



Divgi TorqTransfer Systems

Divgi TorqTransfer Systems Limited
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Ref.: DTTS/Sec/24-25/90

February 20, 2025

To, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 BSE Scrip Code – 543812	To, National Stock Exchange of India Limited, "Exchange Plaza" 5th Floor, Plot No. C-1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 NSE Scrip Code - DIVGIITTS
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Sub: Transcript of Earnings Call held on February 17, 2025

Ref.: Regulations 30 of the SEBI LODR Regulations

Dear Sir / Madam,

Further to our letter reference no. DTTS/Sec/24-25/82 dated February 07, 2025, pursuant to Regulation 30 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"), please find enclosed herewith the transcript of the Earnings Conference Call held on **February 17, 2025**, in respect of the Unaudited Financial Results of the Company for the quarter and nine months ended December 31, 2024.

The transcript can also be accessed on the Company's website at the following link:

<https://divgi-tts.com/earning-call-transcripts/>

This is for your information and records.

Thanking you,

For Divgi TorqTransfer Systems Limited

Sanika Nirgude
Company Secretary and Compliance Officer
M. No: A71466

Enclosed: As above



“Divgi TorqTransfer Systems Limited
Q3 FY‘25 Earnings Conference Call”

February 17, 2025

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 17th February 2025 will prevail.”



MANAGEMENT: **MR. JITENDRA DIVGI -- MANAGING DIRECTOR – DIVGI TORQTRANSFER SYSTEMS LIMITED**
MR. HIRENDRA DIVGI – WHOLE TIME DIRECTOR – DIVGI TORQTRANSFER SYSTEMS LIMITED
MR. SUDHIR MIRJANKAR -- CHIEF FINANCIAL OFFICER – DIVGI TORQTRANSFER SYSTEMS LIMITED
MR. DEEPAK VANI – CHIEF OPERATING OFFICER – DIVGI TORQTRANSFER SYSTEMS LIMITED

MODERATOR: **MR. MIHIR VORA – EQUIRUS SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of Divgi TorqTransfer Systems, hosted by Equirus Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mihir Vora from Equirus Securities. Thank you. And over to you, sir.

Mihir Vora: Thank you, Alric. Good morning, everyone. So on behalf of Equirus Securities, I welcome you all to the Q3 FY '25 Post Results Call of Divgi TorqTransfer Systems. From the management side, we have Mr. Jitendra Divgi, Managing Director; Mr. Hirendra Divgi, Whole Time Director; Mr. Sudhir Mirjankar, CFO; and Dipak Vani, COO.

Without further ado, I now hand over the floor to Jitendra sir, for opening comments. Over to you, sir.

Jitendra Divgi: Yes. Thank you, Mihir and a warm welcome to all our participants, participating investors and other people, analysts who have joined this call. I'm going to break up my brief introductory remarks into three segments. First, I'm going to talk about the Q3 quarter and the various elements that -- the developments that have happened. I'm going to then talk about certain key achievements that took place recently in the last 3 months to 4 months. And then we're going to look at a little bit at future visibility and a quick update on the next-gen products that we have been working on.

So, let me dive straight into the highlights of Q3 and the first 9 months of FY '25. Now those of you who joined the last few earnings calls may recall that we started the year on a somewhat depressed note due to challenges faced in 2 of our -- 2 main business segments, which is the 4-wheel drive transfer cases and EV transmissions that we make at our new plant in Pune.

On the transfer cases, over the past 3 quarters, the volume offtake has been disappointing and lower due to 2 developments. One is the introduction of a low-cost variant without 4-wheel drive and the transition that is underway a little bit at our largest customer here, Mahindra, from the 3-door version to the 5-door version.

And that has involved a little bit of a ramp-up that was needed on the 5-door new model. However, based on the forecasts that are coming in on schedules, we are anticipating a slight improvement this quarter and certainly going into the first quarter of the next financial year.

I should add that although the numbers were depressed, the per unit realization on the transfer cases was significantly better. This is because of defense sales, which have a higher per unit price point and also the volume-based pricing plans and contracts that we have in place.

So while we are experiencing a temporary slowdown in this business, our focus remains on getting value, strengthening partnerships with OEMs -- and continuing sort of exploration of widening both market segments and product portfolio.

