



“Sandhar Technologies Limited
Q3 FY 2023 Earnings Conference Call”

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

Moderator: Ladies and gentlemen, good day and welcome to Sandhar Technologies Limited Q3 FY '23 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 star, then zero 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 Mr. Jain.

Abhishek Jain: Thank you, Neerav. Good morning everyone. On behalf of Dolat Capital, we welcome you all in the third quarter FY '23 Conference Call of Sandhar Technologies.

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 the opening remarks, followed by the question-and-answer session. Over to you, Jayant sir.

Jayant Davar: Good morning, everyone. Thank you Abhishek for putting this together. Thank you to you and to all at Dolat Capital. Good morning to all the investors and well-wishers who are here with us this morning. I will begin the conversation by first of all, sharing some of the good stuff that's happening. So, for one, I think something that's been on the operator for a long time, are our new investments. And I'm very happy to share that these investments, whether in joint ventures or in subsidiaries, have started to build revenue.

In fact, to the point of JV, all of them are EBITDA positive except for two where there is a little bit of a foreign exchange fluctuation that is showing the negative. But going forward, I think this is a trigger from when we should all be in good hands of profitability. Also, in terms of subsidiaries, I think a large part of that investment has already been done to conclude and revenues has begun. We hope to get the full aspect of these revenues in this coming year. Where the market is concerned, yes, the two-wheeler market still stays a little subdued, because the model changes and so on and so forth. But I think the other elements of the market, whether it be passenger vehicles, whether it be commercial vehicles, whether it be construction equipment, are all now rearing and roaring. So, we should be able to get benefit.

The last thing I want to say on the numbers, of course, is you know that the quarter that has gone by has been slow for the entire industry and therefore you will see that most of the industry -- in fact, all of the industry has gone down and revenue. But it's been a stabilizing factor. And the good news for us is that we on a standalone basis are back to our double-digit performance in terms of our margins.

So that is something I thought I would begin with. I also want to mention here that there are some new customers with whom we have tied up for new orders going forward. And that work is now taking off, especially in the area of smart locks that we've been talking about for a while. We've also got some new Japanese customers who are extending and have assured us or in fact, given purchase orders for large sets of orders going forward.

So I'm going to leave it there. And then I'm very happy to take your questions, your questions are regarding numbers and so on and so forth. I have with me, my learned colleague in Yashpal Jain, who will be able to answer all of your queries to your satisfaction. And in case there is anything that I can supplement with, I'd be very happy to do. Okay, thank you.

Moderator: Sir, shall we open the floor for questions?

Jayant Davar: Yes, go ahead.

Moderator: Thank you very much. We now begin the question-and-answer session. The first question is from the line of Udit Gupta, Individual Investor. Please go ahead.

Udit Gupta: Good morning, sir. Sir, my question is that we are looking at so many plants and factories and sir, the average revenue comes to about INR 60 crores per factory. So, what is the logic behind this, sir, if I could know that?

Jayant Davar: Can I know your name, sir,

Udit Gupta: Sir Udit Gupta.

Jayant Davar: Udit, okay. Udit, thank you for that question. That is not -- that is how it probably shows that if you do a simple math. However, our aim and target is that every plant that we set up needs to have a minimum revenue of INR 100 crores. There are now units that are almost reaching INR 300 crores levels. Of course, what you see is work in progress. So, while each unit is being built to that minimum capacity, you would realize and understand that every time it's a new product line or a new engineering product, it takes time for it to reach that particular level of an outlay. So, anything that you see, under INR 100 crores is the unit that is wanting to be at INR 100 crores asap. So, that's the logic of most of these plants.

The reason why we put up these plants and why many of them is because of customer orientation, customers want us to be right next to them. That is how this business run for JIT supplies, which is just-in-time supplies, as you may be aware. The other aspect of this is that we keep the numbers of people in each plant to a level where it is manageable. So you would see that in the last 35 years, we've never had one days of struggle or one day of breakdown in our supplies to our customers. Keeping all of that in mind we make these as modular units with the initial plan for each business to be -- or each plant to be for at least an INR 100 crores. I hope that answers your question.

Udit Gupta: I get your point, sir. Sir, but do we have duplicacy of the products in the plants like the same product being made in multiple plants?

Jayant Davar: Yes, in many cases, we do have to have that. And the reason for that is you would appreciate and understand that in many cases, we started off with that OEM as being a second or a third supplier. We already had one or two. When we came in, they started off with a third supplier. And because the customers were happy, while they wanted to give us more business, we obviously wanted to mitigate any risk that may arise out of one plant.

