# "Sandhar Technologies Limited
# Q1 FY 2024 Earnings Conference Call"
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**MANAGEMENT:** **MR. JAYANT DAVAR – CO-CHAIRMAN AND 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 Q1 FY '24 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 touch tone 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, Seema. Good afternoon, everyone. On behalf of Dolat Capital, I welcome you all in the first quarter FY '24 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 the opening remarks, followed by the question and answer session. Over to you, Jayant sir.

**Jayant Davar:** Thank you, Abhishekji. Thank you Dolat Capital and thank you, Seema, for moderating the session. I also have my colleague, like Abhishek said, Mr. Yashpal Jain on the call. Good morning, everyone, or good afternoon, everyone. Thank you all for taking the time out for this conference.

To begin with, let me just make a few points. And thereafter we can open up this conference for question and answers. So for one, if I look at the market, our internal calculations say that the market with all the sectors that we operate in, whether they be passenger vehicles, two-wheelers, construction equipment, off-highway, all put together, the overall market in India should be in maybe high single digits, is the growth that one could anticipate.

However, we, as a company, are being a little conservative for the market. And our growth, which we expect to be in the region of double that number or maybe close to 20% overall comes from all the new product lines and all the new investments that are now being monetized now. That is the situation for this particular year.

And now when I go into a little more detail, I want to mention that our joint ventures, many of you have been asking about those joint ventures in the last few years and they've taken their toll. However, like I did in the last quarter, I'm very happy to report that most of them are now profitable and very well, so not just at EBITDA level but also at EBT levels.

If I begin with Sandhar Amkin, which is the helmet company, we have a positive EBITDA, positive PAT. Winnercom Sandhar, Sandhar Han Shin also PAT positive. Sandhar Han Sung Technologies also PAT positive, Sandhar Whetron, again, is EBITDA positive.

And in this particular year, we will see, in fact, in the coming quarter itself, you should be able to see positivity there. Kwangsung Sandhar is still negative. But if you look at it, the losses in the year '22-'23 were INR8 crores, while in quarter 1, they've dropped down to only INR35 Lakhs. So again, very, very positive movement on the joint ventures.

In terms of Sandhar, we achieved a revenue growth of about 23% in quarter 1, which is over the last year quarter and 8% versus quarter 4 at the consol level. We expect this momentum to continue at the consol level over the last year's numbers, on the number that I gave you in terms of growth that we are looking for revenue.

Our consolidated EBITDA registered a growth of 60%, which is -- I mean, in terms of value, 0.6% in terms of the overall number, which is 9.1% in quarter 1 of '24 versus 8.5% of quarter 1. With the production now being ramped up in new projects and various cost control and saving initiatives that are being taken, the company expects to see a healthy improvement in the consolidated margins as we move forward.

The operational EBITDA of quarter 1, '24 is 9.1%, which is actually the same as it was in quarter 4 of 2023. And typically, you are aware that quarter 1 is probably the slowest and quarter 4 is the best. So we've started at best levels and we hope to move forward even more aggressively as we go forward in the year.

In terms of new projects, mass production has already started in 3 of the sheet metal plants in Nalagarh, Halol and Attibele. And development and product validations have also been done by customers and mass production is expected to begin by first week of next month, which is September. Our Romania plant, again, production has started. Mass production has also been started in the machining for casting projects at Mysore and Hosur locations.

And this business is a high value-add business. It's only on a job work basis, so therefore, the EBITDA margins are much higher. Due to initial developments, commissioning costs, validation, sample testing and onetime expenses, the new projects have registered a loss of INR9.75 crores. So normalized, this would have been that much higher if they have been taken into effect.

Coming to EVs, we're very happy that 3 product lines are now developed. They are either going through the ICAT approval or product validation approval for the specific customers and their specific requirements. These are the DC controller, which is both isolated and non-isolated in 10 amperes, 15 amperes and 20 amperes. The EV charger, which is in 750 watt, 1 kilowatt and 1.5 kilowatt. And then the motor controller, which is in the spec of 1 kilowatt, 2 kilowatt and 4 kilowatt.

So for this EV business, you're aware, a new company has been incorporated, it's Sandhar Auto Electric Solutions Private Limited. The premises and the infrastructure development is in process and we expect to go for trial runs in the fourth quarter of the current financial year. The company has already executed technical collaboration agreements with 2 providers and we are working jointly with them for the customer requirements.