Looking ahead, we are confident that the expansion of the transfer case business into international markets, particularly with Japanese, Korean, American OEMs, along with the introduction of innovative new variants in the domestic market will drive medium-term and long-term growth.

The globalization of our transfer case portfolio is underway with some significant new opportunities in the U.S. aftermarket, which we believe will strengthen revenue streams. This is a recent development that has happened, and we will have updates in this regard in the ensuing quarters as we go ahead.

As far as EV transmissions are concerned, this segment has been the most disappointing relative to the original business plans and letters of intent and capacity planning that was given to us by customers. But we believe that a tipping point may be on the horizon with the introduction of new models that are coming in. Those of you who watch this industry, I'm sure, are aware that Mahindra has introduced new models with 500-kilometer plus range, and that may very well turn out to be a tipping point.

So to address the sort of headwinds, we are widening our portfolio. And I'm pleased to tell you that we have been awarded further contracts to widen our product portfolio beyond just the Nexon to include long-range versions of the Punch and the Curvv and also 4-wheel drive options on the Harrier and Safari at Tata. We have also quoted on significant new opportunities for component kits for at least 3 more OEMs. And that work to try and acquire these new businesses is underway in right earnest.

As far as the new product development on the current business portfolio is concerned, we expect revenue streams to start in the June, July time frame, with production ramping up thereafter. So, we are expecting a significant increase in FY '26 as a result of this development.

And the industry now has a strong focus on localization, which is what we are bringing in order to reduce the dependence on imports from China. So, we are fairly confident that with this development, the first half of next year will be significantly better in terms of our revenue coming from the EV transmission segment.

On components, we have made considerable progress. I think, overall, the sales has almost doubled on components, and it will continue to rise. It will be driven primarily by export markets where again, there was -- we've got approval for -- production approval for almost 8 components.

They total up to 1 million units a year at the RFQ volumes and have a revenue realization of almost INR90 crores. These are opportunities that are coming to us from China, Korea, Europe, a plant in Portugal, in Europe, the United States and Mexico. And additionally, we have active development going on both in terms of acquiring new businesses and developing new parts for markets in Japan, Thailand and again, U.S. and Korea. And this -- realization of this chunk of about INR90 crores per year will start. It has actually already started in a modest way, and we will see the results unfolding from Q4 onwards, but really making a significant impact from Q1 of FY '26.

As I said, we have secured final production approval for all these parts. And including export orders from China, we are expecting an additional jump of almost INR7 crores a month. This, of course, is subject to the schedules that will come about, but we expect something in that range.

We continue to deepen our engagement with Tier 1 -- global Tier 1 suppliers across the world and particularly the U.S. So with a growing global footprint and increasing export volumes, I think we are on track to generate a significant share of our revenue from international markets from next year.

By the end of FY '26, exports are expected to contribute a double-digit percentage of our overall revenue and further sort of bringing energy and life on the global business expansion. I want to take a moment and talk about some significant achievements also. So while the financial numbers were not to our expectations, there have been some very substantial achievements that have strengthened our brand reputation and the proposition that we bring in India's automotive industry.

Some of you may recall that in September of '24, we won the Toyota Supplier of the Year award. And I'm very pleased to report that we have now also won the Proprietary Powertrain Commodity Supplier of the Year at Mahindra & Mahindra again. And this is the second time we have won this at Mahindra. We also won this kind of an award 2 times at Toyota in the last five years.

And in this year, winning back-to-back awards from 2 major OEMs who have a very, very strong position in sport utility vehicle and pickup truck segments reaffirms the quality of our products' cost competitiveness and our execution -- overall execution competence. I think it's a tribute to the unwavering dedication of our employees in understanding and executing the needs of giants like Toyota and Mahindra in the way we have executed and work for them. This recognition marks a significant milestone in our powertrain systems journey.

I think it reflects our focus on innovation and delivering technology-driven solutions. You would agree that these accolades strengthen our brand position and reinforce our dedication to providing advanced technology to our OEM customers. We also had a very successful Auto Expo. And as we took stock of all that happened in those 4 days, we realized that the overall kind of revenue opportunity space that we generated from here was almost INR2,000 crores, with strong interest from leading Indian and multinational OEMs.

