



“JTEKT India Limited
Q4 FY ‘23 Earnings Conference Call”
May 25, 2023



MANAGEMENT: **MR. HITOSHI MOGI – CHAIRMAN AND MANAGING
DIRECTOR – JTEKT INDIA LIMITED**
**MR. RAJIV CHANANA – EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER – JTEKT INDIA LIMITED**

MODERATOR: **MR. AMAR KANT GAUR – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the JTEKT Limited Q4 FY '23 Earnings Conference Call hosted by Axis Capital 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 your touchtone phone. Please note that the conference is being recorded.

I'll now hand the conference over to Mr. Amar Kant Gaur from Axis Capital Limited. Thank you, and over to you.

Amar Kant Gaur: Thanks, Ryan. Good afternoon, everyone, and welcome to the Q4 and full year earnings conference call of JTEKT India Limited. From the management team, we have with us today Mr. Hitoshi Mogi, Chairman and Managing Director; Mr. Rajiv Chanana, Executive Director and CFO; and other members of the team.

I'll now hand over the call over to management for opening remarks, post which we can start the Q&A. Over to you, Mr. Mogi.

Hitoshi Mogi: Okay Good afternoon everyone, and welcome to the JTEKT India Limited quarterly Earnings Call. I'm Hitoshi Mogi. I'm the Chairman and Managing Director of JTEKT Limited. And I'd like to thank all participants for joining this call and the organizers. First of all, the Indian market has been impressive a final year of 2022, 2023, with annual sales of 245 million units, posting a year-over-year growth of 25,000, the highest ever annual growth in more than a decade.

In the previous peak was achieved in financial year 2018, '19 at 4.35 million units. This could be attributed to the healthy replacement demands relatively scalable semiconductor suppliers and prevailing period to the second phase of RDE on April 1st, 2022, '23. At the time of our previous interactions, I informed you about the completion of the investment of more than 850 million in setting up manufacturing facility for drive shafts with constant density joint and with a capacity of 4.5 lakh units.

And in this year we increased our production capacity for manufacture of the upper shaft which is an important component of the CPS as a data header facility. And adding additional capacity of 60,000 units at the cost of 70 million. Our capex plan for the next year includes expansion of capacity over the next year and the CPS by adding one perfection line for each product. In addition to that we are planning to increase the capacity of aluminium digesting by adding an additional 850 ton machine which is also adding additional production line to manufacture warm housing which is again an important part of the CPS.

Our capital expansion for next year and next few years is likely to exceed to a thousand million per annum. Now I would like to discuss with you the company's results and open a floor for questions. The financial results for Q4, 2023 are now available with you. For the end period revenue from the operation at 5.4 billion or quarter four shows a healthy growth of 13 against the revenue of 4.8 million achieved during the comparison quarter of previous year. A profit after tax at 237 million in quarter four shows an improvement of more than 90, 9,0 compared to the part of the 125 million reported in the quarter of previous year.

For the financial year 2023 revenue from operations at 220 billion shows a healthy growth of 28 against the revenue of the 16 billion achieved during the year 2022 improved from 6.9% to 8%. Profit after tax at 792 million in 2023 shows an improvement of more than 140 percent compared to the part of the 331 reported in the 2022.

PAT improved with the improvement in stairs as well as strict control of the fixed costs. Lastly, I would like to inform that activity relating to the merger of subsidiary company JTEKT to Fuji Kiko Automotive India Limited with JTEKT to India Limited is progressing. We achieved the content of shareholders and creditors at the NCLT meeting on 20 May. We are now moving ahead with the second motion of application to NCLT. With this, I would like to thank you for your participation and opening the conference for questions. Thank you.

Moderator: Thank you. Our first question is from Aman, with Carnelian Capital. Please go ahead.

Aman Agarwal: Sir, thank you for the opportunity and congrats on a good set of numbers. The first question was on gross margins, like this quarter, you are around 100 basis points kind of sequential improvement in the cost margin but still it is lower than the kind of gross margins we have done over the last 3. Since high raw material -- the raw material costing might be over by now. Do we expect some improvement in cost parting forward?.

