# “Gabriel India Limited
# Q3 & 9MFY2022 Earnings Call”

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**Moderator**: Ladies and gentlemen, good day and welcome to the Gabriel India Limited Q3 & 9 Months 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 would now like to hand the conference over to Mr. Rishi Luharuka, CFO of Gabriel India Limited. Thank you and over to you Sir!

**Rishi Luharuka**: Thank you. Good morning and a very warm welcome to everybody present on the call. I hope all of you and your loved ones are keeping well and are safe in these unprecedented times. Unfortunately, today Mr. Manoj Kolhatkar, our Managing Director is not able to join the call owing to some family emergency, but we have with us today Mr. Atul Jaggi who is our Deputy Managing Director joining us to give you business perspectives We also have Nilesh Jain, our Company Secretary as well as SGA, our Investor Relations Advisors. We have uploaded our results and investor presentation for the quarter. With third wave of COVID with emergence of new strain of Omicron from mid December 2021 onwards however we have not faced any material impact of ongoing pandemic on our business. All our manufacturing facilities are running smoothly. I hand it over to Atul now. Atul, please take over.

**Atul Jaggi**: Good morning, everyone. This is Atul Jaggi. Before we dwell into the numbers let me provide you with an update on how the current environment is shaping up. Demand momentum for PVs remain healthy, supply chain constraints are impacting retail sales. Semiconductor's availability has indeed improved as compared to the previous quarter, but the situation remains dynamic.

I was talking about the current situation with the periods where the demand is healthy but the supply chain constraints primarily on the semiconductor's availability are still impacting the situation. It has definitely improved but structural improvement is expected only in the next two to three quarters. In terms of the domestic two wheelers the demand is subdued. There are multiple reasons for that. The frequent price increases by the OEMs, weak festive demand and increasing all time-high fuel prices, they are restricting the phase of recovery and consequently driving customer's interest in e-scooters, which is again supported by the subsidy. CV industry volumes grew strongly on a low base of the last year driven by the government's infra push and pick up in the economic activity, improving demand in the infrastructure and construction sector and improving freight availability along with increasing demand for e-commerce and last mile delivery should support CV volumes going forward. Export markets also witnessed a sharp uptake in sales volume across the automobile segments inventory levels remained slightly higher than the normal level except for PV at the end of the quarter. Demand continues to remain quite robust both in terms of enquiries and booking for the passenger vehicles, however availability is an issue now and waiting periods have gone up for the passenger vehicles.

Prices of commodities such as aluminum, lead, copper, have remained firm and on the higher side, whereas steel and precious metal prices have declined in the last quarter and should ease off the raw material cost pressure on margins in the quarters to come, many OEMs have undertaken certain price hikes to pass on to the cost increase to the customers. Commodity prices are expected to soften from Q4 FY2022 onwards. I hand it over to Rishi now.

**Rishi Luharuka**: Now moving on to the numbers Q3 was yet another quarter with strong performance. This was on back of the new program as we mentioned in the last quarter along with many PV players introducing new models and increasing demands of the momentum side on the CV side. We are delighted to share top line growth of 13% Y-O-Y and 3% quarter-on-quarter growth to Rs. 6,061 million in third quarter of FY2022. Our company has reported a 12% Y-O-Y growth in EBITDA in third quarter to Rs.420 million. Margin stood at 6.9%. Margins were impacted due to increased raw material prices this challenge has been faced by the companies across many industries and we are no exception to this. There has been significant increase in raw material prices over the last two quarters. Inflationary trend in raw material prices have been monitored and our company has been practicing the Core 90 as you have been discussing for couple of quarters now, have been practicing Core 90 cost optimization and productivity improvement program in order to offset the start of this price increase. Our company has been able to pass through a large part of this input cost increase, however, part of it will happen in the fourth quarter of FY2022. Our company has reported a PAT growth of 4% Y-O-Y and 3% quarter-on-quarter to Rs.257 million in third quarter of FY2022. With this I come to the end of the opening remarks I now request the moderator to begin the question-answer session.

**Moderator**: Thank you very much. We will now begin the question-answer session. We have our first question from the line of Nikhil from SIMPL. Please go ahead.

