

AUTOMOTIVE AXLES LIMITED

22nd May 2023

The BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code: 505010

National Stock Exchange of India Limited

Exchange Plaza, Plot No. C/1, G- Block
Bandra (E)
Mumbai – 400 051
Scrip Code: AUTOAXLES

Attn: Listing Department

Dear Sir/Madam,

Sub: Analyst / Investor Conference Call Transcript.

In continuation to our earlier intimation dated 16th May 2023 regarding Intimation of Analyst / Investor Conference Call and with reference to Regulation 30 read with Schedule III, Part A, Para 15 (b)(ii) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 enclosed herewith Transcript of Analyst/Investor Conference Call conducted to discuss on the financial performance for the Q4 FY 2022-23 on Thursday, 18th May 2023.

The Transcription, presentation and the audio recordings of the same is available on the website of the Company https://www.autoaxle.com/Analyst_Investor_Meet.aspx

This is for your information and record.

Thanking you,

Yours Truly,

For Automotive Axles Limited

Debadas Panda
Company Secretary & Compliance Officer

Encl: as above



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“Automotive Axles Limited
Q4 FY2023 Conference Call”

May 18, 2023



**ANALYST: MR. SAILESH RAJA – BATLIVALA & KARANI
SECURITIES INDIA PRIVATE LIMITED**

**MANAGEMENT: MR. MUTHUKUMAR N. – PRESIDENT & CHIEF
OPERATING OFFICER – MERITOR HVS INDIA LIMITED
MR. NAGARAJA – PRESIDENT & WHOLE TIME
DIRECTOR – AUTOMOTIVE AXLES LIMITED
MR. RANGANATHAN S – CHIEF FINANCIAL OFFICER –
AUTOMOTIVE AXLES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Automotive Axles Q4 FY2023 Conference Call hosted by Batlivala & Karani Securities India Private Limited. 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 this conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sailesh Raja from Batlivala & Karani Securities India Private Limited. Thank you and over to you Sir!

Sailesh Raja: Thanks Seema. Good afternoon and thanks to everyone who have logged into Automotive Axles Q4 FY2023 earnings conference call. Today we have senior management team. We will be hearing from Mr. Muthukumar N, President and COO, Meritor H V S India Limited, Mr. Nagaraja, President & Whole Time Director, Automotive Axles and Mr. Ranganathan, CFO, Automotive Axles. I would now like to turn the call to Mr Muthukumar for the opening remarks followed by Q&A. Muthukumar Sir you may begin now.

Muthukumar N: Thank you Sailesh for taking time. Thanks for keeping interest in our organization and joining for this call. We really appreciate and value your time and your support for our organization. The presentation consisting about nine slides have already been shared with you. I am just going to again give you opening remarks followed by Ranga and Nagaraj will talk to you in detail. For those of you are joining for the first time, you all know that this is the joint venture that is established between Mr. Kalyani's flagship company and also Meritor globally. Currently it is acquired by Cummins globally. This is a very, very longstanding successful joint venture in India, which is about 42 years old and we are the leading suppliers of drive trains, breaking and suspension systems and aftermarket in the commercial vehicle space. Of course, we are also establishing our presence in the industrial market. Just want to update you as on March 31, 2023 AL moved up in the ladder and we became the 566 company of the top 1000 companies with market capitalization of about 3.57 lakhs. We have four manufacturing sites with more than 2000 plus employees and as an independent axle manufacturing we are number one and we are holding the number two position but continue to increasing our the businesses with various things. We have a diverse end market. We have presence in commercial vehicle when I said we have presence in truck, trailer, buses, off way, military and aftermarket. Name most of the OEMs in India and the commercial vehicle space we are present with Ashok Leyland, Tata, Mahindra, Daimler, Volvo, Eicher and of course Bharat Forge supplies for their defense. In terms of global, we supply to UD Trucks to Thailand. We are supplying to Caterpillar. We supply to BFG Factory for their defense products. A little business with Bimal, Godrej and companies like Cargotec. We continue to expand our business with various customers by introducing innovative products but before we talk it, I leave it to Ranga, CFO to talk about the quarterly and the full year performance to you all and then I will come back on the new product. Ranga over to you.

Ranganathan S: Thank you Muthu. Thanks for giving the introduction. Just want to give you an update on the financial performance to all of you. As Muthu said all of you are watching us very closely so we really see the last quarter performance is about Rs.694 Crores in terms of sales as compared to the previous year about Rs.552 Crores a growth of about 26% on a quarterly basis. EBITDA we are at 11.4% and absolute values at Rs.790 Crores and of course there was about four commodities. We have accounted three commodities we accounted in quarter and PBT is about 9.8% as compared to 9.3% last year the same quarter. If we look at the 12 months performance the total year the overall revenue we reached the milestone of Rs.2328 Crores a close to about 56% growth. Last year we were close to about Rs.12500 Crores level and EBITDA we are at 11.3%. This is 9.3% last year the whole year. In terms of the absolute money I think we have shown a growth of 89% and PBT we are 9.4% this year which was 6.7% last year and a growth had 118% so that is the overall summary of it for the full year and the quarter performance. If there are any specific questions we will take it up in the question and answer. Thanks.

Muthukumar N: Thank you Ranga for giving a summary of quarterly and full year performance. I am sure there will be a lot of question but ladies and gentlemen may I request now Nagaraja to talk about the new product launches which is very, very key in the business and what we are working on, what type of product penetration we are going to do and how we are improving the reliability in the market. Nagaraja is going to talk about that and also the initiatives that we have taken on secular economy for creating a sustainable society. Over to Nagaraja.

