Divgi TorqTransfer Systems

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Ref.: DTTS/Sec/25-26/18

June 09, 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**

Sub: Transcript of Earnings Call held on June 02, 2025

Ref.: Regulations 30 of the SEBI LODR Regulations

Dear Sir / Madam,

Further to our letter reference no. DTTS/Sec/25-26/09 dated May 23, 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 **June 02, 2025**, in respect of the Audited Financial Results of the Company for the quarter and financial year ended March 31, 2025.

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

Hirendra Bhaskar Divgi

Digitally signed by Hirendra Bhaskar Divgi
Date: 2025.06.09 12:04:38 +05'30'

Hirendra Divgi
Whole-Time Director
DIN: 01634431

Enclosed: As above

"Divgi TorqTransfer Systems Limited
Q4 & FY '25 Conference Call"
June 02, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on June 02, 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. DIPAK VANI – CHIEF OPERATING OFFICER – DIVGI TORQTRANSFER SYSTEMS LIMITED** **MR. SATVINDER SINGH SABHARWAL – CHIEF GROWTH OFFICER – DIVGI TORQTRANSFER SYSTEMS LIMITED** **SGA – INVESTOR RELATIONS ADVISERS – DIVGI TORQTRANSFER SYSTEMS LIMITED**
MODERATOR:	**MR. MIHIR VORA – EQUIRUS SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q4 and FY '25 Conference Call of Divgi TorqTransfer Systems Limited hosted by Equirus Securities. 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. Thank you, and over to you, sir.

Mihir Vora: Yes. Hi. Good morning, everyone. On behalf of Equirus Securities, I welcome you all to the Q4 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.

So, without further ado, I will now hand over the call to Jitendra, sir. Sir, over to you.

Jitendra Divgi: Yes. Very good morning, and a warm welcome to everyone present on the call here to discuss Q4 results along with our FY '25 performance for Divgi TorqTransfer Systems Limited. I just want to take a moment and introduce my colleagues, Hirendra Divgi, Executive Director; Sudhir Mirjankar, CFO; Dipak Vani, COO; and I'm pleased to also introduce Mr. Satvinder Singh Sabharwal, who has joined us as Chief Growth Officer. And of course, we have SGA, our Investor Relations Advisers.

I'm sure you've had a chance to look at the presentation that we have uploaded on the stock exchanges and the Company website. And if not, I'm sure during the call or after the call, you will get a chance.

So, to begin with, let me outline the key highlights for Q4 and for the full year FY '25. We will, of course, have a chance to answer questions that you have. But hopefully, I'm trying to provide a sort of a panoramic view along with some key insights that should answer possible questions that you have.

So, in summary, FY '25 was a year of mixed outcomes for us. It wasn't exactly a growth year from a financial standpoint, but it was rich with progress on various business opportunities. The company effectively navigated multiple challenges during the year and remained profitable at levels that we have sort of implicitly and explicitly promised you despite the headwinds.

In fact, we delivered profitability with EBITDA and PAT margins above 24% and 10%, respectively, despite a steep decline in the top line. These results reinforce our confidence that if we can sustain profitability in such a challenging environment, the business initiatives and strategic efforts that we have undertaken this year will position us very well for both operational and financial success in time to come, including we are expecting FY '26.

Over the past 2 years, we have run into headwinds, but we have focused on restructuring and expanding our business. And in terms of operations, my colleague, Dipak Vani, will make a few remarks after me to explain some of the measures that we have taken.

So, both in terms of product offerings and geographical reach, we have expanded our scope, sharpened our strategic focus and improved our execution capability, especially with the type of investments that we have made. Despite persistent industry headwinds, particularly in our core segments of transfer cases and EV transmissions, we have continued to navigate market-specific pressures that impacted our top line performance.

We have responded proactively through a combination of operational improvements and strategic course corrections to address these challenges effectively. And I'll try and amplify as we go along. The initiatives undertaken over the last 2 years are beginning to yield positive results.

This is evident from the significantly improved performance in Q4, closing quarter of the financial year, which not only reflected improved operational outcomes, but also a healthier and more robust order book across our segments.

Now let me sort of delve into each aspect, pertinent aspect of the business. I'll begin with the transfer case. So, while FY '25 was a tough year, there were several bright spots as well. Notably, we achieved a significant improvement in per unit realization across our transfer case portfolio.

