Commercial Vehicle Solutions

Department	Finance
From	C V Kavviya
Phone	+91 044-4224 2000
Email	cv.kavviya@zf.com
Date	August 3, 2026

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

The Manager
Listing Department
BSE Limited, Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

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 ended June 30, 2026

In continuation of our letters dated 21st July 2026 and 28th July 2026 pursuant to intimation and recording of investor's call, we hereby inform that the transcript of the earnings 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#

Request you to take the above information on record.

Thanking you,

Yours sincerely,
For ZF Commercial Vehicle Control Systems India Limited

CHATHAPURAM VENKATASUBRAMANIAN KAVVIYA
Digitally signed by CHATHAPURAM VENKATASUBRAMANIAN KAVVIYA
Date: 2026.08.03 16:48:11 +05'30'

C V Kavviya
Company Secretary & Compliance Officer

"ZF Commercial Vehicle Control Systems India Limited

Q1 FY '27 Earnings Conference Call"

July 28, 2026

MANAGEMENT: **MR. PARAMJIT SINGH CHADHA – MANAGING DIRECTOR – ZF COMMERCIAL VEHICLE CONTROL SYSTEMS INDIA LIMITED**
MR. SHANKAR VENKATACHALAM – HEAD, OE SALES – ZF COMMERCIAL VEHICLE CONTROL SYSTEMS INDIA LIMITED
MS. C.V. KAVVIYA – COMPANY SECRETARY – ZF COMMERCIAL VEHICLE CONTROL SYSTEMS INDIA LIMITED
MS. SWATI DUTTA – GENERAL MANAGER, FINANCE – ZF COMMERCIAL VEHICLE CONTROL SYSTEMS INDIA LIMITED

MODERATOR: **MR. ANNAMALAI JAYARAJ – 360 ONE CAPITAL MARKET PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to ZF Commercial Vehicle Control Systems India Limited Q1 FY '27 Earnings Conference Call hosted by 360 One Capital Market 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from 360 One Capital Market Private Limited. Thank you, and over to you, sir.

Annamalai Jayaraj: Okay. I'll introduce the management. So good afternoon. Thank you for joining us today, and welcome to ZF Commercial Vehicle Control Systems India Limited call to brief you on their Q1 FY 2026-27 earnings.

Today, the first quarter earnings for FY 2026-27 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. Paramjit Singh Chadha, Managing Director; Mr. Shankar Venkatachalam, Head of OE Sales; Ms. Swati Dutta, General Manager, Finance; and Ms. C.V. Kavviya, Company Secretary. I'll now hand over to Mr. Paramjit Singh Chadha, who will provide further insight into the results. Over to you, sir.

Paramjit Singh Chadha: Thank you, Annamalai. Good afternoon to all of you.

I warmly welcome you all to ZF Commercial Vehicle Control Systems India Limited's first quarter results FY 2026-27.

Certain forward-looking statements that we'll make today are based on management's good faith and expectations concerning future developments. As you know, the 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 June 30, 2026 were published on July 24, 2026, 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 performance.

I will begin with a brief overview of the macroeconomic and industry environment relevant to our business. The Indian economy continued to demonstrate resilience and strong growth momentum, with GDP expanding by 7.8% in Q4 FY25-26, taking full-year growth to 7.7%. Growth was supported by robust services sector performance, sustained investment activity and improving consumption trends.

Industrial activity also remained healthy, with output growing by 5.1% in May following 4.9% growth in April, driven by strong manufacturing performance and continued expansion in the power and utilities sector. While mining activity moderated during the period, overall industrial growth remained broad-based and positive.

Inflation increased to 4.4% in June, primarily due to higher food and energy prices. At the same time, moderating global energy prices continue to provide support to India's growth and inflation outlook, although geopolitical developments and evolving monsoon conditions remain areas to watch.

From an industry perspective, the outlook remains encouraging. Strong domestic demand, continued investments in infrastructure and construction, growth in logistics and transportation activity and rising replacement demand from ageing fleets are expected to support commercial vehicle demand in the coming quarters.

India's strong economic momentum was reflected in the Commercial Vehicle industry, with CV >6T production growing by 8.4% in Q1 FY26-27, supported by healthy freight activity, robust infrastructure-led demand and continued strength in core sectors.