Nagaraja: Thank you Muthu. Good afternoon everyone. Once again thank you for calling into this conference. As Muthu mentioned one of the key strengths of Meritor and Automotive Axles are new products out of products. We cater to the market for any commercial vehicle 7.5 tonnes and above and as you can see last year we have launched seven products. Out of seven products if you look at MS185 and 160EO these are all new products to the market. Both of them are developed and customized for India specific applications and we also hold the patent in these two products. These products are the way this has been designed is to ensure that total cost of ownership for the customer has come down and so for example MS185 it replaces a tandem axle but it still does meet the durability requirement and application requirement of the customers for a 55 tonne tractors or even for the 10 x 2 loader tipper so the 59 ATBGS is one of the kind that has been introduced in India. This has a 16mm housing designed for a heavy duty application for a tipper application especially in the mining and again this has been launched and then ramped up in a record period. A 395 break is not new to India but the team has been able to develop a very specific application for one of the customers and as Muthu was mentioning we are not only at percent we are number one independent axle manufacturer but our goal is to become a number one break manufacturer also and supplier also and dia 360 and dia 394 breaks launched with our customer is going to take us there.

The next slide so again how do we get there. One is bringing in the performance, bringing in the financial performance, and operation performance but at the end of the day can we do it in a very responsible manner and EST exactly helps us in going to design our way, design our product, design our operation and process so that we also work towards the environmental sustenance so the destination zero is a one critical goal that our company and organization is committed to. We did touch upon this during our earlier investor calls. I am just going to give you a little bit of update on what we have done so we are on our way to achieve the 80% of our consumption through renewable energy. We have already initiated some of our furnace care. If I have to give an example our furnace which is basically we are using LPG. We have already moved into LNG which is slightly better and also some of the preheating and other things we have already switched over to electrical. Our goal is over a period of time we can eliminate the LPG use except for some critical areas. Similarly reducing packaging and we did talk about Muthu was talking about all the exports what we are doing. We have already with one of the key export customer we have already switched over to a fully returnable containers or metal containers eliminating the wood. We continue to do that. As on date 90% of our supplies will happen either with the returnable containers or we do not use wood under we are on our way by 2028 to eliminate 100% of wood for packaging and we continue to engage in social issues, working with the technical institutions, working with other institutions where we can help the especially abled and some of the class society classes where they will be requiring support from organizations like us. Under diversity and inclusion initiative is another area probably Muthu did touch last time. We are not just looking at improving our gender diversity but we are also looking at how we can bring in all classes of society and both at our organization and also at with our supply chain partners. Employee safety is we have made a big improvement in this area. We continue to invest in processes which will take care of our employee health and safety. So, with that I will hand it back to Muthu.

Muthukumar N:

Thank you Nagaraja. You touched upon all the points. Ladies and gentlemen as we indicated we continue to focus on circular economy in our aspiration to become destination zero. The point that what Nagaraja touched upon 80% of our consumption through renewable is only a start. Many more activities are happening and the team is doing an excellent job. We have a mission 25 growth strategy that we have presented to you and Ranga was talking. I think he is going to talk about this slide from the key initiatives but I just want to tell you everyone last year when the market is still lower when compared to the 2018-2019 your company is able to penetrate more because of the various initiatives we have taken like what Nagaraja said there is on a new product creating a modular design and build mode increasing the new product which is more reliable, which is also putting as the customers are demanding a lot more when compared to what was it was previous. There are companies which are going up to six years and 6 lakh kilometers in warranty and we are also continuously working to upgrade our product both technologically and at the same time innovatively to make sure that we contain our cost but at the same time providing the value

to the customer. I would request Ranga to touch upon the mission 25 growth strategy where we are and what are our focus for the company in ensuring that we manage the business successfully from taking it forward. Over to you Ranga.

Ranganathan S:

Thank you Muthu. Once again good afternoon to all. As a part of mission strategy all of you must be knowing that we are really committed to grow our top line as well as the bottom line through our employee engagement and your product development so as Nagaraja was telling that the method and process what we wanted to do is more holistic taking into the gain initiatives part of growth strategy and when it comes to the performance I just wanted to bring you all your attention the M&HCV production for 2023 is roughly around 407,000 vehicles but still as Muthu mentioned is lower than the 2018-2019 level but really if you see our revenue for this year is one of the highest in automotive axles history is about Rs.2300 Crores plus and higher than the peak of 2018-2019 and though the market is not geared up to the value so also in terms of EPS I think the history of automotive axles is the highest EPS we ever declared in this wonderful whole financial year so that definitely is happening only through our keen focus on mission 2025 initiatives. As the mission 2025 initiative is a lot of champing as Muthu said the market definitely needs a new product. We are working with a customer for new product with the new product requirements and the warranty expectations as well as ensuring the value benefit at both the sites. Our focus continues to be grow along with the market and try to work and try to ensure that we go slightly above the market growth is always our ambition. We have been trying to demonstrate that and we will continue to focus on it so the market is expected to grow this year about 5% to 8%. That is a little bit of conservative from our side but it has got a high potential but we wanted to pick it at this point of time at 5% to 8% at the beginning of the financial year as far as M&HCV is concerned. I said that the I know the operational excellence is a key for the growth and our focus continues to be on industry 406 and other paperless office through digitization is our key focus for 2024 and for the years too. Our focus continues to be on improving the conversion costs and metal cost performance through various methods that again we have a specific team is working on it as part of the mission 2025 to improve the performance of material and the conversations year-on-year and one of the key point which is probably dynamic which we have to manage around we have been managing it reasonably well is with a commodity fluctuations and movements. Sometimes it softens and sometimes it is a hard impact to take it but we have to really see our initiatives to see that these commodity fluctuations are managed well. The 2023-2024 the commodity price often but we have to wait and watch but looking up and steel prices are going to go up in 2024-2025 but probably we might work on other performance of the company that commodity price fluctuation is not really impacting us so that definitely will be a challenge but definitely will be a focus area from our side too. That is the point from and last slide Muthu do you want to take it.