So we assured them that there would be more than one plant that would be a feeder line for them. And therefore you will see whether it's a Hero or whether it's a TVS, or whether it's the other, we do have parallel capacities running at different plants to seed them if required. So for example, if Hero has plants in Gujarat, or in Dharuhera, at one level, they would want us to put up facilities close to their plants also for GID, also for risk mitigation.

Udit Gupta: I get your point. And so my second question is that sir, in the four wheeler space sir, are we looking at new customers? Or sir, are we making any INR odds to that?

Jayant Davar: Oh yes, absolutely. That's an area which is wide open for us. So the good thing was that we were supplying to Honda, which was a premium product. And based on that and we are now very deep relationship with Honda Lock, where we have an engineering centre here as well. Now, we are very, very close to cracking some major expansion deals with some of the OEMs. I'm sorry, I'm not at liberty to give you names of those, but you should be hearing some good news soon.

Udit Gupta: And sir the new products and...

Jayant Davar: We supply to Tata Motors and we supply to Mahindra in the meantime anything.

Udit Gupta: Yes, sir. Sir those new products like the cameras and the sensors. Sir are they making good progress, sir?

Jayant Davar: Yes, all of them. So I started off this morning by saying that all the joint ventures are now at turnaround scenarios, we lost our two years on account of COVID, where some of the product launches were delayed and the OEMs were actually that they continue their current sources of supply which were largely imports. All that is changing now and our business there has started good shows not just past but now good growth.

Udit Gupta: Thank you so much, sir. Yes, okay.

Moderator: Thank you The next question is from the line of Shailly Jain from Dolat Capital. Please go ahead.

Shailly Jain: Hi, sir. Sir in two-wheelers, the volume in premium segment is picking up well, while the entry revenue segment is still timid. So what are the outlook for two wheelers for the next quarter and FY'24? Can you please put lights on that.

Jayant Davar: A little louder, please. A little louder? Who did you say this was?

Shailly Jain: Yes, I was asking that in two-wheeler space the volume and premium segment is picking up very well, the entry segment is still timid. So what's your outlook for two-wheeler for next quarter in FY '24? Can you please show some light on that?

Jayant Davar: Well, Shailly, the good news is that there is a lot of talk in the industry on the new launches in the two-wheeler segment basis, especially from Honda. Honda, as you may be aware, is now cracking with Hero, who was the master at some stage. They built up a huge capacity in Bangalore. And the entire market is above the way the entry level segment. You are aware that you know, from -- in the last four years prices of motorcycles from an average of let's say 50,000 has gone up to INR 80,000.

- Shailly Jain:** Yes.
- Jayant Davar:** And therefore, the entry level have changed dramatically. And now with this new launch, and the entire market being scared of this new Honda launch, everybody has started working dramatically on entry level launches. So we see a lot of that and the one is very, very important, you'd be very happy to know that your company here Sandhar has broken into that foray of Honda I remember investing ask, whether Honda was going to be a major player for us. I'm very happy to say that it is not only for our regular locks for the entry segment and premium segments, but now also with smart locks.
- Shailly Jain:** Yes. So also like in this quarter, the margin has also improved.
- Jayant Davar:** Yes.
- Shailly Jain:** Which has like due to the sharp jump in gross margin. So like, going ahead, will this be sustainable?
- Jayant Davar:** Oh Absolutely. I think this is the beginning of what you will see will not be just regular perhaps on a growth mode going forward into the next year. But on margins and numbers, let me request Yashpal Jain: to come in and take those questions.
- Yashpal Jain:** Sure. Yes, hello.
- Moderator:** Shailly, request you to unmute your line.
- Shailly Jain:** Yes, yes. What is a margin outlook for next quarter and FY '24 going ahead?
- Yashpal Jain:** For next quarter of the current financial year, you mean to say quarter four?
- Shailly Jain:** Yes, sir.
- Yashpal Jain:** We are very hopeful of attaining a quarter margins of I mean near at about two quarter three itself as the new projects are picking up by settlement largely has been done with the customer. So we hope to maintain the same markets.
- Moderator:** Shailly, do you have any follow up question?
- Shailly Jain:** No, sir. Thank you. That answers my question.
- Moderator:** The next question is from the line of Sailesh Raja from B&K Securities. Please go ahead.
- Sailesh Raja:** Thanks for the opportunity, sir. Can you please give us the total startup cost provided in last nine months and expected number for the full year and in FY '24, how much it is expected sir?.
- Yashpal Jain:** You mean to say about capex?
- Sailesh Raja:** Start-up cost?

Yashpal Jain: So like total level you have to get a console level INR 21 crores, we have charged as a start-up cost.

Sailesh Raja: In nine months?