The industry outlook remains positive, underpinned by structural growth drivers such as continued expansion of the logistics and e-commerce sectors, sustained infrastructure investments and the increasing adoption of advanced and electric mobility solutions. Government initiatives focused on transportation modernization and public mobility are also expected to support long-term industry growth.

On a segment-wise basis, the mix of buses, medium-duty trucks and heavy-duty trucks remained broadly stable during the quarter. EV bus sales reached 1,417 units, reflecting the continued momentum in public transport electrification, supported by ongoing deployments and a healthy order pipeline.

The trailer segment, however, witnessed a decline during the quarter, primarily due to slower mining activity, monsoon-related disruptions, and higher input costs, which weighed on market demand.

During Q1 FY26-27, our sales in the CV >6T segment grew by 8.6%, marginally ahead of the industry's 8.4% growth, reflecting our ability to capitalize on market opportunities and execute effectively in a dynamic operating environment.

Growth during the quarter was partially impacted by certain headwinds, including a 9% decline in trailer market demand and a widespread shortage of blue-collar manpower across India during April and May, which affected production across the industry. Despite these headwinds, we are at par with the market, supported by improved realizations from new product introductions such as the Exhaust Brake Valve and ECAS variants, along with increased market penetration of our e-compressor solutions.

Looking ahead, the industry outlook remains positive, supported by resilient demand fundamentals. While geopolitical developments, inflationary pressures, and commodity price volatility remain factors to monitor, strong freight movement, infrastructure activity, and replacement demand continue to provide a favourable backdrop for growth.

In this environment, we remain focused on executing our strategic priorities and strengthening our market position. We continue to expand our presence in Electronic Stability Control (ESC) solutions ahead of upcoming truck safety regulations. Having secured business nominations from three major OEMs and progressing discussions with other key customers, we are well positioned to reinforce our leadership in advanced braking technologies.

The Vehicle Scrappage Policy is expected to support replacement demand by accelerating the transition to safer, more fuel-efficient, and technologically advanced commercial vehicles.

In parallel, we are accelerating the introduction of new technologies, including upgraded compressor platforms, clutch servo with wear sensors, ECAS, EBS, and e-compressors for electric vehicle applications. We are also increasing the market penetration of our EV-focused solutions, particularly e-compressors and EBS systems, across independent bus manufacturers.

Over the longer term, we remain confident in the growth prospects of the commercial vehicle industry, supported by an evolving regulatory landscape, an expanding replacement cycle, and the increasing adoption of electric and advanced vehicle technologies.

The Aftermarket business delivered a strong performance in Q1 FY26-27, with sales of ₹158.4 crore, representing a 15.6% year-on-year growth. We also achieved our highest-ever monthly aftermarket sale in June 2026, with revenue of ₹63.06 crores, underscoring the strength of our aftermarket franchise and customer reach.
This performance was driven by improved fleet utilization, healthy replacement demand, and an increasing focus on preventive maintenance by fleet operators. Growth during the quarter was further supported by our strategic focus on the aftermarket segment, complemented by enhanced manufacturing capabilities that improved product availability and supply reliability.
We continued to strengthen our market position through the launch of new products, including Disc Brake Rotors, TRW products, and Clutch Master Cylinders. These initiatives, under our SPARK (Spare Parts Aftermarket Reforms Kick-off) program, contributed meaningfully to revenue growth and market share expansion.

Looking ahead, continued investments in infrastructure across both the public and private sectors are expected to support fleet utilization and sustain aftermarket demand. We remain focused on accelerating growth through new product penetration, expansion of our ASC network, and the continued rollout of SPARK initiatives, including Door Control retrofit solutions, to further strengthen our market presence and customer reach.

On the back of the headwinds created by U.S. tariffs, which resulted in muted growth in previous quarters, the industry is now showing signs of recovery. Although the U.S. market witnessed a decline on an annual basis, it is currently ramping up, and the outlook for the upcoming quarters remains positive for both the U.S. and European markets.

Against this backdrop, the Company reported export revenues of ₹271.4 crores in Q1 FY 2026-27, registering a 9.7% year-on-year growth compared to Q1 FY2025-26. This growth was driven by improving market demand and higher volumes of Double Diaphragm Spring Brake actuator, Uni-Stop Disc and CAM Brake Chambers as well as Air Compressors. In addition, the successful launch and ramp-up of new products, including the Uni-Stop Disc Brake Chamber for North American customers, contributed significantly to the growth achieved during the quarter.