Muthukumar N: You complete our key actions to manage business successfully then I will come back. Please do it.

Ranganathan S: The business growth strategy. We have already signed up in December and we will take it up Muthu.

Muthukumar N: Thanks Ranga. Ladies and gentlemen I just wanted to reassure to most of you that while the company continues to do the growth strategy what we are doing continue to expand our margins by doing the cost measures and also value engineering but also bringing in more focus on safety and diversity inclusivity in their team. Please rest assured that your company will do everything to make sure that we continue to excel in what we are doing and increase the values to our shareholders. Also I wanted to give an update to you all ladies and gentlemen the Cummins integration into our acquisition of Meritor has been approved and in India also the CPA approvals have come and we are now the Cummins acquisition of Meritor is complete now across all the regions. With that over to you Sailesh for opening up the questions.

Moderator: Thank you. We will now begin with the question and answer session. We take the first question from the line of Pratik Kothari from Unique Portfolio Managers. Please go ahead Sir.

Pratik Kothari: Thank you and good afternoon. First of all congratulations to the team for such a wonderful performance. Sir my first question is a couple of years back we had embarked on this journey to enter new segments in CV, four turners and above on the M&HCV side of new mobility sleeper suspension so you can just talk about where we are in that journey, how is the feedback, and how is the adoption in the market?

Muthukumar N: Thank you Mr. Pratik Kothari for having this question. As indicated in our past meeting we have an aspiration to go into off highway, in the defense and also HCV segment. We have already penetrated in ICV segments in about 6 tonne vehicle. You all know that we have been supplying to Ashok Leyland and also in a few segments. We have a product called 11x which we are using for those 10x and 11x for those but we are out continuously evaluating our strategies and the market, the way in which the electrification or new fuel is going to come, the adoption is going to come much faster in the LCV segments, bus segments and then followed by the commercial vehicle. So with that is in keeping in mind while we continue to work on the platform going sub 6 tonnes at this point of time, we are evaluating the credentials of investment at this point of time and holding it back. So that is just we wanted to let you know.

Pratik Kothari: Sir what would quantitatively what will be the contribution from this new segments currently?

- Muthukumar N:** Quantity means sorry.
- Pratik Kothari:** I mean numbers wise what kind of numbers are we doing today?
- Muthukumar N:** We do not share the segment, but whatever the segment we are supplying to them, we are 100% to them now. In those vehicles where the product we are segmented for a Ashok Leyland and Mahindra we are supplying 100% to them because there are a lot of other customers available. The overall market is different and we also do not share, but whichever the segment we developed the product, it is normally for India market. Even it is going out to export for those vehicles where our customer uses we continue to be 100%.
- Pratik Kothari:** Faire enough and in sub 6 tonne is where you said you are reevaluating given the changes happening in the industry?
- Muthukumar N:** No 6 tonne is already running it. Nagaraja you want to add on.
- Nagaraja:** I mean the LCA part.
- Muthukumar N:** Sub 6 tonne we are thinking over it, but Nagaraja can give you an update on our 10x and 11x how we have penetrated into the market or on what level of quality improvement, we have done. Nagaraja you want to touch upon 10x and 11x.
- Nagaraja:** Yes no the 10x and 11x initially we develop these products mainly for the truck application but based on the customer request we have already applied it to the minibus application also and some of our customers are also kind of using it in Asia Pacific or Middle East application also so we are seeing growth coming in there like what Muthu mentioned that every segment wherever we apply our product, we just want to make sure that meets all the customer requirements and end customer requirements so we have developed what we call is what we call it the quite ride or a bus nice sensitive gearing for that so it is doing pretty well at this point of time.
- Muthukumar N:** Thank you Nagaraja.
- Pratik Kothari:** Sir my second question on so given the cyclical peak that we saw in FY2019 for the next two to three years we did a lot of work brought down our brief even cost and a lot of measures that we have taken on our operating side and our expectation was if we go back to those numbers there and we are significantly higher compared our margins should substantially shoot up may be mid teens we had thought of so just one why will not we see that and we are making this are we reinvesting it from somewhere?
- Muthukumar N:** Thank you for that question. I know this is lingering in your mind. Please ladies and gentlemen, look at this I know that in terms of percentage you are comparing but look at the

amount of commodity and be in this business we get compensated only for the material cost of it and nothing else from the OEMs and it is a very, very tough market when the migration of BSVI is happening. The amount of improvement that has been done by the operating team led by Nagaraja or in terms of the strategy team with Ranga has really helped us in at least sustain the percentages or improving from it but if we can see the growth in the absolute margin what it was there in 2018 and now an amazing growth which has happened and you can see in the 12 month performance of FY2023 how the team has done it. On the initiatives that we have taken whether it is to control the material cost, whether it to control to conversion costs or whether it in terms of the people cost while we are very, very sensitive in terms of making people to grow at the same time cost per component or cost per axle continues to come down. These are the initiative that is taken and we continue to do those initiatives to make sure that we have done but in terms of profitability growth I understand your concern but there is a huge material commodity increases between 2018, 2019 and now and ladies and gentlemen I just wanted to let you all know that even though the market does not come back to the FY2018-FY2019 level you can see the amount of penetration what we have made which is purely because of the various initiatives that we have taken. Our top line has grown significantly when compared to the previous peak of the market but still the market is about 15% lower than that level. Ranga you want to add anything.

