



“Sandhar Technologies Limited's Q4FY24 Earnings
Conference Call”

May 24, 2024



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

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Sandhar Technologies Q4 FY'24 Earnings Conference Call hosted by Dolat Capital.

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

I now hand the conference over to Mr. Jayant Davar from Sandhar Technologies. Thank you and over to you, sir.

Jayant Davar: Good morning and thank you to Dolat Capital for the opportunity this morning to talk about the major highlights of the results that we declared yesterday.

So, at the cost of reiteration, everybody probably knows, but for many who don't, the two-wheeler industry in the last year grew at a rate of about 9.83%, and you would be happy to know that Sandhar, against this growth grew by 26.14%.

And the four-wheeler industry, the industry grew at a rate of 5.92%, whereas Sandhar grew at 15.41%. So, we are very happy with the fact that our new capacities that have been set up in the last few years went into modes or closer to optimization, and that is what has been reflected in the results.

We at Sandhar achieved a total income growth of 19% in Q4 and 21% versus FY'23 on an annualized basis. We expect to continue this growth momentum over the last year and the current schedules of the customers, the demand in the market and the geopolitical situation at this point shows that we should be very comfortable with achieving what the numbers that we are expecting to on a similar platform that we did in the last year.

On a consolidated basis, EBITDA registered a growth of 140 basis points on a year-on-year basis. which is Q4 and on an annual basis, we grew by about 100 basis points.

I am also happy to say that our joint ventures have significantly improved. All joint venture companies taken together, registered a revenue of Rs.325 crores. Very happy to announce that our Helmet company, Sandhar Amkin turned positive contributed an EBITDA of 14.58% and a PAT of 4.71%, while Sandhar Han Sung reached a level of EBITDA of 12.41%. Also, Sandhar Whetron turned around and registered an EBITDA of 19.19% and PAT of 11.6%. Again, Winnercom Sandhar and Sandhar Han Sung-II are PAT positive while Kwangsung Sandhar is EBITDA-positive. So, these are on the joint venture fronts.

In terms of new projects that the company had invested in, the four sheet metal plants in Nalagarh, Halol, Attibele and Mysore are in mass production. Romania plant also is in commercial production, and we expect to see major ramp ups in '24-25.

The machining for casting plants at Hosur and Mysore are also now operating at full scale and the future has a lot of potential, both in terms of volumes and the customer base in this business. To meet the increased demand for casting components, the company is expanding its capacity in Western India to cater to the demand in that region. We expect to commercialize this by August of '24, as the major focus would be to tap passenger vehicles, OEMs in addition to two-wheelers and commercial vehicles.

Our EV projects, we now have a wholly-owned subsidiary called Sandhar Auto Electric Solutions Private Limited. We are happy to inform you that the infrastructure development is almost complete, and we expect to go into commercial production from July '24. We have two technical collaboration agreements here and we are working closely with them for the development of progress.

So, going forward, the focus areas are going to be generation of more free cash flows. We want to deleverage the balance sheet, improvement in return on capital employed, that's an agenda that we've had for the last few years and you've seen the improvements, we want to continue that path and give you better results, improving operational efficiency, reduction of costs control on new CAPEX, maximum utilization and optimization of this CAPEX, integration of manufacturing plants continues, and of course, we are always in the market for diversification of our product portfolio, expanding the customer base and increasing content per vehicle. So, those are largely the points that I wanted to mention in my opening remark.

I am very happy to take questions. I have with me Mr. Yashpal Jain, who is the Chief Financial Officer and he'll be very happy to answer questions on any numbers that you may have in this regard. I am happy to give you a market preview or any questions in that regard. Thank you all very much once again for being here.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Aditya Sanjay Kondawar from Complete Circle Capital. Please go ahead.

Aditya S Kondawar: How much debt are we planning to repay this financial year? And #2 question is just some guidance on margin if you can?

Moderator: The management line got disconnect. I request the participant to repeat the question please.

Aditya S Kondawar: Now my first question was on the debt repayment. Any guidance on how much we are planning to prepay this financial year? And #2 if you could give any color on the margin guidance?

Yashpal Jain: Regarding debt repayment like we are having term loan facilities as you know. They have been shown in the balance sheet also. So, we will be doing our term loan repayment as per the schedule, which can be around something Rs.100 crores of repayment is parked for this '24-25.

