



“Sandhar Technologies Limited Q3 FY19 Results  
Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY19 Results Conference Call of Sandhar Technologies hosted by Axis Capital. 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, please signal an operator by entering '\*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Nigam from Axis Capital. Thank you and over to you, sir.

**Ashish Nigam:** Thank you Melissa. Good morning, everyone and apologies for the delay in starting this call. Welcome to the Q3 FY2019 Results Conference Call of Sandhar Technologies. From the management team we have with us, Mr. Jayant Davar – Co-Chairman and Managing Director, Mr. Arvind Joshi – Whole-Time Director, CFO & Company Secretary, Mrs. Charu Khatri – Head Resource Mobilization & Investor Relations. I will now hand over the call to Mr. Davar and Mr. Joshi for their opening remarks, post which we can have Q&A. Over to you, gentlemen.

**Jayant Davar:** Good morning, everyone. I hope that everyone can hear me. This has been an interesting quarter and without much ado let me ask Arvind to run you through the personation that we have and then we can have the subsequent questions and answers that you might have.

**Arvind Joshi:** Thank you, sir. Good morning, everyone. Regret for the delay because of the technical glitch. However, we are on the discussion now. Our performances have to be seen in the backdrop of how the industry is also performed. So, while the industry grew at the rate of 10.9%, the major impact is coming on account of the fact that the motorcycles have grown at the rate of 13.8%. Commercial vehicles have also done good at 24.3%. What was muted was the passenger vehicle segment and of course the scooter segment but the good part or the bad part is that in both these segments our presence is not as profound as they are in the motorcycles and the commercial vehicle segment. So, against a growth of about 10.9% for the industry and 13.8% on the motorcycles, the company has fared relatively quite well. The consolidated numbers though we do not publish it in the newspapers but in the investor presentation we have shared it for you. On a consolidated basis, year-on-year basis our revenue has grown at the rate of 19.6%, EBITDA at the rate of 18.1%, PBT at the rate of 43.5%. PAT has grown at the rate of 40.2% and definitely therefore the earning per share has also increased about 19.1%. On a quarter-on-quarter basis our revenue has grown at the rate 23.7%, EBITDA at 18.8%, PBT at 48.5%, PAT at 54.7% and earning per share of course at 31.5%.

I am happy to say that we have been outperforming previous year's numbers quarter-on-quarter for all the 3 quarters so far. On a standalone basis our year-on-year growth has been 19.8% on the revenue and EBITDA at 16.5% showing up the EBIT of 39.9% and PAT of 37.3% thereby bringing in an EPS growth of about 16.4%. On a standalone basis again on quarter-on-quarter basis, our revenue has grown at 19.4%, so you would see that the revenue growth is in line with the year-on-year growth also. The EBITDA has grown at 18.7% which is higher than the previous year. PBT has grown at a rate of 47%, PAT at 31.7% and earning per share at 11.8%.

So, with regard to the business segment – they typically remain the same as was for March 2018, so not much of movement have taken place in terms how our revenue contribution from the various business segments have come in. So, motorcycles contribute 41.7% followed by scooters and mopeds 16.4%. Then we have off-highway vehicles, which is soon catching up at 12.9% for the first time we are seeing the off-highway vehicles revenue contribution for the company as a whole moving above 10% and this is primarily on account of the fact that we made investments in new units at Jaipur and Oragadam which have started moving up and certainly we would see further traction in the off-highway vehicles business.

Amongst the product categories again the pie remains almost the same as was in March 2018. Locking systems bringing in 21.1%, vision systems 9.8%, sheet metals 11.6%, cabin and fabrication 12.8%, aluminum die casting which is again good revenue continue to this year because of fact that we establish the Hosur plant which is now started moving up and bringing in about 16.4% revenue. Plastics is 2.4% and assemblies 14.1% and then we have others which fall into the categories such as the door handles, fuel cock assembly and several other components which bring in about 11.8%. On the customers' revenue contribution again the pie remains more or less same except to the extent that yes JCB has soon caught up, it is come to 6.4%, Bosch 4.6%, we have TVS 22% and Hero at 28%. Royal Enfield has slipped a bit it is come down to 4% as compared to 4.5% March 2018.

