



“Sandhar Technologies Limited Q4 FY ‘25 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Q4 and FY '25 Sandhar Technologies Limited's Earnings Conference Call hosted by Emkay Global Financial Services Limited.

As a reminder, all participants' 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 this 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 Mr. Chirag Jain from Emkay Global Financial Services Limited. Thank you and over to you, sir.

Chirag Jain: Thank you, Hamshad. Good morning, everyone. On behalf of Emkay Global Financial Services, I would like to welcome you all to the Q4 and FY '25 Earnings Conference Call of Sandhar Technologies Limited.

Today we have with us from the Management Team, Mr. Jayant Davar – Chairman, Managing Director and CEO and Mr. Yashpal Jain – Chief Financial Officer and Company Secretary.

We will begin the call with opening comments from the management team, followed by Q&A session. Over to you, sir.

Jayant Davar: All right. Good morning, ladies, and gentlemen. Let me welcome you all to the Quarter 4 & 12-Months' Earnings Con Call of Sandhar Technologies Limited. I want to thank Emkay Global for putting this together. On the call with me from our Company is my colleague, Mr. Yashpal Jain, who is the CFO.

To begin the call, let me talk about how the world is for us, for our sector. You are aware of the geopolitical situations and what kind of challenges they are bringing to the world. The automotive world on a global level is surely facing headwinds and with a lot of uncertainty because of the tariffs and so on and so forth, as well as insecurity on the part of a lot of the population, there has been a little bit of a drag on the auto sector. And I do believe that both the United States and the EU will continue to have some turbulence in not just this year, but in the continuing years as well. You have seen marquee brands like Tesla and all also face challenges in the sales. And also the quick ramp up of several competitors who entered the field of non-ICE engines to bring up competition.

So, where India is concerned, I do believe that India is comparatively stable. And we are seeing a decent demand. And we do expect that the industry, as most are saying, will continue to grow in high single digits even in this year.

As per Sandhar is concerned, Sandhar, under the circumstances of what I have mentioned above, has continued to perform well. And we have achieved a total income growth of 11% compared to Quarter 4, 2024, and 10% compared to full year of Financial Year 2024 at a consolidated

level. We anticipate sustaining this growth momentum. Of course, it is subject to geopolitical conditions, market demand, the performance of the auto sector and other related factors.

The India business for us has achieved a growth of 13% compared to Quarter 4 of Financial Year '24 and 13% growth according to the full year of Financial Year 2024. The consolidated EBITDA grew by 9% in Quarter 4 to Rs. 109 crores versus Rs. 100 crores and grew by 14% year-on-year in Financial Year 2024 to get to Rs. 400 crores of EBITDA in '25 versus Rs. 351 crore in Financial Year '24. The EBITDA for India business grew by 12% in Quarter 4, '25 which is Rs. 97 crores versus Rs. 86 crores and grew by 21% in '24-'25, which is Rs. 357 crores in 2025 versus Rs. 294 crores in 2024.

I am also very pleased to share that all our joint ventures are experiencing strong growth and consistently improving performance. Further, pleased to share that all our joint ventures are PAT positive in Q4 and for the full year, Financial Year 2025. The success is driven by focused cost control, localization efforts, enhanced business synergy. We remain confident that this growth trajectory will continue and grow.

Collectively, our joint ventures have recorded a total income of Rs. 303 crores, with an average EBITDA close to 13%. We are also thrilled to announce that Sandhar Ascast Private Limited, our wholly-owned subsidiary has successfully acquired the high pressure and low-pressure aluminum die casting business of Sundaram Clayton Limited at their Hosur plant for a total consideration of Rs. 163 crores.

This strategic acquisition marks a significant milestone in our growth journey, allowing us to diversify our operations and enhance our manufacturing capabilities. By integrating Sundaram Clayton's legacy with our expertise, we are poised to drive innovation and expand our product portfolio, tapping into the new markets. We took over and start took over the operations on the 1st of April 2025.

Well, for us, the key benefits of this acquisition include entry into the low-pressure die casting market, enhanced production capacity with higher tonnage machines, broadened product offerings, including essential components for automotive and industrial applications. We are excited to welcome the talented team from Sundaram Clayton and look forward to achieving new heights together.

On the overseas business, the performance of the overseas business has been a drag for us in Quarter 4 as well as for the full year of operations. We sustained losses, marred by low demand and slowdown in Europe. We are closely watching the situation over there. And as for preliminary indicators, the volume should increase in Financial Year 2026, not so much from the growth in Europe, but from the addition in the wallet share of the components that we have.

The Company's expansion projects in Pune for cabins and fabrication and die-casted are expected to commence commercial production by the end of March 2025. It should start to

happen now. Our EV business has started commercial production of battery chargers and is getting a very positive response from the market. The customer base is gradually increasing with more and more customers added.

