"Gabriel India Limited

Business Update Call"

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MANAGEMENT: **MRS. ANJALI SINGH – CHAIRPERSON – GABRIEL INDIA LIMITED**
MR. ATUL JAGGI – MANAGING DIRECTOR – GABRIEL INDIA LIMITED
MR. MAHENDRA GOYAL – GROUP CEO

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 expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. We request all the participants to restrict their questions only to the subject matter of the transaction announced yesterday by the company. I now hand the conference over to Mrs. Anjali Singh, Chairperson. Thank you and over to you, ma'am.

Anjali Singh: Thank you very much. Good morning and a warm welcome to everyone joining on this call today. I'm pleased to share that the Board of Directors of Gabriel India has approved a composite scheme of arrangement. The investor presenting detailing this development is uploaded to the stock exchange and is also available on the company website. We hope you've had an opportunity to go through this.

This scheme of arrangement marks a meaningful step forward in realizing our group's strategic vision, realigning the corporate structure to unlock synergies and enhance our competitive edge. Gabriel India is set to play a pivotal role in this transformation, serving as our group's vehicle for future growth and the platform for long-term value creation.

With an ambitious group revenue target of INR50,000 crores by 2030, Gabriel India is poised to lead the charge, redefining its legacy and setting new benchmarks in innovation, agility and shareholder value. This scheme also represents a significant milestone in Gabriel India's evolution from a single product suspension manufacturer to a diversified technology-driven mobility solutions provider.

In 2023, we took the first step in this transformation by partnering with Inalfa Roof Systems to enter into the sunroof business, signaling a strategic intent to become a multiproduct company. Through this scheme, we aim to enter new product segments to mitigate concentration risk for direct alliances with global partners to co-develop advanced technologies and leverage synergies through scale and shared resources.

This arrangement will position Gabriel as a preferred global OEM partner, expand our customer base, embrace cutting-edge technologies and strengthen our aftermarket presence through a diverse product portfolio. By consolidating mature ventures under Gabriel's umbrella, we enhance scale without incurring additional debt, addressing investors expectations around diversification and M&A.

Ultimately, the scheme is expected to accelerate profitable growth with improved margins, deliver a very good earnings per share accretion and generate higher returns on equity, creating substantial long-term value for our shareholders. With that, I now invite Mr. Mahendra Goyal and Mr. Atul Jaggi to provide an overview of the proposed scheme. Thank you very much.

Atul Jaggi: Thank you, Mrs. Singh. Good morning, everyone and thanks for joining the call. As you know that we have uploaded the investor presentation giving more details about the transaction. But for the benefit of everybody, I will take you through some of the highlights of the presentation. I'll also keep mentioning the slide numbers for the benefit of all of you.

So I'll straight away jump to Slide number 6, where we will give the overview of the proposed scheme. So as you are aware that we have been actively evaluating organic and inorganic opportunities. I think time to time we have been discussing about it in various forums and calls.

Also, we have identified a few businesses and investments for potential acquisition through a scheme of arrangements, which have been held by the promoters of Gabriel. So right now, we are looking at four entities Anchemco, Dana Anand, Henkel ANAND and ANAND CY Myutec. So I will touch a little bit more about them in the subsequent slide.

So in terms of the proposed transaction, the next slide will give you more details of that. This is obviously subject to the key approvals from the creditors, NCLT, stock exchanges, shareholders, majority of minority and the time lines that we are looking at is 10 to 12 months subject to the regulatory approvals.

If you go to Slide number 7, it gives a more clear view of the transaction mechanics. So as a first step, the merger of Anchemco into AIPL happens, then demerger of the business undertaking, which means the business of Anchemco and investments in ACYM, Dana Anand, Henkel Anand from AIPL into Gabriel. And then as step 3, Gabriel, issue shares to AIPL's shareholders.

