

Divgi Torqtransfer

12 August 2026

Operator: Ladies and gentlemen, good day and welcome to Divgi Torqtransfer Systems Limited Q1 FY27 earnings conference call, hosted by Equirus Securities. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ronak Jain from Equirus Securities. Thank you, and over to you, sir.

Ronak Jain – Equirus Securities: Good afternoon, everyone. On behalf of Equirus Securities, I welcome you all to the Q1 FY27 post-results call of Divgi Torqtransfer Systems Limited. From the management side, we have Mr. Jitendra Divgi, Managing Director; Mr. Hirendra Divgi, Whole-time Director; Mr. Sudhir Mirjankar, CFO; Mr. Satwinder Singh Saprabal, Chief Growth Officer; and Mr. Deepak Wani, COO. I will now hand over the call to Jitendra sir for his opening remarks. Over to you, sir.

Jitendra Divgi – MD: Thanks, Ronak. Good afternoon, everyone, and welcome to this quarterly earnings call. I am sure you have had the opportunity to go through the financial results and the presentation that were uploaded yesterday on the stock exchanges and are also available on the company's website. As was mentioned, joining me on the call today are Sudhir Mirjankar, CFO; Satwinder Singh Saprabal, our Chief Growth Officer; Deepak Wani, Chief Operating Officer; and my brother Hirendra, Executive Director, who is travelling on business in the United States right now. Our investor relations advisors, SGA Advisors, have also joined the call.

Let me begin by saying that, as you have noticed, Q1 FY27 has heralded a very strong start to this financial year for us. We believe that this quarter marks the beginning of a new phase in our corporate journey since 2023, when we went public. The performance demonstrates that the capabilities, investments, and opportunities built over the past few years are now converging and beginning to translate into impact. We see this quarter not as an isolated strong performance, but as an early indicator of significantly larger growth opportunities ahead of us.

We delivered our highest-ever quarterly performance, with total revenue of approximately 142 crores, surpassing all our previous quarterly milestones. This represents 85% year-on-year growth and 25% sequential growth over Q4 FY26. What is particularly encouraging is that this growth has been accompanied by a significant improvement in operating leverage and profitability. EBITDA for the quarter stood at approximately 42 crores, with EBITDA margins at nearly 30%. PAT came in at approximately 25 crores. Importantly, return on invested capital without the cash component stood at almost 32% in Q1 FY27, reflecting strong returns being generated on the investments made over the past few years.

This performance was reflected in, or you could say driven by, a favourable product mix, increasing contribution from exports, and the operating leverage that comes from a higher scale of business. Importantly, the benefits of this scale-up are not limited to our financial performance; they are also enabling us to accelerate the next phase of our growth.

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As I have been stating in previous calls, our global strategy has two clear priorities. The first is to support our OEM customers in their global expansion, and the second is to build a global footprint for ourselves. I am pleased to share that we have made meaningful progress on both these fronts.

On the first, we are successfully on track with our Indonesia programs supporting Tata and Mahindra in their work in Southeast Asia. This is an important milestone for us and demonstrates our ability to take our capabilities and partnerships beyond India. Building on this experience, we are now taking the next step in our internationalisation journey. I am pleased to introduce Project Mayflower, our initiative to eventually establish a manufacturing presence in the US. Under this initiative, we have established our wholly owned subsidiary in Greenville, South Carolina, at the International Center for Automotive Research, and have begun building our initial team and operations. My brother Hirendra is in the US in connection with this initiative.

We are already seeing encouraging customer traction, including new RFQs for sourcing from this proposed manufacturing site in the US. Our focus now is to convert these opportunities into concrete revenue streams, deepen our engagement with existing customers, build relationships with new OEMs and Tier 1 customers, and evaluate the right opportunity to establish local manufacturing. Together, the Indonesian or ASEAN program and Project Mayflower mark important steps in our evolution from an India-focused business to an enterprise with an increasingly global footprint.

The message from this quarter is not simply that we have achieved another record quarter. More importantly, we are beginning to see a fundamental transformation in the scale and breadth of our business, and the benefits of the capabilities and opportunities that we have built over the past few years are beginning to translate into scale. Over the last few years, we have invested deliberately in technology, engineering capabilities, manufacturing, advanced manufacturing technology, and customer relationships. We are now at a stage where these investments are translating into multiple growth opportunities simultaneously.

In simple terms, all the cylinders are now beginning to fire together: transfer cases, EV transmissions, components, exports, and emerging transmission opportunities, such as automatic transmissions for front-wheel-drive and rear-wheel-drive applications. This gives us a much stronger and more diversified foundation to grow better, stronger, and faster.

One of the most significant changes that we are beginning to notice is the evolution of our relationship with customers. We started by proving our technology and manufacturing capabilities. Today, we are increasingly being recognised as a technology partner, working alongside OEMs to develop and commercialise new technologies at an ever-increasing and faster pace. This is an important change in the way we participate in the automotive value chain. We are no longer looking at individual product opportunities in isolation. It is all about building deeper relationships across platforms, applications, and technologies.

We are strengthening our relationships with existing customers, while our capabilities are also attracting new customers and new applications at existing customers. We have already initiated discussions with, excuse me—

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Management: —which are new customers across domestic as well as international markets. These include Japanese, Chinese, and Korean customers who, as you may have noticed, are increasingly going to play an influential role in the Indian and global markets. The other trend we are seeing is a transition from being just a PV player, or passenger vehicle player, to becoming a broader light vehicle and mobility player. In other words, the addressable market is also evolving. Historically, we were identified with passenger applications; today, that is no longer the case. With our growing participation in pickup trucks and other light commercial truck applications, we are expanding beyond the traditional passenger vehicle opportunity. The pickup truck opportunity, in particular, is important because it allows us to participate in a segment that combines the scale of light vehicles with the requirements of commercial mobility.

We are not stopping there. We are actively evaluating opportunities to participate in other vehicle and transmission segments, which can further expand our addressable market over the coming years. This is the transformation we are talking about: from a company with a strong capability in a specific product and vehicle segment to a broader drivetrain and mobility enterprise.