Rajiv Chanana: Aman, thank you so much for this question. If you look at the gross margins, EBITDA, this has improved to a level of 8.5% on an entity on a stand-alone basis from 7.7%. However, you have seen my presentation which we uploaded on to stock exchanges. Can you hear me, Aman?

Aman Agarwal: Yes.

Rajiv Chanana: Okay. So if you have seen the presentation, which we uploaded on the stock exchange, there is certain onetime expenses, which we had to book it, one, which is a very huge expense of INR56.4 million, which we have booked in this quarter is actually provision for contingency. Why provision for contingency? Because there has been a recent by the Supreme Court on a GST matter pertaining to settlement of price, this is a Supreme Court judgment. So there has been discussion around it at the statutory level and they advised us that even though the company has got very good chances to fight it out, at any point of time, the litigation starts on this subject. Yes, because there has been a judgment on of Supreme Court is better that you make a provision in line with that of industry practice.

So this is a onetime provision for contingency, which has been created, no cash outflow. And we do not expect also that this will become a loss at some point of time. We have very good arguments for just justifying this element, of course. So this is an additional expense which is booked in quarter 4. Another you said onetime settlement, the manufacturing rationalization activity the company has done over the last 1 year. So total expenses, onetime expenses, which we have done on manufacturing rationalization was around INR17.7 million. In this quarter, it was about INR7.7 million. So if I adjust that in my EBITDA margin.

So EBITDA improved from INR459 million to INR523 million and between 2% to 9.7%. Now I'll come to the consolidated results. You are aware that we are in the process of merging JTEKT Fuji Kiko Automotive India, which is a subsidiary company of JTEKT India Limited and is

captive supplier to JTEKT India. You are aware that all the production of Fuji Kiko is utilized for internal production of electric power steering at JTEKT gearing India Limited.

So if you look at the consolidated numbers, which we have published, it shows an EBITDA margin of 9.1%. However, if we make this small adjustment of onetime expenses it comes to about 9.5% and on a full year basis. And if you look at the quarter of consolidating, it's 10.6%. So which means there has been a significant improvement in EBITDA from a level of 7.7%, at a consolidated level, we can even touch 10 points, we already touched 10.6%.

Moving back to the history, if I look at the EBITDA margins over the last 5 years, I think in F '18, 2018, we touched an EBITDA margin of around this level, slightly lower than. But at '20 onwards, you are aware the stress which the company has faced not only because of the declining sales, plus other reasons also. However, having said that, we are still committed to further improve the EBITDA margins. And you must have seen the way we are controlling the different costs. One cost which I would like to mention here is the significant change in the employee cost from a very high level of around 13.5% to a single digit now. So all these efforts, which plus if you had seen other expenses, even those have come down.

So considering the effort which the management is doing and considering the growth in sales, which the company has achieved, and we expect that the market continued to grow at the same pace in the future years also. We expect that EBITDA margins will improve further. Can you ask any other question?

Aman Agarwal:

Yes. My second question was on an easy preparation, like a lot of our OEM client partners we had started already preparing for the easy launches over the next 2, 3 years. So, like, are we in discussions with our OEM partners? Have we gotten orders for the models that will be launching two, three years down the line because anything on that?

Rajiv Chanana:

We cannot disclose this information. We are -- this is a regular but we continue to pass because the development phase at almost 2 years before the vehicle launch 1.5 years before the vehicle is actually launched. So yes, we are in discussion with all our OEMs. We are regular partner for them, whether it is Maruti Suzuki or Toyota or any other OEM. We are actually work with them on a regular basis. There are -- we keep demonstrating to all our OEMs, our new products, which we are -- our new capabilities. So this is a regular question, yes, we are working with our various OEMs and for the new launches in future, including working on the electric vehicle also and electric SUV vehicle also. So I think we will keep on giving you good news as we keep on building more business from our OEMs.

Aman Agarwal:

Another question, if I can squeeze in. It was on the CVJ. We have been done around INR20 crores revenue of this year. So how is the outlook looking for next year like do we intend to utilize our plan to maximum like since you can do around INR120 crores of revenue in this business? So, like, in next year, do we expect that business to ramp up fully? And we were in discussion with new clients like Mahindra and all for supplying CVJ to them. So, any things on that side or anything if you can update, sir?