With that, I will conclude my opening remarks. And in fact, I should also mention here that that's a question that we have been having from all of you for a long time is the smart locks. You would be happy to know that Sandhar Technologies received the EV Best Part Development Award from Suzuki Motorcycle during their Annual Supplier Meet. Now this particular product line is ramping up and we do expect a gradual but sure-footed growth in this particular year.

On the CSR front, we have dedicated ourselves to sustainable business practices that address economic environments and social challenges. Our efforts go beyond just business concerns. We want to create a positive impact on the communities that we serve. So, we are focused on diversity and equal opportunities.

As we go forward, our focused areas working towards ESG and SDGs, diversification of product portfolio, expanding customer base and increasing content per vehicle, which we have been doing, improvement on ROCE and ROI, consolidation of operations, and generation of more free cash flows and deleveraging of our balance sheet. Those are the agenda items and KRAs for us that we must continue to improve and achieve as we go forward.

With that, thank you all once again. We are open to questions.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Tushar Gupta from Sagun Capital. Please go ahead.
- Tushar Gupta:** Thank you for the opportunity and congratulations for the good set of numbers. Sir, I want to know about what are the CAPEX plans for the Financial Year 2026 and what is the market for EV charger? How much can we expect revenue from this segment?
- Yashpal Jain:** So, the CAPEX plans for '25-'26, it's largely like we have a CAPEX policy in case like that it is equal to a depreciation at the group level. So, from the normal, the maintenance CAPEX and the growth CAPEX, we are expecting around close to Rs. 180 crores to Rs. 200 crores in this financial year, '25-'26.
- Tushar Gupta:** And sir, how much large the EV's charger and controller market can be and how much revenue we can expect from this segment?
- Jayant Davar:** Tushar, to just give you this, we have a three-year plan for the EV business. This will be the first full year of operations where we have targeted numbers which are comparatively smaller in the range of between Rs. 10 crores to Rs. 15 crores. But it's ramping up very quickly to a Rs. 100 crore level within the next three years.

- Tushar Gupta:** Sir, one more thing. Like we have acquired a Sundaram die casting unit, so how much we can expect from that revenue potential and all?
- Jayant Davar:** Yashpalji, you want to give the numbers?
- Yashpal Jain:** Yes, sure. So, like Sundaram Clayton, we have acquired the ongoing business on a slump sale basis. And this year we are expecting a revenue of around Rs. 400 crores to in between Rs. 425 crores. This is the revenue expectation from that business, and it is again subject to the demands in Indian market as well as the overseas market because it is highly dependent on the customer schedules also. But we are expecting this revenue to range between Rs. 400 crores to Rs. 425 crores. And it has a, I would say, potential to grow further. But yes, that has to be seen in the coming years. And ideally we maintain a certain ratio of 2.5x to 3x in the long run. So, we would like to achieve it going forward in the next two to three years of time.
- Tushar Gupta:** Sir, one more thing. Like, as we see in Q4, we have increased our margin, EBITDA margin. So, it can be going forward, or it can be stable.
- Yashpal Jain:** It will be stable.
- Tushar Gupta:** Please highlight that.
- Yashpal Jain:** So, in last 2 to 3 years in the calls we have been emphasizing that we are on the task of improving our EBITDA margins also as well as the earnings before tax also including the ROCEs. So, you can expect another improvement of 30-to-40-point basis in this FY 25-26. But I think that is the upper level that a component industry can achieve, given the market situation. So, 30% to 40% we are expecting a healthy improvement in EBITDA in FY 25-26.
- Moderator:** The next question is on the line of Saket Kapoor from Kapoor & Co. Please go ahead.
- Saket Kapoor:** Namaskar Sir, just to reiterate of what you mentioned in terms of the EBITDA margin trajectory, can you specify what, I missed your number. You mentioned 30%-40%. Can you come again, sir?
- Yashpal Jain:** No, yes. We expect improvement of 30 bps to 40 bps, means 0.3% to 0.4% in EBITDA margin in FY 25-26. But again that is dependent, as you know, on the industry challenges also and the demand pattern also.
- Saket Kapoor:** Correct, sir. And sir, in terms of the Sundaram unit acquisition, sir, what are the current metrics for the unit in terms of the revenue and its profitability?
- Yashpal Jain:** So, like as we mentioned in the filing, currently the unit was operating close to a revenue of Rs. 390 crores something or I think Rs. 376 crores because it keeps on fluctuating. But for this

Financial Year 25-26 we are expecting a revenue fall of around Rs. 400 crores to in between Rs. 425 crores.

The reason is that we have started the operations in their premises, but during the intermittent period, during the financial year, we will be shifting the entire operations to our own premises. So, that is a reason considering all those factors and little bit disruptions, we expect our revenue to be between Rs. 400-425 crores.

But in the long term, as you know, we keep our financial metrics that any business should deliver an asset turn of 2 to 3x, 2.5x to 3x, largely. So, in the next two to three years, we would like to scale up to those levels.

Saket Kapoor: And what are the current margins and the profitability for the unit, if you could mention, sir?

