“Sandhar Technologies Limited

Q3 and 9M FY '24 Results Conference Call”

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MANAGEMENT: **MR. JAYANT DAVAR – CO-CHAIRMAN AND MANAGING DIRECTOR – SANDHAR TECHNOLOGIES LIMITED**
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MODERATOR: **MR. ABHISHEK JAIN – DOLAT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Sandhar Technologies Limited Q3 and 9 Months FY '24 Results 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Abhishek Jain: Thanks, Tushar. Good morning, everyone. On behalf of Dolat Capital, I welcome you all in third quarter and 9-month FY '24 conference call of Sandhar Technology. From the management side, we have with us Mr. Jayant Davar, Co-Chairman and Managing Director; and Mr. Yashpal Jain, CFO of the company. We thank the management for providing us the opportunity to host the call.

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

Jayant Davar: Yes. Good morning, everyone. Thank you, Abhishek, and Dolat Capital for putting this together. Let me also thank all the participants who agreed to join early this morning. Let me begin with some good news, some of what that you've heard yesterday already, I'm talking from Delhi. Nice sunny day today.

So let me begin by saying that Sandhar, your company has performed well. We've -- in terms of our quarterly performance, we've had a revenue growth of 23% year-on-year to INR892 crores. Our EBITDA has grown by 34% year-on-year to INR91 crores. And the biggest thing that I think all of you expected, and we wanted to reach that golden number was a double-digit EBITDA percent. We are at 10.2% in quarter 3 versus 9.3% that we had in quarter 3 of last year.

PBT is also up at INR39 crores versus INR27 crores. PAT has grown by -- so in terms of -- PAT, we are up 43%. Like I said, revenue up 23%. EBITDA up 34%. If I look at year-to-year, which is 9-month period, our revenue is up 21%, EBITDA 34% and PBT at 51% up.

So the numbers are good, and this is a start of better utilization of our capacities and utilization of the capex that had been done by the company in the last several years. We are now bearing the fruit and we expect and hope that this journey will now continue on this growth path going forward.

I'm also happy to say that this enormous growth that we are likely to see and are seeing goes with our tagline of growth motivation and better life. The Indian automotive industry is evolving with a focus on electric vehicles and sustainability, and Sandhar, your company is committed to leading in this transformation and experiencing serious growth.

So our focus stays on innovation, sustainability and in offering eco-conscious solutions for the industry. In the EV space, we are progressing very, very rapidly and satisfactorily all three product lines: DC-DC converters, EV chargers and motor controllers with large plans for the future. So I'm going to stop here and then answer your questions.

With me today is Mr. Yashpal Jain, our CFO and Company Secretary, who will assist in answering your questions to any specific areas that you might decide to ask for. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhishek Gaoshinde from Sharekhan. Please go ahead, sir.

Abhishek Gaoshinde: First of all, if you can if you can share the capacity utilization and the customer-wise revenue breakup for quarter 3?

Jayant Davar: Happy to do so. In terms of the -- for quarter 3, you said, right?

Abhishek Gaoshinde: Yes, sir. Yes.

Jayant Davar: Yes. Quarter 3, if I look at customer orientation, our largest customer now is TVS Motors, which is at 30%, Hero Motocorp is at 19%, JCB is a little less than 9%, Bosch is 4.6%, Royal Enfield is about 4%, Honda is 3%, Autoliv is 2.7%, PRW, 2.5%, Honda Cars 3.3%, Tata Hitachi 1.7%, Kobelco 1.4%, Tata Motors, 1.2%, overseas is 2.5% and other domestic are 15%.

Abhishek Gaoshinde: Okay. And what is the capacity utilization level?

Jayant Davar: Where capacity utilization is concerned, you are aware that we have set up new projects. In some of these new projects, which are in the domain of casting and sheet metal, we have crossed the mid-level capacity utilization, where our proprietary items are concerned, we are -- we -- this is -- this requires incremental capacity growth whenever we do.

