



“Gabriel India Limited Q4 FY24 Earnings Conference Call”

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LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Gabriel India Limited Q4 and FY24 Earnings Conference Call.

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I now hand the conference over to Mr. Manoj Kolhatkar – Managing Director of Gabriel India Limited. Thank you and over to you sir.

Manoj Kolhatkar: Thank you. Good morning, everybody and very warm welcome to the call.

In fact, this call is for the year that we ended, I must say quite well, the year 2023-24. Joining me today on call is Rishi Luharuka – our CFO and Nilesh Jain and our Investor Relations Advisors, SGA. So, you must have seen the results that we uploaded yesterday post our board meeting on the stock exchanges as well as the company website and hope each one of you has had the chance to go through the same. I will give a brief overview of the company's operations and take you through the presentation briefly and also share our views on the market for the last year as well as what we see for the year going ahead as far as the industry is concerned.

To start with, I am pleased to announce that the board recommended a final dividend of Rs. 2.5 per share. So, taking the total to Rs. 4 per share which is a payout of almost 31%. Coming to our presentation; if we go to Slide #6 and #7 which basically highlights the quarter and the yearly performance. We can see that we had a strong quarter. Our operating revenue for Q4 surged 16.5% to Rs. 859 crores and this growth of course extended to FY24 and FY24 for the full year was 12.5% growth and we posted Rs. 3,343 crores as a sale which is of course the highest ever for Gabriel in its history. The good part is in Q4, we reached the EBITDA margins of 9% compared to 7.1% in the similar comparable quarter last year which is thanks to our continuous focus on the margin improvement which we have shared all along in the calls, our initiative of CORE 90 to drive cost control relentlessly all through the year across all our locations and in fact departments as well.

Now let me get down to the industry dynamics; starting with passenger car; in Q4 FY24 sales of passenger cars reached 13 lakh units marking a year-on-year growth of about 9%. For the full year FY24, hit a sale figure of almost 4.8 million, which is the highest ever for the industry. In fact, if we add exports the production figures are even higher. The significant growth in passenger car can be attributed to various factors such as improved rural demand, **favorable** model mix, introduction of many new models, enhanced supply dynamics meaning we came out

of the supply constraints which we have been seeing post Covid for almost more than 2 years, better road infrastructure and a strong demand in the SUV segment. Specifically, the total PV sales during Q4 FY24 amounted to almost 1.3 million, showing an increase of 9.4% compared to the previous year of 1.2 million. The SUVs now account for more than 50% of the total PV sales in Q4 and this will be the trend going forward where we will see SUV's may reach even to the levels of almost 60% as their share of passenger car vehicles. Looking ahead to FY25 which is '24-25, the passenger vehicle segment is expected to grow at a single digit rate in the range of while the figures vary but as of now the industry opinion is that they should be in the range of 6% to 7%, mainly one due to the high base effect of the past year. Plus, obviously we had several good years year after year post Covid, there's expected to be some moderation in demand this year.

On the commercial vehicle front, in fact, we saw a decline in the Q4 with sales dropping 2.8 lakh units from 3 lakh units in Q4 FY23 and the FY24 sales were at a million compared to almost the same figure in the past year. So, it's been a flat year as far as commercial vehicle is concerned. And here clearly going forward for the year FY24-25, we see that there will be a little slowdown in demand, mainly on account of elections which are currently underway and it will take some time for the CAPEX cycle to restart. So, the expectation is that post the monsoon this should come back to a healthy growth figure. But till then clearly the industry feels that there is going to be a slowdown in demand as far as commercial vehicle is concerned.

Coming to two-wheelers, three-wheelers. This is the bright spot. We saw 26% growth year-on-year as far as Q4 sales is concerned. So, we reached 5.4 million for the quarter which is very heartening to see that we are if you annualize this, this is more than 20 million for the year which is where we were before '19-20 when the two-wheeler industry was doing extremely well. So, let's hope this continues. The market sentiment is favorable obviously, people have taken in the impact of all the price increases that have happened and the rural sentiment also has improved to a large extent and we also are seeing I mean at least we have read that the monsoon is going to be above normal. So, all this augurs well for the two-wheeler demand. So, we hope this should be in double digit growth as far as the year '24-25 is concerned.