Looking ahead, with a positive outlook, particularly in the U.S. market, which is witnessing a strong ramp-up, along with sustained demand in the European market, we anticipate a steady improvement in export demand. We remain focused on proactively navigating the evolving business environment through continued investments in new product launches, accelerated product ramp-ups, and increased penetration of key product lines, including compressors and actuators, to drive future growth.

Exports of services recorded a strong growth of 12.5% in Q1 FY 2026-27 compared to the same quarter last year which was driven by sustained expansion in engineering activities delivered from India to our global centres.

Sustainability remains an integral part of our growth strategy, and during the quarter we continued to advance initiatives focused on environmental stewardship, resource conservation, and sustainable mobility.

- At our Lucknow plant, we commissioned a 2,100 kilo-litre rainwater harvesting system, further strengthening our water conservation efforts and supporting our water-positive agenda.
- At our Ambattur plant, we completed the transition from LPG-based cooking systems to electrical induction vessels, reducing LPG consumption by approximately 16 tons annually and supporting our decarbonization objectives.
- ZF CVCS also rolled out an Electric Vehicle (EV) Policy for employees across locations, promoting sustainable mobility through employee awareness and engagement programs.

Our continued focus on sustainability and operational excellence was recognized through prestigious industry accolades during the quarter.
The CVS Ambattur Plant received the CII Gold Award, securing the highest ranking among more than 350 automotive sector participants with an outstanding score of 95%. This recognition followed a rigorous assessment conducted by a panel of CII Environment, Health & Safety experts.

Further strengthening our ESG credentials, the Ambattur Plant was also honored with the Spotlight Award for Decarbonization and Climate Action, recognizing its significant achievements in carbon reduction, sustainable operations, and environmental stewardship.
These recognitions reaffirm our commitment to embedding sustainability into our operations while creating long-term value for all stakeholders.

Our Engineering and R&D teams continued to drive innovation and support business growth through the rapid development and launch of key products, including the Next-Generation Electronically Controlled Air Suspension (ECAS) and the Type 24/24 High-Force Spring Brake Actuator, enabling new business wins with leading OEMs.

The team also strengthened our aftermarket portfolio through the launch of CV Brake Pads and Hydraulic Steering Systems, while introducing Quick Fittings for the trailer segment, further expanding our product offerings across key customer segments.

To promote the adoption of advanced vehicle technologies, we conducted multiple Technology Day events at the ZF Test Track and customer locations, showcasing solutions such as Electronic Braking System (EBS), Electronic Stability Control (ESC), Advanced Driver Assistance Systems (ADAS), Modular Brake Stability Program (m-BSP), Electro-Pneumatic Handbrake (EPH), and Electric Door Systems. These engagements received encouraging customer interest and strengthened our technology leadership position.

In preparation for upcoming safety regulations, ESC homologation testing commenced for multiple customers at the ZF Proving Ground. Further enhancing our testing and validation capabilities, the Hemi Anechoic Chamber Testing Laboratory at the ZF Test Track received NABL accreditation, reinforcing our commitment to engineering excellence, quality, and innovation.

These initiatives reflect our continued focus on delivering advanced technologies, accelerating innovation, and supporting the industry's transition to safer, smarter, and more efficient mobility solutions.

We continued to strengthen our advanced manufacturing capabilities through our multi-divisional Oragadam facility, serving both domestic and global customers. During the quarter, we successfully productionized new assembly lines for ASP cartridges and vacuum pumps, while scaling up production of e-compressors and brake signal transmitters to support growing customer demand.

To enhance capacity and operational agility, we commissioned new assembly lines for brake actuators and valves across our manufacturing network. Strategic investments at Jamshedpur, Lucknow, and Pantnagar further improved production flexibility, responsiveness to customer requirements, and delivery performance.

Our Operational Excellence journey continued to gain momentum with the successful completion of the Overall Maturity Assessment (OMA) at the Ambattur plant, delivering encouraging results across multiple dimensions of manufacturing performance and operational maturity.