So the additional capex required is very, very incremental and small. This is something where we can grow capacities very, very quickly. But in terms of large projects, Romania, for example, is still underutilized. We are still at a level of maybe 10% to 20%. That's where the growth will also come in. But in terms of the sheet metal plants and the other casting plants in India, I think those have crossed levels of 50% to 60% already.

Abhishek Gaoshinde: Okay. And sir, as we talked about the EV projects that we are developing in April, any progress in terms of engagement with the client for product launch time line, if you can share?

Jayant Davar: Well, we have one product that should be launched in -- so we are starting production of this -- probably trials are now going on as we speak. We hope to launch in the first quarter of the next financial year. We already have two customers who we are engaging with. In fact, pilot lots have already been sent, and we are in the process now of waiting for that company to go in for mass production. As soon as that happens, you will hear the good news. Unfortunately, I'm not in a position where I can give you the names of the customers right now.

Abhishek Gaoshinde: Okay, sir. And the last question is that if you can share your outlook for Q4 in terms of that, what kind of feedback you are getting from the customers regarding the production levels because we have union elections in -- union elections are coming there. And second, the overall year outlook for FY '25?

Jayant Davar: Outlook for FY '25?

Abhishek Gaoshinde: Quarter 4 and for '25, both.

Jayant Davar: Okay. Well, I'm not -- we don't normally give too much of future guidance, so I won't be able to give you numbers. All I can tell you is that the quarter seems extremely strong. You are aware that even in the history of the company, the fourth quarter has always been the strongest quarter. And I don't see anything changing there. We expect a very robust strong quarter, which will probably be better than all the other quarters.

Right now, the pipelines are full. The order lines are full. And we are working with full energy to be able to deliver those product lines to our customers. The -- like I said, you mentioned that the elections coming up. We do expect that there would be a little bit of a pullback in terms of commercial vehicles.

But in terms of the areas that we form our largest base, which is 2-wheelers or even passenger vehicles or construction equipment, I don't see too much of a pullback there. So for us, we expect that the year '25, while we are getting some ideas from the customers, which talk about a late single-digit kind of growth level in passenger vehicles, and even slightly higher for 2-wheelers, we'll have to wait and see.

But irrespective of what the market is where Sandhar is concerned because we are on a path where we are increasing the wallet share per customer our growth will definitely be much, much higher.

Moderator: Thank you and the next question is from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.

Pranay Roop Chatterjee: Great. Sir, I'm new to this business. So if you could just -- recently in the last 9 months, I saw that there's a good uptick, especially in the die casting sheet metal and in the other segment, right? So die casting and sheet metal, obviously, you've been building capacities, new plants over the last couple of years, and those are filling up right now.

But if you can just provide a brief commentary on what is driving the demand side on some of these incremental capacities, right? So creating capacity is one thing, and then you fill that up. What is essentially filling that up? What is causing for you to gain wallet share in some of those segments? And if you could just clarify what is this other segment in your product mix? And why is that seeing a good uptick?

Jayant Davar: Pranay, let me answer that question by first of all, giving you the basics as to why we set up capacity, why new plants are set up, they are set up at the call of the customers. So it's only when a customer says that I'm going to give you the business or this business is awarded to you that we begin the concept of planning and setting up any capacity.

So while the capacity utilization, like I said, is at 50%, 60% for some of the new projects. It is only a matter of time that these are going to be filled up with the orders that have already been committed to us by the customers. And therefore, you will see whether it's the die casting, whether it is sheet metal, whether it is EV, whether it is smart locks, which you are aware is going to be the biggest play in our field from now onwards.

The capacities, whatever have been set up have been done at the behest of the customer. So that was one. The second thing that you spoke about was -- I forget. Can you ask that question again? Sorry?

Pranay Roop Chatterjee: The other business segment has shown good growth. So what are the products comprising here? And what is driving the growth?

Jayant Davar: Okay. You want the detail of all that breakup. Yashpalji, can you take that, please?

Yashpal Jain: Yes, sure, sir. Basically, others we include tools and dies because we are into tools and dies business so there is one share of tools and dies. Then we have one aftermarket business. That is also clubbed with other businesses. We are very well present in plastics business.

