

AUTOMOTIVE AXLES LIMITED

04th November 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 27th October 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 to discuss 2QFY26 Financial Performance” held on Friday, 31st October 2025 at 11:00 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

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Company Secretary & Compliance Officer

Encl: as above

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Automotive Axles Limited

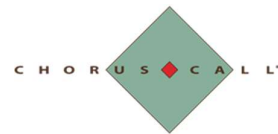
“Automotive Axles Limited

Q2 FY '26 Post Results Earnings Conference Call”

October 31, 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 UDUPI – GENERAL MANAGER,
MERITOR (HVS) INDIA LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to Automotive Axles Limited Q2 FY '26 Post Results Earnings Con 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 the conference call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sailesh Raja. Thank you, and over to you, sir.

Sailesh Raja: Thanks, Samarth. Good morning, and thanks to everyone who have logged into Automotive Axles 2Q FY '26 Earnings Call. From the management side, we have with us Mr. Nagaraja, President and Whole-Time Director, Automotive Axles; Mr. Ranganathan S., CFO, Automotive Axles; and Mr. Kishan Kumar, GM, Meritor India.

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

Nagaraja Gargeshwari: Yes. Good morning again. This is Nagaraja Gargeshwari here. I once again welcome all of you to this Q2 FY '26 investor call. As you're all aware of, there were several headwinds with the new legislation coming for M&HCV, basically AC cabin introduction last quarter. And then, we all know about what is happening with respect to tariff. In spite of that, we have done a pretty good job, and we are able to protect our margin.

So, to start with, I would request Mr. Kishan Kumar to give a quick update on market, followed by our CFO, Mr. Ranganathan, to talk a little bit more about the results. Over to you, Kishan.

Kishan Kumar: Thanks, Nagaraja. Good morning, all. So, the last quarter was very interesting. Like Nagaraja said, there were headwinds, but also if we look at the Indian context, the domestic consumption has been really good. And we see the agriculture sector really contributing, rural coming back. And, as a result, World Bank and IFB both have revised the GDP outlook for India, which is very positive.

And other things, very significant difference between the past quarters is, even though the overall index of industrial production is low, around 2.8% cumulatively, the sectors like manufacturing actually contributed very well in August and September to the rate of 4.8%. And that is expected to continue. So, we are expecting the GST revision also to boost the sentiments.

So the Q2, as Nagaraja said, even with all the headwinds, the market did a volume -- M&HCV market did a volume of around 95,000, 98,000 vehicles, with a reasonably good product mix of trucks, tractor trailers and buses. And going forward also, we expect the Q3 and Q4 to be ending very strongly, probably better than last year, that is what we are expecting.

And there were some real good highlights for us in Q2. As we discussed in the previous investors call, we had launched the 15-meter bus axle which went into production last quarter. And then we also migrated one of a very traditional old product, which we were exporting into a new product called 59, which was already productionized for other customers. So this last customer also migrated into that.

And then we launched 2 family of axles, which are traditional axles, but for a very different application. So, one is for a 4x2 electric tractor trailer, and other one is for 8x4 electric tipper. So, our products are now -- traditional mechanical products are also now approved for electric vehicle applications.

And other big recognition was, we won the silver award for Superlative Supplier Category for Aftermarket Performance, where we continuously improved our delivery performance and right now at 98%, 90% -- we won this from Ashok Leyland.

So, with that, I quickly conclude on the market outlook and past quarter updates. Thank you.

Ranganathan S.:

Yes. Very good morning to all of you. It's my immense pleasure to wish you all Happy Diwali, though it's late, and the New Year wishes to all those who have started the new year on the Diwali day.

With this, I just want to do a quick highlights of the financial performance. This quarter we have done about INR470 crores. As compared to last quarter we are slightly down by 6%. And as per the half year is concerned, we did about INR969 crores. Totally we're down by about 3%, the product revenue down by 4%. And overall EBITDA for this quarter, we achieved about 12.4%. And as compared to last quarter it was 11.7%. And as compared to last year, it was around 11.4%.

So overall, this quarter performed -- overall, the performance for the margin is concerned, it's much better compared to the previous quarter. This quarter happened we have some -- couple of one-timers, which is unusual. All of you know that we have started selling to the customer directly from April 1st.

So this quarter, we had some upside on the revenue because the exports revenue we recognized it has got some mix benefit this quarter, plus we also had foreign exchange benefits. And that's also a reason for the better margins. Apart from that, we also had some one-timers. Some of the liabilities which we not required, we wrote off.

If you remove the exceptions, we will be close to around 11.8%, more similar to last quarter, though the revenue was down. So, very high level and INR470 crores, about 12.4%, and the normalized number could be around 11.7%, 11.8%.

So, with this introduction, probably the -- I'll probably move on to the question-and-answer.

Moderator:

Thank you very much. The first question is from the line of Radha from B&K Securities. Please go ahead.

Radha:

Sir, my first question is that, some industry reports are suggesting that the average age of MHCV trucks on Indian roads are at 10 years, which is highest in the past 2 decades. And there is also a mandatory starting of government vehicles of older -- government vehicles older than 15 years, which is expected to boost the replacement demand of the industry. However, the average tonnage is near all-time high for the industry at 20 to 50 tons versus 20 tons in the last upcycle.