So, as has been the history company has consistently outperformed the industry and this year has been no exception while the industry grew at the rate of 10.9%, our overall growth is at 20%. Two and three wheelers industry grew by 11.9%, we have grown at 13%. Passenger vehicles grew by 2%, we have grown at 7%. Commercial vehicles marginally lower than the industry performance but certainly good number to start with at 20.3% growth as compared to 24.3%. This is also because of fact that we are not there in the heavy commercial vehicles segment and hence you see a slightly lower growth then for the others. In the off-highway vehicles, we do not have the industry growth number but last heard this was almost above the 28% growth and we have grown at the rate of, our growth is 80.5%.

If we look at our performance vis-à-vis the customer performance you again see while the Hero grew at the rate of 88.2%. Sandhar revenue to Hero has grown at the rate of 15.8%. TVS grew at 15.4%, we have grown at 27.3%. We have JCB which is for us, which is grown at the rate of 156%, Royal Enfield at 12%, we have our overseas businesses at TRW, Autoliv really growing very fast. We have TATA, Hitachi again part of the off-highway vehicle segment which is grown at the rate of 55%. Honda Motorcycles businesses have ramped up and it is grown at the rate of 35% compared to previous year.

On the subsidiaries front we have overseas subsidies at Barcelona, Mexico and Poland. Mexico, Poland being the step-down subsidiaries. In Rupee terms the Barcelona revenue has grown at the rate of 19%, in Euro terms the growth has been 15.7%. So, we are well assured that all this is going to transfer into good numbers on the EBITDA and EBT front, where you actually see the Barcelona unit registering a growth of 32% in Rupee terms and 2.9% in Euro terms. In terms

of the EBT again Barcelona has registered a Rupee growth of 83.9%, in Euro terms at 65.5%. One of our subsidiary companies which is based out of India in Manesar, which is our tooling business, Sandhar Tooling Private Limited. Because of the shift in order execution while we are seeing slightly lower number at EBITDA as well as at EBT level. However, we in a position to catch up in Q4 with all the orders translating into revenue numbers. So the new units have been moving up as we expected for the 9 months period, the total investment in the 3 units at Jaipur, Oragadam and Hosur stood at about 150 crores in 9 months period they have brought in contributed a revenue of about 107 crores. However, the EBITDA is a negative at 3.3 crores and PBT at 12.33 crores.

What is interesting out here and what is very assuring for us is the fact that for the half years this number was somewhere around 80 crores in terms of revenue but at an EBITDA level it chipped off by about 5.5 crores and at EBT level it chipped off by almost about 11 crores. This is got arrested and we are confident that in Q4 we would see the losses which were incur in the first 6 months or the first 9 months would come down further and hence the numbers you would see all EBITDA as well as the EBT numbers and the PAT numbers expanding in Q4. We generated 246 crores from operations and short-term borrowings and other receives, 162.5 crores was generated from operations, 82.1 crores was a short term borrowing and other receives of 1.27 crores which were then utilized for the purpose of working capital changes of about 84.5 crores. Cash used in CAPEX investment which includes the payment to creditors and the capital advances and of course advance payment that amounted to about 78 crores and cash used in joint venture investments was about 16 crores. Whereas, the cash which have been used for interest tax and dividend is about 66.1 crores and that sums up the cash outward about 244 crores.

We now leave it to the participants to take the discussion forward.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

**Shyam Sundar Sriram:** Sir, just a few questions from my side. Hero if we see on a 9 month basis, we have really outperformed vis-à-vis the underlying volume growth. If you can just explain this out performance and what is the outlook here for FY20 given that we are now seeing some slowdown coming in the mass motorcycle segment per say. What is the outlook there and similarly on TVS what is the, how is the ramp up going on in the Hosur plant?

