"Gabriel India Limited
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Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY2021 Earnings Conference Call of Gabriel India Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Kolhatkar – Managing Director of Gabriel India Limited. Thank you and over to you, Sir!

Manoj Kolhatkar: Thank you. Good evening everybody on the call and a very warm welcome. Firstly, I sincerely hope and pray that all of you and your loved ones are in the best of health and safe in the confines of your home or in a safe bubble.

We all know that the second wave of pandemic has actually wreaked quite some havoc, particularly in Mumbai, Pune to start with, but yes, thankfully as we all know it seems to be coming under control, while it definitely has not gone away.

Joining me today on the call is Rishi, whom you are familiar, our CFO; Nilesh, again whom you are familiar, our Company Secretary and SGA our Investor Relations Advisors, thanks to them for joining. I hope you had time to go through the results and the presentation, which was rather short this time because we just finished our board meeting pretty late today, but I hope you did still have some time to go through them.

Before we get into the numbers, I hope I am audible because I am wearing a mask, so pardon me if I am not fully clear as we are all sitting in the same office, in my office in fact. I will try to be loud. So, I hope, before we get into the numbers let me provide you with an update on how the current environment is shaping up. We did see a very solid quarter in terms of Q4 of last fiscal 2021 and since then in fact even April was shaping up well and then we had the second wave of pandemic. Unlike the first wave, second wave has seen deeper and wider penetration and now actually, we are seeing the penetration go into the rural areas and the villages. One more feature, which was a little different in this second wave was we had localized lockdowns and restrictions imposed by various states at various different times, so that added another challenge to us in terms of our operations because we have interdependencies on plants and supply, I mean, in terms of the supply chain, whereas last year it was an entire nationwide lockdown, so we could actually shut the plants at all locations. This time we did not shut any plant except maybe Nasik plant because the government had mandated for a period of one week we had to shut that, otherwise, all our plants have been running through the lockdown, may not be on full capacity, but yes because the customers were running, so this was a little different in terms of the lockdown scenario in the second wave.

However, with this vaccination program, which is now open to all above 18, we hope that they will be immunity developed among the population and our economic activities will bounce back to previous levels, well I really cannot take a guess as to when, but generally as a company, as an industry, we are hoping that things should start picking up in the month of July. June also might see effects of the second wave while numbers are down, we all are seeing that but still states are not opened up, the retail outlets are still closed so it will take some time for people to get back to normal levels.

At Gabriel and Anand Group, we believe that we have been better prepared this time in terms of COVID-19, yes we did have impact. We unfortunately are very, very sorry to share that we did have even the sad demise of two of our colleagues in Gabriel and even in Anand Group, we had almost 10 succumbing to this devastating virus. But we did ensure very solid protocol to ensure and guarantee the safety of employees who are coming to work despite this COVID challenge. So firstly I would like to also put on record the fantastic work being done by each coming to the shop floor every day and working with all commitment to deliver the products.

We currently have across all our 7 branches about 52 active cases., I must say good number because this number was much higher in the month of April, it has gradually come down and the trend is definitely going down. At Gabriel and Anand Group, we believe safety of our employees is of utmost importance, so safety is first and then comes everything else so we have introduced lots of policies, we have amended many policies to help the employees, also to give them some mental comfort that is very, very important in these times because we are all seeing that people are really extremely stressed. One is the vaccination policy, we have started a group vaccination policy to ensure all the eligible employees above the age of 45 are vaccinated 100%, we have done that. Now since above 18, a lot of our workforce are young Diploma holders, so we are waiting for the vaccinations to actually start, being available and then we have even tied-up for doing the same. In addition, as I mentioned on the mental front, in terms of the mind of people, we have launched what we call a wellness initiative called Positive Pulse where we are providing access to all employees for personal online counseling 24/7, so that employees can reach out to people, talk to them, get some assurance, get some counseling which is very, very important in these current times. For the people who have unfortunately passed away, we have also amended our policy to ensure that their families are taken care of, their children education is taken care of to the best possible extent. So these are some of the things we have done at Gabriel and Anand Group in these very tough times.

Although broad uncertainty remains in the near-term, we believe our ability to manage the situation during the first wave, provides us adequate comfort that the inherent strength of our business model will allow us to successfully navigate near-term challenges and drive a gradual and sustainable uptick in performance when things start returning to normalcy.

I am delighted to share that the board of directors have recommended a final dividend of Rs.0.70, which means the total will be Rs. 0.90 per share of Re.1, interim was already Rs.0.20 as you know so in addition to the Rs. 0.20, Rs. 0.70 has been added, so it is total of Rs. 0.90 paisa.

