

AUTOMOTIVE AXLES LIMITED

24th May 2025

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 15th May 2025 regarding Intimation of Analyst / Investor Conference Call and with reference to Regulation 30 read with Schedule III, Part A, Para 15 (b)(iii) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 enclosed herewith Transcript of Analyst/Investor Conference Call conducted to discuss on the 'Automotive Axles Limited 4QFY25/FY25 Financial Performance' on Wednesday, 21st May 2025 at 10:00 AM (IST).

The Transcription and Audio Recordings of the same is available on the website of the Company.

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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ISO 9001:2015 / IATF 16949 : 2016, EMS : ISO : 14001:2015 & OHSAS : ISO : 45001 : 2018



Automotive Axles Limited

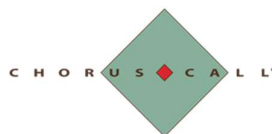


“Automotive Axles Limited
Q4 and FY '25 Earnings Conference Call”
May 21, 2025

Automotive Axles Limited



B&K



MANAGEMENT: **MR. NAGARAJA GARGESHWARI – PRESIDENT AND
WHOLE TIME DIRECTOR – AUTOMOTIVE AXLES
LIMITED**
**MR. RANGANATHAN S. – CHIEF FINANCIAL OFFICER –
AUTOMOTIVE AXLES LIMITED**
**MR. KISHAN KUMAR – GENERAL MANAGER –
MERITOR HVS (INDIA) LIMITED**

MODERATOR: **MS. RADHA AGARWAL – BATLIVALA & KARANI
SECURITIES INDIA PRIVATE LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to Automotive Axles Limited Q4 and FY '25 Earnings Conference Call. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Radha Agarwal from Batlivala & Karani Securities. Thank you, and over to you, ma'am.

Radha Agarwal: Thank you, Amshad. Good morning, and thanks to everyone who have logged into Automotive Axles 4Q and FY '25 Earnings Call.

Now let me introduce to you the management participating with us in today's earnings call. We have with us Mr. Nagaraja, President and Whole Time Director, Automotive Axles; Mr. Ranganathan, CFO, Automotive Axles; and Mr. Kishan Kumar, General Manager, Meritor India.

I would now like to turn the call to Mr. Nagaraja for opening remarks, followed by Q&A. Sir, you may begin now.

Nagaraja Gargeshwari: Thanks, Radha, and good morning, everyone. My name is Nagaraja Gargeshwari. I'm President and Whole-Time Director for Automotive Axles. I, on behalf of Automotive Axles, welcome all of you to this Q4 FY'25 earnings call.

So along with me, Ranga, who is the Chief Financial Officer, who is there, who will be taking us through the financial results. And we also have Mr. Kishan Kumar, who will be giving us an overview on the market conditions and how the next FY '26 is going to look at.

So this year, we ended on a high note in spite of relatively soft year. There were several headwinds, including a soft domestic and export market and relatively unfavorable product mix. In spite of this, we continue to focus on executing on our product portfolio expansion, MS185 Axle introduction and ramp-up, and also ramping up other products like MS04, and then continue to work on several cost optimization and margin enhancement initiatives. So like I said, Ranga will share more on the financial highlights.

Before I conclude, one last information. As you are aware, based on the related party transaction recommendation from the investor, we got into technical and service agreement with MHVSIL. And thereby, now we have started selling products directly to the OEMs. However, MHVSIL will help us and provide the market intelligence, customer management, and continue to focus on product design, application, and testing services that will be offered to Automotive Axles. With that, over to you, Ranga.

Sankaran Ranganathan: Thank you, Nagaraj. Very Good morning to all of you. I'm Ranganathan, CFO, Automotive Axles Limited. I just want to just give you a group highlights for the quarter and for the year financial performance. For the quarter, finance, the total income is about INR568 crores and EBITDA of INR12.7 and for the quarter. The last year the same quarter, we did about -- last quarter, we did about INR536 crores.



And last year same quarter, we did about INR576 crores. So if you compare to year-on-year, one of the probably insights I want to give you the commodity settlement from April to March, we have settled in the Q4. So the commodity is in the reduction trend. So considerable amount of commodity adjustments, which is a pass-through supplier to the customer, which has been taken care in the Q4.

If we remove the commodity adjustment for the quarter, I think quarter-on-quarter, we have improved it close to about 6% and compared to last year, though apparently in the face of it, it shows 1.5% reduction. If you remove that, more or less the revenue will be at par with the same quarter last year.

For the overall year performance is concerned, for the year performance is -- we have just crossed over the INR2,000 crores, and those to the product revenues. But overall revenue, if you look at it, INR2,104 crores, and face of it, we are down by 6.2%. If we remove the commodity adjustment, it's about -- the reduction is about 5.2%. The EBITDA for the quarter is 12.7% versus 12% last quarter and 12.1% the same quarter last year.

