



**“Gabriel India Limited
Q4 & FY2022 Earnings Conference Call”**

May 25, 2022

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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 Q4 & 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 the 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, please signal an operator by pressing “*” and then “0” on your touchtone telephone. 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: Good morning and a very warm welcome to everybody who has joined the call. I am Manoj Kolhatkar. Joining me today is Mr. Rishi our Company’s CFO and Mr. Nilesh Jain, our Company Secretary and of course SGA our Investor Relations Advisors. We have uploaded our results and investor presentation for the quarter and the year ended on the stock exchange yesterday after we had our board meeting. I hope each one of you had a chance to go through the same. Before I get into the numbers and run you through the presentation, I will give you a brief on the overall outlook of the industry and where are we. Of course, most of you are aware of all the challenges that are continuing to hit the industry for several quarters now but nevertheless, I’ll go through the developments, this is mainly my perspective.

Coming to the industry, last year I am talking of 2021-2022, the industry was mixed bag. Yes, all the results we will compare with 2020-2021, which is actually not the right year to compare because it was the COVID year. Nevertheless 2021-2022 for passenger cars it was a good year in terms of domestic sales, there was an increase compared to 2020-2021 and in fact the good part is in passenger cars there was an increase compared to even 2019-2020 on the domestic sale figures. So, if you see the total domestic and exports there was almost 17% increase compared to 2020-2021. Of course, the industry was faced with a lot of challenges mainly the semiconductor shortages. These numbers could have been more as you all know there is a huge waiting list for any car that you want to buy from the market, which is a good thing because that clearly signals a robust demand pipeline for the passenger cars.

However, coming to two-wheelers, the story is different and unfortunately it continues to be under severe stress for several years now. The two-wheeler volumes are actually down by 3% if you take domestic and export both put together, but if you look at only domestic in fact the figures are even more adverse. It is almost down to 9% compared to last year. Exports did very well. I mean basically Bajaj and TVS continue to export very good volumes all through the last year and that helped us as well. The reasons for two wheelers of course are first and foremost is the COVID second wave, which hit in

April-June, it almost kind of devastated the rural segment, that really shook their confidence and then immediately if there were any signs of revival it was again hit by the Omicron wave, so there is a lot of uncertainty in the minds of the people.

Adding to this is of course there is the EV, so that is mainly on the metro side I would say that people are waiting for the EV thing to pan out so to some extent wait and watch and of course the demand is also low because many are still operating from home. The schools are still not entirely operating so obviously this affects the schools and colleges, so this affects two-wheeler and three-wheeler demand both. It is still I must say challenging days for two wheelers, and it might last, but of course we did hear from the largest player in the country Hero MotoCorp that they are optimistic about a revival as far as the two-wheeler is concerned after this monsoon. Commercial vehicle was of course a very good recovery and commercial vehicle volumes grew by almost 30% and the trend continues into the year. With this we expect to continue the same growth rate maybe about 20% in the year 2022-2023 as well. Tractors of course Gabriel does not play in this segment, but tractors there was again a drop of 1% of course we had an excellent sale in the year of 2021, but the last year was a little correction to that. ICRA's recent survey on auto dealership to understand current demand and supply trends across various segments indicated that demand may remain weaker than last year, but we will again as I said we will have to wait and watch. There are supply challenges which continue. Adding to the semiconductors was the Ukraine war, so that has even further aggravated the situation and of course the rising commodity prices also have played to it. Of course, all of us are yet to see the impact of the recent government intervention on the steel prices just a couple of days back, it is early days, but hopefully that should see a change in the commodity trend for the main commodity which is steel for all of us.

During the last quarter the demand for PV as I said remained very, very healthy. We are very optimistic about the passenger car particularly. Coming to electric vehicles they are becoming more and more visible, and the usage is increasing across all segments, so the two-wheeler story we all know I mean in the month of January, February, March we had sales of 50000 in a month if you see the entire last year the growth for EV for two wheelers has almost been 400% even if you take the full year for last year in terms of registered vehicles I am not talking about unregistered. Unregistered is a similar 50:50 market. Last year 2021-2022 we sold about 2,31,000 two-wheelers and now the hit rate per month is almost 50000, so you can see clearly in 2022-2023 very likely that this figure might actually go close to a million mark as well if all things go well.

The way each EV maker is indicating the schedules, we are quite hopeful that this should see continued huge growth in two-wheelers segment, especially the scooters. Passenger cars still are a very small number, but nevertheless catching a lot of traction. Tata Motors Nexon is selling almost 3000 a month, MG has come up with a new model

that is also doing well and other players as well getting into the play. There are a lot of announcements from Mahindra, now they will be introducing the concept sometime in the second quarter, on their born electric vehicles as they say, clean sheet electric vehicle platform. So, a lot of action that is bound to happen in passenger car space as well. Three wheelers yes, of course the adoption there has been highest, and the conversion will be the highest so easily we can see more and more three wheelers getting converted to EVs. So, this is in short just what industry did look like last year and of course also to some extent indicated as to how it will pan out in this year as well in terms of 2022-2023.