Ranganathan S:

No you exactly said Muthu. I just want all of you to understand that market was about compared to 2018-2019 was 15% lower and if you really see our growth is 20% higher than what I really done in 2018-2019. One of the critical factors influencing factor in all aspect is about the commodities and also the real a lot of other penetrations that we had with the customers was more towards the explaining so you could really look at the profitability also now it is really and we have substantially grown as compared to the profitability year-on-year 120% growth and all that. It is purely it comes through our penetration to the topline and the growth in the topline as well as the various costs initiatives we have taken it. Otherwise this commodity if we would have adopted a very normal approach to the entire thing then probably we would not have managed the commodities very well. We generally look ahead of the commodity changes impact to the business and we drive our cost improvement and strategies in such a way that we try to compensate and bring it more than the impact which is coming to the P&L to generally be there but as an outside rather looking at a quarterly basis, I appreciate if you look at it on a nearly basis and because quarter-on-quarter there are various fluctuations being there though we are trying to perform it in alongside the growth. But overall if you look at the year, I think we have performed really well in terms of 20% growth and the previous level. So it is a very significant means our fixed cost and control and variable costs are still contributing as EBITDA percentage. EBITDA absolute value is also going up. In terms of percentage sometimes it gives me a misnomer picture as Muthu was indicating as the commodity when you are taking into system, it may create a kind of an amazing bag but in terms of absolute

balance we have substantially grown. The absolute value money is intact with the organization. That is the only submission I have for you.

Muthukumar N:

Thanks Ranga for giving a comfort to you or to put this. Post COVID what happened is, I think our biggest challenge was our supply chain and to make sure that those people are intact and we continue to deliver. Most of the focus thing I wanted to appreciate Ranga and Nagaraja and their team when the market again come back last year, I think we could be able to penetrate market because our response time to the customers was much better than our competition and that is why we could be able to go more. While we could have taken a decision for holding only us, but we have taken the entire supply chain and the value system which is created is all taken care during this period and done it. You all know the Ukraine war that has happened. There were a lot of cost increases in terms of the conversion whether it is the petroleum costs that has happened or in terms of the tools and carbide which are getting imported but the team did a tremendous job in terms of I think there is an average about more than 25% to 30% increase in the conversion that has happened but the team had mitigated it very well in terms of approaching the half cost approach or in terms of converting into a sustainability model. It was an eye opener for us to understand when Nagaraja and team did wonderfully well in terms of sustainability initiative. It is also supporting you in terms of bringing your profitability. So I understand your concern, but your organization irrespective of the market, the market continues to be, we are all predicting about flat or 5% more for next year just because it is an election year before that but ladies and gentlemen, we are believing that India is going to be the centre of stage and centre of excellence and more and more businesses is going to come to India. The component business in India is going to go very, very high and we are also working out to see our strategies on how we need to grow in the market and what is the opportunity that is going to come from other countries to India during this time, how we need to capitalize. Thank you very much.

Pratik Kothari:

Just for an understanding Sir we should look at the volume numbers of MST or tonnage numbers how are we more linked to or what are we moving?

Muthukumar N:

See there are two things this happened. I can roughly give you. I think the OEMs are very, very authoritative and they are the subject matter expert on this but I strongly believe that when compared to 2018-2019 tonnage we have crossed, but please believe me our content per vehicle also we have increased it by going in for a new product which is bigger than what it was so we are selling the same number of axle but our realizations has gone up substantially. I think that is what Nagaraja was talking to in the products that what we have introduced like 185 and 160 and 185 is the largest axle that is being produced in India so the same axle what we were supplying earlier for 49 tonne vehicle. Now with the 59 tonne vehicle, we have increased the size of the axle so it will be only one axle from us. So we continue to work, but you are right in terms of tonnage, India has crossed the 2018-2019 number of vehicles into tonnage what is produced. That is happening because of two things.

One is the axle load rotating changes that have happened and of course when they OEMs introduced in 2020 the BSVI model, most of the upgradation has happened and the shift that is happening in India towards tractor trailer and towards more of tipper. The high tonnage vehicles are being produced and we are upgrading our models like 185 and 18TG axle. The 18TG axle and all are used in the same truck as a tandem axle but the actual content is much, much higher.

Pratik Kothari: The reason I asked is because India has crossed that tonnage and if we compare our numbers are revenues are up 20% from the last which we say in FY2019 and almost all of it are more of it can be explained by the raw material price increases?

Muthukumar N: No. All is not because of raw material. That is the content increase in the axles what we supply to them. A per axle realization has considerably gone up on top of this, while I am not in a position to give you what is the exact split up of commodity increases. Commodity increases is not 20% over a period of time.

Pratik Kothari: How will be that much?

Muthukumar N: Sorry Sir.

Pratik Kothari: Over four years it would not be that much?

Muthukumar N: No. It is not 20% because the market in 2018, it went down in 2020. Just wanted to let you all know in 2020 the market went down on commodity. It again picked up from 2021-2022. You are comparing again 2018 which Ranga spoke that when compared to 2020 the commodity has gone up substantially when compared to 2018-2019, it is not the same level slightly up when compared to that.