That is also forming part end the other vertical. And there are clutch and break panels and others. So this is the breakup of other firms. I mean they are not so big verticals. That's the reason we have clubbed them with other verticals / product lines.

Pranay Roop Chatterjee: Got it, sir. And one final question that I had. So in the new products that you're expanding in, which is sheet metal and die casting, what is the -- like once the new capacities are optimally utilized, what is the peak asset turn or the peak revenue that you can achieve in some of these segments.

So I'm not asking when you will achieve it, it's like basis on normalized product mix that you are producing in those plants, old and new, in sheet metal and die casting, what is the peak revenue potential? And incrementally in some of your core segments? Should we expect a more moderate growth in line with an industry because you said that the capacities have to be increased incrementally?

Jayant Davar: Pranay, in fact, we are most bullish always on our existing proprietary lineup. And like I said, there is now a technology change. I had mentioned to you in the last investor call as well to this group that while mechanical lock costs about INR300 to INR400, the smart lock costs about 10x as much. We are now looking at this new financial year to be the onset of smart locks.

And therefore, we are extremely bullish that the existing proprietary businesses that we've had will have a catapult in the multiple times of growth that is likely to happen in the next few years. Where die casting and sheet metal is concerned, I told you that we are at running at capacities of 50% to 60%, and you are aware of the revenues and the breakup that should give you an idea as to what the ultimate revenues could be from these capacities.

Pranay Roop Chatterjee: So just a follow-up, this 50% to 60% is on the incrementally added capacities or on an overall basis?

Jayant Davar: No, there is no overall because you see we have several product lines. And every product line has a different capacity and a different capacity utilization. So it's impossible for me to tell you as a company as to what our capacity utilization is. It would -- those numbers would not mean anything. In sheet metal, for example, we are at 50% to 60%.

In die casting, we are probably at 70% to 75%. In terms of machining, we are at 85%. So there are different lines and different -- in Romania, we are only at 10%. But again, it's die casting in some sense. So if you were to break it up geography by geography, customer by customer, unit by unit, then the levels of this capacity, existing capacity and capacity utilization will vary.

Moderator: The next question is from the line of Abhishek Jain from Dolat Capital.

Abhishek Jain: Congratulation for a strong set of numbers and attributing double digit margin. Sir, my first question on the locking system. You have won many business in this particular segment, especially on the smart locking system. So if you can throw some more light on the potential of this new business?

Jayant Davar: Well the potential, Abhishek, is huge because effectively, after a while, you would see the entire conversion of the 2-wheeler industry go into smart locks, which basically means that you're looking at revenues potential to go up by almost 10x. And now India is producing a level of 25 million to 30 million two-wheelers is what we are looking to do then you multiply by that number. That is the potential.

However, there will be different kind of hybrid models made for the smart lock as well, which would mean that the range of pricing of the smart locks could be anywhere between INR1,200 to INR4,000 odd. We are still at a stage where we are doing it customer by customer. And to begin with, I think the adoption will be at a level of 10%.

But going forward, it will ramp up very, very quickly. You are aware that happens in most vehicles. Once a new technology or a product line is introduced, it doesn't take too long for that to get horizontally deployed across the sector.

Abhishek Jain: So you have won the business from Honda currently. So can you…

Jayant Davar: Some EVs that are coming in. But post that, from next year onwards, we go into Suzuki, which will be the main customer for smart locks followed by the others.

Abhishek Jain: Okay. And the next question is related with the current debt of the company? And what is the debt repayment plan going ahead?

Jayant Davar: What? Once again, please. I didn't hear you too much.

Abhishek Jain: How much current borrowings in the company and what is your debt repayment plan.

Yashpal Jain: Yes. Currently, we are having a debt by gross debt of INR553 crores. And our net debt of INR539 crores, Indian, overseas together.

Abhishek Jain: So it also includes the short-term rates.

Yashpal Jain: Yes, it includes short-term and long-term both. Short term, we are adding a very small quantum. So largely the terms loans that we have taken to fund our expansion plans.

