



Commercial Vehicle Solutions

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Scrip code: 533023

Listing Department
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Exchange Plaza, C-1, Block G
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Trading Symbol: ZFCVINDIA

ISIN : INE342J01019

Dear Sir(s),

Sub: Transcript of the Investor Call for the fourth quarter & year ended March 31, 2024

In continuation of our letters dated 16th May 2024 and 27th May 2024 pursuant to intimation and recording of investor's call, we hereby inform that the transcript of the call has been uploaded on the website of the Company and the same can be accessed through the following link:

https://www.zf.com/mobile/en/company/investor_relations/zf_cv_india_investor_relations/zf_cv_india_ir.html#shareholderinvestormeeting_acc_656449_0

Request you to take the above information on record.

Thanking you,

Yours sincerely,
ZF Group

Muthulakshmi M
Company Secretary
ZF Commercial Vehicle Control Systems India Limited
(Formerly known as WABCO INDIA Limited)

ZF Group



“ZF Commercial Vehicle Control Systems India
Limited

Q4 FY’24 Earnings Conference Call”

May 27, 2024



**MANAGEMENT: MR. P KANIAPPAN – MANAGING DIRECTOR –
ZF COMMERCIAL VEHICLE CONTROL SYSTEMS INDIA
LIMITED**

**MS. SWETA AGARWAL – CHIEF FINANCIAL OFFICER –
ZF COMMERCIAL VEHICLE CONTROL SYSTEMS INDIA
LIMITED**

**MS. M. MUTHULAKSHMI - COMPANY SECRETARY –
ZF COMMERCIAL VEHICLE CONTROL SYSTEMS INDIA
LIMITED**

**MODERATOR: MR. ANNAMALAI JAYARAJ - BATLIVALA & KARANI
SECURITIES**



Moderator: Ladies and gentlemen, good day and welcome to the ZF Commercial Vehicle Control Systems India Limited Q4 and FY24 earnings conference call hosted by Batlivala & Karani Securities India 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 the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Securities Private Limited.

Thank you and over to you, sir.

Annamalai Jayaraj: Thank you. Good afternoon. Thank you for joining us today and welcome to ZF Commercial Vehicle Control Systems India Limited call to brief you on the quarterly earnings. Today, the fourth quarter earnings and annual results for FY 2023-2024 will be presented by the management team of ZF Commercial Vehicle Control Systems India Limited. Your host today from ZF Commercial Vehicle Control Systems India Limited are Mr. P Kaniappan, Managing Director, Ms. Sweta Agarwal, CFO and Ms. M. Muthulakshmi, Company Secretary.

I will now hand over the call to Mr. P Kaniappan who will provide further insights into the results.

Over to you, sir.

P Kaniappan: Thank you, Mr. Jayaraj. Good afternoon to all of you! I warmly welcome you all to ZF Commercial Vehicle Control Systems India Limited's fourth-quarter results and full-year performance for FY 2023-24.

Certain forward-looking statements that we'll make today are based on management's good faith expectations and beliefs concerning future developments. As you know, actual results may differ materially from these expectations as a result of many factors.

ZF Commercial Vehicle Control Systems India Limited's results for the quarter ending March 31, 2024, and the annual performance for FY 2023-24 were published on May 24, 2024. They are available on the website www.zf.com under the ZF CV India investor relations section. We hope that you have had an opportunity to go through them.

A transcript & recorded audio of this call will also be made available on the website www.zf.com under the ZF CV India investor relations section.

I am happy to talk to you today as we give you an update about the business of the company.

First, I will start with industry and economic updates.

I would like to start by talking about a few key macroeconomic aspects relevant to our industry. The Indian economy is growing at a robust pace with an average annual growth of 8 percent



during the last three years. India continues to be the fastest-growing major economy in the world, supported by an upturn in the investment cycle and a revival in manufacturing.

As per the second advance estimates (SAE), released by RBI, real gross domestic product (GDP) expanded at 7.6 percent in FY 2023-24 and 8.4 percent in Q3 FY 2023 -24, with strong investment activity and a lower drag from net external demand.

Looking ahead, the monsoon is expected to be normal, which should support agricultural activity. Manufacturing is expected to maintain its momentum on the back of sustained profitability. Services activity is likely to grow above the pre-pandemic trend.