This, coupled with the sales mix that included a higher share of defense applications helped drive a notable improvement in our gross margin, which went up from 61% to 63%. This margin expansion also reflects the benefit of volume-adjusted pricing mechanisms that are embedded in our long-term contracts, reinforcing the strength and resilience of our business model even during periods of softer volumes.

We are seeing encouraging signs as we go ahead. Based on the latest production forecast and customer schedules, we expect a recovery in volumes in the coming quarters. And indeed, we are already 2/3rd of the way into Q1 of FY '26 and the results have shown up to now.

Moving forward, we are confident that the continued global expansion of our transfer case business, particularly with Japanese and Korean OEMs and also opportunities that we are examining in the American aftermarket will serve as a key catalyst for our long-term growth.

Our globalization efforts are well underway with strong traction, as I said, in the US aftermarket, which has presented some very interesting opportunities. We believe this strategic diversification will not only strengthen but also significantly enhance the resilience and growth potential of our revenue streams in the years to come because the companies that we are talking to are in markets that sort of underpin the 4-wheel drive demand in the world.

Coming to the EV transmission segment. The Indian passenger vehicle industry has entered a phase of consolidation after several years of strong growth with steady demand moderated by broader macroeconomic factors. The electric vehicle segment, in particular, has faced additional pressure, not only from these macro headwinds, but also due to infrastructure limitations and persistent range anxiety among consumers.

While the industry has been navigating more than a small slowdown, we have -- we began to witness some signs of recovery in Q4 '25. Volumes have shown marginal improvement. But as I shall explain, by winning more business, we expect to see at least 50% growth compared to last year in FY '26.

So, during these challenging times, we have continued to work closely with our key anchor OEM to expand our product portfolio. I'm very pleased to share that we now have products under development, approaching launch in the market that will enable us to straddle a comprehensive vehicle range at an OEM like Tata from the little Tiago to the Curvv coupe.

This marks a significant milestone, reinforcing our strong partnership with a product leader like Tata and deepening our integration with their EV ecosystem. On the -- so we expect revenue generation from these new programs to begin in Q2 with production volumes scaling up thereafter.

Given the historical background of the last 2 years, we have been fairly conservative in forecasting for this year. But even so, we expect at least 50% improvement in the top line with this new product that we are introducing. So -- we continue to collaborate with our OEM partners for new next-generation models.

And in addition to Tata, we are on a micro truck at Mahindra and we have also quoted on applications at several Japanese OEMs. On the global front, we have made significant strategic progress. We have recently entered discussions with a major Japanese company to manufacture a complete kit of parts for EVs targeted at the Indian market.

And in addition, we are 1 of 3 global candidates who've been shortlisted from a larger pool of 15 players for the supply of gear sets for one of America's leading OEMs in the EV space. This potential program involves vehicles that will be distributed across global markets. And we see it as a significant opportunity, not just in the EV space, but also in exports.

Now turning to our components business, which as those of you who have been studying our company for some time now know that these components are across the 4 verticals; 4-wheel drive, EV, manual transmissions, automatic transmissions. The component business delivered significantly improvement over last year, and we expect this momentum to carry forward into FY '26.

This growth has been primarily driven by a solid resurgence in export markets, where we've successfully re-established our presence. Export revenues have begun scaling significantly and from a very modest INR3.5 crores in FY '24 towards the tail end of FY '25, we got the sort of rising tide and have already registered a sale of around INR11 crores. And this year, we expect a marked and very considerable spike in exports.

Our ambition is to have -- or rather, I should say, our forecast is that exports will have a double-digit percentage to overall revenues by the end of FY '26. In support of this, we have received production approvals for 8 new components across a very diverse set of geographies that includes Korea, Europe, United States and Mexico. These wins are a reflection of our growing capabilities and the trust global customers are placing in us and in a way, you could say, capability in India.

Additionally, we have a robust pipeline under development, both in terms of acquiring new business and engineering new components. These efforts are currently underway across Japan, Thailand, China and India and Korea, markets that we believe will play a key role in our export growth strategy.

This marks a significant step forward in our journey to become a truly global player and adds further momentum to our international business expansion. I must add that many of these initiatives are multipronged, including technology, component exports and building business partnerships with companies that we are talking to across the world.

