



“JTEKT India Limited
Q2 FY ‘24 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to JTEKT India Limited Q2 FY24 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 the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to the management of JTEKT India Limited. Thank you, and over to you.

Rajiv Chanana: Thank you so much. Good morning, everyone. This is JTEKT India Limited Quarterly Investor Call for our second quarter of the financial year. I would be introducing the management team here, and then I will be handing over to our Chairman and Managing Director for their initial comments.

So we have with us Mr. Hitoshi Mogi. He's the Chairman and Managing Director of JTEKT India Limited. I'm Rajiv Chanana, I'm Director and CFO of this company. We have with us Mr. Hathanaka, He is Executive Director of this company. Kenji Okazaki-san, he's our Divisional Head for Strategic Sales and Marketing. We have with us Mr. A. D. Rao. He's our Senior Advisor on the technical side, and we have Doi-san, who is part of the management team.

So I now hand over this to Mr. Hitoshi Mogi for the inaugural comments. Thank you so much.

Hitoshi Mogi: Okay. Good morning, everyone. I'm Mr. Mogi, and welcome to the JTEKT India Limited Quarterly Earnings Call. I'd like to thank, all participants for joining this call and the organizers.

Talking about the India's automotive industry shall achieve rank #3 in the world by 2030. Currently, the automotive industry contributed 7.1% of the India's GDP and accounts for 49% of its manufacturing GDP. According to ICRA, supporting underlying factors such as raising per capita income, demographic profile and low vehicle penetration and favorable policy environment, including the infrastructure development are expected to help in the growth of industry demand at a steady pace. ICRA has projected a CAGR of around 6% to 9% across the automotive segments over the medium to long term.

At the time of our previous interaction, I informed you about the completion of the investment of more than INR850 million in setting up manufacturing facility for driveshaft with the constant velocity joint, with the capacity of around 4.5 lakh units. I also informed you about the decision taken last year to expand capacity of our MS Gear and CEPS by adding one manufacturing line for each product.

The work in this direction has started in February 2023, and we expect to complete those activities during 2024. This will add around 4 lakhs units of the MS Gear and 5 lakhs of CEPS to our existing capacity.

Our capital expenditure for the next few years is likely to be in excess of INR\$1 billion per annum. Soon we expect to take a decision about capacity expansion for CVJ second line and

will inform our shareholders by making an announcement at Stok Exchange once internal approvals are in place.

Now I would like to discuss with you the company's financial results. The financial results for quarter 2 of this year are available with you. JTEKT India, on a stand-alone basis, achieved its highest ever revenues of around INR5900 million in quarter 2 of this year, and it was 2% higher than the corresponding quarter last year.

Profit after tax at INR294 million in quarter 2 in this year was almost equal to profit after tax of INR296 million reported in comparative quarter of previous year. On a consolidated basis, EBITDA margins improved slightly to 10.2% in quarter 2 in this year compared to 10.1% achieved in the same quarter the last year.

Lastly, I would like to inform that the activity relating to merger of a subsidiary company, JTEKT Fujikiko Automotive India Limited with JTEKT India Limited is in the final stage of approval from NCLT. As per direction of NCLT, we have obtained the report from the regulatory authorities, such as MCA, RBI and income tax, and the same have been submitted with the court. The next meeting of NCLT is scheduled on 10th of November, and we expect a good news. Once we get approval, we shall be able to open this case for information of our stakeholders.

With this, I'd like to thank you for your participation and open the conference for questions. Thank you very much.

Moderator:

We have a first question from the line of Jatin Chawla from RTL Investments.

Jatin Chawla:

I have a couple of questions. So firstly, if I was on the overall revenue growth that we have seen in the first half. So the revenue growth of about 2% seems very muted in the context of the overall industry volume growth and the volume growth that we are seeing at some of our key customers. So can you kindly let us know why -- especially on the steering side, right? Because this 2% seems constant velocity joint that is really driving this, even the 2% growth. So on the steering side, why are we not seeing any growth despite healthy industry volumes?

