



# “Sandhar Technologies Limited Q2 FY '24 Earnings Conference Call”

**November 10, 2023**



**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 Q2 FY '24 Earnings Conference Call hosted by Dolat Capital.

As a reminder, all the 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, you can press '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Jain. Thank you and over to you, sir.

**Abhishek Jain:** Thanks, Sagar. Good morning, everyone. On behalf of Dolat Capital, I welcome you all in second 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 with 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:** Good morning, everyone. Thank you all for joining in. Thank you to Abhishek Jain for organizing this from Dolat Capital. Well, as we sit today, after the declaration of results that we did yesterday, I am happy to understand the queries that you have, and we will try and respond to them, hopefully, to whatever you are looking for. Along with me is Mr. Yashpal Jain, the CFO of the company.

To begin with, yes, a good morning once again. The Auto industry in the last half year has not performed to what we had expected, but we are happy to say that the company has performed much better compared to the industry. In fact, if I look at the overall industry, the growth ranges from negative in some sectors to 1% or so in two-wheelers, 6% in passenger vehicles. The only growth, the main growth has come from the construction sector.

Against all of this, Sandhar has achieved an income of about 20% higher in the first half of the year. And if you compare it with what we had said, we are in line with our budgets accordingly.

I am also happy to say that all the new projects, the four projects of sheet metal, whether they were at Nalagarh, Halol and Attibele and Mysore have now reached mature production levels. Our Romania plant has also started production, and we expect to ramp it up in the year '24-'25. Full scale operations have also started in machining for casting projects at Mysore and Hosur locations.

The one thing that we are very, very excited and looking forward to is the introduction of smart locks, which will happen in the next financial year, where we are now completely geared up,

and I am happy to today even tell you that the Japanese, especially Honda, Suzuki have given us exclusive orders for the smart locks. This, you know, will be a game changer as these are adopted on a mass scale by the two-wheeler industry.

Besides of that, we are all in readiness now for the EV product line. You are aware, I had told you in the last meeting, that our DC controller, our EV charger and motor controller, and the hub motor are being readied, and we plan to begin operations and production of this in the first quarter of the next year.

In terms of focus areas, we are concentrating and are on route to some areas that we feel are important for us: reduction of debt, improving operational efficiency, and reduction of cost, control on new CAPEX, and maximum utilization of CAPEX already incurred, integration of manufacturing plants, diversification of product portfolio, expanding customer base, increasing content per vehicle.

But I am happy to tell you that our consolidated EBITDA has registered a growth of 1.2% year-on-year. So, the margins that all of us were talking about have started to flow in.

In terms of joint ventures, also happy to state that in the half year, our revenue from the joint ventures has reached a level of 151 crores, and against a loss of 5 crores that we had last year, this year we are in profit, 90 lakhs or so of profit. So, basically, the drag on the bottom lines which was coming in from the joint ventures have started to reverse.

With all of this, I am going to stop here and request all of you to ask your questions, and I would be happy to respond. In terms of operational numbers and so on and so forth, Mr. Yashpal Jain will weigh in with whatever questions you might have. Thank you, Abhishek, once again.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitinn Aggarwala from UTI Mutual Funds. Please go ahead.

**Nitinn Aggarwala:** Sir, my first question is regarding if you can give us some color on, you know, of how are the orders spanning out from our two anchor customers Hero and TVS? And in line with that, what kind of growth momentum can we see in the second half and maybe FY '25 also, if you have that visibility?

**Jayant Davar:** To be honest with you, I will not be able to give you projections as per the norms that have been advised to us but suffice to say that if you look at our history, the first half of the year typically is much less compared to the strong second half of the year. And I don't see why that would change.

So, typically, I don't know, Yashpal Ji will weigh in. I think it's about 40-60 is how we do it. So, that should give you some idea. Of course, it depends a lot on how the industry performs, but

from our side, with the growth and the investments that have been made in the last few years, all of them have started to be fruitful, and we expect that particular momentum to continue.