Abhishek Jain: And how much repayment you have done in the FY '24? And what is your plan for FY '25?

Yashpal Jain: This year, approximately INR40 crores we'll be repaying as part of the term loan installments. And next year, we are looking at something apart from the regular installment, which can be around INR58 crores, INR59 crores. We are also expecting that another INR40 crores, INR45 crores we additionally pay to the bank. So by INR100 crores, we are keeping a target. That is how the year goes, the coming year goes up.

Abhishek Jain: Okay. And my last question on the margin side. This quarter, we have seen a quarter-on-quarter degrowth in the employee expenses, other expenses, so will it be sustainable? And can we see the margin expansion with the improvement in the volumes in the coming quarter?

Yashpal Jain: Like if you remember, we -- at the beginning of the year, we have given a guidance that we will be focused to improve our margins. And this year, we kept a target of growing something between 9.2% to 9.5%. I think we are very well on the track. And for next year also, we gave a guidance at 15% basis, we'll be trying to improve. So we are well on the track and the coming quarters will be seen as an improvement in our efficiency. Obviously, the margins should improve.

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

Pritesh Chheda: Sir, when do you think this sheet metal capacity of yours, which is a 50% utilization should be like full utilization?

Jayant Davar: Pritesh, this is going up every month, every month. We are working on predetermined orders by the customers. As we settle in, we bring stability into the operations, but I'm happy to say that month-on-month, the numbers are going up. We have the orders, it's about execution.

Pritesh Chheda: Any guestimate in sense when we be able to fully utilize them and go for a next round of capex do you think?

Jayant Davar: Well, at this point of time, we don't have any plans for any more capex in the -- except the ones that are already committed. Beyond that, we are not looking at any capex expansion or investment unless the customers come up with more orders. But at this point of time, we largely committed to the investments. And the idea is to utilize the capacities to the maximum and optimize our output.

Pritesh Chheda: And sir, what is the status on the Mysore plant? Is it operational?

Jayant Davar: The Mysore plant is operational. It is still at low levels of capacity utilization. We went into production in that. Yashpalji, when did we start production? Do you want to...

Yashpal Jain: September we started trial runs and post -- I mean in October -- since October it is in commercial production.

Pritesh Chheda: It is in commercial production. Okay.

Yashpal Jain: Volumes are increasing month-on-month basis based on the customer's requirement. So gradually, next 3, 4 months, I think it will be seeing more growth and more volumes. One more thing, we have already integrated our two manufacturing facilities into 1 facility that we promised with our stakeholders that we have already done.

Pritesh Chheda: Sorry, I didn't get this, sir.

Yashpal Jain: Actually, earlier, I mean, one of our tasks to improve our margins and efficiency was to integrate the manufacturing facilities at some of the common locations. In fact at Mysore, we have already consolidated our manufacturing facilities or old plant and new plant has been shifted into 1 single location of new plant.

Moderator: Thank you and the next question is from the line of Arjun Khanna from Kotak Mutual Funds. Please go ahead, sir.

Arjun Khanna: Congratulations on a good set of numbers. Sir, just on the new EV products, so we have identified these 3 products, we haven't yet talked about the capex outlay for the same. So how do you see the road map for capex for these 3 products over the next couple of years?

Yashpal Jain: Should I answer?

Jayant Davar: Yes, yes. Go ahead.

Yashpal Jain: So like Mr. Khanna, if you remember, like in last quarter, we told that around INR10 crores, we'll be spending in current year to set up the line. And we have kept a target of around INR20 crores to INR21 crores initially to invest in this first phase of EV products on these three points now. So around INR10 crores of spending we'll be doing in the current year. And balance INR11 crores in next year, and it all depends if the volume goes up we might incur some additional capex also.

Arjun Khanna: Sir, just to understand this INR21 crores, what kind of asset turn could it have? And in terms of margins, would it be similar to our current company margins?

Yashpal Jain: Well, we're…

Jayant Davar: Yes. It will be -- it's a very asset-light model, Arjun.