**Nikhil:** Good morning and congrats on the good set of numbers. Hope I am audible. Two to three questions Sir. One is on the two-wheeler side; if we consider our revenue and breakup, it seems like we have grown while the whole industry has seen degrowth. So, if you can just share is it like the better mix from the EV has supported us in better numbers in the two-wheeler side or what has played out there; if you can just help us understand?

**Rishi Luharuka:** Can you please repeat the question?

**Nikhil:** Sir my first question that if we look at our two-wheeler mix in our total sales, while the industry has seen a degrowth, we have shown better numbers, so what has exactly played out for us as a result we have been able to grow while the industry has seen a degrowth?

**Rishi Luharuka:** There are a couple of factors to that; the first and most important is the new launches that have happened specially with TVS. There has been couple of new launches in the scooter segment and one in the motorcycle segment that has helped. Similarly, the models on the SD platform had given some initial numbers, which have again helped and I think some of the customers were our presence is very strong like say for example Suzuki; I think their numbers have been better as compared to some of the other OEMs, so the combination of these two aspects and the new launches as well as in some of our customers are doing quite well which has helped our growth.

**Nikhils:** My question was that is EV still a very small proportion for the two-wheeler sales or has it started becoming meaningful for us?

**Rishi Luharuka:** Yes, as compared to the total sales it is still a small number but Nikil, I think it is month-on-month and quarter-on-quarter and, this number is improving.

**Nikhil:** Secondly Sir like for last two to three years if we look at the auto industry and ancillary industry has been seeing a very limited volume growth and volumes have been constantly under pressure and we have been focusing on this CORE90 program where we have been focusing on reducing our cost structure. If you can just help me understand how our breakeven points would have reduced now say over the last two to three years from where we were to where we are today?

**Rishi Luharuka:** Nikhil, again two components to breakeven one is the fixed cost element and the other is the contribution. Given that there are now margin pressure because of commodity. The contribution as you have seen in the results of this has taken bit of a hit. Having said that under the CORE90 program, we have been able to significantly manage our fixed cost as well as manpower cost optimization, so currently BEP to NSP in the range of 68% to 70% odd.

**Nikhil:** Sorry Sir I could not get it the last line which you mentioned.

**Rishi Luharuka:** The BSE to NSE as a percentage, it used to be above 70%, now it is little lower than 70.

**Nikhil:** Last question Sir, in our previous call we had mentioned that we used to pitch for business with KYB and we had lost Wagon-R because KYB had lost the business for Vietnam and Indonesia and as a result we have to give up on it in India as well. Now subsequently like in last 6 months, if we see KYB has sold stake in Gabriel, so is there any change in association or we still go with them for new business or now we can independently go for businesses, which we had lost earlier. How does that association change now?

**Rishi Luharuka:** In terms of the association with KYB, I think on a working level nothing has changed. We continued to work together on new platform or the Maruti platforms that we have worked in the last few months where we are working on they are all along with KYB.

**Moderator:** Thank you. The next question is from the line of Mayur L from Profit Mart Securities. Please go ahead.

**Mayur L:** Thank you for the opportunity. I just want to ask what is the outlook for the next quarter? Do you see quarter favoring us. Can you share your thoughts because of the voice glitch I want to hear some updates from your side?

**Rishi Luharuka:** Mayur as far as the next quarter, since we do not issue forward-looking guidance, we will not be able to share information on that side, but in terms of the demand I think Atul can give you a brief synopsis on how we are seeing all the three segments.

**Atul Jaggi:** As I mentioned earlier, in terms of growth in commercial vehicles and passenger vehicles, the demand is quite positive. Yes, two wheelers, we are all seeing the numbers that are there. The market numbers we are seeing a significant degrowth there, but new models and both on the IC side .

**Moderator:** Sir we have the question from Mr. Mayur L from Profit Mart Securities. You may please go ahead.

**Atul Jaggi:** We are sorry about this happening again and again. You were mentioning about the demand forecast, could you hear the answer from Atul or should we repeat.

**Mayur L:** Sir I am not able to get that answer.

**Atul Jaggi:** In terms of the demand forecast, I think as I mentioned a little earlier also in terms of the commercial vehicles and the passenger vehicles, we are seeing a very positive demand forecast coming from the customer. In terms of the two-wheelers yes, there is a challenge in the current market situation, but as far as Gabriel is concerned, I think the new models that have been launched recently along with the EV ramp up that is happening will be very helpful for us.