In terms of TVS, TVS has now become our probably the largest customer for us. And again, Yashpal Ji will give you details on what is the share of each customer in the scenario. For next year, next financial year, again, early to say. We are still on the drawing board getting the orders, but the taste of growth that you see now, according to me, should continue irrespective of how the market goes. Yashpal Ji, would you want to give some of the numbers on TVS and so on and so forth, share of business and so on?

**Yashpal Jain:** So, out of our total business, 30% is being driven from TVS. So, TVS is now biggest customer for us, and Hero share is 18% now, because TVS is growing larger if you compare with Hero. And JCB stands at 9%. So, these are three prominent customers for us. And gradually, the share of Honda Motorcycle, HMSI is also growing up. It's around 3.5%, and I think in the coming half year, it will significantly grow up with the new products. And as sir talked about smart locks, once they are introduced, the share of business of HMSI will also rapidly grow up. And the total overseas business counts for around 15% of our revenue which includes Bosch, Continental, Autolive, and TRW. These are the major customers over there.

**Nitinn Aggarwala:** Sir, few quarters, say, seven, eight quarters back, Hero was somewhere around 28% of our top line, and now it's 18%. So, is it that the others have grown significantly about that, about Hero or like what has attributed to that?

**Jayant Davar:** No, absolutely, absolutely, you have said it correctly. Hero in itself is growing for us in terms of absolute numbers, but in terms of percentage, the others are going faster.

**Yashpal Jain:** Or you can say, we are going more rapidly than Hero. So, like that our content increasing with other customers and I mean, the absolute numbers of Hero are more or less going up, but our content is increasing, business increasing with other customers.

So, that is the reason we are rapidly growing and the proportion on overall basis, the share looks to be less as far as hero is concerned, but our share of business with Hero has not declined to confirm it.

**Jayant Davar:** I mean, if you have to do a simple calculation, 18% of our revenue now vis-à-vis 20% of our revenue at that point of time will give you the answer, right?

**Nitinn Aggarwala:** I can see that on absolute term, Hero business has also grown, but Yes, TVS has been the joker in the pack for us. And sir, also from the JV profitability, you know, we have seen now continuously three quarters, we have been positive. We have turned from a negative over there. So, if you can give some insights on, you know, where are we on each of the JVs and how are we progressing? And are we looking out to stop operations in any of those loss-making JVs which are still continuing to be drag? And what is the visibility for turnaround in those JVs?

**Jayant Davar:** Yes, this will be a long answer. If I go into individual ones, but let me say sum up the, so all the units, all joint ventures are now in positive. There are two which still have a drag, but that drag fortunately for us is not on account of operations. It's on account of foreign exchange issues.

So, if you were to put that aside, then each one of the joint ventures is now on its own feet. So, that is a big blessing, and we see that from now on, there should be acceleration in the performance of all of these JVs.

I mean, if I break it up, our helmet, which is Sandhar Amkin, I am happy to state that we are now at record numbers per day in terms of our production capacity, and it is getting profitable by the day, whether it is the Winnercom, which has been profitable, Han Shin, which has been profitable, Han Sung, which was a drag on the line is now positive, and not just positive, it has an EBITDA margin, I think, which is in very healthy double digit. Same with Sandhar Whetron.

So, Jinyoung and Kwangsung are the only two drags, but they are largely on account of Foreign Exchange where we are reviewing how the methodology of accounting in terms of the materials that are exchanged between Korea and India could be looked at from a different perspective as we go forward, but overall we are quite satisfied with the performance of the JVs.

**Nitinn Aggarwala:** And sir, one last question from my end before I get back to the queue is, we see that the EBITDA margin has improved and is holding on strong. And from here on, you know, what are the additional levers, you know, to increase it further to that double-digit kind of levels? What levers are we looking at going forward and what is the target timeline that we have in our mind to reach that double digit?