Rajiv Chanana: Yes. So introduction of CVJ in Indian market is actually a step towards company's aspiration to increase its product portfolio. So we are very serious about it and this is to gain an important drive line segment of the auto component markets. You are aware that company has set up machining and assembly line at its existing Dharuhera facility, and we spent more than INR800 million on that. The total capacity of this is 4.5 lakh units. So you are aware that this goes in a set.

So every vehicle will be using two drive shafts. So, the total capacity in terms of sets is 2.25 lakhs and with an expected turnover of INR120 crores. So, last year, we launched this product in the month of September. So, the INR20 crores thing which you are saying is grown over a period of time, but currently, if we look at the current volumes, we are currently supplying CVJ to Maruti Suzuki for his Grand Vitara model and for the Toyota Hyryder. So, these are the two models for which we are supplying the CVJ.

And currently, more than 50% of our capacity is utilized. If I look at the month-on-month basis starting from the last quarter till up to this point of time, we are using more than 50% of our capacity. Now, what we are doing, we are currently working for developing a new product. This is an electric SUV for which we are working with our OEMs. And the likely start date for this particular model is October 2024. So, with this, we will be 100% utilizing our capacity of the CVJ line which has been set up, which means the entire INR120 crores of business will be with us within this financial year, which means that we have to start looking at how to expand this capacity.

Maybe in the near future, we will be informing you about further expanding this capacity. Currently, if you look at our market share, it's just about 6% in the whole CVJ segment. And we will not restrict ourselves to 5%. Our idea will be actually to grow very fast in this area of business. And we are, as you rightly said, we are talking to other OEMs including Indian OEMs, we have done our tech shows regularly talking to them, explained them the capability of CVJ which we already have set up.

It's actually an excellent product with a very good quality which we have introduced, and there has been absolutely no complaints or any quality related issues so far. And we are very optimistic that there will not be any in future also. So we are hopeful that CVJ business will flourish and we will be expanding our market share very fast.

Aman Agarwal: Understood, sir. Just if you can tell me like if we are present with Maruti for CPS in Jimny and Fronx, the two new models they are launching soon?

Rajiv Chanana: Maruti CPS, say again?

Aman Agarwal: Are we present in Jimny and Fronx, the two models Maruti will be launching this year soon?

Rajiv Chanana: Which one? Fronx. We are supplying manual gear for that. We are present in that. And the Jimny model which will be the new launch, we will be supplying both gear as well as CPS. The whole steering system will be supplying for Jimny.

Moderator: Our next question comes from Sailesh Raja: with B&K Securities.

Sailesh Raja: Yes. Pre-COVID time, our exports used to be 6% to 8% of total sales, that is more than INR100 crores. So at that juncture you used to guide us that the company is targeting 15% of the total sales and now the exports is just 3.5%. So what led to this fall and what is our plan to increase the export sales back to that 6% to 8% and eventually increase to 15% sir.

Rajiv Chanana: Okay, yes, first I would like to explain you our efforts and then I will come to answer your question. So exports to our customer in US, they are two main customers which we have in US, E-z-go and Clubca and the volumes are increasing with them. In respect of E-z-go, our sales increased by 13%. This was a level of 417 million in 2021-22, and we touched a level of 472 million in 2022-23. Also, we are working with E-z-go for developing a new vehicle model, and the expected SOP of this particular model is December 2023.

So we are working with them and we'll continue to work with these customers in future to increase our export volume. And this is a very, very stable business, the US business which we have. And under the INR47 crores is business from, existing business from one customer, plus the new models which we are planning to introduce. So having said that, you are also aware that we lost John Deere business in the past, which was a major contributor to our overall sales, the number which you are referring to.

Unfortunately, we are not supplying that part at this point of time, but the other businesses have been continuing. Now the next step is that we need to explore opportunities for supplies to our overseas group entities. We are working on that. COVID put a back gear to all these discussions. Yes, that's a reality. But we are now in discussion on the various studies which are happening with our parent company and we are actively participating in that. Now at this point of time I would like to reiterate, we mentioned this point at our previous meeting in the last, in the first half meeting also, that the first and foremost requirement of exports to overseas entity is to manage supplies without disruptions.

