

**Ref: STL/SE/ 2023-24/Investor Call Transcript /14**

**Dated: 01<sup>st</sup> June, 2023**

To,  
Department of Corporate Services  
BSE Limited  
Phiroze Jeejeebhoy Towers, Dalal Street  
Mumbai- 400001

To,  
Listing Department  
National Stock Exchange of India Limited  
C-1, G Block, Bandra Kurla Complex  
Bandra, (E), Mumbai- 400051

**BSE Code: 541163, NSE: SANDHAR**

**Sub: Transcript of Investor's Conference Call held for Q4 FY 2022-2023 & FY 2022-2023**

**Ref: Regulation 30 read with part A of schedule III to the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015**

Dear Sir/Madam,

This is further to our letter dated 15<sup>th</sup> May, 2023 related to the Investor Conference Call and pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby enclose the transcript of the Investor's Conference Call held on 29<sup>th</sup> May, 2023 to discuss the financial results for the 4<sup>th</sup> quarter and financial year ended 31<sup>st</sup> March, 2023.

The above information will be made available on the Company's website <https://sandhargroup.com/investors/transcript-of-conference-calls-with-investors-analysts>.

We request you to take the same on record.

Yours faithfully,

**For SANDHAR TECHNOLOGIES LIMITED**

**Komal  
Malik**

Digitally signed by  
Komal Malik  
Date: 2023.06.01  
12:54:08 +05'30'

**Komal Malik  
Company Secretary &  
Compliance Officer**

**Sandhar Technologies Limited**



“Sandhar Technologies Limited  
Q4 FY '23 and FY '22-'23 Earnings Conference Call”  
May 29, 2023



**MANAGEMENT:** **MR. JAYANT DAVAR – CO-CHAIRMAN AND MANAGING DIRECTOR – SANDHAR TECHNOLOGIES LIMITED**  
**MR. YASHPAL JAIN – CHIEF FINANCIAL OFFICER – SANDHAR TECHNOLOGIES LIMITED**

**MODERATOR:** **MR. ABHISHEK JAIN – DOLAT CAPITAL MARKETS PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 FY '23 and FY '22-'23 Earnings Conference Call of Sandhar Technologies Limited 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 from Dolat Capital. Thank you, and over to you, Mr. Jain.

**Abhishek Jain:** Thank you, Michelle. Good morning, everyone. On behalf of Dolat Capital, we welcome you all in the fourth quarter FY '23 conference call of Sandhar Technologies. 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 management for the opening remarks, followed by the question-and-answer session. Over to you, Jayant, sir.

**Jayant Davar:** Okay. Good morning, everyone. Thank you all for being here. Let me begin by, first of all, giving you a good sight of whatever has been happening, as promised. And as we had anticipated, we achieved a revenue growth of 25% in the financial year '22-'23 at a consolidated level, and we expect to register about the same level of growth in the next year as well, of course, keeping in mind that everything in the market and the geopolitical situation stays stable.

Our consolidated EBITDA is about 9%. But with production being ramped up and various cost control measures, we lost almost INR37 crores at the bottom line basis last year on account of these losses. But the good news is that all of those loss-making units have now turned around, so this will not be something that we will have to carry forward in the future. So we expect a healthy improvement in our consolidated EBITDA margins for this coming financial year.

In terms of the auto industry, while you've seen that all these sectors of the industry barring 2-wheelers are in a very aggressive mode, we do expect that with the news that we have from 2-wheelers, the new launches being done, there is action that has started to happen. So the auto industry, especially in the 2-wheeler segment, is looking at some positive share in this particular year.

I'm going to leave it there and then answer as your questions come along which are directed specifically to different parts of the business. I also have with me here today Mr. Yashpal Jain, the CFO of the company, who would be happy to clarify any questions you might have in terms of financials or numbers or so on and so forth.

With that, thank you all once again for being here this Monday morning. Thank you very much.

**Moderator:** We have the first question from the line of Saurabh Jain from Sunidhi Securities.

**Saurabh Jain:** A very healthy set of numbers. Congratulations for that. I have a few questions. You have given a very nice product road map for battery chargers, motor controllers and DC converters. So would it be possible to quantify in terms of revenue what kind of opportunity could these 3 products bring to us in coming years? And when can we start seeing this going to our revenue?

