"Gabriel India Limited
Q2 and H1 FY2022 Earnings Conference Call"

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MANAGEMENT: **MR. MANOJ KOLHATKAR – MANAGING DIRECTOR - GABRIEL INDIA LIMITED**
MR. RISHI LUHARUKA - CHIEF FINANCIAL OFFICER - GABRIEL INDIA LIMITED
MR. NILESH JAIN - COMPANY SECRETARY - GABRIEL INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Gabriel India Limited Q2 and H1 FY2022 Earnings Conference Call. 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. Thank you and over to you, Mr. Kolhatkar.

Manoj Kolhatkar: Thank you and good morning everybody on the call. Hope all of you had a wonderful Diwali. I think it was definitely a welcome change after last Diwali I think little more brighter I must say now that the country is witnessing a sustained downtrend in COVID cases, but we need to be very cautious still because after the festive season it is expected it may spike so we will all have to be cautious, but nevertheless very happy New Year to all of you before I start.

So we have uploaded the investor presentation for the quarter I hope you all had a chance because we had our board meeting on Friday and since it was a weekend we have to take the call today and of course with me joining today on the call is Rishi Luharuka our CFO and Nilesh also our company secretary and our investor relations advisors SGA.

First and foremost, I would like to share that the board of directors declared an interim dividend of Re. 0.55 per share of the face value of Rs.1 for the year 2021-2022 and with this I will now get to the update on our operations in the quarter that has gone by. The company did face disruptions in the first quarter as you all know in particular the month of April and May due to the second wave and it was quite bad. Of course this time it affected many of us as you all know, however after this, the recovery was strong. From June onwards we witnessed a continuous recovery and all our facilities are running quite smoothly now. Yes, of course, the recovery was not as steep as what we saw after the first wave of COVID it has been a little muted to that extent, but nevertheless recovery has been strong.

Before we delve into numbers let me provide you with an update on how the current environment is shaping up. The auto industry as you all know is facing challenges due to rising fuel prices and the biggest challenge which all of you must be reading is the shortage of semiconductors which is resulting in delays of production or even rescheduling or reducing the demand of many of the carmakers, particularly. This is not only in India in fact globally it is even worse than in India I must say it is a little muted. High upfront cost caused the production issues which increase the waiting period for popular automobile models and high fuel cost combined with inflationary pressure has dampened the sales momentum. Normally the festive sales season account for 40% of the annual vehicle sales I mean this is right from the month I would say they start around Onam and Ganesh Chaturthi and they go on right up to post Diwali. This has been definitely lesser than the comparative festive period last year. Passenger vehicle dispatches to dealers were affected mainly because of the supply issues which I did mention already to you, but the good part here is that the consumer demand is very strong in passenger cars. It has been positive across all the segments, two-wheeler wholesales also have improved month on month and again one more bright spot is the commercial vehicle sales are also witnessing gradual recovery. Two-wheeler entry-level sales did not pick up due to the rural distress, rising fuel prices, and generally the mass is trying to save money than making a high-value purchase because as you all know this time the COVID impacted rural areas quite significantly so that affects is clearly coming out in terms of the two-wheeler demand mainly.

In terms of the CV segment, small commercial vehicles are picking up due to the demand for intra-state movement of goods. Of course, the rise in e-commerce demand is also fueling this. Few carmakers have halted the production schedules because of semiconductor shortages I mean they range from 30% to 40% cut in production schedules, which is quite significant for passenger cars. During Q2, auto sales were impacted due to these constraints in the PV segment. The prevailing shortage of semiconductors and recent lockdowns has impacted what I did mention on the volumes. This situation definitely is improving and we will have to keep a close watch on the same. The other challenge has been the prices of major commodities steel and aluminum. In fact, every commodity that we speak has gone up significantly over the last I would say 6 to 9 months, but we are seeing just some ray of hope that over the last two weeks we are seeing a little mellowing down of prices both in steel and aluminum so we will again have to keep a close watch on this. The availability of ships for material transportation is adding to the problem with the current supply constraints and logistical challenges, vehicle prices may take some months to adjust.

With the pandemic going on we have taken utmost care for the safety and well-being of employees, we have shared that in the presentation as well. We have ensured that the vaccination rate for the first dose was 100% and the second dose based on of course people getting affected, the second dose vaccination is not 100% due to very genuine reasons but even that will touch 100% very soon. We have set up a dedicated COVID care helpline and we continue to maintain all the precautions in our operations across all our plants for Gabriel as well as Anand Group and ensure that this is monitored very very closely.