Aditya S Kondawar: And any guidance for margin, sir?

Yashpal Jain: Like as we have given guidance for last two years that on year-on-year basis, we are seeing margin improvement around 50 basis points. So, last year also for '23-24 we kept that guidance, 50 point basis we will be enforcing, again the same guidance we will be following for current year also.

Moderator: The next question is from the line of Krishna from Lucky Investment. Please go ahead.

Krishna: My question was on the CAPEX that we've done. What kind of asset turns are we seeing on this CAPEX and when will we see the peak revenue potential coming in for this CAPEX that we've done?

Yashpal Jain: Normally, we keep asset turn of three times, is the minimum asset turn, but that is over a period of time because as you know in auto component industry, it takes time to stabilize the plant in a range of two to three years the plant gets stabilized. So, while planning for any new CAPEX or projects, we take a timeline of two to three years to turn into asset turn of three times. Four sheet metal plants that have been put up by us in last 2.5-years, part of them has started partially in last year, some of them are into mass scale production in the last quarter or last financial year. So, gradually over a period of two to three years from today, you will see that they will be working at I would say crossing the asset turn of more than three times.

Moderator: The next question is from the line of Pranay Roop Chatterjee from Burman Capital Management. Please go ahead.

Pranay R Chatterjee: I just wanted to understand that you had added a lot of capacities, right and this is linked to the last question. What would be the utilization levels in the older and newer plants in like sheet metal and aluminum die casting? So, I am just trying to understand because Q4 FY'24, your annualized revenue was Rs.3,700 crores. Can this be substantially 40%, 50% higher basis the existing capacity without doing any growth CAPEX?

Jayant Davar: Well, let me answer this question a little differently and then maybe Mr. Yashpal Jain will be able to give you solid numbers. Thank you for that question. Our business as you're aware constitutes a diversified portfolio in terms of its product lines. So, there are existing product lines, for example, whether it's locks or whether it's other proprietary parts where you need only incremental CAPEX to grow capacities. However, businesses or whether it is sheet metal or whether it is casting or some of the other areas require monumental changes in terms of new plants and new this, that is we are in. The way we stand today is we believe that a large part of the CAPEX has already been done. However, there are still three plants at different stages of going into commercial production where you will see the capacity. So, on an overall basis, it is impossible for me to give you the capacity utilization. Suffice to say that in many plants we have capacities, especially in the newer ones which range from zero percent which are going to go into commercial production to about 50% is what we have achieved in the new plants that have been set up in the last two years. To your question as to whether we can increase it by 50% on the same CAPEX, yes, we can, but that doesn't mean the new CAPEX will not be added because

we are also looking for the future. But to your question, whether we can grow it by 50%, my direct answer would be yes, close to 50% could be achieved. It is possible however that doesn't mean like I said that new further CAPEX will not happen, because our growth continues and we also have to build a pipeline for the future.

Pranay R Chatterjee: I heard an earlier statement of yours where you said that given the demand and order visibility, you are expecting a similar growth next year as past year. So, should I extrapolate that to say that you can grow at a 20% growth if all things play out as you expect it to in FY'25 as well?

Jayant Davar: Well, I wouldn't put a number to it, but I don't see why not.

Pranay R Chatterjee: I just wanted to understand in terms of the growth CAPEX that you mentioned, the casting plant in West India and also the EV businesses that are supposed to start from next couple of quarters, in these two segments, how much CAPEX have you planned for this year and how much can they contribute to revenues this year and next year?

Yashpal Jain: So, largely we are through the projects, the projects will be commissioned in the month of August and like as we said, in Western India, we are going with a die casting business. So, we will be incurring a CAPEX of close to Rs.30 crores on an overall basis for that plant. A large portion has already been released in the market. We are just waiting for the final bills to come up for the payment.

Pranay R Chatterjee: And on the EV front, sir?

Yashpal Jain: EV front, if you remember our last investor call, last year, we kept a target of crores of investment with a total outlay of Rs.20 crores. So, Rs.10 crores we have already spent, another Rs.10 crores we will be spending this year.

