Commercial Vehicle Solutions

Department	Finance
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Date	May 23, 2025

ZF Group · ZF Commercial Vehicle Control Systems India Limited, Chennai 600058

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Scrip code: 533023

Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra - Kurla Complex
Bandra (E), Mumbai 400 051

Trading Symbol: ZFCVINDIA

ISIN : INE342J01019

Dear Sir(s),

Sub: Transcript of the Investor Call held for the quarter and year ended March 31, 2025

In continuation of our letters dated 09th May 2025 and 16th May 2025 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:

ZF CV India Investor Relations - ZF

Request you to take the above information on record.

Thanking you,

Yours sincerely,
For ZF Commercial Vehicle Control Systems India Limited

MANOHARAN MUTHULAKSHMI

Digitally signed by MANOHARAN MUTHULAKSHMI
DN: C=IN, O=Personal, PostalCode=600099, S=Tamil Nadu, SERIALNUMBER=5C709DF4CD7242B2EE67DCEEC348C686A663E9401DFA5895BFCC359CA2BD0248, CN=MANOHARAN MUTHULAKSHMI
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Muthulakshmi M
Company Secretary

"ZF Commercial Vehicle Control Systems India Limited

Q4 & FY25 Earnings Conference Call"

May 16, 2025

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 Q4 and FY '25 Earnings Conference Call of ZF Commercial Vehicle Control Systems India Limited, hosted by Batlivala & Karani Securities India 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. Annamalai Jayaraj from B&K Securities. Thank you, and over to you, sir.

Annamalai Jayaraj: Thanks, Puja. Good afternoon. Thank you for joining us today, and I welcome to ZF Commercial Vehicle Control Systems India Limited's call to brief you on the Q4 FY 2024-'25 quarterly earnings and the earnings for FY 2024-'25. Today, the fourth quarter earnings and annual results for FY 2024-'25 will be presented by the management team of ZF Commercial Vehicle Control Systems India Limited.

Your hosts 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'll 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’s performance for FY 2024-25.

Certain forward-looking statements that we will make today are based on the management's good faith, and expectations concerning future developments. As you know, the actual results may differ materially from these expectations because of multiple factors.

ZF Commercial Vehicle Control Systems India Limited’s results for the quarter ending March 31, 2025, and the annual performance for FY 2024-25 were published on May 15, 2025, 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 connect with all of you today, as we give you an update about our business performance.

Industry and Economic updates:

I would like to start by talking about a few key macroeconomic aspects relevant to our industry. The global economic landscape remains in a state of flux, amidst heightened trade and policy uncertainties, with attendant implications for economies across the world, posing complex challenges and trade-offs in policy making. The channels through which these global shocks could impact economies, particularly emerging market economies, include spillovers from global growth slowdown, elevated financial markets volatility and dented consumer and investor confidence. The Indian economy remains relatively less exposed and better placed to withstand such spillovers with its growth driven largely by domestic demand. Nevertheless, we are not immune to the aftershocks and ripple effects associated with global disturbances. There may also be some positive spin-off to the Indian economy from the likely softening of crude oil and commodity prices and relative tariff advantage.

The National Statistics Office (NSO) has estimated real Gross Domestic Product (GDP) growth at 6.5 per cent for FY 2024-25. Going forward, sustained demand from rural areas, an anticipated revival in urban consumption, expected recovery of fixed capital formation supported by increased government capital expenditure, higher capacity utilization, and healthy balance sheets of corporates and banks are expected to support growth. Merchandise exports would be weighed down by the evolving global economic landscape, which appears to be uncertain at the current juncture, while services exports are expected to sustain the resilience. On the supply side, while agricultural prospects appear bright, industrial activity continues to recover, and the services sector is expected to be resilient. Headwinds from global trade disruptions continue to pose downward risks. Taking all relevant factors into account, the GDP growth for the financial year 2025–26 is projected to remain steady at 6.5 percent, consistent with the growth recorded in the previous financial year. (Source: Reserve Bank of India - Press Releases (rbi.org.in)

Indian Commercial Vehicle Industry:

While the overall automotive sector mirrored the growth pace of the GDP at 6.5%, the Commercial Vehicle segment saw a marginal dip of 0.2% as per FADA with a de-growth of 5.4% in vehicle production (greater than 6 tons category). This was primarily due to disruptions from elections, weather conditions, and delayed capex deployment by the Government.

