"Subros Limited Q4 FY24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Subros Limited Q4 FY '24 Earnings Conference Call 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Annamalai Jayaraj: Thank you, Manuja. Welcome to Subros Limited 4Q FY '24 Post-Results Conference Call. From Subros Limited management, we have with us today, Mr. Parmod Kumar Duggal - Chief Executive Officer, Mr. Hemant Kumar Agarwal - Chief Financial Officer and Vice President (Finance), and Mr. Sukhbinder Singh Gill - AVP (Finance).

I will now hand over the call to Mr. Parmod Kumar Duggal for the opening remarks to be followed by a question-and-answer session. Over to you, sir.

Parmod Kumar Duggal: Thank you, Jayaraj. Good morning, ladies and gentlemen, and warm welcome to all of you for Subros Investor Call for Quarter 4 FY '23-'24.

The passenger vehicle industry reached a significant milestone in FY '24 by surpassing 4 million domestic sales for the first time. As a result, India upheld its position as the third largest PV market globally. The PV market experienced an 8.4% year-on-year growth in FY '24. Over the past three to four years, consumer preference has significantly shifted towards SUVs. This trend persisted in FY '24 and with SUV accounting for more than 50% market share. A substantial portion of the growth is in the PV market as driven by popularities of SUVs.

Overall, in Quarter 4 of FY '24, the Indian auto industry demonstrated a robust performance marked by a strong recovery in sales across various segments. PV continued to be a lead in charge with notable driven by new model launches and increased customer demand.

The CV segment also shown a positive momentum benefiting from the interest equipment and ties in economic activities. Additionally, the two-wheeler segment witnessed a gradual rebound as the rural market began to recover and improved semiconductor availability played a very crucial role in overall industry performance.

The CV bus market also is improving now because of tourism sector and public transport system improving. Industry has shown a growth of 37% on a production basis in comparison with the corresponding quarter of the last year whereas Subros has registered a growth of 43%

in comparison with the corresponding quarter of this last year. This is also due to the increased AC fitment ratio in buses.

Further in commercial vehicle truck category, that is N2 and N3 category, which is relevant for AC and blower, industry has shown a degrowth of 5% and this has reflected in Subros' performance also, whereas on overall value term, we have grown by 6% in this segment because of better AC fitment ratio, which is almost 6% in this quarter.

In home AC space, we continue to be muted our efforts. The sales in the year is around 7 crores and still the market is not very positive to compensate the fast escalation. So, we are going slow on this market, and we are watchful of market softening and price pressures coming out and then again we will push our sales efforts very aggressively.

At Subros in Quarter 4 of FY '24, we have grown by 11%, and in the year we have grown by 9%. This is very much aligned to the industry growth. The Company has achieved a total revenue of 831 crores with a growth of 11% as compared to the corresponding quarter.

Now the Result of Quarter 4, which have been shared with the stock exchange and also posted on our website. Let me elaborate the summary of the results one by one. The revenue from operation has been recorded as 831.51 crores in this quarter and overall, there is a growth of 11%.

In this quarter, the car and non-car segment has contributed 94% and 6% respectively. Maruti Suzuki and Suzuki Motor Gujarat has contributed 84% of our total sales during the quarter. Our share of business in passenger vehicle segment has improved by 3% during the year. And in truck segment, we continue to achieve 54% share of business. And in bus segment, we have secured a share of business of 17%.

Now, overall performance in operation. So, last two years, we have been talking about the steep recovery of our operational performance. So, the Company has realized EBITDA of 80.86 crores in Quarter 4, which is 9.76% of the net sale as against EBITDA of 56.67 crores, which was 7.59% of the net sale in the corresponding quarter last year. The improvement in EBITDA is 43% as compared to last year quarter.

And profit before tax in quarter four, it is 45.30 crores, which is 5.47% of the net sale. PBT margin with the corresponding quarter of the last year has improved by 70%. Profit after tax in Quarter 4 is 30.68, which is 3.70% of the net sale. And the PAT margin has improved by 65%.

Now, the result summary for the year, the revenue from operation is 3,070 crores, which is with a growth of 9%. EBITDA is 268 crores with a growth of 43% and PBT is 140.70 crores with a growth of 98%. PAT is 97.66 crores with a growth of 103%.

Now on the business update, I will mention that in quarter four, performance has started improving and registered a growth in EBITDA, PBT and PAT, mainly because of the increased sale. And we continue our effort in the future also to keep the double-digit growth of the Company, bettering all the challenges and opportunities which are visible as of today.