In terms of overall operating performance, we have significantly improved and the commodity adjustment is also giving a base benefit of close to about 0.3%. If we remove that, our neutral performance for this quarter is about 12.4%, which is still better than the last year, though the revenues is lower than the last year, the same quarter.

Overall, for the year, EBITDA is concerned, for the INR2,104 crores, we did about EBITDA of 11.9%. And last year, we had about 11.8%. With the revenue reduction on the normal basis about -- though the revenue was reduced by 5.8%, our EBITDA still showed better than the last year or more or less the same level of the last year.

So the significant amount of efforts have gone in, in terms of improving the material and other operating performances which is able to -- which will help us to improve our overall performance in the operations that resulting in the EBITDA. So that's the major highlights.

And so the next is about the operating cash for this year. We have significantly improved about INR72 crores of the additional cash has been generated. So the balance sheet is in a very good position. All the debt, there's no debt, and all the balance sheet ratios are going good. So a lot of corporate governance initiatives this year also Automatic Axles have taken it, and we are consistently improving the governance initiatives too apart from the financial performance.

That's a quick highlight for the financial performance is concerned, then probably we can take it up the Q&A session.

Moderator:

Thank you. The first question is from the line of Viraj from SiMPL. Please go ahead.

Viraj:

A couple of questions. First is on the approval that you the press release which we came up at the end of March on the service and technical fee arrangement with Meritor HVS. Can you just broadly give some more color in terms of what is the service fee which is agreed upon? Is it a percentage of sales? Is it an absolute fee? Annually, what kind of a fee payout we would be have to make to Meritor HVS India? That is one.



And since now all the domestic OE sales are routed directly through Automotive Axle, if I have to take FY'24 or a normalized year of the sales which were made to Meritor HVS earlier, usually what proportion was OE and what proportion was export and aftermarket to them? These are 2 questions to start.

Nagaraja Gargeshwari: Ranga, would you like to take the first question?

Sankaran Ranganathan: Yes. See, we have signed up an agreement with Meritor HVS. They're taking a technical and management fee, basically, in principle, we agreed it. We are in the final stage of signing up the final value, and we will be getting to know in a month or so going through the assessment process.

Definitely, we need to have a fair value in terms of announce length. We want to do that. In principle, the technical fee and management fee agreement has been signed up and more or less on the quantum of it, we'll be materializing it in a month or so.

Viraj: But would it be an absolute figure or would it be in specific of sales approved? What is the broader thinking here?

Sankaran Ranganathan: No, broader thinking is about basically, we need to respect the Meritor HVS, the services, what they are doing there. And this -- the purpose of -- I think as we have mentioned enough times in the past, the Meritor HVS in India is basically to accelerate Meritor product presence in India.

Since Automotive axles has already established, we have a very strong manufacturing base with these investments. So we continue with the current structure and Meritor's expertise in terms of new product development, engineering design, product development, product testing, a very important point in any products like us, the market testing and the market conditions it's about very rigorous process. It requires a very full-fledged R&D center, which Meritor has.

So all this responsibility, including marketing, branding with the customers, customer relationship, branding, new product development with the customer, all these activities be taken to Meritor. So with due respect to these activities and Automotive Axles don't have this presence. I don't think Automotive axles will be able to gain that expertise overnight.

So basically, that's what we have respected that. And to that, we need to have a fair value. That is basically being worked out. But we definitely will be paying to them, definitely, the fee which is compensated all the efforts. That's what we said we wanted to do it in a much better way. So we are engaging with an expertise in the market. So the quantification will happen very shortly. And -- but in principle agreement has been signed up.

Nagaraja Gargeshwari: Just to add to what Ranga has mentioned, it will be a fair value. It will be according to the prevailing market standards. So I'm not sure whether we'll be able to share the absolute number because of the confidentiality of this agreement, but it will be a very fair market prevailing charges.

And to add to your -- to answer your second question, yes, definitely, there is going to be a top line growth that is going to happen. Our focus right now, it could be at the single-digit high



digits. That's what we are expecting. In the terms of overall profit, there will be an increase compared to vis-a-vis or a baseline. So our focus right now is going to how do we continue to meet the customer expectation and then continue to transform our company so that we are ready when the market revives.

Viraj: Sir, just 2 clarifications. One is for the quarter gone by, because this RPD expired in Q3, for the quarter gone by, was there any provision made for the payment to Meritor HVS India?

And second, when you say there's a growth in top line and profit, that is assuming the base sales of '23 itself because of this change in model or you're talking about more in terms of the end market growth and us also performing in line or better?

Sankaran Ranganathan: To bring in a clarity, the RPT ended on 31st of March. So the last quarter, we didn't pay anything to the MHCV. So the service -- technical and service agreement kick started from 1st of April. So to answer your question, it started only this quarter. And whatever I talked about the top line growth, that is what is going to happen this year, that is financial year '26.