Rajiv Chanana:

Thank you for your question. So just to begin with, I will reiterate the same word, which Mr. Mogi used in his inaugural address. Sales in quarter 2 of FY '24 is about INR5.9 billion. And this is the highest JTEKT India has achieved so far. So when we look at 2% growth, it is in reference to that growth, which the company achieved in quarter 2 of corresponding year where, again, it was the highest. And with that, we have broken our own records of -- which was set last year in quarter 2. And this quarter 2 is the highest so far.

Having said that, now I'll come to the industry level. So the sales at JTEKT India is actually linked to the production of our OEMs where we are present. So I will give you a few facts. I think that we'll be able -- you will be able to make an assessment of that. So when we look at Maruti Suzuki, where we have about 55% of the total business there while the Maruti Suzuki achieved a sales growth of 8% as reported.

However, the production growth of Maruti Suzuki was just 2%. We are aware that certain portion of Maruti Suzuki sales came from Grand Vitara, approximately 38,000 number, which were manufactured by Toyota. So when we compare our sales with Maruti's production sales, it's very much comparable.

Now we have to look at the other OEMs, which are -- where we are not present. For example, Hyundai achieved about 11% growth in production numbers where we are not present. So that came as a hit. So while there were some negative production, negative points, including a sales loss of Renault-Nissan, their production declined by as high as 40% where we have been almost supplying to at least 3 or 4 models. However, we also gained. The success of Innova HyCross where we are supplying CEPS now, that gained market. And also Elevate, SUV which was introduced by Honda in the market, that entire business is with us.

So they were giving some positive and there have been some negatives. But having said that, we are aligned with the production growth of OEMs where we are present. And we have options to grow further. There are options to increase our driveline business, CVJ, we are working towards that. That's one.

We are also looking at how we can have more exports. So but actions are in phase, we see that we are able to achieve better growth numbers. But 2%, that growth number which the company has achieved was the highest so far. And that has actually helped us to maintain our profitability level at a very good level for this quarter. I hope I have answered your question.

Jatin Chawla:

Yes, sir. This clarify opens a lot. My second question is on the export side. I think last time when we spoke, you had indicated that on the export side, we might have something to share the next time we speak. So I just wanted an update on if there is a growth on the export side.

Rajiv Chanana:

Yes. Actually, we are also -- we also wanted to share the same news with you. So just to begin with, I will be sharing initially the U.S. exports, where we are present for many, many years. So export to our customers in U.S.A., they are pretty stable and are gradually increasing. So there are 2 main customers in U.S.A., Ezgo and Club Car. So in respect of Ezgo, we exported rack and pinion, manual gear, column assembly for a total value of around INR475 million in '22, '23 last financial year. So when we look at the current financial year, in the first half, we have exported INR273 million. And if we continue at the same rate, we will be achieving a growth of 15% in the current year. So this is on the Ezgo.

Similarly, when we look at the Club Car where we are supplying same gearbox assembly, we did INR230 million last year. Until half year of this financial year, we have done INR142 million. So at the same rate, if we continue, which is likely, we will be seeing 23% growth in our export to Club Car. So Ezgo and Club Car, it's a very stable business and very, very good for us, good profitability, and they are increasing.

There is another news which we want to share with you with Ezgo, we have now a new vehicle model, we call it Liberty. This is a golf cart and where we'll be supplying intermediate shop and SOP is after '24. So work is all complete there, and this will be another additional INR10 million. So we are not looking at value or volume. We are going and helping more and more

products for our export customers in U.S. So this is one thing where we are working very hard to ensure that we should keep on increasing.

Second thing, I think, which we had mentioned in last investor call also, we have been exploring opportunities for supply over overseas group entities. In this regard, we'd like to confirm that our discussions with group entity in Brazil is now in the final stages, and we hope to report the same to stock exchange and our shareholders very shortly.

