Ref: STL/SE/2022-2023/Transcript/35
Dated: 10th August, 2022

To
Department of Corporate Services,
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400 001

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

BSE Code: 541163; NSE: Sandhar

Sub: Transcript of Investor's Conference Call held for Q1 FY 2022-23

Ref: Regulation 30 read with part A of schedule III to the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

With reference to our letter dated 05th August, 2022 related to the Investor Conference Call and pursuant to Regulation 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we hereby enclose the transcript of the Investor's Conference Call held on 08th August, 2022 to discuss the financial results for the Quarter ended 30th June, 2022.

The above information will be made available on the Company's website https://sandhargroup.com/

We request you to take the same on record.

Thanking you,

Yours faithfully,

For Sandhar Technologies Limited

SANDHAR TECHNOLOGIES LIMITED STL

Komal Malik
Company Secretary &
Compliance Officer

"Sandhar Technologies Limited Q1 FY23 Earnings Conference Call"

August 08, 2022

MANAGEMENT: **MR. JAYANT DAVAR – CO-CHAIRMAN & MANAGING DIRECTOR, SANDHAR TECHNOLOGIES LIMITED**
MR. YASHPAL JAIN - CHIEF FINANCIAL OFFICER, SANDHAR TECHNOLOGIES LIMITED

MODERATOR: **MR. ABHISHEK JAIN – DOLAT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Sandhar Technologies Limited Q1 FY23 Earnings Conference Call hosted by Dolat 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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Jain from Dolat Capital. Thank you and over to you, sir.

Abhishek Jain: Thanks, Renju. Good morning everyone. On behalf of Dolat Capital, I welcome you all in first quarter FY23 conference call of Sandhar Technology. From the management side, we have with us Mr. Jayant Davar - Co-Chairman and Managing Director and Mr. Yashpal Jain - CFO of the company. We thank the management for providing us the opportunity to host the call.

Now, I hand over the call to the management for their opening remarks followed by the question-and-answer session. Over to you, Jayant sir.

Jayant Davar: Alright Thank you, Abhishek and a big thank you to Dolat Capital and a big thank you to all the participants for today. Let me begin by first of all giving you what the current situation is, all the good news as to where we stand, I think I believe that the manufacturing is back to almost pre-COVID levels or/and growing from there as we step into where we are today, especially in the second quarter, the good news is also that the commodity prices have started to stabilize, there are no downward trend in a large perspective. The Indian currency has stood firm and has been stable after an initial depreciation. The oil prices again are kind of stabilizing. We have had adequate monsoon and the expectation of rural demand to rise is quite affirmative. COVID is no longer a concern, so I think these are some of the good news that we have as we are in the second quarter. The concerns obviously stay with inflation around the world in terms of regular consumer goods as well as perishables and non-perishables. There is stabilization, but the overall impact of inflation around the world will be there for everybody to witness and watch as to what is going to come off it. The concern obviously stays on the Ukraine war which is not abating at yet, although it has been factored in by the rest of the world, but I think it is still a matter of geopolitical importance and let us see where that leads us.

In terms of the market as we are today:

The CVs continue to do okay, the tractors are down compared to what it was, but the message that we get is that there is likelihood of this to go up now. Two wheelers remain a concern to us certain degree, they still haven't reached the levels of pre-COVID, but where the current quarter is concerned where we are today, there seems to be bullishness on account of the festival season that is now fast approaching. The off highway and construction equipment is also stable. There is small drop that typically happens during the monsoon season. It has also been affected by the BS phase 2 issues, but it is not a great matter of concern as we sit there today. The good news again is the PVs are doing well and growing, the exports continue, so I think those are good factors where the market demand is kind of concern. So, I think I am going to stop there and wait for questions and respond accordingly. Me and Yashpalji will try and take all the questions and hopefully give you answers that satisfy you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Abhishek Gaoshinde from Infina Finance. Please go ahead.

Abhishek Gaoshinde: Sir, just one question on the RM cost side that what kind of outlook you are sharing for the RM cost trend going forward?

Jayant Davar: RM cost, raw material, right?

Abhishek Gaoshinde: Yes.

Jayant Davar: So, Abhishek, just to answer your question, if you look at results of the last quarter, we have been deeply impacted on account of raw material costs and if you got a chance to see the presentation, you would see it that we have been affected by almost 3.8% of our margin because of raw material cost on a standalone basis and my understanding is 6.8% on a consolidated basis. Now, while all other factors and all our other costs are under control, not just under control but bettered of, the raw material impact and the manpower costs are the only two factors which have had an effect. At this point of time, where we sit, these have started stabilizing and we will get the impact of the raw material change we get it on a prospective basis, so that has started to arrive and we are very hopeful that we will go back to neutral level soon enough.

