



“Sandhar Technologies Limited
Q2 & H1 FY '25 Earnings Conference Call”

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Dolat Capital



MANAGEMENT: **MR. JAYANT DAVAR – CHAIRMAN, MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER–
SANDHAR TECHNOLOGIES LIMITED
MR. YASHPAL JAIN – CHIEF FINANCIAL OFFICER AND
COMPANY SECRETARY – SANDHAR TECHNOLOGIES
LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to Sandhar Technologies Q2 and H1 FY '25 Earnings Conference Call hosted by Dolat Capital. As a reminder, all participant line will be in the listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is now being recorded.

I now hand the conference over to Ms. Shailly Jain. Thank you, and over to you, ma'am.

Shailly Jain: Thanks, Shifa. Good morning, everyone. On behalf of Dolat Capital, I welcome you all in second quarter and H1 FY '25 Conference Call of Sandhar Technologies. From the management side, we have with us Mr. Jayant Davar, Chairman, Managing Director and Chief Executive Officer. Along with him, Mr. Yashpal Jain, Chief Financial Officer and Company Secretary of the company. We thank the management for providing us the opportunity to host the call.

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

Jayant Davar: Yes. Good morning, everyone. Thank you all for taking time to be with us this morning. I also want to thank Dolat Capital and Shailly for organizing this call. On behalf of Sandhar, let me just start with some remarks, and then we are very happy to answer any queries that you may have.

So first of all, you're all aware that we have gone through a nice prosperous Diwali, and Diwali has been kind to the automotive industry. Most of the companies have done record numbers in terms of the Diwali sales.

As far as Sandhar is concerned, you are all aware of the results that we released yesterday. But just for consignment again, we achieved a total income growth of 11.5% versus quarter of 2024, and 10.9% versus first half of financial year 2024 at a consol level. And we expect to continue the growth momentum over the last year's numbers, depending, of course, on the geopolitical situation, demand in the market, growth in the auto sector and other related events.

In terms of margin, our consolidated EBITDA, you'd be happy to know registered a growth of 110 basis points year-on-year basis for the quarter, and 10.6% in quarter 2 2025 versus 9.5% in quarter 2 2024 and 90 basis points year-on-year for half year, which is 10.2% in first half of 2025 and 9.3% in first half of last year in comparison.

So I think this is, again, brilliant news for Sandhar and for all of you who've been asking us when we will reach these numbers. In fact, as you've seen, we've reached this number faster than what we have explained in our last call.

In terms of joint ventures, I'm happy to inform you that our joint ventures are growing fast and consistently improving the performance. Six of our joint ventures are PAT positive now. And one of the joint ventures, Kwangsung Sandhar, is marginally losses and expected to turn around

in due course. This has been possible with the consistent efforts towards cost control, localization, better business synergies, and we expect that the joint venture would continue with our growth trajectory. All joint venture companies taken together registered a total income of INR179 crores with an average EBITDA of 10.26%.

In terms of overseas business, our Romania plant is gradually moving towards maturity and expected to be breakeven by the end of this financial year. Partial capex has been incurred on the project, and the remaining set of machinery shall be installed in the next financial year.

In terms of new expansion projects, the company's expansion projects in Pune for cabins and fabrication and die casting are expected to commence commercial production by the end of January 2025.

You'd be happy to know that our EV foray, the company has started commercial production of battery charges and is getting a very positive response from the market. The customer base is gradually increasing with more and more customers being added. The motor controller and the DC-DC converter are in testing phase and expected to go live in the next financial year.

I also want to mention here our efforts on CSR. Over the years, we've dedicated ourselves to sustainable business practices that tackle economic, environmental and social challenges. Our efforts go beyond near business concerns, creating positive effects on the communities that we serve.

Our CSR activities focus on key areas include health care through Sandhar Healthcare Centre, which is in village Begampur Khatola in Gurugram; education through Sandhar Ki Beti and Sandhar Centre of Learning at Devli Sangam Vihar; skilling and vocational through Swabhimaan program; senior care through Adopt a Gran program; environment, we have a program called Go Green through the Peenya Industrial Park, Bangalore.

The company is focusing in diversity and creating equal opportunities for gender neutrality. The company's social programs are dedicated towards underprivileged, unserved and deeper sections of the society.

Going forward, we, as a company, are looking towards certain focus areas, one being working towards ESG and SDG, which are Sustainable Development Goals to attain carbon neutrality in the coming years; diversification of our product portfolio; expanding customer base; and increasing content per vehicle. We will focus on generation of more free cash flow and deleveraging of the balance sheet as we will continuously improve our return on capital employed and return on investments. And of course, we will continue our focus on consolidation of our overall operations.

