



# “Sandhar Technologies Limited Q1 FY-25 Earnings Conference Call”

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**MODERATOR: MS. SHAILLY JAIN – DOLAT CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Sandhar Technologies Q1 FY25 Earnings Conference Call hosted by Dolat Capital.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shailly Jain from Dolat Capital. Thank you and over to you.

**Shailly Jain:** Yes. Thanks, Aditya. Good morning everyone on behalf of Dolat Capital, I welcome you all to the Q1 FY25 Earnings Call of Sandhar Technologies.

I thank the management for providing us the opportunity to host the call. From the Management Team we have with us today, Mr. Jayant Davar – Chairman, Managing Director & Chief Executive Officer and Mr. Yashpal Jain –Chief Financial Officer & Company Secretary of the Company.

As we do always, we will start the call with brief “Opening Remarks” from the Management Team, followed by a question-and-answer session. So, with that over to you Jayant sir.

**Jayant Davar:** Okay. Good morning, everyone. Thank you all for joining this Investor Call.

I am very happy and pleased to announce that Sandhar, your Company has continued its progress through the first quarter. All of you are aware that in our industry, the first quarter is typically the slowest quarter and the weakest quarter of the year. But I am glad to say that Sandhar, despite the headwinds that were there, continued its progress and our total income grew by 10% versus the corresponding period of last year, we have in terms of PAT, our EBITDA registered a growth of 75 basis points on a year-to-year basis. It now stands at 9.85% in the current quarter, versus 9.1% in Quarter 1 2024.

You are aware that the automotive industry, while it is doing well, we as a Company feel that going forward in this particular year while two-wheelers will probably reach and cross to some level, the 2019-2020 numbers, the growth is typically going to be in the range of about 10% or so. Passenger vehicles, we believe will grow anywhere between 6% to 8%. The commercial vehicles also will grow low single digits.

Tractors is a pain area right now, so we will have to see whether we will be able to match last year's number, construction equipment on account of focus on infrastructure continues to grow. So, construction equipment with government's focus on construction equipment, we expect that segment to do well. I am also very happy to announce that all our joint ventures have become positive at the EBT level. This will mean that our stress of the last few years in terms of joint

ventures, especially after COVID, is now out of the window and these will now start adding to our bottom line as we go forward.

On our overseas business:

The overseas business registered satisfactory performance with Barcelona and Mexico operations totally resisting an overall EBITDA of 12.66%. The Romania plant is ramping up production facilities and will soon move to large scale production. The Company's expansion projects in Pune for cabins and fabrication and die casting are in final stage of commissioning, and we expect to start commercial production by September '24. In terms of EV products, I am thrilled to announce that a big milestone in the electric vehicle segment with us inaugurating and commissioning of our manufacturing facility, which is Sandhar Auto Electric Systems Private Limited. This is located in Berhampur, Haryana. We believe that this is poised to revolutionize the EV product line with its exceptional range of motor controllers, battery charges and DC-DC converters. We have started commercial production of battery chargers, and the other two products namely motor controller and DC-DC converters will follow soon, probably end of this month or early next month. This new facility is a part of our ongoing expansion efforts to enhance production capabilities and meet growing demands of the EV sector. It obviously aligns with our long term growth plans and is expected to significantly contribute to our operational efficiency and business development.

Those are my opening remarks. I am very happy to take questions. With me today is Mr. Yashpal Jain, the Chief Financial Officer, and he will be able to answer most of your queries in terms of numbers, and in case there's anything strategic that you would want me to respond to, I am available as well. With that, thank you once again very much. You can start the question answers.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Saurabh Jain from Sunidhi Securities. Please go ahead.

**Saurabh Jain:** You have been a consistent performer for the last several quarters now. Sir, I have a couple of questions. My first question is, we saw in the presentation various new projects where mass production readiness status shows beginning in subsequent quarters of this fiscal only. So, could you please throw some light in the orders in hand for these projects, and what kind of addition do we see in this fiscal and next fiscal?

