



**Divgi TorqTransfer Systems Limited 4QFY23 Post Results
Conference Call
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“Transcript”

Divgi TTS 4QFY23 Results Call Transcript

Ashutosh: Hello and good afternoon everyone. On behalf of Equirus Securities, I welcome you all on the Fourth Quarter FY 23 Conference call of Divgi Torq Transfer Systems. From the management side, we have Mr. Management, who is the managing director, Mr. Hiren Divgi, who is the whole time director and Mr. Sudhir Mirjankar who is the Chief Financial Officer of the company. Without further ado, I hand over the call to Mr. Management for opening comments post which we can open up for Q & A. Over to you, Mr. Jiten, sir.

Management: Yes thank you Ashutosh. It's a pleasure. Welcome everybody here to this webinar and we are pleased to present our first inaugural set of results post our IPO in March of 23. Without further ado, let's just dive into the details. So as you can see, we've had a very satisfactory year and you can see that from last quarter and going back a year to FY 22 there's been significant growth in revenue, EBITDA and PAT. And this is sort of consistent as you will see in the numbers going forward in the presentation with the sort of results we've had in the last three years. I'm happy to report that there is a good amount of progress in business development that is going on and while there are some asymmetries in the composition of the business, I think we will make good as the year unfolds and our business in EVs, exports and other transfer case customers bear fruit.

In terms of continuing our asset acquisition for future growth that is underway as envisioned in the prospectus in terms of the objects of the issue and I'm pleased to say that we are sticking to that focus quite well and making good progress.

Continuing on with the presentation I think this particular slide is particularly illustrative and enlightening and you can see that across revenue, EBITDA and PAT we have sustained a very healthy CAGR. In terms of return on invested capital I'm happy that despite additional investments and the growth we have managed to sort of sustain ourselves in the ballpark range of the numbers that we've been operating in. And as the EV business and we have some updates in terms of our facilities that are coming on stream, as that settles down I think this growth path will continue. I just want to take a moment and dwell on statement of the profit and loss and you can see again that on a Year-on-Year basis the growth numbers are quite encouraging. This is on an annual basis and for purposes of generating a more informative perspective, we have set the numbers against the backdrop of the last three years going back to FY 20 for the benefit of members who may not have referred to the prospectus we had given FY 20 as the starting benchmark here and so we are measuring our progress relative to FY 20. A quick snapshot of our balance sheet which continues to remain strong, we have a significant amount of investment that is going in. So you can see that reflected in capital work-in-progress for our new plant that is intended to house our EV business and the work we're doing in automatic transmissions.

The other thing is that the trade receivables, you can see they reflect increased domestic sales with its additional GST component and so the number looks inflated compared to previous years when exports were significant and the GST component was limited. But overall, you'd agree that it's a strong balance sheet and the right place to be in as we go ahead, any questions at this point in time?

Aashin: We will first have the presentation then probably we'll start the Q & A round.

Management: Okay. So what we wish to do is, I wanted to get to the meat of the presentation, which was the numbers, and then give members and update of the progress that has happened this last one year and particularly in the last four or five months. So, as many of you are aware, we are an old company based in Pune. We have three manufacturing plants and fourth one is coming on stream about 50 kms South of Pune and broadly speaking, we are in the business of making various types of gearboxes for the automotive industry. The scope of offering includes specialty components that go into these products. And the component business is an equally attractive offering that we have not just in India, but globally. So, as you might expect of a company like us, we have several marquee customers and through some of the world's preeminent tier ones, we reach out to Global OEMs as well.

We have in place a technology license agreement with BorgWarner and a product development agreement with Hofer Powertrain of Stuttgart in Germany for DCT automatic transmissions. And right now the big focus for us is EV transmissions that we are developing and launching for Tata Motors from our plant in Shirwal near Pune. So I just want to not dwell too much on this, but highlight the point that we continue to have a very

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encouraging run since we separated from BorgWarner in 2016, infused private equity capital between 2016 and 2018, and then prepared ourselves for the IPO and had a successful IPO, the first of 2023 on March 14, 2023. What I have done is, in the most recent years, I've listed some of the highlights of new businesses that we have won. We have a significant transfer case contract from MG Motors in Halol.