Jayant Davar: You have to keep in mind that we are using our existing infrastructure to launch the EV. So, while the numbers that Mr. Yashpal Jain is giving you are actually direct equipment and product line services which are being added. The infrastructure is already in play and we're using the existing infrastructure as of this moment for the Sandhar auto electric business.

Pranay R Chatterjee: On the overseas front, after the new plant Romania came in, in Q4 FY'23, the revenue sort of increased from Rs.100 crores quarterly range to Rs.130 crores range. But since then, probably because of slowdown or reduction in schedules, it has gradually come down and Q4 saw slight uptick, but still at Rs.110-odd crores which is down YoY. Just wanted to understand, have you seen any signs of recovery there and when do you expect a meaningful pickup starting?

Jayant Davar: So, basically, it wasn't the growth, the revenue did not come so much from Romania, that is still behind what we had budgeted, especially on account of the Ukraine war that was going on in close neighborhood. The drop in revenue in the last quarter or the quarter before that a little bit came because of the strikes in the United States. And because of the labor strikes, in the car unions had strikes. So, there, the revenue in Mexico and some portion of Barcelona dropped. In

the case of Mexico, the pickup dropped by almost 50% for a couple of months. It is, however, back again now as the strikes are over and we are back into our normal jiffy and the growth in Romania will be an additional factor to whatever we are doing.

Moderator: The next question is from the line of Hemesh Desai from Dolat Capital. Please go ahead.

Hemesh Desai: So, my first question was now that the JVs have turned profitable, what would be your outlook on the future growth?

Jayant Davar: Well, my first reaction to this is that, once they have turned around and they have come into the regular aspect of things, one would expect them to have a normalized growth in line with the growth of the company revenues.

Hemesh Desai: My next question was on the cabins and fabrication business. So, what are the current utilization and margin levels of this business and what kind of margin expansion are we looking at going forward?

Moderator: Jain sir, line got disconnected. Mr. Hemesh, can you just repeat your question please?

Hemesh Desai: So, my question was on the cabin and fabrication business. So, what are the current utilization and margin levels for this business and what kind of margin expansion are we looking going forward?

Yashpal Jain: So, cabins and fabrication, we operate around a margin of 8%, I mean, there's no much change in the margin structure of cabins and fabrication being a heavy equipment as items are very heavy sheet metal base top, and we expect that there can be an improvement of 50 to 100 point basis in the coming year once the new Pune facility starts contributing to it.

Hemesh Desai: And what would be the utilization level?

Yashpal Jain: As of now, space wise if you ask me, we are occupied with the complete space in cabins and fabrication, that was the reason. In Pune, we did an expansion, one of the existing plants has been expanded with I would say an additional plant in Sanaswadi which we are expecting to operate by August.

Hemesh Desai: And my last question would be for the locking and vision system. So, what would your outlook be for the same and are we expecting an increase in content per vehicle?

Jayant Davar: While we call it locking and mirrors, there are several elements that go into it. There are new product lines which have been added, but the largest part again is smart locks, and the group today would be very happy to know that there are two major product lines, one for Suzuki and one for Honda that move on to the smart lock program starting in October and November. And this, of course, is a major turn around and a pivot for the company, which we've been expecting

for the last few years. So, that will take your orbit into a different scenario altogether. So, those are the most important forward-looking growth areas for us.