Now we of course cannot not discuss EV. This has of course been the talk of the town. But yes, last year we definitely saw a bit of slowdown in EV. The growth rates earlier were 100%-200%. So, that is clearly not happening now, particularly in the two-wheeler segment because of the FAME policy change. We clearly saw a slowdown. And in the month of March, we saw a peak demand. But then again in the month of April this year we are seeing the demand dropping down. So, for the two-wheeler it's around the 60,000 to 70,000 mark. But we clearly hope that this should pick up. On passenger car EV, we are seeing a flattish demand. It's about 7,000 to 8,000 range per month with Tata models leading the pack here, almost garnering 70% of the market share. And in two wheelers, yes, Ola leading the pack with very robust sales all through the year.

Now if we move on to Slide #16 on the revenue mix which you can see here. For the full year we had a two-wheeler mix of 61%, passenger car of 25% and commercial vehicle of 12%. In terms of channel mix for the full year 86% of OEs and 11% of aftermarket. And we have also

grown very well in the aftermarket in the past year and that continues to be our focus area as always.

Moving on to the next; I will take you through the individual BUs, this is Slide #21 which talks about two-wheeler and three-wheeler segment. Here our market share in the last year was 32%. So, now we are looking at a slight drop 31%. But definitely this should improve because we have had an improvement in share of business at some of our key customers plus some new models as well coming our way. And our traction in EV continues to be strong. We are almost on 100% basis with almost all the top customers. Ola, Ather, TVS and Ampere of course is with us. So, that definitely holds us very well in this segment.

Coming to motorcycles, we have won the Piaggio RS 457, the very good motorcycle launched by Piaggio which is the Aprilia brand. Here we are a single source and it's an upside down fork, the new inverted front fork technology which we have successfully commissioned and launched on a production basis. And in three-wheelers, we continue to remain strong with our customers mainly being of course Bajaj, TVS and Atul Auto and as well as in electric vehicles we are there with Mahindra, which is the leader in the segment.

Coming to passenger cars, which is on Slide #23. Our market share is more or less flat but as shared last year we are there on the Jimny platform and electric Citroen C3. We have also won some new programs from Tatas, three of them are on the electric platform. And we also won the new MQB 2.5 platform of Volkswagen and one platform of Stellantis which I've already shared. So, this should definitely help us improve our market share for passenger vehicles. As you've seen there's a shift now, our passenger car percentage in terms of the total pie is 25% which used to be 23% in FY23. So, all those efforts that we took in terms of building the business pipeline is now yielding fruit and we'll continue to work on this.

If you see Slide #24, the utility segment which is growing, here our share of business is quite strong, 35% of the market share is with us. So, in the growth segment we are doing well as far as passenger car is concerned. On commercial vehicles, yes, the market chain remains absolutely solid. So, we are looking at exports in this segment. We are developing some new products, our story with DAF as regards exports is doing well. We have been given two new dampers. Earlier we were only in the cabin dampers. Now we have been given the RFQ and the business is under finalization for the axle dampers as well. This should help us get a much larger share with DAF of the land and then based on this we expect to leapfrog to other global CV customers as well.

In the railways I had shared last time that we are present on each and every requirement of the Indian Railways, right from the coaches to the electric locomotives. Also, now we have won the Siemens loco where they are going to make the locomotives for the Indian Railways. Aftermarket, I did mention that we had a good year. We crossed Rs. 400 crores for the first time in the aftermarket.

Coming to Slide #30 where we are sharing some pictures of our sunroof plant. You can see this is in the Oragadam region of Chennai. The plant as you can see is looking beautiful now. In fact,

we are doing a lot of greening now. There are some pictures of the SMD line as well and the polyurethane molding line and we are currently doing almost 10,000 sunroofs per month from this plant. Glad to share that we had a very good ramp up from zero to SOP and that we are. We had also a fairly good quarter, the first quarter where we did almost Rs. 58 crores of sale with a positive EBITDA. That's the good news. So, that's actually quite a good record in terms of getting off the blocks.

The other important thing is on Slide #32 where we had shared that we started a European engineering center in Belgium. We have now taken a bigger workshop space and we are doing our experimentation as well as fitting a new vehicle which currently I can't name, a European vehicle with our semi-active suspension. And the trials will be done in the month of June, and we should be able to offer the first concept to a European customer in the month of July. The order, however, will take some time but at least our concept will be definitely ready for a European customer. And for Mahindra, we are demonstrating the revised prototype version in the month of June. So, this is very quickly on the year that went by.