**Jayant Davar:** Okay. Let me answer this question. Obviously, I will not be able to give you a number projection in -- which would be against the stipulated laws. But what I can tell you is that we have at this point of time 4 products which are ready. One is the DC controller, which is isolated and non-isolated. This is developed. The ICAT approval of this has also been done. There is the EV charger, where this has been done with a technical collaboration with a partner. The proto readiness is done. The performance validation is done. At this point of time, we expect that in these months, as they go on, the ICAT approval is under process.

Then we have the motor controller in 1 kilowatt, 2 kilowatt and 4 kilowatt. Again, the proto readiness is there. The performance validation is done. The product validation is being done, which is also expected to go in for ICAT approval between August and October.

We have the hub motor, which is already ready, but the cost of that is higher as we see at this point of time. So we are exploring different variations to the technology for more [inaudible 0:06:23].

For our EV business, Saurabh, a new company has been incorporated. This is called Sandhar Auto Electric Solutions Private Limited. The premises have been identified, infrastructure development is in progress, and the company expects to go for trial runs in the last quarter of this year. We've executed technical collaboration agreements with 2 providers, and we're working very closely with them for the development of products as per the customer's requirements.

So that's the kind of input that I can give you as we sit today. Obviously, this financial year, because production will begin only in the last quarter, the numbers will be very small or insignificant, but we expect to ramp up numbers from next year onwards. I hope that answers your question.

**Saurabh Jain:** Yes. That was helpful. But if you could share what was the revenue share from EVs during FY '23. And of course, you won't be able to quantify the contribution from your other opportunities from these new products but if you could give a rough idea that in next 2 to 3 years what kind of -- what percentage of our turnover would be consisting from these products, rough idea.

**Jayant Davar:** Okay. Yes. So the way we are looking at it is, at this point of time, we already supply to EVs. In fact, we supply to almost all the EV manufacturers that there are in the country. But the items that we supply or the products that we supply currently are our regular range of products, which could be locks, which could be mirrors, which could be sheet metal items, which could be plastic items, some castings and so on and so forth.

The products that I spoke about earlier are the products which are specifically for electric vehicles, for their powertrain. At this point of time, yes, Yashpal Ji is here, he might be able to

tell you what is the current revenue that we get from the EVs in terms of numbers. But going forward, from the EV-only products, the powertrain products that we've developed now, we expect the revenue -- very difficult for me to give you a range, but if you were to ask me in percentages, we would expect that in the next couple of years, the revenue of this could be between 5% to 10%.

**Saurabh Jain:** Great. That was helpful, sir.

**Jayant Davar:** He could -- Yashpal Ji, he could give you the number right now if you want. Yashpal Ji if you could give the number of..

**Yashpal Jain:** Yes, yes. So yes, so for agnostic products which has been supplied to the EV companies, the figure is around INR25 crores of items we have supplied to the EV companies on our existing products.

**Jayant Davar:** In the last financial year. Yes, in the last financial year.

**Yashpal Jain:** Last financial year.

**Jayant Davar:** Thank you. Thank you, Yashpal Ji. Any more questions?

**Saurabh Jain:** Yes. And sir, in one of the past con calls, you had talked about shift to smart locks.

**Jayant Davar:** Yes.

**Saurabh Jain:** And that is a very big opportunity for us, and realizations will go up from INR300 to INR400 to INR1,600 to INR2,000.

**Jayant Davar:** Yes.

**Saurabh Jain:** So when can we see -- if you could give us some road map with respect to smart locks.

**Jayant Davar:** Yes. Okay. Let me put it like this. Well, I did say INR1,600 and I did say INR2,000. But effectively, the first orders that we have in hand now range from INR3,600 to INR4,400 that we've already received. You'd be happy to know that one of the product lines, especially in the EV sector, has already launched our product with the smart locks.

I'm also happy to tell you that we have an order from a Japanese manufacturer, I can even name is Suzuki, where the price line is about INR3,700. But the product will go online in, I think, if I'm not mistaken, it's May or June of next year. That's when they go into mass production of this particular capability.

I'm also happy to tell you, while I cannot name the customers because we are not in a public domain yet, we have 2 other customers where we are likely to be able to announce soon the introduction of the smart locks. I do believe that in the next 5 to 6 years, a large portion of the industry, both IC engines and EVs or any other powertrain mechanism, will all be on smart locks. Does that answer your question, sir?

