pro forma numbers. I think if we can share the pro forma numbers on a quarterly basis, it will be really helpful to the investors. That's the request and if you can just think about it.
- Atul Jaggi:** Yes. taken the point. We are -- as you know, we are progressing very well on the restructuring part. I'm sure we'll start disclosing the numbers in all the quarterly sort of calls moving forward once we go through the entire process. I think we are quite close to it.
- Moderator:** The next question is from the line of Aditya Khetan from SMIFS Institutional Equities.
- Aditya Khetan:** Sir, just a couple of questions. Sir, on to the sunroof, as you had mentioned earlier, so last quarter, we had mentioned that -- so Syros is not picking up, which is why we were facing some volume losses. Now you're saying like with these new order wins, it would largely offset and you are using that line as a hybrid. So any guidance you can give like how much we could recoup the

volumes which were earlier lost because of Syros? And what sort of numbers should we be building for FY '27 and FY '28?

Atul Jaggi:

See, I will not be able to give you the numbers for FY '27 because forward-looking projections normally we don't give. I think 2 things are there. We have always mentioned that by, say, 2030, '31 around that number, we are -- now with the wins that we have seen recently, I think the -- one thing I can confirm that we are on track on the projected number in the long run.

In the short run, since there has always been a discussion on the utilization of the second line with this recent win on the TVS side, we are -- because the first line is completely utilized. Now we have 3 variants coming in and then 2 models under development. So we are looking at a more -- comfortably more than around 60% to 70% utilization on the second line also moving forward.

Aditya Khetan:

Got it. Sir, the new order wins into the sunroof, is it superior in terms of margins, in terms of pricing or EBITDA per sunroof compared to the base business, what we have in Phase 1?

Atul Jaggi:

I will not be able to share the margin profile because obviously, as you know, when the model is under development, it goes through multiple changes, iteration. But obviously, any business win when it meets our threshold, then only we go for the acceptance of the LOI. So that is generally as per the policy.

Aditya Khetan:

Got it. Sir, in this quarter -- so the 2-wheeler segment share has dropped to 61% versus 64% last quarter. Is there any change?

Atul Jaggi:

Aditya, I think we lost you. Can you hear me? See, obviously, because the MMAS numbers also come into the play, which is primarily on the PC side means that would change the -- I would say, the overall distribution. So those numbers are much higher, and they are all in the passenger car.

That is why you see there. And as I mentioned earlier, the market in the 2-wheeler has grown by 15% because of the model mix and the Hero extra growth of 13%. So maybe 1-odd percent in this quarter is coming from the model mix and 2% is coming primarily from the increased passenger car and commercial vehicle portfolio.

Aditya Khetan:

Got it. Sir, just one last question. So during the quarter, other expenses have also gone up. Is there some one-off into that?

Atul Jaggi:

So I have already answered this question in detail when Mumuksh asked this. So it is basically a mix of both, and it is on account of 2 things. One is on the increased technology support from the partner on localization on design and development on the sunroof. And second is on the restructuring. So that is how you see an increase in the cost.

Moderator:

The next question is from the line of Amit Hiranandani from PhillipCapital.

Amit Hiranandani:

Basically, how best the company will be able to utilize these ongoing FTAs because we have a target to increase our exports. So your take on this, please?