For the Gloucester SUV we've been awarded EV transmissions, the contract for three different models for Tata motors through TACO, Tata Automotive Components. We've been awarded significant new business for new model changes that are going on in the US Market through BorgWarner at their plants in Seneca, South Carolina in the US and at Irapuato in Mexico. I'm also very pleased to inform you that both at a component level and a system level we have a significant amount of business coming in from Mahindra for their EV segment. And to cap it all off, we have also won the transfer case business for the Force Motors Gorkha SUV model.

So you would agree that in the last two and a half years this run of continuous business development and market innovation, product innovation, continues unabated. It's not listed here, but we are also in the middle of executing one of India's largest defense orders for new four wheel drive vehicles that the Indian Army is acquiring from Indian OEMs like Tata, like Mahindra and Bharat Forge. So these are new high mobility tactical platforms, as they're called and I'm pleased to share with you that on several of these models from various OEMs, the common feature is the Divgi TTS four wheel drive transfer case. Post our IPO, our shareholding as it stands today, is encapsulated in the inset there in the bottom right hand corner and by way of information for our members, that is the current shareholding that we have.

Now very quickly, I want to just touch upon some highlights, not spend too much time, keep time more for questions, but I want to reiterate that we are one of very few tier one suppliers who bring system level capability. We are able to do that because of an unremitting focus on research and development and trying to map that onto market needs. The long term relationships we have with market customers obviously helps us in terms of the insights we need to sort of fuel and power our development. We match all of that with strategic investments in manufacturing. And I think being able to do a lot of this in-house helps us get competitive from a cost standpoint. And all of that is done under the overall sort of shepherding of a good professional team led by a highly experienced board of directors. And I think I've already touched upon the financial outcome of such an approach. So, to quickly recap, we have four verticals, or quadrants, that we are working in, manual transmissions and synchronizers, four wheel drive systems, both for rear wheel drive and front wheel drive. What the dual clutch transmission quadrant basically reflects is our initiative in the automatic transmission space and then we have offerings for electric vehicles.

Now this is certainly a segment that seems to be surprising everybody, especially in the light of the success that Tata Motors has had in this segment. What I wish to state here is that we are not limited to the systems business and the reason for that is that systems business has a longer gestation period. So to fill out the gaps that can emerge between winning new businesses, we have the ability to develop and market and sell composed specialty components that go into products like this globally. And the investments we make for component manufacturing actually help us make our products more cost effectively and I dare say that on a global scale we are one of the most competitive at the volume levels that we are at and I think that gives us a sustainable basis for our business the fact that we are globally competitive and at the same time gives us the financial returns that I think are expected of us by the shareholder community. A little bit on our R&D, some of you may be familiar with this slide.

So we integrate many diverse knowledge and technology streams in the products and services that we offer both in hardware and software. It's interesting that with the advent of EVs this is being raised to a new high in terms of in house testing capability and software based simulation of designs that we are developing. And what it means is that we are able to develop products with shorter lead times and are an effective one stop shop for the kind of full service, end to end handholding that is required at an OEM today. With the advent of EVs, the life cycles of powertrains is also shortening, which means that tier ones such as us need to develop products with a short lead time and then be flexible enough and agile enough to adjust to both technology and market changes that can then come about. And I'm happy to say that the investments and the sort of moves we made early on in the last six years are standing us in very good stead as we go ahead.

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Now, all this means that we are now in a position to offer solutions in these various segments conventional ICE, manual, automatic and four-wheel drive solutions. We have offerings in the hybrid space. We are one of very few suppliers in the country mass producing components for hybrid powertrains built by Toyota and these are supplied to their hybrid powertrain plant now in Bidadi, Bangalore and it's been in production now since last 2 July-August 22. And of course in the battery electric vehicle space we have had a good measure of success now with the award of the business from Tata and both at a component and systems level from Mahindra and we continue to get RFQs globally in the space. And I think as time goes on, hopefully you will see the results bearing fruit.