Now, moving to the numbers, I will take it through the slides quickly. We of course have to start with the COVID because COVID while we say it is behind us, we all hope it is behind us, but there is again a prediction of a fourth wave. Hopefully it will be mild, and people are going for the third booster shot. In our group also we have decided to extend the booster shot to employees. So hopefully we should not see any adverse impact of COVID, nevertheless, just to mention that our precautions continue, we being a very conscious company and a group, we continue to take all the precautions as regards COVID appropriate behavior.

Now moving on in terms of the results, we had an excellent quarter in Q4 the best ever actually, so we did a sale of Rs. 684 Crores, which is highest by long margin, yes, this does have the commodity impact to some extent, but even if you discount that it still has been the best quarter ever and in terms of EBITDA we did Rs.37 Crores, which is 5.5%, yes, we continue to have challenges in the commodity that is just not easy, you all know the steel price hike that happen in March and April was really something unforeseen. I mean none of the industry expected that to happen, so yes, the government intervention was actually imminent which thankfully has happened, so we will have to see the impact, but in terms of PBT we have been able to maintain 5.5%, which is Rs.37 Crores for the quarter.

Going to the slide 8, just the highlights revenue for the year again the highest sale year ever Rs. 2,332 Crores, which is compared to last year of course this is a COVID year, the growth is almost 38%. EBITDA for the full year is 6.3%, so again if you see the growth over FY2021 it is 42.3%. Yes, I have to again mention that this year in 2021-2022 we had a month of COVID impact actually almost two months of COVID in the month of May and to some extent in June as well, so the year was not completely free from COVID, but yes, despite that I think the company did manage really good sales for the year. PBT was Rs. 126 Crores which is 5.4%, again a growth of 62.3% compared to FY2021. Balance sheet net cash position of almost Rs. 280 Crores, cash flow from operations to the tune of 96 Crores compared to of course the higher in last year of Rs. 204 Crores. In the year we incurred capex of almost Rs. 67 Crores.

Going to slide 9, these are again the same numbers I am not spending time on that. We move to slide 10, giving the trend. Yes, the EBITDA trends have been under pressure mainly while we have got the raw material compensation from the customers, the impact because this increase has happened quarter after quarter, there is no abatement in sight obviously displays even on a simple arithmetic even if we get a 100% compensation there is an impact on the margins. Coming to slide 12 is again the trend, so if you see on the full year basis EBITDA has started moving up. EBITDA, PAT and ROC both have started moving up from the down trend in the last year 2021. The net working capital days also has reduced to 17 days. The rest are the key ratios, I just spend may be on the slide 14, which is a segment mix, so the passenger car sales did quite well last year and even CV started by doing very good volume, so you will see a shift to that extent slightly.

In terms of aftermarket, we have 12%. Exports of course was a good year for exports, we crossed Rs.100 Crores of exports in the year, but yes, unfortunately I must also say that we have been hit by the Russia war because part of our exports was to Volkswagen of Russia, we will have to wait till those volume start back. Coming to the next slide, which is on two wheelers and three wheelers, which is 66% of our sale, our market share continues to be 25%. Our engagement with all OEMs remains as strong as it was. We continue to get awards, we got an award from Honda Motorcycles for new product development which is a very key category of awards especially being a global company and the world leader in two-wheelers. So that is a very prestigious award that we have got.

We also got an award from TVS Motors for quality, cost and delivery, so we have in fact strengthen our relationships based on solid performance of the products and programs that OEMs have asked from us. Coming to the passenger car, many of the programs that we had started have started getting into SOP. Some, in fact many of them are doing the new program which can see here on slide 16. Maruti Suzuki code name Y0M, YWD and YFG all these programs are going to start in this year, some in August, some in December, so this will add to the volumes further. The Stellantis has already started, volumes are very low, but the important thing is, this is a global company, which is looking at sourcing opportunities from India, so we are very strongly engaged with them. They have been very satisfied with all the work that we have done so far, and we have had a very good engagement at all levels as far as Stellantis is concerned.

Coming to commercial vehicles, yes, we all know we have a huge market share here, so we continue to have that confidence from the OEMs. Our export program DAF we have got two more programs, we had started DAF export last year, we won the award for best new supplier, so this is a global award from DAF of the Netherlands and in addition just a couple of weeks back we won the Paccar, Paccar is the holding group of DAF so from Paccar we got the ten TPM award which is awarded to only selected

suppliers globally, so we got that award as well, so the engagement with DAF is again very strong. We have already been extended for the DAF Brazil products as well, so that is an addition that has happened last year. Volumes are small but the good part is their confidence in us is growing

After market was a terrific year last year. We did excellent sales of Rs.331 Crores again highest ever of course and that growth story continues. So, we expect to build on this further going forward. Exports I have already mentioned this is slide 19 shows exports yes, there is a setback which is temporary. Volkswagen is also working out alternatives to this production in Russia, but we will have to wait and watch for some time.