So, considering all these factors and also the cyclical nature of the industry, what is your assessment of the replacement demand? And when do you expect this to play out?

Nagaraja Gargeshwari: Kishan, I -- I'll take that, yes. You are absolutely right, your observations and the reports that are suggesting. But to -- in addition to that, a couple of things we need to understand. If you really see the last 3 years, at least 4 years rather, the market is around 400-420 range. And even this year we are expecting the same, and the next year maybe a 3%, 4% down. So, the cyclical nature has changed. The nature of -- the behavior of the market has changed.

Now, in addition to all the things that is happening, including the DFC, right, we think this will -- the variations from year-to-year, whether it's plus or minus, that will be very small, which we are already experiencing. So, the cyclical nature is now -- I would say, is between -- within 10%, not like the earlier times when we used to see 15%, 20% and more.

So which means if we are at 400 now with the replacement cycle coming in, the next expected peak is by '29, '30, where we can touch 480,000 to 500,000. And by then, with the support of the domestic consumption, the GDP and everything, even the tonnage carrying capacity also will be required more.

In addition to that, we also see the trend of higher HP engines coming in with the heavy -- more payloads. So, all this will probably stabilize around '28, '29 and then we see a peak by 2030. And then we may expect a very different cyclical nature, which even now we are trying to simulate, but that's how we think the market will behave in the next couple of years.

Radha: So you mentioned that next year you expect 3% to 4% down?

Nagaraja Gargeshwari: That is still debatable because this GST sentiment, how that will go ahead, that will be probably defining the overall volume. But our early forecast was, we may be around 5%, 6% down, but that may cut down to 2%, 3%. That's what I'm feeling. And also on top of that what is important is how we end this year. That will define the next year.

Radha: Okay. Sir, compared to last 15, 20 years, the cycle is changing now. So, what is leading to this reduction in cyclical nature of the MHCV industry?

Nagaraja Gargeshwari: There are couple of things. I think the first thing that we need to recognize is the COVID years were actually a reset. Lot of things changed from that year onwards. So, we did have a bounce back immediately after that in '23.

And then after that, the dynamics in the market, the heavy -- the better infrastructure, GST simplification, the roads becoming much freer in terms of reaching point A to point B and the heavier vehicles like tractor trailer, that is what is -- what we are seeing now, all this is actually meeting the market demand. So that means the 400 level market is able to give what the overall demand is.

So when that happens, when we have continuously 2, 3 years of stable volume, the cyclical nature naturally reduces from 7 to 6 to 8 years to maybe 3 to 4 years and even the variation will reduce. That is what we think has happened in the last couple of years.

- Moderator:** The next question is from the line of Amit Hiranandani from PhillipCapital.
- Amit Hiranandani:** First of all, we wish all the very best to Ranganathan sir. Sir has been very, very supportive to us. Yes. Sir, my question is basically on your revenue. So MHCV industry production for Q2 grew by 3%, but our revenue dropped. Was this only due to the impact of the tariffs in exports?
- Nagaraja Gargeshwari:** Maybe I'll take this question. Kishan, you can supplement that. I think like what Kishan mentioning, there were 2 things. One is the product mix. So, as you are aware, the -- usually, the Q2 is where because of the monsoon, the tipper sales will be down. So, we are very strong in the Tipper segment. That to some extent affected our top line. And apart from that also, like, we see that quarter-to-quarter different customers have different sales.
- So, because we are kind of concentrated in few of the customers, to some extent the product mix and their overall sales also kind of affected us. You are aware that the -- Europe is very stable, but North America, especially the M&HCV market is down. So, it also had some impact on our top line.
- Like I said, in spite of all these challenges, which we think, like Kishan mentioned, because of the GST 2.0 and a robust domestic consumption, we expect that we should be able to make up for some of those lost revenues in the upcoming 2 quarters. Kishan, do you want to add something?
- Kishan Kumar:** No, I think you summarized that. It's -- primarily, we think the product mix had some impact last quarter. And some of that we have offset with the bus launch, which otherwise would have been even deeper. Yes, like Nagaraja said, next 2 quarters should be really positive in that sense.
- Amit Hiranandani:** Sir, how much is the exports as a percentage of revenue, an approximate number?
- Nagaraja Gargeshwari:** Ranga, you would like to answer that?
- Ranganathan S.:** Amit, I -- thank you very much for your kind words. So the point is that -- your specific question, it's still at the same level what we have been doing it in the past. It will be slightly lower than the double-digit. At this moment we are just working on the same level.
- Amit Hiranandani:** Okay. Understood, sir. And sir, is it possible, I mean, for you to give some color on different segments of the CV industry like the MHCV, small commercial vehicle and buses? Like how do you see the demand from October onwards?
- Nagaraja Gargeshwari:** Kishan?
- Kishan Kumar:** So we don't follow so much on the LTV side. We -- as you know, we are playing only 7.5 ton and above. What I can tell you at a very high level is -- and which is also true for -- probably for the last 2 quarters, even though the market has stayed at 400, 420 level, the contribution from truck versus bus, that ratio has changed. So we have definitely seen more buses. And within the trucks what we have seen is the Heavy-Duty segment growing where the higher payload, even including the 4x2 tractor that I mentioned earlier. So that contribution is also increasing.