- Moderator:** The next question is from the line of Pranay Roop Chatterjee from Burman Capital Management. Please go ahead.
- Pranay R Chatterjee:** My next question is on a data point you disclosed the product wise segment revenue given in the presentation. I was comparing the Q3 numbers versus the Q4 numbers and seems like that some part of the other segment revenue has been moved to sheet metals because sheet metal contribution has gone up and others is almost half. Is this true or is this indeed the actual trend?
- Jayant Davar:** No, basically sheet utilization of the new facilities that were set up, we mentioned about the four plants that were set up for sheet metals, this is basically utilization of those plants which have obviously increased the element of sheet metal. So, while the others remain the same and continue to grow as the growth in this particular segment has been the highest.
- Pranay R Chatterjee:** By others I meant literally the others segment that you disclosed which used to be 14% of revenue in Q3 and it has become 7% of revenue in Q3 and sheet metal has gone from 12% of revenue to 19% of revenue.
- Yashpal Jain:** So, basically the content of other remains the same because other businesses includes our plastic business, the tools and dyes and our aftermarket business. But if you see the total figures like the revenue base of Q4 in comparison to Q3, , the element as sir told of sheet metal was literally lesser compared to the growth in Q4 of the sheet metal. So, there has not been any shift on the product from others to sheet metal, right? Secondly, others –
- Jayant Davar:** We might give them the increased bridge, the bridge there between last year and this year closing, whereas that revenue come from that might be useful to answer this question.
- Yashpal Jain:** So, that which is on an annual basis. So, like if you ask me out of the total revenue from 2,908, we have grown up to 3,521, 200 crores have been contributed by sheet metal and allied business. That has been the major contributor to the revenue. And dye casting has been close to 180 crores. These two majors are the contributors in this. Others have given us a total revenue on yearly basis 66 crores. On an average it comes to 15, 16 crores a quarter and that's our miscellaneous business, we cannot classify into any segment because the volumes are very low like tools, dyes, we have plastic business, we have aftermarket business which are in the stage of being growing up. Might be in the coming years they may also find a position like other products.
- Pranay R Chatterjee:** Is it possible to disclose because this other segment is a significant part of the total business, double-digit percentage that how much margin you clock here? I know it's difficult because it's a model of multiple different things, but is it even possible to figure out if it's at the company level or dilutive or accretive, something on those lines?

- Yashpal Jain:** So, on an overall basis, it is very difficult as we told because it's a cluster of many type of products. But yes, if you ask me, aftermarket business is one of the contributors; it contributes around 8% of margin for us and it has been a major contributor. Tools and dyes are there. Again, they are in a double-digit margin. These are the two major contributors in other segment.
- Moderator:** The next question is from the line of Shubro, an individual investor. Please go ahead.
- Shubro:** I just wanted to understand a little bit more about one particular product, which is the motor controller. So, could you speak about the potential market size which we will have maybe in the next two to three years, the competitive landscape and what kind of competition we face from the foreign players and what are our aspirations in this product?
- Jayant Davar:** To answer this question, in summary, we have a motor controller, and our rated power is 250 W, 2 kW and 6 kW. The application of this is towards the two-wheeler and the three-wheeler. We expect that our product readiness in these three different configurations is June '24, July '24 and November '24. Now you are aware that the market size of India in EV segment, especially in the two-wheeler space is large, the USP that we have is that most of our product is localized, and we as a company do a lot of sub-constituent parts in-house whether it is the aluminum body, whether it is the plastic body, whether it is the PCB, we have our own lines compared to many other competitors who are today importing these sub-parts from China and other places. So, the customers obviously want to have a localized product and therefore we don't see an element of an issue of demand. We are now in the process of working in conjunction with our customers. Our ICAT approvals have already been done. And we see that once the supply start, the volumes, of course, are dependent on the Indian market and that is as much your guess as mine, but we don't see too much of an issue in having a demand for the product lines on motor controllers for us.
- Shubro:** Just to take this forward, what would be the total contribution of the total EV cost for a motor controller?
- Jayant Davar:** I understand that the value of this can range from Rs.4,000 to Rs.9,000 per vehicle.
- Moderator:** The next question is from the line of Rajat from Incred AMC. Please go ahead.
- Rajat:** Sir, just one bookkeeping question. I was just going through your balance sheet and I see that your receivables have some shot up significantly at the end of this year, which is up like 37% on a YoY basis. Could you give us some color why receivable days have gone up?
- Yashpal Jain:** Receivables have gone up, you mean to say?
- Rajat:** Yes.
- Yashpal Jain:** It's currently at 402 crores versus Rs.293 crores at the end of last year. So, what happens is that like as we mentioned in our call, the new plants, they have come into mass production which

were not there last year if you compare with the last year. So, obviously that payment is not due, which we have received in the month of April. That is one of the reasons. With the increase in the turnover, the size of the receivables has also increased. But you see, our effective receivables day, have come down and they have improved; we are close to 35 days of receivable days overall.