Going forward, what will be our focus areas, reduction of debt, improving operational efficiency, reduction of costs, control of new capex and maximum utilization of capex already incurred. This is something I meant in the last quarter as well and we continue on that journey. Integration of manufacturing plants.

Some of the manufacturing plants can be put together and that's what we are trying to do, to cut down overheads there. And we continue on our mission and a vision of diversification of our product portfolio, expanding the customer base and increasing content per vehicle.

So I just thought this should be my opening remarks to you. I'm very happy to take questions from here on. and, Mr. Yashpal Jain, of course, is here with me and he will take on any questions on the financial parameters, if you like.

With that, thank you all once again. I'm happy to take questions. Thank you very much.

**Moderator:** Thank you very much, sir. We take the first question from the line of Radha from B&K Securities.

**Radha:** Congratulations on good numbers. Sir, my first question was that our investments in the overseas business and the joint ventures, if we see, totally, we have invested around INR500 crores in these 2 businesses. And overall, the ROCE of these businesses are very low. So that is why it is pulling down the overall ROCE of the company.

So specifically, with regards to the overseas business and also separately for the JV business, could you tell me the revenue potential of these 2 businesses based on the capital employed that we have already deployed till now?

**Jayant Davar:** Thank you, Radha, for that question. Well, if you are taking the working capital that's been deployed in the overseas business, yes, that can be taken into perspective but then the cost of that capital is very low. That's point one.

Point two, of course, Mr. Yashpal Jain, will supplement me on this business -- on this -- in this particular question. In terms of joint ventures, the joint ventures are largely very flailed in terms of the asset turns. We expect the asset turns to be even higher than the -- our existing business.

So it has taken time to take off. But if you look at the revenues and on the margins, we expect that the margins on these businesses, the EBITDA, in any case, even for our overseas business is higher than that of our Indian business. We expect the joint venture margins also to be much higher in that particular perspective. But in terms of specific things, can I request Yashpalji to kindly come in and weigh in on that question, please?

**Yashpal Jain:** Yes, sure, sir. So like we have a total investment of INR87 crores in the joint venture, then for this quarter itself, we have registered a sales of INR78 crores for the joint venture, so roughly by the end of the year, we are expecting asset term of nearly 4x from the investment that we have done in the joint venture. And it's basically our share that I'm referring here.

So as Davar told that joint venture, largely they were factored during the time when the auto industry was just passing through the recession and then we had a COVID time but now they are on the full-fledged working. We are having good orders from the customers and they are facing a turnaround also. So I don't think ROCE would be a issue. Going forward, by the close of this year, we expect that at least the ROCE may be in a double digits from the joint ventures taken together as far as Sandhar's investment is concerned.

Going back to the overseas operations, there are still offers a double-digit EBITDA margin. The large pulldown has been from the -- this Romania project. As we all know that it was commissioned last year but still it is yet to come into mass production. So initially, there are always a cost in the new project that we start and these are a long-term projects.

But still our EBITDA margin remains above 11% in overseas business after taking and netting of the onetime cost that we are incurring in Romania on account of the products validation and development that they are going on.

So they have a good potential of ROCE also, even double-digit ROCEs are there. But yes, they will take some time. By the end of this year, we expect our Romania plant will be stabilized and start generating the revenues that we were looking for. I hope this answers your question.

**Radha:** And sir, just a little further, going further in the question. So firstly, on the JV, you mentioned INR87 crores we have invested, right? Then this quarter, INR78 crores revenue we have reported, that is on the basis of Sandhar that is 50%-51% JV, only for our share, revenue you're mentioning, right?

**Yashpal Jain:** INR78 crores, I have mentioned the entire investment, sorry, entire turnover of JVs, our share is INR39 crores only.

**Radha:** And for full year, sir, just how much you said sir, portfolios? How much you're expecting from this JV?

**Yashpal Jain:** Quarter 3 and 4 would be quite higher. So you can expect that INR39 crores is always a minimum figure per quarter in our share. Gradually it will be moving up in quarter 2, 3 and 4.