Yashpal Jain: So, lastly it is with the die casting like single high digit or at the most 9.5% to 10% is the, I mean, in the ADC segment 9% to 10% is the healthy margin one can achieve. So, I don't think anything could be changed. That could continue.

Saket Kapoor: And sir, since we are in the...

Yashpal Jain: Largely...

Saket Kapoor: Yes, please, no, sir, you continue.

Yashpal Jain: No, no, that's what I was saying. Because we are not seeking to expand on a larger CAPEX base, that is the reason we are more focusing on improving the return on capital employed once the investments are through. So, largely the EBITDA change remains between 9% to 10% ADC. That is also a very good EBITDA margin, one should say.

Saket Kapoor: And sir, even we have disposed off one of the units, correct me there. So, if you could just explain the rationale for that. We did change one of our units during the entering period only.

Yashpal Jain: So, you are referring to one of the residential lands or exit of joint venture? Can you elaborate further?

Saket Kapoor: Joint venture, yes sir, I am referring to the joint venture.

Yashpal Jain: Yes, so there was one of our old joint ventures, Jinyoung Sandhar Mechatronics. So, the expectation with which we formed this joint venture with our Korean partners and the level of activities were not up to the mark and we are reviewing our JVs also in the sense that we want to scale up the business. And the Jinyoung has been, I would say, financially and operationally not performing well in the last five to six years. So, there was a serious problem within the organization also. Management was of the view that the long-term objectives of our organization

as a Sandhar might not be fulfilled while continuing the joint venture. So, we plan to exit the joint venture.

Saket Kapoor:

And sir, when we look at the consol numbers, although there is a significant increase in terms of the revenue profile, but the margins and the contribution to profitability is flat, as you have already alluded in your opening remarks. So, if you could just give us some more understanding on how at consolidated level, especially the margins are going to shape up? I just wanted to highlight a point that on a revenue top-line of Rs. 1,014 crore, we post PBT of Rs. 50 crore for the consolidated, whereas in the standalone on a revenue, I think it's 700. On top-line of Rs. 758 crores, the profitability is Rs. 50 crore. So, the PBT number moves up by Rs. 5 crore on an increase in the top-line by Rs. 225 crore or Rs. 240 crore. So, if you could just explain the dilution of margins when we go on consolidation and what steps, because in your opening remarks, you did mention that our targets are to improve the margins at both the standalone and the consolidated levels, and all steps are being in the anvil to achieve that. So, if you would just throw some more light on the same.

Yashpal Jain:

Yes, sure. So, basically in the opening remarks, if you remember our MD has also mentioned that European business has been a big drag for us during the Financial Year '24-'25. So if we compare the growth between the Indian subsidiaries and the foreign subsidiaries, the Indian subsidiaries have outperformed.

Basically, we have a large subsidiary, Sandhar Engineering, which is into the sheet metal business. And for the last three years, I mean, we have set up three manufacturing Greenfield projects in the same. Now, all those have started, I mean, the revenue started flowing in, I would say, the right direction and the business has ramped up.

The major drag has come from European business. So, we have sustained our annual loss of close to Rs. 21 crores in European business. Otherwise, rest, all other joint, this, Indian subsidiaries, they are performing very well. They have already crossed the breakeven levels and in the coming, I mean this Financial Year '25-'26, they will be posting healthy margins also.

As far as European subsidiaries are concerned, we are reworking out our strategy over there. Because as we know, the demand is sluggish in the overseas market, whether it is the U.S. or the European markets, and there is a lot of confusion is also prevailing with respect to the tariffs and how the business deals will be happening between Europe and America versus the Asian countries.

So, in a bid to revise the operations, we are taking some strategic calls, and we are expecting that FY '25-'26, we would not be facing this much of losses in the overseas business and our first task is to ramp up the operations over there and to cut down the losses in overseas business. So, this is how the strategy is there. Otherwise, the Indian subsidiaries, they are performing very well and they will continue to perform.

Saket Kapoor: Last point and I will join the queue. Sir, firstly in terms of I think the closing capital work in progress balance at the standalone and the consol level, so what are the new capacities that will get commissioned during the year? And also, on a conservative outlook, also on a top-line of, say, Rs. 3,900 crores which we posted last year, what should be the stable rate of growth in the top-line? You did allude to what margins would look like, the trajectory. So, what should be the top-line trajectory, sir, which we may guide through for this current financial year?

Yashpal Jain: So, the capital work in progress largely is Rs. 113 crores is on account of the advance that we pay to Sundaram Clayton as a part of first tranche of payment as per the business transfer agreement. So, Rs. 113 crores is comprised of that which we have already discussed that that business will be generating a revenue of Rs. 400 crores to Rs. 425 crores because we bought this business for Rs. 163 crores and Rs. 113 crores was paid prior to 28th of March and remaining was Rs. 50 crores for discharge prior to 11th of April.