Yashpal Jain: Yes.

Sailesh Raja: How much it is expected input user and also full year in FY '24.

Yashpal Jain: So another, I mean in quarter four, we are expecting something around INR 4 crores to INR 5 crores in between, so the annual maybe around INR 25 crores to INR 26 crores industry.

Sailesh Raja: Okay. Next year, sir?

Yashpal Jain: Next year larger projects will be operational. So I foresee reportedly a basis on the current project. Again, we expect something around INR 4 crores to INR 5 crores in between not beyond that.

Sailesh Raja: Okay good Sir, other than maintenance?

Yashpal Jain: Just to add this, we are trying to make all the plants operational in the current financial itself, so that from the next year, they start running at their full capacity, that's all.

Sailesh Raja: Okay. Good sir. Other than maintenance capex of 50 crores, is there any incremental capital will be deployed in the business?

Yashpal Jain: Well, as a policy, we keep our capex limited to the annual depreciation. We are expecting annual depreciation charge of around under INR 130 crores, INR 135 crores, depending on what the actual figure comes up in FY '23, FY '24.

But as of now, we are working very prudently and conservative in terms of capex. So as of now just we will be requiring capex to finish up or spill over capex of the earlier projects that are in the pipeline, beyond that, we are not having any plans as of now, except to keep running online. That's all.

Sailesh Raja: Okay. Sir, with TVS debtor days reducing from 45 to 15 days, is there any discount we are offering for getting payment in two weeks? Can you please throw some colour on this?

Jayant Davar: In terms of the shortening of the receiver period, you mean to say, DSO?

Sailesh Raja: Yes, correct. Yes, sir.

Jayant Davar: So in new projects, we have renegotiated accounts with the customer. That is the reason. So the payment terms has been reduced from 45 days to some 15 and seven days in some of the projects. That is the reason. No discount is offered to any of the customer. Only we are renegotiating our terms, so that it's helpful for us to boost our profitability for the new projects. That's a renegotiation we have done with our customer without compromising on the quality, sorry, on the rate.

- Sailesh Raja:** Okay. Good sir. Sir, my final, last question, currently the two wheelers mix is 58% and four wheelers is 22% and three-V and others is 20% of total revenue. So how the mix will change over the next two years, because last -- yes, yes, in next two years?
- Yashpal Jain:** Well, predominantly, we'll be continuing to focus on the two wheelers because we have done a lot of investments in two wheeler, but as Mr. Davar has told in the previous question, that we are keeping an eye on the four wheeler also and trying to expand the four wheeler. But what I presume is that at least 45% to 50% will continue to have a remuneration of two wheelers, and remaining we can see from the commercial vehicles in the four wheelers.
- Jayant Davar:** I would like to add that within two years of time, we are expecting a good jump in the revenues also. So, accordingly you can estimate the four wheelers and commercial revenues will be boosting up.
- Sailesh Raja:** Okay. Sir with the existing outlook, how much we can do sir, revenue?
- Jayant Davar:** I mean, we have a capacity, because it depends on the number of shifts we are running in the number of orders. So we are not running out of the capability, at the same time we are not idle. So, even if another INR 400 crores, INR 500 crores of revenues is required to get it, we can easily add.
- Sailesh Raja:** Sir, in the expanded capacity, we can add another INR 400 crores, INR 500 crores.
- Jayant Davar:** Yes, yes. Easily you can add without going for any major capex, and assembly lines, they don't require much capex. There's a very small investment, even if we have to expand upon the specific requirements come from the customer side, or a new order comes up. That's all.
- Sailesh Raja:** Okay. Sir, last seven years our average gross margin was 41%. So, that have come down to 39%. So, with the expected increase in four wheelers mix, so can we expect some 200, 300, which improvement in gross margin in FY '24?
- Yashpal Jain:** Yes, we are rigorously working on going back to earlier figure. If you see last year has witnessed very dramatic changes, very ups and downs in terms of commodity pricing also, market, sluggish environment in auto industry. So, we are overcoming all those drawbacks and those hurdles and we are expecting that in the coming year of time we go back to our earlier profitability figures.
- Sailesh Raja:** Sir, what will be our depreciation number, sir, for next year in FY '24 with the expanded capacity?
- Yashpal Jain:** I won't be able to give you an exact figure, but on an estimated basis it will be rendering something around INR 135 crores to INR 140 crores at a constant level.
- Sailesh Raja:** Okay, sir. That was helpful. Thanks.
- Jayant Davar:** Thank you very much.
- Moderator:** Thank you Next question is from the line of Abhishek Jain from Dolat Capital. Please, go ahead.

