



“Gabriel India Limited  
Business Update Call”

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**Moderator:**

Ladies and gentlemen, good day and welcome to the Business Update Call of Gabriel India Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company, as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

Also, please note that since we have recently ended the quarter, the company shall discuss any questions related to quarter at the time of results declaration. Request the participants to limit their questions only related to technical collaboration and alliance with Inalfa Roof Systems for manufacturing sunroof for the India automotive market.

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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Manoj Kolhatkar:**

Thank you. Good afternoon, everybody, and a warm welcome to this special investor call that we have arranged. Firstly, I am extremely happy to share that Gabriel India has taken its first step towards diversification into a product beyond the core, which is the suspension systems. As you all know, we have a leadership position in the suspension systems, supplying and catering to all segments, right, from two-wheelers, three-wheelers, to passenger cars, commercial vehicles, and railways. And we have been at some acquisition opportunities, as I had mentioned in the previous calls as well. We had looked at a couple of them in the past, however, they were not up to the mark, so we did not fruitify.

And we also, in the meanwhile, were identifying products which could be of interest. And, of course, the focus was if the product is agnostic to the powertrain technology, which is, IC engine or electric vehicles, and also it's a high-technology product, so obviously, this was one product that we identified, which is Sunroof, a very high-tech, aesthetic, high customer perception value product.

So, I'm very, very happy to share that we have found a great partner in Inalfa of Netherlands. They are the world's number two in this Sunroof systems, and I'm sure you must have read all the press releases. We had a press conference yesterday. We had the formal approval from the board and all the regulatory approvals, so that's very briefly to introduce about today's call. And, yes, as always, we are keen to listen to you and get your feedback and your suggestions and your comments on this major, as you say, new chapter in Gable's future.

So, thank you and over to you. Yes, so over to the questions now.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question comes from the line of Akash Pawar from Sahasrar Capital. Please go ahead.

**Akash Pawar:** Yes, hi. Good afternoon. Thanks for taking my question. I just had a few questions. First one being, if you could help us understand, like, in general, what is the cost of sunroof per car? I know it may vary from car to car, but on a blended basis, if you could give us a sense on that.

Second one being, who are our major competitors in this segment? And third one, what is the opportunity size, like, total addressable market for us? Thank you.

**Manoj Kolhatkar:** Akash, sorry, your voice was a little unclear, but could you repeat the last question? I got the first two. The third question?

**Akash Pawar:** Third one was, what is, like, what's the opportunity size for us in this segment?

**Manoj Kolhatkar:** You're talking about growth opportunity?

**Akash Pawar:** Yes, addressable market, total addressable market for us.

**Manoj Kolhatkar:** Okay. All right, so, yes, so just to start with your first question, which is, of course, the cost per car. As I said, we are just getting on to this new business. Obviously, we are unable to share or divulge any details of the cost per product but suffice to say that it's a very high-value product in a car. You should understand that, the product is a very highly aesthetic product. It's actually the part of the car, if the sunroof is actually, it is otherwise, if it was in the body, it would have been made by the OEM themselves. This is a part of the car which is being manufactured by a supplier, so it's a high-value product, obviously.

The second question was on competitors. So, here, I'll start with a maybe global perspective that, there are, of course, quite a few players. I would say mainly five or six key players. The world's number one is a German company called Webasto, and number two is Inalfa Roof Systems with whom Gabriel has tied up. So, in India, there is only one player currently, which is Webasto, which I just mentioned, who have already set up through a 100% subsidiary in Pune. They have a plant in Pune, and they have also announced a plant in Chennai. So, this is what is the competition currently in India. There are plans of maybe another player coming in, but I'm not entirely sure about that.

And third question was growth opportunities. So, this product goes into the sunroof, and mainly the take rate, as they call it, is very high in the SUV segment, and as you know, the SUV segment is now growing at a very rapid pace. In fact, the highest growth in the passenger car growth story over the last couple of years has been in the SUV segment, and SUVs now form over 50% of the passenger car market in terms of sales. And in SUVs, the percentage of the sunroofs is very high. In fact, in some models, it is as high as 70%, in some other models, it is 50%. So, I would say it is safe to state that in SUVs, it is about 40% of penetration of sunroofs or 40% of the SUVs made will have a sunroof in India. And the sunroofs are also there on the sedan and hatchback. Now, even a small hatchback like the Hyundai i20 also has a sunroof. So, it is now starting at that level, but there is a smaller sunroof. However, the SUVs have typically what we call the panoramic sunroof, which is a higher content per car. I hope I've answered all three questions, Akash.

**Akash Pawar:** Yes, that was helpful. Just one question from my side. At present, what is the cost of sunroof as a percentage of total vehicle costs, like if we say in SUV segment?

**Manoj Kolhatkar:** Difficult to state that, Akash. I mean, whether I give you a percentage or -- but I can tell you it's definitely an A category item.

**Akash Pawar:** Okay. Sure, sure. Thank you.

**Moderator:** Thank you. Our next question comes from the line of Viraj from SIMPL. Please go ahead.

**Viraj:** Yes. Hi. So, just a few questions. First is, if we can just talk a bit in a little more detail, one on the JV partner and on the product itself. Globally, in the press release, you said that, they have a close to 25% share. But, what is their strength? And generally, in this particular product, it seems that there are just five or six major players globally. So, what are the barriers to entry? I mean, how does one really differentiate one from the other? And in that sense, what does a JV partner bring to the table? So, that is one.