So, this is how the major CWIP is being routed. Remaining CWIP is on account of the other two, I would say, the Pune projects of CFD and aluminum die casting, which MD sir has also mentioned. Now the commissioning has been done, and the commercial production will start within this quarter. So, they will be adding up, but in the first year, the ADC in the cabins and fabrication being a heavy industry, it takes two to three years to ramp up production. So, there would be addition to the revenue, but that would be close to around Rs. 40-50 crores in this first year.

As far as the top-line projections are concerned, the auto industry, as ICRAI and other agencies have issued the report would be a high single-digit growth only. But we expect that we might be lending a growth of not lesser than what we have done in the last year. With the new business and plans adding up, I think we can land something around 14%-15% of the top-line growth in the coming with the same stable growth in the auto industry in India that we project.

Saket Kapoor: I will join the queue for my follow-up.

Moderator: The next question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: Hi, good morning, Davarji. So, just on the overseas piece, we have spoken about it, but given that it is taking slightly longer and obviously it can test anyone's patience, but from the strategy perspective, over the next two years, three years, what are the kind of guardrails you are keeping for that business? Because somehow the recovery is not coming there, and the overall debt also is significantly higher. Being added to EBITDA of the overseas business is also on a higher side. So, how do you see the overall restructuring? What are the three, four important steps you are planning to take there to improve the overall profile of the business?

Jayant Davar: Resham, thank you for that question. I know it's been a thorn in the side for a while now. But just to brief you on what we have been doing. What we have been doing is that we have been

replacing higher cost capital. We have added more businesses and more products in that particular business. And the effects of that have already started to show.

So, if you even look at the last quarter, the last quarter was much lesser losses compared to the previous quarters. And we do believe that with the improvement that is happening, that started to happen in the last quarter, that improvement will continue and we will be able to mitigate the losses that we have.

On a long-term basis, 2–3-year basis, our capacities in Romania, which got delayed because of the war, are now being utilized. Mexico had gone down on account of confusions with the U.S. and other things back in operation. So, from a perspective of regular operational strategy, we do believe that the losses that occurred will be mitigated to a large extent in the year '25-'26.

Where the future is concerned, you are aware that we have a lot of strategic advantages of having this business. And this is the reason why we could manage to get the business in India and with now this new Sundaram Clayton acquisition, we are amongst the top few players in the country from being nowhere at one point of time. And this is on account of the specialized componentry that we do.

So, we are hopeful that that strategic stay in our kitty has helped us and our job is to make sure that we not only mitigate the losses but effected into profits. You are aware that the EBITDA margins in our overseas business was actually higher than our India business. And we are hopeful that beginning from next quarter itself, you would see a huge amount of change coming in terms of positive direction. Yashpalji, you want to add something?

Yashpal Jain:

So, as sir has said, we are expecting the business to revamp in the coming two to three years of time. We are in the process of preparing long-term plans. Also, if you remember, in India also, two years back, we were struggling with the same margins, but we have taken many efforts and steps towards improving our margin base also and going with the healthy product line. The same we would be mapping to overseas operations also. And I think the FY '25-'26 won't see the losses to those quantum, which we have seen in FY '24-'25. And soon the operations will be back on track.

Resham Jain:

Thank you sir for giving that confidence. So, that's the first one. The second is on the overall revenue. We have touched almost Rs. 3,900 crores this year. And given that you have acquired a new business plus several new wins, how do you see the overall revenue panning out for FY '26, broad numbers?

Yashpal Jain:

So, like the industry as we have seen the reports is a single large digit growth, right? But still we are expecting that 14%-15% of some growth should come up in our revenues. Rest we will be working because we know the customer schedules keep on changing every quarter. So, large depend on 3rd and 4th Quarter. But still basis the stable growth in the industry, we are expecting

healthy growth of 14% to 15% of the revenue. But our more focus would be on improving the margin base. So, like more focus on the margin base.

Resham Jain: Sir, just to clarify, this 15% is without Rs. 425 crores of Sundaram Clayton, right?

Yashpal Jain: Yes, you can expect that.

Moderator: The next question is from the line of Preet from InCred AMC. Please go ahead.

Preet: I would like to ask about the debt level. In previous con calls, you mentioned that you will be keeping your debt levels below Rs. 700 crores. And now obviously for the acquisition purpose you have to take the debt, and the debt levels have gone beyond that. Do you have anything to pick that how much you can go or will you be further increasing that or it will be now staying constant at this level?

Yashpal Jain: So, like on March 25, consol level, we have a net debt of Rs. 740 crores, largely which includes a payment of Rs. 113 crores in the last week of March to Sundaram Clayton as the advance to the purchase consideration. So, majority of the acquisition price, we already factored in March 25. Another Rs. 50 crores has been factored in April 25.

And I think the debt level should not go beyond what we have seen the gross debt levels of Rs. 850 crores in the month of March at one point of time. Because we will be generating EBITDA as I have told in the previous question-and-answer session that 30 to 40 bps we are expecting an improvement of EBITDA and this year we have closed EBITDA of Rs. 399.79 crores. On a round side, it is Rs. 400 crores.