Abhishek Jain: Good morning, sir. And I congratulate for a strong set of number in a tough time. You are targeting double digit margin in FY '24. So what would be the levers for the margin expansion from here on?

Yashpal Jain: From?

Abhishek Jain: From here on, what would be the levers for the margin expansion in FY '24?

Yashpal Jain: Like if you asked me, as we -- I told in an earlier question that we are working in improving the margins at the cost side also. At the same time, we have done some negotiations with the customers also in terms of price hike also. So it will be both ways, internal as well as the external from the customer support. That's all.

And also -- the product mix is also quickly changing, the revenues are boosting so the fixed cost always remains safe, even if the revenue goes up. So, all these factors will contribute to the increasing the margins for the company.

Abhishek Jain: So what about the growth we are looking from the locking and vision system in FY '24? And how much increase in content per vehicle?

Yashpal Jain: Well, presently we have booked content per vehicle in terms two-wheelers, with the higher content ranging up to INR 12,000 to some of the customers. We see a good growth in the locking and, I would say, the proprietary business, normally we call it. So, we will continue with a double-digit growth in the locking and mirrors in the coming year also.

Like Mr. Davar just told that, we are moving into the smart locks and working closely, Honda as well as Suzuki. So, in the coming year of time, you can see a good boost in the two-wheeler business also, especially in locking and mirrors.

Abhishek Jain: Okay. And in Cabin & Fabrication business, it has been an impressive growth in last couple of years. So, can you throw some more light at what new order win is there and what is the current capacity utilization and what kind of the margin you are making in that business?

Yashpal Jain: So, well, like, Cabin & Fabrication as a commercial market is ideal, as the construction industry is, again, boosting. The government pushing a lot of, I mean, expenditures on infra. The business is also gearing up. We continue to maintain the same momentum in the current year of time. And we are above 8% of EBITDA margin in cabins and fabrication and we expect to continue beyond that.

Abhishek Jain: And do you have any capex plans for the Cabin & Fabrication?

Yashpal Jain: No major capex as of now for the present capacities? Yes, if some new good business comes up, then the call can be taken in the -- at that time. But as of now, we don't have any major capex, except, marginal -- its small routine capex.

But if some new project comes up, some new customer comes up with our idle size that we expect a revenue around INR 100 crores, or INR 85 crores or INR 100-odd crores, plus to set up one unit, that time that can be marked down, but as of now nothing in pipeline.

Abhishek Jain: Sir, there's -- a lot of the traction is coming into aluminium die casting business. So, what is your -- and your performance is also very good in this business, especially on the domestic side? So, what is your current capacity utilizations and what kind of the growth you are looking from domestic and overseas business in the aluminium die casting?

Yashpal Jain: Sir, you would like to answer this?

Jayant Davar: Come again, please.

Yashpal Jain: So the question was regarding growth in die casting business, aluminium die casting, India and overseas?

Jayant Davar: Yes. Do you want an expansion on that? Okay. Well, thank you for that question. You are aware that this business was basically initiated when we acquired this company out of Spain. And post that we have done some greenfield projects. In Mexico, we put a finishing centre in Poland and now our new facility in Romania is up. So when we bought over the business, at that point of time, the revenue was much smaller. But with all of this, we've not just doubled it, but the margin growth has been dramatic. So when we bought our business, the margins were at a level of 3%, 3.5%. Now we are very comfortably into double digits.

So with us having established that business overseas, we then grew that business in India, that business in India from what I understand now is close to about INR 400 crores or INR 500 crores and it's on a major expansion growth from there. And you are aware that we have been given the entire business of TVS for their machining. Now that will increase the margins dramatically because margins in the machining business themselves are much, much higher.

So, we are very, very bullish on this business going forward to do the kind of precision castings that we do. And now the machining business to take over which not only has potential for our existing customers in India, but also has a huge export potential. Going forward, I think it will be one of the main pillars of business divisions for Sandhar.

Abhishek Jain: In this quarter overseas operation was impacted maybe on the margin side, EBITDA margin was dented and that has come down what is the reason?

Jayant Davar: Margin had come down -- margin has come down where?

Abhishek Jain: In overseas operation?

Yashpal Jain: Sir, I'll answer.

Jayant Davar: The overseas operations, yes, that Yashpalji will answer.

Yashpal Jain: So we check the reason next you see is a footnote in the investor presentation, we have put up a one-time commissioning and charging cost of Romania plant amounting to INR 7.65 crores in nine months. Okay. So we have to normalize these expenses -- I mean, to normalize this startup costs. And if we eliminate this within to be wonderful in overview Barcelona console operations. So the only reason which is drawing down the margins in the quarter is just because we have put

up this one-time cost because Romania was commissioned in December last week, that's the reason.