So Slide 8 shows the resultant structure post this entire transaction. So Anchemco gets merged into Gabriel. So in addition to the damper, shock absorbers, front forks business, we add the business of Anchemco. IGSS and the GEEC, which is the R&D, the European R&D tech center continues to be 100% subsidiaries of Gabriel and Gabriel acquires stake 25.1% in Dana Anand, 49% in Henkel Anand and 76 % in ACYM.

Now I'll go to the strategic rationale. So we'll jump on to Slide number 10. As also explained by the Chairperson, so we are basically looking at transformation of Gabriel through either itself or through its investment from a single product company into a diversified product company.

We are looking at enhanced collaboration with the foreign strategic partners and obviously, achieving synergies through economies of scale and shared resources. As you are aware, the domestic dominance and global presence has been a key pillar in the Gabriel strategy. So we look at expanding the customer base, we are looking at better supply chain synergies, leveraging the global relationships and obviously the larger product portfolio, wherein we are also able to enhance our aftermarket presence.

The third rationale is the simplification of the group structure. So this will consolidate the business of demerged undertaking of AIPL into automotive components making Gabriel the growth engine for the automotive business in the future. And this also addresses the repeated queries of investors on product diversification, M&A by bringing the existing mature JVs under Gabriel fold.

This helps Gabriel scale up without any leverage or cash outlay, accretion of EPS has been already explained by the Chairperson. We are looking at a 40% on a current scale basis and the enhanced ability to raise the funds for future organic and inorganic growth.

I'll touch quickly briefly on the entities. So Slide 12. If you look at Dana Anand was established in 1993. The current size of the business is close to INR2,700 crores with a healthy improving EBITDA margin of 16%. In terms of the product portfolio, axles and drive shafts with supplies to all the key UVs and the commercial vehicle customers. The stake, as I already mentioned of AIPL is 25.1% current.

Coming to Henkel Anand, again, a joint venture with Henkel Germany a leading supplier of BIW and NVH product solutions to all the major OEMs in the country. Last year revenue was around INR900 crores, with again improving healthy EBITDA margin of 26%. Customer base, I have already touched on and in terms of the return on investment and equity, I think we are looking at a very high number of about 60% in this particular case.

The shareholding here is 49% AIPL and 51% Henkel. Coming to the third entity, which is Anand CY Myutec again, a joint venture with the CY Myutec of Korea, the AIPL stake is 76% here, last year revenue was a little more than INR200 crores with an EBITDA margin of 12%. And again, we are looking at a 22% ROCE.

The product categories here have been the synchronizer rings both on the brass side and lately on the steel side and the aluminum forging, which is a very interesting product gets added to the kitty.

Last but not the least, coming to Anchemco India. This was incorporated in 2010 as a business unit of ANAND Group. Last year sale was around INR330 crores. Again, a good healthy EBITDA margin of around 12%. Key customers being Tata Motors, Daimler, Mahindra. And the product portfolio for this entity is brake fluids, radiator coolants, diesel exhaust fluids, which is ad-blue and PU and PVC adhesives.

Coming to the valuation and the emerging shareholding post the scheme. So we have the two independent valuers, KPMG and BDO India. The fairness opinion was given by the ICICI Securities. We are looking at EV EBITDA of a little less than 8x in the transaction with a mentioned swap ratio of 1,158 against 1,000 shares of AIPL. So post the merger, the promoter shareholding becomes 63.5% and public become 36.5%.

Slide 19 gives you a little more details on the -- who all were involved in the transaction as an adviser. JM Financials was the exclusive financial advisers a catalyst helped in structuring and scheme implementation, ICICI Securities as I mentioned for fairness opinion, KPMG and BDO as independent registered valuer and Coortus as due diligence advisors.

Yes. So that is a brief of the transaction. I would now request you to ask the questions. Again, my request, again is that let us keep the question focused on the transaction and not get into the Q1 results because as you know, the Board meeting will be coming up in the next few weeks about Q1. Thank you so much. Over to you.

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

Jay Kale: Yes, good morning and thanks for taking my questions and congratulations team for taking this step, which has been a long standing wish of investors. My first question is if you could just walk us through some of the concentrations that were discussed in shortlisting these four entities to get into the consolidated listed entity.