That being my opening remarks, I'm very happy to take questions. With me today is Mr. Yashpal Jain, who is the CFO of the company, and he will assist me and take a lead on any questions regarding finance and other things. In terms of strategy or anything, I'd be happy to take calls

from all of you. Thank you very much, and look forward to your questions. Thank you once again, Dolat Capital.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question we have is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir, my question is with respect -- specifically with respect to the sheet metals and cabin and fabrication business where we have a lot of capacity being put up for TVS, one of the clients. So there in the quarter 2 and H1, what would be the growth of these 2 divisions? That's my first question. Okay.

Jayant Davar: Okay. You want us to answer the question first and then move on to the second question? Or you want to ask it all?

Pritesh Chheda: Whichever way you are comfortable. I may ask every -- all the other questions also if you want to.

Jayant Davar: Please ask the other questions, so that we can respond together.

Pritesh Chheda: The other question is, if you could call out in your H1 and quarter 2, what would be the volume-led growth? And if there is any price...

Jayant Davar: All right. Okay. Yashpal, do you want to comment with those numbers?

Yashpal Jain: Yes, definitely. So like coming for the TVS project, your specific question was about TVS projects. So let me tell you, as far as we put up 3 projects for TVS, one was in Attibele, another was in Mysuru, another was in Nalagarh. Nalagarh is already operating at a level of monthly level of about INR12 crores a month. And if you take year-on-year for the half year, at that point of time, it was operating roughly at INR6 crores -- INR5 crores to INR6 crores. So it's just doubled. This is a growth for Nalagarh plant.

Attibele is concerned, Attibele is operating at a monthly level of INR17 crores to INR18 crores against earlier level of INR9 crores to INR10 crores. And similar in the case of Mysuru, Mysuru is picking up because there has been some issue with the Riders volume, the premium product of TVS, which was supposed to be done from Mysuru. So presently, Mysuru is at a level of close to INR12 crores, INR12.5 crores against a level of INR3 crores in the corresponding half year. I hope that justifies your answer -- satisfies your answer -- question.

Moderator: Sir, I believe the line for the participant got disconnected. We will proceed with the next question, which is from the line of Ajay Sharma from May Bank. Please proceed sir.

Ajay Sharma: Actually, I just wanted to get a sense on how do you see both the top line growth as well as margin panning out over the next 2, 3 years? And I'm wondering why, I mean, typically auto components companies have higher margin, higher return on capital. What is in your business, which actually prevents you from achieving those sort of levels?

- Jayant Davar:** Can you ask the second question -- second part again?
- Ajay Sharma:** I mean, generally, auto component companies worldwide, even in India, the margins and returns on capital are much higher. And I'm just wondering what is in the nature of your business? Or is it the low value add kind of work you're doing that the margins as well as the returns are pretty suboptimal?
- Jayant Davar:** Well, I wouldn't say -- so first of all, let me respond to the second question. Our margins are hybrid margins between different kind of businesses. And as you know, we now operate about 45-odd plants. And in 45 different plants, there are different kinds of technologies that are in play.
- Several of the components that are under development, which will open up new avenues of technology going forward are in nascent levels at all points of time. If you look at our established businesses, which is, let's say, locks, mirrors, castings and so on and so forth, I don't think we are at any way less. In fact, in many cases, we are higher than our peers and competitors.
- And as we have said, we've made a lot of investment in the last few years. And as it matures, our margins are likely to go up on a sequential basis. I think this is the guidance that we had given in the past calls as well where -- Yashpal, you had mentioned a 50 basis points improvement, right, on -- do you want to respond to that?
- Yashpal Jain:** Yes, exactly. Yes, I would respond. So last year, like we closed at a margin of 9.95%. This year, we have given a guidance that we'll be improving in between a 50-point basis followed by 50-point basis in the coming FY '25, '26. So we expect the margins to be hovering around 11%, 11.5%. I think it's a decent margin given the situation when you are in the core manufacturing activities. There can be higher margins than other peers, but it depends on the nature of activity, whether we are core manufacturing or we are trading or we are assembling the products.
- Secondly, as far as the revenue growth is concerned, we have given a guidance that this year we'll be closing something in between INR4,000 crores to INR4,100 crores. And therefore, for the next year, we have a guidance of around INR4,500 crores to INR4,600 crores of revenues that we'll be generating at a margin of close to 11%. This is our revenue guidance for next year, along with the margin.
- Ajay Sharma:** Okay. And on the EV business, how big do you expect that to become in the next few years? I mean how would be the ramp-up like starting from next year onwards?
- Jayant Davar:** It's a difficult question. I don't think it's more spiritual call, if you ask me. It depends on the establishment of EVs as a permanent standee in the automotive industry. You are aware that there are several technologies at play with alternate fuel as well as the existing IC engines now becoming almost pollution-free in the new avatars that are going to come.
- So while we, as a company, are in tune to supply the components, which is DC-DC converters, which is chargers and motor controllers, these are for the 2-wheeler industry. And we believe

that as the 2-wheeler industry is one of the sectors which is likely to grow faster than the others, we should benefit.