Viraj: No, that is assuming even if the sales were to remain flat, purely because of the model change or you're talking about more in terms of the end market and us performing better?

Sankaran Ranganathan: It's a bit of both. Can we move to the next question, please?

Moderator: The next question is from the line of Amit from HG Hawa.

Amit: Sir, how much of the FY '25 capex was dedicated to R&D or EV-specific product development?

Nagaraja Gargeshwari: Okay. So right now, from automotive axles, we are mainly -- all our capex is going into the manufacturing infrastructure and then also certain supplier tooling, where I mentioned earlier that MS 185 is a product we ramped up. So we had to get all the supplier tooling made available and also update our line so that we can meet the volumes increase. But however, our capex is related more on the manufacturing excellence rather than the product. So we haven't spent much money on the e-Axle at this point of time.

Amit: And the second question was, can you share any productivity improvements or cost savings achieved from new Industry 4.0 enabled axle assembly line?

Nagaraja Gargeshwari: Ranga, you want to take that?

Sankaran Ranganathan: Can you say it again, sir?

Amit: Yes, sir. Can you share any productivity improvements or cost savings achieved from the new Industry 4.0 enabled axle assembly line?

Sankaran Ranganathan: See, 4.0 initiative is basically it's a long-term. We really look at it in one of the lines we have aligned to Industry 4.0 in the year 2019, '20, okay? So -- and we are working on with the Industry 4.0 implementation and other value streams this year, we started with a housing line. And like that, we will be introducing the Industry 4.0 initiative slowly all the value stream. So -- and basically to -- see that Industry 4.0 initiative definitely will lead you long term.



To refer to your question on the capex, most of the capex what we are trying to invest today is into 2, 3 aspects. One of the aspect is about reducing the overall throughput time of manufacturing through automations and introduction of Industry 4.0, this not only improve the productivity, but also increase the capacity. Though the market is not significantly improving on a year-on-year basis, we're consciously making a decision.

Imagine the Automotive Axles is about 43, 44 years old organization. Some of the investments, which really require a revamping to the current conditions and also the current quality and delivery expectations of the customers. So we wanted to make sure that automation brings the speed, accuracy and quality and that basically improves the customer. That basically is what we are driving most at this moment of time.

Any investment we make, we're conscious about it in terms of the profitability improvements and productivity and capacity improvements, what it creates. Some of them, we may see it in the P&L. Some of them will take it when the market volume really goes up that seamlessly, we are able to meet the customer expectation. That will probably the benefit in the future date.

To answer your question, overall basis, we have a very focused strategic approach in terms of the cost reduction initiatives. Every year, we definitely -- we have a focus both on manufacturing and in the sourcing side, very key initiatives we take it. We improve the profitability every year, cost reduction programs every year. Some will be internal, some in agreement with the customers. So overall basis, we definitely bring about 0.8% to 1% improvement to mitigate the inflation and other pressures and show the profitability improvement.

Moderator:

The next question is from the line of Saket Kapoor from Kapoor & Co.

Saket Kapoor:

I just sum up my questions. Sir, firstly, in your opening remarks, if you could -- you did mention about lower RM prices flow through to our revenue being lower. So if you could just firstly outline to us how the business environment has been in terms of the ICV market and the bus market where we cater to.

We also spoke about new product introduction. So if you could give some more color what are the offerings for FY '25, '26 in terms of introduction of new products, improved volumes, some more color? And also where are we in terms of our 5-year program of doubling the revenue? If you could just give some more color into all these aspects. And then I have the second question.

Nagaraja Gargeshwari:

Okay. So may I ask Kishan to take up the first part of it. In terms of transformation, I will answer that after Kishan explains on the market condition and our new product development and our readiness.

Kishan Kumar:

Yes, sure. Thank you, Saket, for the question. Coming to the first part of your question, which is related to the market. The 2 key indicators for the economy, right? One is GDP and then there's the industrial production rate. Both have been relatively softened compared to where we started the year 2024, 2025. And ending March, I think we saw a growth of about 6.3 GDP. Even though we surpassed Japan, that was probably at a much slower rate than the previously anticipated expectations.



Coming to the industrial production ending March, we were at 4. But the good news there was the core industry started doing better only in the recent quarter. So the core industry's industrial production growth was around 6%, 6.6%.

Now how that translates to the MHCV market, which is the 7.5 ton and above, which is where we are present. So the last couple of years, I think after COVID, the typical 6- to 8-year cycle of peak and the dip what we see, that seems to have reset. So when I say reset, we used to see in the past the highest volume of 480,000 vehicles in 2018, '19. And if we take that 6 to 8 years, we should have seen a peak and a dip by now. But what has happened is the COVID has actually reset and also the axle rating has actually reset the norms of the industry.