- Moderator:** The next question is from the line of Jay from Dolat Capital. Please go ahead.
- Jay:** So, my first question is like, was there any one-off during this quarter in terms of any one-time cost, any of the price appreciation?
- Yashpal Jain:** Can you repeat your question please?
- Jay:** Was there any one-off in terms of price compensation or incentive for this quarter?
- Yashpal Jain:** Incentives from government bodies or from the customers?
- Jay:** Yes, sir, from the government bodies.
- Yashpal Jain:** No, this quarter doesn't have any incentives from government bodies. It's a revenue normally from the operation.
- Jay:** Could you just throw some light on your locking business like were there any new customer acquisitions or some incremental business from your existing clients during this quarter?
- Jayant Davar:** I just want to again reiterate the fact that the locking system business is a new platform with smart locks where the value of the smart locks can be anywhere between 8 to 10 times of the locks that we produce. So, for the company, it's a big thing and with two launches now happening in October and November, the landscape of that particular business will change dramatically.
- Jay:** So, apart from that, were there any interest shown by the EV segment for the smart locks like we have TVS, IQUBE or for Ola or other players which are into EV, are they interested in the smart locking business?
- Jayant Davar:** Yes, we are talking to all of them, but the first launches that will happen in India will be Suzuki and Honda which will take it on a mass scale. Now, obviously there are others which are doing it, whether we are supplying now to MMW... there are many who are talking about it and some have launched in very, very small volumes. But obviously our interest was mass volumes. So, the mass volumes are the ones that I am talking about, which will take onto the market for its first direction, and gradually all of them will move on to that particular platform on a mass basis.
- Jay:** Sir, since TVS being your largest customer, how do you expect it to contribute going ahead?
- Jayant Davar:** Well, I think the capacity that has been set up especially in the sheet metal division in the last two years, the new plants that have been set up, they have largely been set up for TVS. Therefore,

you have seen that pocket grow a little higher. But I think we are now at a stabilizing station stage and TVS today being the largest, whenever that happens, even in the previous scenarios of Sandhar, if Hero was higher, our idea is to bring that percentage down, not in terms of the volume of business, but to grow the other businesses faster. So, that exercise will continue.

Jay: Can you just throw some light on your Romania plant and how do you see it going ahead post all the strikes and after the geopolitical issues happening?

Jayant Davar: We have set up that plant and to that end, the utilization of the existing capacity is within 25%. So, obviously there is a huge upside and now things are changing, things are improving, and our two customers that we have there are growing their businesses in terms of sourcing it more from the Eastern European nations like Romania. So, we expect that number to now continuously grow month-on-month in terms of the revenue that we generate from there. The strike was in North America, so there Romania was not at fault, it was Mexico that dropped its revenues.

Moderator: The next question is from the line of Shivam Dave from Prodigy Investment. Please go ahead.

Shivam Dave: I had one doubt on the smart lock segment. What is the order size that we have got from Suzuki right now?

Jayant Davar: The Suzuki order book is with a level of 550 crores over three years.

Shivam Dave: When will it start contributing to the top line?

Jayant Davar: I think it's October or November launch this year. Obviously, it's gradual and therefore we will only get a part of the revenue in this year. They gradually add on to vehicles and vehicles and vehicles. That, I think is the overall summary of what we're looking at.

Moderator: The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Sir, earlier you mentioned about some developments with regards to the capacity expansions. So, for example, you said expanding capacity for casting components in Western India. So, can you just reiterate on that and any other key developments with regards to capacities you're taking this year?

Jayant Davar: Well, I can give you broadly and maybe Yashpal ji can give you greater details. We are setting up one new plant which is coming up in Khed City in Pune and we expect to have it commissioned by August of this year. In terms of other capacities, we had one big plant which had four divisions in Oragadam in Chennai which was the base for our cabin and fabrication division, our casting division, our sheet metal division and the auto division. That plant has now been given completely to the fabrication business for the growth plans in Chennai and other three businesses are moving out to set up their own facilities, some in rented premises, some in a new facility and therefore, all four businesses are growing and that capacities are being set up in place as we speak. In the meantime, the Mysore facility that we had set up again for sheet

metal where the capacity utilization was very low, is going to get to higher capacity utilizations in this year.

Rahil Shah: So, for EBITDA margins, I think you said we will follow the same guidance, and we will see an improvement of 50 basis points. Is it for the whole year are you expecting?

Yashpal Jain: Yes, it is for the whole year on year-on-year basis.

Rahil Shah: In FY'24, you are expecting 50 basis points increase?