**Saurabh Jain:** Yes. But I have a follow-up one. So sir, roughly 19% of our turnover comes from locks. And what percentage of that would be smart locks? And do you see that this 19% share going up substantially in the next 2 to 3 years because of these high range locking systems coming in?

**Jayant Davar:** Well, to answer that question, I will not be able to give you a percentage because you would obviously understand that INR300 or INR400 to INR3,700 is a big price jump. So the volumes that we have going forward are 50,000 sets, 100,000 sets and so on, which are still small comparatively in the next financial year.

However, as we go forward, this percentage is likely to go up, but let us not take away from the fact that all the other -- you did say locks are 19%. The other 81% is also growing very, very aggressively, maybe not as aggressively as this price change would happen. But I would imagine the other portions of the business are also growing dramatically.

If you look at sheet metal, where we put up 4 new plants, obviously, this is all new, so that you will see a big jump in that percentage in this financial year. Castings are growing very, very rapidly. We have gone in for electrochromic mirrors, which again there is a dramatic change in the price point. So the idea is that the -- not just the wallet share but the value addition in each one of these product lines is rated to go up dramatically.

**Moderator:** Thank you. We have the next question from the line of Abhishek Jain from Dolat Capital. Please go ahead.

**Abhishek Jain:** Sir, congrats for a strong set of numbers despite a tough time and a slowdown in the total SP. Just sir, as you mentioned that there is a 25% growth you are targeting in FY '24, so what would be the key figures, if you can explain in segment-wise growth in the each segments?

**Jayant Davar:** Yashpal Ji, you will have the numbers of different businesses. Would you like to answer Abhishek?

**Yashpal Jain:** Yes.

**Jayant Davar:** Thank you.

**Yashpal Jain:** Yes. So Abhishek, like as we see, our MD has said that we'll be witnessing a growth of year '23, 25% in the coming year. And the large part of the growth will be coming from our new projects, which were likely the 4 projects in sheet metal space. That will see a major growth in revenue terms. It will be around 70% of their existing revenues in the coming financial year. And other segments will be contributing around 21%, 22%, that's all, including Barcelona.

**Abhishek Jain:** So how much incremental revenue will come from the sheet metal business in FY '24, sir?

**Yashpal Jain:** We expect that the revenues incremental will be around INR300 crores, sir.

**Abhishek Jain:** INR300 crores.

**Yashpal Jain:** Yes.

- Abhishek Jain:** And it is from the HMSI and TVS? Or are there...
- Yashpal Jain:** No, there are multiple customers, sir.
- Abhishek Jain:** Okay. And we have seen a stark change in revenue and margin from overseas business, and there was a 40% quarter-on-quarter growth in the revenue. So what is the reason of stark growth in revenue and margin in overseas?
- Yashpal Jain:** Yes. So thing is that the Romania plant is in operation in the last week of the third quarter, so third quarter witnessed a higher cost of, I would say, commissioning for the Romania plant. So that was the reason the margins are down.
- But fourth quarter onwards, we have started the business, and the demand is also good in Europe. So in the coming year also, we'll see all the 4 plants in action in overseas, and that will be a good jump in terms of growth in revenues and margins also.
- Abhishek Jain:** So what would be the contribution of the Romania plant in -- from the first quarter onwards in the revenue terms, sir?
- Yashpal Jain:** It will be around INR150 crores from the first quarter onwards.
- Abhishek Jain:** On quarterly basis or annual basis?
- Yashpal Jain:** Quarterly basis.
- Abhishek Jain:** So Romania plant will...
- Yashpal Jain:** Sorry, I'm telling you consolidated Barcelona -- or overseas consolidated.
- Abhishek Jain:** Overseas consolidated.
- Yashpal Jain:** Yes.
- Abhishek Jain:** And what would be the margin, sir?
- Yashpal Jain:** Margins, like we are having EBITDA of 13% in the overseas business. That will continue.
- Abhishek Jain:** And in the cabin and fabrication business, we have seen a very strong traction, but there was a margin concern earlier. How is the current progress on the margin and the top line growth, sir?
- Yashpal Jain:** Yes. So like the commodity prices are stabilizing, you know that our cabin and fabrication is largely dominated by the commodity prices. That was one of the reasons for drawing down the margins. But now it's improving, we expect that it will continue with 8% on our EBITDA margin in the coming years.
- Abhishek Jain:** And my last question on this ADC segment. We have seen a very strong traction in overseas as well as domestic business. So how is the current -- what is your revenue growth target in ADC? Plus, are you looking for any capex in ADC, sir?