In case we are successful in getting this business, it will be starting with a volume of 1.14 lakh on an annual basis and will add approximately INR50 crores to our revenues to begin with. I think this can -- there will be definitely an opportunity of it going up gradually over a period of time. But this will be the first success in our efforts, which we have been making for the last 2 years. The start of production of this will be in some time in '25, '26. So 2025, '26, this production and supplies will start.

Having said that, management at JTEKT is very concerned that the main condition to achieve export is to have a very strong and stable supply chain, and we have been working in this direction for the last 2 years, and we hope that this will actually enable us to expand our export business in future also. So we'll be sharing a very concrete information through the stock exchanges very shortly with our investors.

Moderator:

We have a next question from the line of Dhruv Bhatia from Bank of India Investment Managers.

Dhruv Bhatia:

My first question just on the revenue growth, going back to that number. So though you have grown 2% year-on-year in this quarter, if I look at CVJ numbers, that itself is contributing to the entire growth of 2%, right? So it still seems to be suggesting that you have the growth with your existing customers. And even if I take exports, which has again grown fairly well for you in the first half, it seems like the number seems still very, very muted on your base business. Correct me if I'm wrong. Or is there some models which have been degrowing materially higher than -- and you are the core supplier to those?

Rajiv Chanana:

Thank you for your question. To reply, we started this CVJ from September last year. So you're absolutely right on volume of CVJ, which has been added this year into our revenues, is actually part of the new sales. But having said that, if we compare this with last year, the number -- the value of CVJ, which we have supplied, is at approximately INR58 million on a monthly basis in quarter 2. So -- and it started at a very low number. So when I look at the total sales value, it's not very high to CVJ.

However, when we look at the overall for the current year in second half and we look at our trend of -- the quarterly trend of second quarter, it's going to go up. So even at this point of time, the capacity utilization in the CVJ line is approximately 55% to 60%, it's not at a full capacity where we can touch a value of around INR110 million. So there is a growth in the steering segment as well.

But having said that, there has been no exceptional reason to justify. Just one, if you want to hear something on the negative side, yes, there have been a few negatives. For example, the

new business of Vitara and Hyryder, which is manufactured by Toyota, ideally we should have got 100, but -- we have the 100% business of Toyota. However, for this particular model, which is a joint development of Maruti Suzuki and Toyota, we have only a share of manual gears. So we are not supplying CEPS dielectric column for this particular business. So that is a negative, if I look at the whole sales pattern of our company.

But apart from that, there has not been any specific reason why our volume should be lower. We have been progressing as per the production growth of our customers, Maruti Suzuki, 2%. So we are at 2%. There have been few downs like Renault-Nissan was down and Tata Motors was down during the last quarter in terms of production. They have impacted us on a negative side. But Dhruv, I would confirm to you that there's nothing negative to be explained at this meeting.

Dhruv Bhatia:

Sure. And sir, I mean, I think a couple of calls back, you were talking about CVJ sales in FY '24 should be somewhere about INR120-odd crores. And first half, we have done somewhere about INR32 crores, right? So maybe if you could just talk about 2 things. One is how is the second half looking in terms of sales? So are we seeing a meaningful ramp-up to achieve the INR120 crores sales. And second is, have you added any new customers in the last 6 months?

Rajiv Chanana:

All right. So Dhruv, as I think we have been telling you that the capacity utilization at this point of time in CVJ is not 100%. So currently, we are supplying CVJ to Maruti Suzuki and Toyota for the Grand Vitara and Toyota Hyryder models. Quarter 2, just to give you the number perspective, we sold some 21,500 units per month, which means the monthly sale of about INR58 million. So you can say about INR6 crores kind of pay monthly value. So if I do a run rate based on that, we are about 64% capacity utilization at this point of time. The highest capacity can be anything between INR110 crores to INR120 crores of this business to begin with for the first line.