**Radha:** And sir, you mentioned asset turn of 4x potential from this INR87 crores investment.

**Yashpal Jain:** Yes, it can easily go up. As I told that the production now has been ramped up. Customer demand is coming up, market is pushing up. So obviously, 4x asset turn, even in some of the JVs, we are having a turnover more than 4x. Thing is that I'm telling the average of all the 7 JVs. Some of the JVs are yet to come up to the turnover, like Whetron, we are slowly growing up. As far as, as I say is that, Winnercom Sandhar, their asset turn is quite high as compared to the investment that we have made. On an average basis, I'm saying 4x asset turn, we can easily achieve.

**Radha:** Sir, by when can we achieve the 4x asset turn?

**Yashpal Jain:** At least by year-end, 3x is possible, maybe starting next year it can be above 4x also.

**Radha:** And 4x would be the maximum potential.

**Yashpal Jain:** In such cases, actually, you see it depends on the order from the customer. We need not go for any expansions. We have the capacity. At the same time, it is not a idle capacity. It can go up to, even up also based on the customer demand. We don't require any further investments in the JV to carry on the present business.

**Radha:** Sir, you mentioned from the JV double-digit... Yes, sir.

**Jayant Davar:** Yes. Sorry, I just wanted to mention also that any increase in orders or doubling of these orders or even more for that matter doesn't require the same level of investments even going forward, they will require only incremental. So the asset size, the turnover on assets actually keeps on increasing from now on. 4% is a stable thing that we realized should happen in the short term itself. But going forward, obviously, we are looking at large numbers.

**Radha:** Okay. Sir, you mentioned the -- from the JVs you are expecting...

**Moderator:** Ms. Radha, may we request you to join the question queue as we have several participants waiting for the call. We take the next question from the line of Gaurav Sachdeva from SJG Securities.

**Gaurav Sachdeva:** Sir, in the last con call, we were targeting around 25% revenue growth on a consol basis. Now we are talking about less than 20%. So have we revised the guidance for this FY '24?

**Jayant Davar:** We are not revising anything that was said in the past. But obviously, there are things that are beyond our control. And like I said, while the industry is looking to grow at maybe high single digit, we haven't anticipated too much of growth from the industry. We are talking of growth in a very, very conservative platform. And these numbers, I think, have been discussed several times. We feel that at this point of time, while we are where we are, the numbers that were given and the numbers that are being spoken of today seem to be very realistic numbers, Gaurav.

**Gaurav Sachdeva:** Okay. And sir, what is the EBITDA we are targeting for this FY '24 on a consol basis?

**Jayant Davar:** Well, we are. Yes, go on Yashpalji.

**Yashpal Jain:** Yes, as we've spoken in the last con call also that we achieved EBITDA of around 9.1%, operational EBITDA in quarter 4 last financial year. And we are going forward with at least some improvement in the sales. So you can expect that this momentum will continue what we have reported in this first quarter. And there will be a improvement going forward in quarter 2, 3 and 4.

**Jayant Davar:** Yes. And just for reminder of everyone here, I don't know if I mentioned these numbers but the total income has gone up by 23%, EBITDA has gone up by 31.6%, EBT by 58.2% and PAT has gone up by 69.2%. That has been the first quarter. We expect this growth to continue in the balance quarters as well. And like I said, a lot of this is being taken in the investments that have already been done and the current orders in hand that we have from the customers.

**Gaurav Sachdeva:** And sir, we used to have, I think, double-digit margins a few years before. So can we expect this in maybe 1 or 2 years from here?

**Jayant Davar:** Oh absolutely. Absolutely. Why 1 or 2 years, we expect to reach that number sooner. But obviously, I'm not in a position to be able to confirm that today but that's what our aspiration is and we should be there. There is no reason why we should not be there, in fact.

**Gaurav Sachdeva:** Okay. And sir, will our existing cash flow, since we have a not much cash flows, will this be sufficient for the increasing working capital needed as we will be growing further? Or we will take in more debts?

**Yashpal Jain:** Yes, yes. I'll answer this. We have sufficient working capital limits. And I think even for expansion purposes, we can manage it without going for fresh borrowings.

**Gaurav Sachdeva:** Okay. And sir, we -- in the last con call, we discussed about manufacturing of PCB for the captive consumption, are we going for that, for the smart locks?