- Yashpal Jain:** As of now, what are the capex earlier plan for new projects, that would be funding. Because we have done the capitalization in the last financial year, the outflow will be taking place in the current financial year. So as of now, if you ask me, no new projects are under ADC. And the growth, if you ask me, the die casting business, we'll be expecting around 23% to 24% of the growth in the coming year.
- Abhishek Jain:** And margin?
- Yashpal Jain:** Margins will be about 9% approximately, depending on the customer demand in all of the sectors.
- Moderator:** We have the next question from the line of Radha from B&K Securities.
- Radha:** Congratulations on the performance. Sir, so given that we are expecting 25% revenue growth, so if we take on a cash back basis, we are expected to generate around INR250 crores of profitability next year. And with limited working capital requirements, we can reduce significantly in this year the limited capex. What is your debt repayment schedule for the next year and the capital allocation policy for the next few years?
- Yashpal Jain:** Yes. So like we have taken up 7 new projects in the last 1.5 years, largely, capitalization is complete, except the Mysore project, which will be commissioned in the current quarter, that is June '23. As of now, we have around INR100 crores of capex payments to be done to various vendors to complete this Mysore and other projects that we have done.
- So as far as the debt level is concerned, presently, we closed at INR547 crores of console debt. We don't expect any increase in the debt. In fact, we had planned the repayment schedule in terms of the repayment of term loan instalments also. So this will be coming down in the current financial year.
- And capex-wise also, we'll be doing that, we'll capitalize what is required to achieve the plant and run the operations. If you see last year, we generated a cash inflow after payment of taxes of INR308 crores at console level. And with our cost-saving measures and other control measures that we have taken, we expect to continue to generate heavy cash flows to take care of our needs in terms of capex and opex both.
- Radha:** Okay, sir. Secondly, on the EV side, could you give us an understanding that how much we have deployed just on the development of new products on the EV and how much are we expected to deploy for the next 2 years?
- Yashpal Jain:** Yes. So as of now, we have started the development of EVs as Mr. Davar told as the site has been identified. We are in the process of spending. So currently, roughly we'll be spending around INR9 crores to INR10 crores in setting up the facilities. And as the business grow, we'll see how much is required to further expand on the EV side.
- Jayant Davar:** Radha, let me just expound a little bit on this. That might be a question for many -- several others. We are keeping the manufacturing infrastructure and development costs very lean. You



asked what we've spent so far. A lot of this has been developed in-house over the last few years, and therefore, this has been consummated in the R&D expenses that we've been doing. So we haven't specified that this was for EVs per se. That's already being done. What Mr. Jain is referring to now is the lines that are being set up for the effective production, where development, where payment to PCs and so on and so forth is largely being accounted for.

**Radha:** Sir, lastly, I wanted to understand, as of now, what is our market share in the locks business? And given that we are expected to supply to CBC and also could you confirm if we are expected to supply to Honda Activa S and Dio S, which are the 2 models with the smart locks. So if we are expecting to supply to that and other smart technologies for the next few years, what would be our market share in locks in the next 2 to 3 years vis-a-vis now?

**Jayant Davar:** So as I'd very much be aware that we are the largest producer of locksets especially in the 2-wheeler segment in terms of volumes, where mechanical locks are concerned.

Smart locks is new. I've already announced the Suzuki business that has already been awarded to us. I am not at liberty to announce the other customers, but I would want to leave that message that development of that is on. As and when we get clearance from the OEs to announce their names, we will do that. But I see no reason why the leadership position that we have in locks will not continue going forward even in the smart lock section.

**Radha:** Okay. So sir, just on this bit, you mentioned that you will be supplying from next year, so just wanted to understand what are the models that we are targeting.

**Jayant Davar:** Well, there are 2 models. One is mechanical locks as well. So all mechanical locks will be supplied by us, where the -- and all smart locks will be supplied. This is a 100% change of our business.