Let me shift gears and talk a little about our transfer case business. This business continues to be a key growth driver. The global market for transfer cases is in the region of about 14–15 million units. As you can see, we are still quite modest. The Indonesia program has significantly increased volumes for us, and we expect further momentum through FY27, including incremental volumes from the pickup truck program, new platforms, and facelift programs. Importantly, while the Indonesia program has required immediate execution and has influenced the timing of some other orders, we do not view the resulting revenue as entirely one-off. More than 50% of the business has the potential to become recurring in nature. Some other opportunities that would otherwise have entered the pipeline were pushed out temporarily because of the immediate execution load, both at our end and in terms of capacity at the OEMs. These opportunities have not disappeared. They remain part of the overall pipeline and will come back as the current program concludes its execution phase.

At the same time, our OEM customers are establishing manufacturing footprints outside India and are looking to expand their own exports. This creates a much larger opportunity for us to participate in global platforms beyond the current Indonesia program. We expect one such program to start in FY28. Therefore, our opportunity in transfer cases is not simply about executing what is on hand; it is about using this program as a springboard for sustaining the global nature of this business.

Another significant transformation has been our export business. There was a period when our export revenues had become almost negligible because of external factors. Rather than accept this situation, we reworked our strategy, and within just 2–3 years, we have rebuilt a substantial order pipeline and a business that is very tangible and visible to all of you. Our manufacturing technology is at par with international players and meets stringent European, American, and Japanese requirements. Therefore, our opportunity is not restricted to any one geography. If an opportunity moves away from Indonesia, our capabilities can be deployed across other export markets and global platforms.

A case in point is a Japanese OEM that is targeting applications in the Gulf region. The Gulf region, as you know, is geographically in the vicinity of India, and the Japanese OEM wishes to take

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advantage of its infrastructure in India to service these markets. This is just one example. We are therefore building exports as a structural growth engine rather than treating them as mere transactional opportunities.

A word about our EV transmission business, which continues to be a very critical pillar despite showing a little bit of a dent in a few months. While the transition from imported platforms to localised production at one of our key OEMs has taken longer than initially anticipated, the underlying opportunity remains intact. In fact, for the remaining quarters of this year, we are seeing extremely strong schedules coming in. Our customer programs continue to progress, and we have already demonstrated our capabilities in prototypes and proof-of-concept work. We have also received approval from OEMs for mass production of new programs at the customer. In particular, the Sigma program is progressing towards commercialisation, while localisation and validation activities continue across other programs.

Significantly, we are building this capability not merely for one EV program, but with the objective of creating a technology platform that can address multiple EV, hybrid, and emerging transmission applications. The takeaway is that the assets, both in terms of hardware and the intellectual capital being created at the product design and manufacturing process levels, are all very fungible and can be taken across the verticals that we have.

Components and exports are also becoming increasingly important. We are seeing greater acceptance of the precision standards that we have in international markets, and customer engagement is increasingly opening opportunities across components, transfer cases, and broader drivetrain systems.

Eventually, our ambition is to move beyond individual component supplies and build higher-value recurring global programs in products. This is another area where our technology, manufacturing, and customer relationships can create significant operating leverage as commercial volumes present themselves. In the midst of all this, we have not lost sight of the next set of growth engines that will drive the business over the next 10–15 years.

Alongside our established businesses, with great deliberation, we are building the next generation of opportunities. We are evaluating and working across automatic transmissions, manual transmissions, hybrid technologies, power take-offs, and active systems for front-wheel-drive-based all-wheel-drive applications in SUVs. Not every opportunity will commercialise at the same time, but we will remain disciplined in how we allocate capital and develop and shepherd this business growth. The important point for you to take away is that our opportunity funnel today is significantly broader than it was a few years ago.

In the last 4–6 months, we have added 2 new applications. One is a front-wheel-drive-based all-wheel-drive application where the content is upwards of 30,000 per vehicle. The second is a transfer case for a Japanese OEM, which is Japan's oldest and fairly renowned truck company.

Looking ahead, I think it is fair to say that we have a vision of a company that is fundamentally different from where it was a few years ago. How do we see this evolving? We no longer have to prove ourselves as a technology player. We are increasingly partnering with OEMs on technology development, and the very active R&D programs that we are undertaking are clear evidence of that.

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The second point is the transition from predominantly passenger applications to broader light vehicle and commercial applications. I would even go to the extent of saying mobile construction equipment manufacturing. We are moving from a predominantly domestic business to an increasingly global opportunity, although there is much work to be done in this direction. We are also moving from individual product opportunities to multiple technology and product platforms. In other words, we are moving from one primary growth engine to multiple growth pillars.

What is interesting is that the development of these opportunities is coming together. The opportunity also presents challenges in terms of execution bandwidth, and that is what continues to preoccupy us. In short, the transfer case business is scaling, component exports are gaining traction, the component business in India is growing with our customers, EV transmissions are increasingly moving towards commercialisation, and our three-wheeler product, the EV reducer, is now also ready.

What makes us very distinctive is that we are not building to print. We bring our technology and our products, with which we can solve problems for OEMs. This enables us to optimise upfront tooling costs and upfront engineering costs, and brings a very high level of assurance very early in the vehicle development program.

We are also working on the next set of opportunities that I mentioned earlier: automatic transmissions, manual transmissions, hybrid and other drivetrain technologies, both at a component and a system level, across domestic and global markets. This is why I say that we are entering a qualitatively different phase of growth.

The investments made over the past years and the confidence shown by all of you have helped us create these capabilities. The relationships we have with our customers, some of them going back more than 60 years, are creating these insights. Our technology is, I think, the differentiator, and the expanding addressable market is bringing us more and more opportunities. We now have multiple strong pillars supporting the business, and all of them, as I said, are beginning to fire together.

So, where do we go from here? The idea is that we convert this expanding opportunity pipeline into sustainable, profitable, and increasingly global growth. That is where I think the timing of {? Project Meighlawara ?} could not be better. We believe the opportunity ahead for the company, for your company, is significantly larger than the business we have today, and we are building the organisation, technology, and manufacturing capabilities to capture that opportunity.

This is a historic crossroads that we are at, and we believe that Divgi-TTS is leading the revolution in India to create India's first generation of genuine Tier 1 companies.