Now moving to the numbers, we have delivered a reasonably good performance, I presume in FY2021 despite the severe challenges as you all know. Post the partial lockdowns and easing of restrictions, we witnessed a very sharp recovery and we were able to deliver a topline of almost Rs.1,700 Crores, I must say in the current scheme of things was really better than even what we expected, thanks to the auto OEMs who really picked up speed very well. EBITDA at Rs. 107.6 Crores and PAT came in at Rs.60.3 Crores in FY2021. We delivered a revenue growth of 37% in the quarter, , Rs. 580 Crores revenue which is in fact our highest ever quarter in terms of revenues. This comes on the back of strong growth in all segments, of course we really cannot compare the Q4 of previous year because we all know from March 23rd last year, there was a 10 day lockdown so it was complete washout for the last 10 days of 2019-2020.

The automobile industry also maintained a decent month-on-month growth led by gradual improvement in urban markets and continued positive traction in rural markets. Within the CV segment, LCV volumes witnessed a decent improvement with high growth in March 2021. M&HCV also started witnessing strong growth in the quarter, however, we are seeing that growth again slip up in the current months.

For the first time after a year, three-wheeler segments started recording volume improvement both on month and year-on-year basis in Q4 2021, which is good news because we are a dominant player in three wheeler market. We recorded 49% year-on-year growth in EBITDA in Q4 to Rs. 49.3 Crores, margin stood at 8.5% up 0.7% year-on-year.

As all of you are aware, the significant increase in commodity prices has continued this, quarter in fact we continue to keep getting and hearing of further commodity price increase especially steel, but thanks to our initiative of core 90, which I did elaborate in the last several calls which is cost reduction 90 days. This has helped us offset that impact to some extent and that is how you see the improvement in EBITDA margins.

Moving on to the balance sheet and cash flows, we continue to maintain a robust balance sheet with net cash of almost Rs. 270 Crores for the year end, again you have to look at it in view of the challenging year that we have had. We maintained our thrust on collections and continuously working on reducing our inventories. This led to a healthy cash flow from operations to the tune of Rs. 204 Crores for FY2021 as compared to only Rs. 120 Crores in FY2020.

Our net working capital day stands at 19 as compared to 33 of March 2020. We will continue to make capital investments in R&D, automation, line balancing to be prepared for the future because we believe these are some things that we should not be moving away from. Capex incurred for FY2021 stood at Rs.47 Crores, which included this Anand plant expansion, the tech center at Jharkhand which is now completely ready for the four-wheeler and commercial vehicle and railways and the Hosur expansion in the casting plant as a part of our backward integration to reduce import content, which again I had shared in the last call. We have planned the Capex in the range of Rs.80 to Rs.100 Crores for 2022 of which Rs.50 to Rs.60 will be spent towards plant and equipment maintenance of all the seven plants that we have. We will add Rs. 20 Crores in the backward integration in terms of the casting facility for the front fork outer tube for the two-wheeler front fork suspension.

Our aim clearly is to reduce the import content in the raw material cost in this year. Coming to segment wise performance, we saw a very good traction in two-wheelers, we continue to maintain a very high level of engagement with our customers and are focusing on enhancing our market share and that has been seen in the results. As you are aware, EV trend is accelerating, especially the first to adopt will be the two-wheelers and three-wheelers again as we all know and we have the formal LOI from Ola electric and we have given them a new technology front fork and rear shock absorber and they have been very satisfied with the product development that we have done and now we are looking forward to the ramp up, in fact just yesterday we also got the ramp up plan indication. As you may have read or seen in the video, which is available on their site, Ola electric, they are really going very aggressively on the plant, I mean setting up the plant with full speed. We are also glad to report a sequential uptick in our passenger car segment, which has not been as good as two-wheelers in past years, but here we have really filled up our business pipeline also very well and we already have the S-PRESSO, the Brezza is doing very well, the Maruti Brezza and also Brezza gets bagged as a Toyota Urban Cruiser as well. So that also is doing reasonably well, so this is something in addition and based on the flawless execution of the last few models that we did with Maruti, we have already won the new Maruti Jimny, this is going to be produced in India and probably this might be the base for exports as well for Maruti Jimny. In addition to this we also have won another two orders from Maruti, one of which is a replacement. With Mahindra, we are already on the new Thar, which is doing quite well and we are on the new XUV, which is going to be launched shortly. The development of this has gone very well with really almost customer delight being shown by the customer on this new technology that we have introduced for their suspension, which will be introducing in suspension. The Volkswagen program also is going on. We also have got nominated for the Tata Motors Tiago and Tigor, the initial supplies has just started in the month of April and this should definitely catch up in the next quarters.

Moving to CV space, as I said sales did pick up and our dominant position continues in the market but the industry is still facing turbulent times and with this second wave it has even gone completely backwards. Aftermarket continues to be a strong story, we did almost Rs.257 Crores in FY2021 and aftermarket in fact contributes to almost 15% of our revenue in 2021. We are leveraging the brand name successfully by launching new product lines, we are focusing on the core segment as well to try to increase the sales in our basic suspension commodity in absolutely all interiors of India as well. Exports has also been a good story, our exports have started doing very well, we had a growth of 163% year-on-year if you see for the Q4 FY2021, our export went to almost Rs.21 Crores in this quarter. We are seeing really good traction in the exports, the journey which we started quite some time back and some more orders are being right now under development which we should start suppling very soon.