Headwinds from geopolitical tensions, volatility in international financial markets, geoeconomic fragmentation, rising Red Sea disruptions, and extreme weather events, however, pose risks to the outlook.

Taking all these factors into consideration, real GDP growth for 2024-25 is projected at 7.0 percent and CPI inflation for 2024-25 is projected at 4.5 percent. The growth prospects of the Indian economy in 2024-25 looks bright.

Indian commercial vehicle industry: fuelled by government investment in infrastructure, stable fuel prices, and a strong industrial sector (IIP growth of 5.8%), CV vehicle production (>6T) experienced a growth of 6.5% in FY 23-24. However, in Q4 FY 2023 -24, there was a degrowth since OEMs probably focused on inventory reduction measures.

Now I would like to share some insights on the specific initiatives undertaken by the company during FY 2023- 24

OE Sales:

In Q4, the production of CVs (>6T) de-grew by 7.2% due to the inventory reduction measures by OEMs, and our company grew by 0.8%, outperforming the market by 8%. In FY 2023 -24, against 6.5% growth in OE vehicle production (>6T)) the company recorded OE sales growth of 16% thus outperforming the market by 9.5%.

This was due to the following key growth drivers: -

- Launch of pneumatic and hydraulic Electronic Stability Control for buses complying with new regulations
- Increase in Tractor-trailer combination to 17% from 8% (the year before) and growing adoption of Lift axle control systems in the trailer segment.
- Increased adoption of High-force actuators in heavy-duty trucks and Advanced Air processing units in the bus segment.

In the next few years, electric bus production is expected to increase rapidly. The company is well prepared to meet these increasing demands with its portfolio of e-mobility technologies



including e-compressor (e-comp), Electronic Braking Systems (EBS), Electronic Stability Control (ESC), and Electronically Controlled Air Suspension (ECAS) among others.

The Government is expected to mandate the Advanced Driver Assistance Systems (ADAS) (Advanced Emergency Braking System, Lane Departure Warning System) regulation in the next few years. The company is working with OEMs and co-creating advanced Safety and ADAS roadmaps to meet future customer and regulatory requirements.

Aftermarket:

Our aftermarket sales grew at 4.5% in Q4 and 11.5% in FY23-24. The drop in Q4 is attributed to lower activity in mining and the slowdown in government-funded projects.

The growth in the Aftermarket segment is driven by:

- Launch of new products including Door Control Systems (11 variants)
- Improved penetration of digital solutions
 - Increase in ~2500 connected vehicles in Q4 and 58,500 vehicles in FY 23-24 Total connected vehicles ~170,300
 - Trailer Pulse for the trailer segment (650+ trailers of leading hazardous cargo carrier fleets connected)
- Growing sales in the STU segment.
 - Increase in the sale of Automatic Slack Adjusters and Clutch master cylinder
- Use of data analytics to identify and address the white spots of top 10 products.

Export of goods: The company had registered a degrowth in exports of Goods in FY 2023-24 at 2.3% and a degrowth of 15.5% in Q4 of FY 23-24. This degrowth is due to a sales drop in Q4 caused by inventory reductions and delays in sea shipments as lead time increased from 6 weeks to 8/9 weeks. However, the future looks positive due to increasing order books and the new projects in the pipeline. Mainly, clutch compressor assembly and actual assembly for new customers.

Export of services: Export of services grew at 14.1% in Q4 and 30.5% at full year FY23-24 due to increasing engineering activity from India to Global.

Footprint expansion: The company inaugurated its 6th manufacturing plant in India on February 14, 2024, at Oragadam near Chennai. The inauguration took place in the presence of distinguished guests including Dr. TRB. Rajaa, Honourable Minister for Industries, Government of Tamil Nadu and Professor Dr. Peter Laier, member of the Board of Management's setup group.



Spanning over 7,000 square meters, the plant will operate as a hub for manufacturing and assembling electric mobility and advanced mobility technologies for light, medium and heavy-duty commercial vehicles. This plant underscores our commitment to sustainability by operating with 100% renewable energy from day one. The facility has a solar power plant capable of generating up to 450-kilowatt peak power supplemented by further solar and wind energy through long-term contracts. Additionally, the plant incorporates rainwater collection and reuse systems aiming to achieve water neutrality by 2025. The plant is operated by around 80% of women employees.