**Jayant Davar:** Yes, that has already been initiated. The plant is now fully operational. And we are trying to add to the capacity that we have so that the utilization and monetization of that plant happens very quickly. And in fact, all the future electronics that are being envisaged and for which we have received orders, the idea is that all of their PCBs would be made in plant.

**Gaurav Sachdeva:** And in terms of, sir, percentage, what is the costs, I mean, of PCB in this single smart lock? If we're talking in percentage terms, what is the component part?

**Jayant Davar:** Gaurav, once again, it ranges, right? We will use it for, let's say, our parking sensors, we plan to use it in our antennas. We plan to use it in smart locks. We plan to use it in controllers for smart locks. We also plan to use this for several of our EV product lines. So obviously, there is a big range in the value that is determined by the product line that we are going to be using it.

Even in smart locks, depending on the kind of smart lock it is, it ranges. So there are big ranges. It's very difficult for me to give you an exact number for, unless you're asking for one specific component, it is otherwise very difficult for me to give you an exact number.

**Gaurav Sachdeva:** Sir, I was asking about smart locks.

**Jayant Davar:** Yes. Again, in smart locks, there are different kind of smart locks. So a smart lock would be INR8,000 worth, a smart lock could be INR1,100 worth. Now in all of these, obviously, the difference is a PCB plays a large amount of difference. But typically, I would say that the cost of a PCB in most of these componentries range between 15% to 30% of the cost of the product.

**Gaurav Sachdeva:** Okay. And sir, the mechanical lock and the smart lock has the same margins or there is a difference in the margin we will be getting?

**Jayant Davar:** Well, initially, I would imagine that the smart locks would have a higher margin. But going forward, for some period of time, these margins will keep growing because as localization comes into perspective. But over the years, when they become a standard product for all vehicles, to begin with, less than 5% vehicles will be using these, especially the 2-wheeler segment. But going forward, we expect this number to go up to 100%. So there, obviously, when you have volumes, margins do drop but the volume of profit or the value of profit obviously goes up dramatically.

**Moderator:** The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management.

**Arjun Khanna:** Sir, the first question is on the JVs again. Just to clarify the opening remarks made by Yashpalji. So INR87 crores is our side of investments. I assume the JVs would have put in similar -- so roughly INR175 crores. There would be debt on that balance sheet also of the JVs. So on that overall number, we are saying we can do 4x sales. Is that the right understanding? So more than INR700 crores.

**Jayant Davar:** Yes, we can do that, combined together.

**Arjun Khanna:** Right. So of the INR700 crores, roughly INR350 crores potentially could be our side of the revenues at double-digit margins, EBITDA margins.

**Jayant Davar:** Yes.

**Arjun Khanna:** Perfect. Sure. Sir, the second one is in terms of the Romania start-up costs, how much longer do you expect this to continue? I mean it is what it is. But would it be 2 more quarters or at what point in time would we start seeing scaling up?

**Yashpal Jain:** Yes, it may go for next 2 quarters also.

**Arjun Khanna:** Sure. So FY '25, we could probably see it moving towards normalized production. Is that the right understanding?

**Jayant Davar:** Yes. Absolutely. Absolutely correct.

**Arjun Khanna:** Sure. The final question is in terms of the 4-wheeler piece. So one of our large clients is setting up a facility or setting up a global model in India. So would it be supplying only for the local sales? Or would it be for the entire products or wherever the product goes, our content would go into?

**Jayant Davar:** Arjun, I know what you're referring to. Unfortunately, I'm not in a position to talk so much about that. Suffice to say that most of the customers in India, or let me say, all the customers in India, we do have in roads with and some of the people who are coming in, we are already suppliers to them. And I see no reason when we supply to them overseas, why we will not supply to them in India.

**Arjun Khanna:** Sure. So even for the export models, etcetera, it would be the similar product from us.

**Jayant Davar:** That's right. Like I said, if we supply to them overseas already, that is probably the reason for them to obviously use our local expertise and our base for their consumption.

**Moderator:** We take the next question from the line of Gunit Singh from CCIPL.

**Gunit Singh:** Can you please share some light on your order book? And I mean, what is the composition of the orders that you have received?