In parallel, the continued deployment of the ZF Production System (ZF PS), including key initiatives such as Shop Floor Management and Resource Qualification, is strengthening operational discipline, enhancing KPI visibility, and driving sustainable productivity improvements across all locations.

These initiatives underscore our commitment to manufacturing excellence, operational efficiency, and continuous improvement, providing a strong foundation to support future growth and customer success.

I am pleased to share that, in Q1 FY 2026-27, our teams received 3 National Awards and 5 Regional Awards across competitions organized by leading industry bodies such as CII, ACMA and QCFI, in addition to several recognitions at the state level.

These achievements reflect the dedication, innovation, and continuous improvement mindset of our teams, while reinforcing our commitment to operational excellence, quality, sustainability, and best-in-class manufacturing practices.

During the quarter, there were important changes to the Company’s leadership team. We would like to place on record our sincere appreciation for Ms. Sweta Agarwal for her valuable contributions as Chief Financial Officer and wish her success in her future endeavors.

To further strengthen our leadership and governance framework, the Board approved the appointment of Mr. Rakesh Mishra as Chief Financial Officer, effective September 1, 2026. With over three decades of experience across finance, governance, compliance, and business transformation, he brings significant expertise to support the Company’s next phase of growth.

The Board also appointed Ms. C. V. Kavviya as Whole-Time Company Secretary and Compliance Officer, effective July 25, 2026. Her extensive experience in corporate governance, secretarial matters, and regulatory compliance will further strengthen the Company’s governance and compliance framework.

During the quarter, we also participated in Prawaas 5.0, India's premier public transport and mobility exhibition, where we showcased a wide range of advanced technologies focused on safety, connectivity, operational efficiency, and electrification. The event provided an excellent platform to engage with OEMs, fleet operators, and other key industry stakeholders.

We received encouraging customer response across our technology portfolio, particularly for our range of Door Control Systems, which received strong customer appreciation for their enhanced passenger safety and integrated fire detection capabilities enabling faster evacuation. The strong interest reinforces the growing demand for intelligent safety solutions and validates our focus on technologies that improve passenger protection and operational efficiency.

And now, moving on to our financial performance for the quarter:
For your ready reference, the results were made public at 1:43PM on July 24, 2026. I hope you have had a chance to go through them.

We are happy to share that for the quarter ending June 30, 2026, our Total income stands at 1,101.8 crores with 5.7% growth compared to Q1 of previous Financial Year. However, our revenue from operations grew by 9.3%

Excluding foreign exchange (FX) gains/losses and one-time items, our income increased from ₹1,001.5 crores in Q1 FY 2025-26 to ₹1,100.6 crores in Q1 FY 2026-27.

The Company's Profit Before Tax (PBT) for Q1 FY 2026–27 stood at ₹140.1 crores,
While Profit After Tax (PAT) amounted to ₹104.5 crores, with a de growth of -14.7%.

However, *excluding the impact of foreign exchange (FX) gains/losses and one-time items, (₹43.7 crores) Profit before tax stood at ₹140.8 crores in Q1 2026-27, representing a strong 16.9% growth compared to Q1 of the previous financial year.*

The year-on-year difference is primarily attributable to the absence of the significant FX gain (₹39 crores) and higher one-time income (₹4.7 crores) recorded in Q1 of the previous financial year. In contrast, Q1 of the current financial year was affected by an FX loss of ₹1.98 crores and lower one-time income of ₹1.2 crores.

During the quarter, we faced certain external headwinds, including volatility in Forex, key commodity, energy and consumable prices driven by geopolitical developments, as well as an industry-wide shortage of blue-collar manpower during April and May, which impacted production costs across several manufacturing sectors.

To mitigate these challenges,

- We intensified our focus on the Aftermarket business and implemented selective price increases effective July 2026.

- We continue to engage proactively with OEM customers on commodity and foreign exchange cost recovery measures, with a portion already realized and the balance under active discussion.
- Under our PERFORM26 initiative, we remain focused on continuous improvement measures (CIS), productivity enhancement, value engineering, material cost optimization and manufacturing efficiency improvements to help offset inflationary pressures and strengthen profitability.