So on the whole we did start this year on a very, very positive note as I said, I mean, after especially Q3 and Q4 of last year, April also went well but yes the second wave has got all of us, the entire nation unawares and we are still grappling with it. There are talks of a third wave as well, I mean, I am not an expert but people say this might happen in the period of October, November, which is again a festive period for all of us. We really do not know what will be its impact, how rampant and how infectious and how severe it will be because second wave really has shaken all of us I am sure, so we will have to see, I mean, so what we have decided is we are just embarking on some scenario planning, it is difficult for us to even project any kind of figures but what we said is we will do couple of scenarios, so that our action plans are ready to take care of different scenarios. So that is all that I had to share with all of you and I once again sincerely pray that all of us remain healthy and we very quickly recover and start seeing good days at the very, very earliest but till then please stay safe, please get vaccinated and I mean do not let your guard down is all I can request everybody. So thank you and over to you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Good evening sir and congratulations on a great set of numbers, not only for the quarter but managing the full year financials in a very strong way, so great work to the team. Sir, I have two questions, one is on export, I think the scale-up has been pretty good, but just to understand how both the models, the VW model in Russia and the DAF, how are they performing in the end market and do you think that this Rs. 20 Crores of run rate which we have been maintaining can we sustain as a base case and build up on this for which you mentioned that some more orders might be executed over a period of time? So, one is on how the models are doing in the end market and secondly how do you see the build up over this Rs. 20 Crores quarterly run rate or Rs.80 Crores annual run rate?

Manoj Kolhatkar: Thanks Nikhil for the compliments. On the exports, we definitely see it sustaining, not only sustaining we see it growing as well just to share with you DAF Netherlands have increased the order they have placed on us with respect to the original plan. It is of course a small increase, but nevertheless an increase and why I am telling it will not only sustain but increase because a couple of other shock absorbers are under development, which we should start in the next quarter. So definitely they should sustain. Volkswagen has been steadily picking up, we are doing almost five containers a week so that has been going very steady. Even that there had already been an increase this was supposed to be little lesser, we have already got that increase and we are delivering that and it is a quite a robust model and a very well accepted model in Russia. I do not see that going down in any way. In addition we are also looking at, the OE part, even our aftermarket exports last year, I mean in fact, we posted a growth on aftermarket exports compared to 2019-2020 despite the COVID year, we actually grew on a small base but the encouraging part is we actually grew in aftermarket exports, so those efforts continue. I am pretty sure that we will not only sustain but we will in fact improve this going forward unless of course currently the only if is these COVID waves hitting in those respective countries but as we know the vaccinations have been done in those geographies and I do not think we should feel much on that front.

Nikhil: Just one follow-up sir. I think in the last call you had mentioned that the order pipeline in terms of new orders which we were getting were also looking good. So, if you can share anything other than the two existing customer, how is the order pipeline looking at in terms of from other OEMs or anything which you think is worth sharing?

Manoj Kolhatkar: You mean domestic?

Nikhil: No, on the export side.

Manoj Kolhatkar: Export side, well we are in a very advance stages to discuss it. I can say at least two big OEMs currently. But yes these things takes time whether it will click or no, I really do not know, well the China Plus One strategy we are seeing that will play to some extent. So I certainly see a window of opportunity, it is very difficult for me to say right now because these orders as well the ones which we are delivering today took almost three to four years for us to continuously follow, chase and fructify finally.

Nikhil: And just one last question, sir, if we look at like, if I am not wrong in the CV side, MHCV and LCV, our market share is pretty significant, I think 80% to 85%. If I am not wrong and last two to three years if you look CV had seen a really bad hit in terms of sales and everything. Now as what the industry is expecting that from on low base, probably we will see some growth so do you think there is some operating leverage as a CV sale start picking up, this can play out for us or would it be a different conclusion. So how should we understand if the CV cycle does improve even from a low base of 10%- 20% growth, I think there should be operating leverage for us as well. So how do you see it?

Manoj Kolhatkar: Yes, certainly there will be operating leverage, in fact Nikhil in the last quarter we had started seeing the CV numbers really started going up very well and just to share with you we have a union in our CV plant and we signed a very, very good agreement, both benefiting, the complete win-win agreement and they started delivering higher numbers as well, responded very well and volumes had started increasing significantly and we were seeing an operating leverage happening during those times. So yes I think certainly when volumes come back and just to share we had thought that CV will grow by a minimum of 50% in this financial year, those figures ranging from 40% to 90% in the industry and I am talking about the OEMs themselves, they were sharing 40% to 90% and we said 50% will definitely happen, well we will have to see, it will come back for sure but I do not see that happening in even in the first two quarters if you ask me.

Nikhil: Thanks a lot sir, I will get onto the queue.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Thanks for the opportunity. Sir two questions. Question number one, on the passenger vehicle side the models that you mentioned, so are we the primary supplier and what would be our share of business? secondly if we have to look at over the next three years or next four years, how big passenger vehicles can be in overall scheme of things for us?