Despite this, we remain confident about a rebound. We see clear signs of recovery driven by infrastructure investments, fleet renewal needs, and supportive government initiatives like the PM-eBus Sewa program. The Medium and Heavy Commercial Vehicle segment is especially well-positioned to benefit from continued focus on road construction, metro expansion, and urban mobility.

Key structural trends such as e-commerce growth, digital fleet solutions, new logistics models, and trailer market formalization are all expanding demand are also reshaping the industry. State Transport Undertakings (STUs) are leaning towards Public-Private Partnership models, while sustainability regulations and vehicle scrappage initiatives are accelerating the shift to cleaner technologies.

Looking ahead, with strong economic fundamentals, a forward-looking policy environment, and rapid digital transformation, India's commercial vehicle industry is poised for a strong comeback. We expect growing demand in the M&HCV segment, fueled by structural reforms and the government's continued push on infrastructure.

Now I would like to share some insights on the specific initiatives undertaken by the company during FY 2024-25.

OE sales:

Following a period of subdued demand in the first three quarters of FY 2024–25, the Commercial Vehicle sector staged a recovery in Q4, recording a growth of 7.7% compared to the corresponding quarter in the previous year. This momentum was fueled by continued infrastructure development and stable rural demand, which supported growth in medium-duty trucks and sustained performance in the bus segment. However, a slowdown in industrial activity during the quarter impacted demand in the heavy-duty segment.

Despite this rebound in Q4, the overall Commercial Vehicle industry posted a year-on-year decline of 5.4% in FY 2024–25. The Company's OE sales were further impacted, declining by 9.8%, primarily due to an unfavourable model mix, owing to a shift away from heavy-duty vehicles toward Intermediate and Light Commercial Vehicles (ILCVs) - alongside a Y-o-Y 12% drop in trailer production. Additionally, the company took a strategic decision to exit low margin 'bleeder' parts to improve our profitability.

As we look ahead to FY 2025-26, we are entering the year with strong momentum, underpinned by a recovery in Q4 FY 2024-25 and strengthening of fundamentals across key business segments. The outlook for the Commercial Vehicle industry is optimistic, with multiple indicators pointing towards a sustained rebound.

In anticipation of this upswing, we are focusing on strategic initiatives designed to enhance our competitiveness and unlock long-term value.

- Our priority will be to increase penetration of advanced trailer technologies, including T-ABS/T-EBS and SCALAR Evo Pulse, in alignment with AIS 113 trailer regulations and rising demand for safety and operational efficiency of trailer fleets.

- The Company is ramping up new project launches, such as the Exhaust Brake Valve, Automatic Traction Control and increased penetration of OptiDrive (AMT) and OptiRide Electronically Controlled Air Suspension (ECAS).

- The upcoming ESC regulations for buses, effective September 2025, represent a major growth opportunity and we are fully prepared for volume scale-up to meet this demand.

- Additionally, we are expanding the penetration of our EV portfolio, with a targeted focus on e-compressors and EBS systems to independent bus manufacturers.

Beyond the anticipated near-term rebound, we see long-term growth drivers emerging from the evolving regulatory environment and the rapid adoption of electric mobility.

The recent draft notification from the Government of India mandating Advanced Driver Assistance Systems (ADAS) - including critical safety features such as Advanced Emergency Braking (AEB), Lane Departure Warning System (LDWS), Moving Off Information System (MOIS), Blind Spot Information System (BSIS), and Driver Drowsiness Attention Warning (DDAW) - marks a transformative shift for the CV industry. We are actively collaborating with all major OEMs to ensure ZF's readiness and timely compliance with these upcoming regulations.

In parallel, the accelerating production of electric buses presents a significant opportunity, our advanced e-mobility portfolio, including e-compressors, Electronic Braking Systems (EBS), Electronic Stability Control (ESC), and Electronically Controlled Air Suspension (ECAS) - positions us as a key technology partner and enabler in this space. These developments underscore our long-term growth trajectory and strategic alignment with the future of commercial mobility.

Aftermarket:

In FY 2024-25, our Aftermarket business delivered a steady Y-o-Y overall growth of 5.5%. However, in Q4 FY 2024-25, we experienced a decline of (4.6%), primarily due to supply chain disruptions that affected product availability and fulfilment timelines.