Balance sheet again capex I just mentioned the capex we did Rs.68 Crores for the last year and the main capex was the Tech Center. We have started our new Tech Center, four wheeler Tech Center. It is a really beautiful building and also, we have our own small test track for noise testing alongside tech center and we have all the latest equipment with provisioning for additional seats in terms of engineering design.

We also expanded in our casting front to reduce our dependence on China, so that has already happened I mean the tonnages almost gone double as per our casting capacity is concerned it is almost close to 300 tons a month now. In Dewas plant we are expanding to have a new paint line to improve the quality and of course to improve productivity and efficiency of the whole paint line. These are the key capex for the year 2021-2022 and these are the cash flows, etc., I will not spend time on this, but I rather leave the floor open for questions from you. Just one point that of course the dividend, yesterday we declared a final dividend of Re.1 in addition to the already declared 55 paisa for the total dividend stands at Rs.1.55 paisa per share. Now, I leave it open to questions and keen to hear your queries, your clarification, and your suggestions.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Viraj from Securities Investment Management. Please go ahead.

Viraj: Thanks for the opportunity and congratulations for good set of numbers in such a challenging environment. Just a couple of questions, first is so in slide 24, you have mentioned about good performance in all end segment, so if you can just provide how this growth has come from existing customers as against new orders and the other question is in terms of number of share of EV sales how much of that we see on Q4 or FY2022, how should we see this scaling up in coming year, so that is one?

Manoj Kolhatkar: Thanks, Viraj. Our share with the existing customers you know with some of the customers is actually increasing for sure with Royal Enfield, with TVS, with Maruti Suzuki, with Tata Motors, I can say top of the mind and yes, of course the Honda

Motorcycles because as I mentioned last year we won the new motorcycle award from Honda Motorcycles, the numbers are yet to come, but that will further increase our association with HMSI. Now talking about electric where we already have over 50% market share so that has been a very solid story, so we are engaged as you know till now we were engaged with Okinawa and Ampere, Ather, TVS and of course Ola. Ola has started doing good numbers now in fact just a couple of days back I did meet Mr. Bhavish Aggarwal and they have expressed great satisfaction on the partnership that we have extended to them in terms of supplying the parts, so the Ola volumes are doing well, so this share of business in EV will only increase as Ola volumes go higher and higher. Now the only player that we did not have in the two-wheeler EV segment was Hero Electric, which is the market leader as you know. I am glad to share that we have won the LOI from Hero Electric for a new model, which will start in Q2 of this year, Q2 or early Q3. This is a model where the volumes that they have indicated in year 2026-2027 are likely to go by a million, so this is a huge order, the order size itself is over Rs. 250 Crores, so this is one very good development. So we now have in terms of EV two wheelers where the conversion is happening extremely fast in fact there are some cities where the penetration of EV has already hit 17% in 2022, which is really very encouraging in fact what they said was the penetration go to 20% by 2025 was the general prediction, we are seeing 17% penetration already in couple of cities in India. So now with this addition of Hero our entrenchment in EV two wheelers becomes even more stronger with Ola volumes going up this 50% we will immediately see an increase to 55%, 60% so the EV two-wheeler story is really quite strong.

Viraj: This Rs. 250 Crores order which you said that is over what life cycle or that is the annual volume you are talking about?

Manoj Kolhatkar: That is annual volume. I am talking about the peak annual volume as per numbers they indicated. Yes, the numbers obviously we do not know how the vehicle will perform in the market, but just going purely by the numbers they have indicated that is the volume size, if you see the program life, it will be much more.

Viraj: So, this will be couple of models, right not just one?

Manoj Kolhatkar: This is just one model.

Viraj: Second question is on margin side, you mention that on the RM we got price increases, but is a large part of the inflation now in the books, so we expect any further cost inflation and related to that how should we understand the margins moving for say 2023, have we got any further price increase, because the mix has been quite favorable and based on the indication that it would be more favorable in 2023 especially with CV, aftermarket coming up?