We will now open it up to questions and look forward to hearing from all of you. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Hiranandani from SMIFS Limited.

Amit Hiranandani: I will club my question is on the sunroof side first. Please correct me if I am wrong. The sunroof production started from January 2024. If yes, then in total how many sunroof units sold in Q4? Any new order wins apart from Kia and continuing with the sunroof by when the sunroof business need to incur CAPEX for adding new production lines by which year I mean and possible to generate mid-teens EBITDA margin in the sunroof by FY26? So, this is my first question.

Manoj Kolhatkar: Sunroof, we have made in the first quarter, we made an average of roughly about 23,000 sunroofs and now the hit rate is in fact 10,000 per month. And your second question was on whether we have got any more customers. So, we have Hyundai and Kia, and I am glad to share that in fact, last week we are also winning a new program from Hyundai further to what we have. And our Kia SOP which is going to start from January of 25, the customer has already indicated a significant improvement in volume offtake. So, with this we are actually looking at adding some CAPEX and in terms of a new line and a molding machine towards the end of this fiscal year itself.

Amit Hiranandani: How much addition would there be after this CAPEX? Currently its 2 lakh units per annum, right?

Manoj Kolhatkar: So, that will be almost doubling.

Amit Hiranandani: Is it possible to generate mid-teens EBITDA margin by FY26?

- Rishi Luharuka:** Before that, that's the target.
- Amit Hiranandani:** My second question is basically on the two-wheeler side. So, can you just elaborate what is the reason for drop in ICE and electric two-wheeler market share? I mean as Bajaj auto has been growing faster, so want to understand how much of this market share is sustainable. And just continuing with this, Gabriel supplies product to how many models of Ola Electric?
- Manoj Kolhatkar:** We supply to all models of Ola Electric. And in fact, we'll also be on the Ola motorcycle. So, with Ola, it's really a very strong relationship. The market share of course if you can see, the growth has been pretty good as far as Hero MotoCorp is concerned for the past year. Hero MotoCorp had really taken a beating earlier post Covid. So, now they have picked up quite well. And as you know we are not there with Hero. So, in fact we have already started our engagement with Hero and we are in discussions where we have got at least a couple of RFQs from Hero MotoCorp. That's all I can share at this moment. So, that's the main reason for the little drop in the market share. Otherwise with our engagement with TVS, with Bajaj, with Honda motorcycles, the three big players as well as Suzuki continue to be very strong, and we keep getting new orders from them.
- Amit Hiranandani:** How much was the revenue from electric two-wheelers in FY24?
- Manoj Kolhatkar:** Electric two-wheelers, the total revenue was roughly in the range of Rs. 150 crores.
- Amit Hiranandani:** Your outlook on the two-wheeler EV industry after the subsidy cut for the next 2 years.
- Manoj Kolhatkar:** Very difficult to focus Amit because right now of course there is a drop due to the subsidy cut but the policy we all know can undergo changes. It's pretty clear. So, we will have to wait. So, it's very difficult to take a guess. The government is clearly pushing electrification so this I think is more of a temporary setback. The other thing is that the lithium prices are also down, so, the battery prices are coming down whereby the ticket size of electric two-wheeler which is one of the biggest impediments is also coming down very closely in line with ICE engine. And the running cost economics we all know are far better. So, this two-wheeler bump which we are seeing in terms of EV sales is very likely to be overcome this year once there's a clearer policy on this. So, it's difficult to take a call right now.
- Amit Hiranandani:** Any new wins for the FSD technology?
- Manoj Kolhatkar:** For the FSD technology no, we have shown the model to two other OEMs but still it is not translated into a win. There is a lot of interest for sure but not yet translated into a win.
- Moderator:** The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.
- Mumuksh Mandlesha:** So, just want to understand this Hyundai new order win. Congrats on that sir. When that order would start and what kind of volumes they're talking about?