I do not have the exact model numbers, but from what I understand is that the volumes of 2-wheelers for mechanical locks is about 700,000-odd. And for the smart locks is whatever smart locks we use in whatever vehicles. It could begin with something like 50,000 vehicles perhaps which will move on to smart locks on an immediate platform.

**Radha:** Sir, 7 lakhs over a period of how many years? .

**Jayant Davar:** No, that's annual numbers.

**Moderator:** The next question is from the line of Nitinn Aggarwala from UTI Mutual Fund.

**Nitinn Aggarwala:** Sir, firstly, when you say that in Europe we are expecting a 13% margin, so currently, we are just about 10%, so what are the margin drivers that we are building in for this margin expansion?

**Yashpal Jain:** Nitinn, I'll answer this question. Like we are maintaining a margin of around 13% up in our overseas operations. As I mentioned, we commissioned the Romania plant in last financial year, right, in the third quarter. So there was an initial start-up and the development cost that we have charged to P&L account. Because of that, you are seeing a margin of around 10%, which won't

occur in the current financial year. We'll be maintaining our momentum of 13% as nearby EBITDA margins with overseas operations.

**Nitinn Aggarwala:** But like in the overseas business, the margin has remained impacted from 3Q of FY '22. So was that because of the energy and raw material prices which has completely normalized right now, and this 10% margin is building in only the start-up cost? Is that understanding correct?

**Yashpal Jain:** Yes. Largely, the start-up cost is building, which has reduced our margins. Otherwise, all the raw materials and inputs cost has been normalized over there.

**Nitinn Aggarwala:** Okay. And this start-up cost is expected to stabilize from 1Q itself next quarter?

**Yashpal Jain:** Exactly. Because the plant is being commissioned initially, as you know, we need to get a validation from customer. A lot of expenditure has to be done in development, testing, etcetera, that way. So while the fixed cost continues, the development cost also continues, but this will be over for the current quarter.

**Nitinn Aggarwala:** And on the stand-alone business, would you want to give a similar guidance of where can our margins go from here?

**Yashpal Jain:** Well, we -- as you see stand-alone also, we have shown a good improvement in our margins. For fourth quarter, like the current financial year, we have closed at 9.6% of the margin. And as Mr. Davar has explained that in the loss also, we are expecting new businesses with good margins. So I think we will be improving these margins in this current financial year.

**Nitinn Aggarwala:** Okay. And sir, we see that losses from JV has turned profitable this quarter. So are there still any JVs where we are still making losses or where we can see a big moat, our turnaround opportunities are still pending or more or less most of the JVs have turned profitable?

**Jayant Davar:** Let me answer that question. This question may be asked by several others as well. We have in a lot 7 JVs that were commissioned in recent times, in the last few years. There was the helmet JV, which was Sandhar Amkin, which you saw has suffered losses. I'm happy to announce that in the last year, we did a revenue of over INR50 crores. And we are now not just positive on EBITDA, but we also have a PAT positive of almost INR2 crores.

There are others which has been Winnercom Sandhar and Sandhar Han Shin Auto Technologies. There again, between the 2 of them, they had a revenue of INR74 crores, again, PAT positive. Sandhar Han Sung Technologies registered a sale of about INR54-odd crores, again, PAT positive about INR2 crores.

Jinyoung Sandhar registered a sale of INR47 crores. On an operational side, it is profitable, but there was some setback on account of forex fluctuations. And then we changed over from a dollar mechanism to a KRW mechanism. So in the future, we expect this to be taken of.

Kwangsung Sandhar again started commercial production, registered a sale of INR35 crores. Again, operationally profitable, but there was a forex liability that has been restated, and

therefore, it is showing a loss. Sandhar Whetron is EBITDA positive already, and we expect the business to grow in '23-'24.

So that is the list of the 7 JVs that we have. In the current year, as we said, we expect no losses from any of these. I have said that. But our substantial profit are coming to the bottom line of the stand-alone units on account of what we've been suffering has been taken away from our main profit and loss account in the previous year.

Do you want to add Something, Yashpal ji?

**Yashpal Jain:**

No, that's fine, sir.

**Nitinn Aggarwala:**

That was very elaborate and helpful. If I may just squeeze 2 more questions, one is if you can give us some sense on what are the new order wins in the 4-wheelers and how are we seeing that segment to pan out for us.