**Jayant Davar:** Our new expansion products. We currently have, so one of the Company's expansion projects is in Pune for cabins and fabrication business. I did mention in the beginning that this business was growing quite rapidly, and as we were running out of capacity, what we did was we had one step. I was talking about the new expansion projects. I did mention that cabins and fabrication is an organic growth as we had run out of capacity in Pune, our customers continue to grow volumes. And the plan for cabins and fabrication, as I mentioned in the beginning for the year looks at more than a mid-double-digit kind of a number, and to make sure that we deliver to the customers, we believe that this new facility will help us in meeting those numbers, as well as

allow for further expansion in the next year. The second facility in Pune is for die casting. Again, we have new customers we did not have a facility of die casting, but several of our customers in other regions wanted us to set up a facility. We believe that this facility, in turn, will also give us depth to grow our business in Pune for die casting to a range of anywhere between 200 to 300 crores in the medium term. We do expect this facility to start in September of 2024. So, these are two immediate facilities that we are looking at. The third facility that we are citing to start construction on is in Halol in Gujarat, where you are aware that Hero has a large facility, we had set up a small facility there to cater to their export demand. This export demand is now likely to grow, and we are now setting up another facility in Halol to take advantage of the business that is being offered to us. I hope that answers your question.

**Saurabh Jain:** Yes, sir. And on the EV readiness side, could you throw some light, now we are getting ready for the mass production, so any orders in hand or some kind of color to the top line growth which these products can be add in this fiscal and next fiscal?

**Jayant Davar:** Yes, so this fiscal we haven't taken any business or any turnover in our business plan. However, we have started commercial production already. Right now, we are catering to four customers. We are now in active talks with several others, while our internal calculation says that we will do business anywhere between 5 to 7 crores in this year. It is insignificant more in terms of pilot loss. So, it is only in the next financial years that we will be able to take any substantial numbers of this business. But suffice to say, whatever we have produced and sold has got good feedback, brought good feedback to us and we are, like I said. We started with the battery charges, where dispatches have already begun, and for motor controllers and DC-DC converters we expect to roll that out quickly within the next few weeks.

**Saurabh Jain:** So, can it be like 100, 150 crores next year?

**Jayant Davar:** I will be able to speak more once our complete basket of these components is ready, and supplies begin. So, I might be able to give some indication maybe in the call after the next question.

**Saurabh Jain:** Okay, that's helpful sir. Sir, my last question, any light on the recent industry data from FADA, which shows some slowdown on a month-to-month basis in the recent months. Also, the inventory levels at the dealer level are quite high now. So, how do you see this trend in the auto industry in the coming quarters?

**Jayant Davar:** Well, it is a mixed bag, you are aware that in the month of June, sales had dropped, but July again sales picked up. So, we have seen some very positive numbers in July. You are absolutely correct that the inventory levels in the dealerships have gone up. In the case of passenger vehicles, it's gone up beyond its normal state, it lies close to 65 to 70 days. However, the situation in two-wheelers is markedly, two-wheelers are satisfactory so far. The uptick in the two-wheeler industry is certainly there and like I said, we do expect a number higher than 10% in the market for two-wheelers, the passenger vehicle market inventory is definitely higher than it should be. But, the two-wheeler inventory in the market is kind of satisfactory, we do expect that with the

festival season now about to begin, that should bring much more prudence in the market, and with what we have seen in July where sales have gone up, June everybody spoke about how the market was kind of getting weak, but July is showing that despite rains and monsoons every segment has done well. So, I would expect that the weakness, anticipation and worry should be out of the window, and we should be back on track to the kind of growth that I had spoken in the beginning.

**Moderator:** Thank you. Our next question is from the line of Aditya from Complete Circle. Please go ahead.

**Aditya:** Just two questions. Number one, in the last concall we had said that we will pay around 100 crores of debt. So, just wanted to ask, if that is on track and number two, any conversations or any tie ups for smart locks, just wanted to get a sense on how the industry is thinking about smart locks. Thank you.