So -- but we are not currently working for an electric SUV. And very shortly, we expect that the SOP of this product will happen. Once we start supplying them, our line will be over occupied. Like, we may not be able to meet that customer capacity within the 2 shift lines. So when we tell you about capacity as well as our sales value, we only tell you based on the line kind of -- 2 shifts based on working. So we'll be exceeding our capacity. Maybe we'll be running more than 100% utilization of this lines very shortly. And once we get -- once we start SOP of that, we'll be reporting it. But this will happen, my understanding, very shortly, within the first half of the next financial year.

Dhruv Bhatia:

And I mean, so just this run rate will continue at this INR5.8 crores, INR6 crores run rate, monthly run rate in the second half as well?

Rajiv Chanana:

No, no, no. For the second half, yes, it will continue, maybe slightly improved from -- when you compare from quarter 1 to quarter 2, volumes have gone up. So if the volumes continue to go up, maybe it will slightly increase, but not 100% capacity utilization during this financial year. Next financial year, we'll touch 100% financial and may be exceeding 100%.

Dhruv Bhatia: And sir, in your presentation, on Page #11, you have shown the breakup of sales mix of axle in FY '23 was at 4.4%, whereas in the first half, it's 0. So could you just talk about, I mean, which is this product? I mean, what -- who you're supplying this product to? And why has it gone to 0?

Rajiv Chanana: So this was Ecco model of Maruti Suzuki where we were supplying the axle assembly, the technology has changed for their new model. So it is getting replaced with the same MSK also. So we are no longer supplying the axle assembly for the Ecco model of Maruti Suzuki. So there has been a change in the technology. We have moved out of that and concentration will be more on the CVJ and case differential and other items of the driveline segment.

Dhruv Bhatia: And sir, just 2 more questions. One is on the margin part. If you could just talk about this quarter, you have done 10.3% EBITDA margins. My understanding, once the merger happens, that synergy again will play out. So 10% plus margins are sustainable going forward keeping in mind where the commodity prices are today. So at least for the next at least 2 quarters, are we seeing double-digit plus margins?

Rajiv Chanana: Dhruv, actually, we discussed this point. So I just take you back to the financial numbers. So starting from the last 3 years, if you look at the number, when we compare our stand-alone results with our consolidated results, you will find about 1% EBITDA improvement. But if you have looked at the H1 number of the current financial year, the gap between stand-alone and consolidated is at 1.6%. And that's why it has pushed up our EBITDA levels from 9.1% of last year to 10.3% in H2 of current financial year.

These are sustainable. Why? Because there have been several activity, which have been done on the ground. Unfortunately, the legal declaration of merger by NCLT got delayed. However, that has not stopped us for taking immediate actions to improve to rationalize our activity. Physical rationalization is not possible at this point of time because official merger has not taken place. But there are several opportunities on the ground, which are possible. So we have worked upon that in terms of reducing costs on a joint working basis. And 10.3%, which we have achieved today, with the sales number being achieved over a period of time, it's possible to continue with the same margins.

Having said that, there is a possibility to further improve. Merger will bring a lot of synergies. We have been again and again repeating this thing that both the companies are part of the same value chain, which involves production of CEPS, electric power steering. There's a natural synergy in the manufacturing operations of 2 companies. I hope everyone is informed that the provision of subsidiary companies completely used as a captive consumption by the holding company. So what will happen? Once our legal merger takes place, it will actually activate additional manufacturing rationalization, which will improve our efficiencies and make us more cost competitive in our business.

There is no need to mention that there will be -- that we will be saving huge money towards the administration expenses, which we currently incur because we have to maintain the 2 entities as separate legal entities, huge administration costs, technical expenses, directors meeting. And we keep on counting these expenses. These are huge and the set of expenses,

which will say so we can improve further rather. We are not stopping it here. Once the legal merger takes place, we will be taking further steps to see we get more and more efficiencies out of it. Thank you.