I want to take a moment and talk about our next-generation transmission initiatives. It started off with automatics, but it has now widened into looking at a very nuanced sort of market, which is evolving very quickly. In previous calls, we've shared that we are actively developing next-generation transmissions, not just state-of-the-art automatic systems, but also for the slightly longer term dedicated hybrid solutions.

Our analysis and therefore, understanding of the global markets from which India is not insulated is that electrification is a reality. We are seeing very strong growth across the world in -- led, of course, mainly by China in both -- mainly in battery electric vehicles, but also hybrids. And dedicated hybrids form a very important component of this segment.

So, I'm happy to report that we have taken more than initial tentative steps. We have actually zeroed in on a design architecture. We have completed simulations of fuel efficiency improvements.

So, it's a very systematic top-down system-driven kind of approach with which we can work with OEMs and through our simulation tools, predict the fuel efficiency improvement that we can bring. This is extremely important in the context of the Indian market, which over the next 7, 8 years, we'll see 2 generations of emission norms, new sets of regulations coming in.

So, positioning oneself to anticipate and meet these requirements of OEMs is going to be a critical requirement of companies that wish to sustain their product leadership position in the area of powertrain. And I'm happy that we are making solid progress.

Our infrastructure and prior investments have positioned us well as a full-service systems provider with the tools, capabilities and expertise to drive both product development and manufacturing. It's not just enough to have ideas on products and designs, unless you have the manufacturing wherewithal to realize these solutions, it doesn't really bring economic value to customers or to investors.

And as part of this journey, we've recently achieved a key milestone by completing the first phase of our feasibility study on dedicated hybrid transmissions. This study is focused on quantifying the potential, as I said, improvements in fuel efficiency that such technologies can offer to customers in the Indian market.

I'm also happy to share that we have been able to realize the first prototype of our dedicated hybrid transmission in hand and further validation and testing are underway. So, this marks an important step forward in our long-term strategy to build a more sustainable technology-led portfolio in a market that is literally assaulted on a wide front by different pressures.

I want to now sort of shift gears and move into some of the strategic developments that were highlights of this last year. I began by saying that it was perhaps the worst of times and the best of times, if I were to summarize FY '25. The numbers, of course, were very disappointing, but I want to quickly recap 10 significant achievements that we were able to accomplish in the last 1 year.

And I'll just quickly go one by one. I don't want to take too much time because we have the other financial presentation also to talk about. The first one was the indigenous development and the consolidation of our transfer case business for the Indian Army. And we have now supplied enough units to equip large combat formations of the Indian Army.

And I have no hesitation in saying that the solutions we provided were in active combat service during the recent Operation Sindoor and it was well received by the Army. In fact, there's a video out at an undisclosed location from the Western Command of the Indian Army showing this ALSV.

The next was we have now completed the design and -- for a leading Japanese OEM that is a market leader in the ASEAN region for a new transfer case. And this represents nothing short of a revolution because Japanese companies, given their conservatism, are not known to approach individuals sort of outside their fold for even new parts, let alone complete systems.

And what we have here is a market leader from Japan, one of Japan's oldest OEMs coming to us for a complete transfer case solution, which they believe can save them cost while giving them a better performance. So, it is an extremely important. It will start at a modest scale, but has the potential to grow into something very significant.

So that was the second achievement. We have provided a full techno-commercial proposal to this OEM. Obviously, because of nondisclosure agreement, I do not have the liberty of giving the name of this company on this call.

I'm also really thrilled and not just pleased, but thrilled to tell you that we have a whole slew of new technologies that we are showcasing with advanced engineering in Chennai at Mahindra. For those of you who may not be very familiar with the Mahindra Research Valley infrastructure in Chennai, they have a world-class proving ground, including an off-roading track and a very high-speed track at which you can do all kinds of testing maneuvers to test the ride and handling of their SUVs.

Perhaps this is one of the ingredients that has enabled Mahindra to really assert their product leadership and position themselves to become India's number 2 vehicle maker after Maruti, which is one hell of an accomplishment.

And I'm pleased that Mahindra's sort of clarion call to go back to their core competence, which was SUVs, is underlined by the technology and the products that Divgi TTS is giving them. So, in other words, what makes Mahindra a distinctive Mahindra is actually Divgi TTS. And recently, I was there on the test track to test the new Torque-On-Demand.

We have new center differential permanent all-wheel drive systems for the next-generation Thar and also new technologies and solutions for their front-wheel drive-based all-wheel drive, where the intent and the vision is to retain the robust off-roading capability that is available on their rear-wheel drive-based 4-wheel drive vehicles.