- Abhishek Jain:** Sir, will it continue for the next quarter? And...
- Yashpal Jain:** No. It's already commissioned now. A large expense has already been booked. Hardly around a crore rupees might come in this current quarter, otherwise, everything is booked up in Romania. They started invoicing also from 24th of December '22.
- Abhishek Jain:** And when will you start to receive the incentives from the Romania government for setting up the plant?
- Yashpal Jain:** Yes. So one instalment we already got close to around INR 5 crores, second instalment is in pipeline of INR 23 crores in rupee terms, we are expecting around March '23.
- Abhishek Jain:** So that will be shown in the other income chain?
- Yashpal Jain:** No, no, it's our capital investment. So we will go network from the capital investment.
- Abhishek Jain:** You won't show in the profit and loss account?
- Yashpal Jain:** No, because actually all these grants they are governed by the IFRS requirements. So they will -- IFRS treatment will be given, because we are against a capital expenditure. So we need to go through the capital expenditure route.
- Abhishek Jain:** Thanks. That's all for my side.
- Moderator:** Thank you The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Hello.
- Jayant Davar:** Yes. Hello.
- Deepak Poddar:** Sir, what would be the current debt levels?
- Yashpal Jain:** Currently, at the end of December, we had a gross debt of INR 573.53 crores, right. In terms of net debt it was INR 553 just not much of a gap up.
- Deepak Poddar:** Okay. And I'm just wondering, why our interest cost is only, I mean, INR 9 to INR 10 crores a quarter?
- Yashpal Jain:** Annually, we are expecting INR 36 crores of interest, because in terms of working capital, we are not having much utilization of working capital. That's one reason and our average borrowing itself. If you see the chart, it's not, if I take an entire product of terms loans and working capital it something around 5.5% not beyond that.
- Deepak Poddar:** Okay.

- Yashpal Jain:** And we have --
- Jayant Davar:** Yashpal Jain you want to also want to give a breakup of our costs in India and overseas debt levels.
- Yashpal Jain:** So yes, I'm coming to point that points are also. So, what happens like, if I give a breakdown of the debt, because INR 573 crores, INR 260 crores in India, INR 313 crores in overseas while the cost of overseas debt is ranging from 1.65% to 3.5%.
- Deepak Poddar:** Okay.
- Yashpal Jain:** So that is the reason why the interest charge is lesser, if you straightaway multiply by 7% or 6%. That won't be working. That's the reason.
- Deepak Poddar:** Okay. I understood. And couple of clarification I wanted, I mean, in the previous call as well, we were looking at INR 2,800 crores to INR 2,900 crores revenue this year and about 30% growth next year. So is that the same? I mean, is there any change in that?
- Yashpal Jain:** No. If you see our nine months figures, we have close at 2,150 of total income.
- Deepak Poddar:** Correct.
- Yashpal Jain:** And quarterly we are around above INR 700 crores of in quarter three we close at INR 725 crores and quarter two was INR 749 crores, and quarter one was INR 677 crores, right. So, even if we take a moderate average of all these three INR 700 crores we can easily add up in quarter four. So that will be something around 2,850 plus in the current year, and with the new project started January maturing and giving us a revenue. So next year, yes, we are very much on the same growth that we have been given an expectation in the earlier calls, 30%.
- Deepak Poddar:** Okay. Understood. Fair enough. So next year also 30% growth is what we are looking at, right?
- Yashpal Jain:** Yes. We are looking at because new projects should also start giving us revenue. So, that was clear enough estimates that we are short of achieving it.
- Deepak Poddar:** Correct. And you mentioned about 200 to 300 basis point improvement in gross margin rate?
- Yashpal Jain:** Right.
- Deepak Poddar:** So, that's what we're targeting FY '24?
- Yashpal Jain:** Well, improvement of margins is a continuous process, I may not be able to give you any assurance, but yes, we are targeting to improve our margins in terms of cutting down the past also in terms of pricing the customer and we are looking forward to another increasing by at least 100 point basis in the coming financial year under 100 to 150 points this year.
- Deepak Poddar:** So 100 to 150 so currently 9% Maybe what 10% to 10.5% what you might be --?
- Yashpal Jain:** We are targeting double digit margins in the coming financial year.