What this does is this is a market study that was done, I think by Crystal and it was part of our prospectus and I'm just sharing this again to give you a feel for what the market size is as we go forward and we look at the long range plan going forward from here and what we've done is looked at the various product segments that we are operating in and through the planning horizon in front of us, what growth prospects we are seeing. And I think this is the vision with which this is, mind you, not the addressable market, but the overall market size. And it's growing, as you can see, rapidly from around 15, it should be 15,000 crores to almost 30,000 crores.

Here just a quick word that not only do we have long term relationships, but we get involved early on in the development of powertrains and it's interesting that in the last six months, as our capability has advanced, we have had many customers approaching us both in the passenger car space and light commercial last mile mobility space for solutions on transmissions.

In the EV space I might add that a particular acute pain area for OEMs is noise, vibration, harshness of their powertrains where our one stop shop kind of integrated capability is strength to help customers solve these problems effectively and speedily and I think that we feel is a distinct competitive advantage that we bring to the marketplace. So early involvement means you are integrated into the platform of the customer. So whether it's MG Motors, Tata, Mahindra or customers overseas that we are working with and once you're part of that platform, you are likely to remain with it through the lifecycle of the product.

Again, this is a slide that I think I've shared in the past, but it's updated and I'm pleased to let you know that a few weeks ago we were again awarded by Toyota for quality and delivery, this time specifically in the hybrid component development for the new hybrid powertrains that feature on the Grand Vitara and the Toyota Hyryder and Hycross. So I'm pleased to report that the appreciation that we get from the industry continues and we sustain that.

And these are last two years awards that we have won at Toyota and Mahindra.

Our investments in manufacturing capacities continue and I'm just giving you an overall view of the capacities that we have put in, but of special focus is our new facility, which is now taking shape. It's all practically ready, just finishing touches going on and even as we speak, our new indigenously designed and developed transmission for Tata small cars is launching from this facility in Shirwal in Pune, at facilities in Pune, and our plant in Sirsi, in Karnataka. This is the kind of equipment that has been invested in and I'm happy to report to you that in terms of state of the art our company now brings capability that is basically second to none. The best of the brands from around the world, from Japan, South Korea, Taiwan, Europe, and the United States are available in our facilities.

Now this is a shot of the, it's a collage of the equipment we have at Shirwal to assemble and test our new family of EV transmissions. This line is flexible. It can build products from fairly heavy duty SUVs to small three-wheeler transmissions as well, and has a capacity of more than 100,000. This is the new transmission that we're launching on the Tiago, Tigor and Punch at Tata. So you can see the car, the packaging on which we are shipping product, and the transmission itself.

So we continue to be led by our experienced board and for new members who are seeing this for the first time, but who are from the capital markets, Mr. Praveen Kadle needs no introduction and most of our directors, as you can see, are non family, external, independent directors. We have a professional management team, and what is significant here is that the majority of our team members have been developed from within the organization. We have a very robust organizational development process, and the

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focus is to develop leaders for the future and I'm happy to say that most of the people that you see here started their careers with us as trainees.

So in summary, I'll conclude and these are the sort of highlights that I think continue to keep our company unique. We operate at a systems level. We have unique offerings. Strong R&D means there's continuous innovation and invention. We are solution based for our customers. We package those solutions in distinctive products that we manufacture at world class levels with world class equipment and under the overall guidance of an experienced management team and board of directors. And I think that with that, I'll conclude my remarks and open up the proceedings for questions.

Aashin: Thank you Jiten sir for the detailed opening remark. Now ladies and gentlemen, we'll begin with the question and answer session. Anyone who wishes to ask a question can use the raise your hand option. And once you're done asking your question, please use the lower your hand option. We'll wait for a minute for the question queue to assemble. So, we have our first question from Mr. Pradhuma, please unmute your line and ask your question.