ZF CV Control Systems Manufacturing India Pvt. Ltd., a wholly-owned subsidiary of the company, commenced its commercial production in March 2023. The WoS recorded sales of 34.8 Crores and PAT of 1.7 crores. This entity is eligible for a lower tax rate of 15% and actions are being taken to ramp up production at this entity, at the new site.

CSR Outreach: The company's CSR efforts are guided by ZF Group's 'Acting Now' principles, focusing on four pillars: improving road safety, enhancing the quality of life in neighbouring communities, promoting environmental sustainability, and supporting skill upgradation.

During the year, the company took up the following CSR initiatives.

Road safety

- Provided braking system, overhauling and testing equipment at 20 Regional Workshops and Driver Training Institutes under the State Transport Undertaking (STU) in Chennai, Lucknow, and Jamshedpur.
- Worked with the local authorities and installed/upgraded 9 solar-based traffic signals and 20 blinkers in the Avadi Traffic Zone

Skill Upgradation

- Set up a Skill lab (Mechanical) at Govt Polytechnic, Pantnagar.
- Set up computer lab, advanced fitter and welding lab, soldering labs at Govt Polytechnic and Govt ITI in Barabanki, Lucknow.

Community Development

- Upgradation of primary health centres across multiple locations in proximity of our plants to support them with the necessary medical infrastructure and critical medical equipment.
- Installed 365 solar streetlights, in communities near Lucknow, Jamshedpur, and Chennai.
- Supported 5,000 cyclone-affected families in collaboration with local authorities during the Michuang Cyclone



Sustainability

- Restored a 650 square meter pond in Mappedu
- Replanted 5,400 trees with proper watering systems, post-cyclone

Awards and recognitions:

During the financial year, ZF Commercial Vehicle Control Systems India Limited won the following customer awards in FY 2023-24

- “Sustainability Excellence Award” from TATA Motors
- Special award for “Partnership and collaboration” from VE Commercial Vehicles
- “Best Technology Partner Award” from Mahindra Truck and Bus
- “Green Channel Supplier” recognition from Ashok Leyland Ltd.
- “MyTVS Partnership Excellence award” for Aftermarket support from Key Mobility

Ambattur plant won the Responsible Manufacturer Award Gold Category from Kaizen Institute in recognition of our ESG performance. The Ambattur plant was also awarded the Platinum Award for overall EHS, environment, health, safety practices at the CII National EHS Competition. The Mahindra World City plant was awarded the Going Global commendation from CII for its export performance.

Our employees continued to demonstrate high levels of engagement and participated in various external total employee involvement competitions, winning numerous awards across several categories in the last fiscal year. I'm happy to share that in Q4 FY'23-'24, our teams won a total of nine national awards in the various competitions organized by the CII, ACMA and QCFI, and many more awards at regional levels.

BRSR: The company will be publishing its first ever integrated annual report along with the 3rd BRSR report for the year. We are happy to state that in some key parameters like utilization of energy from renewable sources, wastewater generation, water consumption and waste generation, the company showed significant year-on-year improvement.

Now moving on to our financial performance for the quarter. For your ready reference, the results were made public at 4.47 PM on 24th May 2024. I hope you have had a chance to go through that.

As stated, commercial vehicle production (>6T) de-grew by 7.2% over the same quarter in the previous year. However, CV production registered a growth of 6.5% for the full year 2023-24, over 2022-23. I would like to state that the company outperformed by 8% in this quarter and 9.5% in the full year 2023-24.



Our sales thus to OEMs in this quarter is 474.3 crores which is 0.8% higher than the prior corresponding quarter. We also closed the year with sales to OEMs at INR 1853.8 crores, which is 16% higher than the previous year.

Our aftermarket sales were up 4.7% over the same quarter in the previous year amounting to 130 crores; and Year-on-year, our aftermarket grew by 11.5% to 478.5 crores.

Our engineering and other services continue to provide very strong value to our customers in the group. The growth in service income is very healthy at 14.1% in the corresponding quarter and 30.5% YoY.

Though the market is facing some headwinds in the near term, our fundamentals remain strong. Overall, we have achieved a profit before tax of Rs.136.2 crores in this quarter and Rs.546.4 crores for the FY 2023-24. Our FY 2023-24 PBT is 16% of product sales. Our EBITDA for this quarter is 19.4% and for FY 2023-24 is at 19.4%.

Thank you. We welcome your questions now.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Annamalai Jayaraj from Batlivala & Karani Securities. Please go ahead.