Was it that these companies had better synergies with the existing company? And in that context, how should one view the other group entities and could that be in the offering, in the coming years?

Mahendra Goyal: Yes. Thank you. Thanks for your question. So, of course, our group size is right now INR20,000 crores and the companies which we are consolidating those itself around INR4,000 crores. And we consider the Gabriel size today, Gabriel itself INR3,500 crores plus we have already a subsidiary company Inalfa.

So that itself, when we put together the Gabriel, INR4,000 crores plus additional INR4,000 crores, we are transferring through this transaction. So that takes care of almost 40% value of the group actually, which is being consolidated at the Gabriel level. So this is the first time, which was fit from the product point of view.

From the size point of view, enriching the shareholder value point of view, considering the JV, we have the joint venture, what is the joint venture strategy in future, considering all those things, I think this is something we found optimum at this stage. And later, of course, as all depends on how it is decided by the Gabriel Board or management. Those things will be answered at an appropriate time.

Jay Kale: Okay. So most likely, this should be probably like a starting step, hopefully. And my second question is you just -you've mentioned about group revenues close to INR20,000 crores currently, expected target of INR50,000 crores by FY '30. Is it fair to assume that Gabriel incrementally should be having a higher growth trajectory given that incrementally a lot of new products will come into this entity? So is that a fair resumption for us to make?

Mahendra Goyal: Well, I think Chairperson made a comment and you have seen the investor presentation, which is already uploaded that there is a message very clear that our target is INR50,000 crores. And Gabriel is going to be our growth engine actually. So that is something our strategy and which should answer the questions which you have in mind.

Jay Kale: Okay. And also just…

Moderator: I am sorry to interrupt sir. Mr. Jay can you please come back in the queue.

Jay Kale: Okay. I will come back in the queue. Thank you.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi. Please go ahead.

Mumuksh Mandlesha: Yes. Thank you so much for the opportunity and strong congratulations on the major move to start the consolidation and simplification of ANAND Group structure and with Gabriel as front face of the group. So first question to Anjali ma'am. Just can you share your thoughts at the promoter level behind this move of simplification of the group structure and with the Gabriel entity as front face of the group, is it to unlock more value for the group? What are the benefits of having a listed company for the group?

Anjali Singh: Yes. Thank you very much for your question. As a family, I think you can see with the change of guard and a far more aggressive outlook on the business now seeing where we are in India. We feel very strongly that we're in a great position to build value for the Gabriel shareholder and also to use Gabriel as our vehicle for growth going forward.

So I guess my answer very clearly is that, yes, Gabriel is the vehicle for growth and we see this as a first step on both looking at organic and inorganic opportunities for the company.

Mumuksh Mandlesha: Just on the group level, as we plan to grow 2.5 x, so earlier we had a plan to do one kind of M&A per year. Now since we are also doing a lot of ICE and EV products with this new acquisitions, will Gabriel also be seeing much higher pace of acquisition as a group, you always do two to three acquisitions per year? So should that also change with this new structure?

Anjali Singh: No. My only answer there to starting point and Mahendra you can take the rest of the question is, of course, with -- in conjunction with the Gabriel Board and the Gabriel strategy as it unfolds, we hope to have positive movement in the future as well on new opportunities, of course, based on each opportunity that we look at. Yes, Mahendra, please.

Mahendra Goyal: Yes, I think you have seen already that we started with Inalfa, 2 years back. And then we added another business very recently, one of the small acquisition, which is in the same product. So that's very clear for us. And the message, which is already shared with all of you that Gabriel is growth engine for us. And we continue to grow, whether it is acquisition or this kind of opportunities to Gabriel actually.

So Gabriel is a growth engine. That will continue for this kind of restructuring and also for the future investment, whatever we will examine whether it is a joint venture or merger or acquisitions basically.

Mumuksh Mandlesha: Got it, sir. So there are very good JVs which have added to Dana Anand, Henkel ANAND, but then we have a minority holding currently. Is there a potential over a period of time to increase the holding in this company and where can we have a more major shareholding?