- Manoj Kolhatkar:** Viraj, your voice is not entirely clear, but I will try to answer that, I hope I got what you are asking. In terms of our raw material compensation, we get almost I would say 95% back to back with OEMs. So if you look at the steel, aluminium, rubber and oil I mean these are the key components that go in our front fork so we get from all OEMs back to back arrangement, yes, maybe it is with a lag it depends three months or six months but we are moving everybody to a three month cycle now mainly the commercial vehicle is a longer cycle, but let us say two wheeler and passenger car, which is a much higher volume game, there we have a back to back arrangement, so we have been able to do that yes, I mean there have been other increases so mainly as you know increases in freight, increase in packaging, increases in every commodity that we speak currently some which are not direct material so that would not get covered. Of course, we have been requesting OEMs to support on that front as well, yes, hopefully something of that should get materialized in 2022-2023, so yes, we are pushing it very hard. We have taken a focused effort and kind of focus exercise in the company to get compensation beyond raw material composition.
- Viraj:** Just one more question if I can squeeze in, in the last call we briefly talked about the parent and our participation in PLI so is it final now, if you can provide some plans, if you can provide some details of our plans, what segment we will be looking at, what are the capex or the investment and our play?
- Manoj Kolhatkar:** Actually, we have zeroed down on a particular product category, so we are right now doing the market research on that particular product. Since it is early days, I am not able to share more with you at this stage.
- Viraj:** Okay, so it will be outside of the traditional ride control product?
- Manoj Kolhatkar:** Yes.
- Viraj:** I will come back in queue, thank you.
- Moderator:** Thank you. The next question is from the line of Lakshmi Narayan from ICICI Prudential. Please go ahead.
- Lakshmi Narayan:** Thank you. A couple of questions, over the last couple of years we have done a good job in reducing the conversion cycle wherein we see that we have actually reduced the inventory levels, etc., right, so what is the plan forward, can we maintain at this level, or you think it will normalize to the 2018 levels?
- Manoj Kolhatkar:** Lakshmi, if you are talking of working capital efficiency or our efficiency of inventory turns, I think that we can improve even further this is certainly not done, I think there is still scope for improvement and there are very clear efforts going on and, in some

initiatives, going on in terms of leveraging SAP to a much larger extent to give us better efficiencies in terms of the inventory and scheduling.

- Lakshmi Narayan:** Got it and what kind of capex you intend to do for FY2023?
- Manoj Kolhatkar:** FY2023 mainly will be over Rs. 100 Crores, it would be in the range of I would say Rs. 120 Crores.
- Lakshmi Narayan:** And can you split between maintenance capex and growth capex?
- Rishi Luharuka:** Give and take we do roughly Rs. 20 Crores to Rs. 30 Crores odd of maintenance capex every year and the remaining would for strategic projects or for debottlenecking of the capacities.
- Lakshmi Narayan:** Got it and you touched upon freight expenses, so with our increase in freight expense so last year if you look at it, we incurred in freight and forwarding close to Rs. 30 Crores, how is that this year?
- Manoj Kolhatkar:** You mean what will be the freight expense this year?
- Lakshmi Narayan:** Yes, last year we incurred Rs. 29.7 Crores expenses?
- Manoj Kolhatkar:** I do not have the figure offhand online, but maybe we can come back to you I will just refer Rishi just referring to that, but just to say that freight has been increasing especially exports both inbound and outbound, in imports and exports outbound been going up by four times and five times, but the good part is the cycle is changing, we are seeing a bit of easing in the freight rates as well, we have seen almost \$500 per container reduction already so we are hopeful that the freight rate should start easing off, the fuel price also you saw the latest government intervention with that it should ease off, Rishi, you have the figure, so the figure is Rs. 42 Crores for this year.
- Lakshmi Narayan:** So from 30 it went to 42 Crores.
- Manoj Kolhatkar:** Last year we did Rs. 1700 Crores and this year we did Rs. 2300 Crores.
- Lakshmi Narayan:** Fair enough. Material margin over a period of time this is at 32% odd, right and we exited last year at around 25% so there has been a drop in material margin so how fast we can go back to at least 25% material margin?
- Manoj Kolhatkar:** Lakshmi, I think for sure once the commodity trend starts reversing we will see that happening, so difficult to say, it is not only me, but the entire industry expected price correction will start in April 2021, which never happen, but the only thing is if you see the early signs now and also there was an article sometime back about the futures of steel, which is expected to come back to the earlier rates by the end of this year and the

latest government intervention that happened a couple of days back, the fuel price reduction, container freight reduction, so we hope that the cycle should start turning. I really cannot guess whether it will happen in Q1, Q2, it is very difficult, but the margins will surely come back, that is the market side. Now second is what can we do internally, so again we just had our annual goal setting workshop in a month of April, where each of the team has been tasked with a clear focus on margin improvement both on the sales marketing side plus also on the raw material the production teams to improve efficiency, so we will certainly see margins improving from this quarter itself.

Rishi Luharuka: Lakshmi just to add to what we had spoken, even if we have a 100% recovery of every single commodity increase that we give it to the vendors with that calculation also there will be a 2% impact on the gross margin owing to numerical impact, mathematical or the denominator, etc., as we call it so that also has to be factored into. This is an amount that can reverse only when we see a downward cycle.

Lakshmi Narayan: I did not get that part, can you just elaborate of it?