So for the last 3 years, if you start from '23 onwards, FY '23 onwards, the market has been relatively hovering around 400,000 to 420,000 vehicles. But it is always delivering the tonnage capacity required by the industry, which means both these impacts, fleet efficiency, axle rating, that is probably reset the low. Probably, we are in the low cycle right now.

So last year, for example, 2025, FY 2025, we ended 414,000 production of MHCV vehicles, which is 2% down from FY'24. And moving forward, even 2026, we have a very moderate softened look considering how the industry is moving and some of the trends that is coming up. So we are expecting the industry to be around 400,000. So that's again a 3% degrowth.

Now, I think you also asked about the new products. So the trends that I mentioned, which we are closely monitoring. So one of the trends, what we see is the high horsepower vehicles. So as we speak, we are already in the advanced stage of - in fact, we have already launched one of the products, which is 185 last year, and we have ramped up to a significant level last year, and we expect that, that volume will grow. And that is where the trend is moving, the high horsepower engines.

The second one is the bus market, which we have discussed in the past as well. That here is a slight product gap, which we want to cover not just for the bus, but also for the intermediate commercial vehicles, which is 16 to 19 tons. So the product that we have been talking about the 109, that is in almost its final stage of development and validation. So we'll soon start the field trials and which will enable us to reduce the product mix impact.

So typically, when the on-highway vehicle market is at that 400,000, the product mix impact is actually on a higher side if you don't have the right product for the market. That's exactly what we predicted and forecasted 2 years ago and started the journey of introducing the high horsepower engine axles, which is 185 and the 160 tandems. And then also on the ICV and the bus side, we started developing the 109 upgrade.

So Nagaraja, over to you. I think this is probably what Saket was looking for.

Nagaraja Gargeshwari:

Okay. Yes. Just to add to that, one is like we are ready with the new product. We have completely tooling up and then testing, everything is done, and we are waiting for the customers to ramp up.

From the transformation perspective, we're also looking at the next 5 years horizon. As we mentioned, we are investing in the capex. There is about INR120 crores that we'll be spending



it. We will have already started it by end of next year. And we're completely modernizing our housing line and then also gear manufacturing line.

So that should really help us to start looking at potential export opportunities, expand our horizon there as and when the Europe and the U.S. market comes back. Right now, as you are aware, they are soft.

So to tell you, probably like what Kishan mentioned, I think we have to get through this year. And next year, once the European market and the North American market that they start producing, the numbers are going up, and that should really help us to achieve that INR5,000 crores in our revenue.

Saket Kapoor:

Sir, my just continuous question on second part is about the tonnage part. For investors, we look at the tonnage as the base of understanding how the growth has been because the revenue number may be a misnomer based on RM mix and RM pass-through. So if you could just give us the tonnage part in terms of the growth which we may for this financial year and the tonnage growth expectancy going through for the next financial year, that number, if you could share the ballpark number, would be very helpful.

Nagaraja Gargeshwari:

Kishan, you want to do that? Go ahead.

Kishan Kumar:

Yes. So I'm just clarifying, when you say tonnage, you are talking about the tonnage carrying capacity of the MHCv segment, right? That's what your question is.

Saket Kapoor:

Sir, the tonnage in terms of our revenue translating -- when we are exiting revenues of yes, there should be a tonnage back up on that. I was just looking at the tonnage and your outlook on the same, yes.

Kishan Kumar:

Yes. So I will translate that to in a more simplified way. So when you say tonnage, like I mentioned about the peak of 2018, 2019, 4800, the market dynamics and the product mix and the vehicle mix in terms of GBW was around 8.7 million tons, okay? Now with the market of 400,000, we are at 8.6. That means in terms of the industry vehicle tonnage, we are already there.

Now what has happened is for 470,000 or 80,000 vehicle, we were probably selling around 130,000, 140,000 axles, okay, on an average. But today, it has come down to 110,100 in those areas. That means our per axle realization, if you look at our revenue and the industry growth or degrowth and the tonnage, our per axle realization has significantly improved to 13% to 20%, 25% in some cases.

So this is very consistent with how the Western world has evolved. So that is why our product road map has been very clear that we want to focus on the high horsepower, high tonnage vehicles applications, which is eventually where Indian MHCv market will also shift. So that's the reason we are not seeing a big dip, like you said, the commodity keeping aside. If we really look at per axle realization, we are only growing per axle realization. I hope that answers the question.