Profitability was a bit of a challenge in the last two years. Now the curve is on the upside, and we continue to sustain that. And our efforts on aggressive cost reduction, both in fixed and variable cost has also resulted in positively.

Localization efforts are also aggressively pursued, which is reflected already in the annual comparison of material sales ratio. The Company is now debt-free. There is no long-term borrowing on the books of accounts, and this will support cash generation more positively going forward.

Based on the Company's financial performance, the Board has recommended a dividend of 90% subject to shareholder approval as against 65% during the last year.

On the new business and product development side, Subros is poised for a promising future, underpinning the strategic initiative and strong commitment to innovation. We have expanded our product portfolio and enhanced our technological capabilities to meet the future technology transformation. Also focusing on sustainability and energy efficiencies is the guiding principle for product development as well as for operational sustenance.

The Company has tied up business on alternative fuels, thermal products, which are including CNG, hybrid, electric and other green mobility which is almost contributing to 17% as of now and going forward it should be contributing around 20% of the total revenue.

A few new launches which have already impacted or included in our financial performance and going forward in the next two to three years, it will have reflection more. Our initiative towards the product development for the tractor segment is progressing well.

Tractor AC with Mahindra and Mahindra, new tractor OJA, M-Star tractor for U.S. market, the production has already started. These tractors will be exported to Japan and U.S. market and we have both ECM as well as HVAC business for OJA tractor and HVAC system for M-Star tractor. This will add to our growth journey in tractor space going forward.

Further on product development for electric cars, BEV project of Mahindra and Mahindra, we are at final stage including Maruti Suzuki for product evaluation. The SOPs are planned in subsequent quarters. AC product development for pick up vehicle for Mahindra and Mahindra which is at SOP stage and few similar projects are in pipeline. Now in next two to three quarters, they will also be starting the production.

Business engagement for truck AIRCON under the N2, N3 category which is notified in last year August '23, we are at a very advanced stage of our final negotiation and product approvals for introducing AC systems for these trucks. This notification is now effective from October

'25, but probably the start of production will start happening a quarter before, to just fill the pipeline.

Our effort on coach AIRCON kit development has completed all the approvals and now we are at a delivery stage for the first tender, which we got last quarter. So, this would be completed in this quarter and subsequent tenders are in pipeline to secure more business in railway space.

So, we have our priorities very clearly identified. The growth pattern is very clear to us and now we are striving for this growth journey to take it to the next level. And also, we are committed for environmental and sustainability targets and Company has set a target for carbon neutrality by 2040.

That's all from my side and now we are ready to take questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.

Arjun Khanna: Sir, my first question is in terms of the margins. You had indicated we are moving very quickly towards the 10% and the trajectory is what it is. I just wanted to understand what's driving this because in the last quarter, you mentioned we may have got certain one-offs in terms of cost corrections. But even sequentially we have seen margin growth. So, if you could just help us understand what are the key drivers for this?

Parmod Kumar Duggal: So, there are two aspects, Arjun, on this margin improvement journey. So, last year because of a lot of cost pressures, we initiated our aggressive cost reduction plan. Few of the projects were completed in the second half and few completed in last quarter. So, there would be, in fact, now annualized impact in the next year. That is one aspect of that.

So, far, although it would be too early to say, commodities started easing out in the last quarter. We are not sure now how this Red Sea and other economic issues will move up further, but right now it is beneficial to us. We also did some cost corrections with the customer to offset any sharp increases further. So, that has also, that will sustain at least in the next one or two quarters.

On operational efficiencies also as you must have seen the increase in sales that has contributed significantly in terms of managing margins because the proportionate cost has not increased. So, this will sustain. So, these are three or four guiding drivers which will at least assume that we will improve from here on.

Arjun Khanna: Sir, when we talked of the new products coming in, you mentioned EV products, you mentioned N2, N3. Essentially, would that drag down margins, or these would be margin accretive business?

Parmod Kumar Duggal: I want to say negatively AC market, when we are benefiting into more N2, N3 AC AIRCON, it is comparable to the passenger vehicle margins. So, there is no deterioration to that. EV products right now at very initial stage, and so far we have not compromised on the prices and we are trying to keep the same margin levels.