With that, I would like to conclude my remarks. We will have a Q&A session after my colleague Sudhir Medjantner has had a chance to talk about the financials. Let me hand over the proceedings to Sudhir, and then we will have a Q&A session. Thank you very much.

Sudhir Medjantner: Thank you, sir. Good afternoon to everyone on the call. Before presenting the financial numbers for Q1 FY27, I would like to highlight a few key points. I am pleased to say that we have started FY27 on a very strong note, delivering another record quarter across revenue, EBITDA, and PAT. Following the strong performance in Q4 FY26, the momentum has continued into Q1

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FY27, reflecting sustained growth in the underlying business.

The transfer case business delivered strong growth during the quarter, supported by higher volumes from key OEM customers and sustained demand across upgraded platforms.

Management: We also continued to strengthen our presence in export markets. Our e-drive business remained relatively subdued during the quarter. However, we continue to see opportunities for the business to scale up, supported by approvals for new platforms and programs in the pipeline.

Meanwhile, the components business continued its strong growth trajectory, supported by higher contribution from precision components and continued growth in exports. We remain focused on expanding into new geographies and deepening our engagement with global OEM customers. At the same time, we are building opportunities for the next phase of growth through new platforms, export opportunities, and expansion into adjacent transmission products. We continue to work on opportunities in automatic transmission, manual transmission, and hybrid transmission, which will further strengthen our product portfolio over the longer term.

Speaking of the financial performance of Q1 FY27, in Q1 FY27, we delivered our highest-ever quarterly revenue of Rs.141.8 crores, registering strong 85% year-on-year growth from Rs.76.8 crores in Q1 FY26 and 25% sequential growth from Rs.113.8 crores in Q4 FY26.

On revenue mix, the transfer case segment delivered strong growth during the quarter, with revenue increasing 93% year-on-year to Rs.76 crores compared to Rs.39.3 crores in Q1 FY26. As mentioned, the growth was driven by strong transfer case volumes and healthy demand from existing OEM programs. The segment contributed around 53% of total revenue during the quarter.

The e-drive segment reported revenue of Rs.5.7 crores, with the business positioned for a gradual ramp-up as existing platforms sustain and new programs move towards production. The components segment continued its strong performance, with revenue increasing 83% year-on-year to Rs.34.4 crores compared to Rs.18.8 crores in Q1 FY26. The growth was supported by improved realisations, a higher mix of precision components, and continued growth in the export business. Exports continued to strengthen during the quarter, contributing around 16% of the geographic revenue mix.

Other business also recorded strong growth, with revenue increasing to Rs.21.4 crores compared to Rs.6.5 crores in Q1 FY26. This includes contribution from M-Star, PLS, Aftermarket, and other operating income.

Gross profit for Q1 FY27 stood at Rs.88.6 crores compared to Rs.48.3 crores in Q1 FY26, representing 83% year-on-year growth. Gross profit margin stood at 62.5%, broadly stable compared to 62.9% in Q1 FY26.

EBITDA for the quarter stood at Rs.41.3 crores, registering strong 118% year-on-year growth from Rs.19.1 crores in Q1 FY26 and 50% sequential growth from Rs.27.8 crores in Q4 FY26. EBITDA margin improved to 29.4% compared to 24.9% in Q1 FY26 and 24.5% in Q4 FY26, supported by a favourable product mix, higher contribution from exports, and better margins from the 4x4

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products.

Profit after tax for Q1 FY27 stood at Rs.25.2 crores, reflecting strong 183% year-on-year growth from Rs.8.9 crores in Q1 FY26 and 53% sequential growth from Rs.16.5 crores in Q4 FY26. PAT margin stood at 17.8% compared to 11.6% in Q1 FY26 and 13.6% in Q4 FY26.

Overall, Q1 FY27 reflects the continued strengthening of our business momentum, with higher volumes from key OEM programs, growing contribution from components and exports, and a healthy pipeline of new opportunities. With the visibility we currently have across existing programs and upcoming platforms, we remain confident in sustaining this growth momentum in the coming quarters. That is all from my side. I would now like to open the floor for questions and answers. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and then one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and then two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Your first question comes from the line of Mahesh Bendre with LIC Mutual Fund. Please go ahead.

Mahesh Bendre – LIC Mutual Fund: Thank you so much for the opportunity, and congratulations on the fantastic results. Sir, you spoke about setting up the facility in the US. What kind of investment is required, and what is the overall level of resources we will require over the next 3 years in terms of the growth we are talking about, both capital and any new factories that we need to set up?

Management: Thank you, Mahesh, and thank you for your compliment. This is a very relevant question. I think it comes directly from the remarks that I made. There are 2 areas we are looking at. One is RFQs on new programs that we are working on, and the feedback in that regard is very positive. The challenge, of course, is to now convert this into awards, and awards into revenue streams. On the new RFQs, the SOPs are towards—

Operator: Ladies and gentlemen, the line for the management has been disconnected. Please stay connected while we reconnect the line for the management.

Operator: Ladies and gentlemen, we have the line for the management reconnected. Sir, please go ahead.

Management: Apologies for that little disturbance and interruption. I was answering Mahesh Bendre's question on the outlook for our investment. What I was explaining was that there are 2 types of opportunities: new RFQs and existing work going on in plants, where we can quickly play a role by bringing {? proximity ?} and cost reduction to ongoing business. We are looking at both opportunities.

Essentially, the initial feedback that we have is that there is a possibility of an arbitrage opportunity through the application of technology in manufacturing technology. The intelligence that we have uncovered is in the process of being verified through interactions by our program office in the US.

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If that is borne out, then in the first phase—these are directional numbers that I am putting out, so please do not hold me to this, as this could evolve—the figure we are looking at is about \$5 million in the first phase. The idea is to build a small, compact facility in South Carolina near the city of Greenville, in the general vicinity of our current largest customer in the United States, which is BorgWarner. There are opportunities there that we are looking at to support their plant, which is North America's, and therefore the world's, largest plant for transfer cases in the US.

The other relevant point I wish to make is that the United States government, now working with the automotive industry, is mandating a certain minimum local content produced in what they—

Management: —call the entire US, Mexico, Canada, and North American region. To qualify for this cluster of opportunities, you absolutely need a manufacturing location locally. That in and of itself presents an opportunity. This is a quick, concise answer to the question that Mahesh asked.