**Mayur L:** Okay Sir, thank you so much.

**Moderator:** Thank you. The next question is from the line of Lakshminarayanan from ICICI Prudential AMC. Please go ahead.

**Lakshminarayanan:** Thank you. Sir, two questions, first is I see that in the presentation, you are working with WABCO. There is a new logo which you actually won. Can you just help me understand what exactly we are doing there and because WABCO is a preeminent player in braking system and customs for commercial and there is also a reorganization with ZF. How this relationship can actually help us to grow even further, I just want to understand that part.

**Atul Jaggi:** Let me answer the question which slide are you referring for the WABCO logo.

**Lakshminarayanan:** Something on client prints and commercial vehicles, you have mentioned that for the suspension program, you are actually working with them; slide #18.

**Atul Jaggi:** This is on the damper for their air suspension. These are the dampers that we will be supplying for their air suspension.

**Lakshminarayanan:** Is this a new account to you altogether or this is an ongoing business for you?

**Atul Jaggi:** In terms of dampers for the air suspension yes, it is an ongoing business. We work with multiple OEMs or tier ones on that. In terms of working with WABCO, it is a new development.

**Lakshminarayanan:** How larger can this become like a significant thing for us?

**Rishi Luharuka:** I mean, large it is again relative, but it would be a critical customer for us. In terms of volume, we do not anticipate it to be in the top ten.

**Lakshminarayanan:** Another question; we are part of a large conglomerate. Are there any other conflicting product which is there in the parent organization with either in the commercial vehicle or in passenger vehicle for us?

**Atul Jaggi:** As you would be aware that in the parent entity or in this group almost all other organizations are JVs and the products that they produce under the JV legal entities they do not have any conflicts with Gabriel.

**Lakshminarayanan:** Got it. All the products be it passenger car or commercial vehicle or two-wheelers. All the suspension related products starts everything manufactured only in Gabriel India?

**Atul Jaggi:** Yes, they are with Gabriel India. Only in the passenger car segment, as you know that at Anand Group, we have a JV with Mando. For Mando, there is one product line is the shock absorber and with their primary customer being Hyundai and KIA.

**Lakshminarayanan:** Which means for Hyundai and KIA, we will not be supplying from this entity is that a right assumption?

**Atul Jaggi:** We are a supplier to Mando where we act as a tier two; we supply Piston rods to Mando.

**Lakshminarayanan:** Sorry Sir, I cannot hear you, you said you supply to Mando but then your voice was little muffled can you just repeat it, Sir.

**Atul Jaggi:** I think we work with Mando. We supply piston rods for their shock absorbers and struts to Mando for some application.

**Lakshminarayanan:** Got it. Another question is that if I just look at your slide #26 where you actually put the strategic manufacturing footprint. I see that also looking at your balance sheet over the last five or six years, there is no major incremental capital expansion that has actually come in. My question is the quality of the business like that it does not require a lot of capex or you are actually running at a low utilization. How do I read it?

**Atul Jaggi:** I think the earlier statement that you made may not be completely right because if you remember just a couple of years back, we have actually set up or expanded significantly this new facility in Sanand, which is a completely integrated plant to supply to.

**Lakshminarayanan:** Sorry Sir, I could not get it. Can you just repeat the last two lines, please?

**Atul Jaggi:** Yes, so I said the first statement that you made about significant capex may not be completely true as if you remember that we have recently set up a new facility in Sanand just at the time when this the COVID came. New facility to supply front forks to Honda Motorcycles and Scooters for their factories. It was a significant investment that we have done in Sanand.

**Rishi Luharuka:** To take your question on the capex side, we have been sharing this in the past calls as well that as and when a program comes it may require a certain specific operation, for which we may augment our capacity. It may require a full line of assembly which also we go and implement. On an average, in the past, we were doing in the range of Rs. 50 to Rs.60 odd Crores of capex in the past one year and also, we have been sharing this year. We are proposing a capex in the range of Rs. 100 to Rs. 110 odd Crores. So those all are in the nature of augmenting the capacity owing to the new businesses that we have won. On capacity utilization, we remain consistent with what we have again it is a little difficult to answer the overall capacity utilization given that we have to go by line and the operations into it and also take into consideration the supply chain solution that we have around that. But with that we have roughly maintained the fixed asset coverage ratio of 4x to 4.5x and that is what we also look at the hurdle rate internally when we approve capex.