Pratik Kothari: Great. Thank you Sir and all the best.

Moderator: Thank you. We take next question from the line of Deepak Jain from Enam Asset Management Co. Private Limited. Please go ahead Sir.

Deepak Jain: On these new products, which of these products, let us 185 you talked about or maybe the brakes which are addressing the large addressable market and any customer approval has come for these new products?

Muthukumar N: Thank you Sir. For example, the 185 we already about more than 3000 axles correct me if I am wrong Nagaraja. 3000 vehicles are already in the market and the volume is growing. It is already customers have purchased and product is an application. We are looking at more customers to expand this market. See that subjective right for products like 185, 18DG when we are going to expand this market the reliability of product is going to work up. Our

content per vehicle is going to go up and at the same time our rationalization per axle is going to go up.

Deepak Jain: Okay and on the brakes which you have introduced?

Muthukumar N: See the brakes is basically 394 or 360. 360 are to penetrate into the ICB vehicle. Earlier we did not have the product. The 394 products and 325 is again in an ICB the smaller vehicle. The 394 brakes is again a value engineered product to the customers and that is what has helped us to gain a huge share in the market. We have grown substantially in brake while we are not in a position to give you the split of axles and brakes but you can see the growth what has happened in the market in commercial vehicle and how we have grown. We have grown in every segment on highway axles, off way axles, brakes, export and every area.

Deepak Jain: Okay Sir on the broader question with Cummins coming into the picture is there any new products for global sourcing or any strategy change which you would have which you would like to share due to that?

Muthukumar N: So with Cummins coming in we are looking at synergies both within local India because of their presence and very strong relationship with Tata and our relationship Ashok Leyland both of us are trying to complement each other and try to see how we can grow the local market. At the same time it is not only because of Cummins coming in. Cummins coming in is going to accelerate but look at what is happening globally. India is becoming a preferred location for manufacturing in the days to come. We strongly believe by 2032 when India is going to reach towards bigger in the economy 32 or 33 when it is going to happen more and more manufacturing process to come and I am sure that Cummins Meritor globally will look at India as a best cost country sourcing so it is more and more is going to come to India and we also need to upgrade our plan. All of you know not all the products we produce in India these are on India specific applicated products. There are certain global products also but we will continue to work on to see that how we can synergize this Cummins integration and try to make the company from good to great.

Deepak Jain: Okay. Sir now in of revenue growth I was looking at last few quarters it has been very strong and more than the underlying industry growth so one part is due to the inflation and there is the volume part so now when you are guiding for going forward FY2024 you have guided for 5% to 8% growth so you would intend to grow much higher than the industry or it will be more reverting to the mean volume growth?

Muthukumar N: Our strategy is multifold okay. I am just not taking quarterly. I know that you have touched upon the point every quarter we are growing. Look at between FY2022 to FY2023 we have grown 50% whereas the market has not grown by 50%. The market has grown only by about 24% to 25%. Our strategy for the growth the increase in revenue even though I am not able to quantify I can give a rough number. Maybe it is about something due to

commodity. It is a very early double digit I would say. There is an increase in the penetration of the share of business. There is an increase in content of the vehicle although there is an increase in our share in other segments like what we are doing in export and what we are doing in off highway in those segments which we have introduced all these things put together it is going. Our aspirations are always I know it is very, very tough but we wanted to definitely outgrow the market growth. Market growth is one but our growth will not beat the market growth. We want it to be. Our aspirations are high but we want to be definite. I cannot say that number but we want it to be more than the market growth. You can see it by yourself last year our growth is much, much better than the market.

Deepak Jain: Okay Sir one last question. The regulatory changes, which as we have witnessed in the recent past let us say BSVI what was the content increase due to that?

Muthukumar N: Thanks Deepak for asking this question. In terms market, what is OBD2 that online diagnostic that has gone, the OEMs adopted different strategy. There were some OEMs which have taken that increase in the cost only now. There were many OEMs which I do not want to mention. I think you should take it up on their call. Some OEMs have done it even from the BSVI stage 1. So in terms of the product, we have tuned our product to those customers who have done it now, but in terms of the content of our axles or something, it is only a change in the little processes and change in our application of the product and not much change in the content of the vehicle from our side. This cost increase of onboard diagnostics or emission system management is mainly toward their emission system and only few support from the axle changes.

Deepak Jain: Okay so basically whatever major growth as I understand is from the market penetration and new products only which has come?

Muthukumar N: Market penetration comes because of new products and also our growth in the business. Of course on top of this the content for axle per axle because like a bigger axle when you introduce the content goes up per axle.

Deepak Jain: Okay I understand. Thank you Sir.

Moderator: Thank you Sir. We take the next question from the line of Sagar Parekh from One Up Financial Consultants. Please go ahead Sir.

Sagar Parekh: Good afternoon sir and thanks for taking my question. Two questions from my side so if I heard you correctly on the Cummins integration I believe you mentioned that the synergies will come from one on the relationship with Tata that we can possibly explore and the second could be the export opportunity for Cummins I mean for Global Market from India is that the two big synergies that we can tap from the Cummins coming into the picture?