- Manoj Kolhatkar:** Those numbers I really cannot share right now because it's a program of our customer, but this will be in the year 26-27. Okay.
- Mumuksh Mandlesha:** As you mentioned Kia order seeing a significant volume higher outlook for the model. So, can you share what kind of revenue for sunroof we can see for this year and next year based on these two orders?
- Manoj Kolhatkar:** **Mumuksh** we don't share the outlook generally. Right now, I can't but I can only say that the model that we won, they are also planning to introduce an electric model on the same platform. So, that's how the numbers have increased as far as our business is concerned for Kia. The SOP work for which will start in the last quarter of this fiscal.
- Mumuksh Mandlesha:** What would be the royalty charged by Inalfa for the sunroof business for this quarter?
- Rishi Luharuka:** Those are sort of confidential document where we don't have an understanding with the JV partner to share it with you. But broadly both the partners once we have formed the JV, currently it is not formed the JV. We are still the 100% subsidiary of Gabriel. Once we formed, it's in the range of 5% to 6% for both the parties total.
- Mumuksh Mandlesha:** I want to check on the progress on the new product line business expansion. And is it fair to say the focus would be on the tech agnostic area and we would look into new products where there would be large revenue potential opportunity like what we did for sunroof. Can you share any update on the new product business?
- Manoj Kolhatkar:** So, on the new product line there are two things. One is within the domain that we operate in terms of suspension. So, here as I had mentioned, we are exploring very deeply for two new applications. They are not new products, but they are two new applications, wholly new applications. One is the e-bike and the second is the solar damper. Our team was in Taiwan for the e-bike exploration. So, we are engaging some experts to help us guide because there is an area which is not present in India. We are already engaging a couple of experts to guide us in this space. We have developed the product. It has come out well and is appreciated by the customers. And the second part is the solar dampers which is needed for the solar panel trackers. So, even that we had a customer visit, the first customer visit in this business and a lot of interest shown by them. So, these are the two new applications as far as suspension is concerned. However, in terms of that getting translated into revenues for this year is difficult. We are still targeting some very minor sales this year for these two products. Now the second part is the product diversification like we have done for sunroofs. So, yes, you rightly said the diagnostic is the lens that we are looking at. And we are still exploring even in suspension space we are exploring some targets to add to our technology bouquet and augmenting our technology strength from some experts in this field. So, these as of now we don't have anything to share but hopefully in I would say in this year definitely, we will be able to share more details on the same.
- Mumuksh Mandlesha:** Rishi sir, can you share the CAPEX output for FY25 for standalone and consol?

- Rishi Luharuka:** So, Mumuksh, standalone we are looking at Rs. 100 to Rs. 120 crores. Usually, we do 30 crores of routine CAPEX. Apart from that there will be capacity enhancement CAPEX for debottlenecking and there will be some on the digitization and the IoT this year. And for Inalfa well we have yet not formed up. Looking at the orders, we will have to decide when do we put the line. But give and take Rs. 40 odd crores would be sort of the expense on capacity enhancement for one more line.
- Moderator:** The next question is from the line of Nikhil from SIMPL.
- Nikhil:** Nikhil here in place of Viraj. First on the base business, if we look at our gross margin profile it's still in the 24%-25% range. Even though two-wheeler which is a better margin business as contribution has increased. So, how should we look at this margin profile improvement. Even the product mix is improving while the gross margin is still the same. So, if you can just share any thoughts over there?
- Rishi Luharuka:** So, Nikhil again you've already seen improvement in gross margins in this quarter. Two prongs to that. One is the sales mix within the segment as well. So, premiumization is definitely going to help us. And to that extent the new orders that we are winning will help us improve that piece. While you are right that overall, two-wheeler business is better in terms of margin that improvement in margins of passenger car will also improve the overall numbers. And having said that the cost reduction program CORE 90 that we run year-on-year, we have identified several opportunities which we have already kick started this year. And we still stand to what we had shared last time in terms of moving into a double digit margin.
- Nikhil:** And on the export part, on the e-bikes you mentioned that we are still developing the product and probably the revenue kicking will not happen this year. But on the DAF, I think the additional orders we've been talking about for last two-three quarters in terms of new products which we have won. So, where are we in turn? What is the status over there and when do they start commercializing, some idea like is it this year, next year?
- Manoj Kolhatkar:** Which one you're talking of the e-bikes?
- Nikhil:** The DAF exports.
- Manoj Kolhatkar:** We are already exporting to them. we are selling cabin dampers to Europe and now they extend us to Brazil as well. So, that is happening. Now we were always looking at adding a new product which is the main damper in the truck, which is the axle damper. So, even that is now they have already sent us the RFQ, and we have almost finished our commercial discussions. So, that SOP will definitely not happen next year, but it will be in '25-26. And as far as e-bike is concerned, you should understand this it's a totally new area, so there's no commonality of customers or commonality of markets for us. So, it's a completely what do you call a new area for us. So, that's why we have now narrowed down on some global experts who have been in this business. We have finally located a couple of them, and this should help us streamline our efforts and

convert our product into actual sales. That we are targeting some sales this year, some marginal sales to just kick off the journey.