- Atul Jaggi:** Yes. So 2 parts of it. One is when we look at the deal with Europe, FTA with Europe, we already have our tech center there. We have an entity where we are working on various technologies. I think this would help us enhance the technology support there, definitely find more avenues on the technology front, number one.
- Number two, definitely, the -- because of the change in the duty, the FTA coming in, clearly, you compensate on the transportation cost of it. So you're -- the competitiveness goes up. So we are looking at building on it. Just to share with you, while it is too early, but just after this has announced, I think we already have got a couple of meeting requests from customers in Europe to have discussions on it.
- So clearly, not only us, but the customers in Europe are also looking positively at India. This is on one part. Secondly, because of the additional tariffs, the whole -- the solar damper thing that we were quite optimistic about, slowed down in North America and then we started focusing more in Europe. Now with the yesterday's announcement, I'm again quite optimistic on this. So I think moving forward, hopefully, we will see this supporting the export journey.
- Amit Hiranandani:** Yes, this is good to hear, sir. Sir, secondly, any kind of cost we have incurred for the SK Enmove entity in quarter 3?
- Mohit Srivastava:** We are concluding the CPs, and we have formed the company. So we are expecting to contribute equity during this quarter, and we expect the start of operations from quarter 1 of FY '27, a small operation to begin with. There are costs related to forming a company and initial expenditure are being incurred, but we do not see any substantial expenditures.
- Amit Hiranandani:** Okay. Noted. And sir, just on the basic question on the sunroof Q3 numbers, if you can share the revenue EBITDA, please?
- Atul Jaggi:** Q3, I just shared the numbers. Yes. So the revenue in the quarter 3 was INR107 crores with an EBITDA margin of 13.5%. I shared this during the opening remarks.
- Amit Hiranandani:** Okay. And in Q2, basically, the margins were higher, right, on the sunroof?
- Atul Jaggi:** Yes. So that is what I think a couple of times I mentioned when Aditya and Mumuksh asked this question, I think we have had some additional expenses on account of more technology support and localization support for some new business wins. So I just shared that.
- Amit Hiranandani:** Sure, noted. Yes. Sir, lastly, just last one question. These 3 new variants of Hyundai, which we have received for the sunroof. So are they able to offset the Creta business, which we are going to exit from FY '28?
- Atul Jaggi:** Comfortably because I think I've been clarifying this quite frequently because there are 2 models and 3 variants already under development. These business wins have been shared with you earlier. And I think what we are looking at with this business win is to build on that. So we are not looking at this compensating. We are looking at this building on the further growth.
- Moderator:** The next question is from the line of Mrunmayee from Asit C. Mehta Investments Intermediates.

- Mrunmayee:** Okay. So a couple of questions on the sunroof side. Firstly, the new Hyundai models that we have received, are these existing models or new models that the company would be launching?
- Atul Jaggi:** See, there are model codes that are available generally because the model names are normally not sort of announced before earlier. They are a combination of new as well as refreshed as per my understanding. But hope the developments will be new in any case.
- Mrunmayee:** Sure. Okay. And sir, one thing with regards to the realizations of the per unit realization of sunroof. Has that seen some kind of pressure since the time that we have started since we are seeing more players also entering this segment?
- Atul Jaggi:** That is very normal and very natural for any product because when there is an increased competition, the pressure both on the margins as well as on more localization requirements, et cetera, keep increasing. So definitely, the answer -- I will not say the answer is no. The answer is yes.
- As I mentioned earlier, we also need to -- like any other organization, we also need to find ways and means and different avenues to keep maintaining a healthy profitability. And that is how we are looking at more support from the Inalfa global team on localization and fast localization there. So to ensure that the pressure on the margin is reduced. But yes, with multiple players coming, it is very natural to have more competition.
- Mrunmayee:** Okay. Okay. And sir, on the stand-alone financials, there's a very high other income in this quarter. Any one-off there?
- Atul Jaggi:** So I think the other income is the -- Mohit, do you want to?
- Mohit Srivastava:** Yes. So other income includes this time a dividend received from the subsidiary Inalfa.
- Mrunmayee:** Okay. Okay. And sir, just one last question. If you can indicate the revenue of MMAS in the quarter?
- Atul Jaggi:** Normally, plant-wise breakup, we don't share because it is one of the plants. So normally, we don't share the plant-wise breakup. It's doing a little better than what it was doing, I can only share.
- Moderator:** The next question is from the line of Puneet Javeri from Zaveri & Company.
- Puneet Javeri:** You mentioned about the line 2 utilization plan to go about 60% to 70%. Are you at the liberty to share what is -- where is it right now?
- Atul Jaggi:** So the second line is not utilized at all. Currently, we are utilizing only one line.
- Puneet Javeri:** Okay. And in terms of your sunroof also, you mentioned that you want to increase the localization effect. So is there any way that you can qualify how much is it already done? And what is the expectations in terms of increasing localization, if not percentage, any qualitative highlight?