- Deepak Poddar:** Double digit margin. And this 200 to 300 basis point, whatever improvement may be it might come in two to three years, right, driven by both the --
- Yashpal Jain:** It will take time. It will take.
- Deepak Poddar:** Okay. Understood. So yes, best wish by my side. Thank you very much. All the best.
- Yashpal Jain:** Thank you.
- Moderator:** Thank you Next question is online of Udit Gupta, Individual Investor, please go ahead.
- Udit Gupta:** Sir, my question is that, sir, you gave a debt picture for FY '23. So, how are we looking at the debt position in FY '24, sir?
- Yashpal Jain:** Sure. So like, I have given a debt of its 573.53 as of December, right. And targeting that we won't be exceeding INR 700 crores by close of March '23. This is our target. And for the coming financial year, we have kept a target from an internal network, we target to repay around INR 150 crores by free cash flow generation. So if you really ask me with the current capex, current cost of the project to fund those projects and complete those projects March '24 is something -- no new project comes up. We are targeting to be around INR 550 crores of debt not beyond that.
- Udit Gupta:** And sir, on the export side, by FY '24, what percentage of revenue are we expecting from the overseas business, sir?
- Yashpal Jain:** Well, overseas business is generating revenue overseas, we are not much into exports because cost wise and it's not viable.
- Udit Gupta:** Sorry, sir, my question was about overseas only not exports.
- Yashpal Jain:** Okay, sure. So, overseas we are expecting something the revenue might grow by another 25% with the Romania plan coming up. So, we are expect INR 300 crores we have done till quarter three, another INR 100 crores we are expecting INR 80 crores to INR 100 crores in quarter four. So, you can expect fairly somewhere around INR 480 crores to INR 500 crores is the expected figure in the next financial year for overseas.
- Udit Gupta:** Thank you, sir. Thank you, sir.
- Moderator:** Thank you. Next question is from the line of Abhishek from Sharekhan Limited, please go ahead.
- Abhishek Kumar:** Thank you, sir for the opportunity. Few questions that such as we have added few new clients in our portfolio, despite that, that has not been reflected in the -- our Sheet Metals revenue. Anything we are expecting in coming quarter or is there any other reason -- performing the sheet -- and Sheet Metal business in this quarter
- Yashpal Jain:** Sheet Metals business like Abhishek, if you remember in the last call, we told that we have set up a new project and it takes some time for them to gear up with the revenues and the margins, sir. So now out of our four Sheet Metal projects two are in the full phase of commercialization

two will be by April '23. Yes, that's all. And we are again expecting to be above 8% 8.5% of margins in Sheet Metal business in the coming financial year.

Abhishek Kumar: Any reason with this high margin expectations?

Yashpal Jain: We are having good volume indications from the customer side. So what happens at after certain volumes the fixed cost remains to be neutral and that adds up and boost up to our percent margins in terms of the revenue. That's all.

Abhishek Kumar: Okay. But it is fair to assume that there is no price hikes on the client side.

Yashpal Jain: Pardon, can you come back.

Abhishek Kumar: Is it fair to assume that there is no price hike kind of a thing as we are expecting the new margin that is because of the operational efficiency

Yashpal Jain: Nobody is price right. But we have negotiated the price at the current level. Last month only conclude the price decisions with the customers. That's all.

Abhishek Kumar: Okay. Any incremental orders are expected from HMSA.

Yashpal Jain: Well, we are working closely with HMSA for all our verticals like ADC locks and mirror. And we are in talks with them for some smart products, we are expecting to materialize this very soon.

Abhishek Kumar: And if you can give sir, outlook your assembly businesses

Yashpal Jain: Assembly business is doing fairly well. We would say it's largely dependent on customer side the customer volumes, like other businesses are but going stable so we are not expecting much of investment or much of a change in the assembly business.

Abhishek Kumar: Okay. Okay. And sir, one last question if you can share your outlook on the two-wheeler sector, especially what you're hearing from the clients like Hero and TVS, because in general, whatever we are hearing that the two-wheeler sectors is a one sector which is still lagging across the country comparing the other segments of the automobile sector.

Abhishek Jain: Sure. Mr. Davar is right to answer this. Sir, will you answer this question?

Jayant Davar: Yes, sure. Yes, you're absolutely right. We are still not at levels or what we were in 2018, 2019. As I mentioned in the beginning, the price of two wheelers has gone up by an average of almost 60%, 65%, a huge shock to the entire ecosystem. However, from what we understand now, and from the greenshoes that we hear in showrooms foot fall that we'll have good monsoon that has happened second year in a row, there is stabilization in the understanding.

This price hikes came on account of several factors, one were mandatory with the government regulations province. Secondly, the levels of comfort that have been brought into the system and third was the electrification and the entertainment aspects that were added on to various vehicles. I think those things have kind of stabilized now.