Dhruv Bhatia: And last thing, sir, I mean, just bookkeeping, could you give first half customer-wise sales mix?

Rajiv Chanana: Yes, sure. So H2, if I look at Maruti Suzuki contributed 55% of our sales; Toyota, 11%; Honda, 6%; Mahindra, 9%; Tata Motors, 3%; Renault-Nissan, 3%; exports, 4%; and the balance was peers and aftermarket.

Moderator: We have a next question from the line of Aman from Carnelian Capital.

Aman: My first question was on the EV side, right? So a lot of OEMs are now preparing basically to launch their EVs in calendar '24 and '25. Like given our major customer Maruti might be launching one in late '24 as per media articles. So if you can indicate like are you in talks with them to supply steering for those models? And also for M&A since they will be launching 4, 5 models over the next 2 years, so how are we progressing on that side?

Rajiv Chanana: Aman, thank you. So yes, our product is compatible for the EV segment. And even now, XUV400, which Mahindra & Mahindra is manufacturing, our part is being used for that EV. We are currently working at least with 3 OEMs and for their introduction of EV into the market. So we have shown our capability in terms of providing the right steering gear for their use. Yes, we are working with them. And as we get the final go ahead, et cetera, and the SOP lines will be clear, we'll be sharing that information with you. But you're right, we are working with them.

Aman: Again, a follow-up, sir. Since Tata Motors, we have very less share right now, so do we see an opportunity like during this EV transition, you might be able to increase our wallet share with Tata Motors? And like how are we thinking about that business if you can talk about it?

Rajiv Chanana: So yes, Tata is an OEM for us. So we have -- we are already working with them. Tata Ace, we are supplying. Tata Super Ace, we are supplying. We are supplying for the Yodha and Xenon, which are their load vehicles, we are supplying to them. And yes, we are present with them. And we had -- in July, we had a physical meeting at Pune. We met all the gentleman. We understood their technology road map. We explained our technology road map to them. So these discussions are in very -- happening on a very active basis.

Yes, we are working with Tata for -- we will be working with Tata. We are discussing with them for their EV also, EV business also. So yes, discussions are ongoing. But having said that, I agree that our value -- volume with Tata are not very high at this point of time. We just have about 3% of business with Tata, but we hope to grow that business over a period of time.

Manoj Bahety: Rajivji, this is Manoj here. I have a couple of questions. May I ask? Or shall I get back into the queue?

Rajiv Chanana: Please. You are part of the same Carnelian team, please ask.

Manoj Bahety:

So Rajivji, first question is that if you can give us some color, sir, what kind of interactions are happening with your parent, whether they are looking at Indian entity in terms of getting new products here? Are there any thoughts on that? Because CVJ is one of the products which has come in. So are there any more products which are in pipeline? So that is my first question, and I have one more question after this.

Rajiv Chanana:

Sure. So parent country holds along with Maruti Suzuki hold 75% of this business. So if we grow, it actually benefit them directly. And we are -- we know that the public shareholding is very important. But when we look at the public shareholding, which is just 25%, promoters -- it's a very direct benefit to promoters if the business in India expands. So when we look at the trend, the levels of operations in India, these are pretty small.

But when we look at the opportunity in India, that's quite huge. We keep looking at -- with penetration levels in India, look at the numbers, these are pretty small in India. So when we look at all these factors, 36 cars per 1,000 people is where we are at this point of time. And with the GDP growth touching the highest level in the world, we understand that the people capability and people -- in terms of value available, they will be coming to the market for purchase of car. So we have a huge market in India, which is likely to grow as per the estimate by a CAGR of more than 5% over a period of time.