Arjun Khanna: Okay. No, that's what I was trying to understand, sir, because...

Jayant Davar: Very asset-light model, where you are aware that if you look at any of these products, most of them motor controllers, for example, the output per piece of supply is quite high, runs into thousands of rupees. And you know largely what you do is a coalition and of components that go inside.

Arjun Khanna: So it's more of assembly operations.

Jayant Davar: Yes. It's more an assembly operation. We do have the advantage as a company because we do a lot of subparts ourselves in our other divisions. We do not require the component-based investments. Those are already there, whether it's aluminium casting, whether it is the SMB line or the PCB manufacturer, whether it is plastics, whether it is other components that we already make. So for us, this particular division would source fees from our internal facility, where the capacities are already there, where the investments are already there and build on top of that.

Arjun Khanna: Sure. So the tougher part would be to recruit clients. Now on that front, how are we in terms of getting onboarded? I understand in the press release, you've talked about validation in the fourth quarter. But do we have some visibility in any company, we have won in.

Jayant Davar: We already have two clients. There are some who are waiting on the side-lines, Arjun. This is -- you are aware that many people got into this business. But we did have the advantage because we were probably one amongst very few who have localized this entire setup. You are aware that a lot of this is being imported as we speak to the existing customers. But going forward, the idea is that it should all be localized and India-centric and not China-centric.

And we do the check box there. And therefore, whatever we've done, we've done to make sure that everything is localized. So there are plenty of people sitting on the wing. We should start our production and supplies in the first quarter of next financial year. And I think the next time when we speak, I'll be able to give you more clarity.

Arjun Khanna: Perfect. Thank you so much Sir, the next set of questions is just on the net debt. We have given a guidance of maybe reducing it to INR100 crores next year. Given our capex outlay, we should be generating a lot more cash flows. So is there any new project or we are expecting working capital to move up for us?

Jayant Davar: Yashpal ji?

Yashpal Jain: Basically, right now, we are not planning any major capex or major expansion. There might be a capex or to take care of some new tools and routine activities. INR100 crores, we have taken on a conservative side because there can be some push-up in working capital requirements might be for a short-term period. But in case we generate more cash, we will be happy to repay more compared to INR100 crores.

Moderator: The next question is from the line of Abhilasha from Quantum AMC.

Abhilasha: Sir, we have mentioned that in sheet metals, we have utilization in the range of 50%, 60%, die casting is about 75%. So when tentatively, we are likely to reach full utilization levels in these capacities and when will we start contemplating about you know new capex areas? And whenever we start, like what will be our focus areas for the expansion?

Jayant Davar: Abhilasha, thank you for that question. I did mention in a previous question that this capacity has been built based on the order booking from the customer. So it's now a question of execution. In terms of execution, we've reached a level of 50% to 60%. We are hopeful that with the standing orders that we have, we will do an incremental capacity increase month-on-month. And we are hopeful that by the end of the next financial year, we'll be at levels of almost 90% in sheet metal and die casting.

Abhilasha: Sure, sure. And then, sir, for the future expansion in what will be like the metering, sheet metal die casting, what is your focus area? What are clients are indicating in terms of...

Jayant Davar: Abhilasha, basically, like I said, this all depends on what the customer wants from me. If the customer comes back to me in the next year and says they want an increase of capacity or for more parts to be built by us. We will anticipate and go into a mode of planning and executing of that capacity expansion. But right now, our focus is to utilize the capacities that have already been set up. As Yashpal ji just said, at this point of time, we are not looking at any large capex to happen in the next financial year.

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

Radha: Is [there anything] that we can expect from this exercise from next quarter onwards?

Jayant Davar: Radha, I didn't get that question. Can you repeat that, please?

Moderator: The line from the current participant has been dropped. Should we take the next question? Hello? Can anyone from management can...

Jayant Davar: Yes. Yes. Sure, go ahead. Anybody else?

Moderator: The next question is from the line of Aditya from Complete Circle Capital. The line for the current participant has been disconnected. We are going to take the next participant. The next participant is Pranay Roop. Please go ahead sir.