Arjun Khanna: Sir, the second question is regarding home RACs. We have seen a lot of our peers have very strong numbers given the stock out situation. In your comments, initially you didn't talk much upon this. What is the situation? How do we see this business scale up? And last quarter you mentioned it is on a standby position. If you could update us?

Parmod Kumar Duggal: So, Arjun, I did mention that we are doing good on again pursuing very aggressively on the home AIRCON market. Although the numbers, market is available from a revenue side, but if you must have followed, all players, all other tier one suppliers are struggling with the EBITDA and the profitability margin is less than if you take the average of our current business segment. So, we don't want to impact our financials just because we are very aggressive in this segment. So, we are going mute on that.

But having said so, we are watchful of this industry. The moment pricing pressures are over, we will be aggressively pushing on that. Market is available. It is only up to us whether we want to compromise on margins and aggressively pursue on that. And we wait our best just to say that market is positively contributing to the Company financials.

Arjun Khanna: My final question, sir, is if we look at our CAPEX, last year also we have done roughly 120 crores and you have been mentioning we will be in this range. If we do only that much of CAPEX, is it possible to grow at the rates we are seeing currently? Is it possible to grow at more than say 15%, 20% at just these levels of CAPEX?

Parmod Kumar Duggal: So, there are two aspects to that. One is that CAPEX is required for any greenfield project which we already did three years back. So, now at least on the infrastructure side, that investment is already made. Now the investments are only into the incremental capacities which we need to generate, not the whole line investment. So, that investment can be offset from this 100 crore plus CAPEX which we normally do every year. Just to de-bottlenecks the operations and try to get more capacity in that.

When we go into new technologies, when we have to set up the completely new technology investment, that delta will come. But right now, we are just at a feasibility stage of evaluating these technologies' potential in the market. But that will be for more business opportunities which will come '26, '27 onward. So, we are trying to differentiate two level of investment. What is for sustenance to achieve at least between 8% to 10% growth. And second is for the technology investment.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Alfaccurate Advisors Private Limited. Please go ahead.

Abhishek Jain: Sir, can you provide me full-year number of passenger vehicle ACs, CVs, Radiator and Railways?

Parmod Kumar Duggal: Sure. Abhishek, the total number for passenger vehicle AC products is around Rs. 2,300 crore. I will be just giving you the round-off figure. ACM is around Rs. 500 crore. The bus market is around Rs. 40 crore. The truck is around Rs. 90 crore. These are broad numbers which we have for the overall segments.

Abhishek Jain: And Railways?

Parmod Kumar Duggal: Railways last year is a very small number around Rs. 5 crores, which mainly the order execution will happen in this year only.

Abhishek Jain: And sir, as you mentioned that you have increased the share of business to 43%, 3% gain in this year, so have you won the new business and that's why the share of business has improved?

Parmod Kumar Duggal: Answer to this is yes and also because of the model mix change, as I mentioned before that SUV market growth is much more than the A segment car or B segment car. And SUV we have in most of the customers our share of business has improved. So, that is a key contributor to that.

And also, another factor is that in certain products the growth is more than the average market. There are certain models where the growth is 20%, 22%, whereas overall industry growth is around 8%. So, that has positively contributed to overall growth.

Abhishek Jain: And how much share of business with Mahindra and Mahindra right now? Are you looking to increase the business from them?

Parmod Kumar Duggal: Yes, Mahindra and Mahindra, we are at around 24% of their total thermal buying as of now, and going forward in next two to three years' time this will increase.

Abhishek Jain: So, have you won any new business from them for the new launches like SUV 7 and 3XO?

Parmod Kumar Duggal: We have all their born electric vehicle; we have secured business for few components. SOP will start from probably September onwards. One by one each model will be SOP gradually. So, that will contribute to the overall share of business.

Abhishek Jain: And my last question on the tax rate. Still the tax rate is around 32% to 34%. So, what would be the effective tax rate in FY '25?

Parmod Kumar Duggal: 25.19%.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital. Please go ahead.

Jyoti Singh: My question basically on the growth path side as we have very strong order book from Mahindra and also we are working for the new product. So, what growth rate we are targeting in '26 and '27?

Parmod Kumar Duggal: '26 and '27. Okay. So, we did mention about this that slightly we will be doing better than the overall industry growth. So, '26-'27, our estimate of industry growth would be between 6% to 8% because this year we are expecting slightly moderate growth, but next year there would be some recovery of that. So, we have our ambitious target of going double-digit growth even in '26-'27.