In terms of value, the 3 parts that we are going to manufacture have a total value of something in the region of INR12,000 to INR13,000 per vehicle. And therefore, it is a calculation as to what percentage of the market we'll be able to gather and garner.

The big advantage that we have versus a lot of peers is that all our products and all the inputs in our products are all locally made vis-a-vis many other companies that are importing it from China and other places. And therefore, with the government bent on making everything in India, we do believe that we have a superior edge to moving forward and faster in these particular areas. But in terms of the actual revenues, we have not taken those in our business plans either for this year, and we will reconsider that when we make business plans for next year as to what percentage of our revenues will come from EV.

Ajay Sharma: Okay. And lastly, how much capex do you need to incur this year and next year?

Yashpal Jain: This year till date, we did about INR90 crores. And we are finishing up with some expansion plans, as far as mentioned in the opening remarks, the 2 plants at Pune. And we have some commitments over the last year that has been carried forward for the sheet metal projects that we have put up in the last 2 to 3 years.

So -- and nevertheless, starting next year, we have policy. I mean earlier also, we are having a policy that normally, our annual capex charge is equal to depreciation, which is close to INR150 crores to INR155 crores per annum. While this year, it might be around INR250 crores because we have INR100 crores of carry forward commitments, which we need to settle in this year for the expansions that we took in the past.

Moderator: We have Mr. Pritesh from Lucky Investment back online with us.

Pritesh Chheda: Sorry, sir, my line got dropped. So I don't know if I asked the third question or not actually.

Yashpal Jain: You were asking for the growth from the TVS business, if I correctly remember, right?

Pritesh Chheda: Okay. So first question was specifically in the cabin and the sheet metal business, where we have put up a large capacity for the key client and there's a wallet share gain possibility. So what is the growth in H1 and Q2 for these 2 divisions? My second question is if you could decipher the H1 and the quarter 2 growth in terms of volume and price deflation, if any, because the base metal prices were different?

And my third question is empirically, considering your wallet share gain and considering the 2-wheeler growth, you should have grown -- and the revenue growth, you should have grown faster, a lot faster than 2-wheeler growth. So if there are any divisions where there is any miss on growth and if there is any cost correction that you guys have planned? So these are my 3 questions. Everything on the revenue side?

Yashpal Jain: So first, we'll start with the TVS project. Let me tell you, in cabins and fabrication, we haven't carried any expansion in the past 3 years. It's a normal capex that we have been put up. And cabins and fabrication will be closing above a mark of INR550 crores for the current financial year.

So we haven't put any capex for the cabins and fabrication, especially the growth capex except the one, the expansion, which is going into Pune, which is already the pre-matches owned by us, and we will be spending total INR18 crores, nearly INR18 crore to install some sort of machineries over there.

As far as sheet metal business is concerned, we've set up 3 plants for TVS in the past 2 to 3 years of time starting in 2021. Presently, they are giving us a monthly revenue of INR40 crores to INR45 crores in between from TVS side.

If you ask me the year-on-year growth, last year, at the same time, the situation was that they were on a control level, generating a revenue of close to around INR18 crores to INR20 crores. They have just doubled because Attibele and Nalagarh are operating at the volumes that were pre-planned, and Mysuru will be picking up in due course of time because traders volume has been down. That's the reason the volumes have been down and operating close to INR12 crores a month. I hope this answers your question.

Pritesh Chheda: Can you give the H1 growth for both these divisions?

Yashpal Jain: As I told you, it's INR42 crores -- INR40 crores to INR42 crores...

Pritesh Chheda: No, no. Okay.

Yashpal Jain: For H1, H1, I'm giving you H1 operation year-on-year. It has just doubled from INR20 crores to INR40 crores, INR42 crores.

Pritesh Chheda: This is for sheet metal?

Yashpal Jain: Yes, this is for sheet metal.

Pritesh Chheda: On a monthly basis? On a monthly basis?

Yashpal Jain: Only 3 plants of sheet metal which has been put up for TVS.

Pritesh Chheda: No, if you could give for the segment, including everything.

Yashpal Jain: Apart from that, we have only 1 plant, which is for Hero, which is in Behrampur in Gurgaon. It is going to a normal growth of 10% to 15%, which Hero is generating...

Pritesh Chheda: Okay. Okay. And what would be the growth in the cabins and fabrication part of the business?

Yashpal Jain: Cabins and fabrication is growing at a level of 10% to 12% because we haven't put out any new capacities, no plant has been set up in cabins and fabrication. They are already at the maximum

capacity that we could supply to the customers. It's operating above a level of INR550 crores. That's the maximum we could do from that...