This will make Mahindra -- so our vision in working with Mahindra is to put a sort of larger gap between Mahindra as a product leader and the others in the market, including the Japanese and the Koreans. So, I am really pleased at the kind of support and encouragement we are getting from Mahindra top management in doing this.

And I think in this year to come, we will have some solid achievements to report out. So that was the third big thing. We continue to sort of work on technologies that improve ride and handling of vehicles at very high speed.

And the work that has been done over the last, I would say, 15 years, first at Tata Motors, then Mahindra, more recently at MG Motors and now again at Mahindra, I have no hesitation in saying that our 4-wheel drive vehicles made in India will be in the same league as the iconic Jeep Rubicon and the Land Rover Defender. And our investors should be pleased that your company is at the forefront of accomplishing this.

Next, I think we had shared with you that we have renewed our strategic collaboration with the BorgWarner Drivetrain Systems Group by extending the license. This was done at the invitation of BorgWarner who have seen the kind of work that we're doing and wish to remain connected with us as a strategic alliance partner.

So, while this does involve paying the royalty, but it gets us strategic access to BorgWarner top Management and the Drivetrain Systems Group is a multibillion-dollar operation with plants in -- or a presence in about 20 countries of the world. A lot of our component exports is being driven by the relationship we have with BorgWarner.

Next, we had again shared this in previous calls, but our product leadership in the Indian market was recognized by none other than market and technology leaders like Toyota and Mahindra, where in the last 12 months, we have received Supplier of the Year awards from both these OEMs.

These are companies that are now pushing the envelope on technology, products, overall business performance and to be selected by both of them is a matter of great honor for us. And

I think it is -- I have no hesitation in saying that this goes a long way in fulfilling the vision with which we started out this enterprise.

Which was to become recognized as a global brand coming out of India in the area of drivetrain components and systems. And to be recognized by Toyota and Mahindra, I feel is a matter of great honor and recognition of our competence.

Next, we have sort of made a dent in this whole Make in India initiative of the government of the country by signing an MOU and commencing, this was September-October of '24 with one of Japan's and the world's leading automatic transmission makers to do a feasibility study to produce automatics in India.

It's sort of the first of its kind. These things do not normally happen in industry. And the study is slated for conclusion in the June-July time frame, and we will then sort of review whether making high-volume automatic transmissions out of India makes sense or not. This is in line with our vision to have a strong presence in the vertical of automatic transmissions where, of course, we believe that we have the capability.

But the deciding factor, of course, is we have to look at the financials, the amount of investment needed and whether the financial standards that we have set ourselves are achievable or if not, whether in the foreseeable sort of future of this program, if not in the first instance, subsequently, what needs to happen to achieve those financial standards. So that is the study that is underway to build a comprehensive discounted cash flow economic model that will enable us to understand various financial parameters.

Similarly, we have -- we are also doing a similar study for another 8-speed automatic with this time with a European OEM of great renown and market leader, a company that's over 100 years old in Europe. And similar study to understand -- and these 2 parallel parts are giving the company a unique insight into what is possible in the world today.

So one is from Japan, the other one from Europe. And eventually, this will, we believe, help us in building an automatic transmission operation with deep roots in terms of localization in India. The vision is to build a business like our 4-wheel drive business where the company is not just building to print, but eventually assimilates technology to engineer then the next-generation products as we are doing right now for customers in India and across the world.

We believe that Indian economics can bring solutions in the area of low to medium volume requirements around the world and optimize those solutions by engineering these product configurations to suit the vehicle applications in various markets. So that was the eighth, I think, thing we pulled off.

We are also in discussions with Mahindra for looking at offloading manual transmissions for their pickup trucks -- and the idea is that release space and assets in Mahindra as they expand and the portfolio becomes more complex. So, by taking on such an opportunity, we are releasing resources in Mahindra to be more cost effectively configured. So, this study is also underway.

And finally, I'm really pleased that we are also making good headway in the Korean market where later this month, we are doing a sort of Tech Day exhibition at Hyundai in Chennai and also working with what used to be SsangYong in Korea, now known as KG Mobility, where we are looking at EV and 4-wheel drive applications.