So these sectors are actually the motivating factor for all of us. The Indian management and the Japanese management, there have been 3 visits in the last 1 month, where very senior people from Japan have listed India, including Matsumoto-san, who is our Director on the Board of JTEKT India. He visited here, he was here with 3 days, understanding the strategy part, understanding how India can -- Indian operation can add more value to the overall JTEKT operation. So parent is very, very serious about India. That's what I can tell you.

Coming there to CVJ, we have just introduced this product. And we had a strategy. We want to establish ourselves with OEM. There's a huge scope of this business. And we will be expanding this to about 5% when our capacity -- full capacity utilization will happen on this line. We'll have around 5% of the total market share. Our immediate target is to reach 15%. We will be shortly explaining our capacity expansion in the area of CVJ that I will be announcing shortly, which will be another additional line of maybe additional 4 lakh units.

So these activities are happening on the ground. You will keep on -- keep watching it, and you will keep finding more and more announcement from JTEKT India in the next 1 years' time towards this direction.

Having said that, yes, [inaudible 0:30:21] currently in the driveline segment, yes, we are not a supplier of the complete system. Yes, we are -- we are only supplying certain parts of the driveline component. There are very scope available to introduce more products in the market. Having said that, we need to keep -- we need to show our parent company, we are capable of doing it in terms of very strong supply chain and other infrastructure. So we need to demonstrate that. I think CVJ success will demonstrate that to our parent company, and there will be possibilities for introducing more and more products in India. I hope I answered this question.

Manoj Bahety: Great. No. It is very elaborate. My second question is to Mr. Hitoshi. Sir, just wanted to understand your aspiration for JTEKT. Over the next 3 to 5 years, how do you want to -- because as Rajivji mentioned, JTEKT is just a small portion of your overall finance revenue. So if you can talk about your long-term aspiration for JTEKT in India, how JTEKT will evolve? Because I think all other auto companies are getting huge benefit of make in India. So that is one.

And also, I think it is encouraging to see that you are increasing the capacity of CEPS almost by 50%. So in that context, if you can help us understand your aspiration on JTEKT.

Hitoshi Mogi: Okay. So really speaking, so we are going to -- we will expect to expand the Indian business, and we are in line with that growth and we're already expanding our capacity as well as we increase our revenue. But [inaudible 0:32:13] we need the time to finalize that need of part.

Rajiv Chanana: So in our inaugural address, Mogi-san has already explained, last year, February '22 -- February '23 rather, the management took a decision to expand our capacity in the category of MSP manual gear and in the category of CEPS. So CEPS, as you know, we have 2 lines in operation. We'll be setting up one additional line. So it's like an additional 50% jump in our capacity, like 2 lines becoming 3 lines or you can say 30% if we take 3 lines together.

So that's the kind of a capacity we are looking at for the Indian operations. And this is necessary because if I look at the capacity utilization currently for my CEPS, it's touching 80%, 90%. So things are shaping up well, and we have expansion plans. As Mogi-san said, above INR1 billion kind of a capital expenditure going forward, maybe more than that also, yes, we are ready for that.

There is a complete support available from JTEKT Corporation Japan in terms of corporate guarantees. So when they give a corporate guarantee, we don't have to create any security in India for fresh funding, and it comes at a cost, which is as lower as 3% compared to the normal rupee borrowings in India. So huge advantage of the corporate guarantees, which are available with us. And yes, that's all from oversight.

Manoj Bahety: Sorry, Rajivji, INR1 billion, he mentioned, I missed that.

Rajiv Chanana: Capital expenditure, about INR1 billion. That we need to -- we're already committed. But we -- it's flexible, like if we have better opportunities available, we can even increase it also.

Manoj Bahety: But your cash flow generation is upwards of INR150 crores right now, right, INR150 crores, INR160 crores.