Abhishek Gaoshinde: So, is it fair to assume that the triple digit kind of a margin expectation we have built up earlier, would we meet by the kind of the year?

Jayant Davar: Absolutely, there is no question, that is our normal operating margin and I see no reason why that should not be there, so if you were to look at the impact and put it together on a neutral working basis, we haven't lost that margin at all.

Moderator: Thank you. The next question comes from the line of Yash Agarwal from JM Financial. Please go ahead.

Yash Agarwal: Congrats on decent set of numbers, my first question is, sir, what sort of residual CAPEX is left for FY23 and is it primarily in the India business or the other business and what is the peak turnover which you can do after completion of all the CAPEX, may be not this year, but in the next one to two years, that is my first question?

Yashpal Jain: As of now, as we have given in the presentation we are executing total 8 new projects, which has a total CAPEX of Rs. 549 crores as per our revised plan. Out of that 250 has already been spend on this, so Rs. 300 crores is the residual CAPEX to finish up all these 8 projects, so they are into the commercial production. We plan to spend another Rs. 300 crores in the same financial, I think this financial year itself, so that is that plan as per the schedule in the production. So, Rs. 300 crores is the residual CAPEX as of now.

Yash Agarwal: And what could be the peak turnover after this?

Jayant Davar: While typically we look at asset turns of about 3 to 4x, so that is the potential that we are looking at.

Yash Agarwal: So, basically the Rs. 500 crores could give you Rs. 1500 to Rs. 2000 crores jump in revenues, that is the right assumption?

Jayant Davar: Rs. 2000 crores.

Yash Agarwal: My second question is on the JV losses, last year we had got Rs. 9-Rs. 10 crores of losses on the JV, in the first quarter it has continued at Rs. 2-Rs. 2.5 odd crores or something, now where do you expect this to turn around, when do you expect this to turn around, is it going to be in the foreseeable future?

Jayant Davar: Yes, absolutely, so we have to understand that the JV is going a little fragile, you mentioned yourself that the losses are similar to what they were, but we only have to keep into mind that these losses are despite the commodity price increase. Has that not been the case, the margins would have shown a very good improving trend. As we said today, I am very happy to say that more than 60% of these joint ventures have already turned around and we are working very hard, the focus of the company is to set matters right where the JVs are concerned. JVs were babies when COVID start and obviously they were affected much more, but now with the focus on, we expect the turnaround very quickly and you will be able to see that soon enough.

Yash Agarwal: Also lastly on Spain subsidiary, so it is a decent sized subsidiary for you, now how is the situation there given the fact that there is volatility around the gas prices and the demand situation also, so are we expecting some bit of muted performance in the near term from the Spain subsidiary or you feel that it is well placed to sort of get through these challenges?

Jayant Davar: No, you are absolutely right Yash, in the fact that energy and gas prices have been impacted majorly there. To give you an example, gas prices have gone up by 8x and energy prices have gone up anywhere between 4x to 6x. We have been lucky in the sense that we have been able to tieup the cost on a long-term contract with gas and power suppliers, so we have been impacted to a much lower basis and we will continue to be impacted on a much lower basis, however, our business demand there is very solid as we speak. So, whether it is Europe or whether it is North America or other places that we export to, the demand for our products not only the ones that were existing, but the new ones that have come in is also very solid and you would appreciate and understand where new products are concerned, there if the pipeline is big on newer products, then the pricing that is done for those products is done at the current levels of power and gas as well. So, while you will see some muting in terms of margins, but overall for the annual purpose and for future growth which will also now include Romania, our new plant which goes into production in a couple of months, I think the outlook is extremely encouraging.

Yash Agarwal: And last question from my side, so do we stick to the 40% annual revenue growth guidance that you gave in the last quarter for this financial year FY23?

Jayant Davar: The thing is it might vary here or there depending on commodity prices and where it is, you know that when commodity prices start to fall, the overall revenues also drop down to a certain extent, although the margins go up, but I would continue to say that we are very close to what we were, it was also on the implementation of new projects. That seem to be going unabated, may be a delay of month or two, so for our side, I don't think we made much modification in our forecast. Our forecast is probably variable to an extent of about 5% or so. Yashpalji, do you want to come in and say something.

Yashpal Jain: No sir, we are very well on the track and we are expecting the new projects to be as per schedule, just delay of around 1 to 2 months depending on the customer schedule. We will be able to achieve.

Moderator: Thank you. The next question comes from the line of Kumar Saurabh from Scientific Investing. Please go ahead.