Now moving on to the numbers, this quarter we had our highest sale ever for a quarter. In fact, we reported a top-line growth of 29% which is almost transferring into a value of Rs.590 Crores which is the highest margin. The earlier highest we had reported in the month in Q4 of last year was Rs.580 Crores now we have beaten that and we have moved to Rs. 590 Crores. We have recorded 21% year-on-year growth in EBITDA in Q2 at about Rs.43 Crores. Margin stood at 7.3% for the Q2 FY2022. I did mention there has been a significant increase in raw materials over the last few quarters which is just sustaining month on month, so this has have put significant pressure on the margins. We have been able to pass through a large part of the input cost increase. However, part of it will happen in the subsequent month as well. Our supply chain was better, we did not face issues. We have geared up much better this time for the festive season so we do not face issues of the supply chain in meeting the festive demand this time.

Our focus on the core 90 which is cost reduction in 90 days which have now become a very strong initiative that is why we are continuing with the name of core 90 across the company for cost optimization. Productivity has been very closely monitored, reviewed, and being implemented across the company. It has enabled the company to partly offset the part of the price increase due to the commodities and limit the impact on EBITDA. We reported a PAT of about Rs.25 Crores for Q2 FY2022. Our profitability in terms of PAT was affected due to one-time adjustment of deferred tax.

Moving on to the balance sheet and cash flows, we continue to maintain a robust balance sheet position with net cash of Rs.257 Crores as of September 30, 2021. We are continuing our thrust on collections and working on inventory levels but yes I have to mention here that managing inventory has been a little challenging again owing to fluctuating schedules and schedule cuts by customers due to the semiconductor shortages. So they are also continuously correcting their schedule based on the number of semiconductors they receive but still this has led to a healthy cash remuneration to the tune of Rs.29 Crores for H1 as compared to Rs.110 Crores out of outflow in FY2021. Our working capital release was significant compared to the previous period. Our net working capital stands at 17 days as compared to 28 days for the same period last year. Our debt-equity ratio stood at 0.28 at a good level, ROE stood at 10.2%, ROCE at 20.2% on the annualized basis,

The CAPEX that we incurred during the quarter is about Rs.35 Crores which included the backward integration effort that we have done to reduce our dependence on China. This strategic decision we have taken post the steep recovery we saw in last festive season last year and we implemented augmentation of our casting and machining facilities which included some expansion of Hosur plant and some automation and some of course balancing equipment expansion even at our Chakan, Pune plant.

Coming to segment-wise performance. We changed the product mix in two-wheelers, Gabriel continues to gain market share, we hold a 25% market share in this segment. Two-wheeler and three-wheeler put together form almost about 65% to 66% of our total sales in Q2 FY22. We reported a growth of 24%,. Our growth was driven mainly in terms of improving the market share with our customers, our efforts in terms of developing new products, and good acceptance of end products in the market. Here I am of course quite delighted to share that we have received a new order for a new motorcycle from Honda and this is on the 100% share of the business. So this is the first time that Honda has awarded possibly business on a 100% basis and I am glad to share that this has been awarded to Gabriel.

Coming upwards to the hot topic which is EV, we all are seeing a lot of news about EV daily and the numbers are also improving particularly of course in the two-wheeler and three wheeler segment. People are clearly making a shift to EVs for cost savings and individual governments also have declared many incentives to promote this particular adoption of EVs by everybody. As I had shared we are very well entrenched players I mean you have also seen in the slide in the presentation that we are with you know Ola of course on single source basis. We are with Okinawa, with Ampere, with Ather and of course in three-wheelers with Piaggio, with Bajaj, with TVS, on two-wheelers, with Mahindra electric for three-wheelers. We are very very well entrenched in the EV space and we are of course seeing improvement in numbers month on month on EV.

On Ola electric side, which of course all of you will be very keenly following, we had started supplies in the month of October. The ramp-up schedule is being again corrected by Ola and of course, there are some ramp-up challenges, but we are meeting the demand as per their schedules. On the passenger vehicle side again we have witnessed an improvement in volumes and as I told you while the sales may not be reflecting the true story, the demand is very solid. The inventory levels in the passenger car segment are only as low as 10 to 15 days and in some cases even lesser. There is a huge waiting list for many models in the market as you all know. So this clearly augurs well for future demand whenever the chip shortage problem is solved. Of course, it will take some time as it is but what is more important is we are delighted to report year-on-year growth in this segment, we grew by 42% and our market share also has improved significantly. We now have a market share of 21% and it will go up further because we have won some more new models like I had mentioned last time Maruti Jimmy model and also added to that we have won a new model which is going to be made in Maruti as well as in Toyota so this is dyson YFG and YXA. This is a small SUV, it will be a replacement of the Brezza and S-Cross but this time it will be made and designed also to make higher volumes in Toyota and we have got that order completely. There is also an electric vehicle based on this platform for which also Gabriel has got the order.