Yashpal Jain: Yes, 50 basis points is our target.

Rahil Shah: And just for overall the business had a general directional guidance and an outlook. So, which like segments are firing on all cylinders and will take the company will give a good amount of growth in FY'25 you can explain that because in two wheel and four wheel industries we've also seen like more than two times volume growth, so is it likely to continue, so how are we faring well across all?

Jayant Davar: Well, I don't know how to answer this question. So, even last year, while there's a lot of hullabaloo, the industry overall grew by 8.99% and like I said, Sandhar grew by 21%. So, we are conservative on the numbers that are presented by the OEMs, but we ourselves are very confident of the new content per vehicle that we've taken on in the last few years and this will continue to grow. So, at this point of time we are quite happy.

Moderator: The next question is from the line of Pranay Roop Chatterjee from Burman Capital Management. Please go ahead.

Pranay R Chatterjee: How much maintenance CAPEX and growth CAPEX totaling everything you mentioned would we do in FY'25?

Yashpal Jain: Well, maintenance CAPEX would be around in terms of you ask me turnover 3% to 4% we will spend on the maintenance. Because what happens is that the government guidelines also in terms of running the generators, RECD guidelines, ESG requirements. So, 3% to 4% goes to the maintenance CAPEX.

Pranay R Chatterjee: So, sir, that would mean around 130-140 odd crores of maintenance CAPEX?

Yashpal Jain: Yes, yes, that is obviously.

Pranay R Chatterjee: Growth CAPEX?

Yashpal Jain: Growth CAPEX another 100 crores you can take. Part of the maintenance CAPEX also goes to the growth CAPEX. Some CAPEX are common. So, on an overall basis, you should see it.

- Pranay R Chatterjee:** So, if I were to sum it up for the investors, overall, the gross block will increase by Rs.200 crores?
- Yashpal Jain:** Roughly by Rs.200 crores. What happens is in terms of maintenance CAPEX we are increasing the efficiencies of the machines also which ultimately leads to more efficiency and running the operation. So, you can call it as maintenance CAPEX or you can call it as growth CAPEX, it's a mix of both.
- Pranay R Chatterjee:** FY'26 level should also be similar in terms of maintenance and growth?
- Yashpal Jain:** Well, maintenance as I told 3% to 4%, we will continue to do it so as per the new requirements. Growth CAPEX as of now we will be making the plans once we cross September, I mean the first half of current year.
- Moderator:** The next question is from the line of Shrenik Shah from Atul. Please go ahead.
- Shrenik Shah:** Sir, I wanted to ask what are our three to five year plans, can you please elaborate on that?
- Jayant Davar:** Well, I think a lot of groundwork has been done in the last few years. And the idea is that we are ready with new technologies with new content per vehicle, with capacities, with infrastructure, with the team that has been restructured. So, considering the momentum of growth that you have seen in the last two years, we expect that momentum to continue over the next three to five years.
- Shrenik Shah:** Are we saying that we can go for like 20% every year for the next three to five years?
- Jayant Davar:** Well, like I said, there are many ifs and buts, especially with a lot of uncertainty, whether it is geopolitical or it is health or it is company's economic growth or political scenarios, but keeping in mind that everybody being bullish about how India is in terms of its demographic dividend, in terms of its projected growth, I see no reason why we should not be able to achieve comfortably what we have in the last few years.
- Shrenik Shah:** What kind of revenues can we expect at full capacities in the joint venture heavy businesses like we have seven JVs all around the globe and we have a very high amount of capital employed over there also, so please you can elaborate on that businesses?
- Jayant Davar:** Well, there are three things. One is international business. The joint ventures are all in India. The international business is a 100% subsidiary. There, a large part of that capital is employed in working capital because the payment terms in international markets are much longer than they are in India. So, that's point #1. Where joint ventures in India are concerned, we are continuously in talks with our joint venture partners to introduce new levels of technology, and as technologies are changing and being adapted in India, we see a very satisfactory momentum in the growth targets that are being kept. I would say that they would be in line with the overall growth of the company.