Kumar Saurabh: Sir, this is regarding slide 12 regarding our EV preparedness with products like Motor Controller, DC controller, what we have seen is players who were already in the market with these offerings they have spent around 1.5 to 2% on R&D, filed lot of patents whereas our R&D cost has been less than 1%, so how have we prepared for this and what is the total kit value we are expecting out of these products, so let us say the EV bike price or scooter price is 1 lakh, what is the kind of revenue we are expecting from this product line in terms of that 1 lakh to the bike value?

Jayant Davar: Kumar, obviously the market expects that the prices of Indian componentry once billed will be close to what the Chinese imports are there, that is the kind of target pricing that has been there, so we have been very careful to pick our product lines which need that particular criteria. Now, if you look at Hub Motor, Mid Drive Motor, Motor Controller, DC Controller, EV Charger and the Battery Management System, each one of them is priced differently and in many cases, the prices of these depend on the size or the vehicle that is being produced. That depends on the configuration of the vehicle where it is going to go. So, there is a lot of variation. If you were to pick up, let us say, our Motor Controller or a Battery Management System, depending on the let us say if you are looking at a two-wheeler for example, which is, we early pick fruit, there it could range from anywhere between Rs. 3,000 to Rs. 8,000 depending on whether it is a high-speed vehicle, whether it is a low speed vehicle, the kind of power it will have and so on and so forth. So, I will not be able to give you individual task. The only thing that we have done is we have managed to create these from a perspective of performance validation done for medium range. Now, medium range means that we can pick it up to low range or we can pick it up to higher range or drop it down to a lower range. So, these are the individual pricing depending on the product line will be very difficult for me to give you today.

Kumar Saurabh: And sir, have we developed it in terms of some kind of JV or partnership because our R&D cost has not been so high, so if you could?

Jayant Davar: Yes, we have done it, a lot of it has been done in-house. Our Sandhar center of innovation and development plays a huge part and we started working on this going back almost 5 or 6 years. It was gradual and it has been built up to this particular stage. We also have some partners, some in the line of technology supplies and some possible joint ventures in case they were to come through, but largely from an overall perspective, even if they were to be joint ventures, they would fall in the Sandhar domain of having the control and the pricing impact that needs to be done.

Kumar Saurabh: And sir, two more questions, so our core products, like Sheet Metal and all, so if the commodity price decreases, what is your view, do you see any kind of margin improvement now happening in next 3 to 6 months? That is one and even you mentioned about the new CAPEX which will be coming, so should we expect more increase in debt in coming quarters?

Jayant Davar: We have said this in the past and I continue to repeat myself that we have an operating margin of our business, several times have been asked this question is the margin that should be between 12 to 13%. Now, it has obviously suffered on account of commodity prices, on account of whatever has happened in terms of cost **(Inaudible) 18.45** the other, but as prices start to stabilize now, we are starting to see the green shoots of that reversal happening. Because of the delay in the passing all of these commodity prices to us as well as for stabilization, I think we are at a stage now as the reversal has already happened. How long will this take, whether it will take 3 months or 6 months, is anybody's guess, but suffice to say that the motion has turned already and we expect that we will start going back towards our aimed and our proven margin goals that we always used to have.

Kumar Saurabh: And sir, one last question, because we have good amount of exposure to Hero and I also listened to the Hero conference calls and they have been quite bullish that the numbers will improve, but somehow with all the FADA number coming and even with the July number came, it looks like the monthly volume numbers of Hero have not improved, so any idea because ultimately that is going to bench with us, so what is hampering Hero's growth, if you can throw some light?

Jayant Davar: Well, it is very difficult for me to speak on behalf of the OEM. What is truly happening in the way we look at it is a little differently. It is that the parts and the models that Hero is coming out are becoming more high value in a sense and I think that turns positive for companies that are moving up the value chain in terms of the componentry supply. So, while volume of course remain a matter of concern and there are changes that are happening to the schedules, the good news like us have is for most of our components that we supply are most of the products on the basket that we supply that basket itself is going up. You are aware that we started the new project in Gujarat for example. That for us is a wallet growth rather than a volume growth in some sense. So, we as a company will see higher revenues coming from Hero than we have done in the past and because they are high value products comparatively our margins will be better. So, that is what I can talk about. Our company, I cannot obviously talk about what is pulling and what is not pulling Hero in a particular direction at this point in time. It is bullish for everyone.

Moderator: Thank you. The next question comes from the line of Abhishek Jain. Please go ahead.

Abhishek Jain: First of all, congrats for decent set of numbers in tough time. Sir, my first question is related with your existing capacity, so how much peak revenue can we generate from your existing capacity and what is the current capacity utilization?