Manoj Kolhatkar: Chirag so firstly passenger car, like I mentioned earlier, normally it is a 100% share. there is no share of business meaning if I get a particular model, we get it entirely. So whatever models that I did mention in terms of Maruti or Mahindra and the other models is completely 100% with Gabriel. W except Tata we are sharing yes. Second in terms of passenger car, we definitely want to grow this percentage much more than what it was, it is only let us say 20% to total sale, we would want to take it at least to 30%. We are building that pipeline, thankfully as I said we are getting some good orders, good pipeline build up from all the key customers, Maruti being the main one so our target would be that, yes.

Chirag Shah: And sir one question if I can squeeze in, is on the import content, so you shared your aim is to reduce import. How much is import for us in the raw material, a ballpark number also would be fine and how are we going about to reduce it and by when we can see those efforts fructify.

Manoj Kolhatkar: We made a very elaborate plan of reducing our imports and that is why as I said we invested almost I mean Rs. 25 Crores in backward integration, which is the biggest commodity that we are importing in terms of castings that is firmly in place. Also we are developing some suppliers locally, where we had to actually also handhold them to some extent so that they develop very well with all our quality requirements. So our imports for 2021 would be in the range of let us say 11% of our total. This year we will definitely want to bring it down by at least 3%.

Chirag Shah: 11% of the raw material basket?.

Manoj Kolhatkar: Yes.

Chirag Shah: Thank you very much and all the best.

Manoj Kolhatkar: And in 2022-2023 I mean we definitely want to see this figure come down to as low as possible.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Good Evening Sir and thanks for the opportunity, first and foremost I wanted to understand what is the bigger opportunity with Ola electric? So are we the sole supplier to Ola electric and do we have sufficient capacities to reach back to them because the company is talking about a million units next year sometime right? So if you can share what are the ramp up plans that they have shared with you and some other color on that front?

Manoj Kolhatkar: Yes, Shashank yes Ola is talking of really very big volumes, he has very ambitious plans I mean 2 million two-wheelers in a year and ramp up also what they have indicated is quite aggressive. Yes, but being a completely new player for them to even develop the distribution network it will take some time, it would not be such a quick ramp up. So right now we are obviously going to invest in terms of additional machines, additional lines, little bit of enhancing in capacity of our powder coating etc. No building as such, but definitely in terms of only machines. So that we will be doing to meet the immediate requirement; however if it really goes to 1 million plus, we may have to look at ways of finding space within our existing setup.

Shashank Kanodia: So sir this content per vehicle is almost the same as a usual two-wheeler right from Rs.1,200 to Rs.1,500 per two-wheeler unit, right.

Manoj Kolhatkar: Well content per vehicle is much higher than that what you have just mentioned that figure. As far as Ola is concerned and we are the sole source.

Shashank Kanodia: Sir, but you mentioned in your opening remarks that you received some ramp up plans so if you could share something that three months to six months down the line what is the quantum of supply are we expected to supply to them?

Manoj Kolhatkar: Yes, unfortunately I cannot share the plans because we have signed a confidentiality with the customer. So as of now I cannot share the plans, but all I can say is they are really aggressive, I mean Bhavesh Agarwal wants to change the landscape of EV in India so yes I mean really very ambitious and very passionate about it, I will say.

Shashank Kanodia: So sir if we were to expand our capacities meaningfully so in what position are we really expanding, will it be a Brownfield expansion or Greenfield expansion any color on that sir?

Manoj Kolhatkar: Well as of now, as I said, we are only adding to the current location in Hosur We are able to accommodate these machines and addition lines that we will need for Ola. So that we will manage to do, but if it goes to 1 million plus then we will have to look at the Greenfield.

Shashank Kanodia: And what time will it take sir roughly for a Greenfield to fully come up.

Manoj Kolhatkar: Greenfield, well max of nine months.

Shashank Kanodia: So, sir the point that I am trying to drive is so we are not going slow for us to miss the bus right so that is what we want to uncertain.

Manoj Kolhatkar: We are not, I mean we know that ramp up cannot happen so quickly, but we have adequate, let us say in the worst case we can always add on to the space, by renting space and shed.

Shashank Kanodia: Sir my second question is related to the RM functional, in initial remarks you mentioned that there is a pressure on raw material prices especially steel also sequentially our gross margins have really expanded so is it because of some product mix change? can you throw some light there?

Manoj Kolhatkar: You are talking of the RM percentage increasing.

Shashank Kanodia: Yes, RM to sales decreasing sequentially for us quarter-on-quarter from Q3 FY21 to Q4 FY21.

But adversely there was increase in raw material cost across the basket for all the OEMs and as well as ancillaries.

Rishi Luharuka: Yes, so in fact basically on the commodity side we have been saying already that we are indexed with the customer. So there may be some timing differences that may cause an impact in one quarter whereas the reversal can happen in the next quarter that being one. Second also is with regard to the product mix that can change the landscape of the RMC percentage. So in this quarter if you are comparing with Q3 versus Q4 then there is both the price variance as well as the mix variance.

