

## Divgi TTS Q1FY24 Results Call Transcript

**Aashin Modi:** Hello, good morning, everyone. On behalf of Equirus Securities, I welcome you all to the Q1FY24 post-register conference call of Divgi Torque Transfer Systems Limited. From the management side today, we have Mr. Jitendra Divgi, Managing Director, Mr. Hirendra Divgi, Full-time Director, Mr. Sudhir Mirijankar, Chief Financial Officer. So, without further ado, I hand over the floor to the management for their opening remarks, post which, we will have a question-and-answer session. Over to you, Jitendra sir.

**Mr. Jitendra Divgi, Managing Director:** Yeah. Thank you, Aashin. A warm welcome to everybody to this review of our Q1FY24 results. And I look forward to an engaging discussion. Let's sort of get into the meat of the presentation. What we have done in the interest of time, we have a snapshot of the financials. And given the circumstances of the business, we thought it would be a good idea to sum up the revenue walkthrough, and then have a little bit of discussion on the background and context from where we are coming in the business, and then provide you some updates on how we are putting our resources to work in addressing the growth trajectory that we are looking at, and a few updates on new programs. So, I'll get through this quickly, and then we can open up the session for questions and answers. So, most of you would have seen the results that were posted last week. The quarter was, we had some unforeseen headwinds that erupted all of a sudden. And the top line was significantly down compared to the plan that we had. So, obviously, that had, as you can see, an effect on the profitability as well. But I think the important point to note here is that the basic structure of the profitability of our product lines is in no way impacted. Neither was this an execution challenge. It was an unforeseen hit in the schedules at a couple of our growth customers that we were working with, and coupled with some life cycle changes that were going on in some of our other businesses. And I will explain this as we go along. But this sort of gives us the backdrop and the canvas for our discussion. So, in terms of, you can see that the hit clearly came on the core of our business, which was transfer cases. And it was almost a 30% hit, 30 to 40% hit on the top line because of transfer cases. Also, our business with Toyota is undergoing some transformation where we are shifting from the old IC regime to the new hybrid. And so, the synchro business, as you can see, also showed a significant reduction. The bulk of that business was Toyota. It's now transitioning to the new hybrid regime. The new line item here is E-gear drive, which is the business that we are doing with Tata. And that in Q1 was in pilot production. Q2, we are seeing far more encouraging numbers. And later this year, it will settle down into steady state production as our new plant comes on stream. And let me go to the next slide to explain some of the details as to what happened. This is a graphical representation of the hit that we got and the headwinds we ran into. So, on an operating basis, despite that hit to the top line, we were able to maintain EBITDAs above 20%. And that, I think, is an expression of the basic strength of the numbers that we have. We expect the situation to recover this quarter. And then from Q3 onwards, we are pretty confident. And I'll explain why we expect growth to come. So, basically, what has happened is there were some quality related and logistics issues in coincidentally, two of our customers where we were launching new products, and the particular model on which we have significant content was given by the customer lower priority and that we saw coming as a hit to our schedules. We are given to understand that those issues are being sorted out. In one instance, the logistics is from China, for MG Motor in Baroda. And that may take a little longer than the business at Mahindra, where we expect normalcy to return in this quarter. As I explained on the synchro business at Toyota, it was end of the ICE regime and the shift to the hybrid, where we have content, but it's not to the same extent we had on the ICE. A quick comment on exports. Those of you who have been following our updates may have noted significant new awards that we have informed to the exchanges. And we expect this business to come back very strongly later in the year. And I think these headwinds

we faced, whether it was in Russia or on account of lifecycle changes in the US and Mexico, essentially North America, this situation will return to normalcy.