**Jayant Davar:** Again, I think we are in line with our thinking of how to improve the margins. I had mentioned this to you earlier as well, that the margin drop was also on account of new projects, and while our subsidiary, which is the sheet metal subsidiary where the Sandhar Engineering, which is still a drag in the company, because it's still to reach maturity levels. Once those come on line, which we see happening soon enough, our target of reaching double digit and well over the beginning of double digit should not be far now.

**Moderator:** Thank you so much. The next question is from the line of Radha from B&K Securities. Please go ahead.

**Radha:** So, my first question was that, like you mentioned in your opening remarks that we have started all the sheet metal plants and mass production and all of them, barring Mysore which will probably be reflected from this quarter, so sheet metal revenues should have increased on a Q-o-Q basis as well given that new plants have come up, but that has not happened in this quarter. So, would you please give us some insights on the reasons for that? And how do you see this in the coming quarters?

**Jayant Davar:** Well, Mr. Yashpal Jain can give you the numbers on sheet metal as to how we have grown compared to last year and to the quarter, last quarter. Yashpal Ji, you want to come in?

**Yashpal Jain:** So, we have grown in sheet metal because if you see like the percentage is 13.5%, but in terms of the total revenue, if you multiply with 13.5, revenue is pretty higher if you compared to last year. So, in sheet metal, in turnover wise, the sales, this has been started generating. And in Sandhar Engineering itself, we have generated a revenue of 87 crores in the first half. The same is the case with Nalagarh, which is above Rs. 37 crores, Rs. 38 crores. So, this new project has started generating revenues. And if you multiply with the absolute numbers versus the share of the sheet metal business, the increase on turnover is clearly visible.

**Radha:** Sir, actually in the presentation in this quarter, we have not given as in whether the red color is for 2Q FY '24 or the blue one. So, we have not given the legend. So, what I understood was that in previous quarters we used to give the red highlight as the current quarter revenue. So, that's why I got 12.6%. So, that's why my question was based on that.

**Jayant Davar:** No, the red ones are for the quarter that's just gone by. The gray mark that you see is for the corresponding quarter of last year, and the blue is for the immediate quarter proceeding this one.

**Radha:** So, sir, then as per that, the sheet metal revenue mix is 12.6% instead of 13.5%, which you just mentioned.

**Yashpal Jain:** Yes, so quarter is comparatively higher if you go on a year-on-year basis. So, that is the reason other sectors have also grown up. It's not that all alone sheet metal is growing up. From 746 in the last corresponding quarter, we have grown to 885. So, 12.6 of, or I would say, Yes, of 889, so 885 versus 13.5 of 746, the growth is visible in sheet metal.

**Radha:** Actually, I was talking on a sequential basis. So, if we multiply the product mix that you have given, so it was 114 crores in 1Q FY '24, and that is 112 crores in 2Q FY '24. So, given that, why I am seeing sequentially is because of the new plants that have started.

**Yashpal Jain:** So, as I told like Sandhar Engineering is dedicated to sheet metal. 87 is there. Roughly 38 is in Nalagarh. So, automatically, it goes to the same level that we have mentioned earlier in our call.

**Jayant Davar:** So, once again, Radha, the Nalagarh plant is inherent Sandhar Technologies, and the Sandhar Engineering is the new subsidiary which has added three plants, while the Nalagarh plant has been consumed into Sandhar Technologies itself.

**Radha:** Sir, secondly, in the other segment, we have seen very high sequential as well as Y-o-Y growth. So, could you give us some insights as to the reasons for this? And you also mentioned that this MCU, DC-DC and the new products that we have planned, so in the presentation it is mentioned that it will come in 2023 itself. I assume that this is the calendar year 2023. So, have you completed any trial runs and how is the customer response for these products till now?

**Jayant Davar:** So, let me, if you want it on the basis of product wise, if I look at the motor controller, we have completed the POC sample. We have done sample A. We have completed sample Bs are in the process. Some of them have been completed. The 250 watt is already completed. The others are coming in soon. Validation we expect to happen by the end of this calendar year, and the iCAT approval is to come in in the first quarter of next year, sorry, in the last quarter of this financial year, and production, like I said, will roll out from the first quarter of next year. This is the same for the motor controller. It is the same for the battery charger, and it's same for the DC-DC converter.