Pritesh Chheda: Perfect. This answers the question one. Question two, on volume and price if any?

Yashpal Jain: Well, the items are such, they're going to the pieces and numbers. Exact volumes, I may not be able to give...

Pritesh Chheda: Any indicative -- indicative -- any indicative guesswork is also fine. Was there a deflation? There was no deflation?

Yashpal Jain: Well, very honestly, no guesswork can come out of this. As far as price settlement is concerned, you must be aware that the customers have taken up a uniform policy. They have identified the -- I mean the raw material sourcing -- sources. They have a consolidated contracts. So we are not affected by the any price increase or decrease. It is settled on a monthly or a quarterly basis depending on the customer cycle. They identified the vendors. They have a bulk contract with them, and we are taking materials from them.

Pritesh Chheda: No problem. This answers the second question. And the third question, sir, on overall growth empirically should be faster than 2-wheeler if there are any divisions which are...

Yashpal Jain: You see that 2-wheeler growth has not been even a double digit, if I'm right, right?

Pritesh Chheda: So it is -- what number we see it's a double-digit volumes so that's why.

Yashpal Jain: Last year, it was...

Jayant Davar: There is no double-digit growth in 2-wheeler.

Yashpal Jain: 9.8% last year, if you see. We were around 20%. This year, these are the 2 quarters that we have sum up. It's 11.5% year-on-year. And quarter 3 and 4 are normally good quarters in the auto industry. So we expect that we have set up a target of around INR4,100 crores for this year. We would be able to achieve that turnover figure.

And secondly, like there are products ups and downs, we have a mix of construction equipment, also cabins and fabrication, which will be picking up in third quarter. And at the same time, the car segment is not working proper, although we enjoy a small share in car segment. But still any downwards on the car segment affects the entire, I would say, the growth of the organization, but still we are at a comfortable growth.

Moderator: We have next question from the line of Abhilasha from Quantum.

Abhilasha: So you just mentioned that we are expecting around INR4,100 crores. So I'm supposing that we are then guiding for around 15% to 16% year-on-year growth for the second half. So can you just elaborate what will drive that because 2-wheeler, again, we are expecting a similar higher double digit or mid -- sorry, higher single digit or mid-single-digit number for the industry. So

in the first half, if you have not grown substantially higher than the industry growth then, what is it driving in the second half? That is my first question.

And secondly, let's say, for the next year, we are guiding INR4,500 crores. I suppose if the industry continues to grow in that tandem, then -- and if we have always guided that we can grow double the industry growth, then why are we guiding for just 10% to 12% growth for the next year when our cabins and fabrication business also will be ramped up? So I mean why we are guiding for the subdued growth for the next year? Can you just explain?

Jayant Davar:

Let me answer this question in a different form. We have outperformed the industry and we will continue to outperform the industry on account of new businesses that we've added in the last few years. I think there was -- this could have a relation to the question that was asked by the gentleman before as well.

In terms of sheet metal, the new business that we had generated, our capacity utilization at this point stands at somewhere in the region of 55% to 82%. So that gives us a leg room to be able to grow this. And the orders are in place. So the development activity is on, and the start of production for these will begin in the second half of the year on a graduated basis, and that is the reason why Yashpal is saying that, that would be a trigger of growth. And irrespective of the growth of the industry, we are quite certain that with these new developmental and these new product lines being added, our trigger for higher growth is already in place.

In terms of locks, our -- the Suzuki order, which was the order to do smart locks was delayed -- has been delayed from November to January now. Again, in the next quarter, you will see that, that will start adding along with some other componentry which will bring onward.

The third aspect is that the last quarter is always the heaviest quarter, if you go back and see in history of the automotive industry. And a large part -- so if we actually divide this and we say that 40% of our revenues in the past and by historical patterns comes in the first 2 quarters and 60% comes in the second half of the year. If you were to balance for this, I see no reason why there should be any change to that particular victim.

And that is why it becomes -- we feel we are very, very confident that whether the industry grows or doesn't grow with the growth patterns that are already inside with the existing orders, we should be able to deliver the revenue that is being suggested right now. We may be a little conservative right now, but we feel being conservative is a little better and to assure you that whatever we are saying is kind of a hand in that.

Abhilasha:

Okay. Sure. And the similar outlook, can you give for the next year? I mean, yes, I understand that we are conservative. But then in that case, what could be the upside from where the upside could come to our projections?

Jayant Davar:

Well, in the next financial year, obviously, it's too early for me to say right now. But from my gather, like I said, we have spare capacities available. We have new capacities coming up.

As far as we just mentioned that we have 2 plants that are now on the annual. One plant is being set up for cabins and fabrication. The other one is being set up for die cast in Pune. These 2 will add to capacity utilizations for orders that we already have in the books.