Despite this short-term challenge, the underlying momentum of our Aftermarket segment remains strong and is supported by several key drivers including

- Launches of range of new products, including 11 variants of Door Control Systems

- Retrofitment of Hydraulic ABS systems for a major OEM on their export models.

- We continue to collaborate with EV Bus OEMs, through our sales and service networks to maximize uptime of public fleets. Additionally, we have begun supplying diagnostic software and tools for Electronic Brake Systems and Electronically Controlled Air Suspension systems, enhancing our role as a comprehensive solutions provider.

In a recent development, petroleum companies have floated tenders for LPG transportation contracts, mandating the use of Trailer Electronic Braking Systems (T-EBS) in Karnataka, Gujarat, Assam, and Rajasthan, and Trailer Anti-lock Braking Systems (T-ABS) in other states. This regulatory shift has opened a significant opportunity for retrofitting existing vehicles through the aftermarket channel, and we anticipate strong T-EBS/T-ABS adoption via this route in FY 2025–26.

Digital business updates:

I'm happy to share that the company has secured a large order for ~800 units of SCALAR EVO Pulse from a leading Indian trailer manufacturer. As India's first advanced trailer telematics solution, SCALAR EVO Pulse delivers real-time diagnostics, predictive maintenance, and critical event alerts - enhancing uptime, safety, and operational efficiency. This order marks a pivotal step in smart trailer adoption and reinforces our leadership in digital fleet solutions.

We also received a repeat order for Video Management Solution (VMS) from a leading OEM. ZF's VMS is an AI-driven video telematics platform that improves fleet safety, efficiency, and compliance through intelligent monitoring, automated alerts, and secure cloud storage. This repeat order reflects the strong value, that our solution delivers and highlights growing market confidence in our safety technologies.

Export - Goods:

In FY 2024–25, the company achieved a Y-o-Y growth of 8.4% over FY 2023-24 in goods exports. Despite the drop in volumes from a leading OE customer for Air compressors due to a decline in EV sales, the Company undertook strategic measures to focus on driving growth and realigning priorities, including the start of production (SoP) of Actuator 4.0 and Air Compressors for other global OEMs, among other measures. The export performance registered a growth of 3.5% in Q4 FY 2024-25 when compared to the same period last year.

Looking ahead, we anticipate some headwinds in our export outlook, primarily due to emerging tariff impacts from the U.S. market. While this presents a short-term challenge, we remain committed to proactively navigating these changes.

Export of services:

Export of services recorded a growth of 15.0% in Q4 FY 2024-25 compared to the same quarter last year. In FY 2024–25, export of services grew by 17.4%, driven by a sustained increase in engineering activities delivered from India to our global centers. This reflects the growing demand for our expertise and India's strengthening role as a global engineering hub.

ESG:

As part of the company's sustainability initiatives, an energy efficiency program was implemented across various stakeholder groups - including Operations, Maintenance, and R&D - at multiple company sites. This initiative led to the successful execution of 103 projects, resulting in a 12% reduction in overall energy consumption.

To improve energy efficiency, we also collaborated with IIT Madras Industrial Energy Assessment Cell (IEAC) and performed audits at Ambattur and Mahindra World City, identifying energy savings potential of more than 20%.

To promote the use of renewable energy, we installed on-site roof solar panels of 500KWp to support 25% of the plant's energy consumption in Jamshedpur and 60KWp to support 40% of the plant's energy consumption in Pantnagar.

Additionally, in a conscious drive to phase out fossil fuels in operations, the electrification of the canteen was completed at Ambattur, saving approximately 66,000 litres of diesel per annum and eliminating 151 tons of CO2 equivalent (CO2e). As an initiative to eliminate landfill, hazardous waste from the Mahindra World City plant is sent to the cement industry for co-processing.

Engineering update:

The engineering team has played a pivotal role in further advancing the Domestic Value Addition of the eComp to 62% - an important milestone in our localization strategy, focused on enhancing cost efficiency, and delivering greater value to our customers.

Manufacturing update:

The Company continued to launch advanced technology products from its newly inaugurated, state-of-the-art, multi-divisional manufacturing plant at Oragadam, catering to both Indian and global customers. New manufacturing lines for next-generation e-mobility products have been commissioned at this plant to produce e-compressors, ASP cartridges, hydraulic ESCs for Indian OEMs, and wheel-end products such as actuators, brake chambers, and ASAs for both domestic and export markets.