So, again with a 15% around growth in turnover, we will be having the healthy inflows of cash from operations, which we would be using for our expansion needs. And we won't be relying on higher debt levels for our organic, as far as organic expansion and organic operations are concerned. If something inorganic comes up, then that would be again backed by the revenue of that business. So, that I am not affected right now.

Preet: And one more question from my side. What would be your outlook? What do you expect from the subsidiary business in the coming year? Will it be able to reach the breakeven? And if not, then in which year you expect the subsidiary to come back to the breakeven levels at least?

Yashpal Jain: So, Indian subsidiaries have already crossed the breakeven level because Sandhar Engineering was the new subsidiary that we floated in FY '21, I mean '21-'22. So, that has already crossed the breakeven. It was sheet metal. Three units were installed in the Company. As far as overseas is concerned, as we have discussed just before this calls also, we are working on improving the operational efficiencies and the margin base over overseas, and I think this year, by the end of this year, we should be very near to the breakeven in overseas business.

- Preet:** And how much do you expect from JV? Similar profit levels which we have seen in FY '25 or it will improve further?
- Yashpal Jain:** So, largely the JVs, the operations have stabilized because initially most of the JVs were formed during COVID. That is the reason they were reeling under the business losses and the other factors. But now they have ramped up and as sir has told in the beginning also that localization has been focused in the JVs. So, I think they should be able to maintain but again everything remains on the customer side and also how the political conditions prevail across the globe. But there is no reason as of now that the JV should be going back to the losses.
- Preet:** I will join back in the queue.
- Moderator:** The next question is from the line of Radha from B&K Securities. Please go ahead.
- Radha:** Hi, sir, thank you for the opportunity and congratulations for good results. Sir, your capital employed in the consolidated business stands at Rs. 2,000 crores if you exclude the Rs. 130 crores of investment in Sundaram Clayton. So, this capital employed is including the working capital. So, is it fair to assume that the Company has invested out of this Rs. 2,000 crores, Rs. 600 crores is in the overseas business?
- Yashpal Jain:** Rather the investment in overseas business, the capital employed is Rs. 530 crores, 5-3-0, out of this Rs. 2,000 odd crores of capital employed.
- Radha:** And are we investing any further in the overseas business in the next two years?
- Yashpal Jain:** Well, that gradually we will see because if you remember in Romania we were supposed to install 16 machines. We have done 5 machines as of now. But we are seeing how the business is ramping up in overseas. Basis that we will take a call, but right now the priority is to break even the operations over there. So, right now we don't have any heavy CAPEX plan in the overseas business.
- Radha:** Sir, secondly, the Sundaram Clayton overall working capital cycle is almost double of Sandhar's working capital cycle. So, when we integrate this Hosur plant from next year, will this working capital cycle continue that they have or do you think that it will be reduced to Sandhar's level?
- Yashpal Jain:** So, this working capital cycle you are telling from Sundaram versus their customers or how? Can you elaborate this?
- Radha:** No, sir, I am checking the Sundaram Clayton overall business working capital cycle, since I will not be able to get separately for the Hosur plant.
- Yashpal Jain:** Yes, exactly, because Sundaram has another business in Oragadam also. They called it a party business. But like we have acquired a Sundaram, so any connection from Sundaram is already

over. They were the sellers and we were the buyers. Now our working capital cycle will be more or less from that business to our present profile.

Radha: And sir, just wanted to know why did the current promoters sell this plant and also a bit color on what kind of payback are you expecting? Is it saturating 15% ROCE? Is it sustainable return ratio that we can expect from this business?

Yashpal Jain: Yes, so Rs. 163 crores we paid to acquire the business. This year we are expecting a revenue of Rs. 400 crores to Rs. 425 crores. And as you know, we keep a target of 2.5x to 3x our asset turn in next two to three years of time that we will be scaling. And we remain confirmed to our ROCE of 15% that we have discussed and mentioned in earlier also. But yes, that ROCE will be coming in gradually over a period of time, but not immediately in this financial year.

Radha: Any color on why did the current promoters sell this plant, sir?

Yashpal Jain: Yes, so basically Sundaram Clayton, again, they are integrating or, I would say, they are exiting the non-core businesses. And this components in die casting, sorry, aluminium, LPDC, HPDC was not their core business. That is the reason if you remember see, they have exited the plastic business also. So, they are exiting the non-core businesses, which they are not into. So, the reason to my understanding is the same that they want to continue their strategic and core businesses. That is the reason they are hiving off their non-core businesses.

Radha: And sir, out of the Rs. 180 crores and Rs. 200 crores CAPEX plans that you have announced in this year, anything that how much would be reinvesting for this Hosur plant of Sundaram Clayton? And what is the overseas sales mix from this Rs. 400 crores?