**Jayant Davar:** So, there are 2 elements to our growth story which we expect to continue. One is of course the fact that TVS growing faster than the peers in terms of their sales in motorcycles where we have a large presence. So, that is number one. Number 2 is we expect our growth rate to be higher than what they are doing because of the addition of new component that we have. So, it is an increase in wallet share, whether it be through the scooter, check them that was missing the **core 13:33** there we go up more orders now as well as new componentry that being added on account of mandatory changes that are there. So, whether it is the USB chargers that are coming in,

whether the CBS which is under clearance, whether it is and the same thing is happening also with Hero for that particular matter. So, I will not be able to comment too much on what you anticipate Hero sales to be, it is be your word against mine and against the company. But suffice to say that whatever their growth will be, our growth will be higher on account of these new additions to the wallet share.

**Shyam Sundar Sriram:** You mention CBS, what is our contribution in CBS per say, sir? If you can just explain that?

**Jayant Davar:** Contribution meaning?

**Shyam Sundar Sriram:** CBS sir, you mention CBS. What are we doing in this CBS front?

**Jayant Davar:** We added on this particular, so this is the lower form of an ABS, which is going to become mandatory and we added on which are technically cleared now by 3, two-wheeler manufacturers and we are hoping now that we will begin now as we go forward during the year. They will become on regular line.

**Shyam Sundar Sriram:** So, we will be supplying the CBS ...

**Jayant Davar:** Similarly, with TVS like I said. The scooter segment, so where we did not have so much of a presence, we have got of course new orders now. There is a 3 point locking mechanism that we have which is now being put on to these scooters. There were some segments missing where Minda was not play. Now, we got those orders. So we have the additional run of the wallet which will then place us on a higher growth path. However, these companies despite about their growth is going to be ARPOBs will be high, is that I am saying.

**Arvind Joshi:** Just to supplement MD on the same, in terms of how it transits into financial numbers is we have already got order book position of almost about 407 crores which have gone up by almost about 55 crores as was the status in H1. The scooters business is likely to generate about additional 58 cores of revenue on an annual basis in the coming year and so also, we have about 407 crores of order book position of which off-highway vehicles is going to ...

**Jayant Davar:** This is new orders, these are new orders, right?

**Arvind Joshi:** These are new orders. The motorcycles and the scooters put together is going to bring in almost about 170 crores.

**Shyam Sundar Sriram:** So, I was just coming to the construction equipment side, sir. We are hearing currently of slowdown there largely due to liquidity crunch. In the wake of this, with this as a context how was we seeing our ramp up in Jaipur and Chennai plant and are the OEMs still holding on to their earlier schedules and in FY20 can we expect 340 crores – 350 crores of revenues from there, what is your perspective on that, sir? It will be very helpful.

- Jayant Davar:** While we currently have a run rate of above 32 crores a month for the construction business and what is starting now is we have started the Kobelco business which was new for us, where we have started generating about a 100 odd cabins a month. Now, exports starting there we expect this number to almost double during the next financial year. So, that kind of additional portion of the business. But I think Arvind in your 400 and something odd crores of new business how much is the new business that we are looking at for the construction equipment?
- Arvind Joshi** This is 109 crores over and above the regular business.
- Jayant Davar:** So, if you are looking at our current rate of over 30 crores, you are looking at another 109 crores being added to this.
- Arvind Joshi:** Majorly coming from Kobelco, which is going to add up about 38 crores and then we also have JCB which is again going to bring in about 30 crores and then couple of others like Komatsu, TATA, Hitachi both put another 30 crores.
- Shyam Sundar Sriram:** Sir, on the pricing front in Jaipur and Hosur where we are making losses, what is the outlook there, sir? How are the OEMs responding to our, asking for a better pricing there?
- Jayant Davar:** Well like we said, so there were 2 elements to this. One was when we calculated our prices in the beginning, we had sometime have an arrangement over JCB saying that once the processes have been finalized and frozen there would be a re-evaluation done on the pricing. So, we are currently in the processes of doing that. The other thing was because it was the new unit and new unit typically takes time to stabilize in terms of rejections and so on. That is another factor that is being driven in. But we are hopeful and we are that even this particular month or in the next month and a half we should be able to finalize the prices there as well. The factor of stabilization has already happened and therefore what Arvind told you just a little while ago that our losses have started to come down dramatically. So, we accept this whole matter to be finalized within the next month or so.
- Charu Khatri:** In addition to this, if you talk about Oragadam and Hosur plant at EBITDA level these losses are now recovered. So, the only plant which is into losses currently is the Jaipur plant, which as MD stated is under re-evaluation and because of a new plant it is taking some time. We are hopeful by end of this quarter we will able to recover from there also.
- Shyam Sundar Sriram:** Sir on the Whetron JV we were supposed to begin our production there for the rear parking sensors any update on that sir?
- Jayant Davar:** No, we were not supposed to, we are in a process of setting the entire thing up including the line that process is going on. In the meantime, we are in close conversation with the OEMs, where we are working on specific requirements of them, so our technical scale point for each one of that model. That is where we stand today. So, Sandhar Whetron will come out with their productions somewhere in the probably in the second of the third quarter of the next financial year.