**Radha:** And sir, reason for such high growth in the other segment that we have reported in this quarter?

**Yashpal Jain:** So, we have been registering growth nearly in all segments. Next growth is coming in the die casting business in India as well as overseas. Die casting is performing well. And as far as lock and mirrors are concerned, they are going at a good pace. So, growth is coming nearly from all sectors. These all together have contributed to the present, I would say, the growth that we are seeing on a year on the basis of 20% for the half year. All products, all segments are contributing now on our revenue.

**Radha:** Yes, sir, but particularly if we see only the other segment, the revenue mix has gone up from 12.2 to 15.3. So, could you give us some insights on this?

**Yashpal Jain:** Actually, what happens, percent is just, I would say, a numerator and denominator thing. Thing is absolute figure is 885 crores or 750 crores. 10% of 750, for example, becomes 74 crores, whereas 10% of 885 becomes 88 crores. So, you should see on basis of absolute number.

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

**Abhishek Jain:** The first question was on our locking system. So, there is a sharp growth in the locking system quarter-on-quarter basis. What is the reason for that? And how is the outlook for FY '25 and FY '26? And as you mentioned about the smart locking business, so what sort of the penetration we can see in smart locking in next two years?

**Jayant Davar:** Abhishek, I will not be able to give you exactness on '25 and '26 right now, but suffice to say that the two major customers, which are Honda and Suzuki, which are leading the way from smart locks perspective, are exclusively with us. And from what I understand there because they are exclusive, they have given us clearances for almost 5 to 7 years of their output. Now there could be some differential in what they are planning and what they actually achieve. In some cases, it is possible that the adoption of smart locks could be faster than what they have anticipated at this point of time as well.

However, from that perspective, if the market by the year 2026 goes up to 10% of the output in smart locks and smart locks correspond to almost 400% of the value of the regular manual lock, one should be able to do the calculations.

- Abhishek Jain:** Sir, in a die casting business, when can we expect the TVS machining revenue to start to contribute in the profit and loss account?
- Jayant Davar:** See, it's already started. We are running. So, if you ask me, the number of machines, we already have almost 70% to 80% of the machines that were planned inside the shop floors which are working to full maturity, and within the next few months, we will reach the levels that were anticipated. So, this business is not only operational, it's also profitable.
- Abhishek Jain:** And for full-year FY '25, what would be the contribution of this particular business and on the revenue and EBITDA terms?
- Jayant Davar:** Well, very difficult again for me to answer futuristic questions, Abhishek, for reasons you are aware of. We are not allowed to give forward-looking statements in that particular manner, but again, I would like to reiterate that these are new businesses. Where the machining business is concerned, this will be fully operational in the next year, and from what we understand and what our understanding with the customer is, that all the rooting of machining that goes into TVS will go through this particular plant.
- Abhishek Jain:** And sir, in this quarter, subsidiary business performance was impressive. The net is around 200 crores on the revenue side on a quarterly basis plus EBITDA margin is there is a significant improvement. So, what is the reason? And when can we expect, that Romania will start to contribute in this business?
- Jayant Davar:** Yashpal Ji has just been to Romania. So, he would be able to answer your question better.
- Yashpal Jain:** So, Romania like they have started the production, but the Romania will go into the ramp up of production starting next financial year '24-'25. I think this we have mentioned in earlier calls also with our investors, that Romania will see a mass production in '24-'25. That time it will start contributing positively and a healthy growth in terms of profits and margin and adding to the value in the overseas business.
- Abhishek Jain:** So, what would be the quantum? It would be around the 100 crores kind of the numbers in FY '25 because of this?
- Yashpal Jain:** Well, I cannot say about 100 crores, but yes, it will be moving in the direction that we anticipated that it will reach quickly the 100 crores mark that we have set as a benchmark to start any manufacturing facility. So, we will be trying to get it to pass through 100 crores, but I cannot say as of now as a committed thing because it all depends on the customer schedule, and maybe by the end of the fourth quarter, we would be a position to say that how much the Romania will crack next year.
- Abhishek Jain:** And what is the margin and ROC of this business of Romania?