And second is, if we can talk a little bit more in detail on the unit economics for the product? So, typically on a steady state basis, what is the kind of margin or return this business, generally does? So, these are two questions to start with.

**Manoj Kolhatkar:** Yes, Viraj. So, first on the Inalfa side, as I said, they are the number two player with almost 25% market share. So, they started the journey in the 1940s. And from there on, they have been supplying to absolutely the who's who of the automotive industry across the continents. So, their key customers, just to name a few, in Europe, they are supplying to the Jaguar Land Rover, the Rolls Royce, the Bentleys, the super luxury segment. They're supplying to Scania, Saab, Volvo, Mercedes, Audi, BMW, Opel, Porsche. So, these are the kind of brands. So, they're all absolutely marquee labels.

And in Asian side, they're supplying to Hyundai, Kia, Samsung, Mitsubishi, Renault, Nissan, Honda, Nissan I already mentioned. These are customers. On the US side, General Motors, Ford, of course, in addition to the global players, like I mentioned, of Mercedes, Audi, BMW, etcetera. So, their customer spread is really absolutely, top class. That is on the Inalfa customer profile. And the strengths of Inalfa is, of course, because of these customer relationships, they understand the product very well. And like I mentioned, this is a skin panel. I mean, it's part of the body and styling of the car.

So, it is highly, highly valued and highly, I mean, very close to the perception of a quality of a car of the OEM. And the demands of the customer are very high. Mainly, the demands are in terms of one is aesthetics. Second is, there should be no noise. Third is, there should be no dust and water entry inside. Even if there is a sunroof, even if it slides and opens, and then it has to keep doing that function repeatedly over the life of the car. So, it is a very intricate, very high technology, high quality product.

So, which leads us to the second question, which is, the unit economics. It was asked by Akash also. So, you can, that's why I said the value of the product is quite high. It is definitely far more than our suspension system. Several times our suspension system that we supply for a car. In

terms of the steady state operations, we are looking at margins which are, I mean, EBITDA margins definitely in decensing double digits. So, that is what we are looking at. So, it is definitely a much higher product value as well as margin product compared to our traditional suspension. Mainly because, as I said, it's a high value product in terms of the customers, taking order.

**Viraj:** Okay, just two more questions and I will come back in queue. One is, you, in the press release also, the interview which we gave in the press, we talked about an aspiration of INR1,000 crores sales by 2030. And that's also looking to spend, INR170-odd crores over the next three years. So, in terms of the current market structure, say for sunroof India, except for the largest player who has their own facility, is bulk of the market largely catered to by imports? And in that sense, when we look to commission our own facility, say Q1 of CY '24, would the scale-up be much faster because there will be import substitution happening, is that the right way to think about it?

**Manoj Kolhatkar:** Yes, absolutely, Viraj. You are right on the spot. It will be a rapid ramp-up. So, the first order is from Hyundai. And Inalfa, Korea is supplying to Hyundai already. So, we are going to get all the support from Inalfa Korea. In fact, there will be expats also in our, sitting along with us in our new factory site in Chennai. So, we already located the site. And the ramp-up is going to be pretty fast. Our delivery date is also decided based on the localization of Hyundai. It's a high product. So, obviously, localization is very important.

Second, logistically also, it's a very big product. So it makes sense to localize it at the earliest. So, that's how it is. So, it's very much in the line of, as we discussed, the Atmanirbhar and Make in India mission, where we'll be helping OEMs with localization of their very high-value key product.

**Viraj:** And just last question was in terms of value addition, what will be the value addition in India? So, why I'm asking is, when you say, the sunroof system, the glass, everything, is there the local sources available or? So, in that sense, if you can explain, what will be the value addition we would be doing? And when we say double-digit EBITDA margin, that is after considering the royalty payment to Gabriel India or even to the parent of Gabriel?

**Manoj Kolhatkar:** Yes, absolutely. It's after everything. I'm talking about EBITDA after everything, every cost has been considered. That is what it is. And in terms of value addition, or I'll put it the other way, I mean, I can't share the value addition, but I can tell you that the glass, which is needed, is being localized. We also made a plan, very clear plan for localization already. We have started work on localization. We identified suppliers. In fact, we are in the midst of negotiation with suppliers. However, this will take some time because there will be a validation from the customer as well. But localization of the individual parts will be key. That will happen over a phased manner.

**Viraj:** Okay, I'll come back in queue. Good luck.

**Manoj Kolhatkar:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of N. Puranik from Enam Securities. Please go ahead.

**N. Puranik:** Yes, I have a question on what's the arrangement you have with Inalfa in terms of technology and in terms of marketing arrangement? What are the markets that you can focus on in any specific segments of the market?

**Manoj Kolhatkar:** Mr. Puranik, we have a technology agreement signed with them, obviously. Supplier of the technology, developing the product from scratch. They, of course, bring their global customer base, which is how we are getting the Hyundai and Kia orders. In terms of marketing, we have a mixed arrangement because the Indian OEM relationships, as you know, Gabriel are very strong. So, we will be bringing in the Indian customers. We have already discussed with customers in private and I can only tell you that there has been a very, very encouraging response with regard to this product and the need of OEMs to localize this product at the earliest. And the need for a good, reputed player like Inalfa and supported by Gabriel to cater to this market.