So, our new facility at Shirwal near Pune, it's about 40 to 50 kilometers south of Pune, is coming on stream. A few issues regarding on equipment imported from South Korea that we are sorting out. And I think when the results for Q2 come, you'll see that the EV numbers for Q2 will be significantly higher than for Q1. So, this is good news for the business, because it is a demonstration of the diversification in the product portfolio, and also diversification in the customer base. And I have summarized here the four announcements that we had made last week and earlier this week. So, these are new businesses that have been awarded in the last few weeks. And I think this is an expression and demonstration of the confidence that we had. And I think the direction that we had indicated in our prospectus back in March, February, March of this year. So, as our EV business comes on stream and the schedules at Mahindra normalize, we expect the situation to come back to normalcy this quarter, and in the subsequent two quarters. So, we are confident that the historic kind of 15, 18, 20%, the CAGR that we were maintaining, we will be able to maintain that growth going forward. I'll take a moment and share updates on the new facility. So, this is the new 10-acre complex at Shirwal. This is about, as I said, 40 to 50 kilometers south of Pune. And this is the facility that will house our new products, both EV transmissions and the future dual-clutch automatic transmission that we are working on. There has also been expansion at our facility in Sirsi, Karnataka, where we have added another new plant to house component manufacturing equipment to cater to the greater demands and the capacity expansion in our product line that is underway. As we have emphasized in a previous information sharing and exchanges that we've had with investors, a lot of our capital investments are fungible in the sense that they are laterally deployable across the entire they are laterally deployable across the quadrants or the verticals, as we like to call them, of our product lines. And that gives us some amount of market agility in our business. We respond to changing market conditions, and I need not tell you the kind of times and markets we live in. A collage to show you the type of equipment that's coming in into our facilities. And this continues every other month. We are adding new equipment to drive the growth trajectory of the company. This last quarter, we have made very good progress in terms of installing state-of-the-art equipment in our R&D lab at Shirwal. And what you're seeing here is the new high power, high torque, high speed transmission dynamometer with which we can validate the new EV transmissions. It is one of the first of its kind in the country, in the top right-hand corner. That little video that just played out showed you our EV transmission under test. So, with this, we hope to accelerate the validation and development of our new products, and the timeliness is, I think, very good, because the awards that we have got and that new EV transmissions, and there are more in the pipeline that we're negotiating. This infrastructure will stand us in very good stead. In the bottom right-hand corner, in the bottom right-hand corner, that's a new gear grinder we've just received from Germany, and it will enhance our capacity to cater to some of these new awards that we have announced. So, for some of you, this may not be new, but I'm just sort of reiterating the point that we are not just limited like a lot of our, unlike a lot of our peers, we're not limited to just component making manufacturing parts to print, but we are designing, developing our own products, and these are the assembly lines, and end-of-line functional test stands on which we assemble and test transmission products for supply to our customers. And I think this is what really sets us apart, and I think reinforces our brand of product leadership. So, this is the product that we are supplying to Tata Motors for the Tiago, in future Tigor and Punch models as well. So, the outer architecture design is the same. There is some difference in the guts of the transmissions between these models, but essentially, they look like this. And in the photograph, there you have, we have shown you the Tiago that is currently shipping with our transmissions. I'm very pleased to share with you that in the first 2,000 or

so units built as part of our pilot launch, there has been no issue, and the feedback, sun and plant of Tata is very good and possible.

So, I sort of am going into the concluding part of the presentation, and I just want to contextualize and correlate those announcements with the segment of our portfolio. So, you can see in EV, we announced a 220 crores life cycle new business. This was from Mahindra for a new last mile mobility product of theirs, adding four-wheel drive segment. There's a new vehicle model that Mahindra is going to be launching. So, the letter of business award was given to us, and that is what that refers to. I'm also pleased that, and I'll show you some photographs in the presentation a few slides later, of the components we have got for applications at Ford and Audi through our erstwhile JV partner BorgWarner in both Europe and the United States. And finally, I think as a lot of our OE customers in India revert to India from sourcing in China, we are seeing a bit of a surge in manual transportation, and that's what the last segment there refers to. So, I'm just going to show you some photographs of models and products so that you have a better idea and appreciation of the type of work we are doing and where the revenue is coming from. So, this is Mahindra's popular Scorpio N. Some of you may know that this is the some of you may know that they have also just announced a pickup truck version for global markets based on this platform. But this passenger version currently is selling just within India, and that is the transfer case product that we supply. So, this is the popular Thar model, on which we supply a simpler mechanical or manual shift version of the same transfer case. And the recent award has been for the four-door version of the Thar. Both models are basically of a global nature. And I think it's reasonable to say that in time to come, we will see a sort of outreach into the global markets from Mahindra. So, we are quite excited about this offering. This is the XUV700, where we supply this much smaller product, which sits on the rear axle. It's called the Nextrak. It's sort of like a talk-on-demand device that automatically modulates the amount of torque that goes to the rear wheels in this essentially front-wheel drive vehicle. And those of us who have tested this know that when you're driving on slippery roads, this device gives exemplary and extraordinary directional stability and therefore safety for the all-wheel drive version of the XUV70. This is our most advanced product. We call it the talk-on-demand transfer case. That we supply to MG in Baroda. And I think once a little of the supply chain logistics are sorted out, we hope to see higher volumes return in this. So, this is the product, the most recent award. And this is the EJITO model of Mahindra on which we are working with this transmission design on the fully battery electric version of this last-minute delivery product. I think this is a very strong demonstration, again, of our product leadership and the ability of the company to leverage its IP, its assets, its execution model and development to rapidly bring solutions to product development at our OE customers.