- Yashpal Jain:** Well, it is more or less equal to Spain only once the production ramps up and as we know the overseas business is always in double-digit EBITDA margin.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir, what will be the peak revenues in Romania?
- Yashpal Jain:** Romania, as I just mentioned before this question, I mean, it all depends on the customer schedule. So, there is no such capacity constraints, or we can say like a number of pieces that can be done on a daily basis. So, it's, I mean, the installation, the facilities that we have created is competent enough to take any kind of volumes in it. It all depend, but we have a target to achieve 100 crores as quickly as possible.
- Pritesh Chheda:** But for the capital that you have invested of 90 crores, what kind of revenue maximum utilization is the number in Romania?
- Yashpal Jain:** Actually, we always keep a asset turn of three times while investing in any of the projects, but over a period of time, once they achieve a maturity level. In auto type, I mean, auto component type of industries from the starting of the year one or year two, it's not possible to reach 3x of that asset turn. It gradually matures over every three to four years.
- Pritesh Chheda:** So, basically it will reach something like 250 crores in four years?
- Yashpal Jain:** Yes. I mean, going by that calculation.
- Pritesh Chheda:** And what is Romania numbers in FY '24? Have we started using the asset?
- Jayant Davar:** We have started using that facility, but still it is yet to break even.
- Pritesh Chheda:** Is the company thinking on improving the ROC number by relooking at a large capital which is invested in international operations of die cast, which is basically four plants now, Barcelona, Mexico, Poland, Romania where our ROC is a extremely low single digit. So, do we want to relook at this piece of the business?
- Yashpal Jain:** Actually, we are working on improving the ROC. So, even if I tell the current half year figure, for half year we have a ROC of 7.2% after excluding the capital work in progress which is not yet put to work. Annualized basis it becomes 14% roughly. For this year, we have set up a target of something around 15% on an overall basis. So, I am hopeful even, I mean, the second half is always a good half as far as Sandhar is concerned and auto industry is concerned. We are hopeful to reach the target ROC of 15% in this financial year. And gradually, we have set up a target of improving every year. So, at least we reach by 20 % in the coming years.
- Pritesh Chheda:** This 7% you are mentioning at the company level, right?

- Yashpal Jain:** Yes, at the consol level including all.
- Pritesh Chheda:** My question was only on the overseas operations. Your ROC...
- Yashpal Jain:** I was saying overseas is also a part of our business. The same methodology that we are putting India, we are developing in overseas, and gradually they will also reach to this level.
- Pritesh Chheda:** And what is the utilization? I think the other plants which is Barcelona, Mexico, and Poland, they are running at full utilization.
- Yashpal Jain:** Yes, they are running at full capacity.
- Pritesh Chheda:** So, then you have a 700-crores capital, which is invested in these international operations, out of which 100 crores is Poland. So, 600 crores capital which is in Barcelona, Mexico, Poland, but that 600 crores capital at the 100% utilization also generates a single-digit number. So, there you cannot improve your ROC?
- Yashpal Jain:** No, there is always a scope, and the capital employed is something 470 crores in overseas business. It's not 700 crores. It's 470 crores of capital employed over there. And if I remove the Romanian operations, they are already at a very, I would say, ROC of 10% roughly. As Romania, as I told, it's not at a breakeven level being a new plant. It will take, I mean, this year to ramp up the capacities, I would say, the facilities. Maybe next year they start generating the profits and transfer breakeven level.
- Pritesh Chheda:** And on the sheet metal side, did you mention that the sheet metal run rate is 100 crores for first half is what you mentioned? I didn't get the sheet metal revenue number.
- Yashpal Jain:** Sheet metal for the new projects I mentioned. For the new projects, I mentioned they are above 120 crores for the first half.
- Pritesh Chheda:** In first half?
- Yashpal Jain:** Yes, new projects. Not the existing ones. I am just talking about the new projects.
- Pritesh Chheda:** So, which means 120 divided by 6, so basically you are running the new assets at 100% utilization?
- Yashpal Jain:** No, it's not 100%. Again, I will say, it's not like a consumer goods industry. We have the machine set up. We have the facilities ready. It all depends on the customer schedule. Some of the plants have worked part of the year. Some have worked full of the year. Like Mysore has contributed only for one month. So, we cannot just take a median or a average of those things.
- Pritesh Chheda:** No, excluding Mysore. So, keeping Mysore aside, the other three plants are running at full utilization?