Jayant Davar: Abhishek, that is a very difficult question to answer because you are aware that we are in several different product categories and within those product categories again there is components that go into different scenario. While I can answer that if you would look at our capacity in terms of aluminium casting for example or plastic for example, where if your commodity run and you can do the calculations in terms of tonnages, there it is easy to do, but for most part, we are a proprietary product manufacturer and supplier which means its locks or its mirrors and stuffs like that, or sensors and electronics now. There, the capacity is never a constraint, so I was to say, well I get orders of another 30% of the same thing, it takes me hardly any time, it is just putting up a small assembly line and that is where it is because the entry barrier is the technology that we already have. So, if you are looking at the case scenario, then I think the best would be to calculate it on the basis of our capital employed and do asset turns in terms of the CAPEX that has been employed so far and typically like I said we work on 3.5 to 4 times of that number, that should give you an overall potential of the revenue that we can generate and I answered that question even earlier on the new CAPEX that has been done. The new CAPEX again that has been done is largely being done for new product lines altogether.

Abhishek Jain: So, in past quarters, you had indicated that you can generate a revenue around Rs. 4,000 crores from your existing capacity and thereafter you have done a CAPEX of around Rs. 500 to Rs. 600 crores including the FY23 numbers and this asset turnover is 3 to 4 times, that means you are able to do a Rs. 5,000 crores of the numbers?

Jayant Davar: Yes, that is the number, absolutely, may be even higher.

Abhishek Jain: So, that means that your capacity utilization at a current level would be around 60% only?

Jayant Davar: Yes, if you were to do that hybrid mix in an easy way of calculation, yes you are correct.

Abhishek Jain: And sir, second question on relatively it is a margin side as you indicated that you are looking for the double digit margin, so just wanted to know that what is the roadmap to achieve double digit margin on sustainable basis, when power and logistic cost is still high and so how much benefit are you expecting from the fall in the RM prices and how much benefitting from the operating leverage and the change in mix?

Jayant Davar: So, typically what happens is with the OEMs, Abhishek I am sure you know from the others as well while commodity prices are calculated and adjusted as what is called a passthrough by the OEMs there is a lag of 3 to 6 months for that to happen, but it happens. On the flip side, the other costs which are manpower costs, which are power and fuel cost and other operating costs those are calculated or those are adjusted either at the time of new product lines or new part numbers or when new models come out or else in some cases, they are done on a basis of when it grows over a certain number. So, if the costs go up beyond 5 to 10%, then that is the time when the suppliers go to the OEMs and start. So, in fact we just closed one particular case which had been pending for 3 years for some of these cost with one particular customer. So, while it is an ongoing thing, I would say that the other costs are still very difficult to bring into the system, but commodity prices in any case get adjusted on their own. Now, what has happened in the last few quarters, obviously the commodities haven't abated and they continue to rise to levels which were never seen before. In some cases, they went up by over 100% and so on and so forth and the lag effect of that is still continuing. However, like I said, now with the reversal happening, as these will start coming into our system and we will get the changes that are required in a prospective basis for some periods of the retrospective periods as well. So, you will see that margins will begin to improve and the double-digit margin that you spoke about is something that is not far away according to me.

Abhishek Jain: So, what is the margin outlook for the second quarter and the second half of FY23?

Jayant Davar: I will not be able to give you directly that answer as the future outlook. All I am saying is we are headed there and it will depend again on the speed of the OEMs to give, all I am saying is that just raw material itself has impacted us by 3.8% on a standalone basis and 6.8% on a consolidated basis, am I correct Yashpalji?

Yashpal Jain: Correct sir.

Jayant Davar: So, if you were to add those numbers, you are a double digit and more, so that should answer your question Abhishek. All we need is these calculations to be brought in and that pass through to happen which like I said has started to happen, but it is not that happens one day and that it is it. It is a continuous process that keeps happening depending on when the raw material was bought and when the supplies were done, so if they were done in a particular month, it would go on to that corresponding period in the next quarter or so on and so forth.

Abhishek Jain: So, what are your key raw materials where you are able to pass on the prices through the OEMs and what are the other raw materials where you are unable to pass on?

Jayant Davar: The **(Inaudible) 28.36** lithium, zinc, brass, nickel these are the majorities which have had huge impacts and of course there is steel, you can't take that away, but besides of this, all the other things also that were based on this have been impacted, for example, for us because we do electronics there could even be something like copper wires, there could be solders which again are a possible composite of some of the raw materials that we buy, so yes, there is an impact that has come in because we get affected in our proprietary goods, we use almost all materials that you can think of.

Abhishek Jain: And sir, Cabins & Fabrication business is showing impressive growth, so how is the current capacity utilization and how is the margin improvement as the steel prices has gone down, what kind of the margin you are looking from this business?