New products, including twin-cylinder compressors and actuators for European customers, as well as actuators, AMTs, APUs, charging valves, and ECUs for Indian OEMs, have been successfully launched. Manufacturing capacities have been scaled up across all plants for braking system products to capitalize on growth opportunities. New assembly lines have been established at the Jamshedpur and Lucknow plants, enhancing agility and customer responsiveness. Over 25 parts have been transferred to these plants, improving delivery performance, enhancing flexibility through proximity-based operations, and supporting our sustainability objectives by reducing transportation emissions.

Significant gains in productivity and quality have been realized through the implementation of smart automation robotic technologies, testing automation, and leveraging digitalization in assembly and machining cells. Disclosures continue to be filed within the group for indigenously developed process inventions, leveraging lean and frugal engineering capabilities.

During the year, machine refurbishment was performed in four machining cells (crankshaft and crankcase) at Mahindra World City, adopting the latest technologies. Additionally, condition monitoring powered by the Digital Manufacturing Platform (DMP) was implemented in 40 critical CNC machines at Ambattur, 6 critical CNC machines at Oragadam, and 20 critical CNC machines at Mahindra City to monitor machine behaviour and health conditions, thereby preventing unplanned downtime. There has been a considerable reduction in maintenance costs and energy consumption through the adoption of DMP. We continue to nurture citizen development, driving efficiency and better decision-making, through adoption of Microsoft Power Platform and automate repetitive tasks using Robotic Process Automation (RPA). These tools enable quick analysis and improved responsiveness in areas such as customer updates and inventory management at plant and distribution centres.

Corporate social responsibility:

In Q4, FY 2024-25, we actively pursued several impactful initiatives as part of our commitment to community development and sustainability, we continued to strengthen grassroots education by renovating and equipping science and computer labs at Government Polytechnic Harakh Deeh near Lucknow and by building key infrastructure -including a multi-purpose hall, library, and computer lab, at a girls' residential school in Barabanki. The company also contributed an X-ray machine to the Perumbakkam Primary Health Center in Chennai.

Our focus on road safety remained strong, with the installation of 12 solar-powered traffic signals and high-mast lights in key cities, relaying of the road in Hussain Nagar, Tamil Nadu, and road safety training campaigns for technicians and drivers across 37 locations pan India. Additionally, we trained 1,000 youth in basic manufacturing skills through the National Apprenticeship Promotion Scheme (NAPS), to enhance their employability.

These initiatives reflect our long-term commitment to social responsibility and our belief in creating tangible, sustainable value for the communities in which we operate.

Awards and recognitions:

During the financial year FY 2024–25, I'm proud to share that ZF Commercial Vehicle Control Systems India Limited was honored with several prestigious customer awards, recognizing our commitment to technology, innovation, and service excellence. These include:

- "Technology and Innovation Award" from TATA Motors
- "Impactful Innovation Award" from Ashok Leyland
- "Outstanding Contribution in Field Support" from VE Commercial Vehicles
- "Quick Development Partner and Strategic Supplier" recognition from Olectra
- "Best Supplier Award" from JBM

These accolades are a testament to our deep customer partnerships, innovation-driven approach, and consistent operational excellence.

As a testament to our commitment to sustainable manufacturing, the Oragadam plant was awarded the LEED GOLD certification by the United States Green Building Council (USGBC). This prestigious recognition highlights the Company's efforts in implementing global green standards in the design and construction of the building, with practical and measurable strategies in areas such as energy efficiency, water conservation, and sustainable materials selection.

Our employees continued to demonstrate high levels of engagement and participated in various external Total Employee Involvement (TEI) competitions, winning numerous awards across several categories in the last fiscal year. I am happy to share that, in FY 2024-2025, our teams won 16 National Awards and 19 Regional Awards in competitions organized by the CII, ACMA, and QCFI, along with many more awards at regional levels. This included 5 awards, including 4 regional awards and 1 international award in Q4 FY 2024-25.

And now, moving on to our financial performance for the quarter and the financial year:

For your ready reference, the results were made public at 5:41 PM on 15th May 2025. I hope you have had a chance to go through them.

I'm pleased to share that we delivered a strong performance in Q4 FY 2024-25, with revenues reaching ₹1,039 crores. This is a significant milestone for us, the first time we have crossed the ₹1,000 crore mark in a single quarter.