So, these are examples of components. And the numbers are pretty significant. We've been asked to mobilize capacity, for example, on that shaft of up to 10,000 a month. And these go on the ever-popular Mahindra pickup and passenger models. This is an example of a component we make for Toyota's hybrid offerings. It's called a Sun gear. And it goes in. And that's because the configuration it goes into is called a planetary gearbox. And so therefore, no prizes for guessing why this is called a Sun gear. But the models that it goes on to are, again, those of you who follow the industry know that these are fairly popular models, the Grand Vitara from Maruti and the High-rider from Toyota. We're seeing pretty stable volumes of 10,000 to 12,000. And this is expected to grow by another 25% to 30% in the next one year. Annual transmission version of the Scorpio. We have developed this transmission main shaft, which is a very, very critical component. Mahindra needs high quality and a very robust delivery system, which I think they were wrestling with. And our coming aboard on the supply chain, they're looking forward to these issues getting sorted out. So, this is another example of a precision component we supplied this time for the XUV700 manual transmission. The good news is that in terms of diversifying our product application, we are also reaching down into India's rapidly growing three-

wheeler EV market. And these are two popular vehicle brands from Mahindra, Alfa and Trio. As you can see, one is a passenger, the other one is cargo. And this is a motor shaft for their EV where we have stepped in to bring a quality product with good, robust delivery. And finally, we're excited about this on the Ford F-150, which is North America's most popular pickup truck made by Ford. That particular component, we are now going to be the exclusive source for Ford through, of course, BorgWarner. It is being supplied also to their plants in Mexico for applications on Chrysler and Toyota. And for one of BorgWarner's plants in a place called Vienna in Portugal that is developing an EV transmission for Audi, there is a component in their transmission that we are developing. Prototypes have been successfully developed and supplied, and we are moving towards production. I think SOP through after validation starts in 2025, so it's a way out. But the award has already happened for this Audi application. The Ford business will start, production already has started in our plants, and deliveries and the revenue will kick in from January onwards. So, this is more a here and now kind of business. I might add that without making a mistake, I don't want to make the mistake of a premature submissions, but we have significant amount of business that we're seeing in the pipeline coming because of the China plus one sourcing models that increasingly the Europeans and the Americans are resorting to to reduce their otherwise asymmetric dependence on China. And I think we are somewhat benefiting from those changes that are underway.

So, in summary, then, it's like this. I know Q1 has not been as good as we had planned in our budget, but the basic core of our business model remains intact. I think some of you have seen this schematic. But essentially, I think it's about continuous invention and innovation driven by technology, a constant sort of search to find solutions for our customers, whether it's at a component level, or at the system level. You know, packaging those solutions in distinctive products, or sort of business models that are difficult, either because of the investment or because of the IP are difficult, or in some cases, almost impossible to emulate and executing those business models at world class levels. So, that basic core of our strategy remains intact. Okay, so I'll close my remarks here and open up the proceedings for questions that people may have. Thank you very much.

**Aashin Modi:** Thank you, Jitendra, for the detailed opening remarks. We'll start the question-and-answer session. Anyone who has a question can use the raise your hand option. Once you are done asking your question, you can use the lower your hand option. We'll wait for couple of minutes for the question queue to assemble. So, we have our first question from Mahesh, sir, please unmute your line and ask your question.

**Mr. Mahesh:** Hi. Thank you so much, sir. Am I audible?

**Mr. Jitendra Divgi, Managing Director:** Yes, yes. Go ahead, Mahesh.

**Mr. Mahesh:** So, we have, I mean, in the last two, three weeks, we have received four orders that we have already displayed around 720 crores. So, the normal timeline for execution seems to be third and fourth quarter of this financial year. So, when do you think the peak will happen for this 720 crores to and getting reflected in numbers? Will that be in FY 25, 26? And just you mentioned that many, you are witnessing high demand because of the, one is our core competency and secondly, China plus one over this policy. So, are there any many orders like this that we have received in a pipeline that we probably will go to witness in the next probably 12 months or so?