**N. Puranik:** If you can give a background to the selection of the partner and, more importantly, the product. Why did you choose this product? Is it that this will give you significant growth advantage or will it also give you enough and more cross-selling advantage in growing your current businesses? Will there be opportunities that will come by?

**Manoj Kolhatkar:** Yes, Mr. Puranik, good question. So, why we chose this product? As I already told you, we are looking at a high-technology, high-value product which is agnostic to the powertrain because there is so much of change happening. Everybody is unsure what happens to EV, what happens to the battery, whether there will be a hydrogen-powered fuel cell, whether there will be a hybrid, whether it will be a flex fuel with ethanol. So, there are a whole lot of combinations available and some products will change which are directly dependent on this powertrain.

Sunroof, fortunately, is one such product which is absolutely completely insulated from this. And, in fact, it lies in the area of Blue Ocean kind of strategy because there is only one player, number one. And, number two, the Indian buyer is now becoming more-and-more aspirational. And if you see, this is mainly in the SUV segment where, as I mentioned, the price elasticity of a customer who is going for SUVs is actually quite high. They are willing to expand and expand a bit in terms of their ticket size to meet their aspiration. They will not compromise.

Just to validate this fact, I can tell you, and then you can do your, you can in fact check it out yourself, but probably you may also have done the same. Most of the bookings happen in the highest variant of the model. I mean, the fully loaded version sells the most. That is what is a clear trend, particularly in SUVs. Whereas in entry hatchback, it may be different because that is a very cost-driven proposition. But this product is in an area where there is very high growth and further huge scope available for high growth as more-and-more adoption and penetration of sunroof happen in this segment.

**N. Puranik:** And in terms of market geography, which markets will be focusing on apart from India?

**Manoj Kolhatkar:** India. We have clearly defined the territory as India. But however, the way, of course, the Indian market is exciting. There's enough and more opportunity which is available in India. It's the highest growth market. We are all seeing that. So, I don't see till 2030 that there will be any dearth of demand in India.

- N. Puranik:** And how big is Inalfa by revenue and profits?
- Manoj Kolhatkar:** Inalfa is about 2 billion euros.
- N. Puranik:** 2 billion euros. And very profitable?
- Manoj Kolhatkar:** Yes. Yes.
- N. Puranik:** 15%-20% EBIT kind of margin?
- Manoj Kolhatkar:** Yes, it's not a listed company. That could be difficult to share. They are present in 15 countries globally. They are very widely present. And in terms of engineering centers as well, there are five engineering centers all over the globe. Yes. And, they have almost some 800 odd patents in the year 2021 itself. Almost 5,500 employees globally. And they do manufacture all kinds of sunroofs.
- N. Puranik:** So, what other opportunities this agreement provides? Any development contracts? Any other product development contracts with them apart from marketing to Indian customers?
- Rishi Luharuka:** To answer your question, anything which is required to be supplied in the Indian country is part of this agreement. A customer may be global, a customer may be Indian. Depending upon the volumes and the economics of it, the decisions will be taken. Indian customers obviously is a good opportunity because the decision making happens largely in India in those cases. In case of global, their relationship will help us get the business. If the supplies are to happen to the same customer in India. For example, Hyundai is just one of them.
- N. Puranik:** Excellent. It's going to be a big focus for growth. Yes. Going forward. Yes. Excellent.
- Rishi Luharuka:** In fact, just one more question. Currently, Hyundai and Kia are not Gabriel customers. So, this opens up that customer to us.
- N. Puranik:** So, enough and more cross-selling opportunity for you.
- Manoj Kolhatkar:** Absolutely.
- N. Puranik:** Excellent.
- Manoj Kolhatkar:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Chetan Gindodia from Alfaccurate Advisors. Please go ahead.
- Chetan Gindodia:** Hi, sir. Thank you for the opportunity. Sir, I wanted to understand the capex that we are putting for the plant. I am flushed. So, what can we expect from this plant?
- Manoj Kolhatkar:** Even your voice was cracking. So, you can just...
- Chetan Gindodia:** Yes. Sir, I just wanted to understand the 170 crores of capex that we are doing initially for the plant. What kind of asset turn can we see on this?