Pradhuma: Yeah. Hi, sir, can you hear me?

Management: Yes, yes very well, please.

Pradhuma: Yeah, congratulations on a decent set of numbers. So my first question is regarding the EV transmission business that we've done with Tata Motors. So when are we expecting this to commercialize? And on the same topic, what could be the realization we'll be looking at and the wallet share for the particular models that we'll be supplying, how much would that be? And secondly sir more towards the outlook for FY 24 and FY 25, so can you give some sort of guidance where our revenue and margins could look like or maybe some guidance on the order book which we might be having? And lastly, you spoke about certain EV components that we've done with Mahindra so could you elaborate a bit on that as well like who were the existing suppliers we are replacing and what kind of components we have done? Yeah, these are my questions.

Management: Thank you. Thank you there are several components to your question, so I'll go step by step, but if I slip up, please bring me back and I'll make sure that your question is systematically answered. So, at Tata Motors, actually, we are in the middle of the launch process. The product we have finished all the testing and from June onwards, July we will be seeing the ramp up. The target vehicles that we are on are currently in the market with imported content, which will be obviously localized as we come aboard the supply chain. So you could say that the commercial realization is upon us and Q 2 I think I made a reference to that in one of the slides, if you see that second point, Q 2, FY 24, we expect this to pick up substantially. As I said, the capacity, overall capacity on the line is over 100,000. Obviously, this will have a step by step approach as Tata sort of stabilizes its small car electrification program. As you are aware, Tata Motors started the electrification with the Tigor sedan and then the Nexon SUV and a few months ago, they launched the Tiago and there has been in the social media announcements that we are seeing also on the Punch and Altroz that are likely to come.

So we are on sort of this space of Tata Motors, and the numbers are pretty substantial, as you said, which is why there is this capacity investment of 120,000. So it's essentially the nominal planning for capacity is at 400 per day. So the program is upon us. The products are developed, and the business is up and running. We will see those numbers unfolding in time to come, hopefully Second Quarter we will have substantial results in terms of the fruition of this program in the marketplace. As far as the guidance is concerned I don't want to sort of get into the specifics of this, but suffice it to say that if you look at our track record, there is a certain promise implicit in that and our mission I feel is that over a two to three year period we want to sustain this sort of performance.

Obviously, that has implications for the quarter wise progress and annual progress, but in this business there is a gestation period. We are, as you've seen from the presentation, unique in terms of the systems offerings that we bring and our experience is that when you have high technology, a complex bundling of technologies and features in a product that is integrated in a customer vehicle, these development cycles are a little long. They take some time, but once they're up and running, they will last a fairly long duration and you are sort of

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married to that platform for the duration of its life cycle. A platform, powertrain platforms in India tend to have fairly long life cycles, unlike in the West, Europe or North America.

So that sort of is at the heart of our sustainability. The other thing that I wish to state is that which we've alluded to in this particular slide is that we are seeing a strong revival in our exports which last year was dented a little bit because of the Ukraine war. We had very good exports to Russia that were dented and the geopolitics with China had also affected us. In the US we are going through some life cycle changes and the new programs are coming on stream now, as I mentioned with BorgWarner in the US and Mexico. Our business development register or order book as some people call it is robust and we are confident that we will be able to bring exports back to around 25% of our portfolio over the next 12 to 15 months and the asymmetry that is there in the business with respect to products and customers will settle down to a more balanced kind of portfolio as customers like MG, the Tata EV our exports and the work we are doing in the Far East with Toyota bear fruit. And I'll conclude by saying that what I said I think in our track record there is a promise that is implicit. Those are historical numbers to which I think it would be fair to say that shareholders will expect us to hold ourselves accountable to that kind of performance and that, I feel, is our mission going forward. So maybe that's a long winded way, but I think I'm sure I've answered your questions.