Pranay Roop: My first question is on -- I noticed in your aluminium die casting and street metal segments, there are some small part of the business there, which is focused on internal commercial. Could you give us a sense on how large that is as on today? Because obviously, we know incrementally you're expanding as well, but these segments are also growing.

So this incremental business that you're getting in sheet metal and aluminium die casting, what are those -- obviously, the products are very, very diverse. But what are those -- which parts of the 2-wheeler or a car are these going into, sheet metal and aluminium die casting parts and how large is the sort of the ICE specific products in these segments?

Jayant Davar: Pranay, for us, die casting is die casting and it is agnostic to be utilization of that particular part. So we make a parts for every kind of power train, let it be ICE, let it be EVs, anything. It depends actually on the customer orientation. So if customers today are making or building more ICE vehicles, we are doing ICE parts. The more is they do EV parts or hydrogen parts or biofuel part, we will do those kind of parts.

But overall, in the context of Sandhar, our reliance on powertrain is very, very minimal. In fact, the only area that you might be able to pinpoint and say we do any powertrain parts come in die casting, which are absolutely correct. But otherwise, if you look at it for die casting, it's a question of what you load, what tool you put and what output you get. So like I said, we do all kinds.

It may be a little difficult for me to give you part numbers and values right now. I don't have them offline. But if you are interested, we are sure we'll be able to put that together and take it offline.

Pranay Roop: Sure, sir. That is clear. My last question would be more on your internal capabilities and by capability, I mean, die casting is a capability, then your sheet metal fabrication. And then you mentioned a few, which will help you in the EV side of things as well. What are those key capabilities that you will be banking on when you sit at the helm of the company and look at the next say five, six, seven years, right?

So obviously, you have one plan for the next year that you have to execute orders that you have fill up the capacities, then you would probably have some idea about the next two years, if you fill up these capacities, this is how I will react the next year. But slightly longer, if you look at your business, which is a lot like a conglomerate given the geographical spread.

How are you planning to guide this business over the next five years, which are those capabilities that you're banking on? Like for example, you said smart lock -- smart key system, right? So that penetration increasing could be a good growth driver for your business. Then you have your EV products where you're trying to figure things out and start that business, get starting on that.

So if you could just give a brief on how you are thinking of guiding this business over the next five years because there is a lot of disruption that keeps happening in the auto sector, right, from technology side, volume side, pricing side. So I just wanted to get your thoughts on that.

Jayant Davar: Okay. Let me put it like this. It is a very subjective question. So you will get a subjective answer. We bought a company -- we acquired a company in 2006 in Barcelona, which is now called Sandhar Barcelona. This is the oldest die casting facility in Europe. And it came up with technology. And when we bought the companies, all the patents came along with you may or may not be aware that these tools that go into seatbelts, 60% of those tools worldwide are built by us. .

Now what makes it a little different and an entry barrier for the others is that this technology calls for machineless casting. So the parts are taken off the machine, a literally buffed and placed in containers that are shipped out to other parts of the world. This is the only place in the world where we have 16 cavity toolings, which is unheard of in any other part of the world.

So it is armed with those technologies that we've been gradually shifting and bringing learning into India as the volumes here grow up as the expectancy of the quality goes up and our customers are extremely happy. In fact, if you see the new businesses that are growing in die casting for us largely come because of the fundamental technology that we hold vis-a-vis many of the others.

So I'm giving you one particular example. And in that particular context, if you look at Romania, the new plant that has been set up, our customers who are very, very exacting and demanding like Bosch or TRW or several others are now pushing the business that they were doing in China to us, except that they want this to be sourced out of Europe. And therefore, our plant in Romania. Now while the capacity utilization is small there comparatively, but it's again expected to grow very, very rapidly.

Based on sales fundamentals, we expect that the business in India and die casting will grow very quickly. It's also on the basis of that, that last year, we bought out the entire business of TVS casting machining to us. Now every casting that goes into TVS is machined by us before it goes into their plants, every casting, whether it is sourced from us or sourced from elsewhere. So it is these technologies and this expertise that is leading us to grow in this particular business.