- Shyam Sundar Sriram:** If I can squeeze in one last housekeeping question. What is the current debt position and CAPEX outlook for FY20?
- Arvind Joshi:** So, on the debt side these are all short-term borrowings, at a console level this stands about 280 crores with 140 crores to 145 crores at Barcelona unit. Which is again our, high working capital requirement is always there in the Barcelona unit. On a standalone basis it is about 140 crores and this is predominantly on account of the fact that we have made a conscious decision of moving to our lower financing cost to regime. So, we discontinued our high cost bill discounting scheme with some of our customers and started using our cash credit facilities, working capital demand loans and commercial papers, etc. And the higher working capital requirement is also got generated on account of 2 factors one is a higher rate to support our higher rate of growth of above 20% and also the cash flow impact arising out of GST which again brings in almost about 15 crores of additional working capital requirement.
- Moderator:** Thank you. We have the next question from the line of Dharmendra Dave from JM Financial. Please go ahead.
- Dharmendra Dave:** Sir, on the slide 8, while you mention the growth of Hero and TVS has been higher than the OEM player. On the Honda side we can see there is a -5%, how should we read, is it we are losing market share or not contributing to the new product launch, any comment on that?
- Jayant Davar:** So, first of all Honda is comparatively a small business for us. It is a business where we largely participate in painting of their parts and so on and so forth. Now, with some of their model changes we have not lost any business that we were doing except those models have thrown out fewer volumes compare to what they were doing earlier and that is the only difference. But if you look at our overall business in Honda it is very small. What is the level of business Arvind, let we have in Honda?
- Charu Khatri:** Sorry to interrupt you here. He is talking about Honda cars business, sir. So Honda cars growth is 3.9 ...
- Jayant Davar:** Are you talking about Honda cars or Honda motorcycles?
- Dharmendra Dave:** No sir, Honda cars, sir.
- Jayant Davar:** So, Honda cars again there is a model change that had happen. There was one particular model in which the pricing of that particular product was lower in this particular model and therefore the difference. But now what is happening is we expect that with Honda's growth now starting to ramp up and they have sold about 20%-23% higher in the month of January. Our sales should pick up and we should recover some of that during the balance part of the year. So, that is one. The other thing is for the next financial year also we have got some additional ESL, which is Electronic Start Systems which will add to our wallet share that is what we are looking at.
- Dharmendra Dave:** So, in Q4 you are likely to come in line with the, what Honda OEM numbers growth is?