Mahesh Bendre - LIC Mutual Fund: Regarding the US, we spoke about the opportunity. The company is on the verge of a breakout stage in terms of business. In that context, do we need to invest more in Indian facilities?

Management: Yes. In India, what we are seeing is perhaps, for the first time in the history of certain global programs, even if they are still not global volumes but are moving in the direction of global volumes, opportunities of upwards of 5,000 units a month. Such opportunities will come in mainstream transmission products, which is what we are working on.

We believe these opportunities will come in the area of manual transmissions and automatic transmissions. Automatic transmissions then become the foundation to evolve into more sophisticated hybrids and even further into dedicated hybrid transmissions. However, that will take some time.

As we have mentioned in previous calls, we are actively working on automatic transmissions. The complexity of a program like this means that a transfer case will have 80–90 line items in its bill of material, while an automatic transmission has upwards of 250. We have to have a very systematic, coherent, phase-wise localisation program to deliver cost savings relative to imports. We believe we have the formula and the recipe to do that. We have the assets and, if I may say so, the financial resources to pull this off. That is what we are now engaged in: figuring out how to help our OEM customers.

The imperative for our OEMs in India is pretty clear. They have to upgrade their powertrains with localised automatic transmission offerings; otherwise, they risk losing market share in the years to come. Given the diversification of the prime movers in terms of petrol, diesel, hybrid, and pure electric, plus the different vehicle segments, the complexity of the automotive business is growing.

Therefore, OEMs need fast, agile Tier 1 companies like ourselves to work with them. This is why I said in my opening remarks that we are seeing our evolution from being just a transactional supplier to becoming a technology partner who is an influencer, not just of the product, but of the manner in which that technology is introduced into the vehicle portfolio of the company. Unless one is willing to walk up to the line in this manner, I do not think one can have a sustainable formula.

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All this is going to require investment in India. The reality is that investments within India will definitely be greater than overseas because it is the Indian market that will give us better opportunities for much higher technology and value addition compared to overseas markets. Given the exchange rate and India's aim to completely pursue exports and globalisation, otherwise we run the risk of macroeconomic factors causing problems for the business model.

This is how we see it broadly: 25%-40% of our business, as I said, will continue to be either exports or global operations, and the remaining 60%-70% will be domestic. Increasingly, domestic will mean proprietary products, because it is quite clear to us now that it is very difficult to scale up by doing only components and build-to-print.

It will work if you are doing only components, commodity components with a little bit of automation, but the attendant factor will then be relatively more modest EBITDA margins. If you want to remain a significant Tier 1 company and a product leader, it will come with its risks, but it offers the promise of much better EBITDA margins. Taking all this into consideration, investment in India is going to take primacy.

Mahesh Bendre – LIC Mutual Fund: Sure, sir. Thank you so much for answering my question in detail. Thank you so much, and best wishes.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Vimal Gohil with Alchemy Capital Management. Please go ahead. Mr. Vimal Gohil, your line is unmuted. Please proceed with your question.

Vimal Gohil – Alchemy Capital Management: Am I audible?

Operator: Yes, you are audible.

Vimal Gohil – Alchemy Capital Management: Thank you so much for the opportunity. Congratulations on a very strong quarter and the outlook as well. Sir, what I wanted to understand is, basically, how has the traction been in the domestic transfer case business if you exclude that top customer? That is one data point that I require.

The same applies to the export business. I missed out on the export piece, sir. How much was the export revenue this quarter, and what kind of performance have we seen excluding the order that we are executing in Indonesia? If you can give me these 2 numbers, sir.

Management: The principal customer is Mahindra. The number-two customer right now, and one that is close behind Mahindra, is Tata Motors, because Tata Motors is also exporting the Xenon or the Yodha pickup truck to Indonesia. I think that answers the first part of your question.

As far as exports are concerned, let us put it this way: the Indonesia order through our OEM customers in India is a kind of export order because 70,000 of our transfer cases are going to land in Indonesia over the next 10-12 months. However, right now it is not showing up as an export order in our books.

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This domestic business has somewhat eclipsed our exports in terms of percentage. In absolute terms, exports have grown from around {? 34 crores ?}; for the quarter, they are around 23 crores. If you annualise that, you can see that it is 92 crores. Considering that just 1-2 years ago exports were down to almost zero, it tells you that, even with the tariff war and all the geopolitics going on, this kind of scale-up in exports tells you that India as a source, and Divgi as a participant in this market, cannot be wished away.

Many of these—in fact, all of these—contracts that we are executing, which are contributing 23 crores per quarter or almost 90 crores per year, are exclusive contracts. We are the only supplier of these components to the North American market. I think this is the second part of your question. Does that answer the question?

Vimal Gohil – Alchemy Capital Management: Yes, sir, it does for exports. I am just trying to understand the traction in the transfer case business better. Apart from M&M and Tata Motors, which other customers are looking to adopt all-wheel-drive or 4x4 transfer cases, or that technology, in the business at this point in time?

The reason I am asking this question is that domestically, most OEMs are currently contemplating EV drivetrains versus ICE within petrol and diesel, and are also looking at hybrid. Given this scenario, how do you see the acceptance or adoption of four-wheel drive in India over the longer term?

Management: I think four-wheel drive cannot be wished away because the commercial truck market will continue to be diesel. We have done prototype development work with Force Motors, Eicher, Ashok Leyland, and, of course, Tata and Mahindra.

Our applications in these commercial trucks have significant potential for globalisation. It should be noted, because this information is now in the public domain, that Tata Motors has acquired Iveco in Italy. Iveco has a truly global footprint, and one of the markets in which Iveco is extremely strong is South America, the entire South American continent, with Brazil and Argentina as the centre of gravity.

We therefore believe that the opportunity is truly global, and the products are ready with us. Manufacturing capacity and a little additional localisation in some instances may be needed. It is nothing beyond our capabilities. We have to prioritise our work because the volume of work is so substantial that we have to sequence and prioritise it. However, it is all extremely doable.

Having said that, at the end of the day, the largest truck maker in India is Tata Motors. They operate from small commercial vehicles all the way to big trucks. The segment is quite dense as you move from, let us say, 1.5-2 tons to something like 12-14 tons.