Moderator: Thank you and the next question is from the line of Radha from B&K Securities.

Radha: Sir, my question was that this quarter, we have announced a lot of plant consolidation. So what will be the total cost savings per quarter we could expect from such exercise? And could we expect this from next quarter itself?

Jayant Davar: Yashpal ji?

Yashpal Jain: Yes. Basically, in absolute figures, I mean, we won't be able to provide any sales. But yes, the road map that we have given to the market like will be going for double-digit margins in FY '25, so this consolidation is in line with the same. And this will help us to achieve double-digit growth -- I mean, sorry, double-digit margin growth in the coming financial year and also continue with the same in the current financial year. So absolute figure-wise, it's not handy with us. But yes, we're keeping the long-term plans, we have worked out the same one.

Radha: Okay. So on the smart lock front, so I think last quarter, we mentioned that we also have some order from Honda. So by when could we start supplying smart locks to Honda? Like physically, I understand from FY '25, what would be the road map for Honda?

Jayant Davar: Well, we are expecting that most of these launches will happen in the year FY '25, '26. We don't exactly have the base. I know that Suzuki dates have been postponed by 1.5 months, but that's about it. I mean at this point of time, we are in the midst of developing pilot making and supplying of these locks. So one would expect that the -- of course, the team would start to happen somewhere in the second half of FY25.

Radha: All right. Sir, lastly, sir, power and fuel cost for us is about INR110 crores INR120 crores per year. So we also have announced this quarter that we'll be setting up some solar power plants. So what percentage of our current cost is through solar is spinning? And how do you expect this mix to change? And what kind of cost savings could we get in the future because of this.

Jayant Davar: Sure, Yashpal ji, we have the details of our solar capacity handy?

Yashpal Jain: So currently, like in many of our plants, we have own solar panels. But what we have done is now we have introduced a contact with the solar panel like in the generation companies like the CleanMax, two agreements that we have executed. And furthermore, we'll be doing with that.

So it's a zero capex investment, solar migration that we are doing compared to the earlier model where we were installing our own solar panels. So the companies, they are doing the same. And per unit wise, depending on the state power tariffs, but the approximate -- INR2.5 to INR3 per unit in total power cost.

Radha: Sorry, I could not get that number, sir.

Yashpal Jain: The savings due to migration to solar panel -- in the solar power is around INR2.5 to INR3 per unit. It's a zero capex business. We are not investing any capex.

Moderator: Thank you and the next question is from the line of Udit Gupta, an individual investor.

Udit Gupta: Sir, my question is regarding the Romania plant that you just said is operating at around 10% to 20%. So when is that expected to scale up?

Jayant Davar: We expect that scaling up to also happen from now onwards. So we expect an incremental growth in capacity utilization, growing going almost every month, you will see some growth coming in there.

Udit Gupta: And, sir, that plant is mostly in the die casting business?

Jayant Davar: Yes, it is largely in the die casting business. The reason for that to have gone slow was largely on account of the delay in setting up the plant, which again happened because of the Ukraine war. So the steel and everything that had to be sourced, whether it was building materials in this side and the other were all coming from Ukraine.

And that got a hit and then we had to read out them through Europe and other places, which meant that the project got delayed. The project is now set now. We've started manufacturing. And incrementally now, you will see capacity utilization going on.

Udit Gupta: And sir, regarding a 4-wheeler order that you have spoken about the last call or the call before that, it's about and order from Hyundai sir, when that expected to start delivering?

Jayant Davar: We are in development. And again, this -- the launch of that is financial year '25.

Udit Gupta: Financial year '25.

Jayant Davar: Yes.

Udit Gupta: And sir, no major capex for the next financial year?

Jayant Davar: No major capex. Of course, we have maintenance capex. You know we are close to 47 to 50 plants overall locations and maintenance capex, incremental capex, all that happens, but no major plants are being bought off. In fact, Mr. Yashpal Jain just told you that we are trying to consolidate some of the plants where we have to, we are trying to bring them into one and so on and so forth. So the idea is to bring more optimization of the resources that we have.