**Jayant Davar:** Well, I will let Mr. Yashpal Jain answer your question on debt, to my understanding debt levels have gone down despite CAPEX, which has been done. So, Mr. Yashpal Jain will comment later. On your second question, you said, what was the question?

**Aditya:** Some color on how the industry is thinking about smart locks, have you had any new conversation?

**Jayant Davar:** Smart locks like I said, I am endorsing the same thing. We will be the first ones to go in for mass adoption of locks. We expect our first batch to start end of October, early November for two of the largest customers that there are in the market. We are all ready, the validations have all been done. These models are going to be launched October, November, so you will see that revenue from that particular segment for us will start growing from there. On the first question, Yashpal you want to comment and talk about the debt level?

**Yashpal Jain:** Sure. So, Aditya, if you can see at the end of March, we were at a net debt of 592 crores, while for June, for this quarter we have closed at a debt of 549 crores. Reduction by 42 crores, we are very well on the targets to reduce our debt level by 100 crores, in keeping into the CAPEX plans and the completion of the existing projects, which our MD has just, in the beginning of call he has stated us.

**Moderator:** Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

**Pritesh Chheda:** Sir, one question on the revenue growth for this quarter, which is at about 10% so if you look at your key client where there was a market share gain possibility in terms of wallet share and all, that client has grown about 14% in volume. So, now I am just wondering which part of our business is slower to understand this 10% revenue growth that you reported for the quarter?

- Jayant Davar:** Yes, very good question. See three things, the wallet shares if that particular customer has grown 14% we have probably grown higher. It is several other areas, for example construction equipment like I said, this is the slowest period, because of monsoons and so on and so forth, that particular segment goes down and is likely to pick up in the second half of the year. It has started growing a little bit already, but you will see all of that drop in the value addition come in the second half of the year. Whatever we have said is on track and if I actually, if you look at it we had released a chart in the investor presentation on comparative financial performance year-on-year for the last four years. Quarter 1 Financial Year '22 we were at 410 crores at 23 we were 675, at Quarter 1 24, we were 830, and Quarter 1 25, we are at 913, you would see that many of our peers have actually dropped in terms of revenue, but we have continuously grown, and this 10% has largely come from areas other or than our organic business which is basically the increase of wallet share. I hope that answers your question.
- Pritesh Chheda:** So, just to further the conversation, the three client would have grown what number for us?
- Jayant Davar:** It's not about three clients. TVS for example, is now 30% of our revenue, I don't have it. Mr. Yashpal Jain will probably be able to give you a snapshot, but our dependence, for example, on Hero used to be much larger while we continue the same business but the customer for us has now dropped to almost 18% to 19% levels.
- Pritesh Chheda:** Okay. So, can you tell us, two-wheeler as a segment for us has grown at what rate. So, my guess is it's to do with Hero, where the growth would have come up?
- Jayant Davar:** No, I am saying that while whatever segment that you see, even in two-wheelers, we have grown if not at par higher than that particular segment. If you look at overall industry during this particular period, the entire industry including the ones that all the segments that we operate out of including construction equipment has probably grown a little over half of how much we have grown.
- Pritesh Chheda:** So, you are saying that two-wheelers has grown for you 50% more than the industry volume growth, is what you are referring too?
- Jayant Davar:** Yes, last year we were double of the industry growth. Effectively, we do hope that by the end of the year, we will be double of the industry growth.
- Pritesh Chheda:** Okay. So, just from the mixed perspective, if you could tell us, two-wheeler what has grown and the other sub segments, let's say Pass Car or the construction equipment, what have they grown in the quarter on a Y-o-Y basis, to just close the loop of our analysis?
- Yashpal Jain:** Out of our total revenue two-wheeler stands at 61% in this quarter. Normally, two-wheeler used to be 55% of our total revenue.
- Pritesh Chheda:** So, what is the growth sir?