- Atul Jaggi:** Yes. So current status of the localization is around 33%. It used to be around 26%, I think when we first started, if I'm not wrong. And we are -- the target is to take it to 60%.
- Puneet Javeri:** And is the target for 60%, is it till 2030 or any -- is it next couple of years or something?
- Atul Jaggi:** Within the next 1, 1.5 years, I think, yes. We are now working -- I think while we are having this call, there are already workshops going on. The entire global team is there, and we are looking at expediting this process. So by end of '26, '27, we intend to do that. And for -- obviously, for the new developments, the localization will be much faster. For the existing ones, you have to go through a lot of validation, et cetera. So that is generally a slower process. But when we are launching, we intend to launch with much higher localization.
- Puneet Javeri:** Got it, sir. And in terms of realization for sunroof, I think you mentioned that the competition has increased and it's a natural state of how the business is. So is it fair to assume that the realization has dipped a little bit compared to, say, a year ago and that is expected to increase once the localization increases as well? So is there anything -- how should we look at this?
- Atul Jaggi:** See obviously, there are 2 aspects to it. One is the existing business, it is not a product which anybody comes and you develop it tomorrow. So it doesn't impact the existing product. Obviously, the model mix there, something may have a higher profitability, something may have a lower profitability because every model doesn't have.
- So model mix can play a role. On the -- I think the discussion point was more on the new RFQs and new discussions with multiple customers. So there, if the RFQ goes to 3 players, then obviously, you compete in an environment. So there, extra localization, et cetera, would help, but nothing on the running business.
- Puneet Javeri:** And just one final question because you do provide a really honest assessment of things on FTAs, both U.S. and Europe. Is it that the existing competitors who already have plants there, you will be able to better compete with them? And hence, you feel that it's just that the road is upwards from where you are right now? Is it that your existing products can have and find a market there much quicker now basis of cost amongst other key factors?
- Atul Jaggi:** Sorry, I've not been able to hear you well. Maybe Puneet, if you can repeat some part of it. I think I was not able to clearly hear it.
- Puneet Javeri:** Am I audible now, sir?
- Atul Jaggi:** Yes, you're audible, maybe a little shorter question may be helpful.
- Puneet Javeri:** So I was just asking on FTAs, if you can provide some feedback if -- how will you better compete with the existing players, both Indian and local, who already have their plants there? Is it largely just cost? Or is there any other factors that you're considering?
- Atul Jaggi:** So one thing is all the competition that we are talking about are in the process of coming in. It is not before -- currently, before IGSS, there was one competitor who had a full-fledged facility

here in India. All the others are coming in with different joint ventures, different configuration. I think none of them have been able to, as of now, win a business.

Moving forward, the competition would not only be on, I would say, on price. I think technology will also play a role. There, definitely, I think Inalfa being very strong in technology, we are also trying to offer some newer technology products to customers. So it will be -- I think moving forward, not in the immediate run, but long term, it will be a combination of standard products and a new technology product where obviously, the margin profile would be different in both. The idea is to bring more technology.

Moderator: The next question is from the line of Ananya Khanna from Alpha Alternatives.

Ananya Khanna: So my question is, when can we expect the statutory approvals to start rolling in for the scheme of arrangement?

Mohit Srivastava: So on the scheme of arrangement, we received the NOC from stock exchange and post that, we filed our application to NCLT. I'm happy to share that the first motion hearing happened in early January. And the scheme has been admitted and the order has been announced by the end of January. Now the soft copy of the order is available on the NCLT website.

We expect a certified copy to be received in this week, and we will follow the due course of action coming from that order. So we are very much on track what original time we had planned for this scheme and we've been progressing very well on this front.

Moderator: The next question is from the line of Avadhoot Joshi from Trivantage Capital.

Avadhoot Joshi: Considering the inroads we have made into Hero, do we -- of course, we will see rise in the volumes. I just wanted to know about the capacity, our capacity. Do we intend to add capacity in line to that and what our current utilization?

Atul Jaggi: See, in the 2-wheeler, I think if you look at the market growth in the last few years, if you look at the Gabriel growth, we are continuously adding capacity. So obviously, with new businesses coming in not only from Hero, but from all the other customers also, I think the share of business has been continuously improving.