Annamalai Jayaraj: Yes, I have a few questions. One is, now we have started supplying electronic stability control for buses. So, in that, will our import content be high because of low volumes or we have already localized to a greater extent?

P Kaniappan: Yes, Jayaraj, the current situation is about 800 ESCs per month in the normal times is being consumed. This volume is actually quite low for localizing the full system. But what we have done is anticipating this evolution of regulation of ESC. We have already localized the ECU, Electronic Control Unit, with an Indian supply chain. The other products, we will localize progressively. So, we expect the regulation to cover more buses. Already, there has been an indication from September 2025, more buses will be covered for ESC. We also expect that subsequently the truck segment also will adopt ESC. So, we are calibrating our localization plan in line with the volume. But as such, even before the regulation came in, we are ready with the ECU which is from a local supply chain.

Annamalai Jayaraj: For trucks, the date is not yet announced?

P Kaniappan: The truck date is not announced. What we expect after the election, there may be some announcement related to new regulations in which we believe ESC and this autonomous emergency braking also may be covered. Because the CMER committee and others have actually reviewed all the readiness of those technologies. So, in our view, it should come soon. So that the industry is getting ready for this regulation to be introduced over a period of next few years.

Annamalai Jayaraj: Then on the export front, I think currently most of our export is to the WABCO. Any update on whether any export opportunities to the ZF group?



P Kaniappan: Actually, our export is in some about four important product lines. Of course, the main thing is the compressor. A compressor we have originally started supplying it to one of the global OEMs, Volvo. Then we are extending it to new customers. This is going to increase to a level of INR 215 crores in 2023. We expect this to continuously increase almost double in the matter of 2025 because of new projects which will get implemented this year in the second half.

That is one. Same case, we are supplying actuators and SDA is an actuator and there is a brake chamber. Again, here we expect steady growth. As you see in 2023, we did about INR 400 crores in this product line. We expect this to increase to about INT 450 this year and next year. In every area, we are working on many new projects to drive the growth.

Annamalai Jayaraj: Any update on our PLI scheme, sir?

P Kaniappan: Yes, PLI, the listed entity is an approved PLI site, a PLI business, a champion. We need to invest on certain commitments to secure that. In order to meet that commitment, we need to invest about another INR 120 crores before March 2025. We are working on many projects. We are trying to comply with that subject to customers giving nomination, etc., for some of the advanced technologies. We are working on that.

Right now, I am not in a position to commit whether we will be able to complete or not because the timeline is also quite critical. On a specific EV program, we are expecting certain nominations from customers as a commitment to start the investment. In the future calls, we will update.

Annamalai Jayaraj: On the domestic EV side, what is the outlook for the current year?

P Kaniappan: Current year, if you look at the calendar year, we expect our projection is about minus 3% versus last year a very good production. We expect after the election because in the last 2 to 3 months the demand was subdued somewhat for various reasons. Of course, one is related to the poll-related impact largely in the mining and certain projects which got delayed because of the funding, etc that is what we understand.

As a result of that, parallely the customers decided to do some cost correction. All that leads to a reduction in this quarter of about 1.2%. This quarter also we expected it to be quite weak because of the election, but surprisingly it is not as bad. We expect this quarter to be about minus 5%.

The full year we see about minus 3%, but if things improve in the second, it could be maybe flat from the vehicle production level, but our own plan is to outperform at least to a level of about 10%. So that is our outlook in the OE business. Exports it will be back. We do not see a negative in exports in this year. We expect growth roughly in the range of about 15% to 20%. We expect growth in exports. In the aftermarket also we are expecting a lower double-digit type of growth.

Annamalai Jayaraj: Okay. I will come back to the queue. Operator can announce it.

Moderator: Thank you.