**Mr. Jitendra Divgi, Managing Director:** Yes. Thank you for that question. I appreciate that. I think so I have the slide here on those four announcements. What I can tell you is the BorgWarner business will commence because it's ongoing production and they're transitioning from China to us. So, what we are doing is towards the end of this year, we are shipping some inventory ahead to the United States

to our warehouse there. And so that we are in a position to have the inventory pipeline secured to hit the ground running on one of the components. There are two components there at around 25,000 a month from January. So, it will pick up in January and peak at full level next year, financial year. But therefore, we will definitely benefit from this in Q4. That's the first point. The Mahindra business, component business is rapidly ramping up and we expect that will sort of go into steady state operations by if not later this month and definitely September and October. So, that's the earliest that we will see. The new four-wheel drive of a (inaudible 31:59) Thar is expected to be launched towards the end of this financial year and so the benefits of that will approve next year. And the same with the EV model, the new transmission award that has happened from Mahindra, we will see the start in the final quarter of this year. And this benefit will essentially drive the growth in FY25. For 24, when I made the remark that we see normalization happening through Q2, but essentially Q3 and Q4 driving growth. Let's not forget that we are currently and we had indicated in the last call that we had when the year ended after March, year ending in March of 23 and the first earnings call that we had had then. We had said that we were working with Tata. So, the big Tata business is right now in ramp up and that is along with the return to normalcy on the current Mahindra business plus the BorgWarner business that we are seeing and finally supplemented by the Mahindra components business is what will drive the growth in this financial year. So, over and above that, these four models at full blast will then help us push the envelope further for next year. So, that is the answer to I think one part of your question. The other part of your question was about the pipeline. And yes, I can say that we have quoted on business. So, this is not just our, how should I say for want of a better way of expressing it, figures that we are pulling out of or assessments we are pulling out of the wild blue yonder. It's not like that. We have a very systematic new business opportunity process in the company. So, we know exactly how much business we are quoting on. We maintain a business development register and each inquiry or new opportunity that comes in, it's properly documented, analysed and then maintained in that register in our SAP system. So, based on that, I can tell you that the opportunity space is really very, very significant. We currently have under development. Now, this is, I'm just saying it varies over the next 12 to 20 months, some of these will go into production. But the way we do our work is what is in production, we call supply and support phase. What is a little one step upstream is called development and launch phase. And what is even more upstream than that is opportunities that we are pursuing in our market and sell process, management process. So, what is under development and launch right now is about the value of that is about 300 crores. And what we are quoting on is even more than that. So, what I wish to assure you is that the pipeline is quite rich in terms of diversity, in terms of geography, in terms of product lines. And we are quite excited about it. We are working on commercial trucks with new customers like Ashok Leyland, some of the new CNG based smaller vehicles. We are working with construction equipment company like JCB, working with some renowned European companies. We are working with the new sort of maverick EV companies out of California. So, we continue to pursue opportunities in South Korea, where as some of you know, we have an office. We also have an office in Cologne in Germany to handle the market in Europe. And I might tell you that we have, although the geopolitics is uncertain, the fact of the matter is that some of the offerings we have are so compelling in their competitiveness, that we even have customers in China who are, who continue to work with us for some of the offerings that we have. Because some of these complex components, the only other source for them is Taiwan. And as you may imagine, Taiwan is not as competitive as India. So, these are the kinds of opportunities that we have. And I can assure you that if I look at my development launch phase, which is one step upstream, and then two steps upstream, my market and sell phase there's never a dull moment in our company.

**Mr. Mahesh:** Sure sir.

**Mr. Hirendra Divgi, Full-time Director:** Mahesh, this is Hirendra here. Just for you and the rest of the audience, I just want to clarify one point that Jitendra remarked earlier, regarding the challenge that we faced in the first quarter, regarding the quality issue. The quality issue was not related to our product. I want this understanding to be very clearly understood by all our investors. The quality issue was on their engine side, because of some other supplier, because of which they had to ration the engine production volume. And they chose to, Mahindra chose to ration the engines to the higher kind of profitable product range that they had between XUV and the Scorpio N. And the Thar production suffered a little bit. So, I just wanted to make this clarification that the dip in the Q1 volumes was not related to quality issue related to our product offering. That's the only point that I want to emphasize.

**Mr. Mahesh:** Sure, sir. Thank you. Sir, I have last two small questions. One is that the exports declined significantly in FY23. I think in 22, we were around 60 crores, they came down to 14 crores. So, what is the outlook for the next two years? And third question is, sir, we raised around 170 crores in IPO, for a setting of a facility. So, now the Shirwal plant is up and running. And still, we have 170 crores of not, unutilized IPO. So, funding. So, are we planning to set up a new facility further from here on?