Jyoti Singh: And sir, another that we are already supplying to Mahindra. And what about Maruti that their upcoming plant and more pipeline on the hybrid side? So, how much opportunity we have on that front?

Parmod Kumar Duggal: So, with Maruti EV launch, which is going to happen in next year, we already had tied up business and product is at different stage of evaluation. So, whenever SOP will happen, we will be there. On the upcoming plant in Kharkhoda and subsequently in Gujarat whenever it will be announced officially, but for that plant also we are talking about capacity ramp up within the existing plants and going forward, we are evaluating how to service 1 million capacity for their this Kharkhoda plant.

Coming to your question about hybrids, the launch which is going to happen first model of Maruti in Kharkhoda will be a hybrid vehicle. For that, business is already tied up. Since we are supplied to the hybrid of Grand Vitara in TKM by Subros, so similar on that ground we will be taking this business also. So, this is also aligned.

Moderator: Thank you. The next question is from the line of Aashin Modi from Equirus. Please go ahead.

Aashin Modi: Sir, my question is regarding this EV business and strong hybrid businesses we are talking about. So, what is the understanding that the content is 2x and 1.5x, but given the fact that we have not yet localized the technology, what would be the difference in content that we would be having in this order versus our normal ICE vehicles?

Parmod Kumar Duggal: Aashin, there are two aspects to that. If we separate out the compressor, which is a complete technology change in EV versus ICE, if I just park for the time being and keep the other kit that is ECM condenser, hose and pipe and HVAC, the ratio between ICE conventional thermal system to EV would be roughly 1.5x or 1.8x, but only talking about compressor, it is almost 4x. So, right now since we don't have electric compressor localized as of now, so we are not counting on that, and whatever we are saying is incremental penetration in EV is based on 1.5x or 1.8x delta, which will be coming from EV space.

Aashin Modi: And sir, any plans on localization of that compressor and who would be supplying that to current or currently to M&M? Any color on that? Is it imported?

Parmod Kumar Duggal: So, right now all the electric compressors are imported. We are in the feasibility study stage of investing into EV compressor localization. These are at the very initial stage of our evaluation because this require a large investment and also it required, whenever we do a large investment, the utilization percentage of the capacity has to be very, very means substantial. Otherwise, we will have challenge on the realization. So, we are now just watchful of how this EV penetration is happening because last three year we have just reached around 90,000 EV vehicle only. So, if we are talking of 10% to 15% penetration, that means we need to reach almost a million EV vehicle by next seven years. So, moving from 90,000 to 1 million is a very watchful decision for us because it may not happen very quickly. It may take longer time. So, that's how we are adjusting our investment decision based on the market ramp up.

Aashin Modi: And sir, my last question is regarding our business with M&M. So, if I remember correctly, we mostly supplied pipes and condensers over there. So, any breakthrough in compressor or HVAC over there which could lead to high increase in pair of business with them?

Parmod Kumar Duggal: So, in Mahindra and Mahindra, we have HVAC business for certain model. We have business for condenser and compressor also. Now on the BEV side, we have businesses for hose and pipe which has a large number because in EV hose and pipes are multiple of 2x of existing conventional pipes.

In addition to that, in Mahindra pickup vehicle we have full system that means all four aggregates. In going forward in few programs which we are right now working with Mahindra, the talks are also for substantial part of thermal product in such models.

Moderator: Thank you. The next question is from the line of Aditya, an individual investor. Please go ahead.

Aditya: I just want to know what is the current market share in each product category, and my second question is, do we have monopoly in any of the current product offering?

Parmod Kumar Duggal: So, Aditya, thank you. Answering your question, we don't have any monopoly in any product. That is the answer to the second part of your question. Second on the share of business, I already mentioned in my initial brief, in the PV space, we have share of business of 43%. In truck AIRCON, we have a share of business of 54%. In bus, we have a share of business of 17%.

Aditya: I have one more question. We are working with MG, Citroen, Renault. Are we working with these companies?

Parmod Kumar Duggal: So, Aditya, we are working with the customer. Disclosing customer name at this stage would be difficult because of the confidentiality, but yes, we are working with these.

Aditya: So, there is one advice. There are so many players in the passenger car segment. So, I think the business development team of your Company must tap this MG, Citroen. Citroen has got a manufacturing facility in Chennai only. And so it is very risky to depend on Tata and Mahindra for the business. So, it is better to explore these new customers. So, this is one advice, and I hope the Company will follow the advice.