- Rishi Luharuka:** So, look, because it's a new entity, some of these capexes are not necessarily machines. So, if we take those, obviously, some pre-operative expenses as well. So, let's go with a number of INR150 odd crores towards productive machines, which are going to be used in the production facility. That, the capacity is around 200,000 units. So, as of now, depending upon the customer's per unit rate, we'll be in a position to in terms of assets, it's better once we have the first set of numbers out.
- Chetan Gindodia:** Okay. So, the capacity is currently for 200,000 units?
- Rishi Luharuka:** Yes. That's the first line of assembly.
- Chetan Gindodia:** Okay. Got it. Got it. Sir, are there any aspirations you can share with respect to going ahead? What kind of, even further capex that you are looking to make for the entity? Like 4-5 years kind of, if you can share, what is your outlook in terms of revenue targets for this new venture?
- Manoj Kolhatkar:** Yes. So, we, as you must have read in the press release, we expect to hit, INR1000 crores, if all goes well, by 2030. And for that, we'll have to add, top it up in the current INR170 crores, we'll have to top it up by another INR100 crores-INR120 crores.
- Chetan Gindodia:** Okay. Got it, sir. Thank you. Thank you so much.
- Moderator:** Thank you. Our next question comes from the line of Dhiral with Phillip Capital. Please go ahead.
- Dhiral:** Yes. Good afternoon, sir. Thanks for the opportunity. So, what kind of revenue do you foresee that will come to P&L during the first year of operation? That's the next year?
- Rishi Luharuka:** So, we will, again, these questions are all going to answer the per unit first, the revenue part. But the first year of operation, 2023, is largely going to be setting up the facility. We begin sales in 2024. So, anywhere between INR300 crores to INR400 crores. And we are targeting, again, hopefully, to break even in the first year itself.
- Dhiral:** First year of sales, yes. Okay. So, when you talk about double-digit margin, so does it mean that, after achieving certain scale, we will try to achieve that? Or maybe this will come, from the first year of operation?
- Rishi Luharuka:** The double-digit steady state is from the second year of operations.
- Dhiral:** Yes. Okay. And, you also have orders in hand from Hyundai and Kia, right? So, have you also started talking to other SQV majors like, M&M or Tata Motor or even Maruti?
- Manoj Kolhatkar:** Yes. Dhiral, I forgot to mention earlier, we also, when we did the, well, I think it was Mr. Puranik who asked, why this product? While this product was, of course, meeting all the criteria. Another thing was, the voice of the customer. So, we have been talking to customers regularly over the last couple of years and advancing our interest to the customers that we are willing to look at some new products in Gabriel. So, one product that, came as a suggestion from most of the customers was actually Sunroof. So, we have been in discussion with them, with all the key QEMs, and I can only say the response from them was very encouraging. We've already got,



based on yesterday's press release, many of them have actually voted back to me already, stating their best wishes.

- Dhiral:** Okay. Thank you so much, sir.
- Manoj Kolhatkar:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Dharmendra Grover from Helios Capital. Please go ahead.
- Dharmendra Grover:** Yes. Good afternoon, Mr. Kolhatkar. Can you hear me?
- Manoj Kolhatkar:** Yes, Dharmendra.
- Dharmendra Grover:** Yes. Hi. So, this is the first serious attempt from Gabriel to go beyond ride control. So, is it a more strategic thing in nature, and will there be more forays that we can expect like this?
- Manoj Kolhatkar:** Yes, absolutely. So, that's why we made it clear. This is, you rightly said, this is the first, first big step in our diversification strategy. And, Dharmendra, actually, we have been, working at it for some time. There were some targets which we had evaluated, which, of course, did not come through.
- However, the good part is this one, which is really – we are all really excited about the product because, as I said repeatedly, because of its real high value. This has come through with, the world's number two. So, it august's very well. And this is the start of our diversification strategy. And we will certainly be looking at more opportunities for sure.
- Dharmendra Grover:** And in this joint venture, did you go out and seek the JV partner or did they come and seek you in India?
- Manoj Kolhatkar:** Well, it was actually a mix of both. A mix of both and also with, the kind support of the OEM.
- Dharmendra Grover:** So, it has kind of – so, once you heard what the OEMs were saying, they put you on to the JV partner?
- Manoj Kolhatkar:** Yes. And we were also reaching out to – we had identified Sunroof as a category. And we were also reaching out – already had reached out to several Sunroof makers. And, the customer definitely here, did help us a lot.
- Dharmendra Grover:** Sure. And can you give us any timelines as to what other forays and by when we can hear something about it?
- Manoj Kolhatkar:** Well, this is the first one. So, we need to, of course, get this off the block and digest this. So, but yes, I mean, it would not be out of place to say that hopefully within this fiscal itself, we may look at another one.
- Dharmendra Grover:** Okay. Yes. Thank you.

- Manoj Kolhatkar:** Thank you.
- Moderator:** Our next question comes from the line of Pratik Banthia from Girik Capital. Please go ahead.
- Pratik Banthia:** Yes. Hello, sir. Sir, just to understand, so for Inalfa, this will be the – it will be like, are they already supplying in India or it will be the first time they will be doing?
- Manoj Kolhatkar:** They are supplying. Currently, Inalfa Korea supplies to both Hyundai and Kia from Korea.
- Pratik Banthia:** Okay. So, the 7 lakh market size which you expect for 2023, it includes the sales which is going to be under the joint venture now?
- Manoj Kolhatkar:** Yes. Yes.
- Pratik Banthia:** Okay. What sort of market share are we eyeing over the next three-year period?
- Manoj Kolhatkar:** The market share, I mean, obviously, we are looking at, I mean, being in the top two, I mean, yes, Webasto has the first move advantage here. So, it would be difficult for us to tell about, whether we can be number one. But definitely, as I said, in the top two, we should – we are in for that.
- Pratik Banthia:** Okay. So, you mentioned Webasto has put up 100% subsidiary and there is one more company of CIE Group, CIE Goldie, having a plant in Pune. Yes. So, are they also big and serious competition to us?
- Manoj Kolhatkar:** CIE Goldie also is a supplier of sunroofs, yes, globally. But as I said, in terms of global pecking order, they would be number four, number five.
- Pratik Banthia:** Okay. And that would be the case in India as well, I mean, as per your competition?
- Manoj Kolhatkar:** Yes.
- Pratik Banthia:** Got it. Okay.
- Manoj Kolhatkar:** In terms of technology, I think Inalfa and, very honestly, even the leader, which is Webasto, both share a very comprehensive technology basket of products and, spreading across the whole range of sunroofs.
- Pratik Banthia:** Okay. And if I heard you correctly said eyeing INR400 crores sales in two years. Is it correct?
- Manoj Kolhatkar:** Yes.
- Pratik Banthia:** Okay, sir. Thank you very much.
- Moderator:** Thank you. Our next question comes from the line of Chirag Shah with Whitepine. Please go ahead.
- Chirag Shah:** Yes. Thanks for the opportunity. Sir, my first question is quite a different one. Why this acquisition happened in a listed company? Because if you look at the Anand Group, it is not that