Udit Gupta: Sir, any other further plans or plant integration sir, apart from the one that you've already done?

Jayant Davar: We are doing currently in the process of doing two, one in Mysore, one in Nalagarh. We are also -- some of our facilities and land was being -- was not utilized. So there is a new plant that's coming up in Khed City. There was one plant that we had, which was vacant in Sanaswadi that's being now being -- will be used for our cabin and fabrication division. So the idea is to optimize the resources that we've had.

Udit Gupta: I get your point, sir. And sir, regarding your point about the elections at that time my voice just cracked that time. You just said that during the election, this off-road vehicle market goes a little down. So what was that point?

Jayant Davar: I said that the commercial vehicle market, if you look at history, drops down a little bit. And we expect that to be the case, should happen. I'm not saying will happen, but likelihood of that, in terms of history, there is a drop in commercial vehicles. So financial year '25, may see a drop in the commercial vehicle space.

But overall, the industry per se would grow in maybe late single digits. We at Sandhar, of course, will do multiple times that on account of the fact that we are utilizing and increasing the capacity and the wallet share with our existing customers.

Udit Gupta: And for the 2-wheeler market, you are not expecting any slowdown after the elections?

Jayant Davar: I don't think so. You know on one hand, it's a cash-based situation where the 2-wheeler market has started to become a little more robust than it was in the previous year. And I don't see that particular movement will be impacted too much with the election.

Moderator: And the next question is from the line of Ajay Kapadia from Motilal Oswal.

Ajay Kapadia: My question has already been answered.

Moderator: The next question is from the line of Aditya from Complete Circle Capital.

Aditya Kondawar: Sorry, I got dropped out last time. Congrats on a great execution. Very happy to see double-digit EBITDA margin. Wanted to ask you what is the kind of steady-state margin that we would see going ahead in the business? And my suggestion was, you know if you could organize a plant visit nothing like it.

Jayant Davar: So first of all, your plant visit, very happy to have you here with us. Please send us an e-mail, and we will organize it as per your and our convenience. The other question that you said was on double digit and what the potential is, we believe that the potential of the company is to probably be in the region of 12% to 13% margin as possible. We used to have those margins and higher, especially in the proprietary businesses.

However, you are aware that in commodity businesses of sheet metal and casting, it becomes a little difficult. But on an overall holistic platform, 12% to 13% is possible. We had gone down that margin stake because of the fact that we were setting up several plants and doing a lot of expansion, where because of the support of the existing facilities, some expenses are marked towards the current P&L.

That portion being over now and an expansion being in place, we expect consolidation to start happening and our margins coming back to levels, which we have already crossed double digit. We expect this to keep improving as we go forward.

Moderator: As there are no further questions, I would now like to hand the conference over to management for closing comments.

Jayant Davar: Thank you, Abhishek. Thank you all the participants today. Let me close by once again reiterating that all our core sheet metal plants at Nalagarh, Halol, Attibele and Mysore are in mass production now and growing month-on-month in terms of volumes. The machining for casting plants at Hosur and Mysore are also operating at almost full scale now to meet the increased capacity for casting components.

The company is expanding its capacity in Western India, utilizing one of the facilities or the lands that we already had. This is expected to commercialize by July 24. The major focus would be to tap the passenger vehicle and OEMs in addition to 2-wheeler and the commercial vehicles. The focus areas for the company are largely to the generation of more free cash flows. We want to deleverage the balance sheet. We want to improve the return on capital employed. We want to improve the operational efficiency and reduction on costs.

We want to control on the new capex and maximum utilization of capex that has already been incurred. We want to integrate the manufacturing plants that I mentioned earlier. And obviously, our continuation of diversification of product portfolio, expanding customer base and increasing content per vehicle as one of our directions for the company continues. And this will catch even more speed as we go towards the next year.

With that, I want to thank you all, thank Dolat Capital and Abhishek for putting this together. God bless and all the best.

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