Parmod Kumar Duggal: Noted, Aditya.

Moderator: Thank you. The next question is from the line of Jyothi Singh from Arihant Capital. Please go ahead.

Jyoti Singh: Sir, just wanted to confirm on the order book side, if you can just explain it again?

Parmod Kumar Duggal: So, with respect to order book, I will say that right now, last year in FY '23-'24, we have booked order of around 475 crores, overall spread out into various customer and segments. Previous to that we did order booking of around 530 crores. Normally our cycle of development to SOP is between 12 months to 18 months. So, that will have reflection within next two years or so, but that doesn't mean that all this 1,000 crores will be incremental revenue because out of that, there are certain model changeover also. It would be a kind of replacement business, but this is how the order booking right now.

Moderator: Thank you. The next question is from the line of Jayaraj from Batlivala & Karani Securities. Please go ahead.

Annamalai Jayaraj: I have two questions. One is, what will be our current localization level, sir? And what is our target, sir, for the current product?

Parmod Kumar Duggal: So, Jayaraj, localization level as of now, we have around 80%, 83% is our localization content, 17% what we import as of now in variable, all the segments. Our target in the next three to four years, we have to be less than 10%. That's the aggressive target we have taken so that we can de-risk ourselves for any fluctuation of foreign exchange, which may impact operational efficiency.

Annamalai Jayaraj: But in three, four years, some more products will also come up no, sir, electric and all, so that the import content again can be more no. Still we want to reach 10%, including that?

Parmod Kumar Duggal: Including that we are targeting because all the new technologies we want to initiate localization at the start of production itself.

Annamalai Jayaraj: In electric vehicles, sir, other than HVAC system, do we have any other opportunities?

Parmod Kumar Duggal: So, in electric vehicle, there are normally five components, which goes into electric, which relate to thermal. One is HVAC. Second is condenser. Three is a high temperature radiator, and four is a hose and pipe and fifth is the compressor part of that. And hose and pipe include two set of that. One is to do a connecting element for cabin AIRCON and second is connecting element for the battery AIRCON.

So, in EV space, we have in certain customer models, we have business for HVAC, hose and pipe both for cabin as well as for battery cooling. In a few models, we have radiator and condenser. That's how it is variably spread.

Annamalai Jayaraj: In AC bus, sir, is there any other opportunity, sir? In EV buses.

Parmod Kumar Duggal: So, in AC bus…

Annamalai Jayaraj: EV buses, sorry.

Parmod Kumar Duggal: Yes, so in EV buses now we are at an almost conclusion stage of the specification with few large customers. We will start seeing the order booking now coming in at least in the second half of this year. So, that alignment is done now, and that is a very fast-growing market, especially in the public logistic domain. So, it is a very attractive growth opportunity for us.

Annamalai Jayaraj: But there also initial import content can be high no, sir, because of scale?

Parmod Kumar Duggal: Probably high maybe, but since the numbers are not substantial, it may not impact the overall percentage.

Annamalai Jayaraj: No, I understood that, but initially, obviously, the volume will be low.

Parmod Kumar Duggal: Yes.

Annamalai Jayaraj: And currently lot of electric vehicles are sold in the container as well. So, HVACs people, I mean, whoever is supplying is importing and supplying to them or who is supplying now?

Parmod Kumar Duggal: So, in EV vehicle those who are on the road as of now, there are suppliers who are associated with Tata Motor or with MG or with other big OEMs. So, few of the kits are imported because numbers are very small for any investment there. But yes, for Tata Motor, since he is having the large share of business of the total EV market, so they have local supplier available in Maharashtra.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Jayaraj from Batlivala & Karani Securities India Private Limited for closing remarks. Over to you, sir.

Annamalai Jayaraj: We thank all the participants. Sir, do you want to make any closing comments, sir?

Parmod Kumar Duggal: Not exactly, but what we said, we are trying to realize better performance than what we did. And quarter four definitely is a very encouraging operational performance for us. We want to sustain it for all subsequent quarters. And that's how we want to progress. Thank you so much. And thanks for participating.

Annamalai Jayaraj: Only one more question has come, sir. Operator can call Mustafa. He is available online.

Moderator: The next question is from the line of Mustafa Rangwala from Motilal Oswal. Please go ahead.