- Yashpal Jain:** Growth in terms of figures you are asking?
- Pritesh Chheda:** Just the growth sir, what is two-wheeler grown for you, one is the mixed number that you are trying to give, which is there in your presentation. I wanted to know the growth. So, this segment for you has grown what, two-wheeler has grown how much, Pass Car has grown how much, construction equipment has grown how much on a Y-o-Y basis?
- Yashpal Jain:** When we said, I am telling overall growth of 10% and out of which we are saying that four wheelers and construction equipment's have not registered that much of growth, obviously two-wheeler show 10% for us in this quarter.
- Pritesh Chheda:** Yes, I can understand that. But if you could just quantify it, then it would be helpful sir.
- Yashpal Jain:** Well, it's above 10% that's what I can say, because we are not comparing it with the volumes, with the corresponding quarters. We have compared it with the annual figures. The volume has changed for two-wheelers but in my opinion it will be higher than 15% for this quarter in the case of two-wheeler.
- Pritesh Chheda:** And pass car and construction equipment?
- Yashpal Jain:** They are little bit down, because in the first quarter the passenger. Passenger cars is 2%, 2.5% in the similar case is the construction equipment. In terms of our revenue mix I am saying, and that has been contributed by the two-wheeler segment. So, that's the reason our revenue has grown up by 10%.
- Pritesh Chheda:** So, you are saying two-wheeler has grown 15%, pass car has grown 2% and construction equipment has declined on Y-o-Y basis?
- Yashpal Jain:** Our growth passenger car is down by 2% the same is the de-growth in terms of construction equipment, and that has been compensated by two-wheelers.
- Jayant Davar:** Let me just come in and add one particular aspect of this. See the sales that you have seen in a quarter of the OEMs is actually a lag over the supplies that the component industry does. So, it is never a like-for-like. I hope you understand that right. What we are building today is likely to be sold in probably the next quarter, in many cases. So, it's never a like-to-like question that we can answer. It is a question again, on the value and the volume. While you are calculating the volumes of the industry, we are looking at the value that is being delivered in terms of the sales. I hope you understand what I am saying.
- Pritesh Chheda:** So, basically, considering the market share gain possibility with PVs, is it fair to assume that we will be growing higher double digit, revenue growth as we move towards the future quarters?
- Jayant Davar:** Yes, I would expect so.

- Pritesh Chheda:** And on the margin side, on the Q-o-Q margin side, there is a 50 basis point shrinkage on gross margin, and some shrinkage is coming from employee cost. So, anything to read there because we were talking about a percentage odd increase in margins every year as we move forward.
- Jayant Davar:** Yes.
- Pritesh Chheda:** So, any change there on that comment?
- Jayant Davar:** No, there is no change if you look at our EBITDA numbers, we have a 75-basis points growth over the corresponding quarter of last year. So, this depends on the weakness of the quarter. And like I said, typically Quarter 1 is always the weakest. However, if you look at it again, in the last four years, in terms of our operating profits from Quarter 1 of 22 we were at nine crores. Quarter 1 23 we were 29, Quarter 1 of 24 we were 41, Quarter 1 of 25 we are at 50. So, the growth is continuous, not only in the value numbers, but also in margins.
- Pritesh Chheda:** Okay sir. And lastly, what is the capital expenditure number for this year?
- Jayant Davar:** Mr. Yashpal Jain would be able to answer that question. But in Quarter 1, we have spent around 40 odd crores. Yashpal, please tell them.
- Yashpal Jain:** Quarter 1, we have spent 44 crores, and we have kept a plan of around 250 crores, within 250 crores range this year, which includes.
- Pritesh Chheda:** What plants are going to start where?
- Yashpal Jain:** Two of the plants as MD sir said in Pune, will commence by September '24, one is related to die casting business, another is related to cabins and fabrication, both are expansion because existing facilities are short of space and EV in terms of one product has already started, remaining products, will also start by September.
- Pritesh Chheda:** Okay. And lastly, the Mysore facility what is the progress?
- Yashpal Jain:** It's going good, as per our plans. And this year will be the full year of its operation, because last year, part of the year it was operational. So, it's going as per the plan, and generating a good revenue for us, good business for us.
- Moderator:** Thank you. Our next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.
- Arjun Khanna:** Sir, the first question just to continue on the CAPEX side. So, while you say 250 crores this year, do we have a sense what we are looking for FY26 because if I remember, we are coming closer to the end of our announced CAPEX schedule. So, if you could clarify on that?