Muthukumar N: Cummins is a great company and Meritor is definitely fortunate to have this association. I just said as an example of it is not only with Tata. Cummins has as a very, very strong presence with some OEMs in India and if Meritor is not present there I said automobile axle is not present. I said we can have a synergy for the local customers. It is not only Tata. There are many customers where when we are not there how we can synergize is what I said. Of course for exports I said Meritor is continuously working from sourcing more from India in terms of exporting together. We are not directly competing with any other region. We are supplying subsystems to the other countries because the customers are being serviced by Meritor but what I said is Cummins will accelerate or catalyze this much faster because the global is looking at India for the center of excellence and having more imports to this because of the trust and reliability you can call anything with the current geopolitical situation what is happening so that is why I said Cummins. It is not only on the growth that we are looking at from Cummins. There is a lot of good systems and processes whether in terms of safety, in terms of diversity, in terms of sourcing, supply chain, and in terms of the manufacturing practices, the organization is going to get an window of opportunity to go and expand and synergize in all the areas is going to happen.

Sagar Parekh: Right no my question was actually that this Meritor would be having lot of global manufacturing capacities so Cummins actually the Cummins Inc they have I think India and China are the two major sourcing ups for global market because they do not have capacities across the world but Meritor would be having capacities globally so in spite of that we can still tap like they can look at India as a export hub is what you are saying?

Muthukumar N: I do not think so. From the manufacturing perspective, Cummins manufacturing plant cannot produce axles and axles produced cannot do this. I do not think nobody will stop the manufacturing at US and by it from India. It is not going to be economical because there is a huge pressure in every country particularly US on the local content also. You all know about it and I do not want to get into that so exporting a subsystem is going. Cummins presence will only catalyze but it will be more depending on the lead time of supply to the customers and you know the US market has continued to be strong at this point of time and we have a good order book that is available but there was also a lot of talks about the global recession that is going to happen but at this point in time we see a very strong US market whereas in Europe we see a flat so it all depends on the situation but that definitely Cummins occurring and bringing in more and more to India is also one because of Cummins it is going to catalyze and at the same time the geopolitical situation of coming more to India and of course what Nagaraja and team are doing in terms of improving the reliability of the product, delivery, accuracy, the quality and the precision supplies what we do.

Sagar Parekh: Right and Cummins actually I believe in the last call you had mentioned that Cummins is very strong in the off highway segment where they supply the engines to the mining sector? That could be one potential area that we can look at in terms of synergies right?

Muthukumar N: We are working very, very close with them to go to those customers and see. See off highway is a different cup of tea where there are certain suppliers who merge engine, transmission, driveline and everything together respected to the system so we are also evaluating that and we are using Cummins expertise to see that how we can accelerate and how we can penetrate into those things. It is definitely going to happen and of military to.

Sagar Parekh: Sure and my last question would be on the margin so will I understand that last two three years there have been massive commodity inflation due to which percentage margins is not looking as per our expectations but going forward as the commodities deflate kind of deflate then the cost reduction initiatives that we have taken over the last two to three years that we have been talking about will that be reflective in the margins percentage margins and can we expect like kind of 13% to 15% kind of range going forward as the commodity assuming that commodities will deflate?

Muthukumar N: Okay assume commodity is going to be deflated let me tell you from April there is already commodity increase is going to happen. I do not want to speculate on whether the commodity is going to go up or come down. The impact of base impact what Ranga said it has to be evaluated for this for the level of what you are saying about going up by three to four points in couple of years, I do not think base impact or commodity is going to inflate as to 13.5% or 15% what you say and I do not want to comment on that but one thing that I can rest assured is it is just because of commodity movement going up and come down Cummins Meritor performance will not be reflected on that. It will be one of the factors. We continue to put on our product innovation. We continue to launch new products. We continue to work on cost reduction activities and we also go to the customers. We find out that what is the total cost of ownership and thereby expanding. All these initiatives will continue to be there and we will be marching towards those targets what we have indicated. Our aspiration we will reach but within one or two years we are going to reach. If it is arithmetic number in one or two years it is different but these all has to come back with a substantial actions and substantial delivery points within the entire value chain system.

Sagar Parekh: Got it and basically we have this arrangement with Meritor HVS is that going to remain as it is with the Cummins coming into the picture?

Muthukumar N: Cummins and both I think last time we introduced the slide that Cummins CEO Jennifer or Mr Kalyani the chairman of the automotive axle both have been very, very upbeat about the positive relationship what we are going to have. The relationship is going strong and it will continue to be there at the current system yes.

Sagar Parekh: Okay so just on slide number eight there is the first point is successful implementation of LT agreement what does that exactly mean?

Muthukumar N: See at this point of time we have a very, very successful long term agreement with various customers like our largest OEM customers. I can tell you that more than 70% of the business by numbers or values we have an RLT agreement running up for at most next two years which is going to really help us to focus on what more we can do and we have started. Our team is already working on how beyond 2025 how do we need to expand, how do we need to grow and what type of initiative needs to be done so at this point in time we have a very clear long term agreement signed with the customer.

Sagar Parekh: So it is largely renewal of contract for next two years as well?

Muthukumar N: It is not only renewal of contact but also the new contract that we got it.

Sagar Parekh: Okay sure that is from my side Sir.

Moderator: Thank you Sir. We take the next question from the line of Nishit Jalan from Axis Capital Limited. Please go ahead Sir.

Nishit Jalan: Thank you for the opportunity. Sir my first question is also again a follow-up on the new product introduction? One of the reasons we were looking to launch this more improved products is to offer a better value proposition to some of the OEMs who are not our customers currently right so any breakthrough there anything or any major development there? They have like our products? They have taken for sampling? Can we gain more business out of them because while you are doing your work in terms of data penetration, moving towards higher tonnage vehicles and all a major part of the growth can come with the largest MHCB OEM can start sourcing more and more from us so any progress on that front?