**Lakshminarayanan:** You said the fixed asset turnover is something like 4.5x, so is that what you said.

**Rishi Luharuka:** Yes.

**Lakshminarayanan:** You are saying that your average of 50 Crores capex you are bumping it up twice to 100 Crores. So can you just elaborate on what premise the specific thing, which we are doing it? because if you look at, it would be the largest capex program in the last five years since we are doing something like 100 Crores plus.

**Rishi Luharuka:** This also we have shared in the past call. They are in the nature of import localization number one, number two they are in the nature of increasing our capacity at our Hosur facility, it is also in the nature of the new programs that we have won for example OLA. We have also been spending on the research and development side and we have our new tech center now fully operational. Then we also are spending on automation and digitization in a larger way than we otherwise were doing. So those form a part of the delta that you just mentioned.

**Lakshminarayanan:** And this year FY2022 what will be the total capex we will do and FY2023.

**Rishi Luharuka:** We would continue with the number I just mentioned in that range itself.

**Lakshminarayanan:** So around Rs. 50 this year and 2023 will be 100 is that a. a fair assumption?

**Rishi Luharuka:** We would be in the range of ~ Rs.100 this year and the same number for next year.

**Lakshminarayanan:** Got it. Sir, one last question, I just look at your working capital cycle, we generated a significant amount of cash flows last year by increasing payables and we are able to maintain a strong working capital discipline even in the last nine months, so how should one read about it, has there been a whether this characteristic of having a lower work, I mean, better working capital cycle will continue or last year was one of where the payables were very high, our receivables are very low and therefore we could generate higher cash flow from operations.

**Rishi Luharuka:** Well, that is a good question. We have been very, very sensitive and very aware about the need of cash both in times of pandemic and thereafter given our growth aspirations. We have been having a very hawk eye on all of these under the CORE90 program. Currently we have closed the quarter with 16 odd days of working capital, which has been fairly consistent this year. Yes, in the previous year of pandemic because of lower volume and with better realization from the debtors and inventory, we were able to release a lot of working capital again largely owing to lower volume. This year we would like to maintain the current level, if not better then.

**Lakshminarayanan:** What is the program you talked about some 90 program, can you just repeat it?

**Rishi Luharuka:** It is a program that we have been running for now almost three years. The program name is CORE90. CORE: CO stands for cost and RE stands for reduction. We began this program as an outcome of being sensitive towards the profitability and with the success of this program, we launched the second year and in this year as well we have continued it and this has now become a part of our operational strategy as well and year-on-year we would wish to continue this to bring in the efficiencies on various cost parameters, which you can see on the P&L as well as things like working capital on the balance sheet side.

**Lakshminarayanan:** Thank you Sir, very commendable. Thank you so much. I will get back in queue.

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

**Dhiral:** Thanks for the opportunity. Sir, I wanted to know what is the current revenue contribution from the EV side and what is the content per vehicle in the EV segment as compared to ICE.

**Atul Jaggi:** The current revenue from the EV is not very high. It has sort of improved to 1% now. I think the good thing is that, as I mentioned earlier, month-on-month and quarter-on-quarter this is improving as the EV manufacturers are ramping up.

**Dhiral:** And there is the content per vehicle remains same.

**Atul Jaggi:** Mostly yes, but again it purely depends upon the kind of technology that is being used in different models. So as an example, say OLA would use a different kind of a technology than Ampere or Ather, so the content per vehicle depends upon the technology used.

**Dhiral:** Sir, as you said in your opening commentary that we are going to pass on the RM inflation in Q4 FY2022 in current quarter, so are we able to fully pass on the RM inflation till date and this will help to recoup our margins to maybe 9% to 10%, which we use to do earlier?