It is in this space that four-wheel drive is needed. The numbers are obviously much higher in the lighter range, but in the medium to slightly heavier range, the margin realisation and unit prices are significantly higher. Applications include general utility, off-road, forestry, mining, defence, and construction. These are the application areas where four-wheel drive is needed. It is not going away.

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When you look at India as a country with 3.5 million square kilometres and tremendous geographic diversity, if we meet Indian conditions, we can pretty much take care of anything around the world.

I will give you a very quick example. At 16,000 feet in the Himalayas, where the Army operates, temperatures can reach -20 degrees Celsius. This is the temperature you might see in Siberia in Russia or on the Canadian prairies, but it is also present in India. In addition, if you go to the deserts, you have sand and heat reaching 45-50 degrees Celsius. We therefore have to design products that can handle this kind of climatic range.

That is what we are doing, which is why 2 of our transfer case models are extensively used by the Indian Army, which, as you know, is the world's third-largest standing army. That in and of itself gives us such a brand. Four-wheel drive is not going anywhere. It continues to require a great deal of attention.

Let me also say that incumbents like Mahindra and Tata are investing heavily in capacity building. This Indonesia order, you could say, is a foretaste of things to come. The competition in Indonesia was from the major Japanese companies—Toyota, Nissan, Mitsubishi, and Isuzu—and 2 Chinese companies, Great Wall and Foton. Again, these were 6 formidable global competitors, much bigger than Tata and Mahindra.

Our compatriots won this prestigious order and swept it clean. One of them probably would have taken everything, but none of them individually had the capacity. Now ask yourselves: what do you think the leadership in these companies is thinking? Having proven this, do you think they are simply going to rest on their laurels? I think not.

ASEAN is a huge region. It is bigger than the Indian subcontinent. It extends from Burma to Vietnam and from Laos to the islands of Indonesia, which touch Australia. It is a huge region, and Indian companies are not going to stop. We have the Indo-ASEAN free trade agreement—

Operator: Ladies and gentlemen, we have the line for the management reconnected. Sir, please go ahead.

Management: I apologise. I just kept talking without realising that the line had disconnected. Let me retrace this in a very short way.

Indian OEMs are also going global. We are not just working with our customary traditional OEMs; as I said, we are widening our footprint to include companies like Force Motors, Ashok Leyland, Eicher, and now companies like JSW that are entering the automotive industry.

Our own work with American and Japanese OEMs, our OEMs going global, and a wider cross-section of the Indian market mean that there are enough opportunities out there. Also remember that when we develop transfer cases with these OEMs, we bring a great deal of credibility as a Tier 1. Using that channel, we can give them offerings in manual transmissions, EVs, and automatic transmissions.

I do believe that we are bringing absolutely state-of-the-art automatic transmission technology. I know it is taking time, but please bear with us. We will have announcements later this year.

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Vimal Gohil – Alchemy Capital Management: Right, sir. My last question is about the timeline for our US plant. What timelines are we looking at for setting it up?

Management: Right now, the thinking is that we will do this in the second half of calendar 2028, at the earliest. That is about 2 years from now.

Vimal Gohil – Alchemy Capital Management: Fair enough. The commissioning will take some time. Are we looking at possible commissioning by 2029?

Management: We did look at the possibility of acquiring an ongoing business. However, what we realised is that the companies we are capable of acquiring are smaller private limited companies, and the accounting standards of these companies in the US are quite lax because audits are not statutory for small companies in the US.

As a listed company, if we were to go after them and red flags emerged, there would be all kinds of minefields. We therefore feel that the best way to do this is to move a little slower but take our culture of quality, manufacturing technology, and innovativeness to a greenfield site.

It will therefore be a greenfield plant. Let us look at it this way: we will start small, but we will engineer the systems so that we can move very fast.

Vimal Gohil – Alchemy Capital Management: Understood, sir. Thank you so much. I will join back in the queue. Thank you.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Raj Agrawal with Niveshay Asset Management. Please go ahead.

Raj Agrawal – Niveshay Asset Management: Good afternoon, sir. Thank you so much for the opportunity, and congratulations on an excellent set of numbers.

Management: Thank you.

Raj Agrawal – Niveshay Asset Management: As you mentioned, I had an opportunity to meet the team a couple of times in the last month. As you mentioned, we are adding these {? NAS ?} growth pillars—automatic transmissions, manual transmissions, and taking these transfer cases abroad.

Sir, to the best of your understanding, could you put a small timeline around each of the verticals? After the Indonesia order, when can we win the next order for transfer cases? For manual and automatic transmissions, when can they start contributing to revenue? I am not asking for any specific date, but just a general timeline would be very helpful.

Management: Directionally, I can tell you that sometime next year, from April 2028 to March 2029, we expect shipments to start to South Africa.

Raj Agrawal – Niveshay Asset Management: That is one indication.

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Management: Around the same time, we are looking forward to commercialising an LCV manual transmission. Remember that about a year ago, we announced the global pickup truck coming from Mahindra & Mahindra. That operation will also start later this year and then continue in the out-years over the next 3–5 years.

This is as far as the transfer cases are concerned. On EVs, I do want to take some more time to emphasise this particular product vertical. We have ready designs from the lower end of the range, which is 10–15 kilowatts, all the way up to 150 kilowatts. We have ready-made designs.

Our recent interactions with customers—which include Japanese, Korean, Chinese, and Indian customers—tell us that our designs are extremely cost-effective. I personally believe that this particular product line can deliver much better margins in global markets rather than in India.

If you ask me, I am going to pay a great deal of attention to the globalisation of our EV transmission products. The markets for us are essentially Western Europe and the United States, because these countries are somewhat cautious and wary, if I may say so, about overwhelming dependence on China. They will therefore want to temper their Chinese imports with a significant amount of Indian content. I think we are in a position to do that for them.

This is where our sales office in Cologne, Germany, and this new office in South Carolina will be of great help. I want to make the point that the US office is located inside the International Center for Automotive Research, a world-class university campus in the southern part of the United States, where Mercedes, Isuzu, and BMW all manufacture cars.