Muthukumar N: Okay well we continue to work on this I am not saying that it is impossible but it is a little challenging is because most of them have invested on the actual manufacturing inside their facility and most of the largest OEMs are doing the activities by themselves so our innovation what it is going to happen it is going to substantially improve that OEM will come to us. We continue to work on them. It is not that our products are not sold to the companies which are making axles. There are certain companies which are making axles by their own design. Still they are buying the premium products and the unique products from us. If it goes to exports everybody buys it from us whether it could be Daimler or whether it could be Volvo or Tata but how do we penetrate into all the segments in what we continue to work. I think thanks for the question and we look at all your wishes on to us to penetrate and get more business into this segment.

Nishit Jalan: Sir just to probe a little bit more on this when you say that your axle MS185 or 18G offers a better performance what exactly are we talking about in terms of parameters where these

axles will be better compared to the previous excels or maybe some of the axles which are being manufactured in house by the OEMs?

Muthukumar N: This is some of the new launches which was not available earlier freight and tractor trailers and all but I would leave this question to Mr. Nagaraja to explain because he is an architect of these designs who has created. Nagaraja over to you.

Nagaraja: This is with respect to 59

Nishit Jalan: No 185?

Nagaraja: Yes so again 185 is a product, which can be applied in multiple areas so like I mentioned for tractors and like a 10 x 2 trippers this essentially reduces the overall cost of ownership for the customer without compromising on durability or performance and in fact for probably adjust an information for all of you that this is one of the most I would say popular kind of an axle in China so essentially we are bringing in this technology and then also manufacturing capability and capacity and we believe that as the infrastructure is improving and more and more in our tractor trailer application is going to happen, I think we will be in a very good position to realize on those increased market shares.

Nishit Jalan: Okay thank you for the explanation Sir. Sir my second question is defense could also be another growth opportunity for us I think? We already have products in place, but there is the order from the government in terms of armored vehicles and all is taking more time? Any progress there or anything you have heard from your OEM customers regarding progress on the defense side?

Muthukumar N: For sure the government has started. I think thanks if you go back to the initiatives of Make in India or buying more from the different, a good amount of progress is happening at a country. I think more and more of product is being sold in India and we are also beneficiary because of this. I think while we are not giving the split between the defense and all we are growing in this segment and we supplied to the major our OEM for their defense even though we do not supply direct other than factory which they were making vehicle viewers and we were supplying axles, but the rest of the things we are supplying to the OEM.

Nishit Jalan: So while you cannot share the numbers will defense be less than 5% to 10% of your total revenues? Would this be a fair understanding?

Muthukumar N: I think it is a nice way of asking when we know that we are there of about 2300 and we do not share the number you are asking 5% to 10%. I leave it to the guessing at this point of time and sorry about it that we are not in a position to disclose those numbers.

Nishit Jalan: So basically while we are getting to it is or why I am getting to it is basically just to understand what could be the quantum jump or what could be the delta which could come from defense? Will it be a small delta leading to 3% points growth let us say if industry grows that X percent you will grow X plus or X plus five or if the industry grows at X percent grow at X plus 10% and X plus 15% if some of these things exports, defense and all starts materializing over the next two to three years?

Muthukumar N: I know the intentions and I am sincerely apologizing for not able to give it to you but one thing one assurance I can give you whatever the way industry growth I think will be better than the industry growth. That is what I can tell you at this point of time. I am sure that we will try to see at what time we will be able to share this information and in the future.

Nishit Jalan: Okay Sir thank you so much and all the best for the future.

Muthukumar N: Thank you very much. I think we have another four minutes.

Moderator: Thank you. We take the next question from the line of Aditya Welekar from Axis Securities Limited. Please go ahead Sir.

Aditya Welekar: Yes, Sir just to understand if we remove the cyclicity of the both the topline and cost so from the top Line we are cyclicity dependent on the MHP recycle and on the cost front we have our commodity steel prices and all so if you see what will be your internal EBITDA margin target long term which you have?

Muthukumar N: We are a customer focused company and our focus is more on how to penetrate into more and more customers but if we see internally our target every five years when we are working out a strategy we try to grow in terms of EBITDA margin. The EBITDA margin is not only for making products but we want it to work very closely with the customers and making sure that the customers who work for us find our products the total cost of operations is much, much better than competition. The way you see that we are continuously growing, growth that what we are bringing in one or two. For example, like what Nagaraja has said the 180 can bring wonders in the market what we brought in. We could have made another couple of points of profit in there but what the trust what we created with the OEMs that we are providing a solution to them which will make them to penetrate into this and that is why more and more OEMs are continued to stay with us and who have been working with us. While we have an aspiration to expand the margin and we will continue to grow on this. Internal aspiration is much, much higher and I think you know both the companies Mr Kalyani and Cummins, both of them are technology products and both of them has a huge aspiration to grow. Ladies and gentlemen, trust me that they put the same pressure on us also to expand the margins and at the same time growth. We will never compromise on growth for profitability or profitability for the growth. We will

continue to work and expand, but the internal target at this point of time I am not in a position to share with you.

Aditya Welekar: Okay fair enough so one specific question on the Q4 numbers so if we see our revenue has grown by 6% sequentially, but EBITDA stood almost flat so one reason is the raw material but the other expense component is also increasing? So which I think is in our control so why is the increase in the other expense is happening again measures you will take to contain it?

Muthukumar N: Ranga would you like to answer on the other expenses.