**Mr. Jitendra Divgi, Managing Director:** Yeah. So, again, two parts. Let me answer the first part first. We were sort of before these unforeseen changes, and what were they the first, I think was attributable to geopolitics, Russia and China, to some extent, but also then, there was the confluence of lifecycle changes happening in the North American market. But I think that if you look at what we've quoted on, so far, that is in excess of 200 crores. So, our first objective is to work towards bringing our business back on track, which would which would be to breach the 100-crore mark, okay. And that we expect to happen by next year. Actually, if you look at the opportunity space, it is far in excess of that. But knowing the marketplace and the uncertainties of the times we live in; I'm just being very conservative. So, I think we will see normalcy return by the first quarter of the next financial year, even as we use other segments in the in our business to get our growth back on track. Okay, so that's the first part of your question. The second part of your question. See, if you let me, for the benefit of the audience, sort of refresh your memory, that in the prospectus, we had said that the game plan is to get growth in some of our conventional ICE-based businesses globally, and then drive the tech-based growth through EVs and dual-clutch automatics. So, significant, I think, orders are going out. And over the next 12 to 18 months, there will be, yes, we've built the plant. Because the compulsions of the marketplaces, we couldn't wait for the IPO to meet the expectations of our customers and the marketplace in general, we had to go ahead. But it needs to be filled in with equipment. And so, if you look at just one award, which is the, that is about 40,000 transmission units, peak volume, over and above the more than 100,000 capacity we currently have for the various Tata models. We are keenly watching the evolution of the EV space. And what is interesting is that if you look at the three-wheeler market in India, already almost 50% of it is headed towards electrification. One of the big programs there, we have quoted on it at this because of NDAs and all, I'm not at liberty to, at this stage, disclose further, but the peak volume there is 150,000. Hopefully, if we conclude the discussion successfully, maybe towards the end of this month or early next month, we might be in a position to make an announcement. But and that is where the investments are going to go in. I also mentioned to you that new businesses that we have quoted on in across our four quadrants are even considerably in excess of the almost 300 crores worth of business that is under development, that means awarded and being developed right now. So, of course, what you're seeing as the 700-crore figure is actually the life cycle volume, the life cycle revenue. And so roughly that translates to around 140 to 150 crores a year. But there were other businesses in the pipeline that together give us this bucket of around 280 to 300 crores. This is business that our engineering and manufacturing engineering, our growth and launch teams are currently working on to implement, and which will begin to see sort of the commercial light of day of from later from this year onwards going out into next year. So, that is where this resource will

be required. I can only summarize and conclude and summarize, Mahesh, and the audience at large, that the timing is good because of a multitude of factors, which I think in our annual report, we said it, the India story, the manufacturing in India story, the global sort of marketplace that is opening out to India, and in our case, the technology element added to it means that the opportunity space is really, really huge. If you have seen our annual report, we have clearly made the statement that our vision is to get to that thousand crore mark. I mean, we've declared that in the annual report. So, that is where the resources we have raised are going to be put to use.

**Mr. Mahesh:** Thank you so much, sir.

**Mr. Hirendra Divgi, Full-time Director:** Just one more point from my side. And I wish to very quickly, in a couple of moments, give this clarity is that you will notice that between our DRHP and RHP, our primary raise reduced from 200 crores to 180 crores. And that is the reason because the timing of the IPO had to be fine-tuned a little bit, and we could not hold back investments to launch our commitments to our customers like Tata Motors. So, a lot of the investments that were in the DRHP stage are projected as part of the primary, were actually paid through internal accruals. And because the whole supply of equipment shifted, and all of you know how stringent SEBI is in terms of defining the spend of the primary raise, even appointing an independent monitoring agency to monitor this. So, the new revised 180 crores primary raise that we did reflects the best estimate that we have with what our current suppliers can deliver. Because you also have to understand that the rollout of the spend between FY24 and FY25 has to be practically matched to what our equipment suppliers can deliver. And there's a monitoring agency doing that. So, even at this point in time, you may see that the 170 crores is still unspent. You have to look at what we have committed to SEBI as part of CAPEX rollout for this year and next year. That is on track. That's all that I want to say.

**Aashin Modi:** So, in order that the management is able to answer everyone, I would like to request the participant to please limit your question to two per participant. Anyone who wishes to ask further questions can join back the queue. We have our next question from Mr. Ritwik Seth. Please unmute your line and ask your question.