they have many businesses in the ancillary space which are not a part of subsidiary. This is the first time, in fact, a single company will have more than one business.

If you look at the structure of the group, there is a separate company for each line of business, broadly speaking, except for one or two exceptions. So, is there a change of thought process from the promoter and can we expect a consolidation happening in the existing list of companies also?

**Manoj Kolhatkar:** No, it's only that we, as, I mean, as Gabriel as a company, we were too dependent on a single product, which is suspension, where we have made, a good mark and we have attained the leadership position. So, it was always in our radar to diversify into products. We were only debating which product. So, Sunroof today is the right product. You know, maybe even one year back, it would have been even better. Before, for example...

**Chirag Shah:** The voice is cracking actually.

**Manoj Kolhatkar:** Is it any better now?

**Chirag Shah:** Yes.

**Manoj Kolhatkar:** Yes. So, what I was telling is Sunroof, makes sense, more sense today. But let's say four years back, just before pre-COVID period, the penetration of a Sunroof in passenger car was hardly 2%-3%. You know, so it did not make much sense then, but today it is certainly making huge sense because the penetration now, people have got taste of the product and it is, increasing.

That's why, we narrowed down on this product. And Gabriel has always been, what I told earlier, maybe my voice was cracking, but what I was mentioning earlier was that Gabriel was dependent on only one product, the suspensions. And in suspensions, it has achieved, I mean, thanks to all the customers, we have achieved the leadership position in India.

And if you have seen in our vision also, clearly we have stated M&A as a clear pillar of our strategy. So, it was always on the cards. We were only waiting for the right product. And I think there couldn't have been a better product than this Sunroof for us to take this first step.

**Chirag Shah:** No, it's a great product, good choice actually according to me. Because when you look at the presence of the Anand Group, this is a big deviation done by them where they are having two products or two different type of joint venture or technology arrangements in a single company in that sense. Otherwise, they have a separate company for a separate product slash company.

**Manoj Kolhatkar:** That's right. See, finally, we have to see how to create value for the shareholder, right, I mean, continuously. So, that was the driving force and which we have been, as I said, we have been working at it for some time. Today, it has come to fruition. And this is just the beginning yet.

**Chirag Shah:** The second question is that your thousand crore revenue expectation that you indicated over 2030, by 2030, what kind of market share you are assuming that you will have to have that number? Is that Hyundai, Kia with 60%-70% penetration with them will help you to achieve this

number or this assumes more than one OEM? If you can just highlight, how do you think about this INR1,000 crores number in terms of how it will come across?

**Manoj Kolhatkar:** So, Chirag, yes, you're pretty much right. You know, the major customer would be Hyundai, Kia. But yes, definitely, we will be looking at other customers. You are very well aware of the deep relationships we have with, all the OEMs, but in particular Tata's, Mahindra's, Maruti, Suzuki, Toyota, for sure, within them, within these four or five customers that I spoke, we are talking about 90% of the market.

**Chirag Shah:** 90% market.

**Manoj Kolhatkar:** So, yes, right.

**Chirag Shah:** I presume the business model would be like, there would be one key supplier who would have maybe 60%-70% of the share of business and there could be a number two supplier for strategic returns by OEM, right? That is the way to think about it. So, for example, Hyundai, Kia, you may be 80% of the partner ultimately of their requirement and 20% would be somebody else. That would be the business model that would evolve in the industry or it will be more like suspension where it could be reasonably distributed into a market share?

**Manoj Kolhatkar:** No, I mean, from what we have learned from Inalfa, the pattern is more there's one, I mean, a dominant supplier and then there's a second supplier.

**Chirag Shah:** So, in case you are able to make a breakthrough with other OEMs, you could be among the dominant suppliers. That would be the aim over a period of time?

**Manoj Kolhatkar:** Yes. And the second point is, just to make it clear, here there is no dual sourcing. You know, if one model is one, it is only with that because it's just too expensive.

**Chirag Shah:** Yes. Precisely. From that perspective and given the platform sharing nature, it is actually more than one model, actually?

**Manoj Kolhatkar:** Yes. And also, it depends upon the kind of sunroof that is required. For example, it may be a single glass, small, what we call as TVS or it may be a panoramic sunroof, the one we are planning to have. That will also determine as to which sort of segment in the model that you want to go for.

**Chirag Shah:** Let me clarify, you are only looking at panoramic or you are also looking at TVS?

**Manoj Kolhatkar:** We are looking at others, but at the moment, we are beginning with panoramic.

**Chirag Shah:** You are beginning with panoramic. Okay. So, even in Hyundai, for example, something like i20, you may not be supplying, but you may be supplying to say Creta. Just as an example, I am saying?