Manoj Kolhatkar: It is like just let us say my price is Rs.100 and my raw material is 70% and our raw material goes up from 70% to 80% so my RMC and Rs.10 increase I will get a compensation of that so my price becomes 110, so 70% becomes 72.7% even if I get 100% compensation that effect is playing out again I would say it not only for us, it is for the industry and yes, the OEMs are themselves under pressure, they have passed on several price increases it will start turning unproductive on the demand side if it goes on like that, so we will have to, up to this year we have decided that we should pursue this in a focused manner.

Lakshmi Narayan: Got it and one strategic question, so if five years back when you thought the organization and when you plan for a few things sitting in FY2017, what are the things which have actually positively surprised you and you have actually gone ahead of your expectations and which are the ones which did not meet your expectations I am leaving the COVID aside right, so for the last five years how we have strengthened the company better and what is the plan forward now?

Manoj Kolhatkar: There are several points on that one is clearly our quality offering to the customer has improved significantly as I said while we keep sharing awards, award is a manifestation of the confidence of the customer in us, so that is why we keep sharing the awards with all of you, so the quality image, the quality perception has for sure improved, which is so very important in the auto component industry, that is one. Second our technology capability has improved in two wheelers and in four wheelers also it has significantly improved now, that is how you see more and more business pipeline coming through. The third is exports we have unlocked some key marquee customers which should help unlock many more. We took a lot of time in unlocking that, but now with these marquee customers in our kitty we should for sure improve

that even further. The other point is the overall customer relationship aspect both from the company side and the group side has also improved significantly at least with the key customers that has been another good story. Our focus on cash management has also I would say been improving yes, we cannot forget the COVID year, but even COVID year I think we were not so badly placed compared to the rest of the industry, so these are some of the good points. Of course, the EV sales, EV market share in two wheelers is for sure a success story that is one more thing, so if you ask me these are some of the things on top of the mind I can share as the positives.

Lakshmi Narayan: If we look at the EBITDA margins have actually declined gradually from 9.3% to 6%, right, now I think this will claw back to a better level whether it will take one year, two years because then how do you plan for the next five years?

Manoj Kolhatkar: Like you asked the question, what has been a positive surprise, the negative surprise has been this commodity, which has really hit again all of us completely, unforeseen kind of situation, so it will take some time for us to claw back to that. Target remains double digit. We are taking exercise internally to still to push towards double digit. Time frame is honestly, Lakshmi difficult to answer.

Lakshmi Narayan: Sir, one last observation from my side, what has happened as a group we take 2% fee on our revenues. Now from an inflation point of view what happened is that the parent keeps getting higher share, right and that actually has a double impact for shareholders because the EBITDA margin is going down and the inflation is actually hitting, right. From a number point of view if you should look at the fee to the parent has actually gone up 14% in the last four years from FY2019 to FY2022, the absolute dividend payout to minority shareholders had gone up only by 3.3% on a cumulative basis, right, how do you address this because it is actually creating difficulty for shareholders and the inflation is good for the parent. Have you thought about it and have you discussed with the board and any views on that?

Manoj Kolhatkar: Lakshmi, difficult for me to take this on the call, but I have noted your point, I can tell you that in terms of the group there has been, like the Hero order that I just mention I would say mostly come from our group support. Similarly, there are several other business connections that we make, like the improvement in share of Maruti. While the Company has performed, but there are so many players, there are four players, there also this is where the group support for sure comes.

Lakshmi Narayan: Even I completely agree on the group thing because that is the group has to be compensated, the only thing is that instead the percentage of the revenue if you can actually think about percentage of the PBT then the interest are much better aligned.

Manoj Kolhatkar: Lakshmi, I have noted your point.

- Lakshmi Narayan:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Priya Ranjan from HDFC Asset Management. Please go ahead.
- Priya Ranjan:** Thank you. Sir, my question in terms of the price recovery or in terms of the inflation how much we have got the inflation benefit in terms of top line and how much is under recovery in terms of commodity pass through is still in the numbers?
- Rishi Luharuka:** For the full year 8.5% is on account of the commodity and the remaining would be volume, on the count of recovery percent we are of course 85% including all the segments.
- Priya Ranjan:** Can recovery go beyond 90% or mostly it is fixed gets at around 90% level?
- Rishi Luharuka:** Answer to you is yes, it can go up one part of these businesses which is 13% is after market, there such kind of commodity indexation is difficult because it is also dependent upon what the competition is doing with regards to the price, second is with regards to some of the segments which have got a longer settlement cycle, we cannot accrue in the books the impact which will get in the next quarter or in some cases in the next half year. In case of export also the settlement cycles are longer than six months, so there also there is a timing lag, so considering if I remove the lag part of it certainly it can go to 90%.
- Priya Ranjan:** Got it and coming back to the growth aspects, so this year also as you mentioned about two months of impact in terms of COVID and higher market share in two wheeler EV part so how should we look at the growth because the last year growth was also pretty decent even if I remove the commodity benefit in the top line and the secondly what will be the impact of Russia in terms of our export growth, will our export be broadly fattish this year or how should we look at it?
- Manoj Kolhatkar:** The growth for this year I can only tell you in terms of the industry side they are looking at the passenger car growth of almost 10% and commercial vehicle growth of almost 20% to 25% is what we are looking at, but two wheelers it is a flat kind of scenario we are factoring in I think as I said there was some optimism, but I am still little doubtful whether the demand will improve. Electric two wheelers, yes, the growth story I did already shared we had a 400% growth last year, I do not see why it should not be the same this year where our market share is better, so that is where it stands. After market is quite strong I think the growth there should definitely continue in 20% a year. Exports unfortunately it will actually be a degrowth because we had a good order from Volkswageon Russia and to be honest I do not see that changing for at least Q1 and Q2.