Mahendra Goyal: So we cannot have an answer to this question because it is -- there is a JV partner and we have their holding. So it stays as it is, basically the way we have our agreements. And there's no change, which we are expecting anything in the current structure.

Mumuksh Mandlesha: Got it. Thank you so much for this opportunity.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Congratulations to the group for the recent acquisitions. Sir, just I have a couple of questions. First is, apart from the suspension and the sunroof business, what amount of market size opens up for Gabriel, considering all the entities, Dana, Henkel, Anchemco consolidated entities?

Mahendra Goyal: Yes. I think there is a lot of space available. I think it is before entity to entity I think we have a lot of scope in Anchemco. We are not having too much of a market share. And that is the primary reason for bringing Anchemco into the Gabriel fold. So we can use the OEM strength of Gabriel, we can use the aftermarket network, which is very, very relevant for business of Anchemco. So that is something which is, I think, a lot of opportunities from the market capturing point of view in future.

Similarly from the synchronizer ring point of view, that currently, we have fairly placed, but one of the recent business which we have started in synchronizer company ACYM, which is basically related to aluminum forging. And the Gabriel is very, very strong in the 2-wheeler, which everybody knows here.

And considering the Gabriel strength in the 2-wheeler and that product of aluminum forging is directly adding synergy to the Gabriel business and of course, the company which is being -- will be subsidiary company. So that is what I think we intend to capture the market, and these other business will be directly attaching to the Gabriel sales as well.

Atul Jaggi: So I'll just add on one point to this. You know that I think we have been discussing about Gabriel very strong share in the EV space. And you know the kind of value addition that we can do on the light weighting with our current EV customers.

So I think there are clear synergies, which we have mapped and we see these entities scaling up. And if you also look at these entities, these are all very well-run entities. The growth in the previous year, the data is already available with you. I think they have all been growing double digit comfortably.

Aditya Khetan: Sir, my second question is, sir, in your presentation, you mentioned that in FY '25, there would have been accretion of EPS by INR7 per share. So this is considering if all entities would have consolidated today. So on base business, INR7 would have been added. Is it correct, sir?

Mahendra Goyal: Yes, yes.

Aditya Khetan: Okay. So sir, just a direct question, too, how you see like the growth trajectory like for the next 2 to 3 years? This INR7 can be INR9, INR9.5, INR10 per share?

Atul Jaggi: So, you know that I think we normally don't give any forward-looking guidance for that. But again, I think the data is available with you. You can see that these companies are all -- have been growing exceedingly well. They have been doing very well. So -- but anyway, we'll not be able to put a number to it. Aditya, you can understand.

Aditya Khetan: Yes. Sir, just one last question. Sir, into the presentation for the Anchemco business, the numbers which you have mentioned, the financial numbers, so they are the balances. So these numbers, we have to directly add to the Gabriel, and the remaining number, sir, you've not mentioned that whether they are the balances or it is the complete figure of that company. So how should we look at it, for other companies and for Anchemco?

Atul Jaggi: So it is, the numbers are all complete numbers. So obviously, Anchemco gets added as it is and all the other 3 proportionate to the shareholding gets added.

Mahendra Goyal: So basically, you know that Anchemco is getting much. So that top line added directly to the Gabriel and ACYM becomes the subsidiary of the company. So we are able to consolidate like any other business. And rest of the business will be associatesand their profit will be added to the Gabriel actually, directly to the Gabriel.

Aditya Khetan: Okay. So sir, just one last follow up…

Moderator: I'm sorry to interrupt. Mr. Aditya, please come back in the queue for further questions. The next question is from the line of Jeetendra Khatri from Tata Mutual Funds.

Jeetendra Khatri: Sir, my simple question is, what is your market share in each of these 4 entities in their respective markets? That I wanted to know?

Mahendra Goyal: Okay. So I think we are fairly covered like from the ACYM point of view, we are very well placed in the passenger car and the CV market. So this is something I would say, from a market point of view, we can say we are doing very, very good market share here. Aluminum forging, we have to build up market for that. That's the opportunity which we want to encash with the Gabriel synergies.