And I think this is going to stay. For at least next couple of quarters, this is going to stay. And this is when we think the efficiency will start kicking, in when the fleets and the truck owners will start talking about efficiency, which is where the next cycle of new products and the market -- opportunity for the market to move up, that is when we expect it to happen, in the next 3 to 4 years.

Amit Hiranandani: Right. This is helpful, sir. And sir, lastly, are you seeing any kind of commodity pressure for the coming quarters?

Nagaraja Gargeshwari: No. At this point of time we don't envisage anything. But again, it is anybody's guess with so many -- if there is a spurt in the demand -- we believe that there is enough capacity as far as our major commodities like forging and castings are concerned and steel is concerned. We don't envisage anything, but it could be anybody's guess. What happens, we don't know. But we don't foresee any major changes to the commodity.

Ranganathan S.: And just to say, you're looking at commodity price changes you're talking about?

Nagaraja Gargeshwari: Yes.

Ranganathan S.: Amit?

Amit Hiranandani: Yes, sir.

Ranganathan S.: No. As we already mentioned, any commodity changes is always back to back. So, I don't think any issues as far as the financial perspective.

Amit Hiranandani: Understood. Last question from my side is broadly like a few quarters ago, we were like guiding to reach [inaudible 0:17:09] margin levels. So are we on track on this journey, sir?

Ranganathan S.: Say it again?

Amit Hiranandani: Like a few quarters ago we were guiding for the EBITDA margin to reach at the mid-teens level, 13-plus percentage. So are we on track on this journey, sir?

Ranganathan S.: My answer to you is yes. You see the -- you have full fledged analysts with you. So you can just put the volume change and look at the numbers. Definitely, we are on the track, absolutely. And if you really put the year-on-year performance in operating performance level, yes, definitely, barring the mix, is one issue which we had to -- as part of the business we had to bet. Other than that, we are on the track.

Moderator: The next question is from the line of Shubham Batra from Ambit AMC.

Shubham Batra: I have 2 questions. Firstly, we saw a structure change happen during Q1. And post Q1 if I look at your numbers, we have seen the gross margin expansion coming in as guided for. However, we are also paying royalty. Eventually, the EBITDA margin flow is still in line with what you were doing before the structure change came in. So when do we start seeing the benefit of this coming in on our EBITDA margin and profitability?

Ranganathan S.: Sorry to intervene. Your voice is not clear. We're not able to -- it's quite -- not quite audible.

Shubham Batra: Sir, is it better now?

Ranganathan S.: Yes, much better.

Nagaraja Gargeshwari: Yes.

Shubham Batra: Yes. Sir, I repeat. So we did a structure change in Q1 FY '26, post which our gross margins have expanded subsequently. Over the last 2 quarters we have seen around 300 bps of expansion, 300, 400 bps. However, the EBITDA margin flow is still in line with what we were doing before the structure change came in.

So, when do we expect the EBITDA margins to expand in line with how our gross margins have expanded after paying the royalty that we pay? And secondly, you highlighted that there is very good demand in the Tractor Trailer segment. Do we have any plans of entering the dead axles business which are used in the tractor trailers?

Nagaraja Gargeshwari: Probably I'll take the first question as per the margin is concerned. See, operating margin, we have a very specific target, and we need to work on it as you really see our performance on the operating margin level. Secondly is about a couple of factors I just wanted to bring a perspective to you. One is about the volume which has a bearing impact on the fixed cost. So definitely, that is one of the elements is affecting the EBITDA, point number one.

Point number two is about the mix. So, these 2 elements is probably -- had to manage it. Next 2 quarters you really see that as volume picks up much better compared to the first 2 quarters, you will have the bearing benefit to the EBITDA also. And other side probably Kishan can answer.

Kishan Kumar: Yes, sure. So, we are talking about the trailer axles here, so which you mentioned as the dummy axle. So, in the industry today, even though trailer -- the tractor numbers are increasing, the trailer market is still very, what you call, fragmented. You have only one or 2 big players in the market who understand the technology and they appreciate companies like probably us, because we also have trailer technology with us globally.

And we did do a very deep analysis on Indian market, the product, and we do have the product on drawing. But to enter into this market, I think the market has to really mature in terms of the safety concerns that the industry has with tractor trailer applications, the increasing speeds and some of the other elements.

And also to add here, trailer axle is always clubbed with the trailer suspension. So, then it becomes very strategic whether we want to get into suspension. So, these are under evaluation. We are discussing and very closely monitoring how the industry is moving. Our first priority was to have the trailer live axle available, and that's what exactly we did in the couple of -- last couple of years.

So, we ensured that when the trailer market comes back, we do have the right brakes and the axle for the prime mover. And then comes the trailer. Probably in the coming couple of quarters, we will -- we'll see how it moves and then we will have our strategy ready for it.

Shubham Batra: Correct. But sir, if we -- in this -- you identified we have the tech for it. So, in case we decided on entering that segment as it's a growing one, it would not take us substantial time to come up with a product, right? We can launch it in the market in, let's say, 1 year's time once we decide?

Nagaraja Gargeshwari: Probably over 1 year because we do have to do our own validation which can go up to 12 to 18 months. But definitely, it will be much faster than probably developing something from the scratch.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate Advisors Pvt. Ltd.