- Jayant Davar:** That is right, that is what we expect, yes.
- Dharmendra Dave:** And if you can sir, share the current utilization for all these 3 new plants of Jaipur, Oragadam and Hosur?
- Arvind Joshi:** So, if I take the Jaipur plant, we are currently operating at about 50% capacity. Our Oragadam plant is again they are just about 40% capacity utilization for the cabin and fabrication. We also do a little bit of assembly activities out there where we do not see too much of growth. The Hosur is again operating at about 60%, 55% to 60% capacity utilization and so, we do not envisage any investment coming in on Hosur and Oragadam plant as also on the Jaipur plant unless the requirement of the customer which is already stated gets fortified in which case we might have to put up a new plant altogether because the capacity which they are pushing on to us is almost 4x of what we are producing today. So, this particular Jaipur plant would might require but that would be an investment which would be only in the latter half of the new financial year, beginning latter half of the new financial year and extending up to 2021.
- Dharmendra Dave:** And for this, on all these new plants you have hinted that more or less you are at the peak of the EBT level on the losses side and it will start reducing, how should we read FY20?
- Arvind Joshi:** Well, all of them should be on to positive in terms of EBITDA at least in terms of the EBITDA. EBT also we are pretty hopeful that we would be able to recover. So, we do not, we have not planned for any losses for the new financial year.
- Dharmendra Dave:** So, it is more or less at least break even or some profit?
- Arvind Joshi:** Yes, absolutely.
- Dharmendra Dave:** So, we want to understand what is the feedback you have been getting from OEM particularly for the outlook on your production side? And how is the current not specific number but how is the inventory situation? Is it improving at your end or it is started subsidized?
- Jayant Davar:** Where the OEM keep inventories is it, while we understand that Hero has higher inventory today than they should. So, there is a little bit of a drop-in terms of the numbers that they had mentioned to us about 3 months ago compared to now. Our order book for the month of February for Hero is for number of vehicles I think about 6,35,000 but because the working days are less and works have to almost the same number capacity utilization per day as it was in some of their high bumps. March, of course is a number while they are looking at bumper production, so February and March should be good months for both for TVS as well as for Hero as also for Honda cars.
- Dharmendra Dave:** And this any timeline for this new JV starting like helmets, reverse parking sensors on those, are we maintain ...
- Jayant Davar:** Helmets we are done our first billing which is the shutdown billing as we say. We will launch those helmets we are currently at a level of producing 500 helmets per day, as this number will

double from next month onwards. So, we plan to have some kind of a soft launch which will be done perhaps in the next week or so, that is on the helmet side. On the filter side and the starter motor side again, we are looking to do a soft launch perhaps in the latter part of February itself. So, from our joint venture perspective most of our joint ventures will be Jinyoung Sandhar which is now already at level, I do not know what are the levels there in terms of revenue, Arvind?

**Dharmendra Dave:** Sir, which unit are you talking about?

**Jayant Davar:** Jinyoung Sandhar.

**Arvind Joshi:** Jinyoung Sandhar is about 20 crores, sir.

**Jayant Davar:** 20 crores already, so that is gone into production which is pick up as our new factory is now getting commission. We will start our full level utilization from there. So, Jinyoung Sandhar will go on to full stream in the next financial year. The Kwangsung work is on and we expect, we plan to be operational somewhere again in the third quarter of 2020. So, all the joint ventures per say should be in some form of production within the next financial year.

**Moderator:** Thank you. We have the next question from the line of Abhishek Jain from HDFC Securities. Please go ahead.

**Abhishek Jain:** So, in past 2 years basically maximum growth is being contributed by the sheet metal and cabin fabrication business. But the core business like locking system and the rear view mirror system basically there is a muted growth. So, just wanted to understand the revenue visibility of these 2 core business and what are the new business acquisition you have in this particular segment?

**Jayant Davar:** Well, first of all let me correct you that the automotive business that you are talking about locks and mirrors, the numbers that we just given have a growth of, if I am not mistaken between 19% to 20%. Is that correct? 19% to 20% or what is the automotive growth?

**Arvind Joshi:** Absolutely.

**Abhishek Jain:** So, from last 3 year's CAGR that is around 7% to 8%, so just wanted to understand the next 2 years ...

**Jayant Davar:** Yes, so it is now like said, even at the time of the IPO that investments had been made in several new technologies and up gradation of technology. Now those are all taking effect and I see no reason why we would go back to the numbers that you just refer to. We have new customers, we have new products, locks and mirrors is all going up. So, I expect growth to continue on a well, very healthy platform. Now, of course there is the issue of the industry per say. I do not know what happens to the industry like I said you guys are better judge than us. All I can say is that we will move faster than the industry and I see no reason why that should change. And guys, the fabrication business of the cabin because it is a new business infrastructure, business is new for us and we are very bullish on it. If we go back and see when we started out in 2012 we were at

a level of something like 38 crores, this year the numbers I got to be almost 10 times as higher, right. And we are bullish and we continue with the new scenario that happening around.