Jayant Davar: Again, that was the business in growth and that has stabilized now to high-capacity utilization. We are very fortunate that some of the OEMs that were still left out from our system of supplies had now been added to the portfolio. You are aware that exports have started to happen from that particular unit, so as we speak now, we have almost everybody who operates in the country as our customers. Our margins there obviously also have suffered on account of the steel price increase and other things, but they have started to reverse, so I would expect that barring one thing or the other, for example, there was a change in 2 months for JCBs manufacturing more out of Faridabad than out of Jaipur and things like that which are temporary in nature, but if you were to look at the cost in our margins, our margins will run up to the same level as the rest of the business we are looking at a potential double digit margin coming there as well as we go forward.

Abhishek Jain: And sir, in Aluminum Die Casting business, most of the companies have started to show improvement in the margin because of the fall in aluminum prices, so your revenue growth is also very impressive from the last two years, so just wanted to understand what is your revenue guidance for the ADC segment including your foreign business as well as what is the margin outlook going ahead?

Jayant Davar: Again Abhishek, what we are trying to do now is to make hybrid of this, so if you look at our new projects, for example, the 8 of them, two of them have to do with the machining portion of aluminium, so we will be doing and I think it is in the public domain that during the first year of its operation, we expect a revenue of Rs. 77 crores that is coming only from machining which is job work. If it is job work, obviously the margins there are more than double of our regular operating margins. So, as a hybrid, you will see margins going up, you will see revenue growing up and that is something for all times in the future, we want to get into areas, internationally we do operate on very high technology and precision castings and machine and that is what we are trying to do here as well. So, you will see that these margins will continue to grow. I mean typically if you look at European companies, you will not see the margins that we operate on in the aluminium business because we do very precision parts and I think our precision parts will carry better margin than what the normal commodity aluminum casters typically do.

Abhishek Jain: Sir, what is the machining mix right now in the ADC segment?

Jayant Davar: Right now, we will deliver full components, right where machining is actually limited compared to what we are getting in for now. I mean in these two plants that are being set up, we will have close to about 300 to 400 machining centers, all automated, all robotized. So, it is a new concept altogether that has been brought in into our operation of business because this is an area which also has a huge potential for exports and growth.

Abhishek Jain: And because of the change in the mix in the ADC segment, it is expected that the margin will improve by the 30-40% from here on because of the change in better mix in the material side?

Jayant Davar: You are tying me on to numbers, I don't want to give you numbers exactly where it is, but suffice to say that we, on our calculation and again in a public domain, we expect margins to be at least double of the margins that we currently have in the business coming out of the machining element of this entire category.

Moderator: Thank you. The next question comes from the line of Mohit Khanna from Banyan Capital Advisors. Please go ahead.

Mohit Khanna: Sir, I just wanted to understand the way our contract works with the OEMs and how does the cost pass on thing works, so did you receive any cost passthrough in this quarter first of all?

Jayant Davar: We did, but it was very limited because there wasn't too much, it was on a continuously growing basis. The commodities were going up, so when the commodities are going up, even if I get settlements of the last quarter, let me give you an example, I think that should be able to suffice, if I am supplying at Rs. 100 a kilo and I am buying at, let us say, Rs. 120 a kilo, from next quarter, my buying price goes up to Rs. 140, but the OEM has settled at 120, so for three months, I am buying at 140, but I was selling at 120 unless this entire pattern reverses. When the pattern reverses then what happens is, then I am buying at 100, but I am supplying at 140 in the subsequent quarter.

Mohit Khanna: Sir, that is what I was coming at, so there would be a situation if I get this correctly, may be one or two quarter down the line when the raw material prices have come down wherein you would see a marked bump up in the margins and it would stabilize at those level if everything remains advisory, right, that is how it is accounted?

Jayant Davar: Yes. See the only thing is in a long term, Mohit what happens is if you calculate over a period of 10 years, 15 years, 20 years, commodity prices typically are always on the way up, so let us say, steel, for example, going back 10 years to go used to be Rs. 30 a kilo and over these 10 years, even if it stabilizes today at Rs. 60 or Rs. 55 there is that inflation element which is always there. Now, for us, if you look at the industry, it suffers from that paradigm for the existing components. Of course, when the model is over and we are on to the next path of new component, at that time, the new prices have taken into impact and so it has swings on both sides, but in scenarios like what has happened in the last year, we will stabilize and go back into our neutral territories and you are right, we will get the bump ups.

Mohit Khanna: Sir, one more thing, in the overall product basket, when we shifted to BS6 on the two wheeler side, how much has the import content increased?

Jayant Davar: For us?