Yashpal Jain: So, like around Rs. 200 crores of CAPEX plan that I have said, we will be investing around Rs. 20 crores to Rs. 25 crores to upgrade the Sundaram Clayton lines once it is shifted to our premises. And it also excludes the Rs. 50 crores of the balance consideration that we have discharged in the month of April, right.

As far as overseas is concerned, as I told, we will be evaluating as and when required. Once the capacities are ramped up, the order base is extended. Already we have in Romania five machines installed. In other operations, we are not seeking any heavy capacity over there except the maintenance and the very, very regulatory requirements. That's all.

Radha: No, my question was, the Sundaram Clayton, Hosur Plant, how much is the domestic sales and overseas sales?

Yashpal Jain: It's domestic sales only. Sorry, I missed your question. It's a domestic sale only. We have acquired the domestic business, the domestic sale. There is no overseas sale from this plant.

Radha: And will the customer entirely be TVS?

- Yashpal Jain:** We have an option. There is no non-competing clause. Right now it is TVS, but we can expand to any other customer base. And as far as LPDC is concerned, we are foraying into that business for the first time. So, we have larger customer demand also for LPDC, we might cater to other customers also. That depends on future strategies how we plan, but as of now TVS is the main customer.
- Radha:** And so what part does this plant make? And in terms of tonnage, you have mentioned that one of the rationales is increasing tonnage. So, what is the current capacity of the Company in die casting and how much would it increase from this plant?
- Yashpal Jain:** So, that I will get back to you because tonnage and those capacities I need to check with the business teams.
- Moderator:** The next question is from the line of Saurabh Jain from Sunidhi. Please go ahead.
- Saurabh Jain:** Good morning, sir, and congratulations for the good set of numbers. Sir, my question was to take it forward from the last participant on the CAPEX. So, you said Rs. 180 crores to Rs. 200 crores of CAPEX for FY '26 and our maintenance CAPEX, if I am right, roughly around Rs. 160 crores to Rs. 170 crores. So, there is no major plans for growth CAPEX for FY '26, right? And this is in context of our current capacity utilization also. Capacity utilization for FY '25 vis-a-vis including the upcoming ramp-ups possible in FY '26.
- Yashpal Jain:** So, first, answering your CAPEX, so like we are keeping a plan of close to Rs. 200 crores, more or less equal to our annual depreciation.
- Moderator:** Mr. Saurabh sir, I may request you to rejoin the question queue. The next question is from the line of Rajit Aggarwal from Nilgiri Investment Managers. Please go ahead.
- Rajit Aggarwal:** Sir, will it be possible to share the numbers for your overseas biz? What was the loss in Q4 and specifically the top-line of Mexico plant?
- Yashpal Jain:** So, the losses, the consol losses at the overseas on annual basis is Rs. 21.09 crores and 4th Quarter is Rs. 3.74 crores.
- Rajit Aggarwal:** And on Mexico, specifically?
- Yashpal Jain:** Mexico is close to Rs. 120 crores of annual revenue.
- Rajit Aggarwal:** And will it be possible to share some update on some of the products that you mentioned in Q3 that were delayed? For example, the mirrors for Hyundai and the SOPs are expected to begin in July or August. Are those timelines still, will the timelines still hold? And there were some new parts in sheet metal which were supposed to be launched in Q4 and the ongoing quarter of FY '26.

- Yashpal Jain:** So the EC mirror you are talking of for Hyundai?
- Rajit Aggarwal:** Yes, sir.
- Yashpal Jain:** So, Hyundai, the latest update is that by September they will be going for this. So, there is a little bit delay of another I think 1-1.5 months. So, September they have given us the revised date because they are working on the model in which they want to fix it. So, that is the reason it is a delay from the OE side.
- Secondly sheet metal, most of the new plants are already because sheet metal is a continuous part development process and the models keeps on changing on the customer side. So, it is a continuous development. So, there is no, I would say, the closer or the opening date. It continues the part development, but the volumes are ramping up with the sheet metal.
- You can see we have registered very good growth in the sheet metal in this financial year compared to the last financial year. It is about 33% of the growth that we expect, that we derived in the sheet metal business. And it will continue with the growth momentum because the plants are scaling up. All the three plants are scaling up in Sandhar Engineering and one plant is in Sandhar Technologies Limited, the parent Company. All four are scaling up and giving us a good business.
- Moderator:** The next question is from the line of Ankit from Adezi Ventures Family Office. Please go ahead.
- Ankit:** My first question is with regard to the current inventory situation with your clients. So, is that lower or higher than usual? And how is the inventory for two-wheelers at the dealership level currently?
- Yashpal Jain:** Can you come back on your question, please?
- Jayant Davar:** I didn't hear the question too well, please.
- Ankit:** Yes, I am saying what is the current inventory situation like for our dealerships and with your clients. Is it lower or higher than usual?
- Jayant Davar:** Well, it's difficult for me to say. We know that there were some production issues, for example, at Hero on account of some supply issues and therefore their manufacturing and production went down in the last couple of months. But I understand they have started ramping up now according to the orders that we are getting.
- With the others, again, I would say from whatever news we have, of course, we have limited information compared to what FADA would have. But from whatever information we have, it is well within the range of the 45-day inventory target that most of these OEMs keep.