I might add that there was a significant amount of interest shown by overseas OEMs in our systems solutions. And follow-up meetings have been set up over and we are going to see a lot of things unfolding. And of course, it's up to us to convert the activity that this opportunity has thrown up into a concrete business.

Some of you may be aware that in -- till 2016, we were part of a joint venture with BorgWarner. We took the decision to buy out their share and then establish an independent Indian brand starting in the year 2016. This decision required us to modernize and upgrade our facilities by increasing capacity to support growth. And during this time, we made significant investments to prepare for growth and broaden our product portfolio.



After renegotiating a long-term supply agreement for 7 years, so from 2017 to 2024, we have now signed a new agreement for technical marketing and supply chain collaboration for another 7 years with the BorgWarner Drivetrain Systems Group. So, this reaffirms our long-standing relationship and strengthens our partnership, driving innovation, expanding market reach and enhancing operational efficiencies for long-term competitive advantage. This agreement is multifaceted. It includes technology.

It enhances our ability to sort of build on top of the brand promise of BorgWarner and gives us reciprocal supply chain -- global supply chain opportunities in terms of being able to integrate state-of-the-art supplier-based solutions from BorgWarner supply chain and in turn, get for ourselves global opportunities to support BorgWarner across some 20 plants of their drivetrain division.

This partnership also gives us regular access to the top decision-making management team of BorgWarner and generally gives us recognition and visibility at corporate headquarters in BorgWarner. So it sort of reflects our ability to build our brand globally by association with renowned brands like BorgWarner.

So, those were some updates I wanted to bring you up to speed on. So as you can see, there has been a lot of activity side by side with our steady-state revenue operations. Continuing this further, I want to take few moments and give you some idea of future visibility and an update on our next-gen transmission development.

I'm really pleased because there's an NDA, I can't give you more details at this stage, but suffice it to say that we have signed an MOU with one of the world's largest Tier 1 transmission manufacturers to do a feasibility study in India to produce over 100,000 automatic transmissions for localization for the Indian automotive industry.

Over the past few weeks and months, this initiative has undergone extensive evaluation, including in-depth discussions, technical assessments and joint plant visits. The study is in its final phase, and we expect a final decision sometime by the middle of March.

In addition to this, we have signed an NDA with one of the world's most prestigious OEMs in Europe to do a feasibility study on the manufacture of an 8-speed dual-clutch automatic transmission. It's interesting that this opportunity has come from Europe for a very, very state-of-the-art product. Some of you are aware that dual-clutch transmission is an area that we've been working on in terms of R&D efforts for the last 8 years or 9 years.

This collaboration and this ability to forge a partnership of this nature highlights our expanding role in the global automotive sector and aligns with our commitment to bringing advanced transmission technology to India with deep localization. We are also engaged in active discussions with leading Japanese and Korean multinational OEMs.

And I must say this is very, very significant because it's very unusual for a Japanese OEM to be talking to an Indian Tier 1 for an advanced electronically controlled drivetrain aggregate system. But that's what we are doing for the development and supply of an electronically controlled shift-on-fly transfer case and 6-speed manual transmission systems.

Now, these opportunity -- this offers us opportunities for long-term collaboration and innovation in this segment. To become a Tier 1 supplier of this nature to Japanese and Korean OEMs means it sort of gives us a long-term durable -- opportunity to build a long-term durable partnership with these renowned companies.

And personally, I am very thrilled and excited as to where this will take us. Indications right now are that this will be concluded by March end, and we have been requested for prototypes in the September, October timeframe. So it is in an advanced stage of discussions. And hopefully, by the next earnings call, we will have a little more information to share with you.

So the other interesting update that I wish to give you is that we are also working on a very large opportunity to take over about 150,000 manual transmissions from a major Indian OEM for a pickup truck application.

What all this is pointing to is, I think, a vindication of the prognosis that we in Divgi TTS had about the future of industry, the automotive industry a couple of years ago that as the market churn happens in localization and electrification technology, the pressure is going to come on OEMs to be fast and nimble and a little more best at handling an increasingly complex vehicle product portfolio.