That gives us a great deal of visibility and ready access to people and contacts in the United States ecosystem. We also have a great deal of active help from the local state government of South Carolina in promoting our name and access to markets because the local state government wants investors to succeed in that region. This is how I see this developing.

Raj Agrawal – Niveshay Asset Management: That is very heartening to hear, sir. Can you provide a similar directional timeline for manual and automatic transmissions as well?

Management: I told you that next year we will see the light commercial vehicle manual transmission. This is highly significant. This particular project is somewhat modest, but it is the beachhead for pursuing business opportunities in India, which we believe will be anywhere from 100–150 crores and above.

The initial contract, which I am calling the beachhead contract, will start earning revenue next year. As far as automatics are concerned, the earliest that we now see is the second half of 2028.

Essentially, we have the technology and the product. We have to work with OEMs and their cycle plans and dovetail into their overall project timelines and vehicle project timelines. This is where the work is going on.

We think that automatic transmission programs will deliver at least 300–400 crores. At the end of the day, if we have to reach that benchmark of 1,000 crores, it is the automatic transmission that will provide the afterburner thrust, if I can use that aviation analogy, to reach that point.

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Raj Agrawal – Niveshay Asset Management: Superb, sir. One last clarification. You mentioned that shipments to South Africa would begin very soon. South Africa and the global pickup truck—these are not 2 separate contracts, right? They are one and the same?

Management: They are one and the same. There is an India portion of it and a South African portion of it.

Raj Agrawal – Niveshay Asset Management: Understood. Thank you so much for the opportunity, and I wish you good luck, sir.

Management: Thank you very much.

Operator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, we request you to limit yourselves to 1 question each and rejoin the queue for further follow-up. The next question comes from the line of Sumit Ambecker with Paramai. Please go ahead.

Sumit Ambecker – Paramai: Am I audible?

Management: Yes, Sumit, you are audible.

Sumit Ambecker – Paramai: Thank you for the opportunity. Congratulations on the great results. Regarding transfer cases, out of 70,000 units, how many were dispatched in the first quarter, and what is the balance to be executed over the course of this year? Second, can you quantify the monthly dispatch run rate for the EV platform?

Management: Roughly, you could say that around 30% of the total contract has been executed, broadly in that range. The remaining quantity will be executed over the remaining months because the OEM also needs that capacity to absorb what we are supplying them.

The good news right now is that the Divgi-TTS manufacturing line and system are 2 steps ahead of the OEM. On account of us, the customer should not have any complaints regarding quality or delivery. I can tell you very categorically that Divgi-TTS has done a good job supporting the OEMs.

However, because of impediments in the rest of the supply chain, some of this contract may spill over into 1 or 2 months of the next year. That is the position regarding the transfer case. What was the other question?

Sumit Ambecker – Paramai: The second question is about the dispatch of EV transmission systems.

Management: EV, yes. I do not know whether the impact of the Iran war and the general scare created in the market is responsible, but we are seeing schedule releases from customers that are significantly higher. The shock to the system has reinforced the importance of a local supply chain.

I have to tell you that the Indian EV market is highly competitive. There are incumbents, and the new entrants are from a group of multinationals in America and Europe, as well as from Japanese, Korean, and Chinese companies. The market is beginning to look crowded, but very few of these companies had any significant extent of localisation.

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The one company that is a market leader in terms of localisation, I have to say, is Tata, or the Tata Group. We are their primary transmission supplier. Because of this—call it the scare of the Iran war and its ripple effect in the marketplace on petroleum products—we are seeing a distinct impact on the schedules.

The new program that we have was delayed in vehicle testing because of their preoccupation with product development. However, interestingly, we are currently at the production part approval process. This is a protocol followed in the automotive industry, a quality protocol, and we have PPAP approval from Tata today. However, we are waiting for them to finish their testing.

As soon as that happens, I can give you a directional sense of this. We were averaging 6.5 crores, or let us say 7–8 crores, per quarter on the EV products. Our forecasts are now in the region of 10–12 crores. There is therefore a distinct uplift that we are seeing in the schedules.

As with anything else, whether the market holds or not, time will tell. However, tactically speaking, over the next 3 quarters, we think it will hold. There is also a great deal of focus from Tata Motors on this.

Interestingly, because of our success, primarily with Tata and to a lesser extent with Mahindra on the commercial side, we have attracted the attention of Chinese, Vietnamese, and Korean companies, and we are in active discussions—

Management: —with the Koreans as well. We think this is very significant because the Korean market is very difficult to enter without an active association and partnership with a Korean firm.

However, given the way things are progressing, we are looking forward to what would be a modest but path-breaking event: winning an order from a Korean EV company for an EV application. This is broadly where we are.

Sumit Ambecker – Paramai: Can I please ask one more question, if possible? Quickly.

Management: Quickly.

Sumit Ambecker – Paramai: You said 20% of the contract. That means around 21,000 transfer cases have been delivered. Excluding Indonesia, how many domestic transfer cases have we executed?

Management: I do not have the numbers off the top of my head, but broadly, on a revenue basis, you can see that the transfer case business is at an all-time high of almost 75 crores. If you annualise that, it will come to 300 crores. That tells you where the business is and what the potential is over the next several quarters.

Sumit Ambecker – Paramai: Thank you, sir.

Operator: Thank you. We request participants to limit themselves to 1 question only. There are several other participants waiting for their turn. We have the next question coming from Karan Gupta with Atithi Mehta Investment. Please go ahead.

Karan Gupta – Atithi Mehta Investment: My question is about capacity utilisation and the volumes we have achieved in transfer cases, as well as the capacity that we are increasing over the next 1–2

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years. I want to understand the volume-wise capacity for transfer cases and then the e-drive component side.

You said that the global demand for transfer cases is 40–50 million, and in India it is in the range of 4–5 million, correct? If you just—

Management: The Indian market will not be 4–5 million transfer cases. India will be significantly lower.

Karan Gupta – Atithi Mehta Investment: Can you share these numbers?

Management: The Indian market is anchored by Mahindra, but to some extent also by the Japanese companies Toyota and Isuzu. There is also a requirement for what are called front-wheel-drive-based all-wheel-drive devices because a large portion of SUVs are front-wheel drive.