The main condition to achieve this objective is to have a very strong and stable supply chain. So we are working towards this direction and hope that expand our export business but this is a precondition. It is, I am saying today it is very difficult for us to estimate the future target number at this point of time but we would like to confirm our investors that these discussions are in active stages and we are regularly discussing this topic.

Sailesh Raja: Sir, any supply is expected to group companies?

Rajiv Chanana: Look there are two three actually till the time you get a confirmed business we cannot disclose that but just to answer your question yes there are two discussions which are at a very active level maybe at our next meeting or even before that, we should be able to communicate this.

Sailesh Raja: Okay. So my second question, could you please talk about the opportunity size in the aftermarket for the CV joint product? Because unlike other products, we'll be targeting this first time in the aftermarket segment. So what is our plan and how quickly we can ramp up the sales and who are all the competitors? Can you give some colour on this?

Rajiv Chanana: So frankly speaking, the first target for JTEKT India Limited or JTEKT Corporation worldwide is to establish itself as a good quality supplier for the main product. So this product we launched

only this year. We would first like to explore our OEM business as early as possible, reach to a sizable portion, and then possibly we will start looking at the aftermarket thing. It's not that aftermarket is not profitable.

We know that aftermarket has got good profit opportunities for us, but we'll first like to establish ourselves with our OEMs. We are talking to almost all OEMs at this point of time. We will first like to establish ourselves, expand our capacities, and then maybe start looking at the aftermarket. It may take maybe a year or so to give a concrete plan on that. Today, frankly speaking, we do not have a concrete plan on this particular aspect.

Sailesh Raja: So we invested closer to INR80 crores, INR90 crores. What is the payback period you are expecting in this product?

Rajiv Chanana: Say again.

Sailesh Raja: INR80 crores, INR90 crores, we have invested in CVJ. What is the payback period you are expecting in this product?

Rajiv Chanana: So at this point of time if I look at my return on capital employed on an overall business in FY23 this is 14.5%. This is improving because there are several factors which goes into it, the manpower, all the facilities which you have and high depreciation to begin with. so EBITDA margins will continue to be almost same as our normal business. It will not be different. Yeah, but, yes, we expect that the next business which we are targeting for an electric SUV, the profitability is far better compared to what we have achieved in our first.

So currently this is a developing business and we have not put any targets on that but having said that, the profitability will not be lower than our current existing steering business. You know target for any entity is to achieve 14% return on capital implied. We achieved that in FY23 and we hope that we will continue to achieve the same number. So mix of product, it may not be one product may be looking little bad also at some point of time because we may be expanding in that category. So that's why that whenever you introduce a new product you are aware that the depreciation cost in the first few years will be very high. But yes, it's a part of the game.

Sailesh Raja: Sir, just a follow up of what Mr. Aman asked, for the last five, six years as you said you have reduced our fixed cost and conversion cost significantly. I highly appreciate your team for bringing down that cost. My question is, from here on, the only scope to improve the operating margin, other than the scale benefit, is to improve the gross margins. So gross margins used to be around 34%, and currently it is at 29%.

So if you add back that GST, the write back, then it is around 400 bps dropped from what we used to report in FY 15 to 19 levels actually. I understand there is a lot of pressure from competitors and also finding difficult in passing on cost inflation to the customer at raising commodity enrolment. Now the commodity has corrected from peak levels. So can we expect good improvement in gross margins? So if yes, what percentage you are targeting in the next two years?

Rajiv Chanana:

So like, it's a very interesting question. I don't know whether I can explain the mathematics part of it. But first to give you the numbers. So at 19 we had EBITDA margins of 10.5. As I explained on a consolidated basis, which is a reality because we are going to merge our subsidiaries, we will touch the same level. So we have brought our EBITDA back to the same old levels. This is first point. And this is mainly because of controlling our cost, which we have actually been able to achieve it.

Now, coming to material cost, it's a very difficult thing to explain that. First thing is that it's a reality that whenever you go and acquire a new business, initially the cost is high because then it starts the process of cost rationalization through several areas like VAV, localization and as well as many other activities. So those activities will start immediately after the product goes into SOP and we start looking at various cost elements and how to reduce that. Second aspect is, which you have rightly said is the huge change in the raw material prices over the year, over the last 2-3 years post this corona and post this geopolitical crisis.