So there is a certain element of revenue that is already kind of guaranteed for next year. We also believe that even in the sheet metal that I mentioned, this will continue to grow for the utilization of the capacities that we have. So we are quite confident that there should be a healthy premium growth over the industry growth in the next financial year as well.

Abhilasha: My last question is on the working capital and debt. How do we see that is some of our incremental business coming at incremental working capital? And how do we see, therefore, debt movement going forward?

Yashpal Jain: So I'll answer Abhilasha. So like as of September, we have a gross debt of INR620 crores and a net debt of INR581 crores. And we expect that we will not be reaching a level of INR700 crores. As of now, we are operating at a working capital of around INR30 crores. That's the utilization that we have done as far as working capital is concerned.

Rest is the term loans that we have taken to fund our expansion plans, which are mostly complete now and they have started generating the revenues and the repayments are already in process. So I think there should not be any concerns regarding the breaching of the debt levels that we have internally set. And we are generating sufficient cash flows even in this half year also, it's close to INR142 crores that we have generated the cash flows, which are sufficient enough to fund our expansion plans also.

Abhilasha: So that I understand. So do we have -- apart from whatever the regular repayments do we have, do we see the debt repayment accelerating because the cash flows will be good?

Yashpal Jain: No, we will not be going with any accelerated prepayments. It depends on the situation at the time if some better opportunity comes, we'll be following the normal prepayment period -- repayment period instead of going for accelerated prepayment of the debt.

Moderator: We have next question from the line of Jay from Dolat Capital.

Jay: Sir, my first question is on your current debt level. So sir, could you just let us know what would be the peak debt? And how would be the peak payment schedule going on?

Yashpal Jain: This is regarding debt level?

Jay: Debt level, yes.

Yashpal Jain: So like our gross debt is INR620 crores as of September, net debt is INR581 crores as I said in the earlier also, we have a capital commitment of close to INR250 crores in this year, which includes INR100 crores of carry forward. At the same time, we are generating about INR140 crores of on a half yearly basis, the internal cash generations through the operations. So I think we will not be reaching a level of INR700 crores -- INR700 crores in the debt given the situation

after paying off our all expansion and the commitment for the past projects and the current projects that are ongoing. Secondly, as far as repayment is concerned, we are well within the schedule and the repayment has already started as per the plans that has been submitted by the lenders. And we are not going for any prepayments to them because prepayments come with a commitment cost. At the same time, we require money to fund our expansion plans. So this is how we plan to keep the debt level.

Jay: Okay. Sir, my another question is in locking systems. Could you just give us some guidance how does the growth look ahead, especially for the new orders? As you said here Maruti -- Suzuki order has been delayed. So sir, could you just give more further light on it as well?

Yashpal Jain: So as I said, like responded to Abhilasha in the previous question, Suzuki product will be starting in Jan and Feb. There are 2 different products, smart locks and the shutter locks. So once that starts, there will be increase in the revenues because obviously, the smart locks are much pricier than compared to the traditional mechanical locks. But again, that is something which will be happening in quarter 4 and starting next financial year. So obviously, the growth will be coming up in locks and mirrors and I mean, in the smart locks segment. But again, it depends on the adoption by the market. So let's see how it performs in the market, I mean, especially the Suzuki model.

Moderator: Next question we have is from the line of Ankit Manocha from Adezi Ventures.

Ankit Manocha: So this is specifically with regard to margins for H2? I mean, if you look at the current raw material costs in terms of commodities and also we look at the capacities that are coming on board, do we still feel confident that the EBITDA growth that will come in H2 would come both from margins and volumes? So would we expect margin expansion above this current 10.6%? Or do we believe that it's coming -- it will be more a function of volumes ahead?

Yashpal Jain: So like Ankit, it is a mixture of both because obviously, we operate in hybrid segments. We have 4 different products and the segment ranges that we are operating, verticals largely. So what happens is that all the verticals have a different set of margins, right? And we have given a guidance at the beginning of this year that we'll be improving by 50-point basis. So from 9.95%, we have kept a target of a target of 10.45%.

It is because that we are executing some new expansion plans also and there are a lot of expenses initially when we start up those plants, especially in terms of development costs and other costs, which we are charging off through the P&L account. So I think the guidance that we have given is valid. And taking together the average of second half at the year-end, we would be achieving what we have given as an improvement of 50-point basis -- in a range of 50-point basis from 9.95% to 10.45% in between.

Ankit Manocha: Okay. And what's the outlook on the current scenario with the commodities and the commodity prices?

Yashpal Jain: In commodities, the major raw materials, they have been like I would say, OEs or customers, they have made a contract, bulk contract with the supplier. They are deciding their prices and they are passing us the same to us. So we are not affected by the increase and decrease because they are setting up the price and same price is reimbursed to us by them.