Nikhil: And last question from my side. So, our stated ambition was to reach that double digit margin. And now if you look at the auto industry growth, the numbers are more like gradual versus what we've seen in last 2 years. Would you say that there is still lot left in our P&L to move to the double-digit margin or is it we have to sustain at 15%-18% growth to move to that double digit margin? So, is it more operating leverage driven or do you have enough lever to pull probably and reach closer to that double digit margin. So, how should one understand?

Manoj Kolhatkar: So, one thing of course in Nikhil is that if you look at the sunroof business, clearly it is going to be margin accretive. So, that is as far as sunroof business is concerned. But now on the core business and on the suspension itself, there are several levers like exports and aftermarket which we are pushing. And yes, you have seen the improvement. Now we come to 9%. Obviously, tailwinds and let us say leverage based on volumes will help. But nevertheless, we are looking at improving our own efficiencies through automation through the CORE 90 program and take this up further. So, we are not telling that we are stopping here as far as EBITDA, our commitment remains on double digit margins.

Moderator: The next question is from the line of Nishant Chauhan from Elara Capital.

Nishant Chauhan: I just wanted one clarification. So, did you call out the revenues for sunroof business in this particular quarter? Because I think I missed that number.

Manoj Kolhatkar: We said it's about Rs. 60 crores for the quarter that went by, Q4.

Nishant Chauhan: So, 60 crores revenue in Q4 and a positive EBITDA is what you mentioned?

Manoj Kolhatkar: Yes.

Moderator: The next question is from the line of Abhishek Jain from Alfaccurate Advisors Private Limited.

Abhishek Jain: You have won the business for the New Swift where your SOP is around 30%. So, how much incremental revenue are you able to generate in FY25? And will it help to increase your market share in the passenger vehicle which is now around 24%?

Manoj Kolhatkar: So, definitely the New Swift we have got the business which traditionally has been our competitors. So, we have got the business as a second source. The SOP is to start in the next fiscal, not in this fiscal, somewhere in Q2 of next fiscal. And we are expecting close to almost Rs. 90-100 crores of sale from this.

Abhishek Jain: In the sunroof you have mentioned around Rs. 58 crores revenue. So, how much volume did you supply in the 4th Quarter?

Manoj Kolhatkar: 23,000.

- Abhishek Jain:** And this business is right now under 100% subsidiary and later it will be under JVs. So, what would be the stake in the JVs and CAPEX?
- Manoj Kolhatkar:** Can you repeat the last part? What would be what?
- Abhishek Jain:** What would be your stake in JV and what would be the CAPEX?
- Rishi Luharuka:** So, we are waiting for some approvals post which the partner can induct the capital in the entity and then the JV will get formed. As of now it's difficult for us to target a date. And the next question was CAPEX. CAPEX as we mentioned we would be looking for a new line end of this year, early part of next year, the estimated CAPEX would be around 40 crores.
- Abhishek Jain:** Sunroof you told about that this quarter volume was 23,000 units. But you are saying that the monthly run rate would be around 10,000 in the coming quarter. So, I am not able to understand that.
- Manoj Kolhatkar:** 23,000 is for the quarter. In fact, not for the quarter to be precisely, we started SOP in the month of December. So, about 23,000 from December which was a very nominal figure. But Jan-Feb-March of 24. But we were hitting a production of 8,000 per month in Feb and March. Now that has gone up to 10,000 because the Hyundai, New Creta is doing well. So, that's how it's 10,000 number now.
- Abhishek Jain:** And at a full capacity of the 2 lakhs, what would be EBITDA margin and ROCE?
- Manoj Kolhatkar:** We don't share that but clearly this is EBITDA accretive. So, we will have a clear double digit EBITDA margin at the full sales.
- Abhishek Jain:** My last question is how much current content per vehicles in the Ola and how much share of business with them?
- Manoj Kolhatkar:** Again, we don't share the figures of content per vehicle. But suffice to say that Ola, I mean both the front fork and the shock absorbers 100% with Gabriel.
- Moderator:** The next question is from the line of Kunal Sabnis from Nine Rivers capital.
- Kunal Sabnis:** On the sunroof, the first question on sunroofs translates to about 25,000 per unit, the numbers you've shared. And you are running at about 60% capacity. I mean 10,000 run rate per month and a 2 lakh sort of capacity currently. By when do you expect to hit based on your expectations, when do you expect to hit full capacity on the first line?
- Manoj Kolhatkar:** Once we have this Kia platform starting in Q4 of this year, we should be somewhere near hitting our capacity.
- Kunal Sabnis:** And that should translate to about Rs. 500 crores of revenue run rate going forward from there if you hit like 2 lakh units.