- Saket Kapoor:** Okay. So lastly, sir, so how should we be looking this year in terms of -- you explained to us the background of what the MHCV market is and also about the product introduction. So taking all those factoring into account and the efficiency which you have outlined, what should investors factor in, in terms of the EBITDA trajectory for the current financial year? Any trajectory which you would guide us to going ahead?
- Nagaraja Gargeshwari:** Ranga, would you like to take that?
- Sankaran Ranganathan:** Say it again, sir?
- Saket Kapoor:** Sir, I'm trying to understand for a company Automotive Axle, what should be FY '26 look like in terms of improvement in profitability because of the initiatives taken and which are in the annual. So if you could just give us how the EBITDA may shape up going ahead, depending upon the factors which you people have just explained to us.
- Sankaran Ranganathan:** See, it is like this, sir. So if you see in the initial answer, one of the questions we said we are very focused in terms of improving operating performances every year, okay? 2026, we are coming out with a new model, whereby the end customer billing will happen through Automotive Axle. As I also mentioned the technical and management fee, what we need to pay to Meritor and other variables, which is definitely to be quantified very shortly, and we will be incurring that.
- For the overall profitability perspective, our aspiration definitely is to improve the EBITDA. And because of the new model, at this moment of time with what little visibility we have today we are not expecting a great breakthrough in terms of EBITDA improvement because of the new model. But our efforts on the cost reduction and all the investments definitely believe that definitely, we are pretty confident about improving the profitability.
- On overall basis, if you're really looking at a larger guideline, probably as Kishan said, the market is considered to be soft in the next year. The variable which will bring us a better benefit in terms of absolute growth is come through the new product development and our initiatives to improve the aftermarket and our export business.
- So overall basis, there will be a marginal improvement definitely will be there in the bottom line. But unless the market improves, the volume improves, the significant improvement in the EBITDA level may not be seen, sir. So whatever we have reported today, definitely, there will be an improvement, but it will be very marginal considering the market is going to be soft in the next year.
- Moderator:** The next question is from the line of Devang Shah from Asit C Mehta Investment Intermediates Limited.
- Devang Shah:** It's regarding the last participant asked the question about the EBITDA level. So sir, by considering the scenario, as you are saying, it depends upon the market. We are coming out with a new product. It seems like from the last 3 years after 2023, that was in which we did significant progress post-COVID.



Thereafter, our relative performance more or less remains stable as far as EBITDA or net profit is concerned, whatever, although we maintain our margins. But some kind of improved growth kind of thing, that's what we have not seen significantly, although there is a growth, but not a significant level. It is some kind of flattish level.

So just my question, in FY '26 also, we may see some kind of flattish environment to continue or we may see with this new product and the opportunity that's been mentioned by you are saying electric bus kind of thing, that will make some kind of meaningful difference over here, and we may see an improvement as far as overall performance is concerned.

Nagaraja Gargeshwari:

Yes. Maybe I'll take this. So like what Ranga mentioned and also Kishan mentioned, we are kind of a little bit highly depend on the market conditions. As Kishan mentioned, from 424,000 levels we are coming down to 400,000 levels. That's almost, as you can see, about a 13% drop, okay? And then also export and then North America and European markets are softer.

So we had a little bit of unfavorable product mix and also the soft market conditions. So in spite of that, we have been able to grow by increasing the value content per axle and then also introducing some of these new products on a timely basis and timely manner.

So while we are looking at this year, FY '26 is a little bit flattish. Our focus is to strengthen our operations, strengthen our product portfolio to an extent when the market comes back, which we are expecting, which is going to happen sometime in FY '27 and FY '28, that's when all the efforts that we have put it into our operations will become visible, both in terms of our share of business improvement, top line growth and also EBITDA improvement.

Devang Shah:

Okay. So you need to see then after you are seeing the way the next level of growth will come. That's what we have seen after the post-COVID scenario. And sir, as far as export is concerned, due to this tariff scenario that's right now prevailing, especially for auto ancillary player, will this be have any kind of impact on you guys also?

Nagaraja Gargeshwari:

Definitely, there is a bit of impact, but the thing is like we are in a very niche area supporting some of the cummins drivetrain business. So that way, our impact is more due to the softer market there rather than the tariff impact. As you can see, this tariff right now, it is not very steady. It is changing every week. So we are just waiting and watching how it completely unfolds in the next few months.

But as far as we are concerned, we are looking internally how to keep ourselves competitive, both from the cost perspective and also quality and then capacity perspective so that to the possible extent, we are insulated from those tariff impacts.

Devang Shah:

And my last question, sir, that the way we are seeing the electrification in particularly at a state level as far as public transport is concerned in the form of the buses. Do you feel, sir, the way we are seeing many orders being now with reputed OEMs, in which there are your clients also, this will be some kind of big opportunity for you in the coming year as well? And if I'm wrong, then let me know also, this is my understanding to correct.

Nagaraja Gargeshwari:

Kishan, will you take that up?