**Rishi Luharuka:** Well, the way it works are different customers having different index mechanisms and different settlement cycles. For all of our OEMs, we have an indexation clause and a settlement cycle, what we mentioned on the count of quarter four was largely owing to timing differences here in some cases we must set the vendors but the recovery from the customer will come in quarter four and there may be some differences owing to the mathematical calculation of different indexes some volumes, because of different quarters, you may have a different multiplier, but by and large, we have been experiencing a very deficit story and that is also reflected in the margins that we have been fairly able to maintain in the RM commodity.

**Dhiral:** Our margins again would remain at around 7%? Is my understanding correct?

**Rishi Luharuka:** Well, we have always endeavored to the double digit and that pursuit continues. There is obviously a denominator impact even if we do a 100% recovery of commodity. If you do the mathematics in this case, there would be at least a 2% impact of denominator coming to the margins. We will have to see where the commodity cycle plays out. If it remains the way it is currently, this would be the start point for us to be successful.

**Dhiral:** Okay and as you said our capex for FY2022 and FY2023 would be around Rs.100 Crores range each, so how much of this would be utilized for the capacity expansion and how much would be utilized for the cost rationalization?

**Atul Jaggi:** In terms of the capacity utilization, it would be around 30% to 35% and primarily for the new programs. Balance, as Rishi earlier mentioned, I think is more on the automation, digitization, quality, improvement and import localization, so the balance would be distributed between these four heads.

**Dhiral:** Sir, what is the current capacity utilization across the plant?

**Atul Jaggi:** It is very difficult to answer because there are multiple lines in each plant. So normally looking at the current volumes, we may be around in the range of 70% but again line-to-line it may vary and location-to-location also.

**Dhiral:** Okay. Thank you so much, Sir.

**Moderator**: Thank you. The next question is from the line of Viraj from Securities Investment Management. Please go ahead.

**Viraj**: Thanks for the opportunity and congratulations for a good set of numbers in such a challenging environment. I just have three broader questions. First is on the export part. A quarter or two back, we kind of also talked about us engaging in RFQs for global players in the PV segment. Any kind of color you can give; At what stage we are in and any update on the overall export business pipeline?

**Atul Jaggi:** In terms of the overall export, yes on the CV side, as you would remember that we started with DAF that got expanded to the newer models there. So we already have started for a couple of other models for DAF over there and also some small exports to DAF in Brazil. On the CV side, these numbers have improved. In terms of PV, we started working with Volkswagen for the Russia business. In Europe, we have been sort of working on a very important RFQ, a little larger RFQ there, but it has still not been finalized, so we are in negotiation on that particular business.

**Viraj**: Okay, got it. A related question, we were waiting for clarity on the PLI scheme and since that is, how should we understand our play in respect to that because we have a sizable cash on the balance sheet and us and the group as a whole also is a quite a significant player in the automotive space. So just want to understand what role Gabriel India will play if at all any with the PLI scheme and the landscape.

**Rishi Luharuka:** Our product, it is not within the basket of the schemes currently. Having said that, as Anand Group we have gone ahead because there are different entities and the 250 Crores turnover to category requirement that is a sizable one. So we have done an application at a group level for the various entities within that of which Gabriel is also a part of it. Right now, we are just working out what can be done with that. Having said that, it is a little too premature for us to see or to take into consideration what the benefit are rising out of that would be. As of now, we are waiting for it to be awarded and thereafter we would be able to share some more light on it.

**Viraj**: Sorry, what I really meant is I understand the product category process is not really eligible under PLI, but given the kind of surplus balance sheet position, we have a significant cash position, is there any thought process at the parent level in terms of further adding new product categories or because it also helps in terms of utilizing the cash to new growth opportunities. So just trying to understand; Will we continue to be focused on the current product category or is there a thought process adding and capitalizing on new growth categories as well.

**Atul Jaggi:** This is a very valid question and we all have been watchful and aware of the cash balances and utilization. So two are fits to that; one is what is required for our organic growth, which obviously as you are saying that we are investing into the future technologies, we are investing into future capabilities, we are also investing into optimization whether it is input localization or automation. So that is one part which obviously will require a certain amount of money which is coming out of the cash pool. Second is the inorganic piece that we have been pursuing and that would essentially also require a contribution from our side and to that extent, we would like to retain the cash balance for it. To get your an answer in the product category, we are open to look at various product categories in the mobility space, but we have to be mindful of it is not being a conflict product with the other group companies.