In line with that, we have been adding capacities in the existing plants also, and we are looking forward to maybe adding a location specifically in the coming some time. So capacity enhancement in 2-wheeler is, to be honest, is a continuous affair. Even today also, we have cleared 2 more lines in our Board meeting there. So we continue to invest.

Avadhoot Joshi: Okay. So currently, we are operating at around 70% capacity utilization?

Atul Jaggi: Yes. So normally, the way the 2-wheeler works is there is a normal demand and then there is a festival season demand. So we try to operate at around 70% during these times so that we have some idle capacity to meet the festival season demand. So the utilization is in line with that.

Avadhoot Joshi: Understood. So there is no change into the -- or larger capex expected into the next year. Is that correct understanding?

- Atul Jaggi:** Yes, yes. We are looking -- we are anticipating that for the next year.
- Moderator:** The next question is from the line of Mumuksh from Anand Rathi Institutional Equities.
- Mumuksh:** Sir, Mahendra Sir is available? Just want to hear his thoughts, sir, how are you seeing the progress on your 2030 ambitious plan. Just want to understand how are you seeing the M&A opportunities? What kind of areas are there Gabriel, Anand Group can expand? And secondly, with the 4 companies completion happening very soon, how do you see the further group structuring happening, say, next year?
- Atul Jaggi:** Okay. Thanks, Mumuksh. Maybe Mr. Goyal is there. So you would like to address this, sir?
- Moderator:** Sorry to interrupt, sir. The line for Mr. Goyal has been disconnected.
- Atul Jaggi:** Okay. Okay. So maybe I'll take this question. So yes, as far as the bigger target for the group is concerned, multiple opportunities are being evaluated in line with the expectations there. As and when something materializes, we will definitely come back to and share the updates on that.
- But yes, there is a -- just to share with you, there is a proper review mechanism for that. There is a proper monitoring for that in terms of the progress, in terms of what are the opportunities that are being evaluated, both on the organic as well as on the inorganic side. So I think hopefully, we should be able to share some updates in the coming time. What was the second question, sorry?
- Mumuksh:** So with the 4 companies consideration happening now, very soon now, how do you see the plans ahead for the further group?
- Atul Jaggi:** So Mumuksh, I think as we have discussed multiple times, so we are completely on track on this. Hopefully, I think as of today, we are completely meeting the time lines. We would like to go through this process and then surely come back to all of you on the next update.
- Moderator:** The next question is from the line of Viraj from SIMPL.
- Viraj:** Sir, just 2 questions. On the stand-alone, see the Marelli acquisition, we started consolidating from Q1. And if the run rate in Q3 is better than Q2, then we would basically be seeing a flat growth for us in 2-wheeler segment in this quarter, which we got understanding that HERO has grown better and there might be more of it, but the deviation is still quite large.
- Atul Jaggi:** So Viraj, I don't know if you were there because I think a couple of times I have tried to answer this question. Again, see you also understand that sometimes it can be a model mix issue. I just mentioned that I think there's no business impact that is there because the production numbers - while the sales number are more, but the production growth is 16% against that, we are looking at a 13% number.
- One impact is coming from Hero. Second, maybe because of the model mix part that is there. Rather, I shared that I think we have further very strong wins in the 2-wheeler side on the inverted front forks and on the normal front forks, and we have a very healthy pipeline there. So I'm not seeing a challenge on this front at all.