The transfer case is used in a rear-wheel-drive-based all-wheel-drive vehicle or four-wheel-drive vehicle. An example of a front-wheel-drive-based four-wheel-drive or all-wheel-drive vehicle is the Mahindra XUV700, the Tata Harrier, the Tata Safari, and the Tata Sierra.

We have the XUV700 contract, and we are currently working on the equivalent of a transfer case for the front-wheel-drive vehicle, which is the Tata Sierra and that entire family at Tata.

Even so, because India is a tropical country and most of our metropolitan regions, which are demand centres for SUVs, are within the tropics, and because of the slow pace of traffic in our metropolitan areas, the demand for four-wheel drive will never be very significant.

This is precisely why we are diversifying. While working on opportunities in four-wheel drive, we also want to work in areas such as manual transmissions, automatics, and EVs because the investments and methods of designing and manufacturing are very similar. These are competencies that can be deployed laterally.

Therefore, the demand for four-wheel drive within India, unless our companies go global, will never exceed 100–120 of that order of magnitude. However, the global potential for these companies is enormous.

Our intelligence indicates that the Indonesian government appears to have saved upwards of \$500 million on this tender by coming to India. The economic argument was therefore extremely compelling. In my view, this should set alarm bells ringing in the Japanese companies.

We also know from our conversations with Japanese OEMs that they see India as a springboard for entry into the Arabian Peninsula, the Gulf region, and the Middle East, rather than Africa. The Japanese are telling us that Indonesia and Thailand cannot compete with India on costs.

It was a pleasant surprise to hear that from them, which means we can expect the Japanese to concentrate on investing in and building their capabilities on the Indian subcontinent, not just for the Middle East but eventually for the global marketplace.

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Therefore, the demand for four-wheel drive will come indirectly and directly. My sense is that the indirect channel is going to be much bigger and will easily eclipse the direct local demand. We are clearly seeing that.

Karan Gupta – Atithi Mehta Investment: Our volume numbers in terms of capacity and capacity utilisation, and the future plan to grow this number—could you share those?

Management: Right now, I think we have 2 assembly lines. We are in the process of modernising them because these assembly lines go back more than 20 years. We have a modernisation project going on which, when the line is installed, will put our—

When the line is installed, we will publish photographs and you will be able to see it. It will absolutely be world-class, second to none. We have a German automation company working with us to upgrade it.

I believe we will have capacity on that line of 400 units a day, which is about 120,000 units a year on the new line that will go into our Shirwal facility. I do not think capacity is an issue for us.

As the Indian market throws up opportunities, we believe we will be well equipped between our assets in Sirsi, Karnataka, where we have 25 acres of land, and 10 acres of land at Shirwal. For now, I think we are well placed to capitalise on opportunities that come our way.

Karan Gupta – Atithi Mehta Investment: How—

Operator: Sorry to interrupt, Karan sir. We request you to return to the queue for follow-up questions. Thank you.

Before we take the next question, we request participants to please limit themselves to 1 question only. The next question comes from the line of Roushik Shukla with Nexus Equity. Please go ahead.

Roushik Shukla – Nexus Equity: Good afternoon, sir, and congratulations on a great set of numbers. I have a couple of questions.

First, for FY27, we will obviously see abnormal growth due to the Indonesia order. Going forward to FY28 and FY29, and eventually towards our target of 2,000 crores of revenue, we seem to be quite early. I think we can achieve this in 2028 or perhaps 2029 because of all the initiatives and the new Japanese customers with whom we can do business.

Second, on the margins front, we have reached the peak margins that we used to achieve 4–5 years ago. What about the sustainability of margins? Is there any room for further improvement eventually? I am not referring to quarter-over-quarter improvement, but directionally, can margins improve further?

Management: I do not want to sound unreasonably optimistic on the margin front. I think all of you have a very good idea of the range of EBITDA margins in the automotive industry.

Perhaps a more reasonable expectation is to scale the business in a sustainable manner, remain constantly future-ready, and sustain reasonable margins. This is a one-off opportunity that has come, and we should not get carried away by it.

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What we can assure you—and we maintained this even in the relatively bad year we had last year, when we were down to 240 crores for the full year—is that we maintained EBITDA above 20%. That is the promise we have.

If EBITDA surges higher, it will be because of a certain unforeseen opportunity that has come about. But to address the substance of your question, what is sustainability? What I have experienced in my career of close to 40 years is that sustainability is really about figuring out how to manage risk effectively. If you do that, your business becomes sustainable. It is resilient with respect to the risks that are out there and that eventually catch up with you.

The trick is to have, as the Americans say, many irons in the fire, have options worked out, and be prepared. Strategy is not just about fancy jargon and words. It is about making choices, taking decisions, and putting resources on the ground. Then you can say that you are strategically ready. That is what we are doing.

Let me remind you that the mantra we are following is actually very simple to describe. It is technology-led innovation, product and application diversity, and customer and geographic diversity. These 2 bases of creating diversity and plurality sit behind the spearhead of technology-led innovation.

The vision is global. The foundation of everything is financial discipline, manufacturing excellence, and a culture of collaboration because what we are observing in the world today is that no one firm has all the answers. If you are part of a network that is collaborating, a consortium, that is the way to build sustainability in your business.

I believe that is how we will have to run our business going forward. We are backing it up with specific initiatives. Because of the large number of NDAs and other matters, I am not at liberty to discuss them, but as and when we have the advantage of these quarterly calls, and as and when things fructify and crystallise, we will announce and update you, as we are doing now.

I am sure our track record should give you assurance that we will be moving in the right direction.

Roushik Shukla – Nexus Equity: Thank you, sir, for such a detailed response. The revenue—

Operator: Sorry to interrupt, Roushik sir. We request you to return to the queue for follow-up questions, as there are several other participants waiting for their turn. Thank you.

The next question comes from the line of Tejasram with I-thought PMS. Please go ahead.

Tejasram – I-thought PMS: Thanks for the opportunity, sir. The automatic transmission we developed is expected to reach the proof-of-concept stage, correct? Is this a wet-clutch DCT, and do we need a new plant for production when we reach that stage?

Management: I have to be a little careful here because you will appreciate that a great deal of the competition also listens to this call. We do not want to give away too much.

Let me broadly say that we are looking at 2 market areas, and you will appreciate this. If you look at India, there are 2 segments where we believe an automatic transmission business proposition can

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be developed profitably.