**Arvind Joshi:** I would just like to supplement here of the 478 crores of additional business which we spoke about almost about 126 crores is coming only from the lock and mirror assembly. So, that is almost about 30% of the additional business is being awarded in the category of locks and mirrors. With locks being almost about 20% and mirrors almost about 10% more.

**Abhishek Jain:** Sir, just wanted to understand wanted to understand the margin profile on the locking system, rear view and sheet metal and cabin and fabrications?

**Jayant Davar:** Well, our locks, mirrors, see these are all one has to see from a blended perspective basis. Individually definitely the proprietary businesses are above 15% EBITDA margin. Commodity businesses remain at somewhere around 8% to 10%. The cabin and fabrication business while the earlier businesses were being on higher EBITDA margin businesses. However, the new ones with the blended Jaipur plant and the Komatsu plant coming in definitely they have an opportunity of moving up by almost about 300 basis points in the current level.

**Abhishek Jain:** So, what sort of the margin expansion you looking in next 1 or 2 years?

**Jayant Davar:** Almost 200 basis points, 250 basis points is something which is, which should not be very difficult for us to achieve.

**Abhishek Jain:** Sir, I just wanted to understand the new business opportunity like reverse parking sensors. So, what kind of the size and what kind of the market share you can take from it?

**Jayant Davar:** Well to give you an idea, we have parking sensors typically close between let us say Rs. 1,200 to Rs. 2,000. Now that has to be multiplied. Now the Indian government also coming in and saying that it is going to be made mandatory for commercial vehicles and everything. We are looking at a volume of about 4 million. That gives us the size of the market. Our intent is to have 25% of the market.

**Moderator:** Thank you. We have the next question from the line of Mahesh Bendre from Karvy. Please go ahead.

**Mahesh Bendre:** Sir, we have been growing faster than our clients. I mean Hero grew 8% and TVS grew 15% in the quarter but our growth rate was double than what they have reported. So, in initial remark you mentioned that we have introduced a number of new components. Is it possible for you to elaborate more on this?

**Jayant Davar:** Well like I said, with TDS you are aware Mahesh that we were not in some of the scooter segments, you remember that right. We had a conversation about that earlier. We have entered those markets and now in the 3 main models that they had in scooters, in one we have a 100% inflow. In one where we were zero we are now at 50% and in the one which is the oldest one

where we just got an entry with a 30% share. So, these are all new businesses that have been brought on to the platform on to our wallet. So, this is on a loss perspective. If you look at it some other perspective even a small claim like BMW, we are the ones who supply a 100% of the requirement of net sales in mirrors which are now also being exported to China. We are also in talks with about the **(Inaudible) 37.11** that we have done in terms of our technology up-gradation. Now think about it, a normal mirror probably cost Rs. 70 or Rs. 80. The mirror for a BMW cost almost Rs. 400, right. So, there is value addition, there is the wallet share increase and there are these new businesses that are coming on line.

**Mahesh Bendre:** So, is it fair to assume we do not know what kind of growth our OEM customers are going to report next year? But even if you assume they reported 10% growth next year, is it fair to assume that we will keep growing in probably 15% plus in those OEMs?

**Jayant Davar:** I would imagine that. I see there is no reason why not, Mahesh. That is the only answer that I can give you. From my side there is a guarantee that we will grow faster than the OEMs for sure.

**Mahesh Bendre:** And sir, we have been reporting very strong set of numbers and we have been delivering what we had promised us during IPO in terms of growth. But only the lacking part remaining is margin which are still below 11% in around 10% mark. So, will this be an improvement happened next year? How one should look at this trajectory of ...

**Jayant Davar:** Mahesh again, we have given a slide which constitutes the drag factors so far and those drag factors are largely on account of these 3 investments that we made which is dragging down our EBITDA and our EBT margins, right. The one in Hosur, the one in Jaipur. So, these 3 plants in themselves are dragging it down. If you were to take away the numbers of these 3 you have the numbers that we are talking about, right and like we said we are assuming and we are quite confident that this drags that we have is going to be wipes away within this year itself.