- Annamalai Jayaraj:** I have one more question. So, what is our current content per vehicle for a commercial vehicle today and how much can go up for the next say 3 years or 5 years, broadly?
- P Kaniappan:** Yes, current content, Jayaraj is in the range of about INR 45,000 as a total combining all that including trailers and everything put together. The next 2 to 3 years, if you look in India the advanced technologies are yet to fully get adopted. ESC itself the bus segment we are talking about 5000 to 6000 numbers against the 40,000 buses being produced.
- Again, this also relates to the EV adoption. As and when the more EVs are getting adopted, it comes with EBS, decompressor and electronic stability control as well. So, the adoption is still very early stage. We believe this electric bus production will slowly increase. Today, it's in the range of 3,700 or 3,800 that's the type of number last year, but we also see there's a lot of focus from the government through the pm e-bus seva and other initiatives, to drive this growth.
- Number two, ESC has to be adopted to the trucks. We believe this will happen in the next 2 to 3 years. Also, the ADAS (Advanced Driver Assistance System), a part of that is called autonomous emergency braking and the lane departure warning type of regulation, we expect that to come in the next 2 years, 3 years. So, if all these things happen then we expect content per vehicle to at least double.
- Moderator:** Thank you. The next question is from the line of Basudeb Banerjee from ICICI Securities. Please go ahead.
- Basudeb Banerjee:** Thanks. A couple of questions. One is, am I right that you said earlier in the call that you expect fiscal year 25 commercial vehicle market to be flattish?
- P Kaniappan:** No I just talk about calendar year of 2024 I expect that to be flattish.
- Basudeb Banerjee:** So, basically just trying to understand on one side so much of optimism with respect to capex cycle, infrastructure creation, government spending and on back of that already we are through a year of flat number and looking forward to another year of flattish outlook. So, on background of such macro-optimism, two flat years for commercial vehicle. So, as an experienced company catering to this industry if you can highlight your thoughts with that reports?
- P Kaniappan:** Can you say the last sentence I couldn't hear?
- Basudeb Banerjee:** Just trying to understand from your experience where so much of macro-positivity capex cycle revival two consecutive years of EVs being flat. So, your views on that sir?
- P Kaniappan:** So, actually, if you see last year, 2023, the industry grew. You take the current the FY. Financial year also, I said 6.5% last year we grew. This year, of course, my reference of flat is for the calendar year. But even if you look at the financial year, FY'24-FY'25, it could be, may be in the positive, but you also must be seeing some outlook from some of the OEMs or the SIAM president's national level.



He talks about single-digit growth, high single-digit growth for a financial year. So, we also have a similar view, because this year, January, February, March, whatever happened, it's an aberration. We never faced a Q4 financial year. It was negative in the recent years. But that does lead to largely, maybe the election-related topic of some of the investments in the mining and construction area.

So, next year, after the election, we see the market to start, pumping up. So, FY'24-FY'25 should be a positive zone, maybe in the single-digit level. So, also it's a cycle. In case this industry is cyclic, last few years, it has been growing continuously. So, it is 6.5 this year, next year, if it is around that, you can still feel that it's okay.

Vasudev Banerjee:

Sure. And second thing that I just wanted to understand, like, what is the update on the exports-dedicated facility, how's the ramp-up pipeline, what's the advancement with regards to that, along with the ZF portfolio integration with the WABCO portfolio as of now?

P Kaniappan:

So, exports, today we do exports in broadly four areas. One area we have been quite, you know, building a strong position is in export of compressors from India. Compressors from India, we started with one global customer, then we added the second customer around 2022. Now, we are adding third customer, all big five global commercial OEMs, so that third customer we are adding this year.

And, again, the portfolio of the products also becoming stronger and indicating that the high-value products we are producing, like such compressors in India. So, this, from a level of INR 250 crores last year, we expect this to go to INR 500 crores in a matter of next two to three years. We have a clear pipeline, these are all based on specific orders and with a clear execution plan. The second product line we deliver is to various customers, basically the actuators and break chambers, which are essentially developed in India for global markets.

And thus we are gaining an increasing position. What we started with one assembly line, now we are almost having four lines, and in this quarter we are moving to the fifth line. So, this also, we see a growth in the volumes as we move forward. From about INR 400 crores here, we expect the volume to increase to INR 450 Crores next year. This is the second product line.

The third product line is for BMW, we supply, because car industry is supplying and air supply units. Again, from INR 250 crores, we expect that to grow to INR 300 crores. So, all areas we are only looking at growth. And the fourth, of course, is the valves and other assemblies we do. So, that's not a very significant number, but then, again, we only see a growth there, because the way we drive our growth is largely because of our competitive positioning globally.

With this price point, we are expanding our market position in other parts of the world, capex is expanding. Further, we are now looking at a few products in our Oragadam site, maybe in a future meeting I will share. So, this is something that earlier we were buying from a supplier, now we are able to localize within the group at the Oragadam site.