As per the SIAM database, the sale of vehicles grew by 8% in Q2 over the same period of last year. We have now commissioned our new tech center at Chakan, Pune where we will be able to offer much better product design and value proposition to our customers and increase our market share further.

Moving to CV space, as I mentioned the good news is the volumes have started picking up even the M&HCV is now growing and our market share of course continues to be the dominant market share and we sustained the market share definitely. We are seeing growth coming back from October onwards and I think this should continue till the March-end.

After market, which Gabriel of course is quite strong in this segment, it continues to remain strong. We have had some record sales of the aftermarket in almost every month from July and we are focusing on developing more and more new products for the core segment increasing sales to national channels, focusing on B&C class towns, and expanding presence in export markets with strong presence of 4% in Latin American and African markets of course.

We generated revenue to the tune of Rs.91 Crores in Q2 alone in one quarter which is again I mean this is the highest aftermarket revenue that we have cloaked in that quarter and as you can see, our aftermarket percentage of our total revenue has now gone up to 15% in Q2. Another very good aspect which I would want to share is in the export side which we have been sharing continuously on several calls and now you can see all those efforts that we took almost four to five years back are fructifying and we have had the highest export quarter. We did Rs.30 Crores of exports which is 142% growth year-on-year and in fact, again this is the highest export that we have done in a quarter and we are hopeful of receiving some more new orders. We are working on it of course. We does not have anything to share as of now, but the good part is exported is increasing quarter on quarter. Of course, currently, our export OEM forms 72% and the aftermarket is 28% of the total export that we have. So this is all that I wanted to quickly share with all of you. With large-scale vaccinations as a country, we have been able to safeguard ourselves against the third wave. We are confident that we should not see the third wave again hopefully not and I pray for it. We have established a significant presence across all automotive segments with strong technical capabilities and our relationships with our customers and with EVs being the new trend, we are strategically focusing on strengthening our basket of offerings in the evolving EV space locally as well as globally. Hoping for continuous improvement on the market side and on that note I would come to the end of opening remarks. I would now request the moderator to begin the question and answer session. Thank you

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

Nikhil: Congratulations on a good set of numbers I think except for the gross margin, most of the places we have done a great job so congrats to the whole team. Two to three questions, on the aftermarket export, you mentioned that we have seen strong growth, so what is exactly helping us with this growth? what are efforts which we have been putting and do you see that which is now a journey which can sustain on this number? Just some sense over three to five years how do you see this evolving and similarly on the new orders in the export for OEM business other than DAF and Volkswagen, are we seeing any new customers which could start contributing in the next one-and-a-half years? Where are we in terms of new platforms getting added? That's on the export. And secondly on the gross margin now if I look at our current year quarter gross margin at 24% even first half is around 24% to 25% it is like almost 18-20 quarter low gross margin, how do you see the evolution from here going forward. What kind of a profitability trajectory do you see we can come back to the 25% to 26% just some sense on this. Thanks a lot.

Manoj Kolhatkar: Thanks Nikhil. So several questions, firstly thanks for the complements, of course, we are helped by customer schedule, so thanks to our customers. On the export aftermarket yes it is a low base so obviously, you would see an improvement in numbers. Our focus remains on as I mentioned Latin American and African markets. We have developed some new customers as well in Latin America particularly so that is helping us increase these numbers, but having said that our exports aftermarket as the absolute number is not really very high and it will continue to grow in healthy double-digit for sure for some time. What is more important is the exports OE orders that you mentioned about, there we had won the Volkswagen Russia, the story started when we were asked to supply only for a limited quantity and then because of our engagement with Volkswagen India as well as global and of course on the back of the performance of our product they awarded us with 100% business for RAR so that is steadily every month we are sending the same however yes we are also affected by this semiconductor shortages so they have corrected in these months because schedule in October, November but nevertheless it will surely come back it is a temporary phenomenon. The second good development was DAF of Netherlands which is a very good and strong brand in commercial vehicles, so we had started with one order and we have already supplied initial samples for the second order and there is also the third product in development so that clearly is gaining good traction on the DAF as well. So we are seeing with these two, one in passenger car and one in a commercial vehicle especially of a good label opening up, I am certainly seeing some more opportunities coming our way but yes having said that we need to also keep in mind that these orders take a long time to develop and to convert into the start of productions. So exports definitely if you see our quarter performance has been Rs. 30 Crores this quarter so definitely we are on track to cross the triple-digit in terms of Crores this year.