- Kishan Kumar:** In between, I got disconnected. What was the last part? Can you please repeat?
- Devang Shah:** Yes, regard to this public transport in which state has been given us some kind of push for electrification of the bus. So the way the improvement we are seeing last couple of years, and it seems like it is going to continue. It would be a big opportunity for players like you to have because many of your OEM clients are tapping in the terms of this opportunity that's what.
- Kishan Kumar:** Yes. Thanks. I didn't hear the state part. So it goes like this. Yes, that is definitely very clear that electrification will happen through the buses, mainly the state transport to be very specific. And we are already seeing it.
- But the projected volumes and the tender that has been out there and the number of buses really working in the real world, there is a significant difference. So there are practical challenges. The role what we play today in the current architecture of electric buses is similar to what we play a role in the regular diesel bus, which means the powertrain is still very conventional.
- So the OEMs are just replacing the engine with the motor, rest of the powertrain is doing. So for us, what it means is our axle because we know the duty cycle so is already ready for the electric vehicle applications. So the OEMs that presently in case of buses, obviously, Ashok Leyland is #1 when it comes to the diesel buses, right? And they also have a very good market share in the electric buses.
- So the offerings from us are already ready. So even the new axle that we mentioned about 109, we took a little bit more time to do the redesign, mainly specifically for addressing the electric bus market. So we know the trend, but it probably will not be in the numbers that we see typically in tenders and otherwise in the news. But definitely, 2028, '29, we will expect that almost 25% to 30% of the state unit transports will only operate on electric and again, Tier 1, Tier 2 primarily.
- Devang Shah:** Okay. So in a medium-term perspective, definitely, there will be some kind of opportunity and growth that's what you are anticipating, right?
- Kishan Kumar:** Yes. And our current products, mechanical products are ready. They are already electric vehicle ready.
- Moderator:** The next question is from the line of Ritu Shah from Janak Merchant Securities.
- Ritu Shah:** Samarth here. So can you talk more about -- we have a product and suspension systems. So can you talk more about that?
- Nagaraja Gargeshwari:** Kishan, would you like to take up?
- Kishan Kumar:** Yes, yes, sure. So I'm presuming the suspension you're talking about is the slipper ended suspension, which we developed and launched for India, right? So this suspension is a result of probably 10, 12 years of research, doing a lot of field trials, understanding the end customer pain points, and finally designing something which is totally new for India, right?
- So currently, where we stand, so this suspension is now in production since 2019, and there are new developments to cater to some of the new applications. So the platform is ready. We



launched this with Ashok Leyland, primarily because it was easy for us to integrate with our axle because we understand those applications where we are already selling our axle, we enjoy a good share of business with them. So we developed for Ashok Leyland. And we are also in discussion with some of the other OEMs, which have shown interest.

So typically, the suspension is not treated as a technology. So there's a lot of effort required from our end also to educate the end customer how critical role it plays when it comes to tire life, fuel economy, serviceability, downtime. So it's an education. It's a journey. So Ashok Leyland was the first one to that. Now we are working with other potential OEMs where we have an opportunity to launch it with them as well.

Ritu Shah: Got it. Sir, any means sales that we are targeting here? And how much we generate presently from this product?

Kishan Kumar: We have already in the series production for us. So I can give you the numbers in terms of volumes, but may not be the revenue breakup. So we are doing almost like 12,000 to 15,000 suspensions in a year. And this is specific to multi-axle. So only a category of multi-axes, the suspension is applicable.

Ritu Shah: Got it. Sir, second on the export opportunity. So generally, these axles are sourced locally. So when we export, will we only export the axle housing or we have an opportunity to sell a completely assembled axles? And can we have -- do we have export opportunity even for brakes?

Kishan Kumar: Nagaraja, do you want to take this one?

Nagaraja Gargeshwari: Yes, go ahead.

Kishan Kumar: Yes. So great question. So export before we talk about the products for export, what we need to understand is the differences that the Western world, Europe and North America and South America and the architecture what we have in terms of whether it is engine, JMW, these condition. So there is always domestic versus international, right? That element is always there.

Having said that, there are products that we already have in India, which are on par with what the Western world is. So we -- in terms of capability, in terms of the opportunities that come to us, we get component, let's say, housing alone. that business also we do. And then we do for certain regions, the drivehead and the axle together. So it purely depends on the need for the capacity layer capacity, what the other regions are looking for and the product doability from a manufacturing standpoint. That is number one.

Number two is, if you look at the -- specific to the brakes question, okay, we are still predominantly drum brake, whereas the Western world, most of them, even including North America today is on the disc brake. So that's a product that even though we have the know-how, we know that whenever the Indian market gets ready, we can put a plan together and industrialize it for India. Today, we are not doing that.



So the drum brakes per se, the opportunity is limited. Again, some component level opportunities are there, but because the market is so different, that's not a primary area for -- in terms of people to -- or the regions to import from India because the products are very different.

Ritu Shah: Sir, last question from my side. So you're saying that there will be some regions where we can sell a fully assembled axle, right?

Kishan Kumar: That's right. So we have different versions of that. We can supply the dry, we can supply the axle separately. It purely depends on what is the domestic value that region has to demonstrate. So it depends on that. That's how it is it goes.