Our full-year profit before tax for FY 2024–25 stood at an all-time high of ₹609.3 crores, reflecting the continued strength of our business fundamentals. The Profit before tax for Q4 FY 2024-25 was ₹168.8 crores.

Our PBT stood at 18.2% of product sales in FY 2024-25, and we maintained healthy EBITDA margins of 22.8% for Q4 FY 2024-25 and 22.1% for the year.

Our engineering and other services continue to create value for our group customers. Service income grew by 15% at Rs 112.3 crores in Q4 FY 2024-25 compared to the same quarter last year, and 17.4% at Rs 443.4 crores year-over-year in FY 2024-25

On the exports, we recorded a 3.5% increase in Q4 FY 2024-25 over the corresponding quarter of the previous year, totalling ₹297 crores. Exports grew 8.4%, reaching ₹1,164.6 crores in FY 2024-25.

These results position us well for sustained growth, and we remain focused on delivering differentiated value to our customers, driving innovation, and continuing our journey of growth.

Thank you.

We now welcome your questions.

Moderator: The first question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

Mumuksh Mandlesha: Sir, for the Q4, Can you reshare the absolute amount of the revenues for the OEM aftermarket and export and also the brake production number for the quarter?

P Kaniappan: Yes. I would request our CFO to take this question.

Sweta Agarwal: Yes. Mumuksh, for the Q4 24-25, we have done INR 466 crores in the OEM segment, aftermarket INR 124 crores and export of products of INR 297 crores. Apart from that, we also have export of services of INR 112 crores. What was the last question?

Mumuksh Mandlesha: And the production number for the Q4?

P Kaniappan: Are you talking about vehicle production?

Mumuksh Mandlesha: Yes, vehicle production.

P Kaniappan: Vehicle production is 1,19,000.

Mumuksh Mandlesha: Sir, secondly, on the time line of the regulation, sir, in the draft, how are you seeing the OEM preparedness for the October date, sir? Or do you see any chance of being delayed in the final implementation, sir?

P Kaniappan: Yes, so the government has indicated the 2026 October timeline, we expect pushback from certain stakeholders. So we need to really wait for the final date. Our own internal estimation is sometime in 2027.

Mumuksh Mandlesha: Got it. Got it, sir. And sir, can you reiterate what would be the content of this new regulation, which I understand it includes EBS for ADAS function and also sir ESC, right, sir?

P Kaniappan: Yes, yes, that's right. So it doesn't include EBS. Basically, the regulation calls for the M2, M3 vehicles that are buses, and then N2 and N3 category of vehicles, which are necessarily trucks, which means it covers all the vehicles that are related to our segment, by and large.

Because you know the M2 buses are the buses that are more than 8 seats in addition to the driver and M3 is remaining buses. So most of the buses above 8 seats and 5 ton GVW is covered. Truck also, anything above 3.5 ton trucks are covered, which is a large category. N2, N3 covers everything above 3.5 tons. Same case for the buses.

So then if you come to what is included in the regulation is the stability control. Electronic stability control is a part of the regulation. Now the buses, second category of buses are already covered. We expect that those categories which are actually not factory fitted, which got excluded in the first notification or regulation, now it gets included from September in any case. Then we have truck segment, which is completely excluded, but that will come as part of the ADAS regulation.

With the ADAS regulation, most of the vehicles are covered. So in the ADAS regulation, first thing is vehicle stability function, that is ESC included. Then we have advanced emergency braking system, essentially the forward collision avoidance is included.

Lane departure warning system is included. Driver drowsiness and attention warning system is included. Blind spot information system is essentially that covers those parts around the vehicle that is blind to the driver, now that is also covered. Then moving off information system is covered. So virtually it covers about 5 regulations. So a major chunk of the ADAS regulation is largely covered.

So in terms of the actual impact, I have earlier also communicated, in the case of ESC, when it is in the full volume and people localized, the prices should be in the range of maybe around INR 25,000 delta. On the ADAS, I'm not in a position to really indicate any number, but the market is evolving, but it could be quite substantial.

All this put together, in my view, it should be in the range of at least above INR 40,000, but we have to see, because it also depends on the type of solutions that is offered and the localization content, et cetera. But these 2 put together is a substantial volume growth. For us, that's a great opportunity available in front of us.