Abhishek Jain: Congrats for a decent set of numbers in a tough time. Sir, how is the recent GST reduction impacted the sentiment among large and small fleet operator? And what is the current level of fleet utilization in the industry?

Nagaraja Gargeshwari: Kishan, you want to take that?

Kishan Kumar: Yes. The first one is still work in progress. I think we are not yet seeing a real -- of course, the sentiments are positive, but I don't think they are contributing to the numbers yet. It will take couple of more -- at least 1 or 2 quarters more to see really what is that impact. And that is why I said we are upbeat. We do think we will end up better than what we forecasted in the beginning, at least by 5% to -- 5%. Let's be very optimistic there.

Beyond that, I think it is very hard to say right now. So, a lot of other elements will also play in. The input output GST is something every company is evaluating once we move into these 2 slabs from the 4 slabs. So, I would say it will take a little bit more time for us to have a better feel for it.

Abhishek Jain: And what is the current level of fleet utilization?

Kishan Kumar: I don't have exact numbers, but what I know, knowing by the number of old vehicles and their usage versus the new vehicles in the couple of -- last couple of years, fleets are actually good fleets. Let me clarify myself. Good, efficient fleets have actually improved their productivity at least by 5% to 10% in the last couple of years, and that's been very consistent. So, one reason for that, of course, is the good infrastructure.

But the second one is they also understood overloading is not anymore going to help them if they really want to be quicker, faster and without much downtime. I think a combination of that -- I would say about 75% is right now where the fleet utilization is, with the good fleet.

One area which we are still struggling is the loading unloading. And that's where we are expecting this tractor trailer changeover may help some segments, not -- may not be all segments, but some segments.

- Abhishek Jain:** Okay. And how much the impact of the DFC in overall MHCV volume? And -- plus that, there's also another issue with the slowdown in the export. So how much impact on the Tractor Trailer segment because of this?
- Nagaraja Gargeshwari:** I'm sorry, are you relating export and tractor trailers? I didn't get that well.
- Abhishek Jain:** Yes. Actually, just wanted to understand about that, in heavy-duty trucks, how much impact on the total -- because of the slowdown in the export? And how do you see the volume in your bike?
- Nagaraja Gargeshwari:** I don't think there is a direct impact on the heavy-duty segment because they are all domestic consumption. And if you are talking about the export from land to port, that -- I don't think that has got a big impact because of the reduction in export. At least we have not seen that in our company.
- Abhishek Jain:** Okay. And impact of the DFC in the overall MHCV volume?
- Nagaraja Gargeshwari:** Your voice is little breaking up.
- Abhishek Jain:** Sir, just wanted to understand how much impact of the DFC in overall volume, dedicated freight corridors?
- Nagaraja Gargeshwari:** Yes. In the long run, 2 things we have to understand. It's not just DFC. The other thing is the efficiency, fuel economy, fuel efficiency and the productivity in the industry. I think combined, it may have around 7% to 8% impact in the long-term. Right now, we don't see that much. But once everything is established in the long run beyond '29, 2030, it may be a 7% to 8% impact. But that will be taken care with the natural increase in demand. So, I don't see -- it is probably a neutral impact for us.
- Abhishek Jain:** Okay. And my last question on the share of business in the different OEMs like Ashok Leyland, Mahindra & Mahindra and other -- Daimler and all?
- Nagaraja Gargeshwari:** Your -- so we -- Your question is on the share of business with these customers?
- Abhishek Jain:** Yes.
- Nagaraja Gargeshwari:** Yes. We are maintaining this for the last several years. We are between 60% to 70% with Ashok Leyland, of course, and then very high double-digit with Mahindra and Daimler as well.
- Moderator:** The next question is from the line of Amol Rao from One Up Financial Consultant. As there was no response from this participant, we will move on to the next question. The next question is from the line of Nikhil from SiMPL.
- Nikhil:** See, I -- You did explain on the sales side, but I still want to understand it a bit better. So, if we do a sales bridge between last year and this year, we didn't had the export benefit which has come in this quarter because of the change in the agreement. And overall, if we look at the MHCV production, is up -- is in a positive territory.

So -- but still, our sales are flat. So, which means if I adjust for the export, our domestic sales would have seen a degrowth. Can you just help me understand this difference in what is the production on domestic and what our sales is getting reported ex of export business?

Ranganathan S.:

No, I'll give my perspective, probably Kishan or Nagaraja can add to it. So, I'm not sure, the overall MHCV, barring buses, probably is still not growing much is my data, what I have it with me. And probably Bus segment, we are in the process of penetrating it with -- initially what Kishan told us the new model introduction and all this stuff. So that's one clarity I just wanted to give it to you.

I think we are more or less -- it's a really core segment we are doing it. I think we are in line with the market as far as the growth is concerned. And as far as other questions are concerned, probably -- that's basically what your main understanding is required. I think anything else, probably, Kishan, you want to add something?

Kishan Kumar:

I -- Probably, I would put it this way. Yes, if we had a same level of export like the previous year, we would have probably outperformed. And on the contrary, if I compare our readiness for the bus and tractor trailer last year compared to now, that would have been a negative.

So, net-to-net, it -- probably you are seeing it is flat because we have nullified the export impact by launch of the new products for the segments where we would have hit by the product mix issue. So probably that's why you are seeing the domestic market alone, the growth, what Ranga mentioned and our performance is almost on par.