Ritu Shah: Got it, sir. Any specific export opportunities we have for selling to the Cummins network like manufacturing and selling it out?

Kishan Kumar: Yes, sir. There are many. There are many. I think the pipeline is growing. It's just that the market in those regions have to be really supporting us because the installed capacity there probably is enough for the current market trends. So it's purely when the peak comes and we are also in discussions of some of the products, why not India be the sole suppliers. So these are all long-term discussions. So that's the growth strategy, which Nagaraja has said. When we are doubling the revenue, export will play a major role there.

Moderator: The next question is from the line of Himanshu Singh from Baroda BNP Paribas Mutual Fund.

Himanshu Singh: Sir, you mentioned that the MHCv segment volume should be soft this year, FY '26. However, the OEMs are guiding for like mid-single-digit kind of growth. So why do you think there is a discrepancy in the estimates or the outlook? Any idea?

Kishan Kumar: Yes, I can take this. So we are not -- I do understand the numbers that probably you have seen coming from major OEMs. We are not far apart. So what we are looking at is the production and the sales is a totally different number. So when we said the MHCv production will be around 400, the sales may be around another 3%, 4% more. That's what even the OEMs are predicting, the low single digits or the medium single digits. So we are not very off.

But we typically focus on production rather than the vehicle sale because vehicle sale, there are many other dynamics involved there. The current one, if you really see the AC cabin launch, which is expected soon. So that is dealt differently by different OEMs. So we are only focusing on the MHCv production levels. Sales is a different story, and it can be 3%, 4%, 5% here and there.

Himanshu Singh: Okay. Thank you. And sir, in terms of your revenue mix, can you just like highlight which all segments contribute how much to your revenue kind of MHCv and other segments?

Kishan Kumar: Ranganathan, do you want to take that up?

Sankaran Ranganathan: No, you want a segment means you want MHCv and other segments you're talking about.

Himanshu Singh: Yes, sir.



Sankaran Ranganathan: No, we are serving only the MHCV, we are not present in LCV. Only in ICV that in bus segment, we are actively filling a gap. So if you really see ICV and MHCV is predominantly in the total portfolio what we're handling both axles and ICV.

Moderator: The next question is from the line of Viraj from SiMPL.

Viraj: Just 2, 3 questions. So one is you talked about the market being soft degrowth of around 4% in unit terms and probably higher in tonnage. But you're still expecting an EBITDA growth and EBITDA margin improvement. So just trying to understand what would be the drivers for that? That is one.

Nagaraja Gargeshwari: Are you looking at the margin enhancement, how we are achieving it? Is my understanding correct?

Viraj: Yes. The EBITDA growth we are trying to achieve despite an environment of sales degrowth or maybe even higher in terms of tonnage in FY '26?

Nagaraja Gargeshwari: Yes. So I think regarding the product mix or the value content, Kishan already explained how there is a bit of favorable in terms of product mix we are having when it comes to the domestic market. But other than that, as Ranga mentioned, we have been continuously looking at our productivity improvement, our operational efficiency and especially in the supply chain, we have been doing a lot of work in terms of doing a great due diligence in the area of make versus buy where exactly we can buy it from outside and then where we have to do it in-house.

So it is not just one initiative. It is several initiatives that is really helping us not only to offset certain fixed cost absorption or increase in the fixed cost or increase in the salary cost. We have been able to offset it effectively through all these initiatives.

Moderator: You have seemed to lost the connection with Mr. Viraj. The next question is from the line of Sarah from UVR Investments.

Sarah: Sir, in buses currently, where is Ashok Leyland sourcing its access from? And is there also an opportunity to make axles for VECV, Tata, and TML users?

Kishan Kumar: I can take this question. So in terms of our share of business with Ashok Leyland, we have about 65% to 67%, depending on the product mix. Again, it varies every year. But that's our typical average share of business with them. And they, of course, have a dual sourcing strategy. So even though we enjoy 100% share of business on some axle models, because of their dual sourcing strategy, they also have our competition supplying to them. That is the first part of the question.

Second is TML and VECV in particular. So at one point in time, going back 7, 8, 10 years, we did supply axles to them, both of them. And their strategy has been to develop products for their own applications. That's how today, where we stand, is, except for the export market, where they need a branding like Meritor. Otherwise, for all domestic applications, they use their own in-house axle.



Now that doesn't mean that we don't have an entry opportunity, but that has to come with the right technology, which we have for the future generation of axles when the engines move to 400, 500 horsepower, like the Western world, when the axle efficiency becomes very important. Light weighting is becoming very important. And that is the time I think will be the right opportunity for us to work with them and demonstrate that the knowledge and the experience we have from the rest of the world is readily available for domestic use.