Mohit Khanna: Yes.

Jayant Davar: For us, we don't do any components, are we doing any components which I have anything to do is the powertrain.

Mohit Khanna: I mean on the raw material side, how much the import has increased, if it has increased?

Jayant Davar: No, we haven't increased any imports. Our imports are typically for some componentry or some electronic componentry that used to be there from Japan or Taiwan or Tokyo, that continues, but BS6 has not had any impact on us, in fact a positive impact because some of the models when they were changed by the OEM, they went into higher value add and to justify that price increase, they added some high value components other than the ones that I have to do with the powertrain, so for example, we were told we need to use a better kind of locks which had higher value. Otherwise as a company, Sandhar doesn't do too much work in the category of powertrain and even within that the stuff that we do are more commodity linked than anything and no imports, so we are not fully impacted by any of that.

Abhishek Jain: And sir, last question if I may just squeeze in here, you did mention that the industry production volumes has started to improve now after the last quarter, especially on the two wheeler side and what is your sense if the improvement has started after the decline that we saw, what is the sense on the whole industry part that will this improvement have legs or you think that may be by the next year, we might be in a little bit more subdued level or it might take some time to come back to the pre-COVID levels?

Jayant Davar: Mohit, you are asking me to play astrologer, yes, which I don't think I can.

Abhishek Jain: No, you are much closer to the market, the ground operational realities than what we are and that is what we are trying to get a sense?

Jayant Davar: You have a very valid question, I wish I knew the exact answer to that, but may be you are right in being in the industry, one is seeing green shoots of some revival of demand even in the two wheeler side like I said, but for us the more important thing is that for Sandhar, the contribution for vehicle is going up. If I used to supply them 7 components to one company, now I am supplying 9 or 10 different parts, so for me the pocket share, the wallet share is growing, so irrespective if you look at our numbers and I think that is the part of the presentation if I am not mistaken, we saw that what happened with the industry and you compare it with how we have done, you will see that difference. Yashpalji, you just want to give the numbers of how the industry grew and how we grew?

Yashpal Jain: Yes, sure sir, I will just give. Like on an overall basis, while the industrial growth has been around 38%, we have grown by 65%.

Abhishek Jain: Industrial growth 38% when you say that sir, you are incorporating what segments?

Yashpal Jain: We are incorporating two-wheeler, four wheeler, commercial vehicle and off highway vehicles.

Jayant Davar: All segments actually, so that gives you a feel as to how we have kind of grown compared to the industry and why is that happened is because we added more product lines and because we added more product lines you understand where it is coming from. So, our job is to make sure that we grow faster than the industry.

Moderator: Thank you. The next question comes from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: So, sir, sequentially we have witnessed dipping revenues, right, so given the fact that you are increasing your wallet share with existing clients, you had new clients on board in terms of HMSI, so shouldn't be your topline growth higher for this quarter itself on sequential basis?

Jayant Davar: Sequential basis what has happened is of course the demand kind of fell on account of a lot of confusion in the market, Shashank and that happened if you look at what happened was because of commodity price increases and a large part also because of semiconductor shortages. So, there were semiconductor shortages, the sentiment was low, Ukraine war was happening, the rupee, there was a lot of dilemma that happened in the last quarter and I think was that has stabilized was the end of that quarter. The new horizon has kind of opened from the current quarter that we are in, so you will see a dramatic change happening now. Yes, there has been a little drop in the revenue and of course like I said the bottomline was hit largely on account of continuing commodity price. All this has only stabilized in the last month or so. So, I think those are the reasons and the kicking off that you are talking about is happening very gradually. So, while it will take shape and our new projects will start ramping up from now on, although we did start some of the units in the last month or a couple of months, the ramping up and the initial teasing issues are always there in terms of supply and OEM compatibility and that has started to work.

Shashank Kanodia: Sir, on one of your opening slides in the presentation, you mentioned underperforming the four wheeler parts on Y-o-Y basis, we did grew 21% and the industry growth was 38%, so did we not sell client or any…?

Jayant Davar: We did not lose, unfortunately for some of the Japanese OEMs including Honda which is the large customer for us, their sales dropped because of their diversion of semiconductors to some of their other global facilities where they felt this was more important to do and therefore if you look at numbers, the Honda for example, that will tell you that the drop that they have had is much larger than the drop that we had in that particular quarter.

Shashank Kanodia: Sir, on the margins front, do you see Q2 itself be hitting a double-digit mark or Q3 will be hitting a double-digit mark, because….

Jayant Davar: We are not allowed to give you any forward-looking statements but suffice to say that this is on an improving trend and quick improving trend.