**Mr. Ritwik Seth:** Yeah. Hi, sir. Am I audible?

**Mr. Jitendra Divgi, Managing Director:** Yes, Ritwik. Go ahead.

**Mr. Ritwik Seth:** Hi. Good morning, sir. Thank you for the opportunity. Sir, I have a few questions, some basic ones. So, in India and globally, what are key competitors and what proportion of our products and transmission solutions would be manufactured by tier one supplier and the OEMs themselves?

**Mr. Jitendra Divgi, Managing Director:** Okay. Thank you, Ritwik. Excellent question. So, it's like this. The answer to your question is an evolving one. And you'd appreciate that because the market never sits still. Our competitors don't sit. We are quite conscious of that. So, if you observe that we operate in four segments, manual transmissions and synchronizers, four-wheel drive systems, EV transmissions, and we are now developing the dual clutch automatic. So, I think the way we are positioned in some form or the other, either through manufacturing, the way the business model is put together for a component level business and through technology for our proprietary products, we have to paraphrase Warren Buffett, we have a moat around the business. And it's very difficult to sort of emulate our business model once it is set up. So, the four-wheel drive business, we have, you could say we are without peer or without much competition within India. Our competition primarily is global, from Japan and the United States. But as you may have noticed, that there aren't many Japanese tier one companies who are setting up shop in India. A lot of the American companies have actually divested and are leaving India. Ford and GM have both left. That is not to underestimate the

competition. But I think given the 25-year need we have, and the combination of the best of European or American technology, combined with Indian execution, has given us, we think, a fairly unassailable lead in the four-wheel drive segment. A note also, that a lot of the software and calibration work required for integration into vehicles is we do it in-house at significant lower cost levels compared to our peers in Europe or North America. So, that, I think, is the advantage. In the area of EVs, at a component level, yes, we have competition. And at a component level, that competition is made more from our Indian competitors. And there are four or five very good companies that compete with us. However, what sets us apart is our ability to design, develop, and manufacture complete transmission solutions for EVs. And our customers, therefore, see us as a very sort of cutting-edge kind of supplier who brings design knowledge to the party. Not everybody requires that, I will admit it. But I have no hesitation in saying that currently we are India's largest EV transmission system maker. We currently have India's largest capacity. That's not to say that others, multinationals, will not catch up and beat us. But right now, that's the situation. And we are conscious of the fact that if you combine CAE, computer-aided engineering and analysis, prototype development, validation, I showed you some photographs of the test stands that we have, the ability to manufacture components, assemble the product, and then do functional testing, and even test those transmissions in cars for validation. So, this kind of a full service, integrated, one-stop-shop business model, I think we are the only one on the ground right now. So, we have, therefore, the advantage of the next few years to further bolster and strengthen the first-mover advantage that we have. But we are not depending only on just sort of limiting ourselves to EV. As you know, we are also working on a dual-clutch automatic. And of course, we have a lot of non-disclosure agreements. So, I'm not at liberty to divulge a lot of the information. But that is going to be really the game changer. And a lot of this fundraise was done for that. In that segment, there is one other very credible competition we have in India. But I think in terms of bringing a non-China element to the party, I think we are unique. We are also unique in the sense that the Indian content is going to be considerable. And therefore, our sort of vision is not to limit our dual-clutch automatic just to the Indian market, but in time, reach out to other parts of the world, both in terms of components and assemblies. So, when you look at the kind of diversity we have, we have the agility to then sort of respond to the competition by working on this wide bouquet of opportunities we have, so that we cannot be sort of cornered and pressured by competition in any one segment, you see. And I think that is the sort of secret sauce, I would say, of the resilience we have in our business, a rich product portfolio, and global application. And that's what we say that if you the spirit of our business is technology, and it's backed up by appropriate product and application diversity, and appropriate customer and geographic diversity, and that's the way to handle a very, very competitive marketplace otherwise.

**Mr. Ritwik Seth:** Sure sir, this is very...

**Aashin Modi:** Yes. Ritwik, please ask you to join back as there are several participants are waiting, okay. We have our next question from Rakesh. Please unmute your line and ask your question. Rakesh, please unmute your line and ask your question.

**Mr. Rakesh:** Hello.

**Aashin Modi:** Yes, Rakesh, you're audible.

**Mr. Rakesh:** Yeah. So, my first question regarding, sir, can you highlight your export business, especially in terms of Russia? Is it supply from Q1?

**Mr. Jitendra Divgi, Managing Director:** Yeah. And let me make sure I've understood your question. You want me to comment on the export business, right?