These are not just casual contracts. These are areas where we have provided engineering in the form of proposals, design proposals backed up with quotations. So that sort of sums up the list of 10 main points I have selected. We have many more actually, about 20-odd -- list of 20-odd projects in our R&D portfolio for FY '25, but I've selected the 10 top ones that can make a dent to our top line.

So that sort of brings us to the end of my remarks. And hopefully, I've given you a flavor of what I meant by this was the worst of times and the best of times. I have one last task to accomplish before I hand over the proceedings to our CFO, Sudhir. I just want to take a moment to welcome and introduce to you Satvinder Singh Sabharwal, who has joined us as our Chief Growth Officer.

This role is critical for us given the sort of wide diversity of very unusual business opportunities that we are pursuing that go far beyond the remit of just sales and marketing. These opportunities require a deep business thinking and the ability to integrate different dimensions of business development.

I'll just invite Satvinder to say a few words. But before that, by way of quick introduction, he is -- he holds a degree in mechanical engineering and a postgraduate in strategic management from IIM Kozhikode. He brings over 2 decades of experience in the industry and has worked with eminent organizations like Tata Automotive Components, Honeywell, companies of that pedigree.

He has worked across various geographies like India, Japan, Korea, US. And I'm sure he brings a great global mindset and cultural fluency in diverse environments of the types we work in and will help us in shaping and driving our growth strategy as we move forward.

So, with that, let me hand over the proceedings to Satvinder to just say a few words. And then we'll have Dipak Vani say a few remarks because we've finished FY '25, and I want him to say a few things about our operational details.

Before we hand the floor over to Sudhir to talk about the financial numbers. So, with that, Satvinder.

Satvinder Sabharwal: Hi. Good morning, everyone, and welcome to the earnings call once again. This is Satvinder Singh Sabharwal. I've recently joined Divgi, and I have been 20-plus years of engagement in the automotive industry. I've been passionate about analyzing the market macros, connecting with our automotive OEM customers, understand their road map and then building our own road map to drive growth.

My job over here at Divgi is going to be, I would say, 1 major goal and 2 line of actions. The goal is to drive value to our shareholders through growth. And the line of action is going to be explore new markets for our existing products as well as look for new products for our existing markets. Looking forward to work with all of you to drive value for our shareholders.

Thank you. And with that, I will hand it over to Dipak Vani.

Dipak Vani: Good morning, everyone. I'm Dipak Vani, Chief Operating Officer at Divgi TTS. I'm pleased to take you through key operational highlights for the year, which reflects our team's unwavering commitment to excellence, quality and continuous improvement across all our manufacturing facilities.

First and foremost, I'm proud to share that we achieved zero unsafe incidences across all our 4 plant locations throughout the year. This is a remarkable milestone and a testament of our robust safety culture, proactive training programs and ownership demonstrated by each and every employee on the shop floor. Turning to the product quality.

We have maintained our sharp focus on delivering excellence, particularly on the complex aggregates such as transfer case and EV transmissions. Our efforts have resulted single-digit customer PPM levels, which positions us among the industry best. At plant level, Bhosari facility achieved customer PPM of 3, whereas Shirwal plant achieved customer PPM of 2 PPM on the entire aggregate such as EV transmission.

What's more commendable is that we have achieved zero PPM track record on quality for our export shipments to United States of America, reinforcing our position as a reliable global supplier partner to our customers. Apart from this, we have won zero PPM award from Toyota and also proprietary Powertrain Supplier of the Year award from Mahindra & Mahindra.

In terms of delivery performance, we are proud to report 100% on-time delivery throughout the year. This consistency is the result of our disciplined planning, robust supply chain processes and deep sense of accountability across our operation teams.

We also made significant progress in the cost management last year through focused supplier cost savings realization, Kaizen process improvement and efficiency initiatives. We successfully achieved cost reduction of 1.44% of our sales. While this may sound modest, in a high-volume manufacturing environment, this reflects substantial savings and improvement to our bottom line.

Another major highlight was we have done investments in the new machineries for our export-oriented components last year, successfully, we have commissioned those machines and these lines are now operational. So, these additions have expanded our capabilities, improved productivity and further strengthened our readiness to serve in global markets with precision and scale.

One more highlight, just recently on 30th of May, our Shirwal plant received IGBC Green Building certificate through the hands of honorable Environment Minister of Maharashtra State, Pankaja Munde.