- Ankit:** And looking ahead for next year, what is the kind of revenue and EBITDA margin aspirations that you are looking at?
- Yashpal Jain:** So, revenue we are expecting a growth of around 14%-15% in FY '25-'26. And EBITDA margin we have kept a target to go for further improvement by 30 bps to 40 bps basis.
- Ankit:** What is our EBITDA margin number in that case?
- Yashpal Jain:** Expectedly, if you add that, I think the figures can be derived because we have closed EBITDA of 10.20% on a consol basis. So, another adding 10.5% to 10.60%, roughly, it can be close to 4.70%, 4.75% with our growth plans.
- Ankit:** And what are the key areas of confidence that take us to this higher growth and EBITDA margin for next year?
- Yashpal Jain:** So, if you see that in the last three or four years, we were investing heavily in setting up new Greenfield, Brownfield projects. Most of those plants have been commissioned and now they are scaling up production. We are getting good responses from the customers. So, going forward, there will be a neutralization of the fixed cost because the volumes will be increasing while the fixed cost will remain constant. So, whatever the variable cost minus the prices will be coming, it will be adding up to our margin base.
- Secondly is that we have taken many of the internal exercises to increase our operational efficiency as well to integrate some of the common operations also. So, all these will be going to give us the desired results in this coming financial year as well as the succeeding financial years also.
- Ankit:** Thanks for that. And finally, what has been the commodity cost outlook like and what is the outlook looking like for next year?
- Yashpal Jain:** Well, very difficult to project because commodity is something which is fluctuating, especially when the geopolitical situations are worsening. I mean sometimes it just pops up with a higher trajectory. So, I think more or less it should be within the same range during what we have witnessed in the current financial year.
- Ankit:** Currently it's moving in a similar range to say last quarter.
- Yashpal Jain:** Yes, more, or less. Unless there is some massive change in the geopolitical conditions or the trade deals, that is a different situation then.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

- Saket Kapoor:** Thank you, sir, for the opportunity again. Sir, you mentioned that for our overseas operations, we have made investment to the tune of Rs. 530 crores. Is that number correct, sir?
- Yashpal Jain:** Yes, it's the capital employed. 530, yes.
- Saket Kapoor:** And sir, we posted revenue for FY '24 at Rs. 488 crore and for FY '25 it is Rs. 452 crore. So, there is a decline and is this the number for which we have employed Rs. 530 crore as the capital employed?
- Yashpal Jain:** So, like looking to last year's performance, we should not compare ideally, because last year has not been healthy. Everyone is seeing a fall in the overseas business, Europe, and American markets. So, I think the one year's, single year's performance, we cannot benchmark it to the investment that we have done because investments are always done with a larger perspective from long-term use.
- And the business keeps on, I mean, facing the cyclic cycles, I would say, the ups and down cycles. So, last year was a down cycle, but the situation never remains the same. The coming year, succeeding years would be the better one. And we will see that the capital that we have employed does not goes waste and the plants will be generating a healthier top-line as well as the bottom lines also.
- Saket Kapoor:** So, sir, also on a conservative basis and taking things ahead, what should be the contribution from the overseas operation, going at it 2-3 years down the line, or is it very difficult to speak on the foreign operation because of the geopolitical situation as it stands today?
- Yashpal Jain:** Yes, so if you recall 2 years back, or I would say 1.5 years back itself, we were having a EBITDA of margin of 13.5 above in the overseas business. And again we plan to go back to the same levels. The geopolitical situations of that like the tariffs and other things, I think they should be stabilizing because all the countries are sitting together now to work out the trade deals. So, sooner or later they should be sorted out and the operations would, I mean, these are all expectations depending on what the forecasts are coming. We expect the operations to go back to the earlier position and contributing a healthy margin base to our overall operations.
- Saket Kapoor:** Sir, since you alluded to this tariff part of the story, currently for our overseas operations, what are the current tariff trajectory and the proposed one for our overseas operations? What should the tariffs look like?
- Yashpal Jain:** So, like directly we are not hit out with the tariffs because we have a pass on with the customers also. So, it's directly the country agnostic, how the country behaves between two countries. So, directly there is no hit as far as overseas also concerned or domestic is concerned. But let's see how it works out, and how the demand is there and what are the preferences between the countries in terms of exports and imports that we need to see after 2nd Quarter. I think by 2nd Quarter it should stabilize.

Saket Kapoor: And sir, traditionally, we find the first half or Q1 to be the flat quarter in terms of the auto component or the lean period. Therefore, what should we be sensing in terms of how the first half and the second half split between revenue works out?

Yashpal Jain: So, traditionally, first half is little bit weak, and second half is high because second half is like festivals in India also, the demand is also there. So, the revenue split normally is around, I mean, it is very difficult to say, but normally we see it around between 45 or 55 or 40 to 60. This is how the split is.