Pradhumna: Yeah sir really comprehensive. Thank you so much. Just one part which got missed maybe was with M&M I was just trying to understand...

Management: Yeah, yeah you said I'm sorry yeah that was the last component of your question, yes at M&M, the areas we are on include components for their last mile delivery, three wheelers. We are looking at components on the XUV 400. We are working on their light pickup trucks electrification, and also complete systems for three wheelers, but there again, not just for Mahindra, but the overall three wheeler electrification industry, which includes many startups as well. So the idea there is, and I think this is the advantage of being an independent developer and supplier, because we are able to bring our standard architecture to bear on the market and understand the trends in the marketplace, design our own architecture and then develop specific designs within that.

The advantage is that we are able to then bring these standard architectures to bear on solving problems at different OEMs. So the turnaround time for the customer, the overall investment required then in terms of engineering and tooling becomes optimized for our customers. It keeps us competitive and at the same time profitable. So I think the heart of this is being independent, being able to design and develop products for the industry and as I said, the most acute pain area that we are observing for customers in the electrification space is noise, vibration and harshness. And these are problems which we feel the industry might be underestimating and we have the solutions to handle these sort of acute problems that OEMs face and that's what we are doing, I feel, at both Tata and Mahindra.

Pradhumna: Okay, sir understood. Thank you so much.

Aashin: We have our next question from Mr. Rakesh. Please unmute your line and ask your question. Since there is no response, I'll probably move to the other participant. We have a next question from Mr. Pramod. Please unmute your line and ask your question.

Pramod: Thanks for this opportunity. So, first question is, with regard to the three wheelers, considering the complexity under which you operate in the cars, don't you see it's a much more dilution when you address the three wheeler market?

Management: That's a very legitimate question. Yes, but our experience is that the basis for solutions can be on multiple dimensions because the market is very fast moving OEMs need to move with speed to put their supply chain solutions in place. So in some instances it is very high performance. Generally that's what you will see in branded passenger cars, but for the commercial area you need very high durability and reliability while of course, maintaining performance. And if the products are not appropriately engineered because commercial vehicles do not have the kind of extra padding for sound insulation, you cannot have the driver subjected to the misery of a continuous whine in the drive line given the fact that commercial vehicles have

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long duty hours and cycles compared to, so it can very quickly result in fatigue of a certain type for the driver and therefore affect productivity.

So you have to maintain a certain performance standard but the duty cycles being more sort of, in a manner of speaking, abusive the products also need durability and reliability. So the advantage we have is by virtue of having been in the in this industry for several decades, we know what kind of design and manufacturing needs to be brought to bear on commercial side perhaps as against the passenger consumer side where the duty cycles may not be as abusive. So there is an apparent dilution, but at the same time by virtue of the fact that the expectations on cost are there, quick development and in many instances customers need the capacity. So unless the supplier has the wherewithal and the bandwidth to bring in the resources, he cannot be a legitimate candidate for the business.

What OEMs are also learning that unlike the ICE applications, the insight that is emerging now in the industry is that it is actually safer for the OEM to work with one supplier for all the critical components as a kit or better yet, one supplier for the complete transmission system because if you have a durability or a performance issue, the ability to do problem solving is easier if there is a clear kind of line of accountability in the whole process. So all this eventually results in bringing competitive advantage to suppliers who have sort of moved and positioned the chessboard, if I may say so appropriately and these are some of the dynamics that we are seeing unfold. I'll tell you, there is one interesting I think the jury is still out on this, what we are observing is that India's Light commercial, the products like the Tata Ace, the Mahindra Jeeto, the Ashok Leland Toast, these things are going to electrify very fast, just like the three wheelers and the numbers that that are going to come are going to be pretty significant.