In closing, we remain confident in the long-term growth prospects of our business. Driven by increasing adoption of advanced safety technologies, strong aftermarket momentum, a positive export outlook, and a robust innovation pipeline, we are well positioned to capitalize on the opportunities ahead. We will continue to focus on innovation, operational excellence, customer centricity, and disciplined execution to create sustainable long-term value for our shareholders and stakeholders.

I would like to thank all our stakeholders for your continued support.
Thank you, We now welcome your questions.

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

Mumuksh Mandlesha: Congrats on the ESC nominations. Sir, just on the -- firstly, on ESC nomination, sir, you mentioned in the press release, you have won orders across the 12-volt and 24-volt systems. So just want to understand, now will the ZF address across the CV segments, including LCV, which is more than 5-tonner segment as well. And just the LCV, the 12-volt system, will the content be slightly differ than, say, 24-volt system, sir?

Shankar Venkatachalam: This is Shankar here. Taking your question, the ESC win is only across the pneumatic ESC domain, whatever we have shared today in the press. And as part of the 12-volt segment, it's mostly the intermediate commercial vehicle segment, which is in the 12-volt region. So that's the focus, which is mostly pneumatic ESC. And to answer your question on the content per vehicle, it remains the same.

Mumuksh Mandlesha: Got it, sir. Got it. Sir, coming to second part, sir, basically, just want to understand if you can update, particularly on the LCV side. We had earlier talked about LCV product portfolio where we want to expand towards LCV and we're targeting around 90 million revenues by 2030. And also just on the longer term, how do you see the ECAS regulation extending to more segments of CV? And how ZF is particularly actively working a lot towards the software in the CV industry as the CV industry players are focusing a lot on the improving payload and the efficiency?

Shankar Venkatachalam: Okay. Let me break this down question by question, perhaps. On the LCV segment, firstly, I think the first focus is on the advanced braking systems. As you might be aware, we are already in series supply on certain hydraulic ESC portfolio products for some of the key OE customers in India. Apart from this, we are also working on the booster and tandem master cylinder for some segments of the hydraulic braking portfolio and looking to grow that business further.

So we are working towards the expansion, as you mentioned, towards a bigger presence in the braking segment to start with. Coming to your second question on the ECAS, we are already present today with most of the key bus OEM partners where we are working to position ourselves as an e-car supplier partner. Potentially, there is a legislation coming up in the future. There was talk about all the vehicles adopting the ultra-low entry buses. When that happens, we will be there with all the OEMs.

Apart from the bus segment, we see this in a few of the truck segments, primarily in the tractor-trailer domain, where we see the tractor-trailers having height adjustments to be able to adapt to different variations in the trailers. So this is the one other potential that we see that getting adopted and possibly extending into the tractor and trailer segment on the truck side. And what was your third question again? I...

Mumuksh Mandlesha: On the software part, I mean, a lot of CV players are focusing on the payload, et cetera, to drive efficiency. So I just want to understand how ZF is working to take these opportunities?

Shankar Venkatachalam: So on the software part, we are basically into the telematics domain already, which provides a comprehensive way of evaluating how the performance of the vehicle is and in terms of the repeat operation management and tracking. Apart from that, we already are into the trailer EBS and the trailer PULSE mechanism setting, which provide capability to do load monitoring, load evaluation as well.

These are all capabilities and features that are already available. Looking ahead, then there is also the work towards the software-defined vehicle, which we are at a conceptual stage as a company, and trying to see how OEMs would be interested in partnering with us and taking that concept forward.

Moderator: The next question is from the line of Mukesh Saraf from Avendus Spark.

Mukesh Saraf: This is Mukesh Saraf. My first question is on the ESC nomination itself. So you mentioned that you'll be part -- you're already nominated for 3 OEMs. Would your market shares in this ESC be similar to the pneumatic braking system market shares we have, given that you're nominated? Or is this going to be nomination platform-wise, segment-wise? Or is it across the board you will be supplying?

Shankar Venkatachalam: Thank you for the question, Mukesh. I would like to take that. And to answer you, yes, as we have been nominated with most of the major OEMs, we would be retaining our majority position in the market, and we will continue to work with them on ABS plus ESC solutions, which we are offering across the Indian market.

Mukesh Saraf: Right. And so in the previous call, you also mentioned that OEMs will typically want to work with the same vendor for the entire ADAS suite. So that will include AEBS also, for example.