- Yashpal Jain:** Yes, basically 250 Crores we have kept because we have last year's spill over CAPEX also in terms of cash outflows, but as in the beginning of the speech our MD Sir has said we expect to complete our expansion plans by Sept-24 so in terms of major Capex, in terms of creating of facilities that would be over, but yes as we know that there is always a time lag between incurrence of Capex and payment of CAPEX to the Vendors So I think in the coming 26 we will have a routine maintenance CAPEX, but in any case, we have kept a target that to be equal to depreciation and our annual depreciation as we know is around 150-160 Crores p.a.
- Arjun Khanna:** Sure, very helpful. So, just to understand generally, when we have high targets for growth, and we have never been in such a situation. So, any thoughts in terms of M&A activity or next growth drivers for us?
- Jayant Davar:** This is a question which is very difficult to answer Arjun, largely because these opportunities, when they fall on the table is when you can take a call. We are open to looking at something which is a strategic fit for us. However, there is nothing on the plate right now, as we speak, as and when that happens, we want to be a healthy balance sheet to be able to support or whatever comes our way.
- Arjun Khanna:** Sure. Sir when we talk of 100 bps margin improvement are we looking at domestic business or on our console level because if one sees Europe, margins have actually been in a range over the last period of time, and it's around 12%, 13% of top-line. So, in a sense, how do we look at profitability going forward?
- Jayant Davar:** I look at it from both angles. You are aware that our Romania facility, when it was new, because of the Ukraine war, it had a little bit of a setback where we were running losses. We expect that facility now to start producing more in the second half of the year. So, you will see a distinct improvement in the margins there, as well as margins because of consolidation in India are likely to improve. So, you will see an overall holistic improvement in margins that will bring the wholesome hybrid margin of the entire Company to the upward movement that we have spoken about.
- Arjun Khanna:** So, the guidance you have given say a 100-bps last year we did 9.7 so essentially you are saying 10.7 on a console level is what our goal is, aspiration is at this point in time?
- Jayant Davar:** Yes, Yashpal, what have we given?
- Yashpal Jain:** So, if you remember we have given a 50-bps improvement in EBITDA margin for this fiscal, and 50 bps for the next fiscal.
- Arjun Khanna:** Right. So, I meant FY26 sorry, you are right.