The first is the mass car. By mass car, I mean premium hatchbacks such as the Nexon, Baleno, or i20. If you look at our cities, they are so congested that there will be a need for small cars. However, with increasing disposable income, we clearly see a trend towards premiumisation. That is where you have to give products—

Management: That is not a compromise. We need to make it affordable and make it top class. We believe that can be serviced only with a dual clutch because dual-clutch technology can optimise weight, optimise packaging, and harness the manual transmission infrastructure of the country.

That is one area we are looking at. The other area we are looking at is the one related to transfer cases. We are dealing with rear-wheel drive, 2-litre engines, and automatic transmissions, and we know that our transfer cases over the last 20 years have been designed for all of the world's automatic transmissions.

You name them: General Motors, Ford, ZF, Aisin, Getrag, Hyundai Transys—any company that makes an automatic transmission, our transfer cases are engineered for it.

The time has now come because none of these automatic transmissions is made in India. There are long, tenuous supply chains, with inventory, inventory build-up, inefficient working capital, and mounting costs because of the weak rupee.

That is another area on which we want to concentrate. The architecture of the product is very critical because emission norms are constantly changing. We need to be very careful about the technology and configuration in which we invest so that we are not caught on the wrong foot.

What we now have in place is that, within the space and weight, and hopefully even the cost, of a 6-speed transmission, we believe we can bring an 8-speed transmission. This is so that it is future-ready. It enables our customers to have a migration path and effectively compete against the best in the world globally.

Let me take a little time to explain this nuance and insight. Imagine that we receive an export order whose tender specification calls for an automatic transmission. If and when such a sudden ramp-up eventually takes place, the OEMs will need a localised, aligned supplier who breathes and feels like the OEM.

At that point in time, you cannot enter into a negotiation with a foreign supplier who is essentially exerting pressure on you. I think our OEMs understand that, to win in a competitive market, we need to build like-minded coalitions in the automotive industry.

We are working in that direction to put this in place. The first project is not just going to be about investment and creating a product. It will be our contribution to India's ecosystem for automatic transmissions.

I am not saying we will do it completely, but we will be a significant player in bringing the automatic transmission ecosystem to India. We are looking at it not just as a business, but also with a sense of mission. That gives our people tremendous motivation and enthusiasm to do something creative.

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Tejasram – I-thought PMS: That was very helpful, sir. Thank you, and all the best.

Management: Thank you so much. Your best wishes and blessings are needed for us.

Operator: Thank you. The next question comes from the line of Darshil Jhaveri with Crown Capital. Please go ahead.

Darshil Jhaveri – Crown Capital: Thank you so much for taking my question, sir. A lot of my questions have already been answered, so I have a small 2-part question.

First, regarding the 2,000-crore annual run rate mentioned in our presentation, by when do we think we can reach it? Second, I understand that you said we have some higher margins because of the Indonesian order. However, with new projects coming up, can we sustain a margin range of 20%–27%? That is a very wide range, so if you could narrow it down for us, that would be helpful.

Management: Let me be extremely practical and down to earth here. You are in the financial field, and you probably know much more than we do. We are also engineers, and sometimes—

Let me just say that you know what is happening in the Indian industry today and the range at which EBITDA margins and ROICs are being generated. Let me point to one of the market leaders in India. The top leadership at Mahindra had said that they want to focus on a return on invested capital of 18%, at a minimum. I think that sets a benchmark target for all of us.

We have to achieve this by being competitive. Nobody is going to hand it to us on a platter. That ROIC has always been a touchstone for the Divgi enterprise.

The second point I would make is that if we keep talking about innovation and product leadership, but cannot deliver better margins for the risk we are all taking, then what is the business all about?

We have studied the Indian market and benchmarked it. We know that over the last 6–7 years, EBITDA margins have averaged between 14%–17% in the Indian automotive industry.

My proposition to you is that if I can sustain 20%–22% and above, I think that is a very fair offering that we are giving you. This is the mission we are pursuing. I can tell you that this is what we focus on in every quotation that goes out.

We need to do it with innovation because, at the end of the day, we have to be competitive to win the business and deliver that EBITDA. The more complex the technology, the better the chances we have of doing both.

Darshil Jhaveri – Crown Capital: Correct, sir. Regarding the 2,000-crore target?

Management: I think 2,000 crores represents the potential in terms of the addressable market and the potential we have. I think you would agree that our first order of business is to work out a roadmap to reach the first 1,000 crores. That is what we are engaged in.

Experience tells us that, as somebody said, luck is what happens when preparation meets opportunity. What you saw now was first-quarter revenue of 140 crores, given that we were at 240 crores, and then we did 390 crores. If you annualise the 140 crores that we have achieved in this

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quarter, that comes to 560 crores. That is how things will happen.

My suggestion is to focus on the here and now in terms of execution, and set the path and direction. What we are telling you is that, across these 4 verticals, the first order of business is to cross 1,000 crores.

For that, we need to have 4 or 5 chunks of 150–200 crores and 400 crores. That is the roadmap we are pursuing: exports, transfer cases, EVs, and manual transmissions. What will then provide buoyancy to all of this is the automatic transmission.

My assessment is that even if we receive a modest order of 40 to 50,000 units, it will still be a business worth 400–500 crores.

Darshil Jhaveri – Crown Capital: Thank you so much, sir. That is all from my side. All the best.

Management: I think we are being very practical and down to earth. To present this in a simple fashion, I can tell you that many years of hard work have gone into this.

Darshil Jhaveri – Crown Capital: That is really great, sir, and it is reflected in the results that we are seeing. We are hoping for better results going forward and for this streak to continue. Thank you.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, due to time constraints, we will take that as the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

Management: I want to thank everyone who joined this call and asked penetrating questions. I was once asked whether going public would be a drag, whether it would be difficult, and whether I wanted to take on this burden.

I can tell you, dear investors, that it is because of the kinds of questions you ask that you keep my organisation on its toes. That enables us to perform well and gives us a sense of motivation to try to fulfil the promise that we made to you.

I do want to thank you for all your trust and confidence. Your best wishes and blessings are needed as we now move forward on this journey. Thank you very much.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.