**Jayant Davar:** Well, this is a difficult question in some sense. When I mentioned the number of growth, obviously, it comes from the -- I heard some of our peers give you lifelong numbers on the new orders that have been received. I don't know how that calculation is done. But difficult to say that some of the new orders that we have, so if you're talking of new orders, new orders are orders, a part of which comes in this year, some part comes in the next year but it's a very, very dynamic number.

But let me talk about some of the ones that are in the public domain. Suzuki, for example. If you look at Suzuki, that order book is worth about INR500-something-odd crores over a period of 5 years. This is for smart locks and for their regular locks. Then we have Honda new business, which has come in. Then there is the Honda car business, which has come in. There is the Tata business that has come in. So there are several orders, several scenarios.

The only thing that I can say is there is an aspiration of the company that we target to keep our revenue growth at double that of the industry and a large part of this will come out of the monetization of investments that we've already done and we continue to get orders in that particular respect. So that is the only statement that I can give you there.

In terms of pure new orders, like I said, we do have a calculation. The calculation is that the orders which were received by us in the last year for annualized numbers ranges from INR278 crores to INR350 crores.

**Gunit Singh:** All right, thanks for elaborating. Hello, thank you for elaborating. So I mean, in terms of financial year '24, what kind of, I mean, execution do we see? I mean in terms of the order book that we currently have, including new orders and previous orders. So what kind of execution are we're seeing in FY '24 and FY '25?

**Jayant Davar:** So again, this question can be broken down. For example, we have new parts for -- let me put it another way, we were making parts to where this share of business to us has gone up. So if we were making let's say some sheet metal items, of that where we had a 50% share of business, if that share of business has gone up to 70%, should we call it new business or should we call it the existing business, that is difficult for us to ascertain.

When I gave you the numbers, we spoke about new product lines completely that we have got. The annualized numbers for those when we calculated last year, worked out to between or, let's say, an average of INR300 crores additional business year-on-year.

But this number obviously increases every year as new businesses keep coming in. We cannot give you numbers of how long these are going to last because changes happen. So sometimes when we get the orders, there are afflicted to change depending on what the success of their models are, how long they are going to last and so on. There are some models that last 15 years. There are some that beat out in 3 years. So that is how it plays up in the Indian context and scenarios.

**Moderator:** The next question is from the line of Saurabh Jain from Sunidhi Securities.

**Saurabh Jain:** Congratulations for wonderful set of numbers once again. Sir, my first question is, what would be our market share in 2-wheeler locks, both conventional and of course, smart is now beginning. So who are the other players in that, assuming both conventional and players who are getting into smart locks?

**Jayant Davar:** Well, I am only -- when you talk about market share, let me say the big -- the biggies are all with us today. There were some in which there was a dramatic import of parts and some assemblers did try and give it. But I would see that in terms of localized platforms, we expect ourselves to be the largest player in that particular field. It is still a little premature to say because the effective utilization in 2-wheelers of smart locks is extremely, extremely small. We will have to go forward.

But like I had said in the last quarter, the large number of orders that have been announced have come to us. In terms of our peers, we do have 1 or 2 peers who are doing this and working in some case scenario where there could be some apportioning of share of business. But as we stand today, we expect and we hope that we are the largest player, especially in the 2-wheeler in India.

**Saurabh Jain:** Okay. But sir, on the conventional side, would it be possible to detail some market share figures?

**Jayant Davar:** Well, we do have the numbers. Do we have to ready right now, Yashpalji?

**Yashpal Jain:** Sir, I mean the share of business or...

**Jayant Davar:** Yes, share of business. So well, to give you a broad perspective, sir, let me say that you are aware that we are, by far, the largest player in Hero, we are now in Honda. In fact, their new model, which has just been launched, we are a 100% share in all of their locks. We will be in their smart lock scenario as we go forward. TVS, I think we are almost 100% suppliers.

The same thing stands with Royal Enfield. We are also there in almost I would say 60% to 70% of the new EVs that have been launched to where we are the suppliers. So that's where the entire thing is.

In terms of actual numbers that have been produced or are going to be produced, if you want, we have those numbers but I don't have them handy right now. I'll be happy to take on your question on the side. You can write to me and I will reply.