- Yashpal Jain:** So, we have kept our, we close at 9.95% in last financial year. So, accordingly for this, it is a target of around 10.45 which is in the range of 10.45 and next year by 26 we would be very close to 11%.
- Arjun Khanna:** Sure. And sir, in terms of our JVs associates, any new tie ups on the annual it's been a period since we actually announced, it was many years back some have actually matured also. So, any new projects essentially been with these JV partners in terms of newer technologies and new products?
- Jayant Davar:** Again, Arjun it is very difficult to say today, when you saw slew of JV is being signed by Sandhar. It was towards, its movement towards electrification. And while those are now established, we are continuously looking to upgrade. There are several technologies available with our current JV partners, which will throw out products for growth in the Indian case scenario in the coming years. But again, we continue to look at opportunities as and when that opportunity matures, we will keep you in the loop, and we will announce whatever is necessary.
- Arjun Khanna:** Sure. Sir my final question, if one looks at the new EV products, I understand a large part of it would be assembly. So, while they would have a very high ROAS return on capital, they would be margin dilutive. Is that the right way of understanding these products?
- Jayant Davar:** No, not at all. Okay, the difference between several others and us is that most of what we are doing is not just assembly we are being localized, a lot of the BOM within these parts that we are making, which is different from several of our peers. And therefore we would imagine that the margins of course in the beginning because of high setup cost and low volume are likely to be lower, but on a maturity basis, I would probably expect margins to be maybe, if not the same maybe even higher.
- Moderator:** Thank you. Our next question is from the line of Gaurav from **Sajag fund house**. Please go ahead.
- Gaurav:** So, could you please tell the key features of your smart lock, which you are going to roll out?
- Jayant Davar:** Well, if you understand smart locks, so smart locks can carry many features at the ultimate end, it can allow for 13 odd features, but it depends on the customers. A smart lock with 13 features would cost close to Rs.10,000, but what we are launching in the market right now is probably half the number of functions, and with those functions, we expect the cost of these to be anywhere between Rs.4000 and Rs.5000 to begin with. Of course, as volumes grow in the future years and mass adoption happens across the industry, the prices of these are likely to come down, but that is the broad scenario where smart locks are concerned.
- Gaurav:** And could you tell me about the functions which you are offering in the Rs.3000, Rs.4000 range?

- Jayant Davar:** Well, it is a mass, I don't know if everybody around the call would be interested in technicals, but suffice to say that whether it is the start, whether it is the locking scenarios, whether it is the ignition scenarios, all of them get covered in these smart locks.
- Gaurav:** Okay. And sir could you tell the volume of the mechanical locks which we sold in the FY24?
- Jayant Davar:** I don't know if I have that number right away, we concentrate that will be while it would be available in the system, I may not have it front end. But again, if you were to calculate the volume of the industry or the output, and the fact that we do close to +70% in the two-wheeler space, then you will be able to get that number. Assuming that we have done something in the region of 4.5 million two-wheelers that have been sold in the industry in the quarter, you would be able to calculate what that number is, it would be close to 3 million or so on and so forth.
- Gaurav:** Okay. Since we will be rolling out in FY25 the smart locks, in FY26 what percentage do you think the mechanical locks will be converted into smart locks of our sales which we did?
- Jayant Davar:** Well, I would see the volumes are going to be small this year, we would expect that in the market, the volume is likely to be in the region of 2% to 3% but in effect, in the next year that number could go up from that small percentage to double digits.
- Moderator:** Thank you. Our next question is from the line of Himesh Desai from Dolat Capital.
- Himesh Desai:** Just a couple of questions on my end. Could you elaborate on the performance of the JVs and subsidies individually?
- Jayant Davar:** Yes, I can. So, if you look at the JVs, there is Sandhar Amkin, which is the one that produces the helmets, where our Quarter 1 sales are 16 crores, our EBITDA is 2.5 crores, and our PAT is 1.13 crores. And Winnercom, where we make sharks and antenna, is 14.51 crores, with a PAT of 0.66 crores. Sandhar Hanshin, 6.3 crore correspondingly 0.71, Sandhar Hanshin Technologies is 14.52 and 0.62, Sandhar Whetron, 3.74 and 0.15. Jinyoung Sandhar, 13.11, 0.42, Kwangsung Sandhar, 14.44 and a PAT of 0.44. In all on our share the revenue is 82.72 crore, and EBITDA of 9.85 crores. That gives you a number of 12%, 13% or around 12% and PAT of 4.13 crores, which is about 5% odd.
- Himesh Desai:** Okay. And my next question was, how has the overall performance been across different geographies, and are there any specific markets which are showing stronger growth, or that you are planning on focusing?
- Jayant Davar:** Come again, I didn't understand the question.
- Himesh Desai:** How has the performance been across different geographies and are there any specific markets which have been performing better than the others?