So overall, this year has been one of the operational discipline execution and strategic investment. And I want to extend my appreciation for every member of our operations team for making these results possible. With this strong foundation, we are well positioned to scale up further meet and exceed our customer demand in evolving automotive landscape.

Thank you. Over to you, Sudhir.

Sudhir Mirjankar: Thank you, Dipak. Good morning to everyone on the call. Before presenting the financial numbers for the Q4 and FY '25, I would like to highlight a few key points. For the full year FY '25, our total income declined by 12% on a year-on-year basis, primarily impacted by subdued domestic demand in transfer case.

This segment faced distinct challenges over the course of the year, leading to a declining volume offtake, which in turn weighed on our overall revenue for -- from operations and operating profitability.

Coming to the full year numbers. Total income for FY '25 stood at INR240 crores, reflecting a 12% year-on-year decline from INR273 crores in FY '24. This decrease was primarily driven by lower volumes in our core segments.

The transfer case segment witnessed a 29% decline year-on-year, whereas the EV transmission segment continued its growth trajectory with a 6% increase compared to FY '24. Components segment delivered robust performance, registering a strong 41% year-on-year growth, backed by a healthy order book from both domestic and international customers.

We expect this momentum to continue with further acceleration in export anticipated in FY '26. So, our export contribution rose significantly from approximately 1% in FY '24 to around 5% in FY '25. While exports currently remain in single digits as a percentage of revenue, we are confident of a steady upward trajectory. With several new contracts secured, we are targeting double-digit export contribution by the end of FY '26.

Gross margins improved to 63% in FY '25, up from 61% in FY '24. This margin expansion was primarily driven by our volume-based pricing strategy in the transfer case segment, which led to better realization. Additionally, a favorable sales mix with a higher contribution from defense applications further supported profitability.

These factors collectively underscore our focus on operational efficiency and sustainable margin improvement. EBITDA for the year stood at INR58.6 crores, down 19% year-on-year from INR72.6 crores in FY '24, primarily due to lower fixed cost absorption stemming from reduced volumes. EBITDA margin stood at 24.4%. Adjusting for onetime marketing expenses related to Auto Expo, the EBITDA margin remains healthy at over 25% for the FY '25 as well as Q4 of FY '25.

Profit after tax for FY '25 stood at INR24.4 crores, reflecting a 39% year-on-year decline from INR39.7 crores in FY '24. PAT margins stand at 10.2%, impacted primarily by higher depreciation expenses arising from strategic capital investments made to support our planned export scale up in FY '26 and readiness for the forthcoming long-range plan.

However, speaking on the performance of Q4 FY '25, we are pleased to report a strong and encouraging turnaround. On a sequential basis, total income grew by nearly 12%, marking the beginning of recovery. This recovery was led by renewed growth in our -- in 2 of our key business areas, transfer cases and EV transmissions, both of which showed meaningful traction and positive momentum.

Coming to the quarterly numbers. Total income for Q4 FY '25 stood at INR64 crores, registering a 12% increase quarter-on-quarter from INR57.5 crores in Q3 of FY '25. However, on a year-on-year basis, it declined by 9%. EBITDA for the quarter was INR14.5 crores, reflecting a 7% growth over INR13.6 crores in Q3 of FY '25, but a 20% decline compared to Q4 of FY '24.

The EBITDA margin stood at 22.7% for the quarter. Profit after tax remained flat on a sequential basis at INR5.3 crores, while declining 42% year-on-year from INR9 crores in Q4 of FY '24. PAT margin for the quarter stood at 8.3%. Overall operating profitability was affected by lower fixed cost absorption and higher depreciation costs. The decline in operating profit also weighed on profit after tax.

Moving on to some of the other key financial metrics for FY '25. As you are aware, we continue to remain a net cash company, and we are committed to maintaining this strong financial position going forward. Return on capital employed for the year was 5.6%, while return on invested capital came in at 4.2%.

We expect both these metrics to strengthen in the coming years as the benefits of operating leverage begin to unfold with increasing demand scenario and improved capacity utilization. Out of the IPO process of capex of INR170 crores, we have deployed INR64 crores till date. INR27 crores was capex spend during FY '25, reflecting our focused and phased approach towards building future-ready capacities.

Finally, to conclude, the Board of Directors at its meeting has recommended final dividend of INR2.6 per equity share of face value of INR5 each for FY '25. It is subject to approval by members at AGM. While the broader environment posed challenges through most of the year, our Q4 performance reinforces the strength of our core capabilities and the strategic groundwork we have laid. We are confident this upward trajectory positions us well as we move into the new fiscal year.