- Yashpal Jain:** No, we have the capacities. It depends on the number of shifts that we are working. We are competent enough to take more orders from the customers if they increase the schedule.
- Pritesh Chheda:** So, the sheet metal, those four plants, what is the peak revenue possible there? Because in one of the call you mentioned 30 crores per month. Is that the number?
- Yashpal Jain:** 30 crores?
- Pritesh Chheda:** Per month?
- Jayant Davar:** Yes, all sheet metal business that we had contracted was at 30, but it was done on a single shift basis. So, if you were to calculate that, then you get duplicates of all of that. 30 crores per month is something that we will achieve very quickly and very soon.
- Pritesh Chheda:** So, that is just single shift.
- Jayant Davar:** Attibele, as of today, we have schedules of something like 15 to 16 crores a month. Mysore, we expect the same number. Halol is at 5 crores a month. Nalagarh is, Yashpal, where are we?
- Yashpal Jain:** 6.25 to 6.5 per month.
- Jayant Davar:** So, that gives you the number. We are very close to those numbers right now, but the idea is now to ramp up with the new schedules and take it over that number of 30 crores.
- Pritesh Chheda:** So, just reconfirming, 30 crores is per month single shift for these four plants?
- Jayant Davar:** Yes.
- Pritesh Chheda:** And you are having schedules of  $16 + 16 + 6 + 5$ , so about  $11 + 32$  is about 43 crores today.
- Jayant Davar:** Yes, that's right. And this is what the current scenario is. We have reached maturity levels in terms of the product lines, but in terms of output, we are still working on it. See, these are new plants, and therefore, their efficiency has to improve. Their margins have to improve. Those only come along as we become mature in the business.
- Pritesh Chheda:** When do you see yourself reaching 60 crores?
- Jayant Davar:** For us productivity is an important aspect, and productivity goes up once the utilization and the maturity of that plant grows.
- Moderator:** Thank you so much. The next question is from the line of Nitinn Aggarwala from UTI Mutual Funds. Please go ahead.

- Nitinn Aggarwala:** Sir, can you share your gross debt and net debt number as on September? And what is the plan of debt repayment? What do we have and what is the target net debt EBITDA in our mind?
- Yashpal Jain:** So, like gross debt as of now in September is 558 crores, and net debt is 543 crores, sir.
- Nitinn Aggarwala:** So, this is a quite good number versus March end. So, have we like delevered in the six how much have we paid off in the first six months?
- Yashpal Jain:** Well, in the cash flow statement, if you see, there has been some fresh borrowings on account of new CAPEX, and there the repayments are already started. So, I would say in or an outgo, but yes, we have generated cash from operations of 159 crores. That is a very positive side for us, and largely we are using internal accruals and not heavily borrowing. And our plan is that we start pairing the debt starting next year onwards.
- Nitinn Aggarwala:** And sir, from an OEM's perspective, we have seen that, you know, some of their volumes have shifted from 2Q to 3Q because Diwali has been in late November, but from our perspective, when have we recorded the volume? Like, is everything done in 2Q or even for us we see some spill over in 3Q of the festive volumes, if you can give some color on that?
- Yashpal Jain:** So, basically, like, as we told, we work basis a customer schedule, sir. And the customers have started planning for the festival season starting September. So, as of now also for the coming quarters, we have good schedules from them. So, I believe that momentum will continue even post the festival season also.
- Nitinn Aggarwala:** And sir, one last thing is that, are we going to receive any incentive for the Romania plant from the government?
- Yashpal Jain:** Yes, there is a capital incentive 30% of the total investment from Romania government. Two of the installments we have already received from them, and it is basis the investment that we are doing and the plant put to use. So, the plant has been already put to use. Two installments we have received. Further one installment will be received in due course. Might be next year onwards.
- Nitinn Aggarwala:** So, two we have received. One more we will be receiving, and that will be full and final for this 30%.
- Yashpal Jain :** Yes, exactly, it is a huge investment. If you reduce the investment, then it is 30% of the invested amount. It's not that they fixed any absolute number. It's 30% of eligible capital investment.
- Jayant Davar:** There again we have new plans for new machines to be brought in. Once they are brought in, again, we would be eligible for the subsidies.
- Nitinn Aggarwala:** So, this gets routed through the P&L or it is directly adjusted in the assets in the balance sheet?