**Jayant Davar:** Well, it is difficult for me to talk to you about different markets. Suffice to say, our overseas business, with the influx of new orders, which start deliveries in the second half of the year, the business in Mexico, Barcelona and Romania is likely to get a big fillip, in India if you look at it we expect the construction equipment to start improving and be much better again in the second half of the business. That's the sentiment that the business carries in every particular year. Of course, the festival season is extremely important for everyone, and therefore we do see that the schedules that we have received from our existing customers is up, starting from next month to the tune of about 20% from the schedules that we have in the previous month. So, overall, the movement towards growth and the trigger is already in place.

**Moderator:** Thank you. Our next question is from the line of Jyoti Singh from Aryan Capital Market Limited. Please go ahead.

**Jyoti Singh:** So, the question on the market share side, if you can just tell us the, where are we in locking system for two-wheeler, how much market share, if I may?

**Jayant Davar:** Yashpal, you want to comment, this OEM, right. You are talking about OEMs?

**Jyoti Singh:** Yes, two-wheeler.

**Yashpal Jain:** What was the market share in locking?

**Jyoti Singh:** Yes.

**Yashpal Jain:** We operate at about 70% of market share in India's locking market.

**Moderator:** Thank you. Our next question is from the line of Sameer an Individual Investor. Please go ahead.

**Sameer:** My question is related to smart locks. So, let's say, after two to three years this business is evolved into mass production. Since this is a premium product, what kind of a margin this product will generate?

**Jayant Davar:** Sameer right now, volumes are low, and margins are high, so therefore the contribution of this segment will probably be lesser. As we go forward there is expectancy that the prices will moderate a little bit as large volumes come into play, but the impact on the bottom lines will become much larger in terms of volume of profit per unit to the Company.

**Moderator:** Thank you. Our next question is from the line of Himesh Desai from Dolat Capital. Please go ahead.

**Himesh Desai:** So, what are your thoughts currently about the commodity prices and how would they be affecting our margins going forward?

- Jayant Davar:** Himesh its a question that's asked almost in every call. You are aware that commodities have been volatile for the last few years. There were some kind of stability that one has seen in the last quarter, but I see that volatility coming again. There have been weeks where we see the trend to go up and then trends going down. But as a Company, all I can say is, that as is a part and parcel of our business, this volatility in our pricing will continue. And what we expect is that besides the lag that happens with our costing with the customers, the costing of this or the price of this in our overall scenario, is a pass through. So, whether it is aluminum or sheet metal or zinc or plastics, this is a pass through which is passed through to our customers. But of course, this is done at the end of each quarter, and sometimes the prices have gone up, we do have to suffer the lag for that period of time.
- Himesh Desai:** Okay. And just another question, could you just help me with the customer wise, revenue breakup and who are our top customers across different segments?
- Jayant Davar:** Yes, Yashpal you have the list?
- Yashpal Jain:** Yes. So, TVS remains our largest customer, we have a share of over 32% with TVS total of our revenue, 32% of our total revenue comes from TVS, close to 19% is coming from Hero, and 8% is coming from JCB. These are three major customers for us, and then we have a list of overseas customer which includes Bosch and Autoliv. TRW, altogether, gives us a revenue of around 9% to 9.5%. Honda motorcycle is close to 4%. So, these are the major customers for us.
- Himesh Desai:** Okay. And just a follow up on this question, out of these customers that you just mentioned, which of these customers orders will we be catering to from the Pune plant?
- Jayant Davar:** Pune, like JCB is one of the customers for the CFD business, the die casting business is concerned there are new set of customers which will be reflected in coming period of time.
- Moderator:** Thank you. Our next question is from the line of Subhaid Banerjee from ICICI Securities.
- Subhaid Banerjee:** A very basic question might be repetitive also, but just for my understanding, as you said almost 70% market share in the two-wheeler lock system. How much is the smart key penetration within two-wheelers currently and where do you see your market share in that segment, as you are entering?
- Jayant Davar:** Well, Subhaid let me answer this question. You will see mass adoption begin from October, November, with two of the largest customers, and both of these are being supplied by us.
- Subhaid Banerjee:** okay. So, just trying to understand that mass adoption by that you mean what, more than 50% from current?
- Jayant Davar:** No, when I say mass adoption, I mean the initiation of smart locks in the Indian context of the market, which is to say there could be small players today who started EVs and stuff and some