And to become nimble in this regard, they will be compelled to farm out a lot more work that traditionally they have been doing in-house and investigate opportunities to -- where more work is given to a Tier 1. And both globally from what I've just narrated to you and in terms of what's happening in our domestic markets, the signs are very, very clear. And obviously, all of this affords very growth -- good growth prospects for us.

In previous calls, I have mentioned that we are actively exploring opportunities on next-gen transmissions that includes state-of-the-art automatic, but also hybrid systems. And they connect, of course, with a lot of things going on in electrification because that is the future.

And technology of this type will take an increasing share of the portfolio as we go into the future. We believe that our infrastructure and the assets that we have invested in position us as a full-service systems provider, equipped with established tools and the expertise for product development and manufacturing.

So, I'm very pleased to report that we have achieved the first milestone of completing the first phase of our feasibility study for dedicated hybrid transmissions. Eventually, the study is to try and understand the extent of improvement in fuel efficiency that can be delivered with this technology for customers in India.

And towards that end, we have the first prototype of our dedicated hybrid transmission available with us, with which further studies are going on. And I will have updates as we go ahead in ensuing earnings calls. That about brings me to the end of my remarks.

But before I conclude, I would like to reaffirm what I think is our core message that what brought us to the market is something that we are committed to. Our focus continues to remain on what

I believe are the key strengths that differentiate us, not just within India's automotive supplier base, but on the global stage.

As I've highlighted in my remarks, our achievements reflect our commitment to continuous innovation and invention, which are at the heart of our business. But I think true impact comes from complementing these good ideas with world-class product development and manufacturing, which are critical factors in delivering value to our customers. And the ability almost in a space of 6 months to win awards from Mahindra and Toyota hopefully reflect that we are walking the talk.

So, I hope this update has given you some insight. I know -- I'm going to hand over the proceedings to Sudhir, our CFO, to walk you through the numbers, and then we are available for Q&A to talk about Q3 and what is it that we'll be doing in the ensuing quarters. So, thank you for your time and attention.

And I will now hand over the proceedings to Sudhir Mirjankar, who will walk you through the financial numbers in some detail. Thank you again. And over to you, Sudhir.

Sudhir Mirjankar:

Thank you, sir. Good morning to everyone on the call. Before presenting the financial numbers for the quarter and the first 9 months of FY '25, I would like to highlight a few key points. The performance over the first 9 months remained subdued, primarily due to a decline in volume offtake in both the EV transmission and transfer case segment, each facing its own set of challenges. This had a negative impact on overall revenue from operations and resulted in lower operating profitability.

In the transfer case business, the adverse effects were partially offset by improved price realization, supported by volume-based pricing within the framework of our existing contracts, which included provisions for compensation in case of lower volumes. Meanwhile, in the EV transmission business, we broadened our scope and reinforced our presence by expanding coverage across all platforms of our existing OEMs.

Operating profitability was further affected by lower fixed cost absorption and higher expenditure related to tooling revenue. The decline in operating profit also weighed on profit after tax. Looking ahead, we anticipate some depreciation impact from plant and equipment modernization for expansion projects beginning in FY '26.

So coming to numbers. Total income for the first 9 months of FY '25 stood at INR 176 crores, reflecting a 13% year-on-year decline compared to INR 203 crores in 9 months of FY '24, primarily due to lower sales volumes. Revenue mix, the transfer case business saw a 32% decline, while the EV transmission business achieved 13% year-on-year growth.

Component business, this segment continued its strong performance, recording a 46% year-on-year growth. With a robust order book from both domestic and international customers, we expect this momentum to sustain, positioning the segment as a key contributor to margin expansion. While export contributions remain in single digit at present, we anticipate a steady growth trajectory. With multiple business contracts secured, we are confident of achieving double-digit sequential growth in the coming quarter.

Overall gross margin improved to 63.2% in 9 months FY '25, up from 61.1% in 9 months FY '24. This expansion was primarily driven by our volume-based pricing strategy in the core transfer case business, which optimized revenue realization despite demand fluctuations. These factors have significantly enhanced profitability, reinforcing our commitment to operational efficiency and sustainable financial performance.