There has been a rise in steel and aluminium prices which are the main raw material for our components and as a result both and you are also aware that our RM is fully compensated. So for the existing products we have a back-to-back arrangement with our OEMs. Any change in delta on steel and aluminium is compensated to us. Now, looking at this scenario where I'm getting all the compensation, what's happening is that my numerator and denominator is changing by equal amount. But that results in increasing the percentage.

So that percentage, actually, it's normal. We should not go much into it as to why this has gone up by 1% because that may not be actual increase actually. So I would like to see that you look at my profit margins if I'm making more than INR100 crores of cash which means I will be able to fund my capital my all capex expansion for my own sources. Look at the way we have reduced our borrowing, it's practically zero, which means we are not paying any interest, which means we are making more PAT for our shareholders. I think, please look at it from that perspective. Please do not narrow your vision only on the metal cost. That's my request.

Sailesh Raja:

Okay, okay. Are we supplying to any of the Kia models, sir? For the Seltos, we were having discussion with Kia team and they speeded up the production by importing the steering products. We could not be able to supply because of time constraints. And now they have four or five models. So any of the models we are supplying sir?

Rajiv Chanana:

Sir actually, Hyundai is, Mando is the main supplier for Hyundai and they belong to the same Korean family looks like. So currently, Mando is supplying to them. Having said that we are open, but let's see, if we get this breakthrough with the Korean, otherwise we are happy, we have a sizable business from Maruti Suzuki, we got almost 100% business of Toyota, and we got almost 80%-90% business of Honda's OEM. So we are happy with that, even if we do not get that part of the, that pie of the business, it's okay. But yes, currently, we do not have that business, it's mainly controlled by Mando.

Sailesh Raja:

Okay, so my one last question, so any reason why we have reduced our dividend payout?

Rajiv Chanana:

We have not reduced dividend. From 40%, we have increased to 50% this year.

- Sailesh Raja:** No sir. If you see in FY '19, we reported INR3 earnings and here we have INR0.8 as a dividend and this time we have given only INR0.5?
- Rajiv Chanana:** Look, if you look at the dividend history, we have been paying 50% and then we had to reduce it to 30%. Then last year we increased it to 40% of the share capital. I'm talking about the share capital, the par value of share. So this year we have increased to 50%. Yeah, we are happy to share our profit with our esteemed shareholders. We are happy with that. And however we also need to continue to keep an eye on future expansion, which will add value for our shareholders.
- So you are aware that even JTEKT Corporation Japan and Maruti Suzuki, the two promoters, hold 75% equity of the company. And so this decision of restricting it to 50%, increasing it from 40% to 50% and not increasing further is taken in the interest of the company to fund our capital expenditure for next year. So we will be needing some cash which will go into further expanding the business of the company and eventually will be benefiting our shareholders.
- Moderator:** Our next question comes from Dhruv Bhatia: from Bank of India Investment Managers.
- Dhruv Bhatia:** Sir, my first question is, if you could just provide just a bookkeeping question, the customer mix for FY23?
- Rajiv Chanana:** Yeah, sure. Just a minute. So, FY 23, Maruti Suzuki is 56%, Toyota 6%, Honda 6%, Mahindra and Mahindra 9%, Tata 4%, then in the export category it's around 3%, Renault Nissan 4% and rest is all others, Spears and small OEMs aftermarket etc.
- Dhruv Bhatia:** Okay, and I mean if I look at there's a related party You know release which you had put which because Maruti is a promoter or a shareholder of the company This when I was looking at this time It seemed like about 70% of the half yearly sales goes to Maruti. But for the full year, it's just 56% is the customer mix from Maruti?
- Rajiv Chanana:** Actually, related quality transactions are something different. there we add purchase, sales, expenses, everything. So that number may not be comparable actually. This is purely sales and without GST. There even the GST portion gets covered.
- Dhruv Bhatia:** Okay. Okay. So the second is, I mean on the CVJ business, the segment, my understanding was that for the full year you were expecting somewhere about INR50 crores-INR60 crores of sales on a half yearly basis, but it seems like for the full year you've done about INR20 crores sales. So has there been a delay in terms of supply to the customers or there's been a delay in terms of the model has not done well for the customer?
- Rajiv Chanana:** The pickup started from September but it was slightly, however in the second quarter, sorry in the last quarter it picked up to the right level. Currently if I calculate my capacity utilization is exactly the same number. Initially the pickup was a little lower.
- Dhruv Bhatia:** So you are currently you are saying on a monthly basis you are running at a 50% capacity utilization?
- Rajiv Chanana:** Yes, Slightly higher than 50%, yes.