Shashank Kanodia: Thank you so much. I will fall back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Amyn Pirani from CLSA. Please go ahead.

Amyn Pirani: Sir my question is again on, you know, you mentioned that you have won orders from quite a few electric two-wheeler companies not just Ola, but there is some other names as well. What I want to understand was that in terms of our capacities that you are setting up are there dedicated capacities for these guys or are these fungible with your existing companies because if anyone or collectively they are able to do 1 million or 2 million a year, then I am getting that not all of it will come from market expansion, a lot of it will also come from lower volumes for the other existing companies, so are your capacities fungible or you will have to set up dedicated capacities only and how will it work?

Manoj Kolhatkar: It is, I would say, to a large extent fungible except to the extent of casting which we will have to have dedicated dais, then you might have dedicated jigs and fixtures but these are not big expenses. The big expenses mainly let us say are the machining centers that we need. The powder coating for which we do not need any what we call it is not dedicated to a part, it is fungible.

Amyn Pirani: That is helpful sir. Thank you.

Moderator: Thank you. The next question is from the line of Darshan Gangar from Axis Securities Limited. Please go ahead.

Darshan Gangar: Sir, can you please throw some light on the cost reduction initiative taken? What are we targeting and how much are we planning to the core 90 program?

Rishi Luharuka: Thanks for asking that question. So cost reduction initiative actually has now become a culture and we have been running this for the third year now and this year as well we are targeting in terms of managing as well as reducing the current cost levels. We have already described it last time that every single item in the P&L that you see as well as the working capital management is a part of this. And the one is of course to ensure that the budgeted numbers and the savings that we have considered in the budget that is achieved, second is also there is a stretched target that is being taken over and above that under this program.

Manoj Kolhatkar: And the good part is what we saw on this core 90, I mean we have, I think, shared a few slides as well in the pack so we have kind of like Rishi rightly said we are trying to make it as a culture so when people open their Laptops or PC screens this is what they will see on the screen, so it is continuous reinforcement and hammering that costs are really very important in the current scheme of things especially the volumes are unpredictable. This is what will help us save the day and the other thing is last time when the first wave hit, we undertook cost reduction exercises and obviously it went very well, we had some very good ideas and we in the sense the team thought that we are at the end of the ideas now but when we re-energize for this year, we are all really surprised pleasantly to see that well there are more ideas so the towel is never dry as you say.

Darshan Gangar: Yes, I understood that is good to hear. Thank you sir.

Moderator: Thank you. The next question is from the line of Jeetu Panjabi from EM Capital Advisors. Please go ahead. Due to no response, we will move to the next question, which is from the line of Shailesh Naik an individual investor. Please go ahead.

Shailesh Naik: Basically my question is on that electrical vehicle, as I understand that now with Ola we are exclusive right that is one, second is are we just supplying hardware or are we having some like sensors and then software for that so that there is a suspension optimizing system etc., or it is only hardware. That is my question.

Manoj Kolhatkar: Thanks, interesting question. It is only hardware, I mean, right now because India is a very cost sensitive country, so none of the products offer an electronic suspension as yet while we have developed one. We are testing it out but that becomes very expensive and even globally it is only there on very high-end bikes even if you buy. Let us say you go and buy a bike for in the range of Rs. 10 to Rs. 15 lakh let us say Harley or Triumph or Honda 650 or a Kawasaki or whatever, they also do not offer electronic suspension as yet, it is only present in literally 1000 plus CC.

Shailesh Naik: And similarly last time in the con call you had mentioned that there is a challenge to get into the premium passenger vehicles because either the volumes are very small or because of their international tie-ups? what is the way forward in that because unless we crack the higher end technology this thing in long-term we will never get into that segment? Is there a way we can move to export or what is the plan for that segment, which might be high margin suspensions?

Manoj Kolhatkar: Yes, what you said is right, one is in terms of exports, so exports one adds to your brand equity, it also helps us in understanding global customers, understanding global quality levels which we have done, able to plow it back into our products that we offer internationally. So certainly that will help. But while for premium products, because the volumes are small, I had mentioned last time was that the OEMs do not localize them because it is a huge cost and effort for them. So they do not localize the premium products so till we get the volumes, I mean until the OEM gets the volumes we we will not get any business so most of these are at equity part.

Shailesh Naik: But do we have the capability to address it if there is a volume?

Manoj Kolhatkar: Yes, we certainly have, just to share with you, I have got RFQs for even Audi, globally so it is not that we cannot address, only the electronic suspension part which we have developed on our own, but we are nowhere in a shape. I mean let us say production supplies, it is more on the prototype phase but the other products we are very well in a position to supply to global OEMs, just to share with you I mean we supply to even the Indian OEMs and their products are being exported in a big way so that gives us confidence that yes we definitely can meet any demand.