Anchemco, I already shared, there is a lot of scope to improve our market share. So we have not so much of market share in this. And therefore, we want to use the synergy of Gabriel again to enhance the market share. And Dana, we are fairly, I would say, one of the leaders in this. And similarly, in the other business, Henkel Anand, we are one of the leader in this.

Jeetendra Khatri: So, Dana and ACYM, can you tell the number -- the exact number in market share since you are the leader there, Dana and ACYM?

Mahendra Goyal: Very difficult because of product wise. We have big deals with multiple products actually. So that's the reason I'm saying that we are the market leader. You can assume, if there are 3 player, we are having 30% to 40% market share. So that's what the market leader point of view, basically.

Moderator: The next question is from the line of Viraj Kacharia, an Individual Investor.

Viraj Kacharia: Yes. Sorry, this is Viraj from SiMPL. Just 3 questions. But before that, to Anjali, Mr. Mahendra and Mr. Jaggi as well, thanks for the opportunity and congratulations on this initiative. I think even before this, we had seen a very good consistent execution playing out in Gabriel stand-alone. And with this new product, I'm sure it will further strengthen our flagship company in coming years. So congratulations to you and the team.

Couple of questions. First is on the broader path of which we have taken with this new product initiative, I think one of the earlier thinking was that Gabriel will be the play for any new fuel agnostic products.

But if you look at some of the products which we have added with this restructuring, we also have a play in the EV component value chain. So just trying to get some more perspective going forward, will Gabriel be the sole vehicle for any fuel-agnostic product or we will also have a play in any EV product value chain?

And a related question is, see, if you see some of the other group auto component groups in India, there are few players who have gone more global in terms of product acquisition and trying to be more bigger in specific product chains. Experience of them has not been that accretive while a lot of other companies, successful companies have focused more local and played either in terms of premiumization or import substitution.

So for us, incrementally, where does the larger focus lie? So these are 2 questions on the part and then just add one more question, but I'll just come back after?

Atul Jaggi: So Viraj, thanks for kind words. And so maybe I'll start with the first question. So as you know, we have been talking about, obviously, the focus has been EV agnostic I would say, the agnostic product. And -- but again, there's nothing that is cast in stone.

So the reason why we have been -- we have been talking about some of the pure EV products is because you know that, one, the market itself has not matured. The market size itself, say, in the passenger car segment is quite small. 2-wheeler has grown, but it is also stagnant for quite some time.

The technologies that are coming up very rapidly changing. So a lot of, obviously, capital inflow is needed, the technologies are changing. So some of these entities have to take time to get mature. So obviously, we would also like to see a consistent performance of the product and the entities before we take any call.

That does not mean that, let's say, like an example, Mr. Goyal said that aluminum forging, now while yes, a bigger play can be there on the light weighting side. But again, it is not only restricted to the EV. It is applicable everywhere. Even there are great opportunities. I can say that available even for the backward integration when it gets with Gabriel.

So again, this is the thinking that is going behind it. Coming to the second point on local versus global, again there's no restriction per se. Yes, any opportunity that comes, whether in India or outside India, gets evaluated from multiple angles. If we see the value for all the stakeholders coming in, we are more than happy to even look at opportunities outside of India.

A couple of them, to be honest, we have explored. Unfortunately, we did not sort of -- they did not certify because of some challenges that we could see. But otherwise, we are completely open on both these sides.

Viraj Kacharia: Okay. Just one more question was on the synergies part, either in terms of margins or things, I think you've been taking a lot of initiatives at the parent level also, setting of the leadership team, restructuring of businesses and there's already some bit of sales interlink between Gabriel and some of those entities, which we talked about, either in aftermarket or other ways.

So I'm just trying to ask is, are there any low-hanging fruits either in terms of synergies you think, be it sales or costs, which can play out in the near term for you? And on a medium term, either in terms of qualitatively or quantitatively, you can talk a little bit more on the synergies, be it sales or capabilities or cost part?