**Saurabh Jain:** Thank you, sir.

**Yashpal Jain:** Is that good?

**Saurabh Jain:** Yes. Sir, my last question is on gross margin. This quarter, we saw gross margin expanding by 150 odd basis points. So partially, the positive impact of gross margin was offset by an increase in employee and other expenses. So how is the trend looking for gross margins going forward? Is there any further scope of improvement in the gross margins from 63% odd, 37% odd?

**Jayant Davar:** Yashpalji, do you want to answer this question?

**Yashpal Jain:** Yes, I'll. As you mentioned, there has been a improvement in the gross margin. Going forward. we will see further improvement in gross margins with the volumes increasing and new investments turning into the volumes. As far as the increase in employee cost is concerned, it is a onetime activity as the annual appraisals are complete for the staff, we are seeing that impact.

But as in the opening remarks, Mr. Davar has said, we are working on integration of plants also, we are working on the cost reduction initiatives also. So you will further see a very healthy improvement in our gross margins. And going forward, the increase in the volume, it will keep on having a positive upward trend. That's what I can say.

**Moderator:** We take the next question from the line of Abhishek Jain from Dolat Capital.

**Abhishek Jain:** Congratulations for a strong set of numbers, sir, in a very tough time. In sheet metal, sir, you have set up 3 plants, so what is the current capacity utilization? And how much revenue potential for the next 2 years?

**Jayant Davar:** Again, Yashpalji, you want to respond?

**Yashpal Jain:** Yes, yes, I'll answer. For sheet metal, like currently, as I told last time also, it's a continuous process plant, capacity-wise, we have a lot of capacity to continue manufacturing. While, as we mentioned, like Nalagarh and Attibele, they are into the mass -- so they are already into the mass production. Halol with the facilities we have set up, they are into mass production. Second phase, we have deferred.

Mysore will be coming to mass production by the end of -- by the beginning of the third quarter. And another going forward, we have a good potential in sheet metal businesses and we have confirmation from the customers also. So this business is going to grow, even in current financial year and coming financial years also.

**Abhishek Jain:** So what would be the revenue -- incremental revenue for FY '24 and FY '25 from the sheet metal business?

**Yashpal Jain:** Like, we have given a indication guidance on revenue growth, so sheet metal will also grow according 25%, 30% on a normal basis, not beyond -- below that, sorry, not below that. We have good -- but again, it depends on the customer volumes. So presently, we have good set of revenue guidance from the customer. So you see a healthy growth but again, the numbers remain, the numbers. And quarter-to-quarter wise, you will see a good growth coming in sheet metals and the volumes picking up.

**Abhishek Jain:** And in ADC business, you have won many business in domestic as well as international. So what kind of the incremental revenue you are looking from FY '24 and '25? And what would be the margin of those business? Because most of the business are from the machining side. So margin will be slightly higher than this conventional margin.

**Yashpal Jain:** So like aluminum die casting in India and overseas, we are already into double-digit margins in ADC. Machining is something that we are doing on a job work basis, obviously, with the arrangements with the customer, we are having a higher set of margin. So you will keep on witnessing double-digit margins in the aluminum die casting business.

The only drain factor in the overseas was, as we mentioned, the Romania, in the first year, so it will be on a sluggish mode this year. But from next year onwards, Romania will also again pick up. So you'll see a healthy growth in overseas businesses also. And India will continue to show a strong growth. We have a indication from the customer, we're sure that die casting and the machining business, will be seeing a good growth in the coming years also.

**Abhishek Jain:** Okay, sir. And sir, in cabin and fabrication, we are seeing very strong traction from the last 2, 3 years. I just wanted to know what kind of the revenue growth outlook for the next 2 years. I mean, FY '24 and '25, because you have won the many new business apart from the JCB. So if you can throw some more light there.

**Yashpal Jain:** So like cabins and fabrication, again, it has to be dependent on the construction industry. There has been a good push by the Government of India on the infrastructure projects. So I think they will continue and the same growth momentum as we have given in the revenue guidance will continue. But yes, I mean, normal auto, two-wheelers, three-wheelers the growth is different and the guidance is different compared to cabins and fabrication, which is highly dependent on the infrastructure push.

But if the government is committed, we are seeing and in '24 general election, we have to see how it goes beyond '24. But till '24, we expect to continue our good momentum in our cabins and fabrication. We can repeat the performance that we have delivered last year and also in the first quarter of this year.