Mumuksh Mandlesha: So, if I understand, sir, INR 25,000 for the ESC and the ADAS function INR 40,000 -- about INR 40,000. And sir, AEBS also will be separate addition above this amount or this includes as part of ADAS?

P Kaniappan: ABS is already mandated. Most of these vehicles are already fitted with ABS.

Mumuksh Mandlesha: I mean AEBS, advanced emergency braking systems.

P Kaniappan: Yes, yes, AEBS is also included. Normally what happens, the basic hardware and those things are, by and large, common. Against the hardware, you try to provide various functionalities with add-on hardware features and software solutions. So actually, we have released ADAS in India with 11 functionalities to some customers, which is not through a regulatory route. But then out of that, 5 functionalities are coming through the regulation route.

When it comes to the regulation route, because of the huge volume opportunity, it is too early to really make a judgment of prices etc., So whatever I'm giving is very indicative, depends on the kind of solution that will come to the market, because it will be, by and large, a cost-driven solution, because the community position also should be evaluated, et cetera.

Mumuksh Mandlesha: INR25,000 plus INR40,000 broadly, right sir?

Annamalai Jayaraj: Yes.

Moderator: The next question is from the line of Lakshminarayanan from Tunga Investment.

Lakshminarayanan: A couple of questions. I just want to understand your product sales for the full year FY '25. And when you split the product sale into exports and domestic, what is the other income. Second question is that we have been talking about getting into the LCV business. Just want to understand what will be our edge in the LCV business and what will we provide? How long it will take for us to reach a steady state? And if and when we reach a steady state, what would be the revenue potential in that LCV segment?

P Kaniappan: Lakshminarayanan, the second part of your question was not that clear. Can you say it again? This is related to LCV...

Lakshminarayanan: Yes. So on the LCV side, I understand that we are getting into LCV over a period of time. I want to understand if the business potential exists. What will be our edge? And then at a steady state, what is the revenue potential it can actually offer?

P Kaniappan: For the first question, I would request the CFO to answer those numbers.

Sweta Agarwal: For the full year sales, we have sold about INR 2,176 crores in the domestic market. This is INR 1,671 crores in the OE customers and about INR 505 crores to the aftermarket customers. We have exported products worth INR 1,164 crores and service exports and other income is adding up to INR 598 crores.

P Kaniappan: Yes. Now coming to your question on the LCV. We will be able to supply entire braking system for the LCV segment. It's hydraulic technology based from the air brake for the commercial vehicle, heavy and medium. And we have lined up quite a few products in that space because, the customers are also more or less the same.

Already, we have launched one product there, which is hydraulic electronic stability control. Volumes are low, but it's from a ZF global portfolio. We have already localized in our Oragadam site because it was needed when the ESC regulation was coming into India. We are currently selling about 400 numbers a month, roughly. But this volume will increase from September 2025, when the coverage extends to all the buses. Right now, it is only factory-fitted buses are using. So it will increase. That is number one.

Number two, when the new regulation comes, along with ADAS, this ESC, electronic stability control is applicable to all vehicles. So the vehicles which are essentially 3.5 tons to probably 7 tons. For those vehicles will need hydraulic ESC.

So we are already ready with the product, which is largely localized in India. This will be one of the first products. Then, of course, there are many other portfolios that are available, which are very differentiating in nature, where there are not many customers who have those products. So one by one, we are going to localize.

To your question, roughly, our estimate right now, maybe in a matter of 5 years from now, it should be in the range of EUR 90 million. Very rough estimate.

Lakshminarayanan: And who are you displacing here? I mean, is there another competitor, because in the heavy commercial vehicle, we do have -- we have a clear majority in terms of market share. In LCVs, how does it pan out, sir?

P Kaniappan: Actually, in this particular segment, where we are supplying the hydraulic ESC, there is no player in India right now, because this is a light commercial vehicle, not a passenger car segment. Light commercial vehicle segment, while there are players who are supporting the market with certain products, but the one that we are offering right now, there's no one. So it all depends on technology-wise.

The hydraulic ESC to those customers, for example, customers like Force Motors, Mahindra, Swaraj Mazda type of customers, where it's a particular segment. That's why volume today is less, as I said, but it will increase. We're not displacing anyone. We came to the market because there was nobody available with the product at the time 3 years ago. Customers, I think competition will emerge, but still, we will be playing a major role there.