Now your last question was on gross margins. Yes certainly we have seen immense pressure and it is not I must say it is not Gabriel that is singled out the entire industry has been really suffering on this. OEMs have themselves if you see their performance for quarters has been under stress, they have taken price corrections in the market so they have definitely passed almost I would say 85% of our raw material is completely indexed with the customers maybe with a lag here and there but having said that, you know that does hit the percentages because we only get the compensation for the raw material so that is the formula with generally everybody so we will have to wait for the downtrend I mean this has been unforeseen. The longest ever escalation trend that we have seen in raw material commodities and certainly as I said in the last two weeks we are seeing the trend tapering off at least in two commodities aluminum and steel, let us hope that continues and we should be able to get back our profit margins and our target remains for EBITDA level of double-digit I certainly do not want to lose focus on that. We will continue to aim at that.

Nikhil: Two followup sir one is when you said the whole platform of RAR has been given to us is it still only Russia or is that product launched globally also?

Manoj Kolhatkar: This is only Russia of course and we have got several RFQs for global vehicles from Volkswagen as a group which includes Audi also. So we are bidding on several fronts and there is one more big OEM, European OEM which we are in the very advanced stages of discussion for an export order so we will have to see I mean hopefully by next quarter we should be able to share either we get it or we don't but we have to share something on that as well.

Nikhil: Lastly if you look at the fixed cost for the quarter in terms of the employee and operating cost that was pretty flat even though the sales grew significantly. Would you guide me that this is the kind of fixed cost structure that will sustain as we cross Rs.600 Crores of top-line or is there going to be some more inflation around there? Because sequentially and year-on-year the cost has remained around Rs.80 to Rs.90 Crores even though the sales growth was pretty strong.

Manoj Kolhatkar: So if you can see that is what I said the good part is we have done Rs.590 Crores and we can squeeze out more from each of our plants at the current cost structure I have always told in all the calls that we are built for volumes so if volumes come our way definitely the other cost you will see an improvement in terms of percentages and that is what is reflecting only issue is currently the commodity. So the fixed structure is going to be around the same even if it is Rs.600 or even a little bit more also definitely it will remain in the same region. I did mention on the core 90 exercise which the whole idea of core 90 is to mainly focus on the fixed cost of course on raw material as well no doubt but mainly focus on the fixed cost as well so that has finally you are seeing the results in terms of sustained absolute number which results into lower percentages.

Nikhil: Thanks very much and best of luck sir.

Moderator: Thank you. The next question is from the line of Amarkant Gaur from PhillipCapital. Please go ahead.

Amarkant Gaur: Thanks for taking my question and congratulations on a good performance. My question is on the EV side so we see there have been lot of smaller electric vehicle manufacturers who are primarily importing from China, assembling here and now they are looking to localize and they are looking for local partners. I am talking about suspension in this particular case however they do not have the kind of volumes that may be necessary for a player like you to make good money on it. So how are you looking at that kind of conundrum that they would require 2000 or 3000 kind of set of suspensions that they will need for their own production? So how are we looking at that kind of conundrum, slower supplies currently probably have great potential for entry at this point of time or are we waiting for them to grow into a much bigger size which is substantial enough for us, and then start supplying to them.

Manoj Kolhatkar: Amarkant valid question in fact again this also as said we are addressing EV as a very strategic segment because we believe like all of us now we have done this two years back that's why we are sitting on orders with every customer that I am telling let us say Ampere, Ather, Okinawa they started with exactly the numbers that you told, 2000 in a year, 3000 in a year and there are several others, we are also in talks with some other very low volume like EV makers because we do not know who is going to actually click in the market so we are not closing our eyes to even small orders. We are limiting our risk by ensuring that the development cost that is needed for these is recovered from them so at least on cost let us say in the worse case that particular company is not able to pick up we are covered. Secondly, we are trying to sell to their products that need the minimum modifications so we are trying to sell them a standard product so our development cost remains very low, our development effort remains very low ensuring that it is a low-risk option, but to answer your question we are definitely looking at each and every EV maker. The good part is most of them contact Gabriel because that is the name that comes to their mind they contact us and we have set up a very elaborate mechanism of getting into which is this company, what is the funding, what are the chances of success of this company in the market looking at the management, looking at technical expertise and we jointly take a call okay fine even if this is low volumes you would still supply to them so that's the structure we have built.

Amarkant Gaur: Thanks for that clarification sir. I was asking that question from our interaction with some of these new-age OEMs we heard there is some push back from suppliers in terms of volume requirement so that was my question. Thank you.

Manoj Kolhatkar: We are well aware of that and we are trying to as I said meet every demand of new EV makers and trying to at least force them into accepting a standard product.

Amarkant Gaur: Okay. Thank you sir….