**Manoj Kolhatkar:** Precisely. Creta does have a panoramic sunroof.

- Chirag Shah:** Yes, while i20 doesn't have a panoramic sunroof. It has a normal TVS sunroof?
- Manoj Kolhatkar:** Yes. And, Chirag, panoramic is a much higher value than a TVS sunroof.
- Chirag Shah:** Yes. It is. Okay. Last question, if I can just squeeze in one more question. If you can help us understand the different components of the raw material basket. Yes. If you can, in terms of percentage, I don't want absolute value, but between glass and other parts, how that structure would be. If the raw material basket is INR100, how the broad breakup is. And I presume you are looking to localize most of the things in first year itself?
- Manoj Kolhatkar:** Chirag, so we have, as I said, we have a clear localization plan, drawn. However, I will not be able to share the details. You should understand that we also have a partner here. So, the details would be right now. We are unable to disclose with you. But yes, localization plan is a strong pillar of success.
- Chirag Shah:** Thank you. It's a last clarification. When I read it, when I read the press release of today, it indicated you ultimately have 49% and 51% will be with Inalfa. First, we are acquiring 100% and then there is some rearrangement where Inalfa we will have 51% stake. Is that the understanding correct?
- Manoj Kolhatkar:** Yes, I'll give the reasoning for that. See, we have got this order as a localization plan for Hyundai. Right. So, there is a clear target that they have in terms of meeting the timeline. Now, while we have applied for the GAV, the requisite approvals are under process. We don't want to stop the proceedings. So, we have entered into a TA so that we can start, we can hit the ground immediately from today onwards since we have made it public yesterday. And meanwhile, the processing of the application is going on. So, we will have no delays.
- Chirag Shah:** But why are you not adding 51%? Is it a requirement coming from Hyundai itself that they will...
- Manoj Kolhatkar:** That's a discussion, of course, with the partner and the partner brings in technology, the partner brings in customer relationships, global customer relationships.
- Chirag Shah:** Okay. Okay. And export can be an area of opportunity or it's too early to even talk about it?
- Management:** Well, it can be an... I mean, why not? I mean, you know, everybody who's here has got to explore with sunroof. It might be a bit of a challenge in terms of the logistics. But yes, we, you know, we'll have to see as we, you know, mature into the alliance.
- Rishi Luharuka:** Yes. The country was importing. Exporting also is just exactly the reverse part of it. So, it can happen.
- Chirag Shah:** Fair point. Thank you very much on all those.
- Manoj Kolhatkar:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Divyansh Gupta from Taxila Investments. Please go ahead.

- Divyansh Gupta:** Most of my questions were answered, but there are a couple of questions that are left. So, in the previous quarter's con call, you had mentioned that you had a plan of 150 crores of capex for the year. So, is it a fair assumption that, let's say, this capex for the JV is going to happen in parallel with the earlier planned capex, or there is some postponing of that capex?
- Rishi Luharuka:** No, Divyansh, you are right. This is absolutely separate from what we have spoken in the previous investor call. Divyansh?
- Moderator:** Management members, the line of Divyansh Gupta has dropped from the question queue. We move on to our next question, which is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.
- Riddhesh Gandhi:** Hi, sir. You know, we are sitting on a reasonable amount of net cash, and obviously generating also a reasonable amount of free cash flow. Are there areas except of this, because you had indicated on your last con call that there are advanced discussions happening on potential acquisitions. Is this what you are referring to, or are there other discussions also ongoing at the moment?
- Manoj Kolhatkar:** Yes, it was this. In fact, it was one of the two opportunities we have foreseen. As I said, the other one has not come through for valid reasons, but this is the one that has come through. So, clearly, when we spoke about acquisition, it was clearly this one that we spoke of.
- Riddhesh Gandhi:** Got it. And what I want to understand is that, you know, what is the plan of the use of the free cash flow? Because even with this incremental capex which is there, given the amount of free cash flow which we generate, what we already have on book, what is this sort of plan with regards to the deployment and the capital allocation?
- Manoj Kolhatkar:** See, one, as we had mentioned in earlier calls, you know, last year we had made an intervention to increase our backward integration and augment our casting capacity, aluminium casting which is needed for the front fork. So, we took a clear objective of reducing our imports from China. That is how we enhanced that capacity. And this year also, we are doing the second phase of enhancing the capacities on the same aluminium casting. So, clearly, there is some part of backward integration, some part of regular capex, and yes, this new, you know, JV that we announced. And as I said, this is not the end. Obviously, we will be looking at more going in the future.
- Riddhesh Gandhi:** Got it. And just the last question is with regards to what is the internal hurdle rate we use with regards to capital allocation, either in terms of, I mean, equity IRR, steady state ROC, or how are we looking at it? On the payback period, how are we looking at it?
- Rishi Luharuka:** So, it all depends upon the kind of investment that we are looking at. For example, something which is towards ESG will be looked very differently as compared to a capacity enhancement, as compared to a quality enhancement for that matter. An investment of this kind into a joint venture is also having its own hurdle rates. And, you know, we have spoken about this in the past. In the range of 20 odd percent is what we typically like to look at in less than five years.
- Riddhesh Gandhi:** Got it. Understood. Thank you and all the best.