Nikhil:

But sir, even if I adjust for the new product introduction, and as we said, Ashok Leyland is our largest customer and then Mahindra. And if you look at their production numbers for the quarter, they are both in the positive territory.

So, if we -- if I adjust for the new products, then also those number will -- like it seems we are negative, like -- because for both of them if I look at, their production numbers are up by 6% to 7% on an average for the quarter. So, have we lost market share with these guys? Is it?

Kishan Kumar:

No. No, that's exactly what I was trying to draw parallel. The product mix has helped. Other -- I will put it this way. The difference what you're seeing on the downside, that would have been bigger if we did not have the product. So that has bridged some gap. Yes, you are right, we are still on a 2% probably lower than the overall market growth.

That 2% is where we still have a product gap, where Ashok Leyland did more buses where we are not today present. That is where we are coming in. And on the tractor trailer, we had less number of axles and less number of brakes because that is a natural shift. So, for Ashok Leyland, it is a -- number of vehicles are increasing. But our axles will be 1 instead of 2 or 2.5.

Nikhil:

Okay. So you mean to say that their production has increased, but the number of axles which we were providing, that volume has come down, is lower?

Kishan Kumar:

Naturally, because if you look at 4x 2 -- yes, naturally. If you look at 4x 2 tractor versus 8x 2, in 8x 2, we will have 2 axles and 4 brakes. In a 4x 2, it is just half of it.

- Nikhil:** Okay. So would it -- okay, okay. So when you say product mix, you mean to say there would be lesser -- like smaller tractor trailers which have been sold where our volume, or quantum of volume with Ashok Leyland is lesser versus where our quantum is larger? Would that be the right understanding?
- Kishan Kumar:** That's right. That's right. But also, we do have one or 2 products in the pipeline that should help us in the future to reduce that impact to us.
- Moderator:** The next question is from the line of Nishi Shanklesha from Sapphire Capital.
- Nishi Shanklesha:** Sir, I just wanted a clarification on the previous participant's question. You mentioned that -- you had guided that volume would be down by 5% to 6% in FY '27, but now you are saying that it will be down by 3% only. Is that correct?
- Kishan Kumar:** That depends on where we end up. So, I will probably not make that as an official statement. We are still seeing the next 2 quarters. If we end up on a higher side, maybe that difference will still be there. It all depends on that. Right now, we think it is about 5% to 7%.
- Nishi Shanklesha:** Okay. And can you, like, quantify the volume number for Q2 FY '26?
- Kishan Kumar:** In the -- so if you take 5% to 7% on the 400,000, it's roughly around 370,000, 380,000.
- Nishi Shanklesha:** Okay. Understood.
- Kishan Kumar:** So that's what -- 400 is what I'm taking as a base, but that may change. That's exactly what we have to see in the next 2 quarters.
- Nishi Shanklesha:** Okay. So, 400 of revenue is what you're taking as a base, right? Is that right? 400 revenue you're taking as a base, right?
- Kishan Kumar:** Not revenue, ma'am. It's the M&HCV volume.
- Nishi Shanklesha:** Okay. Got it. Sir, you mentioned that EBITDA margin will mid-to-teen levels. Can you like give a time line by when it will reach that level?
- Nagaraja Gargeshwari:** Ranga?
- Ranganathan S.:** Can you say it again? Sorry?
- Nishi Shanklesha:** Yes. You mentioned that we are on track to reach EBITDA margin to mid-teen levels. Can you like give a time line by when we will reach that level?
- Ranganathan S.:** No, that's what I said, it need to -- in terms of run rate, yes, we are just hoping that the volumes will come back. If the volumes do good, you can even see the kind of run rate in the quarter also. It depends on the market volumes. We are -- we also need to have -- when you look at operating margin, we will definitely reach the run rate.

But in terms of EBITDA, it's more about the fixed cost absorption impact. So definitely, we have ideal model in our system internally to measure that -- the 13%. So mostly, probably if market comes back to the normalcy in 2023, '24, you will definitely see it much better than what we are planning.

Nishi Shanklesha: Okay. Understood. And my last question is, in the previous call, you mentioned that we are going to launch 13.5 and 15-meter coach axle and 9-meter bus axle. Do you have any update on that?

Nagaraja Gargeshwari: Kishan?

Kishan Kumar: Yes. So the coach axle, we launched it in the Q1, that went into production in Q2. We are doing significantly good ramp-up on that. And on the 9 and 12-meter axle, it is in the testing. We have actually a little slowed down because we want to really understand how the electrification of buses play here.

If it is moving faster than what we expect, maybe in the next 3 to 5 years, the diesel in the 9 to 12-meter segment may not be so much. So, we really want to understand that aspect and ensure our product will be ready for that electrification also.

Moderator: The next question is from the line of Ravi Purohit from Securities Investment Management Private Limited.

Ravi Purohit: Sir, just wanted to understand this a little better, because I think since this change happened between Meritor HVS and our arrangement, after the shareholders voted out the earlier arrangement and the new arrangement was put in place and all the sales are supposed to be routed through the listed company.

Now despite -- and basically, what it should have meant is that the top line should have gone up by that much amount, I would assume at least by 6% to 7% or 7% to 8%, just because of the change.