So now that you're working on ESC with the OEMs, in all probability, should we assume that AEBS will also be part of the supplies for you?

Shankar Venkatachalam: So I think during the last call, it was also mentioned that today, the market has provided several options that are available, wherein the AEBS, ADAS portfolio can be disconnected from the braking, and there are many service providers that offer this solution in the market. So we are at this point of time in the ABS plus ESC domain as a majority player. And with the ADAS, there are many other players in the market as well who offer this solution as a standalone.

Mukesh Saraf: Right. So AEBS is something that we'll have to still wait and see how -- whether we can get in nomination there as well?

Shankar Venkatachalam: Today, we have a few partners in the e-bus domain. We have already been nominated by a few of the key bus manufacturers, where we are working with them on the EBS plus ESC with the complete suite of solutions that offer the complete set of features, which we have as it is available in the European market. So that's the full suite. And this is where we are looking to position this product and take it forward from there.

Mukesh Saraf: Got it. And secondly, we're starting manufacturing next year, third quarter for the ESC. How would the levels of localization be for this product to begin with?

Shankar Venkatachalam: So we are working on a high level of localization with our local EMS partners where we have possibilities to localize the ECU as well as some of the other products which we are using. Already, we are somewhere near 40% to 50% localization. By the time SOP, we will be greater than 75%.

Mukesh Saraf: Got it. And just last question on exports. We do understand that last year, we've seen some impact with the tariffs across U.S. Could you give some sense on the outlook this year? Because I think we have been talking about a lot of new orders that we are winning, especially in Europe. So to help to understand how exports can pan out for us this year, how is the order book looking like, new product introductions, all of that?

Shankar Venkatachalam: So in the current quarter, we are seeing a momentum that is gaining back after the last year dull. And this is primarily driven by some of the actuation products from North America as well as some of the air compressor portfolio products. So these are the key growth drivers which are being produced out of our SEZ plant in Chennai. And we are looking that this outlook continues to remain positive in the coming months as well.

Mukesh Saraf: Any guidance or any sense like can we see continuous double-digit growth in our export revenues for this year?

Shankar Venkatachalam: At this moment, we are not able to predict because there are a lot of geopolitical uncertainties around it. So I'm sure nobody in the world could put a finger on it for sure. But I would say it looks positive for sure. So in the sense that we would be definitely looking at a strong rebound happening in the market.

Moderator: The next question is from the line of Dishant Jain from Quasar Capital.

Dishant Jain: Sir, first a few data questions. Can you provide the domestic OEM growth for this quarter as well as the U.S. and Europe market growth Y-o-Y?

Shankar Venkatachalam: Yes. I think the domestic year-on-year was 8.6% over last year. But the vehicle growth approximately 8.5%.

Dishant Jain: Okay. And what about the U.S. and Europe markets?

Shankar Venkatachalam: So U.S. and Europe markets saw degrowth versus last year, approximately 10 percentage degrowth, while overall I think Europe -- I think U.S. market was a bigger degrowth than the Europe market. So that was the bigger level growth. But our overall sales has been better.

Dishant Jain: Okay, sir. And sir, can you just provide some commentary on how the domestic demand is currently behaving in the Indian market, like your talks with the current OEM players and everybody, just about the -- how the domestic demand is behaving in terms of production?

Shankar Venkatachalam: Yes. Typically, the July, August, September months are usually seen as a dull month due to the monsoon, wherein the heavy vehicle production and vehicle demand would come down. However, this time, we are seeing a kind of a growth scenario situation where we see the July month itself, we are seeing an average of 40,000 to 42,000 vehicle production, which is almost 10,000 higher than typical July.

And looking at August and September also seems to be at par levels. So there seems to be a good growth by the OEMs, a good rebound in this quarter itself, potentially towards the growth sector that we will see in the -- for the quarter as well.

Dishant Jain: Sure. And sir, I didn't hear properly when MD sir said at the beginning of the call that this quarter was impacted by certain headwinds across the industry. So what are the actual headwinds, if you can repeat, please?

Paramjit Singh Chadha: Yes. Actually, you know that there was a shortage of aluminum also. It started from, in fact, previous quarter also. And also the shortage of gas and the prices increased. So aluminum has gone higher close to INR100 from around INR260 per kg, and it has gone up to more than INR360 per kg.