So we are in discussion with them, but it's going to take 3 years, 4 years, depending on how they strategize their game plan and how we can align with them.

Sarah:

Okay, sir. Sir, with respect to the competitive intensity in MHCV axles of Automotive Axles versus American Axles, which was acquired by Bharat Forge. Is there a difference in terms of axle supply for a particular tonnage category for each company? And how do you see both these businesses operate simultaneously going forward?

Nagaraja Gargeshwari:

I can answer the first question. Probably the second question is something probably within the AEL purview and MHVSIL purview, we are not the right person to answer. So, the answer for the first question is it's been approved by CCI, right? So that means due diligence has been done to ensure that we don't become the largest or a monopoly as a group company.

Having said that, American Axle typically plays in the light commercial vehicle or a lower tonnage vehicle, which is where we are not present. Having said that, they do have 1 or 2 products, which come in the heavy commercial vehicle segment, which is where the OEMs make more than what American Axle or Automotive Axles wants to do.

It's more of an OEM strategy where they are very clear that they can't keep one source of supply for axles. They need multiple sources. And apart from that, I think even the CCA report, if you see, it's very clear that we don't compete in any other segment. It's just that one specific small percentage of American Axle products that they are catering to India.

Moderator:

The next question comes from the line of Viraj from SiMPL.

Viraj:

I got disconnected earlier. So the question was a follow-up to what the previous participant asked. Having a promoter having 2 different company structures competing in the same space. So, from a long-term alignment in the interest of minority shareholders, is there any thoughts between Meritor and Kalyani Group in terms of further simplifying this to address this potential conflict in terms of interest? Any thoughts you can give on this?

Nagaraja Gargeshwari:

No. I think, like what Kishan mentioned, it is very clear that we are having a different product portfolio and interest in different product segments. However, there is one small percentage where we are having a probably competing product. But again, as you need to understand that Automotive Axles is not -- we are having 2 promoters. So there is always a check and balance.

And the second thing is we have a very well-defined product portfolio, our customer and the brand value, so we continue to focus on building on the product designs, building on those brand values, and continue to meet our customers' expectations. So our focus is on what and how



efficiently we can meet customer expectations and then turn those opportunities into real business.

I feel that this is a very well professionally run company. Like Ranga mentioned, there is a lot of governance mechanism is there. So I think I would say that investors, they really don't have to worry because last 43 years, this company has clearly demonstrated. We have a good product. We have a good process and we have a good strategy, and our focus is to deliver and then meet all the customer expectations and also all the stakeholders' expectations.

Viraj: No, I understand there may be no overlap in terms of competing portfolios currently in MHCV. But is there some sort of now -- is there some kind of a non-competition agreement in MHCV between American Axle and Automotive Axles? So is there some kind of agreement that stops in competing with us directly head-on in the MHCV market because globally, even if you look at the kind of portfolio they have, they have other than MHCV, they have a good coverage in MHCV as well.

Nagaraja Gargeshwari: Yes. Probably Kishan can add to that. The current sale agreement, what we understand from the published sources, it is focusing only on one set of India business, and that too only domestic business. And this is not the entire global business. Right.

Viraj: The second question is on the e-axle. Any color you can give, whether that will be routed to the listed entity? And similarly, in terms of new technology or product interventions in the future from Meritor.

Nagaraja Gargeshwari: Maybe in the interest of time, I'll just take it quickly. As we have mentioned earlier, at this point of time, the current domestic requirement, we already have a mechanical axle, which has been fine-tuned and updated to meet the electrification requirement.

This is basically most of the electric vehicles; what we are seeing, not just in India, but the rest of the world, is a remote-bound type. So we already have a product for that. And then when the new technology comes in, at that point of time, again, it is going to be a decision. We'll be looking at how efficient or how easy for us to get that technology and then deliver it to the customer.

So at this point of time, I would say that it may be a little bit premature because it is not just the axle, it is a much bigger piece, including controllers, battery management, and a lot of modules. So we kind of look at it where we can be more efficient with our current capabilities, and also the potential future capabilities that we are trying to build. So I think we need to wait for some time before we can correctly answer those questions.

Moderator: Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Nagaraja for closing comments.

Nagaraja Gargeshwari: Again, thank you very much. I really appreciate all of you taking the time and join this conference call. And then it is also helpful for us to know your concerns, and also how we can continuously formulate our strategies so that we can always meet your expectation and, in fact, try to exceed your expectations.



So like we said, last year, we ended on a good high note. And this year, we have a very clear plan, both in terms of product and capacity readiness, but also on the journey that we have taken to transform our operation to become kind of a best-in-class or world-class in the next 5 years. and then also delivering on the promise of achieving INR5,000 crores revenue.

Once again, thank you very much, and have a great day.

Sankaran Ranganathan: Thank you all.

Kishan Kumar: Thanks.

Moderator: On behalf of Automotive Axles Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.