- Shrenik Shah:** What kind of margins are attainable for the company as a whole? I know we are expanding it, but -
- Jayant Davar:** Well, I have mentioned this several times that a stable company margins can be between 12.5% to 13% in terms of EBITDA. However, there are many restrictions that come in which bring the margins down, especially for a company that is in a growth platform. So, in the last few years, our margins had dropped on account of large investments that were being done and a lot of our operational EBITDA was being lost towards these growth capital. However, now that we stabilize, you've seen the change, and that change is bringing back the margins back into operational parameters. Therefore, that is the reason why Yashpal ji has just mentioned that even in this year, you will see about a 50-basis points improvement in the margins that we will have over the last year.
- Moderator:** The next question is from the line of Aditya Sanjay from Complete Circle Capital. Please go ahead.
- Aditya Sanjay:** Just wanted to ask you and just get some qualitative thoughts from you. In addition to the three products that we have in the EV segment, are we having any conversations with other OEMs or are we looking at any other products, just qualitative comments will do, don't want any number around it?
- Jayant Davar:** So, the answer is, yes, on both fronts. While new products will not be launched besides these three in the current year, we are working on several others with several OEMs and co-development with several OEMs. So, you will see many more of them in the kitty as we go about.
- Aditya Sanjay:** These EV products, what percentage of the revenue pie would they contribute to, say in the next three, five years, do you have any internal targets in mind?
- Jayant Davar:** Well, I would not be able to give you any forecast on the percentage in terms of overall revenues, but suffice to say that over the next three or four years, they would become a significant number in the overall revenues of the company going forward and profitability.
- Moderator:** The next question is from the line of Hemesh Desai from Dolat Capital. Please go ahead.
- Hemesh Desai:** Just a couple of questions. The first one is on the aluminum diecasting business. As on have you had any new order in this segment and have you added any new customers or new products in this line?
- Yashpal Jain:** Yes, the new product development is going on. That's the reason you can see that the vertical has shown a very good growth in the last two years of time. And in fact, we are expanding this capacity to Western India also in Pune as sir mentioned in Khed City. So, largely we are catering to major two-wheeler customers in aluminum die casting, and we see no reason as to why we should not grow in this vertical in the coming period of time.

- Hemesh Desai:** Just my second question was on the tools and dyes business. What outlook do we have for the next couple of years?
- Yashpal Jain:** Well, tools and dies business, it's not a very, I would say recurring business, I mean it goes up basis the demand of the customer. It is seeing a good demand of 20% to 25% over the last two years. I think they should go in the same fashion.
- Moderator:** The next question is from the line of Jay from Dolat Capital. Please go ahead.
- Jay:** Sir, I just wanted to ask, is your outlook on iron basket going ahead?
- Yashpal Jain:** What market going ahead?
- Jay:** Iron basket or raw material cost?
- Jayant Davar:** Raw material cost is an astrologer call and very difficult for me to answer that question. You have seen some commodities starting to go up. Our standard answer and our standard line of approach to this is that this is a straight pass-through to the customers. However, there is a certain lag when the prices start to go up and there is a little bit of pain that comes, but overall on a larger platform this is a pass-through. So, whatever happened, it really doesn't affect the overall volume of profits for an organization, especially in the auto component arena.
- Jay:** Could you just throw some light on how much this lag is? Is it a one quarter lag or it is more than that when the lag is passed on to the customers?
- Jayant Davar:** The lag is typically; our costings are done every three months. Because of a lot of volatility that started to happen about three years ago, there are some companies that shifted onto a one-month platform, but more often than not costings are done after a period of every three months. So, the lag is three months.
- Jay:** Can you just throw some light on your assembly business and the outlook going ahead?
- Jayant Davar:** The assembly business is a part assembly business, part manufacturing business where we manufacture seal. We do the plating; we do the handles and so on and so forth. That continues to grow, but the rate of growth is that of the industry. So, if you look at that business, if the entire industry grows at 9%, 10%, that's the growth that we get in that particular business. The other growth or the accentuated growth is coming from the new product line.
- Moderator:** As that was the last question I now hand the conference over to the management for closing comments. Over to you, sir.
- Jayant Davar:** Well, I want to thank Dolat Capital and I want to thank all the people who joined this particular call and we are very happy that you could make it and we at our end to work together to take advantage of the Indian landscape and the Indian auto industry. And we hope that we will be

able to give you results which are probably better than what we have done in the last quarter.
With that, thank you all very much once again.

Moderator:

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