Mustafa Rangwala: I just wanted to ask that there are certain technologies that you mentioned that you want to expand into. So, what are these technologies, and what would be the estimated CAPEX cost for it?

Parmod Kumar Duggal: I did mention that there are technologies related to hose and pipe, especially for battery cooling modules, and also for HVAC, which will be used for EV. There are technologies required for hybrid condenser or radiators. There are technologies required for compressor, which is complete change of technology in EV space. So, a few investments have already been done, which will be resulting into SOP of these products next year. But the investment, which is mainly for electric compressor, that is at feasibility stage. I will not be able to quantify the investment. But once we decide to go ahead, because that mainly depends upon how sharp the ramp-up of EV penetration in the industry. So, we are just mindful of that situation, and we will announce the exact investment and the realization of that investment in subsequent calls.

Mustafa Rangwala: And what sort of increase in revenues can we assume from all these increasing new technologies that we have been adopting?

Parmod Kumar Duggal: So, revenue growth is overall for the industry. And as I mentioned before also, that we are expecting double-digit growth in the next year. But we are also subject to the conditions which are prevailing right now, including the geopolitical scenario, also the economic stability after the elections are over. Subject to that condition, we are hopeful that we will be able to do better than the overall industry. But of course, these new technologies, whenever it will ramp up, it will contribute substantially to the overall revenue. But that situation may come in '26, '27 onward, till 2031.

Moderator: Thank you. The next question is from the line of Mayur from Iwealth Management. Please go ahead.

Mayur: And sorry, it was almost the last question. And then we logged in. So, thank you for taking it. Sir, a couple of questions from my side. Around 2015, 2016, 2017 also, we used to have margins of 11% and 12%. Now with the understanding that localization you plan to bring it even lower as we go, sorry, localization will improve, and import will go lower as we go ahead. When do you think we can reach around 11% or 12% margins?

Parmod Kumar Duggal: I will not be quantifying the exact time, but yes, our efforts are now again going back to the best period whatever we had before, before COVID. But we are gradually moving to that. Our first milestone is to break the 10% EBITDA level. That's the immediate target what we have and then moving to 11 and to 12. It will take time because a lot of market correction has happened in the last 5-to-7-year period. Lot of new businesses which are secured, had a price pressure. There are lot of cost escalation which has happened now. So, it has taken a lot of time to settle down, but we are very hopeful that next 3 to 4 years we will be recovering back all these deficiencies.

Mayur: Sir, just something understanding and pardon me if the understanding is not very expert or very good over here. Sir, why can't we get attached to Tata Motors EV cycle, means what is it that local suppliers can do what we cannot do and just from an understanding of whether it's a product thing, whether it's a pricing issue, whether it's just a OEM mindset, what is it which stops in general from Subros getting that business?

Parmod Kumar Duggal: I will be answering this at a very general level, not specific to and it would not be sounding negative. Right now the EV market in India is evolving and we have reference point of which geography we will be trying to apply to India condition. One geography is European model. Second is American model. Third is China model, and fourth is hybrid of that.

So, right now whatever business is available based on what is easily available and current reference is China model because the EV penetration in China is very high. The products available off the shelf are available to launch immediately. That's how the current market is because the numbers are not so great to have a complete investment. Because the risk factor is we are evolving into EV technologies, battery charge or thermal performance is evolving.

So, it may take time, max maybe two to three years' time to finalize which technologies are suitable for India climatic condition. So, that's how it is taking time to go very aggressive because if we go very aggressive now and invest into localization of any of the solution and tomorrow if that solution is not required, the investment may go to waste. And you can appreciate that just the number of 90,000 EV vehicle on the road, any investment for meeting 90,000 even though with the share of business of 50%, 40,000 may not be resulting very positively.

Mayur: And sir, you said EV for the compressor part, it's under the feasibility as investments are higher. Sir, is the compressor technology for a pure EV versus a hybrid different or is there an overlap on, because whether we may debate about the timing and the time it may take for the EV penetration to enhance and increase, but whether it's pure EV or whether it's hybrid, some form of EV will definitely have a substantial share than currently where we are. So, how will that shape up? And what is your understanding on it?

Parmod Kumar Duggal: That's right. Either it is hybrid or EV. Whenever you have to take electric charge from the battery, it is EV compressor. So, hybrid also uses the same compressor and also the EV part require the same compressor. So, when I am saying EV penetration, it is EV and hybrid penetration. That is important for us to take a decision when and for how much.

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