Moderator: We will take our next question from the line of Shravan Iyyappan from Avendus Spark.

Shravan Iyyappan: Just one question on how is the company thinking about localization of these new advanced products that have been highlighted in the recent notification? And any updates on time lines and guidance on margins that can be provided, sir?

P Kaniappan: Yes, So see, basically, in India, without localization, it is difficult to sustain and grow. So our model is, we generally do a phased localization. In the normal time frame, the volume is not very clear. But in this type of regulatory-driven requirement, the volume is clear. Volume is generally very viable to do localization, at least in many of the parts.

So we are already having clear plans to localize many of the systems, except some, for example, a camera or a radar, it may still be economical to source from global locations where there's a huge global volume, so you get a scale advantage. The other parts, we will have a phased localization of all other parts.

Mechanical parts definitely we'll be completing. Even some electronic parts, based on the scale, the volume, we have plans to localize. Things like radar and camera, we are still exploring, because the advantage of ZF is that we have a business with the passenger car segment also.

At least in future, there is some plants happening in India and other legal entities. But then we are exploring if there is a possibility to initiate localization. We have clear plans, except that camera and radar, most other items we will localize.

Shravan Iyyappan: Okay, sir. Understood. Just one more question on how is the competitive landscape around this segment, like these products that we're entering? And what can our market share be in this segment?

P Kaniappan: It's very difficult to say now because the regulation time line has been already announced now, but there are a few players globally who have the products. Our advantage always is our footprint, our competency, our connect with customers. So we would like to remain as a strong lead player.

But then we are definitely having a lot of competitive advantage in terms of local engineering strength, local manufacturing capability, very strong national footprint.

Also excellent connect with the customers, service function people, so that any issue that comes in the field, we'll be able to support, and multiple differentiation we have created over the years. So we believe we will maintain our lead position.

Moderator: The next question is from the line of Shubham Bhatra from AMBIT AMC.

Shubham Bhatra: I have 2 questions. First is, in the last 2 quarters, we have shown significant improvement in the margins. And going ahead, could we get some kind of a guidance on what kind of margins are we headed in? Can we further see some improvement? And secondly, on the LCV side, the product that we have launched, what would be the approximate content per vehicle for this product?

P Kaniappan: What is the second question, which product you're referring to?

Shubham Bhatra: LCV.

P Kaniappan: Okay. So the first question, you have to evaluate us based on our past performance. But generally, we don't give guidance on this matter. While our key focus is to continue to improve our margin, but okay, we can say we will try to at least protect the current position. LCV, again, it's an evolving thing. There are a few products already we have lined up. Maybe too early to commit.

But if you look at the product that I indicated, it's typically about INR 20,000. If you add some more products, maybe we can talk about INR 25,000 value per vehicle could be a target we can start with. Again, most of the sales will start coming once the ADAS regulation kicks in.

Moderator: We will take our next question from the line of Rakesh Jain from Axis AMC.

Rakeshkumar Jain: Sir, can you just a bit explain us on your gross margin change quarter-on-quarter? How should one look at it, let's say, from your product mix perspective?

P Kaniappan: Yes, I would request our CFO to answer.

Sweta Agarwal: Our gross profit change has been in the range of about 7% to 10% quarter-on-quarter with the last quarter being a 4.5%. On an average, you can say that we've been improving our profitability by about 4% to 7% overall. This is driven by, of course, our product mix. Our highest margins are on our aftermarket segment. And whenever we improve the share of aftermarket, we see an improvement in our margins. But our largest driver rather than the product mix is our focus on cost management, improvement in our material productivity and focus on our production costs.

Rakeshkumar Jain: Okay. And just to reconfirm, what has been our overall export number, including the product and service business this quarter?

Sweta Agarwal: This quarter, our exports of products has been INR 297 crores and export of services has been INR 112 crores.

Moderator: The next question is from the line of Preet from InCred AMC.

Preet: I would like to ask on the working capital. Although revenue were down in FY '21, I can see that there was still increase in the working capital and majority of the increase pertains to the increase in debtor days. So if you can just brief about is this onetime or we have changed the terms?

Sweta Agarwal: In the last year, we did change our terms for some of the customers from 45 days to 60 days and some even to 90 days. it works on both sides. So it's always a commercial negotiation in terms of balancing the payment terms with other commercials that we see.