Saket Kapoor: And lastly sir, firstly, if you could also allude towards the current utilization level, if that number could be extended because we are into lot of products and so that's penciling that out on utilization levels, it might be difficult for both India and the overseas operation. And the second point is, sir, post our IPO in 2018, somehow the investing community has not been able to, value creation has not happened. So, has the management figured out or ironed out the reason for which the value creation journey has not happened for Sandhar in particular? And what steps can we expect going ahead that may create value for your investors at large going there?

Yashpal Jain: So, answering your first question like in terms of capacity utilization, at one point of time it is very difficult to say how all the businesses, because we have been adding the capacities, we have been modifying our bases and setup also.

But like for sheet metals, the new plants, they are already above 70% now, right. As far as the assembly lines are concerned, I mean, they work on a different pattern. So, we don't have that much of idle capacity, if you say. We have available capacities also in which we can expand. So, we plan out our operations basis that only and we invest accordingly.

Similarly in the overseas, like 11 machines are planning to be deployed in Romania as per our initial plans. But again, we will be taking the call once we get the existing investment ramped up and the volume increases. So, that is the call that we take basis the demand and basis the available capacity.

So, if you really ask me whether we are overall basis 80, 70, so for different verticals, different plants, it's a different metrics altogether. But we keep the facilities with us. We keep the capacities with us because the customer demands keeps on fluctuating and every time we can't go and keep start our expansion. So, that is the reason it is a holistic view for the next two to three years. We plan out our expansions also and the addition to CAPEX also.

As far as your another last part of the question is concerned that post 2018 IPO, Sandhar could not create value, so if you see like there have been multiple reasons. One is that after '19, the auto industry again went into bad gear and there was a degrowth in the auto industry. That was one of the reasons.

I think all of us know that the pandemic has hit globally. So, two to three years were, I would say, they got washed off post IPO. You can see the timing of these all events that coincided with our IPO timing. But again, if you see last three years performance, we are back on the track. We have already moved to double-digit margins, which the market was expecting. And I think our growth and improvement will continue. Now there seems to be no reason as to we will go back to the worst times, I would say.

Saket Kapoor: Can you comment on the credit rating, sir, when our credit ratings are due and what is our current cost of fund?

Yashpal Jain: So, like our credit ratings are due next year now. We have already done our ratings, renewed from India Ratings as well as ICRA. And our average cost of borrowings, like it lands something around because the rates were comparatively high. So, it is roughly around 7%-7.5% of the average rate of borrowing, including the moment in working capitals that we count. So, we have kept around 7.5% in between.

Saket Kapoor: 7.5% is our cost of fund.

Yashpal Jain: Yes, average I would say, not plain. It's the average cost of funds that we deploy.

Saket Kapoor: And lastly, sir, you alluded to Rs. 200 crore CAPEX for the current year. And what should be then our current maturities and what should we be like to close the year, although we are on the first quarter only, in terms of the closing debt numbers?

Yashpal Jain: So, like I think in the earlier part of today's call, I mentioned that this year we are expecting an improvement of 30 to 40 bps in our margins also. They will be sufficient enough to generate cash from operations. At the same time, we have planned for a Rs. 200 crores of CAPEX, excluding the Rs. 50 crores that we have paid to Sundaram Clayton as a part of the final closure deal. So, I think there should not be any reason that the debt should escalate in the normal organic for the organic business. So, it should be within the levels what we are perceiving right now within Rs. 850 crores of the levels. I think it should not breach. And we have sufficient cash flows to repay and honor our repayment commitments and schedules with the lenders.

Saket Kapoor: What are the current maturities for this year which we have to repay?

Yashpal Jain: They are close to Rs. 100 crores. Yes, it's 100 crores roughly this year.

Moderator: The next question is from the line of Tushar Gupta from Sagun Capital. Please go ahead.

Tushar Gupta: Thank you, sir, for giving me the opportunity again. Sir, I need one clarification that you have mentioned that 14% to 15% of revenue growth is excluding Rs. 400-425 crore from that subsidiary. Is that correct? So, we can expect around Rs. 4,800 plus crores of revenue?

- Yashpal Jain:** So, like we have given 14%-15% in between, yes, you are right. It's excluding the Sundaram Clayton. That's another growth we can expect from our existing business. So, basis that you can work out the figures, whatever it works out. And 400 to 425 is between the target we have set for Sundaram Clayton.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Jayant Davar:** Well, all I want to do is thank the Emkay team and thank you all for your patience. We have tried to answer your questions to the best of our ability. But if anybody has anything more, you can write to the Company and we would be very happy to give you details of whatever you seek, whatever is possible within the domain of the law. We are very excited to see that the next year we are very bullish, and we hope that with everything the way it is and with the mitigation of the geopolitical scenario that exists, we will grow even further than our aspirations that we hold today. With that, I want to thank you all for your time and patience.
- Moderator:** Thank you. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.