Ankit Manocha: Okay. Understood. And secondly, I mean, my second question is more with regard to the on-ground demand that we see in the 2-wheeler industry. So looking at the festive season and also looking at the scenario ahead, I mean, if you look at different factors like the inventory levels that are there at the production floors or on the -- in the dealerships. And overall, what is our outlook on demand? Does demand seem to be stronger than last year? Or is there -- or would it be the same or lesser?

Jayant Davar: Well, I won't be able to answer that question in great detail, except to tell you that FADA, which was projecting low pickup of vehicles is bullish again now with the demand that seems to be coming from the rural segments of the country. And therefore, that demand will lead to maybe lower CP of motorcycles, but the volumes is probably going to be higher.

It is also being exhibited by the fact that the inventory levels now within the showrooms has dropped down to less than 30 days, which is probably the first after several, several, several quarters. And that, I think, is good abatement to the fact that we should continue with production till -- and there is seasonality and there is place in the market to absorb even a higher inventory. So I would imagine that at this point of time, as we sit, we seem to be in a comfortable position.

Moderator: We will take next question from the line of Saurabh Jain of Sunidhi. Please go ahead.

Saurabh Jain: Many congratulations for healthy set of numbers. I have just one question left. My other questions have been answered. Sir, if you can provide us with the capacity utilization numbers in each of our reporting segments on fully expanded capacities, including these 2 plants in Pune, which were earlier scheduled to commence production by September '24, one for die casting and one for cabins and fabrication. So I'm just looking for a ballpark capacity utilization number including the recently expanded capacities and the capacities which are coming on board in the near future?

Jayant Davar: This is a question that needs more deliberation. And the reason for that is where assembly businesses are concerned, whether it's locks or mirrors or even cabins for instance. Cabins, for example, need space, but they do not need too much of capital investment. Where locks and mirrors are concerned, they need more manpower, but the assembly spaces and the capital investment is comparatively lower. Where die casting and sheet metal are concerned, these are capex-based businesses and therefore, capacity utilization is measured easily.

In the die casting business, with the new plant coming online, I think we will have close to 25% to 27% capacity, which is likely to be added to the entire portfolio other than the organic business. In sheet metal, I did mention that our current capacity levels are between 55% and 82% depending from plant to plant. And those we believe could be utilized with the orders that we have in hand, which will start rolling out of our production lines in the next few months.

- Saurabh Jain:** Okay. So if I may ask it differently, once we have these capacities ready for commercial production by the end of this fiscal, sir, then what kind of top line can be achieved from the existing like by March capacities?
- Jayant Davar:** Well, I think by March of '25, you're saying?
- Saurabh Jain:** Yes, yes.
- Jayant Davar:** Well, that I think we've already given you that March of '25, we've said that 40% business comes in the first half, 60% comes in the second half. It's an easy calculation for you to be able to know.
- Saurabh Jain:** No, of course, sir, I got the top line growth, but I just wanted to know with the capacities in place, what can be achieved?
- Jayant Davar:** No, no, no. These capacities are also for next year. So it's not as if we will utilize the entire capacities up to March. We are saying this is the capacity utilization. There are businesses that are being developed right now. There are parts that are under development, which will come online perhaps in the next year, even in the sheet metal. I'm not saying all of them will start rolling out in this year. Some of them will spill over into the next year. But as an overall entity, if you were to ask me on a ballpark basis, I would imagine that our capacities that we have within the plants can afford at least a 20% to 25% higher output than what we will have in this particular year.
- Moderator:** We have next question from the line of Radha from B&K Securities.
- Radha:** Thank you for the opportunity and congratulations for the great results. Sir my first question is that with Honda, we had added Honda Shine as a customer. And in that, are we supplying only locks or are we supplying locks and mirrors as well? Also, are you expecting to add more models with Honda and more products also with Honda?
- Jayant Davar:** You're talking of Honda Motorcycle, right, Radha?
- Radha:** Yes, sir.
- Jayant Davar:** Yes. So Honda is -- yes, Honda, we started with locks. We are now waiting for their offtake of the smart locks that will begin shortly. But besides that, a large chunk of business is being added to our portfolio of casting. So I understand that we are close to about INR100 crores of casting, and this is an area that's also growing. So Honda will become a substantive -- Honda 2-wheeler will become a substantive customer for us as we go forward as we discuss with them other opportunities within the other segments that we operate in.
- Radha:** All right, sir. Are we also looking for any new model wins in Honda or only for the Honda family.
- Jayant Davar:** Yes, in every model from now on, we will participate.