**Abhishek Jain:** And my last question is on the gross and the net debt of the company. And what is your capex plan for the FY '24?

**Yashpal Jain:** So our debt, sorry, gross debt as of close of June '23 was INR551 crores and net debt is INR525 crores, sir. The status of the debt. And going forward, capex plan, as I mentioned in our last investor call, we have a spillover capex of new projects of INR110 crores. Part of that, we have already spent in the current quarter, around INR31 crores we have spent.

So remaining of that we will be spending in the current financial year. And obviously another INR60 crores, INR70 crores of maintenance capex we will be having to meet our tooling and other requirements with the new models of the customers coming into picture and we'll be adding to our profitability model.

**Moderator:** We take the next question from the line of Udit Gupta, an individual investor. .

**Udit Gupta:** Sir, I would like to know a little bit more about your 4-wheeler business. Sir, like, are we adding new models like the Honda Elevate or are we just in the old models only?

**Jayant Davar:** No, no. Elevate is a very much part of our business and all the product lines that we do, all the locks are ours. So all the handles are ours. So all of that continues. Honda is a very, very strong customer for us. Unfortunately, Honda has not done much in the last few years. But I think the Elevate and the new models coming up should change the scenario for Honda and will help us grow even faster.

**Udit Gupta:** And sir, in our -- one of our earlier presentations, sir, we read about your shark fin antennas and your cameras and all those things, sir. Are those products picking up in these brands?

**Jayant Davar:** Yes, absolutely. So we are, of course, Hyundai, we are now the major supplier for all of these. And we should soon be making announcements for some of the others who are also gratified with that platform.

**Udit Gupta:** And so the margin in these products are similar to what we're guiding about, double digits or so?

**Jayant Davar:** Yes, that is the aspiration for us. As volumes grow, as technology grows, the margins grow.

**Udit Gupta:** And sir, we were talking about the integration of plants, sir. So how many plants do we have running right now? And how much can we bring that down to something of the sort?

**Jayant Davar:** Yashpalji, you want to answer that?

**Yashpal Jain:** Yes. So we like -- we have total 42 plants as of now, out of which 8 are into joint ventures, which is out of the question of integration, 4 of overseas operations are separate. So we are left with 30 plants in India, effectively. And we expect that at least in the current financial year, 2 to 3 plants, we will be able to integrate.

**Udit Gupta:** Yes, sir. So is the plan only for this year? Or are we looking at something next year?

**Yashpal Jain:** No, it's a regular -- it's a continuous activity. But you see. We need to see from a broader perspective. And secondly, there is a customer validation and approval, so normally it takes some time. So we are -- I mean, it's a regular -- it's not a very onetime activity, it is a long-term activity that we are seeing to integrate the plants, integrate the facilities also and it will depend on case-to-case basis and customer-to-customer basis.

**Jayant Davar:** See consolidation is a part of the aspiration and we will be consolidating as we go forward, whether it is plants or whether it is better capacity utilization or whether it is monetization of unused assets. So we are looking at all these 3 things from a very, very holistic dimension. And from time to time, so we have the immediate plan of consolidation of some of the units. But the other plans also continue on a dynamic basis and you will hear this in our plans every year, one form or the other.

**Udit Gupta:** And sir, customers like Maruti Suzuki or Toyota or the other Japanese customers, are we also looking at them for 4-wheelers?

**Jayant Davar:** Oh absolutely. And that's something that, that is a part of our new customer acquisition strategy. We are talking to all of them, especially with the new product lines that we have now introduced and will be introducing in the future.

**Udit Gupta:** Sir does it make any difference to them that we are already supplying to Japanese people like Honda.

**Jayant Davar:** Oh, yes. It does. It does. But you see, we have to fall within the scope of what they do. There in some cases, for example, if we supply to Honda, their specs could be higher and therefore, the costs could be high. So we not only have to meet the tech specs, we also have to meet the cost specs, the delivery specs, the development specs and so on and so forth. So it's a wide combination. But suffice to say that we are growing in every dimension of this with almost all customers that we are engaging with.