These are highly competitive segments and our sense is that the big multinationals of the world who are also on the ground here in India, are going to find it very difficult to meet the kind of cost expectations that our Indian OEMs or even multinational OEMs, because we know somebody like Maruti Suzuki is also in that space with small last mile delivery vehicles. So those cost targets there are also, I think, pretty difficult to meet for multinationals. So in this space, we see a role for Indian companies like us, who I think have the advantage of being pretty effective challengers on the global stage and more than holding their own in the domestic market, despite some world class competitive pressure.

Pramod: Sure thanks for that detailed answer. So the second question is with regard to the new product developments by the multinationals. As you have been long associated with Toyota, which has been laggard in EVs and now trying to catch up, and it has a much more bigger implication with Maruti being associated with Toyota now so in terms of a product development cycle for EV, do you see more positive vibes for person or the company like you in the initial developments of a global EV products, or you still feel it still goes to the international scale of bigger companies participating, and then later on when the product comes to India, you get the chance?

Management: Yeah, very good question, very insightful and we find ourselves thinking about this issue a lot so I appreciate the question you have asked. It's like this right now first of all, let me say that the market is extremely fluid and dynamic so what I say today could change in six months to twelve months. And so, based on what I've seen just in the last 15 to 24 months, things have changed very rapidly, but suffice it to say that among the big OEMs today, especially in the area of branded sort of passenger cars, clearly the multinationals have an edge because they have come into the market with a lot of R&D, a lot of the R&D means they have data on reliability, on helping OEMs do things right the first time, but they are also severely challenged on cost.

So I think in the first phase, what we will see is the big multinational scoring in big wins on some of the branded, like Hyundai, Toyota, but even Tata and Mahindra, we know that Mahindra has already made the announcement that they have this tie up with Volkswagen on some of their born electric models. That's information that's available in the public domain. So in that space, I think the multinationals are going to be a force to reckon with, but in that space, what's going to happen is that the Indian companies will have a role to play in helping them cut costs and make their products more affordable, especially in the Indian market. And if you see the pace at which Indian OEMs are electrifying, and one hopes that bottlenecks in infrastructure, charging, battery capacities will work out as we go forward in market development, this pace of electrification

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will expand to a pretty significant, considerable extent of India's automotive industry. I won't be surprised if the electrification reaches 30, 40% in the next sort of foreseeable future. And then I think India will end up setting global cost benchmarks because people will see the kind of prices, the purchasing departments and the big multinational companies, tier ones and OEMs will have a sense of what Indian companies can do. And therefore, my sense is we are going to see a lot of work migrating to India in a big way.

This is going to be aided my sense is with the kind of challenges that companies are facing in Europe today, with inflation and increasing energy costs and of course, the geopolitics that we are seeing with China and the rest of it. So with all these things at work I think Indian companies, if they are focused on a discipline of excellence, they have a clear strategic positioning and they've aligned their resource allocation to execute their sort of strategic outlook I think they have more than a good chance succeed in this. We are certainly optimistic. We are quoting on business across the world, in Japan, even in China, in big way in Europe, we have an excellent relationship with Toyota and as I said, because if you end up buying components from three or four suppliers and then you have an NVH issue, the problem solving for the OEM or the Tier One becomes really challenging. So it is advantageous for the entire value chain to have one supplier do all the components and work very closely with the engineering organization of the Tier One or the OEM in helping manage the, let's say, the NVH pattern because today the noise, vibration, harshness levels of gearboxes can be measured accurately and precisely and we can have quantitative targets that we are working with. A company that has the engineering acumen to understand this and execute its business to these standards clearly has an advantage. And what I want you to consider is that Divgi TTS by virtue of being a systems player brings therefore a very enlightened approach to its component development as well. And that, I suspect, is going to vibe very well with both tier ones and OEMs.

Pramod: Sure thanks for detailed answer, all the best.

Aashin: Yeah we have our next question from Mr. Parin. Please unmute your line and ask your question.

Parin: Yes, good evening. So one of the questions was the last question which the previous participant asked and you explained very elaborately. Sir my question was that in the EV space, software also becomes a very important part of the whole ecosystem and in that front, do we have the capabilities and do we do the entire software side also in-house or we work with partners over there?