Now this quarter, we see there is a decline in our revenue. So are you -- should we understand that had this arrangement not changed, we would have actually reported a 15%, 20% decline in revenues even when the industry volumes are flat to positive?

There is something missing here. We are not able to kind of correlate the numbers that we are reporting on the sales side. I'm not talking of margins here. I'm actually discussing only the sales part of it.

Nagaraja Gargeshwari: Yes. I'll take that and probably Kishan and Ranga add to that. Again, we have several pieces to that. I think we have been repeating that. One is, like just now Kishan mentioned, the -- our exports, it has got affected with the current tariff condition. And even before tariff condition itself, the U.S. market is down by 30% to 40%, and you must have heard it from other people also. So, there is one that impact.

And also, like I said, while the industry numbers will remain flat, the share of business between different OEMs will kind of impact our top line. And that also kind of added to that, okay? So if the -- all the OE share of business, if it had stayed same and the industry volume would have stayed same, definitely, like what you are saying is the sales of, whatever, that 4% to 6%, 7%, we would have seen the top line.

But unfortunately, that is not has happened. So, it is just more of a timing when the sales started happening through automotive axles itself and then the market went down, and that's why you are not seeing that change. When the normalcy comes back, you are going to see that effect of bringing in the sales to the automotive axle.

Ravi Purohit: So I'm still not clear. I'm -- sorry to repeat this, sir. You're saying industry normalcy, meaning the industry is okay. There is a problem with our products or...?

Nagaraja Gargeshwari: Sorry, the industry when you are looking at the overall M&HCV volume. But if you go out and look at the share of business for each of the OEM, it is changing. And also like what Kishan mentioned, product mix is changing. Some -- there may be more vehicles coming out of the bus where we may not be present. And then also the tipper where our -- we supply 2 axles versus tractor, we supply one axle, that is also have an impact.

So, this is a kind of a transition time. Everything is happening. That's why we are telling you that in next 1 to 2 quarters, this quarter and by probably, definitely in next quarter, this normalcy will come back. And you are going to see that additional benefit what you expected to see in the top line.

Ravi Purohit: So just to kind of, sir, add further on this point. So if earlier the exports used to be never booked on our books, right? We would used to never book the revenues on exports on Automotive Axles books. The exports were predominantly taken care of by Meritor HVS.

Nagaraja Gargeshwari: No, sorry. That is wrong. We always manufactured. It was just like any other domestic sales, it was routed through the Meritor. Definitely -- we still had our share of revenue out of exports.

Ravi Purohit: Okay. So again -- so basically, had this this transition not happened of routing through our company, this quarter we would have reported 15% decline? In the earlier format of Automotive Axles reporting, we would have probably reported 15%, 20% decline in sales, is that what we should understand?

Ranganathan S.: No. Sorry to intervene. How did you say 15% decline?

Ravi Purohit: Because we have reported 6% decline this quarter, and this is despite us booking the revenue. So basically, the top line is higher, right? So earlier, let's say, if there was 10% sitting on Meritor HVS's book, and we sold some...

Ranganathan S.: Sorry to intervene once again, that's what I'm telling you. You're putting so much assumption to it. The 10% that we have been -- explained in the previous calls also. Meritor HVS revenue has got their own aftermarket revenue, which is still a big part of the business. So, what we migrated the entire OEM, what we are selling to customers, which migrated to automotive axle.

If we grossly look at the revenue and compare it, you may see something else, okay? So, whatever we are selling, one thing I will assure you that under the new model, all the sales to the OEMs and everything, it's doing directly from Automotive Axle, it's not routed to the MHVSL.

Second is about the revenue per se comparing to the last quarter because the last quarter is also, the same transition has happened. And compared to last year, I agree with you because last year we recorded revenue at the transfer pricing level.

And this year in full-fledged the end customer revenue -- gross revenue level, if we compare it, yes, it could be like slightly higher than this because the base is quite different. But compared to last quarter to this quarter, it may not make a difference. In the last quarter also, we would have done a TP if it -- not migrate to the new model.

So, the percentage will quarter-to-quarter remain constant. Compared to last year, yes, that could be -- the percentage drop could be slightly higher than this, maybe another 3%, 4%. And that's basically because the TP and the customer price differences. And again, I'm assuring you that we have just migrated to the new model. The 100% sales are happening through that.

Ravi Purohit:

Yes. So because, sir, the thing is Bharat Forge has gone ahead and acquired, let's say, American Axle company, right, American Axle -- now, we just kind of worry whether this transition is kind of negatively impacting Automotive Axles shareholders' interest or whether it is not?

And -- because the numbers don't see kind of any increase at the top line level, which logically it should have. I mean, assuming everything ceteris paribus, 100 should have become 108 or 107 or whatever, right? But here, it's actually 94, 95 instead of 107. So -- And I just note that...

Ranganathan S.:

American Axle is already there in the system before or after the acquisition by BFL. So, it's not about that because of that -- governance is a fundamental element of Automotive Axle. We continue to maintain the governance at a very high level. And we strictly go with governance principle absolutely at Board level, at the operating level. So, that assurance definitely, we will give you that.

Market dynamism and the share of business is basically the market driven. And definitely, I don't know about the performance on the other side to comment on it. But out of the axle perspective, and we are maintaining it to whatever the share of business, what we are -- the Products segment, what we supply, we are absolutely on the trends of the customers. And definitely, there will always be scope for improvement. I'm not saying no. I take the spirit of what you're asking for it.