**Viraj**: Just last question; in the presentation, we have a slide on EV and you kind of highlighted the clients we cater to. For the majority of these clients, will we be a single source supplier or, how does our competitive position in EV currently I know it is still quite nascent and early days, but compared to ICE where we cater to few players. In EV, for all these players, are we the single sole supplier or how does the competitive position differ here?

**Atul Jaggi:** As of now for the most of the EV players, we are a single source.

**Viraj**: Got it. Thank you and good luck.

**Moderator**: Thank you. The next question is from the line of Shashank Kanodia from Kotak Securities. Over to you!

**Shashank Kanodia:** Sir, I want to get a clarity on the tax rate; For the last two quarters, it seemed to be in the range of 30%. Is it the new normal for us or what should the tax rate we should work with going forward?

**Atul Jaggi:** 25% Shashank.

**Shashank Kanodia:** Sir, for the last two quarters was there any exceptional charge I mean why was that is that higher.

**Atul Jaggi:** We have to be mindful of the budget on the education cess. Higher education cess not being allowed as an expenditure, so that is something that we would be taking into account in Q4.

**Shashank Kanodia:** Secondly Sir, if you can show what is the volume ramp up happening in the Ola Electric because we were given to understand through media articles that the production outcomes has been quite slow, so what are the kind of schedules that are we working with present target for this quarter?

**Atul Jaggi:** Shashank, I may not be able to share these schedules with them, but I can only share yes that month-on-month the numbers are better than the previous month and I think the ramp up is happening. So the exact numbers I may not be able to share because of the confidentiality agreement with them.

**Shashank Kanodia:** Sir, lastly in terms of Q4, how is this quarter shaping up vis-à-vis last quarter since we are almost half way through? Kind of improvement is something we are witnessing quarter-on-quarter basis.

**Atul Jaggi:** In terms of the numbers, in terms of the top line, yes, we are anticipating a good quarter. It also depends upon how the two-wheelers go into February and March. But as I said that fortunately the new models and the EV part is supporting us, so we are anticipating a good quarter.

**Shashank Kanodia:** Okay. Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Pankaj Bobade an individual investor. Please go ahead.

**Pankaj Bobade**: Thanks a lot for taking my question. Sir, I have invested in this company for almost five odd years, but I am a bit skeptical about the growth path, which we are taking; we have been more or less a single product company in a single segment, but we have not seen unlike other peers of us who have been growing leaps and bounds across product segments. Just wanted to understand what is our growth path going forward given that EV is still an infancy industry and which offers us lots of opportunities. We have been trying for inorganic acquisition, but it has not happened for last two to three years if I am not wrong despite us being a cash rich company.

**Atul Jaggi:** Yes, in terms of you mentioned about this segment so just a little maybe correction there. We are one company, which is nicely spread across all the segments, although we are into a single product, but unlike most of the competitors who work in the shock absorber domain, we are quite nicely spread across two-wheeler, passenger car, commercial vehicle, railways and obviously with the Gabriel Brand a good aftermarket also that is something which is a strength. In terms of the growth, yes, I think we are very clearly specified in our vision that we would like to be one of the top five global shock absorber manufacturers and all the actions in terms of technology in terms of our pursuit of business, in terms of improvement, share of business, investments they are all in line with the same. In terms of inorganic growth yes, you are right I think Rishi just mentioned it minutes back also and we have been working on it for quite some time. We have been looking at a good product where we can build some synergy and we can also add value, so we would not like to jump into something just for the sake of doing it. Wherever we can add value and we can build some synergy to it definitely, we are exploring a few opportunities and I am very sure that in the near future something will materialize.

**Pankaj Bobade**: Sir what I mean to say that we are slightly lacking in our aggression. Our peers have grown multifold over the last five to seven years. Though we are present across the segments, only two-wheeler or three-wheeler and PVs is what is working for us. CVs as a cycle is not working so I cannot blame you for that. Railways it depends on government and the last I suppose the construction equipment that too has not been doing well, so what I wanted to put forward is when can we see aggression from the management. I understand we are one of the many companies the management holds, but as a listed entity, I would request you to look into putting more aggression so that we grow going forward.