That's it from my side. Now I would like to open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mihir Vora from Equirus Securities.

Mihir Vora: So, my question is on the exports part. So, we have been positive on the exports. And just wanted to know whether how it will be ramping up from Q1 onwards? And what is your full year target for the exports this year?

Jitendra Divgi: This is Jiten Divgi here. You're able to hear me clearly? Can you hear me, Mihir?

Mihir Vora: Yes. You are audible.

Jitendra Divgi: So, as I said, we have approval for 8 components. They are coming in, in a sort of phased sequence. With the numbers which we have right now from customers, the forecast appears to be around INR70 crores, but the only qualification I would add is that with the tumult going on in the US because of the tariff uncertainty, it's very difficult to sort of divine what the numbers will be given that this could lead to some fear of inflation and therefore, the market softening up in the US. There is some anxiety over this.

But at the end of the day, the US is a very large solid market, highly -- almost a continent sized market. So, we know that the numbers will be there. The INR70 crores is actually a discounted forecast. The RFQ volumes, if I take that into consideration, we should have been at around INR90 crores. But we have discounted based on our experience and sort of judgment of what is going on. So, I hope that answers your question.

Mihir Vora: And sir, just one thing on this, that currently in our discussions with the customers, so are we seeing like anxiety there, but how bad can the situation happen? And any color on that, like what we are looking in our case?

Jitendra Divgi: Yes. Excellent question. So, our interaction with many of our customers is at 2 levels, I should say 3; the operating plants, the strategic purchasing management and also, in some cases, stock management. And we're also talking to the legal side of these businesses because they keep a watch on what's happening.

The United States of America for the last, I would say, almost 100 years is not used -- especially after World War II is not used to this kind of chaos in imports. US was always in a very unassailable kind of condition as a superpower and had very down-to-earth simple customs procedure. Now with Mr. Trump bringing these initiatives, it has caused a certain amount of confusion even in the bureaucracy.

But having said all this, there is an expectation that with countries of Europe, with India, this whole negotiation that is going on will eventually settle down. And there is an expectation that India will come to some kind of a reasonable settlement and we will try and continue the 2.5% import duty regime that was applicable on Indian exports.

But you have to consider the fact that we've done our research and it appears that India will continue to enjoy at least a 25% import duty advantage over China. But besides that, I think there is a strategic sort of recognition in the United States that for far too long, they have put all their eggs in one basket.

And even if 30% to 40% of their sourcing is done out of India or non-China, not even India, non-China, it would be a good idea. So that's what we are seeing today. Many of our customers are putting in place organizations within their companies to have a dedicated focus on India, India sourcing now. And in most cases, these initiatives are led by members of the Indian diaspora, who, of course, have the familiarity with India as a market and a culture.

So, we see this advantage coming to India in the coming years, both from Europe and the United States. Very interestingly, China itself presents a very interesting opportunity because -- for your information, Chinese production is almost double now that of the United States. And the market is so huge that there are entire segments in the Chinese market that are bigger than the Indian automotive industry.

So many Chinese Tier 1s and other players are after the huge gargantuan volumes and what we might consider big volumes by Indian standards are low to medium volumes for the Chinese players. And therefore, finding suppliers for these niches is becoming difficult in China. And Divgi have had a long history of working in China since 2000, almost 25 years.

And so, we have our contacts, our friends in the Chinese market, and we are paying a lot of attention to China as well. Along with Europe and United States, we are seeing a renewed strategic focus on India also from Japan and Korea, where, of course, companies like Toyota, Honda and Hyundai of Korea are global leaders.

So, I would say with all of this, the strategic outlook for manufacturing from India is extremely robust. It is competitive. Let me not sort of look at it as they say from rose-tinted glasses, it is a tough competitive space there. But I think by now, Divgi is a seasoned player. We have deep connection to top management. We have a great track record.

And so overall, I'm guardedly optimistic about the future. We have a robust business development register, as we call it. A lot of inquiries are there. We are working -- we have people positioned in East Asia and in Germany to pursue this. And we continue to look at ideas to strengthen our local presence in these markets. I hope I've answered your question.