**Mr. Rakesh:** Especially UAZ.

**Mr. Jitendra Divgi, Managing Director:** UAZ, yeah. Because of the continuing war and the uncertainty of that situation, we have not seen that business coming back. The recovery plan we have put in place till March is not predicated on UAZ. So, if in the unlikely event, it does come, it will just be a bonus. But UAZ is not currently part of and we've done that because there's just too much uncertainty of what's happening in Russia.

**Mr. Rakesh:** Okay. Can we see any business from UAZ in FY24, any type?

**Mr. Jitendra Divgi, Managing Director:** No, not in FY24, as I just explained. Right now, it is not showing up even in our budget for FY25. If things change, because Russia has been sanctioned by the United States, and we have a huge amount of business developing in the US, so it would not be very prudent on our part and in our obligations to our shareholders to jeopardize our prospects in the United States and Europe by violating those sanctions.

**Mr. Rakesh:** Okay. Sir my next question, sir. Mahindra is also going to launch a THAR for EV model in EV, sir. For EV also you supply, sir, for THAR model?

**Mr. Jitendra Divgi, Managing Director:** Yes. There is a lot of work going on in the background on the EV models, not just for THAR, but other models as well at Mahindra. And at the right time, we will come with the necessary disclosures.

**Mr. Rakesh:** Sir, my last question is, sir, can you say any update on, sir, the last time you say you are working with Jimmy, sir, Maruti, sir. Any update on this one, sir, Jimmy?

**Mr. Jitendra Divgi, Managing Director:** Jimmy, Maruti. Okay. No, we were in discussions through because a lot of the content there goes through Toyota. But no, we have no updates on that. And I think Suzuki or Maruti has at this juncture preferred to go ahead with their imported content.

**Mr. Rakesh:** Okay, sir.

**Aashin Modi:** We have our next question from Mr. Monik. Please unmute your line and ask your question. Monik, your line has been allowed to talk. Please unmute your line and ask your question. As, there is no response. We'll move on to the next participant. Tushar, please unmute your line and ask your question.

**Mr. Tushar:** Yeah. Hi, sir. Am I audible to you?

**Mr. Jitendra Divgi, Managing Director (01:01:18):** Yes, Tushar. Thank you.

**Mr. Tushar:** Yeah. I just want to know; I'm basically looking for the potential revenue from our contract with Tata. Potential revenue from contract with Tata, sir.

**Mr. Jitendra Divgi, Managing Director:** Yeah. So, the capacity that we have put in right now is what is certain because our investments have happened accordingly. We have put in capacity for almost 10,000 transmissions, EV transmissions in place covering three different models. Okay. So, that is the line of sight we currently have with Tata. There's a lot of other opportunity that is being pursued. But this is business that is currently awarded.

**Mr. Hirendra Divgi, Full-time Director:** Just a point of clarification, it's 10,000 a month.

**Mr. Tushar:** 10,000 a month. Okay, sir. Any particular figures that you want to put out on this 10,000 transmission a month? The revenue figure.

**Mr. Jitendra Divgi, Managing Director:** Yeah, the average price realization on that is between 10 and 11,000.

**Mr. Tushar:** 10 and 11,000. Okay, sir.

**Mr. Jitendra Divgi, Managing Director:** These are products of their A segment, Tiago, Tigor, and Punch.

**Mr. Tushar:** Okay, sir. Okay. Thank you, sir.

**Aashin Modi:** We have our next question from Lokesh. Please unmute your line and ask your question.

**Mr. Lokesh:** Hello, am I audible?

**Mr. Jitendra Divgi, Managing Director:** Yes, Lokesh. Please go ahead.

**Mr. Lokesh:** Yes. Good afternoon, Jitendra ji. My question was on this quarter's result. And you mentioned that there was a drop in revenue, where components supply Toyota came to an end of lifecycle, and shift towards EV. So, if you can share what is the value of revenue that we have lost to that? And how will Toyota support us on that front going forward, either on the ICE front or on the EV front? Have you received any feedback from them on that?