- Dhruv Bhatia:** Okay. And at these levels, are you breaking even at EBITDA level?
- Rajiv Chanana:** You know my break-even point is anything between at PBT level my break-even point is around 70% to 75% at a PBT level not at EBITDA level but PBT level.
- Dhruv Bhatia:** Understood and sir I mean in the opening remarks, if you could just reiterate the capex of INR100 crores planned for each of the two years of that 100 does the CVJ expansion which probably you'll plan. Post the capacity utilization reaching peak in FY24 for CVJ is that, is that included in the INR100 crores?
- Rajiv Chanana:** So what Mogi sir pointed out is that we will be now planning our capital expenditure in three or four areas. We will be expanding our manual gear capacity, we will be expanding our CPS capacity, we will be expanding our PDC capacity and then CVJ. CVJ will come once our line is fully utilized, we'll immediately start working for the next level of expansion. Dhruv, please understand, when you get an order from a customer, you got time, while you're developing, now you can develop your product on the existing line and with taking help from your Japan technical facilities. And while the vehicle is being developed, during the same time you can expand your capacity also.
- Dhruv Bhatia:** Understood. And sir, you've elaborated a lot on the cost aspect. Employee cost as a percentage of sales is obviously this quarter onwards come below the 10% mark, and this is expected to continue going forward? Is this a steady state number now?
- Rajiv Chanana:** Yeah, we have strict targets for performance, how we are able to improve the productivity. We have strict targets for that. People are very aligned at all the unit levels. Yeah, we have a target in-sites to take further.
- Dhruv Bhatia:** Understood and so just the last thing I mean Sudhirji was earlier consultant till in May 2023. Is that his term expires or is it renewed if you could just give us some idea there.
- Rajiv Chanana:** Mr. Sudhir Chopra for the last one year has been working with us as a senior advisor and his main responsibility was to assist the company on the legal matters as well as the current merger transaction. So since merger is almost on the verge of completion, I think there are a few formalities left. So his tenure will now be over from May 23 onwards.
- Moderator:** Our next question comes from Radha with B&K Securities.
- Radha:** Hi sir. Congratulations on good results and thank you for the opportunity. So I wanted to understand on the LCV side, previously you had in the 2QFY23 call, you mentioned some of the new product wins in the LCV segment for the columns and years. So what would that be as a percentage of total sales in FY23 and any new product wins or any new models that we are targeting in this segment?
- Rajiv Chanana:** I think there's no change as such in the products which we are supplying. So if we look at, we won the business of Tata Ace, which was a new version that we in the last one and a half two years this was a new business which was won and then there was another model which is called Yodha it's a carry vehicle you know. So this is the two businesses which we have won and other

than that we are already continuously working with other models of Tata Ace. We are working with Tata on the World Truck which is Prima. These are the products which we are already supplying, mainly Column which we are supplying except that for a model which is called Super Ace we are supplying HPS also.

Management: There are some models from Mahindra also for which we are supplying steering columns and manual gear.

Radha: Okay. And would it be as a percentage of total revenue, would it be 2% to 3% of sales from the LCV?

Rajiv Chanana: Maybe, yes, it should be around that level. I have not actually calculated it. Maybe I will be separately sharing that number, but it should be around that level

Radha: Okay, and secondly, I just wanted to understand the CVJ product better. So does it have application in the LCV segment and the rear-wheel drive passenger cars?

Management: Yes, it has got a lot of potential. This product is used in both the segments that you have asked.

Radha: Okay, so who would be the current suppliers for the CVJ products in the LCV segment?

Rajiv Chanana: the market is currently controlled by GKN at this point of time. So when we look at the globe, the Indian market, around 45% is currently controlled by GKN. And then we have players like NTN, we have players like Next year. Next year is the second largest provider of CVJ in the domestic market. Yeah, these are the main players.