Atul Jaggi: So I can give you a couple of examples, again of the synergies that we see in the, I would say, in the short run. And obviously, you would understand that I think as the time unfolds, a lot of these things will become more clear and we'll be able to share more.

But again, sort of aluminum forging, fantastic synergies that we see with our strong presence both in the 2-wheeler side and also OEM, you know Gabriel has more than 70% share with the EV companies. So that relationship of last 10 years can very strongly support here.

Aftermarket business, again, the network that Gabriel has in the aftermarket, not only restricted to 2-wheelers, but also on the passenger cars aftermarket. A company like Anchemco, we can leverage any product that is available currently.

Ad-Blue, the diesel exhaust fluid is obviously one of their strengths, but whether it is brake fluids, whether it is coolants, whether it is the adhesive, we can use the Gabriel network, we can leverage the short-term and medium-term sort of synergies. And as the time unfolds, obviously, we will look at adding more technologies and other things as time progresses.

Viraj Kacharia: Just one request to Anjali -- yes, it is just a request to Anjali and Mr. Mahendra, maybe we can see more active presence from the parent promoters, not every quarter, but maybe once a year, it will also be very helpful to understand your perspective in future as well. So that's one request, yes, that's it?

Anjali Singh: Thank you. Appreciate your comment and well accepted.

Moderator: Thank you. Ladies and gentlemen, this will be our last question. It's from the line of Priya Ranjan from HDFC AMC.

Priya Ranjan: Thanks and congratulations to the both ANAND Group and the management of Gabriel India for doing all this exercise. So I just wanted to have one question how will be the mix change with all this between say 2-wheeler, 4-wheeler, I mean, pass car and CV, etc., because that is one missing piece, which we are not able to see in the presentation?

Mahendra Goyal: So I think it's, again, a mix of the products, you can see that when we are talking about why we are bringing this to it, say adding many projects to Gabriel, so from single product to that multiple product portfolio actually. And from a market share point of view, it is adding now basically, whether it is CV, now Gabriel has been very strong in CV already.

Now from the Dana point of view, the Dana is, again, a very strong company from the CV point of view and Anchemco is also very strong in the CV segment. So you can see that the overall pie or overall strength of the Gabriel is increasing the CV segment.

Now look at differently from the other business point of view, the ACYM and of course, the Henkel, they are primarily doing good business in the Passenger Car segment actually. So that adds value to -- in the Passenger Car segment actually.

So it is enhancing the overall, I would say, the market share for Gabriel in these products, whether it is Passenger Car or it is commercial vehicle yes, right now, the business don't have any 2-wheeler, much of the 2-wheeler business, and that is what we said that we will be now using the Gabriel strength to develop more products for the 2-wheeler through with the Anchemco and through the ACYM basically.

Priya Ranjan: Sure. So one way, I mean just to clarify, is it more balanced between, say, pass car, 2-wheeler and commercial vehicle now rather than earlier it was more 2-wheeler heavy?

Atul Jaggi: Yes, yes. So definitely, the -- especially the entities, which will get consolidated from the top line point of view. They would add to passenger cars and the commercial vehicle portfolio. And again, there would be places while they are very strong in both, there are opportunities on the 2-wheeler side. But yes, you will look at a little more balanced portfolio, I would say that.

Moderator: Thank you. Ladies and gentlemen, this was the last question. I now hand the conference over to the management for their closing comments.

Atul Jaggi: Thank you all once again for your participation at such a short notice. As we mentioned earlier, we are truly excited about the future of the company. This step marks a significant milestone in our journey and is aimed at driving stronger, more sustainable value for our shareholders.

At the same time, our unwavering focus remains on our core business, suspension business where we continue to pursue our vision of being one of the top 5 globally. This initiative complement to that core, allowing us to expand our portfolio and derisk our overall business. Thank you once again for joining the call. Thank you so much.

Anjali Singh: Thank you very much, everyone.

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. Thank you.