Shailesh Naik: Just one final question, I just wanted to understand for the entire shock absorber as a global industry what has seen as a possible disruption that might happen, is there a danger of consolidation or I mean what are the different risks which you see in the overall global shock absorber or suspension industry?

Manoj Kolhatkar: You are talking about the industry and not the product.

Shailesh Naik: Yes, as an industry.

Manoj Kolhatkar: I mean consolidation has still not happened We have not seen that that particular trend, well there have been, yes they have changed hands, some suspension players have changed hands over the years but in terms of consolidation, I have not seen much in that space. Typically suspension industry is I mean specialized and it continues to be so.

Shailesh Naik: Thanks.

Moderator: Thank you. The next question is from the line of Navin Martha from Mahindra Manulife. Please go ahead.

Navin Martha: I missed your initial comments. With regards to your order with from Ola electric whether if you mentioned the size of the order and what is the SOP?

Manoj Kolhatkar: Well Navin, thanks for your question but well I cannot mention the size of the order but we are the single source and the SOP is what they have indicated for two others from the month of August.

Navin Martha: Right sir that is all I have from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of from Jeetu Panjabi from EM Capital Advisors. Please go ahead.

Jeetu Panjabi: Thanks so much for all the insights that you gave. Now, I just wanted to understand next 12 to 15 months and are obviously COVID dependent, but if you were to look at what you think intuitively would be the industry growth relevant to you? Would a 15%-20% number sound reasonable or would that be out of line?

Manoj Kolhatkar: You are talking of growth or you are talking of drop.

Jeetu Panjabi: Growth. No well I am assuming that COVID fades down in the next few months.

Manoj Kolhatkar: Yes, that is right, all I can say presently, I mean, in fact we had gone through the budget and then suddenly the second wave happens and all the budget goes out of the window. So it is very difficult for anyone to take a guess, now they are talking about third wave so we are equally clueless, so we are also trying to gather from the industry what they say this year could be overall in the same line, a little better than last year but more or less in the same range. What we had originally thought is, it would be a very good growth but the good part Jeetu is that the demand on ground is solid okay. I do not think the demand has gone anywhere, in fact, I mean, my view would be we are currently, I mean let us say human beings and social beings, we are actually caged animals, the moment we find a good remedy to this and we find we are confident to get out of this COVID, all hell will break loose in terms of demand, it will be completely another picture. So my view is demand is really there solid, the rest of the fundamentals like crop like monsoon like I mean India's growth plans everything is intact, so I do not see that going anywhere, but if you ask me to take a guess whether it will happen this year, next year it is really difficult, however, based on the latest that we have we are assuming that after third wave, Q4 will be very strong, I mean assuming there is a third wave.

Jeetu Panjabi: Yes, so I think we are on the same page that we do not know when it happens but whenever it happens it will be very strong and the template for that would be what is happening in some of the developed countries where you are seeing an explosion and pockets of demand and a lot of areas and a lot of people getting caught short, which was leading me to the second point that assuming there is a point where demand is not very strong for various reasons including dealership shock and stuff, would you at some point produce to inventory rather than produce to sales and keep inventory handy so that whenever that demand comes and you are caught short on production you can use that inventory to neutralize that.

Manoj Kolhatkar: Yes, actually Jeetu we are exactly doing that currently, we have used this time because last year the recovery was so strong that we had to incur a huge amount of premium freight as you all know. This year we have consciously used this time to build up our finished goods inventory and idea would be to try to sustain that inventory so that we get out of this premium freight completely and second we are able to service the customer much better and we are able to reduce lot of inefficiencies which happen because of inventory not being there. So we certainly are working towards that what you exactly told in terms of building inventories.

Jeetu Panjabi: And finally this Ola discussion came up a few times now I am just saying it is not like India is going to get a brand new market of 2 million vehicles, so if Ola really gets to 1 or 2 million then someone has got to be losing it and you have got your production to a lot of different guys around, so the point is that the aggregate demand for the two-wheeler will still be a reasonable number even if Ola were to take off is that a fair base case or is that am I off on that.

Manoj Kolhatkar: Well Jeetu if I am understanding you are telling that there will be a cannibalization of demand right.

Jeetu Panjabi: Yes, so someone else will get cannibalized in the process.

Manoj Kolhatkar: Yes, I mean that is bound to happen I mean certainly. But in terms of let us say the electric two-wheeler user is going to be mainly an intra-city user not an inter-city, to the extent of inter-city usage and rural market usage and let us say pleasure biking and that category that will be I would say still insulated, but in the rest it would be a cannibalization of demand shortly.

Jeetu Panjabi: Super, thanks so much, really appreciate.

Moderator: Thank you. The next question is from the line of Amar Kant Gaur from Phillip Capital. Please go ahead.

Amar Kant Gaur: Most of my questions have been answered, just a couple of clarifications if you can. So we have gotten, I mean 100% business from Ola as far as the two-wheelers are concerned right? And they have also planned an electric four-wheeler, so have you started having any conversations with them on that?