- Priya Ranjan:** Understood and in terms of our market share in four-wheeler I think we have got many new wins in last one to two years, so how should we look at market share in the four wheeler, I mean the passenger car side?
- Manoj Kolhatkar:** We were hovering around 20% earlier now it has already gone to 23% and I think in the next three to four years this can definitely go more towards 28%.
- Priya Ranjan:** Got it and lately we have seen a lot of movement in the railway side, so in terms of wagon procurement, new types of wagon etc., so I think our market share even in railways is very pretty significant so what is our sense in that segment growth maybe for the next one or two years?
- Manoj Kolhatkar:** Yes, the tender are yet to come, but yes, there has been news that they are adding 4,300 coaches etc.. Yes, last two years have been pretty bad for railways, the figures have been flat actually or negative. So, this year if those plans actually convert into tenders we will certainly see a growth in railways, we will have to wait and watch for that.
- Priya Ranjan:** Lastly in terms of localization I think past two, three years part of the capex has been going in terms of localization, but still we are not able to see that benefit in terms of the gross margin, why do you think I mean is it something there is a lid-lag impact on that or what is your sense on that?
- Rishi Luharuka:** These projects of localization which we classify in the core 90 program on a year basis has given us results that we have desired. Having said that there are other factors which have also contributed in terms of increasing the RMC percentage, to give you a ballpark number 0.5% to 0.9% has been the benefit, which we have guide out of these programs.
- Priya Ranjan:** Got it. All the best, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Aniket Mhatre from HDFC Securities. Please go ahead.
- Aniket Mhatre:** Thanks for the opportunity, Sir. just on the two-wheeler EV outlook, I just want to check with you while we have seen a lot of news flow around the capacity ramp up from players we are also hearing they are facing chip shortage issue which are hindering the ramp up per se and also the reason fire incidents could have sort of hampered the momentum, so if you could talk about how you are seeing this growth rate in two wheeler EV going forward that would be useful, of course for you and for the industry both?
- Manoj Kolhatkar:** Yes, there has been fire incidences that had happened, but if you see even in the last month let us say April and even May is going I think people have accepted that and

moved on, I do not think you know because the proposal of EV is very compulsive, the payback is really solid especially the fuel price is going higher, your recovery of initial higher vehicle cost if you look at the total cost of ownership in I think two-and-a-half years at the current sale rate, so it is compulsive to switch over to EV. Any new thing is going to have issues so we are seeing with fire some of it have been blown a bit out of proportion as well, so I do not see that impact, yes, the positive is that the two wheeler EV makers have taken this and improved the quality and they are working on improving the quality and technology, so that is the positive, I do not see that affecting in a big way, I still believe the 50,000 per month can easily go to 100,000 per month in this year itself for sure. So by the end of the year two wheelers will be in the range of 8 lakhs to 10 lakhs closing to a million two wheelers, I am talking about registered. Unregistered is something which we do not have the figure, but approximately the ratios now there are more registered, so ratios I would say 50:50 for both and as regards to Gabriel I have already told you our engagement is going stronger from let us say Ather, Ola, Okinawa, Ampere all these players the indication that we have for the future month is quite good and increasing, so all reason to believe that this 400% growth last year will get repeated this year as well.

- Aniket Mhatre:** Understood, so basically you are not seeing any chip shortages per se?
- Manoj Kolhatkar:** Chip shortages are hitting them, but they have so far managed and the chip issue, it is not behind us for sure, but it is getting eased to some extent, so I do not see chip shortages affecting them in a big way because the overall volumes are still not very big. Even if I say 400% growth is one million compared to 15 million to 16 million for IC engines, I do not see a major issue there.
- Aniket Mhatre:** Understood and on the PV ramp up part, again we have been hearing a lot of order book backlog again because of chip shortages how are you seeing the industry cope up with chip shortage issue at the moment?
- Manoj Kolhatkar:** As per industry it says that this will go on for the first half of this year for sure, but there will be no degrowth I will say 10% increase in the PV market is what is the expectation of industry, I think we remain firm on that.
- Aniket Mhatre:** Understood and coming to the new order wins in the Maruti specifically you talk about three new platforms, are these new platforms or these are upgrades because we have typically not seen Maruti launch three products in one year per se before this, could you specify any specific categories would it be in utility vehicles?
- Manoj Kolhatkar:** Right so one is a new platform which is YWD of the Maruti Jimny which is doing quite well overseas, this is completely new, you can always say that it is replacing Gypsy, but Gypsy is long gone, so it is a new platform completely and the other two are replacement, yes, one is the new Brezza and other is new Alto.