Moderator: Thank you. The next question is from the line of Sreemant Dudhoria an Individual Investor. Please go ahead.

Sreemant Dudhoria: Thanks, first question wanted to understand based on your interaction with the various OEs and the schedule that you have what are they guiding on the semiconductor issues and how long would they see this volatility in terms of supply of chips being there and then the situation to ease out what is the guidance which we are given?

Manoj Kolhatkar: Mr. Sreemant thanks for the question. I would say we can split it into two parts, one there was a temporary issue in terms of there is a huge demand increase due to COVID, due to people adopting home offices and telecommunication and laptops and mobile instruments the demand really peaked at that time and at the same time what happened was there were some key facilities one got fire in Japan, there was Texas storm that happened then followed immediately almost by the COVID in Malaysia which forced one of the key semiconductor makers to shut their factory for quite a long period of time so these temporary setbacks have now all been resolved, but however the larger story of a huge increase in demand not being able to meet supply at a global level still remains. Again I am not from this field, but definitely, we have talked to all the OEMs and also to whoever knows more on this industry I would say the best estimate it will continue till the first half of the 2022 calendar year.

Sreemant Dudhoria: The second question is on our overall sales to the EV manufacturers now as you mentioned in your opening remarks that you know the supplies for Ola have started in the month of October and this is going to ramp up gradually in the coming months. If you look at the second half of this year what portion of the overall revenue should be sales to manufacturers including the various manufacturers that you are supplying two-wheelers, and three-wheelers and even the passenger cars?

Manoj Kolhatkar: Well I do not have a figure off hand but I can just tell you on the volume front, currently EV in the month of October EV two-wheelers both low speed and high speed some are registered some are not registered, low speed is not registered, it did about 38,000 units, compared to the total two-wheeler sale in a month which is let us say at least close to 18 lakhs so there is still a very very small percentage of total even if you take the total demand put together if you add three-wheelers as well demand might be little better but the numbers are still small. So just to answer your question it still is not a very significant part of our revenue, Ola surely is poised to change that story even if let us say Ola does like this even if let us say Ola does 30,000, 40,000, or 50,000 its still is far lesser than the IC engine demand that is there for all other players which we service so in terms of percentage it will still be very low, but I mean for sure the longer-term story is if you see it is 38000 units that they did in the month of October was probably 200 to 300 percent growth compared to the same month last year so it is bound to grow so I do not have a number which we can share with you separately in terms of what is the percentage of this EV sale in our revenues but we are looking at it from a longer-term for sure.

Sreemant Dudhoria: Specifically on Ola the bookings which we got in the first window are you looking to supply for the entire bookings in the second half of the current financial year?

Manoj Kolhatkar: Actually Sreemant that is Ola's call. We will only be meeting whatever call out they send to us, their plan is as I did mention the plan is quite aggressive and lets also be fair to them it is not easy either to ramp up so steeply but for sure the product is good, offers the best value in terms of everything range, looks, in terms of speed, in terms of reliability definitely the product is bound to do well.

Sreemant Dudhoria: And finally one clarification on the balance sheet side if I look in the noncurrent asset there is a steep increase in other financial assets to about Rs. 154 Crores as of 30th September so just wanted to understand that line item better?

Rishi Luharuka: Sreemant this is the nature of the investments which we do to park our surplus cash.

Sreemant Dudhoria: This could what in fixed deposits?

Rishi Luharuka: Yes.

Sreemant Dudhoria: Okay, thanks for answering my questions. Thank you.

Moderator: Thank you. The next question is from the line of Saurabh Shroff from QRC. Please go ahead.

Saurabh Shroff: Good morning gentlemen and congratulations on a very good set of numbers given the circumstances. As you ramp up your aftermarket business I just wanted to get a sense of what it means for margin overall because this is something that has done well as you mentioned and we will continue to grow if you could sort of help us understand that better?

Manoj Kolhatkar: Yes so on this aftermarket yes it is. Firstly, thanks for your compliments. Aftermarket numbers are doing well and obviously, it has a better profit percentage with better margins no questions. Even let me share with you even that is under pressure because the commodity prices are increasing continuously over the last nine months and they have gone 80% to 100% to even more increase that you have seen and in aftermarket, we cannot keep going to market with price correction every month or every quarter. The market dynamics do not work that way however we have taken price increases we have taken cautiously you also cannot be upsetting the demand so yes certainly the margin pressure is being felt in the aftermarket as well. Having said that it still remains at a much better percentage than OE.

Saurabh Shroff: Understood. If I understand correctly as and when commodities stabilize that is you will continue to have that as potential support and addition to margin assuming we get back to some sort of normal times.