of them put in smart locks. But those are insignificant volumes. So, volumetric wise, if let's say you reach a level of maybe 20,000, 30,000, 50,000 a month that according to me is mass adoption that happens in premium vehicles. And as you are aware, as soon as you have something in premium vehicles, it peters down very, very quickly to the regular models and to even their low-cost models in a few years. So, that journey is beginning now in October, November.

**Subhaid Banerjee:** Sure. And similar to the mechanical lock, you expect to be the market leader post this mass adoption?

**Jayant Davar:** Yes.

**Subhaid Banerjee:** If you can broadly take me through the pricing differentiation and the per unit profitability differentiation?

**Jayant Davar:** Well in terms of pricing differentiation, the pricing differentiation right now is large. Mechanical lock typically is anywhere between Rs.300 to Rs.500. A smart lock is anywhere between Rs.4000 to Rs.5000, over a period of time in the next few years, we expect smart locks to drop down to a level about Rs.3000 odd vis-à-vis mechanical locks, which because of low volumes, their prices are likely to go up is what my understanding is. In terms of margins, you are aware that our lock business typically operates, the mechanical locks operates at anywhere between 12% to 15%, 16%. We expect that the smart lock business will also contribute a similar scenario as we go forward.

**Subhaid Banerjee:** Sure sir. And last question, if one looks at the OEMs today, especially the EV based OEMs, who are grappling to make margin or face the subsidy reduction, or they are shifting these drum breaks to reduce cost. So, where this Rs.400, Rs.500 moving up to Rs.2500, Rs.3000. So, what marginal benefit the user will be getting to justify that Rs.2000, Rs.2500 excess cost if you can highlight sir.

**Jayant Davar:** See, technology has to keep up. If you look at two-wheelers Subhaid, you would appreciate that the same two-wheelers that is sold at a Rs.100000 or Rs.80,000, was being sold at anywhere between Rs.45,000 to Rs.50,000 four years ago. But the changes in technologies, the changes mandated by comfort, by regulation, and so on and so forth, have increased prices. So, the expectation is that a typical customer could easily afford to move up that value chart. And the upgradation and whatever is happening around the world becomes typically in every country, including in India. In India you are aware is the largest producer of two-wheelers in the world anyway. So, it takes time for some of these new product lines to make way for themselves. But once they do, they are adopted very quickly by the entire ecosystem.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Jayant Davar for closing comments.

**Jayant Davar:**

Well, thank you Dolat Capital for putting this together as always. Thank you all the participants today for their patience. I hope that the Company has been able to answer some of your questions, or most of your questions. In case there is any other question, you can feel free to write to us for any answers, and we would be happy to respond to you in even greater detail. In closing, all I want to say is, that the Company keeps to have, to keep its direction in the focus area it's chosen, which is generation or more free cash flows, deleveraging of the balance sheet, improvement in return on capital employed, improving operational efficiency and reduction of costs, control on new CAPEX and maximum utilization of CAPEX which has already been incurred, integration of our manufacturing plants, diversification of product portfolio, expanding customer base, increasing content per vehicle. And we also concentrate hard now on working towards the ESG and SDGs, which are sustainable development goals to attain carbon neutrality in the coming years. So, with that focus, we are very, very hopeful and excited to be on this new journey that we put together after the trigger of what the automotive industry is offering us. With that, thank you all once again and look forward to speaking again after the next quarter results. Thank you very much.

**Moderator:**

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