- Aniket Mhatre:** The new Alto?
- Manoj Kolhatkar:** Yes.
- Aniket Mhatre:** Understood, and just finally on the two wheeler part when you talk about flat growth so again given that we have seen three years of a decline in two-wheelers and even last year if you recall as you rightly pointed out we had a COVID hit month so the base was also pretty low despite that you still think it will only be a flattish kind of a growth even this year?
- Manoj Kolhatkar:** Yes, because some of it is going to show into the EV segment, so EV segment as I said the number is small, but the growth is pretty high so the metro scooter demand will get shifted here, you are seeing that play out in rural segment as well, but overall I still see a flattish kind of figure. Monsoon early indications are not very good while it is predicted to the normal, but pre-monsoon is already deficient, so we will have to wait and watch, difficult to guess, but I would say flat is a better guess to have.
- Aniket Mhatre:** Understood, Sir. Thank you so much. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Sreemant Dudhuria an Individual Investor. Please go ahead.
- Sreemant Dudhuria:** Good morning gentlemen, a couple of questions, firstly with the investments that were done in the last financial year 2022 and that are being planned in 2023, what would be the capacity increase that you are looking across segments, that is the first question?
- Manoj Kolhatkar:** So, the capacity increase which we have done as I said we have got the new orders from Maruti Suzuki, so some of it is done last year and some will be done in this 2022-2023, this will take care of that additional volume that we have got for Maruti Suzuki. In two-wheeler side EV plus the new Hero electric order that I had already mentioned, Ola pushing the number, we are already invested but yes, we may have to a bit of de-bottlenecking additionally. In addition to capacity of course one important thing that we have done is we are investing in technology so which is not directly capacity, but in terms of our capability, so we have invested in the R&D center, we are investing in developing our own electronic suspension, that program is already under way.
- Sreemant Dudhuria:** But with the investments that has been done is there a number, which you could share say X units what is the capacity say last year and this would become say so much at the end of next financial year?
- Manoj Kolhatkar:** Number of units I do not have an answer right now for that, but we will revert back to you on that, it is roughly 40 million, but in terms of exact with these additional investments we will have to get back to you.

- Sreemant Dudhoria:** In this context wanted to understand at present what utilization levels we are running at?
- Manoj Kolhatkar:** So it is different across segments for two-wheeler it is about 65%, passenger car both put together I would be the same way 65%, commercial vehicle would be a little higher more at 70%.
- Sreemant Dudhoria:** The two-wheeler 65% includes the electric vehicles?
- Manoj Kolhatkar:** Yes, there is a mix in terms of let us say one plant is running at actually 80% plus, one plant which is running at 50% so I am talking on the mixed basis.
- Sreemant Dudhoria:** Understood, fair enough, lastly if you could also share you know while the top line includes an impact of the inflation in the commodity so what would be the volume that was sold in full year FY2022 and how does it compare with 2020 and 2021 if you have that number?
- Manoj Kolhatkar:** As I said on the volumes we will revert back to you, but if you look at the growth like Rishi had mentioned there is about 8% to 9% of commodity increase in the top line you just have to knock off 8% to 9% rest is the volume growth more or less.
- Sreemant Dudhoria:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Good morning, Sir. We have seen recent media article mentioning Anand Group is planning investment of \$120 million for EV component so will Gabriel have any role to play in that domain?
- Manoj Kolhatkar:** We have formed a JV with Mando, but it is an Anand majority owned JV. Currently they are into two-wheeler motor which will extent to even four wheeler motors and controllers so that is already started, they started supplying SOP. There are some additional products also in terms of the HMI or the human machine interface, the clusters for two wheelers, chargers for two wheelers so we are exploring in fact even charging infrastructure is part of it so it is being exported at the group level and as of now Gabriel is not a part of it, but we cannot dismiss it as of now.
- Shashank Kanodia:** Sir, Mando is same venture from where we supply the shock absorbers to the Korean OEMs Hyundai and Kia?
- Manoj Kolhatkar:** That is right, so Mando is mainly a brakes and electric power steering supplier and also they supply ADAS to most of the OEMs in India, yes, they do supply shock absorbers to Hyundai and Kia.