Once we start, we're reaching a certain level of maturity to the domestic customer, we will also look at that too, for example. Also our Mahindra City plant has a bottleneck in terms of space and other things. So, with the new site, we are also expanding further opportunities in this site. So, I'm sure that bottleneck also is removed. Overall, we are seeing it's only a positive story going forward. And again, what I believe the challenge that we had in this quarter is somewhat an aberration, driven by certain global events, like the Red Sea has increased. So, it is the integration of the web portal.

What we are currently doing is most of the ZF portfolio has been moved to ZF-CVCS entity. The advanced leveraging system is something that both WABCO and ZF are doing, but it's combined and it has been decided to be in the listed company part. That's what I said, if regulation comes fully in the next few years, there's a potential to double the value per week.

Again, when it's fully matured. It will take a few years, but the direction is very clear and the technologies are already more or less proven for India and few customers are ready. One customer is already released, launched it for certain applications, but then it's putting a safety regulation product. It will be driven by regulation. So, we expect some announcement in the next at least month or so. Thank you.

- Basudeb Banerjee:** Sure, sir. And that's very informative. Thanks.
- Moderator:** The next question is from the line of Sabyasachi Mukherjee from Bajaj. Please go ahead.
- Sabyasachi Mukherjee:** Yes. Hi. So, firstly, one clarification. You said the total domestic OE sales for the quarter is INR 474.3 crores.
- P Kaniappan:** Yes.
- Sabyasachi Mukherjee:** Am I right in this number?
- P Kaniappan:** You are right.
- Sabyasachi Mukherjee:** Can you just break it up with the ABS and non-ABS sales?
- P Kaniappan:** See, basically, we are supplying as a total system. If you see a value per weight of 45,000, whatever I said, you can take about one-fourth as the ABS part. The rest is non-ABS part.
- Sabyasachi Mukherjee:** One-fourth. Okay. Secondly, on exports, the number is INR 249.7 crores for this quarter, which is almost, I think, 15% - 16% decline when I see Y-o-Y. But there is an improvement quarter-on-quarter from 3Q to 4Q. I believe there is an improvement of almost close to 20%. I missed your outlook on exports if you can just repeat the outlook for FY '25. How do you see it?
- P Kaniappan:** Yes, I see at least 15% growth based on the order inflow that is there with us. Yes, it takes about 15% growth.



Sabyasachi Mukherjee: Okay. So, 15% growth on exports, you said low double-digit growth in aftermarket and in the domestic OE sales, outperformance of 10%. So, let us say if the industry remains flat, it will grow by 10%. That is the assumption?

P Kaniappan: Yes, please.

Sabyasachi Mukherjee: And this will be entirely driven by the increase in content per vehicle because the underlying volumes remains flat.

P Kaniappan: Yes. Actually, just to give you, so India is still in a very basic level of technology adoption in our space. Except ABS, nothing much has happened. But if you see, there are many more pipeline of technologies which has to come. One is the EBS, EBS for the electric vehicles. But electronic stability control is a technology which today only in the bus segment, government has mandated, but even though about 40,000 buses are produced somehow the applicability as by different interpretation has been reduced to only 5,000 or 6,000 numbers per year.

But this will change because this is an excellent technology which actually will significantly reduce the rollover accidents and it's a proven thing. Then you look at EBS Electronic Braking System. Okay, Electronic Stability Control also is required when the mandate comes for Autonomous Emergency Braking, which is essentially, again, many parts of the world it is already mandated.

We expect that to be also announced soon here, with probably 1 or 2 years' time frame for implementation. Again a big impact on the vehicle can happen when it comes. The third is the Electronic Braking System, which is essentially an efficiency, a better efficiency on the braking.

It improves about 5%-8% improvement in the efficiency of the vehicle itself. So, all that has to be adopted. It's still in the, I would say, very basic level of adoption of technologies. We hope, in this direction things will move fast because the industry is more and more moving in the global level. If you see the increased axle load and all those things, calls for much more technology, much more technology-oriented approach to handle the road safety issue. So, I understand the industry is realizing it. It's a matter of time it will start coming to India.

Sabyasachi Mukherjee: Sir, on the electronic stability control, I think two quarters back on quarter two earnings call, you mentioned that I think the adoption is somewhere around 40%, 50% in the buses. What is it right now and when do you expect this number to go up and reach, let's say, 80%, 90 percent?