**Moderator:** We take the next follow-up question from the line of Radha from B&K Securities.

**Radha:** Yes. Sir, what is the total revenue potential from the 4 plants that we have in overseas?

**Yashpal Jain:** Revenue potential from 4 plants. Last year, we were close to about INR400 crores mark from the 3 plants. Obviously, I will call them as 2 plants because 1 is a machining subsidy in Poland. Romania will be coming into mass production, I would say, in the picking -- the volumes in the next year itself. So figure-wise, it is difficult for us to tell you what is the exact. But yes, the 2 plants can generate about INR400 crores. With the 3 plants, we can continue the same momentum in the coming...

**Radha:** So total INR600 crores?

**Yashpal Jain:** Yes. As I told, there will be a -- there will not be a fixed number. But yes, we can easily achieve INR100 crores starting in Romania and going forward to higher numbers, based on the customer demand, so.

**Radha:** Okay. Sir, secondly, so Honda Locks has sold its business to MinebeaMitsumi and they are more into electronic products. So just wanted to know, are we getting any support from them for manufacturing...

**Yashpal Jain:** Can you repeat that question, please?

**Radha:** Sir, Honda Locks has sold its business to MinebeaMitsumi and they are more into electronic products. So are we getting any support from them for manufacturing smart locks and how can we leverage their capabilities?

**Jayant Davar:** Yes. Radha, for your understanding, I think it's in the public domain that we've already signed the new agreements with Minebea, as Minebea has absorbed Honda Lock. Minebea, you're absolutely right, is into various other electronic componentries as well. Our task would be to work with them together.

So we are working on 3 platforms. One is development of our own engineering capabilities through our Sandhar Center of Innovation and Development. The other is working with Minebea. We also have other partners who do similar stuff, whether it's a Whetron or whether it is some of the Korean companies that we operate with.

So we have been in different lines of technology for several products. And depending on which customer wants us to tie up or work with the design of which partner, we have that availability today of multiple technology sources to be able to offer the customer, whichever one he chooses to, depending on the technology, depending on the cost, depending on the futuristic mode that they have in terms of their ideal structure for their product lines.

**Radha:** Sir, lastly, we have seen that the ramp-up in the overseas business has been slower than expected and India business is doing much better. So -- but we have invested in the overseas business in last year as well. So what is giving us confidence for this aggressive capex plans in the overseas business? Is it because of any additional share of business win or customer win, could you give some light on this?

**Jayant Davar:** Radha, again, I won't be able to give you specifics. All I can tell you is the Romania plant was set up with its capacity already being blocked for the future. Unfortunately, because of the Ukraine war, a lot of delays happened in the Romanian context, whether it was the building, where steel that used to come from Ukraine stopped, whether it was cement, the costs went up and the entire project got delayed.

Now it's the delay that has cost us and cost our customers. But obviously, if we have a full plan setup that has been -- the idea now is to grow the utilization of that and grow revenues out of that. So we do expect that our revenues from overseas business will continuously grow at a pace which is probably going to be faster than how it has been so far.

**Radha:** Okay. And sir, just one last if I can squeeze in. In terms of smart locks, is it possible to manufacture them in the existing lines or do we need to set up new lines for manufacturing smart locks for the same customer? And what would be…

**Jayant Davar:** For the same customer, no. Radha, let me explain this to you. In fact, for different models, we have different lines. So if we supply to, let's say, today, we probably supply to 60 or 70 different models, we have separate lines for most of them. There are some which are close to each other. But smart locks, again, to answer your question, we have separate lines. We will have separate lines. But these are incremental costs. These are not really huge costs of setting up. It's the development cost that takes, it's not the line setup that takes too much money.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

**Jayant Davar:** Well, thank you, Seema. Thank you, Abhishek, once again. Thank you to all the participants today who spared time to give us and try and understand us more. As you would understand and appreciate, there are limitations to the exposure that I can give, as per the Indian law. I hope I've been able to answer many questions.

But in case there are more specific ones, which you would like to write to us and we find it within the ambit of the law to respond, we will. I am also very happy to invite all of you to some of our plants to come and get a feel of what we do and that will add to your bullishness about the company. Thank you all very much and hope to talk to you again soon. Thank you. And thank you Dolat once again for setting this up and Seema for moderation.

**Moderator:** Thank you very much, sir. On behalf of Dolat Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.