- Shashank Kanodia:** And we make the aluminium tubes for them, right?
- Manoj Kolhatkar:** Yes, the piston rods .
- Shashank Kanodia:** Secondly, we would also read see the similar concern regarding the royalty and legal fee that we pay for the group level so it might be roughly 2% on top line but you should consider the PAT level that is roughly half of the PAT of what you are clocking annually, I think we have raised the similar question with IR team, but I am not very sure whether it has reached to you yet or not.
- Manoj Kolhatkar:** We noted that.
- Shashank Kanodia:** Even Maruti if I have noticed the royalty has not declined right so the Maruti does not pay the same royalty on WagonR which was launched 20 years back so I think there is a strong case for you to make a suggestion?
- Manoj Kolhatkar:** Yes.
- Shashank Kanodia:** Lastly on the vision 2025, any inorganic acquisitions that you have observed or any prize or any colour you can share to be the top five?
- Manoj Kolhatkar:** Yes, so in that Shashank we are pursuing in fact we did visit one company as well, but the company was, let us say, not up to the mark in terms of compliance standards and we have a certain way we do business and we will not compromise on certain aspects so we have to reject the target, but at the moment also we are evaluating couple of other opportunities, so it goes on I think the effort is definitely on.
- Shashank Kanodia:** But are per our Vision 2025, we target to have a USD 1 billion of sales right, that is what you have been guiding?
- Manoj Kolhatkar:** Yes, if you translate that into numbers it should be around that figure, yes.
- Shashank Kanodia:** Thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is a followup from the line of Priya Ranjan from HDFC Asset Management. Please go ahead.
- Priya Ranjan:** Just one thing in terms of our top line or even within the two-wheeler segment, how much is the revenue now coming from the electric side overall two-wheeler?
- Manoj Kolhatkar:** The number is still small, but I can give you the approximate in terms of percentage the volume should be just 2% to 3% it is still very low.

- Priya Ranjan:** And just on other thing is on the tax rate I mean why we are paying still higher tax rates. Are we not moving for 25% tax rate?
- Rishi Luharuka:** See, basically we have moved into the regime of 25%. Once we have the full set of balance sheet, we can see that tax is in 25%. What happened is that there was an impact of deferred revenue from the previous year close to Rs. 41 million which has resulted into the current tax rate being higher both as compared previous year as well as 25% that we have an effective tax.
- Priya Ranjan:** Got it and we are also one of the large shareholders so would also like to have the same concern around royalty part, so which is because the commodity benefit is actually getting transferred in terms of higher royalty, so would request you to consider and have a detailed discussion on that within the group.
- Moderator:** Thank you. The next question is from the line of Lakshmi Narayan from ICICI Prudential. Please go ahead.
- Lakshmi Narayan:** Thanks again, when we look at some of the clients in the EV space their balance sheets are not good when they are in the mode of funding, right. So how do you ensure that when you setup a capacity you do not risk yourself by committing more and whether it is interoperable that you supply for the electric vehicle in case for some reason, they just go copout whether you can actually use it for others and how are you thinking about this particular risk?
- Manoj Kolhatkar:** So, valid points, what we do, we have elaborate process because there are about 400 registered EV two-wheeler companies mainly two-wheeler and three-wheeler. So many of them while finally, like you said, go copout we have a process by which before we go or before we engage with the customer we do a kind of a due diligence internally to see what is the reputation, what is the pedigree, what is the funding pattern so we do that and second is sometimes we actually regret not going ahead with them. The second point is, we recover the development cost and the engineering cost from these people so that at least on cost front if things do not go well we have recovered our cost, which is spent on developing the product and also we do take any specific investments as a compensation from them and in case in the worst case if they fold up or something, fortunately these lines and these investments are completely fungible other than the specific tooling that I need for the casting which is compensated from the customer I can use practically everything to cater to some other customer.
- Lakshmi Narayan:** Thank you, Sir.
- Manoj Kolhatkar:** Just to say that the risk is quite low on that as far as we are concerned.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference back to the management for closing comments. Over to you, Sir!

Manoj Kolhatkar: Thank you once again. Thank you all. Clearly could see a lot of interest in terms of course how do we get back our margins which clearly is on the top of our agenda and yes, a lot of interest from the EV side and I can only say with this new additional Hero electric order, our position will strengthen further and we will continue to push on this front while ever remaining our focus on our existing legacy customers so that remains. Yes, let us hope this year as you know it is free from COVID and all of us are safe and we do not have any set backs on that front and hoping that the commodity cycle also starts turning the other way so we have some better numbers going forward. Irrespective of that we will continue pushing our efficiencies and thanks for all your inputs and suggestions, on some cases we revert back to you, which we will. Thank you and all of the very best and stay safe.

Moderator: Thank you members of the management. On behalf of Gabriel India, that concludes this conference. Thank you for joining us. You may now disconnect your lines.