And like I said, the market is extremely bullish on this going forward. Each one of the OEMs for two wheelers has lined up launches, but I think the biggest thing would be the introduction of new models in the entry segment. So, whether it is a Honda or whether it is a Suzuki or whether it is a Yamaha or whether it is a TVS, all of them are working very, very diligently on their new entry point barriers and that I think will lead to the volumes that are necessary. Right now, like I said, we probably the cheapest motorcycles are INR 80,000 to INR 90,000, which is much over the affordability drivers but these new entry points will be a game changer and you will see that in this coming year.

Abhishek Kumar: Okay. Just one extension to this thing that you said that bullish on the -- I mean your customer are founding bullish is it right or it means it is your thought process that things are bullish?

Jayant Davar: We are only going by the messages that we get from our investors.

Abhishek Kumar: Okay. Thank you, Sir. Thank you. This is all from my side. Thank you.

Moderator: Thank you very much. The next question is from line of Kumar Gaurav from Dolat Capital. Please go ahead.

Kumar Gaurav: Hello.

Moderator: Go ahead, sir. You're on.

Kumar Gaurav: Yes. Hi sir. So, as we expect to grow 23% -- 22% to 23% in '23. So, what is our revenue guidance by '24? How do you see FY '24 panning out for us, sir?

Jayant Davar: So as I mentioned in the earlier question, like 21.50 we close in quarter three and we have over INR 500 crores of turnover every quarter. So, around these and fairly expect 28.15 the current and next year we are expecting something growth of around 30% in terms of revenue.

Kumar Gaurav: And if you can share sir, major growth drivers for this revenue in FY '24, just basically some points what do you see?

Jayant Davar: Yeah sure?

Kumar Gaurav: Yes.

Jayant Davar: So basically we set up seven new plants out of six was largely in the water integration type, I will say the new business type, so they will be all generating revenues in the current financial year. I mean, the current means FY '23- 24. So, that will be boosting out to the revenue expectations.

Kumar Gaurav: Okay, sir. And if I'm questioning sir, what kind of ROC we are targeting? I mean, in FY '24, or are going out in one or two years?

Jayant Davar: Well, as of now I may not be able to give the exact figure, but yes, we are targeting a very good ROC that load investors were expecting us, when we were generating in the year '18,'19. So

we'll be moving to those figures quickly in a maybe a span of one or two years of time. But yes we are targeting EBITDA margin on that, I can always tell you.

Kumar Gaurav: Okay, sir. And then sir other question is on JV side, as Jayant sir has already mentioned that all JVs, except one has already turned EBITDA positive. So could you please throw some more light on JV performance? And what is your outlook...

Yashpal Jain: Yes.

Kumar Gaurav: For JV going ahead?

Yashpal Jain: Okay. So the thing is that their all the JVs at operational level, they are an EBITDA positive. They're in two JVs and due to because we have payables to them in foreign currencies and the dollars that shoot up from from 71-72 to INR 81-82 plus.

That is the unrealized loss of forex that we are brought in two JVs JSM and Kwangsung. Going forward, we see a very good business outlook. And even at EBT we're having three JVs positive and in EBITDA, we are having five JVs positive, therein two negative due to the forex fluctuation.

In the coming year of time, we expect that all JVs in the current FY '23, FY '24 they will around at even at the EBT level.

Kumar Gaurav: And sir, my question on EV side, in our previous calls, we mentioned, we are moving on, you mentioned that we are developing some products for EVs. So, what is progress there? And have you started production or anything from your side?

Jayant Davar: No, like we have given a bar chart also with the timeline, we are in the stage of development, some products are developed yet they have been cited for validation of the customer also followed by the validation from the ICAD and other authorities.

We are working very fast quickly on migration to JV on powertrain. And in the coming financial year, as in FY '23, FY '24, we expect to see some good action in JV, including starting of manufacturing of some easy products.

Kumar Gaurav: Okay sir. And sir my last question is on RM inflation, we have seen some correction in RM, but we are hearing that there is some uptake in RM costs from January onwards. So what is your thought on that sir?

Jayant Davar: Well it is a market driven, so if it goes up, we get a settlement in the succeeding quarter from the customers, so quarter is effects our profitability. That's all. But it all depends on market dynamics. So if you see the current financial year 2022, 2023, it has not been stable, sometimes up sometimes down. So that trend is coming, is going on now, I think that may continue in future also.

Kumar Gaurav: Okay sir. Hence on EV side are we adding any new products or are any new projects there sir?

Jayant Davar: EV is...

Kumar Gaurav: And sir you can talk about R&D capabilities in EV? Our R&D capabilities in EVs? What are we doing?