Manoj Kolhatkar: Well they are planning electric four-wheeler that is what at least in my discussion with Bhavish, he did mention that eventually they are planning a four-wheeler as well but right now they are going to focus on two-wheeler only. So I do not think they are even in a discussion mode for four-wheelers as of now. But the good part is, I think we have established a good relationship, our product has been well received, what we delivered to them in terms of the first few samples and if we deliver them flawlessly in terms of all volumes, etc., QCD, I do not think there should be any reason for him to look anywhere else for a suspension.

Amar Kant Gaur: And sir little bit on the product side, so we are providing products from the range of say S-PRESSO to Brezza, Thar and even XUV 700, so? Is there a difference in the product? I am hoping the higher the model is the better will be the profitability for us. But in terms of technology, is the product more of the same or technologically the product is also different than when we move from S-PRESSO to say for example a Thar or a XUV 700?

Manoj Kolhatkar: Yes, the product is different like XUV 700 will be a new technology product, so it is a higher technology product definitely.

Amar Kant Gaur: Okay sir thank you.

Moderator: Thank you. The next question is from the line of Aniket Mhatre from Haitong Securities. Please go ahead.

Aniket Mhatre:

Sir you mentioned that in electric vehicles the content would be higher, I just want to understand why would that be so, is it a general trend that EV's content would be typically higher.

Manoj Kolhatkar: No, I did not mention the content is higher, I was only telling the figure that he told in terms of content that it is what we are delivering to Ola specifically is definitely higher, but while on the subject we are delivering a new technology both in front fork and rear shock absorbers to Ola. So to that extent it is a higher technology product as well.

Aniket Mhatre: And directionally if we were to understand for EVs when we supply, the margins would be similar to our core business or high or lower? Could you provide any sense on that?

Manoj Kolhatkar: Well too early for me to say because this is the first mass EV product that we are making, on paper it looks good as of now but as we go along the changes happen and then how things shape up. I will have to park my comments as of now for this.

Aniket Mhatre: And moving on to the passenger vehicle segment the new order that you talked about from Maruti, any indication from them as to when they would start the Jimny production.

Manoj Kolhatkar: Yes, we have a clear SOP dates for all those products. However, even at their end because of this COVID second wave some dates have got shifted. They had shared some dates but even in those, they told us that these dates are likely to change, so we may see a shift of dates in terms of specific for YWD as I said with the customer, we have an agreement that we are not supposed to share the dates Therefore I am unable to share that date.

Aniket Mhatre: And just finally one last question on you mentioned that you are at the moment using this opportunity to produce more at the moment, so basically we understand that most of the dealerships today are closed right, so most of your production would be going into building up inventory. So would that mean June might be a slower production for you guys, if demand does not pick up because we understand that June might not again be equal into a full ramp up right. So what kind of inventory levels would you have right now and how do you plan forward.?

Manoj Kolhatkar: Just to clarify even in the month of May while we are trying to build up inventory, the production levels have been lower essentially because there is a challenge on. I mean, from getting material from the suppliers and even next month this is bound to happen. So the production level itself is low, but yes we are still trying to see within this we are able to get our production little higher so that we can do some stocking. It will not be very significant, yes to the extent of raw material inventory we are currently with a little high inventory because obviously you cannot change your business, because the second wave happened a bit too suddenly.

Aniket Mhatre: Sir just final thing, I mean what would be the ramp-up plans we are getting from two-wheeler, four-wheeler, CV, OEMs, for June if you could help us understand? I mean, would that be 50% of normal levels, 30% of normal levels any sense that you could give us so as to gauge the ramp up that we can expect?

Manoj Kolhatkar: Yes, as of now we have got some very robust schedules, I must say there are almost 80% to 90% of normal levels. Those are the indications that we have but I myself am very thoughtful of them, even OEs have qualified those schedules with the rider, telling that we will have to carefully observe as each peak happens because to be honest it is really impossible for anybody to guess right now. The only thing is what we believe is June will be better than May.

Aniket Mhatre: Surely of course yes sure got that. Great sir, thank you so much and all the best for the future. Thanks a lot.

Moderator: Thank you. The next question is from the line of Nishant Vass from ICICI Securities. Please go ahead.

Nishant Vass: Sir first couple of questions on the two-wheeler side. You mentioned obviously multiple times when asked on the electric side, I think the question more is you mentioned a brief remark initially in your statement about market share gains in two wheelers. So what are your strategies to gain market share on the ICE side with existing larger OEMs, do you have any action plan on that and you see any success in order wins there? second on industry just wanted to understand what you said is it a new product that you are developing what is like the localization or the import content in that product?

Manoj Kolhatkar: Which product?

Nishant Vass: The new suspension that you are supplying to Ola Electric.