Manoj Kolhatkar: Absolutely the normal times just to share with you I remember having calls with absolutely the top people I mean I taking about ACMA level, at industry level you had we are on several vendor councils as well so with several OEMs everybody was projecting a drop in steel prices, projected graphs I remember very clearly showing a drop in steel prices, drop in commodity prices so this has clearly been completely unforeseen and unpredicted by everybody so it is bound to happen, these prices are bound to come down no question so when it does yes we will certainly see those tailwinds in terms of margins.

Saurabh Shroff: Great and I guess similarly on exports as that business starts to grow obviously right now 5% of sales we ordered and the work that we have done what does it do for our working capital cycle and cash flows in general and are we commensurately getting compensated for it in the margin?

Manoj Kolhatkar: Currently we are working at 17 odd days and obviously because of the fantastic quarter couple of days here and there but this is the kind of level that we would like to operate again it also depends upon the volatility of demand eventually on account of inventory but as they got debtors and as well as creditors we would like to maintain the current number of days.

Saurabh Shroff: And export margins are also sort of commensurate to company level margin?

Manoj Kolhatkar: Little better of course as you know one little set back there has been early export incentive was actually better when it was MEIS scheme refined and renewed RoDTEP scheme that benefit has gone down a bit that has been a bit of dampener.

Saurabh Shroff: Okay got it. Thank you very much and all the best for the next few quarters.

Manoj Kolhatkar: Also just I want if Sreemant is on call that number is, I am just sharing the rough number in terms of our EV sales two-wheelers it is just about 1% it is still very very small.

Moderator: Thank you. The next question is from the line of Amit Shah from Ace Securities. Please go ahead.

Amit Shah: Good morning, sir I have two questions. Sir firstly what is our CAPEX plan for the next two years?

Rishi Luharuka: Essentially while we informed in the previous call as well in the previous strategy discussion we jotted out in the range of Rs. 70 Crores to Rs. 100 Crores of CAPEX each year that trajectory we anyways look into in this quarter when we have our strategy discussions internally but that is the broad-based number that we do every year.

Amit Shah: What is the long-term guidance for replacement and export market?

Manoj Kolhatkar: That remains same we had shared earlier that exports we want to grow 10% it was actually getting difficult for us to maintain that but now we are seeing finally 3% has become 4%, 4% has become 5% clearly we want that to be 10% of our total revenues, aftermarket we definitely would want that to be close to 20%.

Amit Shah: Okay, thank you, sir.

Moderator: Thank you. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

Jayesh Gandhi: Congratulations on a good set of numbers. Sir my question is who are our competitors in the EV space specifically domestic?

Manoj Kolhatkar: Jayesh you are telling competitors in suspension in EV space is the same.

Jayesh Gandhi: Products which we are supplying to Ola and Ather all the products not only suspension maybe others also?

Manoj Kolhatkar: Just to give a quick snapshot on the EV with Ola we are 100%, the same story is with Ather and Ampere with Hero of course we do not have the order as you know that is with Munjal Showa and of course Endurance has Bajaj order, no questions, we have the TVS order 100% so it is distributed right now but the same set of players there is nothing new, but I would say our entrenchment in terms of EVs certainly better.

Jayesh Gandhi: Will we be in a position to share any market share if at all we have any data on that?

Manoj Kolhatkar: For EV?

Jayesh Gandhi: Yes, only EV.

Manoj Kolhatkar: We don't have data because these numbers are evolving in the EV market number itself are as you know they are so rapidly changing and also EV is still I would say little unstructured because some are registered some are not registered and in three-wheeler space you know numbers are even EV association finds it difficult to get them but nevertheless we will make an attempt and share with you, yes.

Jayesh Gandhi: In your opinion in the next three or four years can we see 10% of total sales in two-wheelers to be heavy?

Manoj Kolhatkar: We are projecting 20-25% EVs I meant the journal outlook is 10% yes.

Jayesh Gandhi: Okay. That's all from side sir. Best of luck in future.

Manoj Kolhatkar: Thank you.

Moderator: Thank you. The next question is from the line of Dhiral from PhillipCapital. Please go ahead.

Dhiral: Good morning sir and thanks for the opportunity. Sir my question is pertaining to the passenger vehicle side so as you said your market share is increasing right in the passenger vehicle so wanted to know what has led to this increment?

Manoj Kolhatkar: Can you repeat the question?

Dhiral: On the passenger vehicle side you said your market share is now gradually inching up so what if there is increment maybe earlier we were suffering on the PV side particularly?