**Atul Jaggi:** The point is taken and noted and thank you for the feedback.

**Moderator**: Thank you. The next question is from the line of Lakshminarayanan from ICICI Prudential AMC. Please go ahead.

**Lakshminarayanan**: Thank you. Two more questions. Sir, if I just look at your other expenses schedule, there is a legal and professional fees of around Rs.39 Crores Rs.40 Crores which has been recurring over the last couple of years, right. Now expense or it s is variable, should it be look it as a quasi-employee expense, and, how do we think about it because it is quite large for the size of our company. Can you just throw some light on that?

**Rishi Luharuka:** Sir Lakshminarayanan, I will take that question. Your first aspect was whether it is variable in nature, yes; it is largely variable in nature almost to the extent of 95% odd. Part of that is the management fee that Gabriel is paying to its parent on various accounts; one is the use of brand. The other is the support that we receive on marketing side, on technology side. On HR side, on finance, legal, compliance, as there is a host and bouquet of services that we take from them, so to that extent we have a fee arrangement with them, which forms a part of the legal and proficiency.

**Lakshminarayanan**: Just a follow up on that. Sir, you mean to say that it is variable and most of it is to the parent, right. Sir, my other question is that if I just look at your EBITDA profile over the last couple of years, there has been a, we are operating at like 9.5% plus or 9% plus, right. It has come to something like lower driven by various factors, so what is the band you aspire to operate in, not now, but maybe three years or five years out. Is there a particular band you like to operate like you have a core program you talked about, what is the EBITDA margin you target?

**Atul Jaggi:** We have been pursuing double digits and that pursuit continues, yes there are market conditions, yes there are external conditions and there are things like pandemic that has come in-between, but the purpose still continues towards the double digits.

**Lakshminarayanan**: Got it. Sir, one last question with respect to your market share, I mean, of course there have been some segments like some other things like you cannot supply to Hyundai or Kia and similarly you do not supply to Hero, so if I just exclude that in the market you operate in where there is no captive involved or a specific JV involved, what is your market share because the market share which you give 25% in two-wheelers or maybe 23% in passenger car is like including everything under the denominator right. If I just carve out a Hyundai, Kia and Hero, what is the market share and how large is this second person in those markets and geographies of the world. Can you just elaborate on that?

**Atul Jaggi:** In terms of two-wheelers, obviously Hero give and take all those; I think the numbers are fluctuating, but give and take 30% - 35% they own the share and where we are currently operating is around is 65% of the of the market. Yes, considering that if you extrapolate that this number would go up to maybe around what 37%, 38%, 40% in two-wheeler but while we are saying so, there is no challenge in terms of the sort of the parent or the joint venture like in case of passenger car where we cannot operate there. We continue to try to work with that customer also. In terms of the passenger car, again it is just mathematics, so Kia and Hyundai would be of 30% odd. So this 30% odd goes to 7 23 % of 100. so again, mathematically is around 35%. If it is positive in case of passenger car is, this number will grow because of the business pipeline that is there, which we have already shared in the past the three Maruti models and one Toyota model, so there are four significant models which are under development. This number anyway is going to grow, this 23 will grow.

**Lakshminarayanan**: Got it, and who is the number two in our space like if I just take the 70% of the denominator right, so we are 35% what is the next person there in the market share.

**Atul Jaggi:** In terms of passenger car, the competitor is Tenneco, and they are larger than us currently. In terms of three-wheeler, we continue to be the number one with a very high market share. In terms of two-wheeler the competitors, there are multiple players in two-wheeler as you all know, so I think Gabriel, Endurance, Mundial; these are the three large players and then there are other Japanese players who are also there.

**Lakshminarayanan**: Thank you so much Sir this very helpful.

**Moderator**: Thank you very much. Ladies and gentlemen that was the last question for today I would now like to hand the conference back to the management for their closing comments. Over to you!

**Rishi Luharuka:** I take this opportunity to thank everybody for joining the call. I hope we have been able to address all your queries. For any further information kindly get in touch with us or SGA our Investors Relations Advisors. Thank you. Stay safe stay healthy.

**Atul Jaggi:** Thank you so much everyone.

**Moderator**: Thank you very much. On behalf of Gabriel India Limited; we conclude today's conference. Thank you all for joining, you may now disconnect your lines.