Rajiv Chanana: Yes, INR74 crores for first half year, current run rate, yes, INR150 crores of cash generation, we'll have this. We had -- this is huge. We hope that we continue with the same cash, which is a very likelihood of that to continue to achieve that. Yes, we have money available. We do not -- I'm saying that we have options available to borrow outside at a very competitive pricing. Though debt equity ratio, when you look at that, less than 1%, 0.09% is pretty low, pretty low from any standard. So our balance sheet is very, very strong at this point of time with no debt equity and very high results and share capital available. So, yes.

- Moderator:** We have a next question from the line of Radha from B&K Securities.
- Radha:** My first question was you mentioned that you are targeting to sell more in the export market. So other than the 2 customers that you mentioned, any other customer that you're targeting? And would we also be supplying anything or implementing to any of the group companies overseas?
- Rajiv Chanana:** Yes. So I think I've already -- Radha, I think I have already replied to this question. So while EZGo and Club Car continue to be very strong, there are opportunities available for supplying through our group entities. So in all continents, our group entities are working. So Brazil is one place where we have already identified scope for increasing exports from India. That is in the final -- almost in the final stages. I already explained that the total volume will be 1.14 lakh to begin with, about INR50 crores kind of a business to begin with. It can increase further.
- So yes, these opportunities are available, including -- and then maybe if you recall 2 quarters back, we explained that there will be a scope for even supplying components from India. It may not be the company saying, but yes, India can be a help for the supply of some components. So we are looking at all these opportunities over a period of time, and we'll keep sharing with you as we materialize that.
- Radha:** Sir, secondly, you mentioned INR1 billion capex plan. So is it a correct understanding that you want to spend INR100 crores plus for the next year, 2 to 3 years on a yearly basis. That's one. And second, could you give us a breakup of where would you be deploying this capex because you have multiple plants in CVJ, MN-1BJ etc, so just a breakup of same will be very helpful.
- Rajiv Chanana:** I can broadly explain you. So if I look at H1, the current financial year, we did about INR70 crores of capex, and this was a few areas. One is we set up an additional aluminum die casting machine of 850 ton capacity. We had 3 machines of same capacity, and we have added one more machine. There was an expenditure towards new product development. We are spending money on developing a product for electric SUV. We spend money for Honda Elevate, which has been introduced into the market.
- And then there were some maintenance expenditure, including purchase of PNG generator. So we are replacing all diesel generator with PNG generators. Diesel generators were actually on mostly on rental basis. So we are replacing them with our own PNG generator. This initially will involve somewhat extra expenditure. So last quarter, we spent some INR64 million. Last half year, we spent some INR64 million. So these are the things -- and now going forward, there will -- expenditure will be towards setting a manual gear line and CEPS line. Expenditures on these additional capacities will be anything between INR80 crores to INR100 crores. We'll keep...
- Radha:** INR80 crores to INR100 crores, overall for the gears and CVJ?
- Rajiv Chanana:** So we'll explaining you. We'll keep on giving you the breakup of that as we go along. There will be some additional equipment required, maintenance, equipment required, et cetera, et cetera. So that's why we have to continue to allocate about INR100 crores on a yearly basis, not for 1 year, but on a yearly basis. So -- and then as we told you, shortly, we'll be taking a

decision on CVJ also, the second line, which also we'll be announcing shortly that as we told you in form earlier, that will cost about INR80 crores expenditure. So there are pipeline ready, funds are available, pipeline is ready. Our plans are ready. Once we keep getting approval, we keep discussing -- we'll keep disclosing it to stock exchanges and our investors.

Radha: And sir, lastly, my question was that in the domestic market, if CVJ just introduced recently while there were some players that were already present in -- present to supply the OEs in the domestic markets. So given that a lot of competition, et cetera is there in the product that we are present, so could you explain a bit as in what is our key USP?

Rajiv Chanana: So ma'am, it's a huge market and it's expanding market. We know there is a competition. There is a player like GKN. They are leader of the market. We got NTN next year, Hyundai. Many players are there. Yes, we know that. Having said that, which business we do not have competition, I don't see any business where we don't find competition. There is a huge competition in the steering business. So it actually drills a point to you like how effectively and efficiently you are able to deliver the best quality product with the lowest level of quality issues.