**Mr. Jitendra Divgi, Managing Director:** Yes. So, so we used to supply a complement of four synchronizer parts with an aggregated value of close to 8000 rupees for a volume of about 10,000 a month. This was the ICE business. As they have transitioned to a more hybrid business as I showed you in my presentation, we make the sun gear for that. So, the sun gear is about 300 price realization, the current volume is about 12,000 going to 16,000 next year. So, this is, so it's not quite made up for the loss, it's about 40% recovery has happened. However, what has happened is because in 21, we were sort of the supplier of the year awardee at Toyota. We now have an exclusive arrangement with one of Toyota's marketing and distribution arms. Toyota is not just one company, it's a group of about 18 companies. Toyota Motor is the flagship of that group. So, we have this arrangement with Toyota Susho, which itself is globally a \$70 billion company. And through them, we are reaching out globally to the universe of Japanese OEMs. We have elected to do this, because the Japanese automotive industry has a unique culture of working. And one of its characteristics is they are difficult to get into. But once you're part of the family, there is enormous amount of supplier loyalty that Japanese OEM show. And by working with Toyota Susho, we think we can get an inside track, if I can put it like that, with the Japanese OEMs. So, yes, we have ported on enormous amount of business within the Toyota group. But because this is a time of transition, a lot of the careful consideration is being given to these various proposals. And so it is still WIP, I do not have a part that I can share with you at this point in time. But we have a key account manager focused on this. And the Susho arrangement enables us, therefore, to handle sort of the Japanese preeminence in this country, not only Toyota, but also Suzuki which is the big leading sort of automotive product leader right now, a market leader in India. And I just want to add on to this, that by the same token the number two player in the Indian market is Hyundai Kia. And a lot of the critical strategic decision making happens not in India, but back home at their tech center in Namyang in Korea, which is why we have opened an office in Seoul which is staffed with our country head there who's Korean. And the idea is, is to have a direct link with the decision-making center in Korea. And I can share with you that we have begun putting on pretty significant work with Hyundai as well. So, that's the other missing piece that we are working on. And this is the evidence that we are trying that we're trying very hard, leaving no stone unturned in bringing diversity to our business, which means not only Japanese, but also Korean and Chinese OEMs as well.

**Aashin Modi:** We have our next question from Mr. Pramod. Please unmute your line and ask your question. Pramod sir, please unmute your line and ask your question.

**Mr. Pramod:** Yeah, hi. Thanks for this opportunity. Sir, I wanted to know, considering the significant progress you have made, you are in the new domain of three wheelers, and you seem to be having a decent attraction in cars. Any thoughts in what's the addressable market in bus segment, where I think the government focus is there and some of the local guys might be aggressively participating? Do you see an opportunity for your products to play?

**Mr. Jitendra Divgi, Managing Director:** On buses, is it?

**Mr. Jitendra Divgi, Managing Director:** Yeah, I'll get to that. You're right. But you know, what we see is that this juncture, it appears that the reward to effort ratio for us is not as attractive in buses, as it is in the really huge passenger car, and light commercial vehicle, because that market is global. It's not just India. So, if I have a certain amount of the most precious resource, I have today is not actually the money, it's the energy of my people. And for any organization that's, that has a growth trajectory in front of it, it's extremely critical that we prioritize our people's time, energy very, very carefully. And so, we have an obligation to redeem the promise we've made to our shareholders in a way. And so therefore, we have to focus on priorities that will help us realize, in a way that promise and that means the best opportunity we see is in cars, SUVs, and light commercial vehicles, including three wheelers. Because from three-wheeler to four-wheeler, in the last mile mobility space is just one step. A small three wheelers with a little more refinement engineering also going to A-class cars in India. And so, the EV market is going to be evolving at a tremendous pace in India. And so, we need to make sure that we are sort of consolidating on the first mover advantage we have gained for ourselves. And we think at this stage that the bus market will not allow us to do that. We are better off focusing on the car and light commercial. I might also add that the engineering horizontal competencies that we have in this space are directly deployable into our four-wheel drive business, into our manual transmission business. So, it also adds to the resilience of our business model. And the kind of times we live in, this kind of risk management strategy is extremely critical to handling these sudden unpredictable shifts that can happen in the world we live in. So, with all this in the background, therefore, I say that buses are right now not in our focus.

**Mr. Pramod:** Sure. Thanks a lot.

**Aashin Modi (01:12:13):** Due to time constraint. That was the last question. I hand over the floor to Jitendra sir for any closing remarks.

**Mr. Jitendra Divgi, Managing Director:** Yeah, I think first, I have to thank the audience for the kind of questions you asked, because sometimes in my opening remarks, it's not possible to cover the gamut of issues that actually need to be addressed to meet the expectations of the audience out there. So, those of you who have asked the questions, my personal thanks and appreciation, because through those questions, I was able to amplify on a lot of the information sharing, and it is much appreciated. I look forward to our next meetings, quarter-wise, and hopefully you will see the saga and the story unfold. So, thank you very much again for your time, interest. Obviously, to ask questions, you have to apply your mind take interest. And we appreciate that very, very much. So, thank you once again.

**Aashin Modi:** Thank you, sir. Thanks, everyone for joining.