Nagaraja: We said in the initial meeting there are two aspects. One is the commodity for sure and also we have agreed some extended warranty with the customers, so we have provided one time this quarter or to make sure that is aligned with the customer expectations. So this is only two reasons the overall pace is so, so other than that the financial do not have any dilution as far as the numbers are concerned.

Aditya Welekar: Okay so one last question. Any capex guidance for FY2022?

Muthukumar N: By and large largely the capacity is in place so we may not be doing a substantial investment on the capacity site. Definitely the sustainable capex will definitely be there to meet the operational excellence in the industry 400 and digitization and Muthu and team is working on various new businesses. As the businesses mature and it comes to operations definitely there will be need for investment. That will be decided but at this moment of time the guidance it may not be substantially capital investment will happen in 2023-2024 so it will be a sustainable jus to ensure that operating efficiency and operating performance perspective mostly on industry 400. Any new capex is required based on the business requirement that new businesses that will be valued then and there.

Aditya Welekar: Okay understand. Thank you.

Moderator: Thank you Sir. We take the next question from the line of Amit Hiranandani from SMIFS Limited. Please go ahead Sir.

Amit Hiranandani: Thank you for the opportunity and many congratulations to the team for the wonderful performance for the financial year. Sir my first question is basically the guidance which you provided for the 5% to 8% for the CV industry in FY2024 is this on the conservative side you are giving and secondly on the margin side Sir how much benefit on margin is expected due to shifting the power cost to renewable energy and continuing with the margin what are the steps the company is taking to improve margins further in the next two years assuming stable commodity prices?

Muthukumar N: Thank you very much. We are migrating to renewable energies for sustainability and to be more frank with you in India yes you are right it is adding to the sustainability of society and at the same time the cost of the organization. Our team of Ranga the company secretary they have done an extensive and Nagaraja team has done an extensive negotiation and we believe that we got one of the best price from them and it is definitely adding up to our containing our conversion cost because it is a huge increase in the petroleum price and a huge increase in their carbons and all so we will continue to work to control the cost but obviously. I am sorry Sir I got dropped. I was telling that getting into the sustainable mode of renewable power is definitely going to save and you know what is the market cost and how we are doing. Definitely we are better than the market in terms of the saving. In terms of the volume for the next year, yes we are doing only conservative number of 5% to 10% but I believe in the way in which we started with the April, the market is definitely going to be good but there are a lot of uncertainties that is coming in, in this with a real time emissions system that is coming in and OEMs want it to be very, very conservative. You know our business purely depends on that so we want to be conservative but we have very ambitious growth plan and we will definitely out grow the market. If the market is good to go up, Nagaraja team are ready to deliver and we will utilize the opportunity, but we are presenting only a conservative number very, very conservative, I would say.

Amit Hiranandani: Okay Sir but this do you think the series cycle is going to be a very longish one this time?

Muthukumar N: So look at what happened right from FY2018 the CVs have dropped. It is not there like a normal time where it is dropped and going up right. From FY2018 we had issue. The issues were for the people for getting the loan. Then we had axle load rating change followed by the BSVI implementation and after that when the COVID came and the market dropped and after COVID and all, when the market is trying to come back, the second wave came. It took a little longer time for getting back into the market if you see when compared to what it was the earlier at this time and with the amount of growth that is happening and amount of infrastructure development it has happened in the road the existing truck utilization also has substantially gone up with the amount of good roads. So all these things are putting together on the truck requirements. It is not that truck requirements are going up. It is a dynamic industry and depending on the price the industry will grow but I believe that this is because of various improvement that happened in the infrastructure and various improvement that is happening in axle load rating the actual tonnage movement is going very good and the market is strong. The amount of infrastructure spent by the government and the aspirations is very, very high which means that the commercial vehicle segment is going to go up. You all know that commercial vehicle treatment growth is purely depends on the GDP growth and we are the first to react to that so I strongly believe that the various initiatives there and it is going to stay for a little time because the market has been very, very slowly observing various shocks and it is sustainable. Still we are not seeing. The rentals are very strong still. It is one of the lead indicators for us on the commercial vehicle

segment. With the rental being strong with the detail price reasonably stable for last almost 11 months and I strongly believe that yes there is a good demand and we are keeping going and the infrastructure spending has happened which is mainly predominantly the tipper segment strongly believe that the market is going to be stronger. Of course we do not want to get into the next year elections and what is going to happen after that and all because it was something and also a lot of global supplies is coming to India so I believe that market is going to be stronger for some more time.

Amit Hiranandani: Sir one last question if I can squeeze in. Sir, can you please help me with the market share in the axle segment and the average realization?

Muthukumar N: Well, I know that your last question but the last question is we are not going to share and thank you very much. I think Mr. Sailesh we are already 110 with the participants. I am very sorry we are not able to provide that information.

Moderator: Thank you. Ladies and gentlemen that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Muthukumar N: Thank you B&K team for organizing this. Thank you all the investors for the confidence that you have opposed on this company and your confidence is making us to feel supportive. I think the amount of trust that you are keeping on our company is making us to be very, very confident in terms of committing an aggressive target and at the same time keep moving forward. We really appreciate and value your commitment and interest in this organization and as the management team we will always stand together to meet up all your expectations of the stakeholders, be it the customer, shareholders, society and what not. The company with the strong leadership team from both the Cummins globally and also from Kalyani and you can rest assure that the company will continue to perform and try to exceed the expectation what we are doing. Once again thanks Nagaraja, Ranganathan, and Sailesh supporting this event and thank you all investors for taking time to join with us. Really appreciate. Thank you very much.

Moderator: Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.