Manoj Kolhatkar: What has led to the increase I told you we had bit of a setback and of course the main player there 50% is Maruti, so we are bit of set back where we lost the Wagon R order and then two of the models that we are supplying that met the end of life, Maruti Omini, Maruti had to discontinue that model so to that extent that also big setback to us. We had been working on the pipeline for the last I would say last four years. I am glad to share with all the new models that is coming you saw the S-Presso which is in the market now that is with us. We have Jimny with us. We have the new Alto replacement with us and we also have been awarded the Maruti and Toyota platform which is a replacement for Brezza even that is with us. So that has been one important development now why this happened is because we have to work on of course improving our field performance in terms of performance to the extent where Maruti has in several forums of Maruti vendor meets we have been asked to share our story as a benchmark in terms of our practices both in the shop floor or with development of tier 2 vendors we have been continuously doing that. So perception also has improved. With Mahindra again we have won all the new orders the new Thar is with Gabriel, the XUV-700 is with Gabriel there is another new vehicle they are working on that is also with Gabriel. Tata Motors was not with us so we have now managed to get a reentry in Tata Motors so we are supplying to the Tigor supplies have just started so that will also hopefully keep looking up so these are all have been the main reasons why the market share is continuously going up.

Dhiral: Okay and sir in the opening remark we talked about that you are also launching a new product if you can share some highlights over this?

Manoj Kolhatkar: Launching?

Dhiral: New product, which again you to gain the market share.

Manoj Kolhatkar: XUV-700 that we launched which Mahindra launched is with our new technology called frequency selective damping so that of course increases our realization per car by almost 20% and it is a new technology definitely offers much much comfort and right quality so that has been one development which we are trying to share with others as well. We have also done several other product enhancements which we are offering to Volkswagen now with that we will be offering it to others as well with Maruti as well we have done several product enhancements so that has been a continuous effort and with this new tech center being commissioned in Chakan, Pune I think this would further improve we are working on electronic suspension also so hopefully we will be able to put something on the field in a couple of years' time. This I have shared of passenger cars similarly, two-wheelers also it is the same story continues but since you mentioned about passenger cars I shared about passenger cars.

Dhiral: Okay and sir lastly on the cost part as you said we are working on the cost related program so where are we in the journey and once it is fully implemented what kind of cost may be in terms of margin improvement we can see?

Manoj Kolhatkar: Actually realizing those improvements as I told the raw materials escalations have really hit would have hit the margins much more severely than what you are seeing if it was not for these cost reduction programs so we are definitely seeing improvement like I just discussed about the fixed cost being maintained at the same level despite a significant increase in the top line. We have been able to do that same we are able to do in the variable cost as well the employee cost as well so this certainly is even today I would say it is helping us shave off at least a percentage of the cost.

Dhiral: Okay. Thank you so much, sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Karan Kokane from Ambit Capital. Please go ahead.

Karan Kokane: Congratulations sir on a good set of numbers and thanks for taking my question. I just have a clarification you talked about Ola electric orders placement which started in October if I noted you right sir you say the number of around 30,000 to 50,000 units, could you please repeat that number, and were you also comfortable that order getting revised downwards due to multiple challenges in the space so could you also talk about what kind of orders are you getting right now from Ola?

Manoj Kolhatkar: Our orders remain in the same range of 30,000 units and gradually ramping up to even higher. Orders remain the same there is a calibration of the schedules based on their ramping up but I see that clearly smoothening from let us say in the month of December.

Karan Kokane: 30,000 to 50,000 units is the total order that you have got and it is something that they are looking for in a monthly basis I did not get that sorry.

Manoj Kolhatkar: On a monthly basis.

Karan Kokane: Sir my second question is also on Mahindra in the recent conference call the company has also talked about launching around 30 new products and of them around 8 will be on an electric platform so how are we placed over this?

Manoj Kolhatkar: That's the announcement we made just a week back not even a week back last week in fact so all I can say is those models are yet to be shared with let us say vendors but all I can say in terms of Mahindra our share of businesses in Mahindra has been gradually going up our what you call engagement with Mahindra relationship is extremely strong so all the new models have come our way and I am sure once we are more clear on these plans, 27 models that they announced many of them are just platform, the platform should be lesser, models will be many I am sure we will be many of them.

Karan Kokane: Okay, those are all the questions I had thanks and all the best.

Manoj Kolhatkar: Thank you.

Moderator: Thank you. The next question is a follow-up from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Thanks for the opportunity. Just one thing sir I think two or three years back railways was a big business for us and with the orders of 800 new AC three-tier coaches and a lot of things being done by railways on the coaches side are we seeing any traction on that side of the business or its still dull.