- Radha:** All right. So just from Honda, in next 2 years, what kind of revenue are we looking at?
- Jayant Davar:** Well, like I said, it's difficult to say right now, depending on what parts are concluded for the additional stuff. But in terms of what we are looking at and the orders in hand, you are aware that the lower CC motorcycle is doing quite well, where we supply 100% of their locksets. And with the smart locks, that will get added. Those volumes are small to begin with, but the value of that is much higher than mechanical locks. So in the locks business, I would anticipate a growth of about 25% to 30% in terms of pure value for Honda in the next year.
- Radha:** All right, sir. Sir, secondly, the domestic die casting and sheet metal business is witnessing a strong growth. Is this just like you had guided historically? So please throw some light on which are the products among these 2 segments that are gaining more traction? And any new product launches that are expected in these 2 business verticals?
- Jayant Davar:** Yes, Radha, thank you for that question. So one, you are aware that we had bought over the machining business of all TVS lines from TVS. So while the machining far end came also came through were several casting businesses that have been added to the portfolio. And therefore, you have seen a quick ramp-up on the revenue growth of the casting business to an extent that we have been forced into setting up a new plant that we are doing right now. In fact, one in Chennai for die casting and one in Pune.
- So with these 2 additions, these will lead to capacities which will be close to 25% or 30% from our existing capacities. And with them getting filled, you can easily calculate the volume growth that we will get out of these new facilities towards the existing customers as well as from new customers that have been identified and are being spoken to and some parts are already being developed.
- Radha:** All right, sir. Sir, last question is just a clarification to one of the response to previous participants. You mentioned that customers have made a bulk contract with the supplier and they are setting up the prices. Could you please elaborate a bit on this? And how is this for us versus the peers in the industry?
- Jayant Davar:** Yes. So this is -- I think Yashpalji had already mentioned. When you say bulk contracts, this is a routine process in the industry that every quarter, our prices are banked up so that for us, commodity prices are a pass-through. Now within that framework, so let's assume that we have aluminum selling at INR100 in the 1st of April. And then over the quarter, the prices change from INR100 to INR105 to INR110 to INR120, the mean price is taken, which then becomes applicable from the 1st of July. So there is a lag of 3 months, but otherwise, commodity prices for us, for the entire automotive industry and supplier community is matched up every quarter.
- Moderator:** We have next question from Aditya Kondawar from Complete Circle Capital.
- Aditya Kondawar:** So first of all, great execution by Team Sandhar. My first question was, can you just give some color on the EV 2-wheelers that we are working with, especially the start-ups. What kind of volumes are you seeing from them? And what kind of a ramp up do we expect some them?

And number two, on the new product portfolio or new customers, I understand that the legacy products are very difficult to break into. So how are we approaching this side of the business?

Jayant Davar:

Well, we personally believe that while there are many, many, many new EV players that have entered the market, it seems that the legacy players who have entered this particular area, whether it be Bajaj or whether it be TVS or whether it be Hero may finally get to rule the roost because they have established R&D centers. They have a lot of money that can be thrown behind these new products, and they are waiting largely for the market to kind of mature. You are aware that the market is still very patchy in some sense. And from what I understand, and I'm sure all of you have seen, the statistics say that 56% of the people who bought electric vehicles don't want to buy electric vehicles any longer or again.

So it's a mixed bag right now. However, having said that, there are players in place, the new ones you've heard of OLA, you heard of Acer, you heard of Simple, you've heard of a few others who seem to be doing well, but we'll have to wait and see how these kind of pan out. Obviously, I don't think there is going to be space for 50 new EV players who can establish and come out with model changes that are required in our industry at the speed, which requires much higher levels of investment. We will have to wait and figure that out.

In terms of our plan, like I said, we have a premium product that is localized completely. And that is a big attraction for the OEMs to play with. So we are in discussions. We've already started supplying to 3 customers. We are also in discussions with several others. And we are hopeful that over a period of time, the EV play that we are in will start to have a significant revenue percentage as a part of our entire revenue.

Moderator:

We have next question from the line of Pavitra Godara from Mahadev Road Carrier.

Pavitra Godara:

Namaste, sir.

Yashpal Jain:

Namaskarji

Pavitra Godara:

Sir, I would like to know which are your main clients and how much revenue have you received from them this time, from every client? And what do you expect in the next quarter?

Yashpal Jain:

If you see the revenue, more of our revenue comes from 2-wheeler segment. So in 2-wheeler segment our clients are TVS Motor company, Hero Motocorp, Honda Motorcycle, Suzuki Motorcycle. these are all 2-wheeler customers, from which we receive maximum revenue nearby about 63% from all these.

Apart from these we deals in construction equipment, JCB, from there we receive 8% revenue from there. We supply equipment's to Honda cars, locks, mirrors, etcetera. We get revenue from there. And we get around 15% to 18% revenue from overseas operations where we supply passenger cars. So, this is our revenue breakdown. It will continue in this ratio

Moderator:

We have next question from the line of Udit Gupta, who is an individual investor.