**Mahesh Bendre:** And sir, as you mentioned earlier number of our joint ventures are going to become operational next year. And they are going to ahead our revenues probably in next year onwards. So, do I fully understand that we may not able to give any numbers but in terms of what kind of opportunity one could see in these joint ventures maybe in FY21?

**Jayant Davar:** Well, if I was to pick them one by one and I will give you a quick summary there. Let us start with helmets for example we are looking to produce about 8,00,000 helmets in the first year which will mean about 50% capacity of our Plant 1. We will start working on Plant 2 thereafter, right. So, our idea and our intent and our vision is that we want to be the largest helmet player in the world. With the apt kind of technology because of the broadband build of being around the world not only in India. So, that is point number one and we are well on our journey to be there. The second one that you are talking about is Jinyoung Sandhar which has got a 100% orders for its product lines for Hyundai as well as for Kia. Now, Kia is just taking off, Hyundai we have already have the orders. So, this will go full block and full stream ahead in the year 2021, right. Then we have the order of Kwangsung again and established business where we do

not have to develop anything here where 2 plants from Korea their equipment is being move to India. And when we start that in the third quarter of this year it will be a ramp up right from day 1. We do not have to wait for a slow or a gradual ramp up there. So, that is on the Kwangsung side. The Whetron thing because of the mandate will also start in the third quarter of this particular year is when we see that will go into proper production. Again, a new opportunity where everything should be part and in the case of Daewha we have been make creditors and all we already have the orders for a buy back and the plant is now kind of ready. We should be in production again, so I will not be able to give you the idea about joint ventures that will come up in the year. We should be able to do that by the end of next quarter some idea. The suffice to say that all of them will be operational in the year 2021.

**Mahesh Bendre:** And sir, I just wanted to know these all are joint venture. So, then numbers of these entities will not be captured in our financials. So, how should one look at in terms of ...

**Jayant Davar:** Well I understand that now we will have to consolidated numbers as well, so you will get a fair idea as to where we are going.

**Mahesh Bendre:** And sir, last question, we are at the fag-end of this financial year now. So, what kind of growth outlook one can see for next year sir, FY20?

**Jayant Davar:** Well like I said it is very difficult to me to comment as to what those factors could be, how the automotive industry is going to do. A lot of people talk about various factors being affected whether it is Brexit or whether it is US, China. I cannot give you. One is that internally we are looking at a growth or making targets of about 15% growth as a company, typically in that particular range. And an assurance that we will grow much faster than the automotive industry, then our peers run the OEM.

**Moderator:** Thank you. We have the next question from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

**Shyam Sundar Sriram:** Sir, on the helmet side, I understand the distribution network and brand this being a safety product of these 2 are of paramount importance to scale up the business. How are we looking to scale this business sir, if you can share your thoughts?

**Jayant Davar:** Well, we have had a vision right from day 1 to be an international player. So, while our manufacturing will largely be done in India but we want to be a player. So, whether it is the technology that you are using, whether it be testing equipment that you are using, whether it is the certification models that we are using, we are getting certified not only for India that we have. We are also doing it for Europe and America and so on and so forth. So, it is going to be a pan world spread in that particular horizon. We see is as now with the mandate of helmets becoming and enforced in 3 states already. We have a huge market at play and with the mandate that every motorcycle is going to be sold with 2 helmets. You are looking at a number which is huge. Our target initially will be to get 25% of the market which is large and we want to play it

up not just with numbers but with the kind of quality and with the kind of safety aspect that is very important for every Indian and the people around who ride the two wheelers. So, we are looking at a pan world exercise rather than just pan India, so that is nothing.

**Shyam Sundar Sriram:** And in terms of distribution network how do you plan to scale it up, sir?

**Jayant Davar:** Well, for the momentum we are starting with regional activities because the volumes are still slow and we plan to achieve and then grow it as will feel the necessity would be. It will be very difficult for me to give you my market strategy at this point of time.

**Shyam Sundar Sriram:** So, this will be by a multi brand outlets to start with?

**Jayant Davar:** Well, we will probably be the first ones to also come with our own outlets. So, there will be a single brand helmet as well. There will be after-market and then there is the OEMs, right. So with the after-market it will be both single although a large part of it will be multi brand and some people who have not done helmet so far. So, the latch on to our brand and continue with that brand because we do expect a big market there. But it is not be constrained to that it will be through multi brand routes, single brand routes, OEMs and the like.