Manoj Kolhatkar: Nikhil we saw the traction, in fact, let us say not one year but in 19-20 we had a record year of railways and COVID you know, COVID has impacted railways very significantly in fact even if we see that rail traffic, passenger traffic is, of course, is a good sign that is increasing month on month it is improving very well so that demand has been muted but for sure the demand will come back and they have made an announcement clearly that they want to shift to LHB coaches for all passenger coaches so certainly demand will come back it is only at temporary COVID impact that we are seeing, in addition, we are working with them for the locomotive dampers so their people had visited our plant and it was a successful visit. We will shortly be getting a proto development order as well so we are trying to increase our presence railways beyond coaches to locomotives but just to repeat currently numbers are dull but it is purely a temporary issue.

Nikhil: Who would be our competitor there?

Manoj Kolhatkar: Escorts is our main competition and then there are some other local players as well there is a company called India Auto there are some other companies as well but Escorts is the main competition.

Nikhil: Okay and lastly sir on Hero I think one year back when we have discussed you were pretty positive that on Hero we were discussing with them in order to get empaneled and get more business but we have not heard anything from you on that side so have been able to break in because I think they were looking at diversifying?

Manoj Kolhatkar: Nikhil in fact what you call I have nothing much to add there we were very hopeful and then just before COVID you know the two-wheeler industry volumes went down significantly in the year 1920 so they had held back the plan of expansion and at that time they told us we are right now putting the decision on hold then COVID happen and now you are seeing the numbers of Hero particularly are significantly impacted so obviously we have to wait and watch.

Nikhil: Sure thanks a lot sir. Thanks for your time.

Moderator: Thank you. The next question is from the line of Sreemant Dudhoria an individual investor. Please go ahead.

Sreemant Dudhoria: On answering my previous question on revenue contribution from two-wheelers clarification on our increasing market share in the passenger cars which is one of the factors you touched upon if I recall in the past conference calls you had mentioned there is scope to improve on our technology and capability especially in the passenger car segment. We seem to be very strong in two-wheeler and commercial vehicle segments. Two questions here I think the that now that we have launched the product in the aftermarket for high-end cars are we at a level that we aspired for to reach in terms of technology capability for passenger car and secondly, we were also looking for opportunities to go inorganically in this space are we still looking at this space.

Manoj Kolhatkar: Sreemant on the point of technology yes certainly we are there that's why I said we were able to launch the new technology product and get the business and you need one customer to anchor your new product and then it obviously flow into another customer so that will surely happen. In terms of improving our technology prowess, I mentioned the tech center being commissioned just now, and in addition, we are augmenting technology with some select European niche companies we are working on something with them to improve our offering especially in the electronic suspense base. So we will definitely be able to build the gap and having said that we have a 21% market share and we have let us say in the eyes of number one customer Maruti we are amongst their top vendors when it comes to the reckoning of shock absorbers I think that's fair recognition of where we are. So that's what I would want to share. You had another question.

Sreemant Dudhoria: I had this follow-up on the inorganic opportunities in this?

Manoj Kolhatkar: Inorganic opportunities yes we had pursued, we have evaluated one opportunity just to share and it did not for whatever reason it did not materialize but yes we are continuously scanning in fact right now also looking at as we speak a couple of opportunities that will continue.

Sreemant Dudhoria: Thanks and all the best.

Moderator: Thank you very much. That was the last question, I now hand the conference back to Mr. Manoj Kolhatkar for closing comments.

Manoj Kolhatkar: Thank you and thank you everyone for your compliments as well as for your thought-provoking questions. Just to summarize I can see a lot of interest as we all know in the market EV so while our revenue percentage for sales in EV it is only happening in two-wheeler mainly as of now is very small but our focus remains very strong in fact we have dedicated team working on EVs, to help EV customers to get more orders from EV customers so that clearly remains our focus because we are convinced that in two-wheelers that EV will probably exceed even 10% penetration by 2025. Even on the PC, we are seeing if we can get orders on EVs but yes there the movements are rather slow there are only a couple of models doing very well we are also working on how to get into those as well. I just thought of mentioning mainly on the EV front because that's the lets say talk of the town. Yes we are hoping that the commodity price trend starts reversing so that we all as an industry not only as Gabriel we all as an industry have a sight of relief. Lastly on the semiconductor which is affecting mainly the passenger car industry that is what we understand is likely to continue well into the first two quarters of the calendar year so we have to see again, we will have to be careful about that but otherwise yes the passenger car demand is very robust, two-wheeler is little muted I am sure it will come back, commercial vehicles are clearly looking up and EV is increasing by almost logarithmically so we are seeing the overall good market and let us hope we do not see the third wave and I wish everybody once again a very very happy and prosperous New Year and a safe and healthy year ahead. Thank you so much.

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