But there's nothing to do with the American Axles or any other governance issue. I rest assured that shareholders' interest of this organization is utmost concern for us, and we never do anything against the shareholders' interest. And -- so that probably I can just give you the assurance of that. It's not about -- and outside I don't want you to get too much concerned that is anything happening over and above what you see? The answer is may not be. But definitely, we are on the top of the governance.

- Ravi Purohit:** Okay. And sir, just one last question. I think in the...
- Moderator:** Sorry to interrupt, Ravi. Actually, to ensure that the management will be able to address all the questions from all participants, we need to...
- Ravi Purohit:** Okay, I'll be back in the queue.
- Moderator:** The next question is from the line of Viraj from SiMPL.
- Viraj:** Just a follow-up on the previous participant questions. Now see, if you look at our conversation in Q1, what we said that we couldn't map the export billing altogether, and that should fully reflect in Q2. Now roughly on an average, we are doing around INR60 crores of quarterly exports. And then we have also sustained in Q2.
- So, if you look at that -- and then the launch and some contribution from the Bus segment, one would think that the overall growth or the performance in this quarter would be materially higher.
- Now I get that there's a product mix element, say, with Ashok Leyland and the axle part. But even there -- or even if you look at the tipper sales, right, for the industry, you are still talking about a mid-single-digit kind of volume performance for the tipper, about 25 tons. Same for tractor trailers, be it Ashok Leyland and others. So, in that perspective, if you adjust for the product mix, the performance doesn't add up in any sense?
- Nagaraja Gargeshwari:** Yes, let me take that. Again, I think -- first of all, I want you to assure that we have not lost any share of business with any of our current OEs, okay? Neither we have lost any export business opportunity. So, this is purely reflecting the market, okay? So, it is a bit difficult to explain every aspect of it.
- Like I said, the major contribution for it, one is some of the sales of our OEMs and some impact from the export sales, and then the product mix. That doesn't mean that we have lost any share of business with our customers.
- Ranganathan S.:** Just to add to what Nagaraja said to answer some points about -- overall on-highway Q1 to Q2 is slightly lower. Q2 is slightly lower than Q1 and exports is better than the Q1. So that mix is really what it's happened in the Q2.
- Viraj:** Sir, what is contribution of tractor trailers in our overall mix indicatively? And second is, what is the contribution from exports now? So, does it reflect the full quarter numbers of Q1 and Q2 or it still doesn't reflect the full quarterly numbers? Yes, am I audible?
- Moderator:** Yes, you are audible, Viraj.
- Viraj:** Should I repeat my question?
- Nagaraja Gargeshwari:** Kishan, will you take it?

Kishan Kumar: See, for us, it's like -- if I'm right, you are looking at what is the tractor trailer share of business, right? For all the customers whom we are serving this particular product, we have a 100% SOP on that.

But our product is also used for -- not only for a tractor trailer, it is also used for certain 10x2 application also, okay? So right now, while it is difficult for us to put a percentage of what exactly of the total, I would say that it is one of the major contributor, anywhere between 20% to 30% of overall sales.

Viraj: So -- okay, that is one. But even if you look at the export piece, right, we are doing somewhere around INR60 crores to INR70 crores of quarterly sales. And that run rate we are sustaining in Q1 and Q2 both. In Q1 we didn't report that numbers both in terms of the sales and operating expenses. That was a communication which was given to us. And we were expecting the whole Q1 numbers to reflect in Q2 and the Q2 to normalize. But we're not seeing that also?

Nagaraja Gargeshwari: Again -- I think we are kind of going around, around -- like what we're telling, first of all, I want to again reassure you, we have not lost any share of business. What Ranga mentioned during the last Investor Call was it is basically -- it does not reflect to us -- until it will go ahead and reach the customer, then only we can realize that.

But having said that, the previous quarter also, the sales were there because we -- MHVSL did not manufacture anything. So we always sell it to MHVSL, MHVSL sell it to ATL. So that revenue recognition is always is going to be there.

Only thing for the first quarter it was different because the change had happened. Having said that, again, it is just too many pieces have moved around in the Q2. That's why we are seeing it. Otherwise, we wouldn't have been able to maintain our margins. When you look at the margins, if we are not making the right top line and the right product mix, it will be very difficult for us to achieve that.

So, again, we can keep on asking the same question. Our answer is, there is nothing to worry about it. All the sales are happening through the Automotive Axles. And American BFL taking over American Axle has no impact to us because we are two different independent companies.

And we always continue -- we have been acting always as an independent company. We continue to be independent. And for Automotive Axles, it is always focused on the investors' value creation. So, we will continue to focus on how we can generate -- we take care of all our investors.

Ranganathan S.: Just to add to what Nagaraja said, is what I mentioned that mix is always kind of thing. The point is the second quarter we had better mix from exports, which is also reflected in the margin. Of course, there's a -- Q1 to Q2 there's a decline in the on-highway volumes...

Viraj: Sir, I'm not at all looking at quarter-to-quarter. I'm really comparing year-on-year. And I understand that...