EBITDA for 9 months FY '25 was INR 44 crores, down 19% year-on-year from INR 54 crores in 9 months FY '24, impacted by lower fixed cost absorption due to weaker volumes. EBITDA margin stood at 25%. Profit after tax for 9 months FY '25 was INR 19 crores, marking a 38% year-on-year decline from INR 30 crores in 9 months of FY '24. PAT margin stood at 10.8%, affected by overall lower operating profitability.

So, coming to Q3 FY '25 performance. Total income for Q3 FY '25 stood at INR 57 crores, reflecting a 15% year-on-year decline compared to INR 68 crores in Q3 of FY '24. On a quarter-on-quarter basis, revenue remained stable. EBITDA for Q3 FY '25 was INR 14 crores, down 23% year-on-year from INR 18 crores in Q3 FY '24 and 18% quarter-on-quarter.

The EBITDA margin for the quarter stood at 23.6%. So, profit after tax for Q3 FY '25 stood at INR 5 crores, marking a 44% year-on-year decline from INR 9 crores in Q3 of FY '24 and a 33% , quarter-on-quarter drop. PAT margin for the quarter stood at 9.1%.

So, that's it from my side. And now we can open the floor for question-and-answers, please.

Moderator: The first question comes from the line of Mahesh Bendre from LIC Mutual Funds.

Mahesh Bendre: Sir, last few quarters, we have been reporting degrowth on quarter, probably almost every quarter. So, how do you see the near-term quarter in terms of quarter 4 performance? And if we have to look for FY '26, any guidance you would like to give in terms of achieving certain revenues going forward?

Jitendra Divgi: Yes. Thank you, Mahesh. I mean, I -- we are acutely sensitive and aware of what is happening, and that this Q3 has been disappointing. However, what I would request you to look at is what are the substantive corrective measures that are underway to address this state of affairs, okay.

One is inherently in the contracts that are available, we are expecting some consolidation, stabilization and some incremental improvement in volumes as the Thar ROXX at Mahindra stabilizes. We have the Scorpio N model also going in for exports over the next -- so over the next 3 quarters, this business will show some incremental improvement. That's our expectation.

But it will not be enough to offset what has happened. That brings us to the second -- so let me first finish the 4-wheel drive segment and then talk about other segments and then sort of summarize the whole thing. We are also working on, as I said, some global opportunities. These are Japanese and Korean OEMs operating both in India and overseas, okay.

The advantage is that we have been requested to leverage off our off-the-shelf offerings, which is what gives us the ability to have a relatively short lead time to going into -- go into to the

market. So the efforts that are underway are to try and diversify the customer base and also the product base in our core 4-wheel drive business.

The second one, which I think is a significant corrective action is the development of this bigger gearbox, which the customer had sort of given its last priority, assuming that the lower-end version had to be localized first given the cost competitive nature of the smaller segments. Unfortunately, the market kind of abandoned the low end and went careening off course towards the higher range of the market, where our customers were caught still importing from China.

But now that we have this successfully under development, this particular design, as I mentioned, goes on 5 different models as compared to 3 models of the smaller gearbox that we had.

So, we expect some significant improvement, although the risks of the EV remain. And the risks primarily come from the fact that there are other OEMs catching up with the market leader, which is Tata Motors. And so we will have to see how that plays out. But be that as it may, we have now the presence on relatively fast-moving segments like the Punch, the Nexon and the Curvv immediately. So, this is another corrective action which is underway.

And finally, I'm sort of keeping the best for the last, is the 8 different export components where we have pulled off all 8 projects right first time. And I think, our team in the din and the heat of the moment of these declining sales, this incredible achievement of our team should not go neglected.

And what they have pulled off is quite spectacular from China to Europe, to the United States to Mexico, 4 different international markets. We have put the export kind of business package, which as I referred to earlier in my remarks, has a revenue realization potential of about INR 90 crores back on track. And that, I think, is what will also propel sales going forward. So these are the main near-term, I think, tactical interventions we've succeeded in putting in place.

The assets are -- we've always said that they are fungible. We can sort of use our assets across 4 different verticals of our business. And so the implication of these achievements, Mahesh, is that the way we are looking at it is that FY '25 will be seen as an aberration.