Mihir Vora: Yes, sir. And just a quick question. Like you mentioned in the beginning that we are targeting around 50% sales growth in FY '26. So basically, would this be more skewed towards, say, second half or it will -- we'll start seeing the changes from the first quarter onwards only?

Jitendra Divgi: Yes. Be patient and don't steal our thunder for the first quarter earnings call. In good time, we will share everything with you. But -- so my personal focus is not so -- I mean, I think the team is doing a great job of managing, as Dipak Vani and Sudhir told you, our teams -- operational teams are doing a fantastic job in terms of managing this.

My personal focus is to bring about the really big opportunities that will give us a sort of lift for the next 2 to 3 years. And the goal really is to set a path towards that INR1,000 crores goal, which we had set ourselves.

Moderator: The next question is from the line of Kunal Shah from Anova Capital.

Kunal Shah: In Q4 FY '25, we saw a good recovery. So, considering that, can you give some guidance regarding the direction outlook for FY '26?

Jitendra Divgi: Yes. Normally, we are not in the business of -- we do give sort of directional guidance, not too many specifics. But let me assure you that the EV segment will see -- we are expecting at least a 50% growth at least, the numbers could actually be much more. But because this particular product that we are introducing goes on the most attractive segment, we feel of the Indian EV industry. It's a segment that has some really stylish products.

They are quite in the affordable space and there's very good service backup from a company like Tata. These models are also the most visible in the market today. So that's one aspect. In the previous question, I gave you a sense of where our exports is headed compared to the extremely modest number we had in FY '25.

And we are seeing some pretty amazing recovery beyond my expectation in the 4-wheel drive business. And this, ladies and gentlemen, I can tell you is the resurgence of Mahindra. This new 5-door Thar is like a blockbuster product. It is quite unique, extremely stylish and none of the global players has an answer to the Thar ROXX.

So, it is just powering its way through the market. I think Mahindra is challenged on capacity, and I won't be surprised that in the next few months, even we will be surprised. But once bitten, twice shy, we don't want to promise you the Moon, but we are on pretty solid ground there as well.

So, these 3 features will propel FY '26 -- and as I said, our now aim is to -- while sort of managing that entire, let's call it, our operational tactical front for FY '26 is to really focus on bringing home the bacon as they say, on these new next-generation automatics. That is crucial because whatever happens tactically in FY '26, the winning a big program on this automatic at this stage in FY '25 because one of the key milestones of the Indian industry is going to come in '27, '28.

And if we have to be part of that, we need an award in this year. So, continue watching the space. We have some really bright hot irons in the fire, as they say. And I really look forward to having some kind of a great announcement before December. So that is the way I would characterize FY '26.

Moderator: Ladies and gentlemen, we will take that as the last question for the day. I would now like to hand the conference over to the management for closing comments.

Jitendra Divgi: Yes. So, thank you very much. So, I'm told some 40-odd people have come. I feel very obliged that you take the time and interest to follow us. And I can tell you that personally, I am totally committed to making sure that we redeem the promise that we have given you that this company will do something unique and different in the automotive industry in India.

To enable each of our business segments to reach their full potential, we have laid out clear focused strategies. We have a great team, experienced team working. And we -- I'm personally very pleased that at the milestones we have achieved and that we have set for ourselves in FY '26.

The rebound in Q4 is actually -- it's just like a light appetizer. I can tell you that the first 2 months of this quarter has been even better than that. And so, this is a strong indicator of positive momentum returning to the business in line with our expectations of a sustained recovery in domestic volumes. And of course, supplemented and complemented by a healthy pipeline of export orders.

So, as I just summarized, these strengths collectively position us well for a volume-led recovery as FY '26 unfolds. So, we step now into the future with confidence in our strategy, the strength in execution and a certain conviction in our people. Of course, at the same time, I must emphasize that we are alert to global uncertainties. We know what the levers are in trade dynamics and the varying pace of EV adoption across markets and technologies.

But India being a sort of tropical country, most of our markets are in the tropical regions. We believe that EVs -- the whole electrification wave is here to stay. And we do have some solid market research at a global level that we've done that supports this view. And at the right time, we will be sharing the results of our research with all of you. So, I'm confident that we are working to accelerate our plans and that we will continue to remain of long-term value to our customers and investors.

So, thank you very much, and I look forward to interactions then when we have our AGM and the next earnings call in the near future. Thank you very much.

Moderator: Thank you. On behalf of Equirus Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.