Radha: So given that we are already present with some models in the LCV with columns like we just spoke about, would we after targeting the PV OEMs in the CVG segment, will we be planning to target CVJs for the LCV segment, at least in the current models that we are presenting?

Rajiv Chanana: Ma'am, like currently we are just about 3% of the total market. So we have an ocean to explore, you know. So we'll be exploring every nook and corner, you trust us that. Of course our sales and marketing and technical team are already talking to all major OEMs, and they will do their level best to see that we expand this business. And we have grown into the market. We have tried to take the leadership position for CPS and MSGS. We'll also definitely try for the same for CVJ as well.

Moderator: Thank you. Our next question comes from Aman, with Carmelian Capital.

Aman: Thank you for the follow up. Just one more question from my side. Like we have around 4% of revenue mixed with Tata and Tata currently is around 14% market share in the domestic passenger vehicle industry. So like any plans to increase our wallet share? And like if you can give me what is our current wallet share with Tata?

Rajiv Chanana: So yes, our two experiments with Tata have been very successful. For example, we started supplying HPS for Tata Harrier and Tata Safari. So these, both the products have done well and these actually helped us to increase our share of, our sales with Tata from earlier level of 2% to 4% now. We are actively supplying certain models, driveline, case differential for various

models like Tiago, Tiger, Altroz, Punch. We are present in several models. However, we still have a very small business with Tata. We'll continue to explore that. It's like opportunity you get, we will definitely explore that.

- Moderator:** Our next question comes from Nirali Gopani with Unique PMS.
- Nirali Gopani:** Thanks for the opportunity. I also wanted to know that with our existing capacity, what kind of peak revenue can we achieve?
- Rajiv Chanana:** Are you are asking about the current capacity utilization?
- Nirali Gopani:** Yeah, so roughly at the company level with current way of the current growth, you are saying that what kind of revenue can we achieve?
- Rajiv Chanana:** So we are currently at around 75% utilization levels. So there is a possibility to expand further with the existing set of years. The volumes can be increased. But yes, we are also planning to increase our capacity as we explained at the inaugural speech.
- Nirali Gopani:** Right. So, just to confirm, we mentioned the capex of about INR100 crores, right, for FY24 and 100 for FY25?
- Rajiv Chanana:** Yes, it will be upward of INR100 crores, ma'am. What we are trying is that as per the requirements, as per the market growth, we will be planning our capacities. as you win a new business, you start planning for a capacity expansion. So that's what we'll be doing for, as we'll be winning more businesses, we'll keep on expanding our capacities. So we believe that there will be a requirement because with the current capacity utilization, as we get new businesses, we will have to spend some money towards new capital, new manufacturing lines. So we are planning for that at this point of time.
- Nirali Gopani:** Okay. Also, just to clarify that, you said that the current utilization is at about 75%. So what is the optimum level that we can go up to?
- Rajiv Chanana:** this is, we work with these capacities on a double shift basis. So in case of, we will not do that, but there is a chance that you can even go to the triple shift, but that is not something which is advisable from a potential setup, because then you need to continuously maintain your plant and machinery. 85%, when we look at 85% to 90% on a two-shift basis, that's what we normally aim for.
- Hitoshi Mogi:** In fact, you can go up to 100% when we say capacity already factors the efficiency. You can, on two-shift basis, we can go up to 100%.
- Nirali Gopani:** So clearly capacity is not here constraint for us to grow in the coming years?
- Rajiv Chanana:** We can always expand. We have got existing facilities available. We can always expand our capacities also. That will not be any problem. Getting a good business, getting profitable business and we can expand.

- Hitoshi Mogi:** In our case, I think the lead time for expanding as well as developing a product more or less is to get opportunity to expand as an existing business. And we have third shift anyway too.
- Management:** Temporarily meet the requirements, yes. That's it.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Hitoshi Mogi for closing comments.
- Hitoshi Mogi:** Okay. Thank you very much for today and also I really appreciate for asking us here a question about your activity as well as their future activities. And actually, so currently, the automotive sector is booming and also rapid growth will be expected. And we are positively making investments for future growth as well as company growth and contribute to the improvement of the profitability as well. Anyway, thank you very much for today.
- Moderator:** Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.