- Viraj:** Okay. Just a clarification. When you say Marelli acquisition, will the concentration be largely 2-wheeler or it's again spread out between 2-wheelers, 4-wheelers and...
- Atul Jaggi:** It is mostly a combination of, I would say, maybe 70%, 80% would be passenger car and then balance would be commercial vehicle. There's no 2-wheeler. So that is the reason you would see a 63%, 64% normal coming down with some businesses getting increased there or some volume changes happening there. So the overall percentage of the 2-wheeler would come down. That is on account of increase in the other segment and not because of any loss in the share.
- Viraj:** Understood, sir. If I move to subsidiary. Any color you can give in terms of revised terms in terms of like license fee, service fee? How would that now be? And related question is also, since we have the second line now commissioned, is there an opportunity for exports to make up the shortfall?
- Atul Jaggi:** So I don't know if you were there, Viraj, maybe you joined late. I think we discussed that and we shared that there is a good business win for 3 variants of TVS type of sunroof, where we would be now getting into a very healthy utilization once the SOP happens on the second line also. As far as the export is concerned, one of the variants that we had -- I think if you remember, I had shared earlier that there are 2 models and 3 variants under development.
- One of the model is also for export. This is called as a BC4i. So -- but this is not a product -- one, this entity obviously is set up to service the local customers. Second, this is not a product which is so easy to transport and handle. So any opportunity that keeps coming in on export, we'll be very happy to sort of engage on this. But primarily, we are looking at increasing the domestic share of business.
- Viraj:** And on Tech Life, what is the new arrangement now?
- Atul Jaggi:** Yes, there is an -- I think I had explained on the increased cost because of the 2 reasons. But yes, in terms of the new arrangement, I think the royalty numbers have changed, and we are seeing an increase of around 1.9% there.
- Viraj:** So this will be a permanent?
- Atul Jaggi:** Yes, this will be permanent as of now because a lot of other activities and technical support is needed to expedite the wins and localization activities there. So additional resources are being made.
- Moderator:** The next question is from the line of Amit Hiranandani from PhillipCapital.
- Amit Hiranandani:** Sir, one strategic question I wanted to understand how do you see this semi-active shocks industry in the next 5 years and Gabriel's readiness for this product. Also, if you can touch base whether this Marelli at least open tech partnership and the KYB tech agreement we have, how best they can support Gabriel in faster development for this product?
- Atul Jaggi:** So, just one second. See on the -- first, I'll answer on the semi-active part. The semi-active product is completely ready with us now. We just -- I think in the last 2, 3 months, we have done

a complete tuning on 2 vehicles. Now the 2 POCs have been done on different customer vehicles, one independently and one with a potential customer.

And the product is completely ready as far as the technology proving is concerned. Obviously, it all depends upon the new opportunity that comes to bring it to the mass market. But yes, we are ready. So we are not looking at any support coming in from outside for this because we -- as you know, we have invested quite a bit in the European tech center, and we have enough expertise available there.

As far as the agreement with KYB, etc., is concerned, I think that is all working fine on the existing businesses depending upon the customer requirements and the kind of valving and the kind of technology that is needed. So it is always a combination of what -- if it is a standard platform coming in from some global or being developed in India. So it is a combination of both with the local developed technology and one of the partners. But for the -- specifically on the electronic suspension, we are not looking at any support that is needed as of now.

Amit Hiranandani:

But do you see this industry evolving in the next 5 years?

Atul Jaggi:

See the industry will evolve. One variant has come into the market. As I said, I think we have been working with one customer as a proof of concept to demonstrate the technology. The penetration will be slow. Obviously, the cost impact is also significant. Even today also, whatever is being made is not made locally, they're all imported.

So you need an ecosystem on the electronics, on the assembly, on the dampers, etc. So it will be a slow progress there on the passenger car side. While it's one-odd variants will keep coming, I think maybe as you ask 5 years down the line, my estimate is that maybe top-end variants of some models may have this.

I'm looking at some opportunity coming in, in the 2-wheelers much faster because there are a couple of customers with POC has already happened. We have already done that. That may happen much faster than the passenger car, but we'll have to wait and watch. But mass production may not happen looking at the cost pressures normally on the vehicles there.

Amit Hiranandani:

So I think then frequency selected damping would be the best looking at the Indian condition and the cost angle, right?

Atul Jaggi:

So it will be obviously different kind of valves. The passive valves would be -- would keep improving. That is number one. Number two, FSD or HRS or dual -- double FSD kind of can be an interim solution to this, where we see more traction currently and then maybe at some stage, semi-active, but I don't see it happening in the immediate term on this.

Moderator:

Ladies and gentlemen, that was the last question for today. I would now like to hand over the conference to Mr. Atul Jaggi for closing comments. Over to you, sir.

Atul Jaggi:

Yes. Thank you. So I take this opportunity to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with any of us or SGA, our Investor Relations Advisor. Thank you so much.

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