The trajectory that we are focused on is the growth that we had promised. And we have not forgotten the promise of bringing the growth back on a trajectory of that 15% CAGR, 15% to 20%. And I think there will be significant improvement starting April. It may take a month or 2, but certainly starting next quarter.

We will see some impact of the export orders in this quarter itself, but the real substantial ones will come later on. I want to offer an explanation here that all the 8 projects we have won, and if you add up the RFQ volumes, it comes to almost 1 million pieces a year.

So, we are talking more than 100,000 components being exported every month. All of this has come through the China Plus One sourcing. These are not new developments per say, new to us maybe, but ongoing programs at OEMs and Tier 1s across the world, including 20% of this is coming from China. And that, I think, is another very, very significant achievement.

Now, because this is China Plus One ongoing programs, the customer plants across the world have been sort of trying to figure out how to transition given the momentum of their own business from that source in China to Divgi. So, there has been a little bit of going back and forth in scheduling.

So, one particular customer in the Midwest who has about 350,000 to 400,000 parts per year has kind of pushed out the whole schedule and the ramp-up to their second quarter, which is the April to June quarter for us, and that has kind of delayed the revenue booking at our end.

But the approvals are in place. We have stocked our warehouse in the United States. And it's like the arrow is in the bow drawn, ready to be fired. So, that is what I would like to tell you. And based on this, I think we will see 2025 as a sort of tactical aberration. And the growth, we are looking at '26 with reference to FY '24 and getting our growth back in place.

Mahesh Bendre:

Sure, sir. And sir, what is the current capacity utilization across our factories? And what are the capex plans for next year?

Jitendra Divgi:

Yes. Thank you for that question. It's a very, very pertinent one. Because of the way we were told to capacitate by our customers for transfer cases and EVs, our utilization is really quite low there.

On transfer cases, it's less than 50%. And on EVs, it's about 20%. And despite that, we are generating an EBITDA of 20% plus. So, you can imagine what impact it will have if we have some significant improvement in the top line. We are very, very clear about the cost structure.

And Sudhir, my colleague alluded to the gross margins that we are working with. We are very conscious when we quote. When you're doing product development, there is an unwavering eye that is kept on our contribution margins and therefore, our EBITDA percentages and ultimately, of course, the ROI.

The ROI right now, I'm afraid, is shot to pieces given the utilization and the decline in the top. But our effort is to maintain, first, the gross margin, the contribution margins, then take care of fixed costs so that the EBITDA margins are kept, and that is how we approach the business. So in these 2 segments, we do not anticipate a significant investment, that is transfer cases and EVs.

The capex plans that will come are expected for the automatic transmission business. That, as I mentioned, we are working on 2 different parallel tracks. And one of them, we hope to have some kind of closure in March, April timeframe. It's actually overdue, but because of certain constraints with our customer, overseas customer, they were not able to provide a certain amount of data that we had requested and it's been delayed a little bit.

But please bear in mind that if we pull this off, this deal will be kind of historic because it could end up becoming the transmission story of 2025, not just in India, but across the world because I don't think anybody is attempting a transfer of technology and manufacturing of over 100,000 automatics in any part of the world right now.

So, that is what your company has reached now to be able to convince, persuade one of the world's largest Tier 1s that is making several million units across the world and to convince them to come to India with us. So, that is where I expect the capex to happen and which is why because of this delay, there is that cash sitting on our balance sheet.

Mahesh Bendre: Sir, sorry, sir, last question. Will this capex be high? I mean, any ballpark maybe INR 50 crores?

Jitendra Divgi: No, it will be in excess of between -- in capital investment and working capital, it will be well in excess of INR 100 crores. It's a big program. The automatic transmission program at a minimum will give a turbocharging boost of over INR 500 crores to the top line.

Moderator: The next question comes from the line of Manish Goyal from Thinkwise Wealth Managers.

Manish Goyal: I have a few questions. First on the -- just a clarification on RFQ, what we have received for 150,000 transmissions, is it for manual transmission system or EV transmission? And is it for system or it's components like, if you can clarify that one, sir?

Jitendra Divgi: Thank you very much. That's a very good question because it gives me the opportunity to expand on this and clarify. We are very excited by this development. And let me be very clear, it is a manual transmission for a pickup truck in India. It is not an EV. This opportunity is in addition to all that I've told you on EVs and automatic transmissions.