It has started coming back in July, approximately, we see that INR25 is reduced. And it should taper down if the geopolitical situation starts improving. So this is one major contribution in commodity side. And also, there are some increases in the oil prices, consumable grease and other things. So anything related to chemical, including rubber, plastic, they have seen increase in this quarter and, in fact, in the previous quarter.

Dishant Jain: Sure. Understood. Yes. And just the last one, sir. And what was the one-off in the base quarter?

Paramjit Chadha: One-off expenses was INR39 crores was basically a forex gain which we had due to some -- the billing was done of the services at a x-price of FX, but we got it at 1.08x. So around 8% higher forex gain we booked in this last year first quarter. So that is close to INR39 crores, plus there were some actuarial valuation one-timers. So that total amount was INR43.7 crores, which in this quarter only close to INR1.98 crores. That is basically FX loss. So that is why there has been this difference.

Dishant Jain: So basically, there is a delta of INR40 crores on a Y-on-Y basis in other expenses, if I'm right?

Paramjit Chadha: You are right. You're right. Absolutely right.

Moderator: The next question is from the line of Dishant Jain from Anand Rathi.

Dishant Jain: Sir, my question is on services. So how do we see the services growth for the full year?

Paramjit Chadha: Yes. Currently, we have seen around 7.5% growth, last quarter versus this quarter. I think we see that it should remain at this level, even in the coming months, because we are also earning services from vehicle solutions, integrated brake controls, operations and performance improvements, advanced products and also related to some cybersecurity services from India.

Dishant Jain: Okay. And sir, my second question would be review results. Sir, employee cost has been affected Y-on-Y. Any particular reason?

Paramjit Chadha: Yes, one is that we are having the increment everywhere, which is to be put together. And also in the export of the services, around INR8.4 crores is covering the recovery, that is shown as employee cost increase, but if you go there, it is also shown under that recovery, which is INR8.5 crores. So, overall impact is around INR17 crore, which is increased in India.

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

Shubham Bhatra: Sir, firstly, on the gross margins. Over the last 2 quarters, Q4 last year and Q1, we have seen some pressure coming in. Could you highlight as to what kind of pass-throughs are we expecting from the OEMs and what is the time line for the same?

Shankar Venkatachalam: As Paramjit mentioned, the kind of pass-throughs what we are seeing are related to inflation from RM commodities as well as related to the West Asia crisis, which led to certain commodities like LPG, other products which are byproducts of the crude oil and petroleum-related outcome. So as a result of these, those products are the ones where we are now jointly working with OEMs to see how to get.

I would say we have already recovered one portion of it, but there are others where there are ongoing discussions with OEMs as they recalibrate their own internal activities and their books. So this is also something that we will be securing over the next quarter. Typically, this happens over a 2 quarter lag, but owing to this conflict, it has taken a little longer than usual. That's the impact that we see.

Shubham Bhatra: Got it, sir. And this recovery that has happened, some part of it, that has not -- that has happened in Q2, correct, in the current quarter?

Shankar Venkatachalam: This is already reflected in Q1.

Paramjit Chadha: It's the previous quarter.

Shankar Venkatachalam: Yes. That is in the -- correct.

Shubham Bhatra: Got it. Got it, sir. And secondly, sir, our other expenses on a Q-o-Q basis have bumped up by around 10%. Any one-offs you would like to call off?

Shankar Venkatachalam: Other expenses when compared to Q4, there is an FX loss of INR2 crores and then there is an increase in certain CSR expenses and then there is an increase in consultancy and IT costs. And then there is a directors' commission and rental expenses of service locations. So these are the 4 categories under which it comes under. The delta is approximately INR12.4 crores. Apart from the above, the overall, it remains, yes.

Moderator: Due to time constraints, we take that as the last question of the day. I would now like to hand the conference over to the management for closing comments.

Paramjit Chadha: Yes. So in closing comments, I would like to say thank you very much to all the team members in ZF and also all the stakeholders, investors for supporting us during the challenging quarter as well. We have been able to sail through the volume expectation and other expectations from OEMs and aftermarket. So thanks very much to all. Thank you.

Moderator: On behalf of 360 One Capital Market Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Shankar Venkatachalam: Thank you.

Paramjit Chadha: Thank you.