P Kaniappan: Yes. So, what is really happening is slowly they're excluding, the OEMs are trying to exclude in certain applications. For example, if the buses are produced inside the company, then they implement. If the body building happens elsewhere, they try to avoid, etc. Okay. So, that is happening. Today, I would say about 8,800 buses per month are fitted with this against typically about 4,000, maybe around 3,500 or 4,000 buses being produced.



So, you can say about 20%, 25%. It has come down. But next, from September onwards, there is another - September 25, there is a mandate which insists adoption to more applications. Maybe if you want some detail, I can also share. What is happening is there are 4 types in the buses.

Type 1 is buses for urban, semi-urban, city buses. So, here by design, by mandate, yes, it's not applicable because these buses are supposed to travel in the city at low speed. Then you have intercity buses. This is called type 2. The type 3 is coach buses for long distance with passenger comfort.

So, type four is special purpose vehicles, school bus, sleeper coaches, tourists, double-decker, etcetera. So, initially, there were also - there was a, understanding that even school bus may not have, but later this is included, that is still not fully adopted. So, there are adopted in multiple levels it is.

But then, we expect from September 25, all the buses, whether fully built or buses built - now bodybuilders are excluded because in the buses, the chassis goes out, neither the OEMs take accountability nor the bodybuilders. But from September 2025, it has been mandated that whether it is built in the OEM's position, a place or in the bodybuilders, it has to, it has to have that AESC, etcetera. So, we expect this progressively, this will increase. Maybe when that happens, maybe about 80% of the applicable models because excluding the city buses and others, the rest will more and more have that ESC.

Sabyasachi Mukherjee: And what would be, sir, the content value? Let us say these 800 buses per month are being fitted with the Electronic Stability Control. For you, what would be the content that is going into these buses?

P Kaniappan: The delta content, you may take probably in the range of INR 30,000.

Sabyasachi Mukherjee: That is the delta?

P Kaniappan: Yes.

Sabyasachi Mukherjee: And for the other drivers, like you mentioned, e-compressors to be one, then there is Electronic Braking System, then there is ADAS, collision mitigation. Can you just highlight what would be the approximate content for you, the delta content that would flow to you?

P Kaniappan: Yes. So, the electric compressor, if you look at it, it is maybe anywhere between, I would say, roughly around INR 85,000-INR 100,000. So, any electric bus that is fitted, that generally, mostly in India goes with our e-compressor.

Sabyasachi Mukherjee: Sorry, sir. I missed the last part. Can you just repeat, please?

P Kaniappan: See, normally in the buses, there are two approaches. Electronic braking system with ESC is one. Largely, most of the electric buses are going with that platform, that program. It has an electronic braking system. In that, electronic stability control also, it is included together.



I said ESC itself is roughly in the range of INR 30,000 approx. and EBS will also in the same range. And there are cases, specifically, only ESC, EBS alone, if you want to do. Again, the content is close to INR 50,000. So, because there, when you combine, you are able to eliminate certain aspects of the electronic.

Sabyasachi Mukherjee: And whatever you are supplying right now to the electric buses, is it only ESC or EBS with ESC?

P Kaniappan: Electric buses, see, there are two things. Electric buses, they are going for EBS electronic braking because it is very efficient braking. In electric buses, you need to diligently use the power. So, efficiency is very critical. So, most of them are adopting electronic braking system.

That is number one. I also said, today, the buses are mandated to have electronic stability control. So, the, it is combined. So, most of the electric buses, I would say 90% of the electric buses now in India will have both EBS and ESC, electronic braking system and electronic stability control. So, 10% of the buses, they do not use the electronic braking system.

They use the EBS-based braking system. They are, because they are concerned about the cost, so they have chosen to be like that. But otherwise, 90% of the electric buses in India are with EBS and ESC. \

P Kaniappan: Actually, last year, India produced only 3,700 electric buses. Then, it is 300 on average per month, because electric bus production will, in our view, pick up after the election, etc. There is a, when there is an increasing trend, still our numbers are very low. So, about 300 electric, electric buses are produced roughly on an average every month. Then, out of 800, out of the 500 is only electronic stability control alone. That is due to the mandate.

Sabyasachi Mukherjee: Got it. Okay, that's all from my side. Thank you for the explanation.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing remarks.

P Kaniappan: Thank you for joining the call and, of course, I'm sure it will help you to get the clarification that you wanted. Thank you very much. Thank you for joining.

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