- Moderator:** Thank you. Our next question comes from the line of Jinesh Gandhi from Motilal Oswal Financial Services Limited. Please proceed.
- Jinesh Gandhi:** Hi, sir. Congrats on this, JV. A couple of questions from my side. One is with respect to the current import levels of Sunroofs. Would it be fair to say that import levels are upwards of 50% in Sunroofs, or how that would be?
- Manoj Kolhatkar:** We lost you, Jinesh. Can you repeat that?
- Jinesh Gandhi:** In terms of level of imports today in Sunroofs, would it be very high?
- Manoj Kolhatkar:** Yes, yes. Obviously, it will be very high to start with. But the bigger commodities like the glass is what we are targeting.
- Jinesh Gandhi:** My question is about the Sunroof system, the current imports in the industry. Would it be very high? I'm not talking about the localization part of the inputs to do with the Sunroof systems for the industry today.
- Manoj Kolhatkar:** Yes, the import content is high for Sunroofs. And as I said, we have planned a localization of the key parts over a phased manner. Of course, it will take two to three years.
- Jinesh Gandhi:** Okay. No, sorry. My question was, the Sunroofs which are being used today in India, are largely imported or it's being assembled in India or made in India that way?
- Rishi Luharuka:** Jinesh, apart from Webasto, there is no other competition or there is no other supplier in the country. Let's say 200,000 to 300,000 is the sort of Webasto supply. So, remaining everything is an import in the country.
- Jinesh Gandhi:** So, you said Webasto has 200,000 to 250,000?
- Manoj Kolhatkar:** For sure, but that's what the Chennai plant operations states, the press release.
- Jinesh Gandhi:** Okay. And for us, when you're saying 1000 crores, it effectively means that we have to double our capacity from 200,000 today to achieve that 1000 crores. That again would be fair?
- Manoj Kolhatkar:** Yes, that's right. We'll kind of have to double the capacity.
- Jinesh Gandhi:** Okay. And lastly, for the future product categories which we'll be looking at, so how are we evaluating it, especially considering that within the group also there are various businesses and growth plans at their end. So, how are we looking at and evaluating those categories in terms of approach to that, understand eventually something will materialize and something won't materialize?
- Rishi Luharuka:** So, in terms of the overall group, again, when any product or any category is looked at, it's not from a company's lens that is looked at. So, once the product is looked, its numbers are evaluated, the challenges are looked at and then obviously which is the best place to be in terms of its synergies, in terms of the bandwidth which is available, in terms of customer connect, in terms

of the product alignment, those are the decision makers as to which company will it be sort of anchored with.

**Jinesh Gandhi:** Okay. Got it. Great. Thanks in all the best.

**Moderator:** Thank you. Our next question comes from the line of Pankaj with Affluent Assets. Please go ahead.

**Pankaj:** Thank you a lot for taking my question. So, I just wanted to understand, as you mentioned that you developed the product from roof system, as you mentioned in your introductory remarks that it is part of the vehicle. So, would that mean that it would be customizable, customized product for each and every OEM and for each and every model? So, I just wanted to understand the stickiness of the client.

**Manoj Kolhatkar:** Yes. It will be totally customized because it has to meet the body styling, you know, the A surface of the car body, right? So, it will be totally customized.

**Pankaj:** So, you are in alpha would be the ODM manufacturer of the product, right? System. Design and Development would be done by your company.

**Manoj Kolhatkar:** Yes.

**Pankaj:** Accordingly, the margins will be better.

**Manoj Kolhatkar:** Yes.

**Pankaj:** Second thing, you also mentioned that you are looking for developing or indigenization of the part which goes into the system. So, do we mean to say that we will be also supplying the parts to the leading manufacturers?

**Rishi Luharuka:** No. So, if your question is that if we are able to develop a part will be supplied to Webasto, is that the question?

**Pankaj:** So, my question is since you will be looking for indigenization of the part of the system. Okay.

**Moderator:** Dear management members, Pankaj has left the question queue. We move on to our next question, which is from the line of Viraj. We move on to our next question, which is from the line of Viraj from SIMPL. Please go ahead.

**Viraj:** Thanks for the opportunity. Just a few questions. First is on the, you know, this whole arrangement of JV. And, you know, if you look at the approach typically with Hyundai and its vendors, you know, they typically go with a, you know, own setup kind of approach. So, even with the JV partner, the kind of scale has, one would logically think they could have easily set up the shop on their own, you know, just like how Webasto did in India. So, you know, what is the thinking behind choosing or getting into JV and that too with Gabriel? So, that is the first question.



**Manoj Kolhatkar:** Okay. So, I mean, of course, you know, the JV part, I mean, let's say a global player is always on the lookout for, you know, a good, reliable Indian partner because India is, you know, that very complex country. And they would definitely, you know, benefit from, you know, deep relationships of, you know, Star groups in India, particularly who are known for, who stand for their governance for ethics versus ESG policy and philosophy, you know, and so on and so forth. So, and of course, quality and delivery standards, the market reputation. So, they also look for, you know, reliable partners in India.

Everything can be done 100%, but then it's a mix of both, you know, both strategies. It's very difficult to say which one is the right strategy, right? So, I mean, they also did their, obviously, due diligence with the OEMs and the market. And obviously, Gabriel and Anand did, you know, stand out as a good, reliable partner.