- Manoj Kolhatkar:** I mean the pricing again while you did some quick back of the envelope calculations. So, pricing is not exactly that. And there are obviously some considerations of the customers based on property gains etc. But would again as is obvious the guess would be Rs. 400+ crores.
- Kunal Sabnis:** And how much time will you take to add the second line?
- Manoj Kolhatkar:** One year.
- Kunal Sabnis:** One full year you will take to just add the line.
- Manoj Kolhatkar:** Yes.
- Kunal Sabnis:** And secondly, on the margins bit, so you're at 9%. It's a great scale up from what we have seen a year or two ago. And with the two-wheeler mix going up you have sunroof margins which will be accretive and TVs margin improving? Is it a good expectation that you'll do sort of 10% EBITDA this year?
- Manoj Kolhatkar:** Well, I can say it's a good expectation. Yes.
- Moderator:** The next question is from the line of Mahesh Atal from Atal & Associates.
- Mahesh Atal:** My question would be on your axle damper, what's the kind of market size in that particular space which is a future product? I think you have mentioned it as a future development in your presentation.
- Manoj Kolhatkar:** The axle damper opportunity that we are discussing is not a very big one. But yes, looking at the commercial vehicle it definitely is significant. So, it's almost Rs. 25 crores per year in sales that we are looking at. But the important thing there is that we are not looking at only this. This will open up the axle damper as a product for us for global customers. So, it's more important from that point of view.
- Mahesh Atal:** And my second question is on railways, I think when you in the last phone call I remember that you told that the top line is not that great but it adds to the bottom line. So, how are we looking at railways hitting our top lines going ahead? Because there's a lot of traction coming from railways I feel. So, how do you see railways panning out for you?
- Manoj Kolhatkar:** So, railways definitely. I mean we still maintain that while top line is not very good and the growth while it has been good last year, post Covid there has been some recovery as far as production is concerned. But these are, Indian Railways being a government entity the rate of growth is very slow. If you talk about the coaches, LHB coach production which last year was about 5000, in this year it's 5600. Total coaches is going from 7000 to 7600 or 8000. The rate of growth is not, the absolute size also is not very big. But yes, as I already shared the good part is that we are now there on LHB, we are there on EMU, we are there on loco, we are there on Vande Bharat. So, every need of Indian Railways is catered to by Gabriel. And this is a tendering business. So, yes, obviously we cannot expect more than 25% share becomes difficult.

Mahesh Atal: And coming to sunroof, so basically when you say that you're already in Creta now. Are we also targeting other brands? Like why are we waiting till our 4th Quarter just to I mean when the Kia's electric whatever version is going to come or you had a word with them whatever it is. So, why are we not targeting other brands when the capacities are already in line and why to wait till 4th Quarter? Because I think you are the one Indian player, I think. And who are you competing with in India, if you can throw some light on that particular segment?

Manoj Kolhatkar: So, the first player in sunroof actually is Webasto of Germany. They have fully owned subsidiary in Pune and they have put up a plan in Chennai. And the second is Golde, was earlier CIE Golde. We are the third player and second, even if we wish to we have to wait for the customer to launch the product. So, we have won the business of Kia. Now the SOP of the customer is in the month of January. So, obviously we'll have to wait till then. Now the other part is yes, with regard to other customers we have already had very detailed discussions and meetings with all our customers because as you know we have excellent relationships with Tata, Mahindra, Volkswagen, Maruti and all customers. We already had several discussions. The good part is we received RFQ from almost all of them for a new program. But yes, the start of production dates were completely impossible, so we obviously could not meet them. But yes, this is just a start. We will definitely be there for the next RFQ. That point is made and we will hopefully see us winning business beyond Hyundai and Kia in other customers somewhere in this fiscal. Part of production we have to depend on the customer, I mean their SOP.