**Shyam Sundar Sriram:** For the initial focus will be via OEMs supply, sir as OEM helmets?

**Jayant Davar:** No, we are launching our, soft launches our first going to be in the market. Because we want to be, we want exhibit our strength in the kind of quality, in the kind of superiority and diversity of our products. You would be aware that OEMs typically want to play safe. They do not want to spend too much money. So, they would largely go in only for the mandate per say larger than for the exclusivity and the broad width of the kind of premium helmets that we also want bring to the market.

**Shyam Sundar Sriram:** So, it is going to be a multi peer strategy in terms of from a base we in the opinion ...

**Jayant Davar:** That is right. It is difficult for me to give you more details at this point of time but that we intend.

**Shyam Sundar Sriram:** How much are we investing here, sir to begin with, for the Plant 1? How much have we invested already, sorry?

**Jayant Davar:** So, what we are planning to do is to have a little different strategy where we are trying to concentrate on very paramount specific safety equipment that is going to be manufactured itself. Otherwise it is going to be a buy from the rest of the world as to what we get, what is already available because volumes where we grow. We are concentrating on whether it is the paint or whether it is the **(Inaudible) 47.25** or things like that which will be made in plant and the assembly which will be done in plant. So, our idea is to keep our returns on capital invested and return on equity higher we are looking at comparatively much smaller investments and some of the other people who do around the world.

- Shyam Sundar Sriram:** So, bulk of the parts will be outsourced and we will do the final assembly and testing in house?
- Jayant Davar:** That is right.
- Shyam Sundar Sriram:** No sir, when we talk of an order book, new orders, yes there will be a rundown of the existing order as well, right. So, it will not be an addictive per say in that sense, correct?
- Jayant Davar:** We have the orders that we have mentioned. The orders that we have mentioned are not replacement orders those are threshold.
- Shyam Sundar Sriram:** And this will be over a period of time, say 3 years or so, depending on when the launches happen, etc.?
- Jayant Davar:** No, we are looking at the order book which is about 400 odd crores for the next year. We are talking of the next annualized year, yes.
- Arvind Joshi:** So, this is the new businesses which we have got, the business which would become a slightly redundant, so to say would not be more than 15 crores.
- Jayant Davar:** Well it depends, so we have taken there will be some businesses which will comparatively die out during the year but the major impact was not be felt in the year 2021, let me give you an example. We do fuel cokes for example. Now, fuel cokes with the change in BS VI the total order book that we have currently, the previous one that is being trailing so far is about 35 odd crores a year. There is likelihood that this would start to have effect of it going down by let us say December of this year. But we are not concerned because there are alternative things that are being brought in. So, there has small effects but I do not think those are material effects as far as the company is concerned.
- Shyam Sundar Sriram:** Sir, the product means what fuel, I did not get the product name, sir?
- Jayant Davar:** Fuel coke.
- Shyam Sundar Sriram:** And in terms of the CAPEX for FY20, what is our current CAPEX both in terms of our own business and investments in JV, if you can just help us understand that?
- Jayant Davar:** We had given this mandate during our IPO and it is being saying this was the last few years that we are very clear that our new investments will not breach the level of depreciation that we have not been in the company. And that is our target that we are keeping while most of the investments have already been done and according to me it should be even lower than that number. But that is like a mandate that we care for ourselves that in any case we will not go beyond the level of depreciation that we have in the company.
- Charu Khatri:** Which we around, which would be around 90 to, yes so, the depreciation, the expected depreciation for next year is around 90 crores to 100 crores.

**Moderator:** Thank you. As there are no further questions, I would like to hand the conference over to Mr. Ashish Nigam for closing comments. Please go ahead, sir.

**Ashish Nigam:** Thank you. On behalf of Axis Capital, thank you to the Sandhar management and all the participants who were joining the call today. Have a good day everyone.

**Jayant Davar:** Alright, thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Axis Capital, that concludes this conference for today. Thank you for joining us and you may now disconnect your lines, thank you.