And it is a reflection of the pressure that our OEMs are under to make better use of their own capital as they wrestle with increasing complexity in their product portfolio and the many years of preparation that has gone into positioning us proactively to take advantage of such developments.

So, I think our strategic foresight has paid off, and we are in a very good position to take over this product line. And it is the very key part of your question, is it a set of components or systems? I can tell you very clearly, the OEM is expecting us to deliver a full system-based solution.

Manish Goyal: Okay. And this is for the existing product? Or is it something, which are new product developed by OEMs and you are probably looking to provide this manual transmission?

Jitendra Divgi: It is an ongoing program. The total volume is actually well over 200,000. But one significant portion of it, about -- I mean, I use the 150,000 as a sort of thumb rule. It will be somewhere between 120,000 to 140,000. We have been requested to plan a capacity of 150,000.

Manish Goyal: So ideally, basically -- so it means that we are replacing some existing manual transmission systems?

Jitendra Divgi: No. What is happening is this work is being -- the planning is underway to shift this out of the OEM, so that space is made available for other next-generation stuff that the OEM wishes to undertake. And the other critical part of your question is whether this is a new vehicle or -- no, it is an existing.

So, there is tremendous momentum in the project, and it has to be handled with a lot of -- very deftly without causing any dislocation in supplies, which is why they are looking at us because we have a reputation for executing projects of this nature.

Manish Goyal: Sure, sir. And what would be the realization for manual transmission? I believe for DCT in the past, you have mentioned about 1 lakh something per system. So for this system, what would be the...

Jitendra Divgi: The pickup truck segment is extremely competitive. So the manual transmission realization will be quite competitive. Because there's an NDA and it's under negotiation, I wouldn't like to hazard a number here, but it is significant. The opportunity is well over INR200 crores to the top line.

Manish Goyal: Right, sir. And sir, on the absolute -- sorry, for the exports, I really appreciate that the run rate will pick up going forward. But if you can provide us with what could be the absolute number we'll end up in FY '25 and what we could see in FY '26? And when do you think we'll reach the peak run rate, sir, probably which quarter, month or something?

Jitendra Divgi: Thank you. Again, thank you for a very perceptive question. We used to do about -- and let me just sort of step back a little and quickly give you some background and context. Historically, the best turnover we had achieved was like about INR80 crores, Sudhir?

Sudhir Mirjankar: Yes.

Jitendra Divgi: Because we had reached about INR80 crores exports. And then for various reasons, the Ukraine war, the China geopolitics, the life cycle change going, all of that hit us together, and we kind of plummeted down to like less than INR5 crores. But we knew it was sort of temporary because we had a lot of development going on. So from that less than INR5 crores, this year, we expect about INR13 crores?

Sudhir Mirjankar: Yes.

Jitendra Divgi: Yes. we were expecting our budget was actually about INR40 crores exports for this year. But unfortunately, because of this -- coming out of the China source and handing over to India and doing this, you can imagine that the customer locations are in this huge part of the United States, which itself is a huge country.

And then you are switching from a source in China to a source in India, so logistics is extremely complex and it has to be very carefully orchestrated. So, that has taken a little bit of time.

So instead of doing the INR40 crores in this quarter, it will end at around INR13 crores. And as I mentioned, the total value of this -- so remember what this is. We have got all the production approval, which means the production lines are in place. The mobilization has happened. There is material sitting in our warehouses. The schedules are coming in.

And so it's like going into steady state even as we speak. And it will start maybe with around INR 6 crores to INR 7 crores a month. And then at its peak will go to INR 8 crores to INR 8.5 crores a month. There are a couple of products where the customer is talking about a sharp spike

coming in next -- second half of this year, but we are waiting for how that thing will consolidate. These are still early days.

So to answer your question, it will start at around INR 6 crores a month and then go to about INR 8 crores at the peak. And all this is going to unfold in FY '26. So, we are expecting about INR 80 crores to INR 90 crores in that range. That's the expectation for next year.

Manish Goyal: For the entire year, INR 80 crores to INR 90 crores in exports, sir?

Jitendra Divgi: Yes.