Manoj Kolhatkar: So, I will start with the second question so there is hardly any import content in that product it is almost negligible I can say so this is in reference to Ola electric suspension.. On your second in terms of market share see we have continuously been working on improving our market share in two-wheelers, especially by focusing on, I am talking about the ICE like you said not the EV side. For EV again we have a focus strategy to address each and every EV player but on the ICE side, we have tried to increase our share particularly in the front fork of the OEMs and we have been I must say successful. You can see our growth has been little ahead of the industry over the past year and let us say compared to industry we are about 3% better, so obviously we are gaining some market share. So the strategies are engaging with them much more deeply right from the development stage that is what we certainly are doing, offering new technologies, we have a tech center in Hosur with our own small test track. So we are able to do some quick and dirty testing as well so we are able to offer good products at a reasonably good price to the customer and yes I mean in terms of our service, response, presence close to OEM locations that of course is well known. So all this put together we are able to continuously keep on increasing our market share with the customers.

Nishant Vass: And second question is that you mentioned about the new order wins, so from a product mix basis do you think these new order wins are likely to be slightly better profitability vis-à-vis the previous cycles or passenger vehicles? Or are they significantly different from previous generation of orders from a cost structure and profitability.

Manoj Kolhatkar: You are talking of new business pipeline that we won for PC right?

Nishant Vass: Yes, exactly.

Manoj Kolhatkar: They are pretty much in the same range even in couple of places where we are able to introduce something new that is slightly higher but otherwise they are all pretty much in the same range.

Nishant Vass: Thanks a lot sir.

Moderator: Thank you. The next question is a follow-up from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Sir on the margin front, I just wanted to check so this quarter you have probably 8.5% margin, which is quarter highest. So going forward is the double digit EBITDA margin on the horizon for us over the next year say for the FY2023.

Manoj Kolhatkar: Can you repeat that Shashank you said double digit.

Shashank Kanodia: EBITDA margin.

Manoj Kolhatkar: Yes.

Shashank Kanodia: So is that something on the horizon for us given the cost saving measures.

Manoj Kolhatkar: In fact we were quite enthused by the last quarter and we had all plans of inching forward on that this year as well but yes I mean this COVID second wave has really derailed the plans. As you have to understand that once the volumes go and I mean many of the costs are kind of fixed so it is very difficult for us to shave off costs.

Shashank Kanodia: Then 9.5% to 10% is possible I think FY2023 when things normalize then we will have this?

Manoj Kolhatkar: Yes, it depends on volumes, but yes it is a volume game for us I mean because we have seven plants with fairly well established capacities so it is a volume game here certainly and if volumes hit why not yes absolutely.

Shashank Kanodia: Secondly Sir, just on the tax rate there seems to be some adjustment in the previous quarter's tax outgo as well for this quarter is 32% so any guidance or any take on that sir.

Rishi Luharuka: Shashank you are talking about previous year or you are talking about the previous quarter?

Shashank Kanodia: Previous quarter, sir I think last quarter it was Rs. 8.1 as reported tax but this time we have readjusted back to this right.

Rishi Luharuka: Shashank can you please repeat the question.

Shashank Kanodia: I was asking about is there any adjustment with the tax rate that you have accounted for because last quarter you have reported Rs. 8.1 Crores as a tax outgo, this time you have readjusted back to Rs.9.3 Crores and the full year tax rate comes to around 32% for you.

Rishi Luharuka: Now the average tax rate for us remains at 25.5% and the adjustments that you were mentioning about is on account of some refunds that have come from the previous years.

Shashank Kanodia: Is there any reason for a very high substantial high interest outgo for this quarter because this amount has never been the case for us, some frequency in our products.

Rishi Luharuka: Interest outgo for us is on account of two lines one is the MSME interest that we provide for and the other is on account of the interest portion on the leasing and there is no debt for us, there is no real interest that we approve.

Shashank Kanodia: But normally it has been on the range of Rs.11.2 Crores for quarter right, this quarter it came at Rs. 2.7 Crores.

Rishi Luharuka: On account of the change in the MSME act we had to provide for the additional outflow towards the MSME which in this current year we will start off with the payment terms.

Shashank Kanodia: And sir one last thing you aspire to be on the top five global shock absorber or suspension solution providers, so any update on that front in terms of inorganic acquisitions or how do you see that region being obtained from timeframe?

Manoj Kolhatkar: Yes, because Shashank I mean we definitely, one is domestic growth, second is exports that was I had shared that plans. Exports also started picking up and yes I mean M&A definitely is part of the strategy. Like I mentioned we were evaluating a couple of options however due to COVID it took a little back seat, so all I can say is we are still in this phase of evaluation.

Shashank Kanodia: Thank you so much and wish you all the best.

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

Manoj Kolhatkar: Thank you. So, once again thanks everybody for all those questions, which help us also accurately prospect and think and reflect on what we can do better going forward. So be assured that we have taken all those inputs and only thing I can say right now is we all have to take adequate precautions to ensure that we are safe and our families are safe and I just wish all of you the very best of health. This quarter, again unfortunately the Q1 for this year again looks of course within little trouble because of all this that is happening let us all only hope that July onwards again we see the same strong recovery that we had seen in the last year. So thanks everybody and take care. Thank you.

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