Mahesh Atal: My last question would be, if we are looking at getting good business in this sunroof segment. And when you say that it will take you one year time for a new CAPEX to come in. So, why are we not looking at because you said that there is only 120 crores of outlay of CAPEX this year, so don't you think it's good for us to look into the expansion side also from now because over the time I think will be off your capacities.

Manoj Kolhatkar: So, let me explain. What is more important in this is to ensure that we have a facility which can accommodate two lines. So, that is what we have done. That's why we took a facility which is pretty big, 1,70,000 square feet where we had only one line, but we have provision for more. So, that we have already done. Now coming to the other part, the manufacturing of these lines, these lines are imported. Even the machine is imported. There is a lead time for that. That is why I said we have already taken the decision and we will be going ahead with the expansion to new lines this year itself. But the ordering and the physical line to come will take one year.

Mahesh Atal: So, basically, what I understand is that you will be placing an order, but the delivery will be after a year, what you say, if my understanding is right?

Manoj Kolhatkar: That's right.

Moderator: The next question is from the line of Akshay from Anand Rathi.

Akshay: It is heartening to see margins inching up to double digit instead of less than 10%-11% in the next couple of years. Clearly, the trend of minimization has helped and you in your opening

remarks you mentioned about the European business that you would be selling that would be commencing by the month of July. So, just wanted to know who is the customer for the same, what type of volume they're expecting? Also, in the earlier comments you talked about the 26 crores revenue that you would be generating from the FSD dampers. So, just if you could talk about this business.

Manoj Kolhatkar: Akshay, there's some confusion. So, what I mentioned was Rs. 25 crores revenue, we are expecting from the DAF Netherlands which is a leading commercial vehicle manufacturer of Europe and the world. That for the new product that we are discussing, the SOP for which will happen in early '25 that will be about Rs. 25 crores peak annual sales per year. Not in the month, there is some confusion.

Akshay: What would be the European business. the OEM that we would be selling to? And if this translates to better margins, similarly you would be developing the same for M&M. So, how would this work out for the domestic markets and for the European markets? What type of business you would be expecting from the long-term exports?

Manoj Kolhatkar: Our exports is just about Rs. 100 crores. So, yes, while this figure could have and should have been much better which we have been telling all along. But a positive way of looking at it is the upside is much higher and with this axle dampers, we will open up a new product line. So, that will be very important as far as commercial vehicle is concerned. We are in discussions with two other global passenger car OEMs. I mean when I say discussions, advanced discussions of getting some new business and new opportunities as fewer exports. But that will fructify in terms of getting the order, we expect them to fructify in this fiscal. But the sales will be at least 2 years from now.

Akshay: My second question on the sunroof part, again in the earlier comments you mentioned that the by F25 post Kia coming up with better volumes, so we can expect revenues around Rs. 400 crores for F25 or was it spread over the next 2 years in the program?

Rishi Luharuka: Yes we're talking about FY25 annualized. So, you can take 25-26.

Moderator: The next question is from the line of Amit Hiranandani from SMIFS Limited.

Amit Hiranandani: Can you please explain more about the new upcoming product which is solar dampers, the market size and who is currently making it the revenue and margin potential for this?

Rishi Luharuka: Amit, I will just start there as Mr. Kolhatkar will come back. So, essentially this product, what happens in the western world is that with the changing sun direction the solar panels also need to be aligned to it, so as to get better utilization of the heat. Now to do so, there is a damper that is being put which effectively helps in the movement from left to right or from bottom to up. Now in that situation these are large dampers much bigger in size and while the utilization during the day is smaller but the weight that they carry is pretty high. The closest product for us would be sort of a railway damper. So, we have looked at the market, we have looked at who are the

people who are buying. They are largely those who are doing the installations of these panels in the country and outside. The question was with regards to solar damper, the market size.

Manoj Kolhatkar: It's a very big market size in terms of solar dampers and a good I must say good price product as well. Margins also we expect to be quite good. This is quite similar to our railway dampers. So, that's why it gives us an edge to actually meet the customer requirements.

Amit Hiranandani: Any new order wins in the railway business, so how much railway is now contributing within that CV and railway segment?

Manoj Kolhatkar: We shared last time; we are there on all platforms so there is no particular new order win. But yes, we won the order from Siemens for the loco where they have got a contract to manufacture the electric locomotives. So, we have won 50% of the business from Siemens.