Jayant Davar: We have a dedicated R&D Centre. Apart from that, we are tying up for new powertrain technologies to manufacture EVs specific products. That's what I told we are working on the same and in the coming financial year you will definitely see some action from our side including starting off manufacturing of some of those. Supplements that Yashpal ji.

Kumar Gaurav: Yes, sir.

Jayant Davar: To that question on EVs, even for us, it is divided into two portions. One is our current level of supplies that we do in terms of product lines, which you are aware whether it's our locks or mirrors or sheet metal or this that or the other. They continue unabated and we supply has several of the new OEMs that are there in the industry as well as the traditional ones in the legacy one.

Then there are new products which have been developed, which are both for EVs and new EVs. This is a new product line for us. For example, a CBS or an electronic steering column lock or a foldable key or a tire pressure monitoring centre, USB chargers and so on and so forth. Our vehicle location and security system there are several of them.

But we third element, which is the element, which is the specific EV products, which means they have to do with the power train, which is the electric mobility product line. Now in this, you'd be happy to know that your company has already in readiness for motor controllers for one kilowatt, two kilowatt and four kilowatt DC-DC converters, which are absolutely ready. The EV chargers which we expect to be ready in this quarter, the hub motor is already done.

The mid drive motor we put on hold for the moment. So this is where we are. We expect like Yashpalji has said production of these new kind of EV powertrain product lines to be in the framework and in the market in this coming financial year. I hope that answers your question.

Kumar Gaurav: Yes, thank you, sir. Thank you. That's pretty much it.

Moderator: Thank you very much. Next question is from the line of Radha form B&K Securities. Please go ahead.

Radha: Hi, sir. Good morning. Thank you for the opportunity. Sir given that we have a diverse product range, so in this market who would be considered as our top critical peers?

Jayant Davar: That's a very generic question. I don't know unless you can be a little more specific. If you're looking at competition in peers and you're absolutely right. We are in diverse markets and diverse product line and depending on the product line that you would want to pick, we would have different competitors. You know lock for example, you're aware your company is the largest lock producer. You look at mirrors, we are the largest you look at seatbelt spools we are the largest, if you look at cabins, we are the most diverse company supplying the everyone.

So depending now, in terms of who is our competition aluminium, I guess in aluminium casting, almost everyone who does aluminium casting would be our competitors. But if we were to take

spools as a product line within aluminium casting, we are the world's leader. So it is very difficult to answer your question in terms of peers or competitors directly as a company. Yes, you can pick out individual things and I'd be able to give you one or two names for who the others are.

Radha: Sir in the locks business who would be considered as a peer?

Jayant Davar: In the locks business we will have a company called Minda. Minda Corp, as a competitor, we would have somebody like Jay Ushin should know would be our customer. But again, even within locks, the product lines are a little blurred. In some cases we fight directly because locks have a very, very strong entry barrier. So if you see in history, there were five players. Out of those five players, we as a company acquired one, which was Adeep Locks. And now there is us, there is Minda Corp, and there is Jay Ushin who are ones and of course there are one or two small ones. One out of Aligarh and one somewhere else, but in the last 50 years we haven't seen any new lab come into this market.

Radha: Okay. And sir, other than Hero and TVS given that we are present in TV and as well as off-highway segments, who would be the top two players that we are supplying in TV and off-highway?

Jayant Davar: In off-highway? We supply to everyone. If you look at off-highway we supply to Caterpillar. We supply to Tata, Hitachi. We supply to Sany. We supply to Volvo. We supply to Kubota. We, of course, supply -- our largest customer is JCB. If you were to look at the entire line-up, we probably supply to almost everyone there is in this industry, everyone.

Radha: Okay. So that's it from me. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was last question for today. And I'll hand the conference over to the management for closing comments.

Jayant Davar: Okay. Thank you once again Dolat Capital. And thank you to all the investors for your time this morning. I hope we've been able to do some justice to your questions. We'd be very happy to have you visit some of our plants or to sit with us face-to-face to be able to maybe understand things a little more.

What I can tell you is as I sign off today, that your company is in very comfortable position in the industry today. We have a lot to look forward to. The investments that have been made in the past couple of years are now showing fruit. And this will only grow into the next financial year. I think, Yashpalji has already said, that we are probably looking at almost 30% growth in the next year as well. So it should be good time, good margins, good product lines.

And the way things seem today, the market goes unabated. Of course, there are some cons of higher interest rates that are dropping, somebody mentioned about the volatility in commodity prices. Notwithstanding, I do feel that there are happy days ahead.

With that thank you all very much. And once again, I wish you and your families a very, very happy new year. God bless.



Moderator: Thank you very much.

Jayant Davar: Thank you.

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

Jayant Davar: Thank you.

Moderator: Thank you.