Ranganathan S.: I'll add one more point to it. Year-on-year, also the commodity, there are about around 3% roughly, I'm just telling the hack, how accurate I need to check. But around 3% to 4% is the commodity -- also the reduction has been accommodated. So, year-on-year comparison is, one is about the transfer pricing. We have billed at around -- we have billed MHVSL with the transfer pricing. This year we're billing with the customer price.

Second is the commodity, what has been accommodated in the business, that has also brought down the sales at the value terms. And -- so these are the two factors we need to keep in mind. And -- so, my memory goes well, I'm not sure, I need to check, around 3%, 3.5% impact will come in the revenue because of the commodity.

Nagaraja Gargeshwari: Okay. I think we are coming to the -- probably end of the session. Before we close the session, I just want to share it with you. As you are aware, Ranga has decided to take an early superannuation. 21st November will be his last day.

He has been with the Automotive Axles for 11 years. His contribution is incredible. He's a great leader. And then we would like to wish on behalf of Automotive Axles Management and Board all the very best for Ranga for his future endeavor. Thank you.

Ranganathan S.: Thank you, Nagaraja.

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

Nagaraja Gargeshwari: We'll take it as the last question please.

Moderator: Yes.

Saket Kapoor: Sir, if you could just help us with the tonnage, I missed your earlier commentary. So -- sorry for the sake of repetition, how have the tonnages saved? And there is a improvement in the margins that we see for this quarter.

So how sustainable are those? And some color on how H2 should be shaping up in terms of -- I think the Q3, Q4 are much better than what the first half are. And then I have a bookkeeping question also.

Ranganathan S.: Okay. So I'll give a little bit of perspective. If you see operating margin level, we are consistently doing better. And that run rate will continue, will improve. And point number two, as far as the EBITDA perspective is concerned, I already mentioned in the initial -- the beginning of the call, we had some onetime benefits.

We had some write-off from balance sheet liabilities, which is not -- no more required. Plus we had some FX benefit and -- because -- the recording of last quarter to this quarter, we had some FX benefit this quarter.

And also the mix perspective, the exports are much better than the Q1. So overall basis, the one-timers has given some 0.4% benefit, and mix and FX would have given another 3.4%. If you really look at the volume is down compared to the Q1 by 6%, saying the margin will more or less remain constant in spite of the fixed cost absorption impact.

So next quarter, the guidance will be to the volume. Definitely, we will -- as per as Q1, is better than the Q1. The volume goes up, definitely -- the leverage on the fixed cost will definitely see the EBITDA margin.

Saket Kapoor: So, we will see an improvement in the EBITDA margin. This is what you are alluding to?

Ranganathan S.: Yes. That's what in H2, we are looking at quite positively as compared to the H1. And definitely, the EBITDA margin will improve as fixed cost leverage benefit will definitely yield -- improve.

Saket Kapoor: Okay. And sir, when we look at our current asset under investment, that has gone up significantly...

Moderator: Saket, sorry to interrupt you. Sorry to interrupt you, Saket. Due to time constraint, we need to close this conference.

Saket Kapoor: So, for a follow-up, sir, any medium where I can interact Mr. Ranga or -- how can I get my questions answered?

Ranganathan S.: You can drop a mail, sir, otherwise -- you can drop a mail and definitely, we'll answer you, sir.

Moderator: Due to time constraint, this was the last question for today's conference. I now hand the conference over to Sailesh Raja for closing comments. Thank you, and over to you.

Sailesh Raja: Yes. Thank you all. [inaudible 0:59:29]. Sir, would you like to give any comment?

Nagaraja Gargeshwari: No -- Yes. One last thing -- probably, Ranga, you go ahead.

Ranganathan S.: Yes, I just want to give one thing to all the investor community, then Nagaraja can give a closeout. See, with 11 years of existence in this organization, I'm superannuating, thank you very much. A lot of support I get from all the analysts and investors and a lot of learning experience for me, enriching my -- how the market is looking at the performance and what sort of expectations. So always that help me to play my role better. Thank you very much, each one of you.

And secondly is about, as far as the organization perspective, I just want to reassure saying that this organization is very -- highly ethical and governance oriented at all levels, right, from the Board to the bottom line. So everything we do, we'll keep in mind of the interest of the shareholders and interest of the investors, and we will ensure that we bring the best governance in the organization.

And some of the questions, sometimes your larger information with you when you compare the market, that's probably one of the things we have to take away and see that how we need to address these questions much better in the future. We'll take it as a homework. But nevertheless, we are continuing to do our best to satisfy the customer to make right deliveries.

We are trying to fight for our share of business, and we are working with the long-term agreements with the customer to ensure that we sustain and grow in the share of business with all our customers.

And as we have been in last 5 years, we have been working on a lot of strategic initiatives in terms of improving the cost and improving the margins. That effort will continue under leadership of Nagaraja and Kishan. And I'm rest assured this organization go much higher levels in the coming quarters. Nagaraja, over to you.

Nagaraja Gargeshwari: Yes. No, I think you summarized it very well. Again, to reassure when this -- a lot of moving pieces, they fall into the place. You are going to see all the benefits that is coming back to you, both in terms of top line and also bottom line. Once again, thank you very much for having confidence in Automotive Axles, and we're looking forward to your continued support. Thank you.

Moderator: Thank you. On behalf of B&K Securities India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Nagaraja Gargeshwari: Thank you.