- Yashpal Jain:** It does not go through the P&L because being a capital subsidy, it goes to the either, I mean, the Indian Accounting Standards there has a different treatment for the capital subscribed.
- Nitinn Aggarwala:** So, basically, it will just help improve the ROCE better because of that capital investment.
- Yashpal Jain:** ROCE add to cash flows also, because the capital investment goes down.
- Nitinn Aggarwala:** Definitely, definitely, sir. And can you quantify how much it would be in total, the 30%, and how much you have received?
- Yashpal Jain:** So, we have received close to 25 crores we have already received. I am telling in Indian rupees because it's 25 crores in Indian rupees we have received. Because earlier Euro was down, so the figure was less. Now it has gone up. So, it becomes higher.
- Moderator:** Thank you so much. The next question is from the line of Shubro who is an individual investor. Please go ahead.
- Shubro:** And my question is regarding the smart locks that you have been speaking about. So, one of your competitors is already very aggressive in this segment and has quite a lot of market share, quite a high market share. So, in that context, I just wanted to understand how do you, apart from the two customers that you named Honda and Suzuki, how do you plan to address the other segments, other customers?
- Jayant Davar:** Very quickly, I mean, you mentioned my competitor. I don't know who you are referring to, but there are still no smart locks in the market. So, if somebody is supplying and where is it going, then I am not aware of this, but from what I understand that the leaders in this space are with us, and we have confirmed orders, and they actually get introduced into the market. So, there are some new EVs for which we have also contracted. There those will probably be first of the block, but if you ask me, there are no mass-produced motorcycles that carry smart locks today.
- Moderator:** We will move on to the next question. The next question is from the line of Radha from B&K Securities. Please go ahead.
- Radha:** Sir, my question was on the smart locks. You mentioned about Japanese customer wins and you being an exclusive supplier to them. Sir, could you give us some insights on what kind of volumes are we expecting to supply from next year?
- Jayant Davar:** From what I understand, Radha, the numbers that have been given to us constitute about 10% of their overall outputs. So, 10% will carry smart locks to begin with, and then, of course, they will be adopted on a mass scale as things go forward. You are well aware that once a new technology is introduced, it takes a few years for it to go down the line because, you know, there is also the expense portion.

A manual lock costs an average of about Rs. 100, while a smart lock goes anywhere between 1,600 to 3,500. So, there is a dramatic difference. So, some of the ones that we have contracted are in regions of about Rs. 3,500, Rs. 3,600. So, there will be a huge impact of that, and most of the OEMs will adopt them on a gradual basis. But I understand that the initial volumes that they are considering are about 10% of their output.

**Radha:** So, any insights on how the adoption of smart locks has been in the global market and especially in U.S. or Europe? And given that we getting it from the Japanese customers, so any insights how the adoption has been there?