Preet: So how do we expect it in coming? So now will we take FY '25 base or how much should we expect in the coming years?

Sweta Agarwal: You can take FY '25 as a base. We would not provide a guidance on how this is going to develop.

Preet: Okay. And what would be our capex guidance for FY '26 and FY '27?

Sweta Agarwal: We are expecting to have a capex spend of about INR 190 crores for FY '25-'26. This would be more towards expansion of our Oragadam plant and introduction of some lines at some of the other plants for export support and all that.

Preet: Okay. And one last question from my side. How much will be onetime impact in the quarter 4 in the margins like we had in quarter 3? Is there any onetime impact?

Sweta Agarwal: There are no onetime effects in the quarterly results this time. All routine and repeatable.

Moderator: The next question is from the line of Arihant from Bowhead Capital Advisory.

Arihant Baid: Sir, please, can you just say once again what were your expectations regarding ADAS regulations? When are they expected to come?

P Kaniappan: Yes. So see, the government has already notified. Draft notification, I think, calls for implementation from October 2026. There's a lot of discussions happening. And of course, there are many stakeholders. OEMs put forward their proposal because these things need time to implement. So our assumption is at least it will be from October 2027, before then. But then for your planning, roughly that could be a time line.

Arihant Baid: And sir, will this be implemented like for all vehicles at the same time? Or will it be in phases? Like for some category of vehicles, it will be earlier, and then later for some other categories?

P Kaniappan: Again, this is a decision of the government of India. So we can only read from our past experience. AEBS was mandated 100% in all the M3 vehicles full on time. There are a few technologies adopted for select vehicles. But this draft regulation calls for implementation almost all the applicable vehicles. But we have to wait and watch how the discussions happen, how the government is going to finally decide.

Even if it comes in a split manner, again, maybe next within a year, the rest of the vehicles will be covered. For example, in the buses, I think April 2024, the ESC was mandated for certain applications. Now by September 2025, the government covers other buses as well. So we have to, again, just wait and understand how this is going to come. But this time, most likely, it may come for all applicable vehicles also.

Arihant Baid: Okay. Sir, and my next question was like for export, can you give some color on how like the compressor sales have been? Have we onboarded any new customer? And also, can you give some color on how the actuators and brake chamber sales are proceeding to Volvo? And have we onboarded any new customer in that space?

P Kaniappan: Okay. So one new customer we have onboarded for actuators. That's what I said, it is Actuator 4.0. This is for Volvo Global. And of course, we expect the actuators and brake chambers will keep expanding, because these products are doing very well, and in terms of competitive positioning, we are in a much better shape.

Compressors per se, in the last year, we onboarded 2 new customers. Daimler AG globally, heavy-duty compressors. So we started now almost 1.5 years, we have started supplying. So we expect the volume to keep increasing because, again, our understanding is these products are doing well. Customers may expand this to certain new regions, new locations. So these are all the possibilities. Similarly, we started with compressor plate DAF, one version 440 cc, then it got expanded to 563cc. So again, these products, in terms of performance and in terms of competitive positioning, we are in a good shape.

The electronic control for air suspension, which we were supplying it to BMW, there are some challenges, maybe the challenges related to all this global EV transition and all those things. So some drop in the numbers today. But then the technology is there. We will look at possibilities to sell, of course, this year.

We're not directly in touch with the customer. We are depending on our product line colleagues to expand these products to markets where we can add value. So right now, beyond this, we have not added any new customers with certain global challenges now with all the geopolitical issues.

If certain new opportunities emerge, then volume could further increase. But we are waiting and watching the evolving situation. But as such, we are well positioned to support from our, not only Mahindra City, now we have expanded this to Oragadam site. The actuators and brake chambers, we have already shifted partly the new business to Oragadam. So getting ready to support whatever increase that can happen in the near term.

Moderator: Ladies and gentlemen, in the interest of time, we will take this as our last question. I now hand the conference over to the management for closing comments.

P Kaniappan: I would like to thank all of you. All are very interesting and very good questions. So I hope our answers were able to help you to understand the evolving situation. But we see huge opportunity in front of us in terms of new regulations. We also see some positive numbers in vehicle production in the past 2 months. And we are getting ready to test the new opportunities that are evolving in front of us. Thank you.

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