I think that depends on us. And the products which we have introduced into the market is the best of the range, no quality issues so far reported in this particular product, and it's being used for the best vehicle, which are being produced in India, so Vitara and Hyryder. So -- and we are pretty very confident that we will keep on increasing our -- and we already have planned for the second line, which means that we'll be expanding our market share to around 10% once this line is ready for us, while the next line will be -- we are able to implement that.

we are very optimistic, but we are -- future will tell about our success, but we are very optimistic about it. Thank you.

Radha: What will be our share of business in columns with Maruti?

Rajiv Chanana: CVJ?

Radha: Yes, yes sir. Columns.

Rajiv Chanana: So Maruti Suzuki currently, we got about 50% -- 45% to 50% of the electric column business, and we got about 70% -- 68% to 70% of the gear business, MS gear business of Maruti Suzuki.

Radha: Okay. And sir, you mentioned that competitor -- the key differentiator would be the product quality. So competitor is taking any quality issues, then how easy would it be for us to grasp that business?

A. D. Rao So my name is A. D. Rao. What we are also doing other than what Chanana sir has explained is developing technical centers, technical capabilities locally. And also, like, I mean, customers expect quick response to whatever he wants. And he looks at other than the quality, quick response to his needs, whether it is issues related to development and so on. So we are focusing by setting up a technical center locally, have required facilities so that we support customer. There is another aspect compared to competitor, we are trying to exceed.

- Rajiv Chanana:** I think, time is over, so we can take maybe one last question.
- Moderator:** We'll take the last question from the line of Jigar Shah from Baroda BNP Paribas Mutual Fund.
- Jigar Shah:** Sir, my question is when you said that CV joints is around 21,000 something per month and INR6 crores of monthly revenue from that. So approximately around INR2,700 per content vehicle. Is that correct?
- Rajiv Chanana:** So it's -- keep on like different varieties, different dimensions. The range will be between INR2,700 to INR4,000. As we have the new business, that will be on a slightly higher price, it depends on the product to product, right hand as well as left hand, then the price is different. So that's how it will be different pricing.
- Jigar Shah:** So going forward, can we take the average INR3,300, INR3,400, INR3,500 as a content per vehicle going forward, even with the extended capacity?
- Rajiv Chanana:** You're absolutely right. Yes, we can take that.
- Jigar Shah:** And also lastly, when you said that you are developing a new product for electric SUV, so how it will increase the content per vehicle for us? So presently, with CVJ, what is the content per vehicle? And incrementally, what kind of content per vehicle we are looking at?
- Rajiv Chanana:** Look, it's -- for me, as numbers -- CEPS, if we look at the average is around INR12,000. It depends, start from INR9,000, it went up to INR16,000. So you may take INR12,000 as the CEPS average price and INR3,400 as CVJ average price. It's about 28% increase in our content per car. This is one thing. So -- but then we need to expand, and we need to expand CVJ to many, many models. Currently, it's only for 2 models, and we are looking at one more model. So it will keep -- it has to expand.
- Jigar Shah:** Right. No, the new product you said that is under development. So I was asking about that, what kind of...
- Rajiv Chanana:** It's same CVJ, which will be used for electric SUV as well, but with a different specifications and dimensions, pricing will be better. The average price -- as we discussed, the average price will be somewhere between INR3,400 kind of an... than includes that.
- Moderator:** As -- I would now like to hand the conference over to the management of JTEKT India Limited for closing comments. Over to you, sir.
- Hitoshi Mogi:** Okay. Thank you very much for participation of this conference call today. And I don't know if we can answer all questions in the appropriate answer. But we are really positive for the future growth and also that we are going to catch up in line with the growth. Thank you very much.
- Moderator:** Thank you, members of the management. On behalf of JTEKT India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.