Management: Yeah, thank you for bringing that up because as a gearbox maker, we don't often get challenged by this question. I'll tell you what our, let me back up a little bit and explain why I consider software important although our focus is purely on the mechanical side of the business. The typical three in one today has, of course, the battery is separate and there is a battery management system BMS associated with that, but you have a motor, an inverter integrated with it and a mechanical gearbox. And while a lot of people are increasingly deeply integrating these three elements of the electric propulsion system, most of the systems out there are modular.

Modular means that one motor can be used for a variety of applications and you can have one gearbox going with different types of motors or many different gearboxes with one type of motor. And modularity gives you the ability to be, if I may say so, a little eclectic and a little judicious in the way you mix and match motors and gearboxes so you might say that a mechanical gearbox player that way doesn't have much of a role, because what he is doing is just the mechanical portion, but what ends up happening is that increasingly, safety legislation means that the parking system, a Parklock, as we call it, is going to become integral to the gearbox and what it means is that on the console of the vehicle, if the user puts the vehicle in the park mode, the Parklock system has to come on in the gearbox, because unlike an ICE engine, there is no engine braking in an electric vehicle.

And if the handbrake system fails, you could have the vehicle in runaway condition and it is a serious safety hazard then. At this stage in the pursuit of electrification, perhaps we have been a little forgiving in India, and Parklock systems are not strictly enforced, so the low end cars do not have integrated Parklock systems in the gearboxes, but the design that we have, and which we started off with many years ago as we were experimenting with the Indian market and the initial prototypes that we gave to customers actually had an

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integrated Parklock system, which means there is an electromechanical motor that actuates and locks the gearbox, but it has an ECU, an Electronic Control Unit that takes the signal from when the user sort of puts it in park mode and then actuates this. This controller, obviously then has its control software and the moment you integrate this into a vehicle, you have to have the ability to talk to the databus on the vehicle which means even if its scope of control is modest and limited, it has to have the ability to converse, to put it in simple terms with the data that is going back and forth on the databus. And so the ability to integrate this into the vehicle network is an essential competence of the guy who's bringing the gearbox.

Now, you might say that, hey, how come you have all this knowledge and the reason is because for the last 25 years we've been doing software based, electronically controlled four-wheel drive systems for the automotive industry and so our software, it's a small group, but effective group that is well versed since 2008 with integrating mechanical drivetrains into vehicles and the CAN bus of the vehicle and how we need to organize ourselves to dialogue with the software groups of the OEM or the Tier One, as the case may be to do this integration is something that we have done. We have electronic control units, we have shift motors, all production ready to be deployed in the market as and when the government mandates 100% Parklock legislation. So that, in a way, is the answer to you and so, even if we stick to the mechanical portion, we see the need for software coming and my answer to you is that we are ready. The larger question, I think maybe that's what you intended is the software, of course, is needed for electric motors and inverters, and that is a space which we are not playing in right now. These are early days. We are investigating various opportunities in that space, but it's too early.

My observation of the industry is that the motor and inverter space is so crowded with really strong multinational. You name the multinational that's in electrical, in software, in motors, any type of motor, or even ECU's, Electronic Control Units, all these guys are operating in that space, but there are fewer good gearbox manufacturers than there are motor manufacturers. So we think that sticking to our knitting and deepening and sort of widening our portfolio and becoming faster and better transmission makers with this integrated Parklock will actually make us a more effective competitor in this otherwise difficult marketplace that is developing.

Ashutosh: Thank you everyone for joining this call. Over to you Jiten sir for a closing comments.

Management: Yeah, no I appreciate the patient, sorry if I came across a little long winded, but I just wanted to take the effort to answer the questions in all the nuances which are there. We always sort of enjoy interacting and providing these clarifications and we continue to look forward to these sessions. So thank you everybody for your time and interest. It is much appreciated. Thank you.

Ashutosh: Thank you everyone.