Shashank Kanodia: Sir, that is to better you are always kind of overpromise and under labored on a margin front, right, so we are only maintaining a 12%-13% kind of targets, but essentially B2C will decline.

Jayant Davar: No, I am not trying to argue here, all I am saying is it is improving and therefore, I am not giving you our margin goal. I am saying I have given you the basic as to how we have suffered on the basis of our commodity price increase and I have given you percentages there, exact percentages there in 3.8% and 6.8%. Now how much improvement is happening is for all of us to see, calculate and decide for. According to us, they have started stabilizing and the bump up with somebody spoke about earlier in regards to OEM compensating us will bring up better margin cost. Now, what exactly that call is going to be and may be like you said, I have given overpromise, so I don't want to overpromise anything Shashank. I would rather say that over the flow it is improving as easily and it is very difficult for me to be able to predict some of the astrological reasons as to our buying today. Our buying is of course at lower levels today, but what happens if it goes up in the next month, that is difficult call for me to take.

Moderator: Thank you. The next question comes from the line of Nikhil Kale from Axis Bank. Please go ahead.

Nikhil Kale: Sir, just one question on the slide 12 that you have given in the presentation, you talked about the products that are under development, just wanted to understand?

Jayant Davar: Nikhil, which slide is this?

Nikhil Kale: Slide number 12 that is the expected target for new EV products.

Jayant Davar: Okay.

Nikhil Kale: So, just wanted to understand we are developing quite a few products, specifically on Motor Controller and BMS, are you getting comfort on the new orders here from the existing incumbent OEMs or is this more from the new OEMs, the reason I ask this is we are getting kind of mixed impact wherein there are certain OEMs who are saying that they want to have these components in-house and have control on these components whereas some of the newer OEMs are opened outsourcing?

Jayant Davar: No, we are looking at the incumbent ones who are already present. At this point of time, a large part of all of this is being important Nikhil as you are aware and everybody is in a rush to kind of localize it without the import of any sub-componentry that goes into it and that is what we managed to largely do and like you said, most of them are in proper readiness now and we expect the validation to get over in the coming months. Yes, we are in talk with the incumbent ones, all the ones that all of us know about.

Nikhil Kale: And then secondly on the JVs, just wanted to understand the JVs performance has been impacted because of certain industry related issues, there has been certain internal issues with some of the JVs as well. but on some of these JVs, is there any thought that okay, there is some say you want to maybe try it out or may be a year or two and then take a call whether you want to continue or shutdown those businesses, just some thought process on the strategy there?

Jayant Davar: We obviously Nikhil you would understand that you are right, it is a mixed bag in some sense. There are some where we see a long-term potential and we continue to follow them and we are focusing on them, so that their numbers are improving by the day**.** There are some in which because of the COVID lag, we are in touch with our joint venture partners to see whether either product lines or some of these could be diverted to other places as exports or what is the best way forward for some of these to have a long-term growth potential for both us and our joint venture partners, so that conversations are growing, I am sure that within the next quarter or two, we will have complete clarity on how we are running forward with the JVs because you are right, these JVs have been a burden on us. It is time for those JVs to either start to do things or they are diverted.

Yashpal Jain: By quarter 3, we will have a definite clarity with the JVs, how they are going to perform by quarter 3.

Jayant Davar: I think Yashpalji is giving you a direct picture now.

Moderator: Thank you. The next question comes from the line of Navneet Bhaiya, an Individual Investor. Please go ahead.

Navneet Bhaiya: My question is regarding the couple of your OEs, so the volumes of these OEs are below that peak level for reasonable period of time and maybe if we can take names of Hero and Honda cars over here, what happens to your surplus capacities because you have been supplying to them as they are peak as well and their volumes are like well below their peak right now, so can you use your surplus capacities for some other OE or you just wait for them to get back to their peak?

Jayant Davar: Navneet, that is a good question, so I think one of the good news that I forgot to give you is that by the way we have got the complete orders for all Suzuki motor cycles including the introduction of our Smart Locks, so that is something that we can happily announce that in the public domain now and that is a large order for us and we break into the territory of Smart Locks which I don't know what the number is, but if I am not mistaken, it is the lock set now go up to price of something like Rs. 3,000 and that has been a big breakthrough which will be the first ones to be launched in India, both the shutter key and otherwise I think the volumes that we have been given as projected, again in the public domain are 7 lakhs for the shutter key system and which basically is the potential revenue of something like Rs. 500 crores in its full run. So, that is something good news that I wanted to share. Coming back to your Hero and Honda, again our interest, Navneet largely is that our business with them should be on a growth track. So, irrespective of whether they grow or are stable or even have a little bit of a detrimental sale volume, our pocket share or wallet share is going up, so the number of components that we supply or the amount that we supply, but if you go back and see at one point of time, we used to supply them something like Rs. 1,500 worth for motor cycle. Today, in many models, that has crossed a level of Rs. 7,000, Rs. 8,000 and even in the case of TVS probably Rs. 10,000, so our job is to make sure that we keep adding with the off revenues from these so for Hero for example will grow irrespective and that is the number that you saw when the industry grew by something like 38%, we grew by about 60%.