**Jayant Davar:** Well, the adoption has been, so if you look at expensive motorcycles, for example, or scooters, for example, those have a constituent of smart locks now be becoming a regular part of it. So, if you look at vehicles that emerged from the likes of BMW or Honda or some of the others including some in China, for example, have smart locks. The adoption has been exactly on the same platform which has spun over a period of time over the last 5 to 7 years starting from about 10% levels that India is considering and then going into full adoption.

**Radha:** And sir, so you mentioned that you are planning to integrate some of the plants in India out of total 27 plants that we have in the standalone business in India. So, maybe it will happen this year or next year. Could you give us a timeline? And how much cost reduction can happen due to this?

**Jayant Davar:** Well, I will not be able to give you details on the cost reduction. All I can tell you is that very genuine efforts are on to consolidate some of the plants. So, for example, in Nalagarh, we are planning to consolidate two facilities into one. We are considering the same in Mysore, for example. We are considering on similar levels in Attibele.

The idea is that depending on the order book, depending on the space availability, depending on several other factors, on machine and output, these efforts are being made. We are very confident that starting from next quarter, this consolidation exercise will be in play, and the numbers will start improving in terms of the consolidation that happens.

What those exact numbers are, I am not at liberty to say today, because we are still working on them. It also depends on the order books that we receive. So, all of that will have to be. So, today, for example, in two plants, we employ a certain number of people. Yes, some of the overhead numbers of whether it is security people or X, Y, Z will obviously drop down, but the significant portion of it will come from several other factors in terms of improvement in productivity. So, once we have and we can tally them off, we will be able to answer this question better, perhaps in the next quarter.

**Radha:** And sir, lastly, we are also targeting the aftermarket segment in India. So, wanted to understand what are the key products that we are pushing there? And are you seeing any higher taxes in the aftermarket? What is our key strategy there?

- Jayant Davar:** Yashpal Ji is in charge of this. So, he can answer this question better.
- Yashpal Jain:** Well, like aftermarket we have started recently. I would say, it's not so mature business. Yes, we have multiple hosts of products. It's a diversified product lines that we are dealing in aftermarket starting from automotive, and we are now planning to go for non-automotive segment also. So, we see good growth in the aftermarket business in the coming period of time.
- Jayant Davar:** Do you want to throw some numbers, what numbers, Yashpal Ji?
- Yashpal Jain:** We are expecting something around 80 crores of revenue by the close of this financial year, and we have targeted see be a bottom line of around 9% to 10% in the aftermarket business.
- Radha:** So, as compared to any numbers for FY '23?
- Yashpal Jain:** FY '23, as I told we started in FY '23 in a separate setup for aftermarket, and I think it was around 60 crores something that time. So, we are expecting we have got a target of at least growing by 100 crores in the coming financial year.
- Radha:** And sir, largely on the non-auto segment you mentioned?
- Yashpal Jain:** Yes I mean, non-auto segment when I mean non-auto customers.
- Jayant Davar:** Basically, there will also be non-auto as we go forward.
- Yashpal Jain:** Yes. Customers can be auto and non-auto, both set of customers. That's what I meant.
- Moderator:** Thank you so much. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Jayant Davar:** All right. Once again, thank you, Abhishek and Dolat Capital. Thank you all of the participants for the meeting today. I know there were certain questions for which we are not allowed to give you any forward-looking projections.
- However, we did our best to kind of give you where we are today. I am happy to state that we in the company are extremely bullish and happy with not only the results but with also the market sentiment now beginning to change a little bit also going in for lower value of motorcycles that's coming in, which wasn't there for the last four years.
- So, with that change, I hope, and I expect that the company, which is already on the growth path, and has grown by 20% in the first half, despite the automotive industry being in very, very low single-digit numbers growth, I think we will be able to accelerate the growth not only in the next half year but in the coming years as well. So, once again, I want to use this, take this opportunity of thanking everybody in Sandhar as well as Mr. Yashpal Jain for joining the call today. Thank you all once again. Thank you, Abhishek. Thank you, Dolat Capital.

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