And even from our side, when we met them, you know, their customer centricity, their people orientation, their high ethical standards, governance standards, what we saw in Inalfa also was a very good value match with regard to our own values at Anand Group. So, that's how, you know, we have gone for this JV. And it's, I mean, it's not one, you know, one size fits all. So, some may go for 100%, some may go for a partnership.

**Viraj:** Okay. And second question is, you know, if you look at the market currently, as you said, it's close to 5 lakh unit market in terms of demand. But in terms of, just want to understand a little bit on the market structure. So, if you look at Webasto, you know, they had close to 2 lakh, 5 lakh unit and they just recently expanded and doubled their capacity to 5 lakh. And we are looking to set up a 2 lakh unit and looking to capitalize first with Hyundai and Kia.

So, in terms of opportunity to say scale up to other OEs, X, outside Hyundai, Kia, is it that, you know, they already have those relationships with the parent companies, you know, at the global level, I can say with Suzuki or, you know, other major players. And hence, you know, that is what driving a faster scale up for them. So, just trying to understand, you know terms of opportunity for growth, X of Hyundai and Kia for us.

**Manoj Kolhatkar:** I mean, Hyundai and Kia is something where Gabriel did not have a relationship, while Anand Group definitely has. So, that's one plus that we got by this JV. They have a very, very strong relationship in Inalfa Korea. But now, now that we are in a JV, Anand and Gabriel, I mean, Gabriel brings to the table the deep relationships with Tata, Mahindra, you know, and of course, Maruti Suzuki. So, naturally, we will be able to, and as I said, we have already got a lot of interest from these OEMs, regards to this JV. So, we should be able to definitely expand beyond and that's the whole part of it. Expanding beyond just two customers.

**Viraj:** Okay. And just one last question. In terms of the royalty and the fee payment, typically, what range that could be for the JV?

**Rishi Luharuka:** See, broadly, the shareholders, eventually, the range of 4-5% is the payout, depending upon which stage of the JV they are in.

**Viraj:** Okay. Thank you.

- Moderator:** Thank you. Our next question comes from the line of Devansh Gupta with Taxila Investments.
- Devansh Gupta:** So, you mentioned that in the first year, you are planning to break even and then the steady state margins are expected in the subsequent year. So, let's say by 2025, right?
- Manoj Kolhatkar:** Yes.
- Devansh Gupta:** But you had also mentioned that the localization is planned over two to three years. So, that should further expand the margin, right? So, is it fair to state that two to three years down the line, the actual full-fledged higher margins will show up for the product?
- Rishi Luharuka:** That's what it looks like at the moment. There would be inflationary pressure as well on the business that we will have to see as the year progresses.
- Devansh Gupta:** Got it. Got it. And Inalfa, when you had mentioned the range of clients that it serves, right? In Europe, you mentioned all the luxury car customers like Range Rover, Mercedes, Audi. So, is it... And while in India, they are doing Hyundai and Kia, which might be more economy, but is the product more suitable for, let's say, a high ticket size price vehicle and will require a lot of customization in India to, let's say, price it down for the Indian ticket size?
- Manoj Kolhatkar:** No, Devansh. I mentioned a whole host of customers, including Volkswagen. Why I mentioned the luxury brands is they have that technological competence to even meet exacting standards and demands of these high-value luxury brands. And they also serve BMW, Ford, Volkswagen, Saab, Renault, Nissan, and of course, Hyundai, Korea, Mitsubishi, Honda.
- Devansh Gupta:** So, operate across the ticket size.
- Manoj Kolhatkar:** That's why one reason why I selected the partner also was their really strong technical expertise and this value offering cutting across the entire product portfolio from an entry-level sunroof to a really fully loaded sunroof, which goes into, as I said, a Bentley.
- Devansh Gupta:** Got it. Understood. And just last question. It might have been answered. I got disconnected. The earlier plan of 150 crores of capex is still on, right? Well, it's not that it's going to get delayed.
- Rishi Luharuka:** No. Yes, you're right. It's not impacting the plan for Gabriel India.
- Devansh Gupta:** Got it. So, funding for this will lead to some external debt borrowing, given, let's say, cash balance and capex for two years and cash flow management, cash flow from operations expected?
- Rishi Luharuka:** Well, while we would not need it, but just to maintain a healthy debt equity as well as leveraging levels for the entity, we would be doing a mix of both equity and debt for the new entity.
- Devansh Gupta:** Got it. Got it. Understood. Thank you and all the best.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Manoj Kolhatkar for closing comments.

**Manoj Kolhatkar:**

Thank you so much, everybody. You know, so we are, as I said, we are really excited and I could also see from many of your questions and reactions and, you know, comments that you also share the excitement that we have in terms of taking this, you know, really big step into diversification strategy, which will clearly, you know, spell better and higher value for the shareholder. This is what is our endeavour. And choosing, you know, when we choose partners also, you know, we keep in mind that the partner has to be among the best, which is the same philosophy we have applied here.

We have chosen a really top class partner with top class products and deep expertise in this product. So, we are sure, you know, that we will, you know, taste success in this and on our journey, you know, pursuing excellence in the core product suspension, which definitely remains the mainstay. Our vision there continues to be the same in being the top five globally in the suspension systems. And this, of course, adds on, you know, to expand our portfolio and thereby, you know, mitigate our risk in terms of a company. So, thank you. Thanks, everybody. Well, we'll, of course, meet again on the call after the May results.

**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.