Manish Goyal: And so parallelly, like how are domestic components doing, sir? And what is the outlook for that?

Jitendra Divgi: Domestic actually is showing -- thanks to extremely robust performance by -- and we are very proud of the achievement of Mahindra. I want to take a moment and tell you -- give you a very striking market insight, which I think a lot of the industry observers may not have noticed. One of the things we track is the top 20 models that make up the bulk of the Indian automotive industry, okay.

And till like 18 months ago, the Japanese and Koreans used to dominate the top 20 models, Maruti and Hyundai. And it is a matter of great pride to tell you people that between our Tata and Mahindra, they have fought back and they are now increasingly dominating this space.

The latest data we have shows that among the top 20 models, while Maruti continues to be the leader, the number two guy now is not any other Japanese or Korean, it is Mahindra. And Mahindra has 5 blockbuster products in this top 20, okay? Tata has about 2. And then, of course, Hyundai, Kia and Maruti make up the rest. There's no American or European player in this -- in the top 20 models.

And we are, as I mentioned earlier, the Proprietary Powertrain Supplier of the Year award from Mahindra has come to us. And we are also helping Tata Motors in indigenizing the transmissions that go into their EVs. So, this is an enviable position to be in. And that is why I say that the domestic, we are extremely optimistic about the domestic business.

We are also working with -- doing a lot of discussions that are going on with Toyota, Maruti, Isuzu. These are some other brands that we are working with. So given the circumstances and given what has happened in Q3, I think this is a good position to be in to try and to remedy our medium term and long term. So, this is how I look at the domestic.

On overseas, we have a -- we continue -- the total number of RFQs that we have quoted on is in excess of INR600 crores. And a lot of hard work is underway to try and convert. So, we may have further announcements every quarter as we accomplish new business acquisitions.

A very interesting update that is on our overseas is we are uncovering and unearthing opportunities in the American 4-wheel drive recreation and general utility market, where -- which segment is almost the size of India's SUV industry.

And next week, my brother, Hiren, who's on this call, travels to the U.S. to pursue and look at how we need to position our products in that -- and that is all transfer cases, which I think we are the most competitive in the world. I have no hesitation in saying that, which is why also the Japanese are talking to us.

Hiren, can you -- if you're on the call, you want to make a comment on that? Hiren, are you muted? You may need to unmute.

Hirendra Divgi: Can everybody hear me?

Moderator: Yes.

Hirendra Divgi: Okay. Sure. So the 4-wheel drive market is growing in the world. And let me introduce -- let me give just a very brief snapshot at what possibly you can use. So in India, we had kind of close to a monopoly position because of our 21 years joint venture with BorgWarner in bringing the most -- best technology in the world.

But India remains a kind of -- 4-wheel drive systems in India is a niche market. And what we felt as a management is that we need to first locate ourselves in the fastest-growing markets in 4-wheel drive. Taking into cognizance, the changes that are happening in the drivetrain systems because of the influence of electrification.

And we feel that we have an approach that we are working on, that enables us to unearth, what I should call a blue ocean market for us where the global competition like BorgWarner, Magna, Aisin are not looking at. These are more competitive markets in utility, in defense, slightly lower volume, more difficult to handle applications that I think we being plugged into the Indian ecosystem can handle this market much better.

And having a presence in the U.S., we can kind of meet this market requirement much better. So, this is a process under investigation and as we make progress, we will keep everybody informed.

Moderator: Ladies and gentlemen, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to the management for the closing comments.

Jitendra Divgi: Yes. This is Jiten Divgi here. In conclusion, I just want to reiterate and reaffirm the sort of promise that we had given investors. I know Q3 has been disappointing. The real solution, I think, to our -- the state of our business is to correct the top line. We have solid fundamentals.

And as we discussed in our remarks and in answering questions, hopefully, you've got a flavor of what are some of those opportunities that we are working on short term, medium term and long term. And in subsequent quarters as we have these exchanges, we will have the opportunity to talk to you and update you on our progress.

So in conclusion, I want to thank you for your support through these difficult times. And I'm quite optimistic and confident that we will not disappoint you going forward. So thank you very much.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Equirus Securities Private Limited, that concludes this conference. You may now disconnect your lines.