Amit Hiranandani: And how much it is contributing now to the CV and railway segment?

Manoj Kolhatkar: Again, this SOP will start later in '25-26, it's not now and the size of this is still nowhere near what we are. It's a decent size but not very large.

Amit Hiranandani: I mean my question is basically how much railways revenue is as a percentage of your CV and railway segment?

Manoj Kolhatkar: Of CV and railway segment. That's still a small, I would say.

Rishi Luharuka: Because it's a small number we usually give a split of commercial vehicle and railways. Sorry we will not be able to share that.

Amit Hiranandani: My second question is on the aftermarket business. So, from where the growth will come in this business for the coming 2 to 3 years and are we still aiming for the mid-teens growth in the aftermarket?

Manoj Kolhatkar: Yes, certainly. So, the growth will come by penetration into all the interiors. India is a vast market and yes, definitely there's a good I mean good offtake of aftermarket products. We are also launching new products. We had launched over the last 2 years the tyres and the brake pads, we have also launched cone-sets, we launched bush kits, several products that we are launching and continuously adding to this basket whereby we leverage the Gabriel brand. So, that way we will be able to definitely stay in double digit margins as far as growth is concerned.

Rishi Luharuka: And if I can just add, with improvement in the overall passenger car sales and the models therein there is going to be a cascading effect in the aftermarket piece as well.

Amit Hiranandani: Just last quick small two questions. Just on the export side, it has been degrowing on a YOY basis since last three quarters. And secondly on the margin side basically on a Q-on-Q basis we have seen EBITDA margin has improved. So, what has led to that and how confident you are to take this margin to lower double digit by FY26?

- Rishi Luharuka:** Two parts of the question. First is that while mix plays an interesting role, it is not the lever that we were banking on. These were tangible cost reduction and profit improvement projects and we have not fallen short of the forward-looking projection internally in terms of export. So, that was already baked in. In terms of being confident, yes we have stated this during the course of the whole year and we've delivered the Quarter 4 results and we are fairly confident of continuing this and taking it to the double digit.
- Amit Hiranandani:** And on the export side its year-on-year degrowing since last three quarters.
- Rishi Luharuka:** So, one obviously, the Russia piece has played out from the previous year to this year. But if you look at the numbers, the numbers are almost flattish for the last three quarters. But yes, some impetus on DAF that we have mentioned and some improvement in the aftermarket exports is certainly going to help.
- Moderator:** The next question is from the line of Mamuksh Mandlesha from Anand Rathi Institutional Equity.
- Mumuksh Mandlesha:** I just want to understand next two orders what type of sunroof will be? It will be panoramic or TVS for next two orders.
- Manoj Kolhatkar:** It's currently both panoramic.
- Mumuksh Mandlesha:** And just want to understand on industry you mentioned three players. So, broadly what kind of market share would the other three players would have in the market?
- Manoj Kolhatkar:** Webasto is number one clearly because they were the first mover advantage, so, they clearly are number one. And I would say in terms of volumes with Hyundai and Kia, we should become number two.
- Mumuksh Mandlesha:** Is sunroof now fully localized in India now with the three players or there is still a lot of imports happening?
- Manoj Kolhatkar:** It's a long way for localization. So, localization levels are still very low. But it will definitely improve over the next 2years.
- Moderator:** The last question is from the line of Nikhil from SIMPL.
- Nikhil:** Just two clarifications, one is on Inalfa, the current quarter margins which we have reported is after the payout of the royalty or as of now we are not paying?
- Rishi Luharuka:** It is after the payout of the technical assistance fees.
- Nikhil:** And secondly Rahul you mentioned that we should be able to reach double digit margins Inalfa. Would it be even at like 60%-65% utilization which we are running currently or would that Kia order and everything comes in at optimal utilization we should be reaching there?

Rishi Luharuka: With the Hyundai program itself we should be able to reach there.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Manoj Kolhatkar for closing comments.

Manoj Kolhatkar: Thank you. Thank you once again for all the questions. Clearly, we are seeing a lot of interest in sunroof which is very good to know. And hopefully as I said as we go along this year, we definitely hope to add some more interesting news as well. And yes, nevertheless thanks once again for the support and for the year that went by and look forward to an equally exciting year and good pick up post the elections. So, thank you and all the best to everybody.

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