Navneet Bhaiya: And in the case of Honda how does it work because I believe their volumes is also like 40% below from the peak that they used to do at one point of time?

Jayant Davar: That is right, so they have been consolidating their product profile and line. We have tieups with them and we tied up with them for their future models which have just been locked in. They are now also looking at India to be a hub of supplies into Southeast Asia so on and so forth, so some of the componentry that we are doing will add to volume. They have had a difficult 3 to 4 years, but I do see the viable happening and in the meantime to be able to cut cross and to be able to add more value to us, we added some of the parts that used to be imported into our city. So, for example, if you look at our project profile, the new products and new projects being set up, one of them is the SMT which is the PCB manufacturing assembly, so for us that is going to be another value asset come to us. So, we are trying to determine wherever we fit in, but each focus and everything is based on how much better value add and profitability we can build into these product lines and to these OEMs irrespective whether they are growing in volumes or not. The thing is Navneet we supply to almost everyone today and because we supply to almost everyone today, the entire industry can also go down, but we as a company must make sure that we grow.

Navneet Bhaiya: The clarification I wanted like the manufacturing unit in Gurugram where you supply locks to Honda cars, so now that their volumes are low, so for locks, are you underutilized to that extent or can you divert that capacity to some other product or some other OE or you just have to wait for their volumes to pick up?

Jayant Davar: So, two things here, one, like I said in the beginning the assembly process itself is limited to very small spaces where capacity really is of constraint either up or down where a large portion doesn't go in that. What goes into capital expenditure is same shops for example or magnesium casting for example, where we have already diverted our thing to be electric cycles that are being made by let us say, Hero electric or Hero bicycles that has been done in Europe. So, we are using those capacities for other customers in any case and in case, Honda or others were to come back with larger capacities, we will still have margins to be able to do that in terms of assemblies and so on.

Navneet Bhaiya: So, you are not sitting on unusually large spare capacities?

Jayant Davar: No, we don't do that at all.

Navneet Bhaiya: And my second and last question is, for the four-wheeler segment, the supplies that we do to Autoliv, TRW and Bosch, are these again for particular cars or these are OE agnostic, how does it work as in?

Jayant Davar: Yes, like is said most of the parts that we deliver in supply are agnostic to the kind of powertrain that there and in fact a lot of these are now going into the EV molds as well, so for us the changeover of a powertrain is not going to have an impact in fact the EV growth is going to be very positive for us because these are new componentry that have come in, for example, we are world's largest producer of seat belt spools, now irrespective of what the powertrain is the seat belts still continue to be in every vehicle, that is now going to change. We made **(Inaudible) 57.21** motors boxes, so that is never going to change.

Navneet Bhaiya: So, seat belts, I would presume you would be supplying to Autoliv, so my question was that if Autoliv is supplying to a particular OE, would the volumes of that OE be relevant or are you OE agnostic because Autoliv might have multiple OEs and they can divert if VW is not doing well, maybe they can divert to be and just taking examples over here?

Jayant Davar: So, let me put it in other way. We supply to 30% of all the seat belts that are manufactured in the worldwide horizon and irrespective whether it is Autoliv or whether it is TRW or whether it is the Japanese manufacturer, we supplied to all these, so we are largely dependent on the overall size of the world market rather than saying each one is pushing that, so if TRW loses an order and Autoliv wins an order, for us it remains neutral in that perspective.

Moderator: Thank you. As there are no further questions, we have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.

Jayant Davar: Thank you Dolat for putting this together. In terms of I have already spoken about where we are headed, things look a little better than what they were in the last quarter. Some of the concerns have kind of gone, some of the long-term pivotal impacts of inflation continue and we will have to fight all of that. We in ourselves are trying to rationalize and optimize cost to their best possible scenarios. We are very happy with the new order wins that have come in into the system, not only for the coming short term, but also for the long term. We are very excited with the new 8 projects that are going on stream and this will not only build capacities, but new relationship and new wallet share gains that will come to us and suffice to say that the company keeps itself on a very prudent basis and while we haven't been able to deliver the kind of returns that our investors and shareholders expected us to, we are very positive and focused on bringing a smile to their faces. Thank you very much.

Moderator: Thank you. On behalf of Dolat capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.