- Udit Gupta:** How are we doing in terms of the 4-wheeler business, like on an earlier call, you had said that we had won some orders from Hyundai. So how is that progressing?
- Jayant Davar:** Yes, Hyundai is going through. Again, I think there was a delay in the product that we have. It's a very good product, which was supposed to launch off in November and December. That was the initial target. We've now been told to start pilots in the month of March, which means the effect of that revenue will come in the next financial year.
- Udit Gupta:** Sir, any plans for capital raising or to retire debt?
- Jayant Davar:** Nothing so far, but we are looking for opportunities. As far as debt is concerned, of course, Yashpalji will supplement me. We do feel that while we are comfortable enough to be able to service debt, we are looking for other opportunities, some inorganic or otherwise or other growth channels, which will then necessitate the need for additional capital when we will look at those particular opportunities to be available. Yashpalji, do you want to answer?
- Yashpal Jain:** Yes, sir, perfectly right. As said, like the debt repayments are going as per the schedule. But yes, if we are looking for some growth opportunities might be inorganic. That time, we'll be thinking of raising some capital.
- Udit Gupta:** And sir, how is the export business doing in terms of the ramp-up there? And how is the growth there?
- Yashpal Jain:** You are referring to the overseas operations?
- Udit Gupta:** Overseas. Sorry. Not the export. The overseas operations, sir.
- Yashpal Jain:** So overseas, like the first half was a little bit, I would say, stagnant. But second half, we are projecting that it will be showing us a growth of around 12% to 13% over the last year's number.
- Udit Gupta:** And the margins in the overseas business, sir?
- Yashpal Jain:** It's a double digit since inception. The EBITDA margin is close to 10.98% in this half year. The challenge is the Romania plant that in the initial remarks also, sir has told that by the end of this year, we expect it to be breakeven. So earlier, we used to operate at an EBITDA level of 13.5%. And once the Romania plant breaks out, I mean, it achieves a breakeven point, we might go back to the earlier level.
- Moderator:** We have a question from Shailly Jain from Dolat Capital.
- Shailly Jain:** Sir, can you please give me the performance of all of our subsidiaries? And what are we -- how are we looking ahead?
- Yashpal Jain:** So subsidiaries, if you see the difference between the stand-alone and consolidated financials, the remaining revenues coming from subsidiaries. So the total revenue from the subsidiaries for this half year is INR482 crores.

- Shailly Jain:** Sir, I wanted subsidiary-wise performance?
- Yashpal Jain:** So subsidiary-wise performance, like the biggest subsidiary in Indian operations is Sandhar Engineering, which is taking care of the sheet metal business, the new business that we have set up. So Sandhar Engineering has done fairly well compared to the year-on-year, I mean, the comparison. For this half year, it has registered an income of INR192 crores versus INR87 crores of the corresponding. So it's just -- you can see the growth is more or less a double growth.
- And as far as the EBITDA is concerned, they are well at the, I would say, breakout level. They have already achieved EBITDA of 7% -- and going forward, when the volumes ramp up in the Mysore and the Halol plant, the double-digit margin that we have projected will be achieved. So this is how the sheet metal is working, Sandhar Engineering.
- And overseas operation, as I just said, overseas operation by the end of this year, once Romania plant stabilizes, might see a turnaround, and we might go back to earlier levels of 13%, 13.5% of EBITDA margin. For this half year, they have given us an income of INR234 crores at EBITDA margin of 10.9%. So these are the 2 bigger subsidiaries. And third one is the machining business. It is going as per the schedule and as per the margins that we have projected.
- Shailly Jain:** Okay. That was helpful. And what is our current level of localization? And what are we planning for it ahead?
- Yashpal Jain:** Localization in terms of, I mean?
- Shailly Jain:** Yes.
- Yashpal Jain:** we are procuring components and materials locally only, except a very small, I would say, import content. Otherwise, we are largely procuring locally made.
- Jayant Davar:** I would imagine, Shailly, that more 98% of our -- or even 99% of our procurement is local. There is less than 1% or a couple of percent, which is imported for some of our locks for the 4-wheeler segment. But beyond that, everything is local.
- Moderator:** Thank you, ma'am. Thank you, sir. As there are no further questions, I would like to hand the conference over to management for closing comments.
- Jayant Davar:** Well, thank you once again to Dolat Capital, to Shailly and the team and the facilitators. Thank you to the audience and to the investors who took time out to participate in our con-call this morning. We, as a company, are very, very bullish with the new areas that we've entered with the new investments we've made.
- And we are very prudent in ensuring that all investments that are being made, that have been made will be utilized to their full extent in the shortest time possible. We are also very, very hopeful and bullish on improvement of margins, as you will see in the coming times.

With that, I want to wish you all a very happy New Year to you and your entire families. God bless you all, and thank you once again.

Yashpal Jain: Thank you.

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