**Jayant Davar:**

Well, what I can do is I can give you a percentage analysis of the overall thing as far as we will have it as to where our volume comes from and what percentage comes from. Unfortunately, I will not be able to tell you about the wins that are projected and anticipated in the current business plan. Suffice to say that our existing relationships with the -- whether it's 4-wheelers or 2-wheelers or tractors or commercial vehicles or even construction equipment is strong. And the existing customers obviously are coming to us with all the new models in play.

In fact, there is also a share of business expansion which has started to happen to us over and above the volumes that we were given. So if you look at it, the list will be exhaustive in the fact that we supply to almost 78 different OEMs. So very, very difficult to give you a broad -- an individual list of where the new order wins are coming from.

But if you look at any model, if you look at the -- whether it's TVS or whether it's a Hero or whether it is Honda Motors or whether it is Tata or Mahindra, all of them are working with us. And our new models are now being taken in for development, and some of it will start their volumes and production in the year that we are living in right now.

**Nitinn Aggarwala:**

Okay. And sir, when you are taking -- giving a guidance of 23% to 25% revenue growth, what sort of in the 2-wheeler industry growth are we building in, in these assumptions?

**Jayant Davar:**

To be honest with you, we have not taken any industry growth for 2-wheelers in this particular year. So we are being very, very conservative. And what we can add is the share of business going up, what we are looking at is the wallet share increase with new kind of components. What we are looking at is the utilization and optimization of the capacities that we have for the new businesses that have been set up, which is basically migration of business from our competitors to us. That's where this is coming in.

And this has been established, so these production lines are now being ramped up. You are aware that all these investments were made on the basis of the customers transferring businesses from

other peers to us. So this is -- so we haven't taken any growth in the industry. If there is growth in the industry, that obviously will be a positive for us in the upward arena of where we are.

**Nitinn Aggarwala:** Okay. Okay. That's really great to know. And sir, just one last question from my end is, if you see the receivable base or given the absolute numbers in debtors, so there has been a lot of volatility. So in FY '21 and '22, we saw the better days going up significantly higher, and then it has corrected again in FY '23. So like can you remind what happened? And is this the normalized level in FY '23 where your year ended?

**Jayant Davar:** Yashpal ji?

**Yashpal Jain:** Yes. So if you see that in the current financial year, our average receivables collection console has been 43 days compared to 55 days. So with the commodity prices being stabilized, the settlements were done from the customer side because what happens is we get a 1-quarter lag in terms of price agreements. So that has been done. There has been some renegotiation of payment terms with some of the customers, although I cannot name them because of confidentiality. So that has also helped us to, I mean, reduce our receivables collection period. And I think we will be able to maintain the same levels in the current financial year also.

**Moderator:** The next question is from the line of Pritesh Chheda from Lucky Investment Managers.

**Pritesh Chheda:** Yes, sir, I just wanted to check on this INR400 crores capex that we have done in the last 2, 3 years, and there's another INR100 crores lined up. So I think the total capex is a fairly large amount of this capex. And what assets have you put this capex at? And which are the core business areas where this large capex has gone into?

**Yashpal Jain:** This large capex has gone into the sheet metal businesses largely and the casting business. And from the Mysore plant, remaining plants are in production and the volumes we'll be seeing significantly in the current financial year.

INR100 crores is a balance amount that we need to spend out in terms of cash outflows to pay off the capex liabilities and to incur some of the capex required to finish up the Mysore plant. That's all.

And our asset turn has been quite good. We are about 3x of the total investment in terms of asset turns. If you take the effective capex versus, I mean, our turnover-giving units. And it is going to improve in the current financial year with the new projects adding up the business.

**Pritesh Chheda:** And when do you think that you will hit a peak utilization of this asset?

**Yashpal Jain:** Well, in terms of our existing assets, we are already at the peak utilization. In terms of the new projects in the current year, we'll be hitting the mass productions as to the timeline. So as per Mysore plant, all of the plants will be hitting the mass production by May of this month, which has already been started off.

**Jayant Davar:** And still has a meaningful capacity, for your understanding. Our businesses are such as aware, the small incremental capex increase have the propensity to increase volumes by a large number.

So for example, if we are doing locks, once the infrastructure is in place, you have a building and you have a common facility, a small line setup could expand the capacity by several times.

**Pritesh Chheda:** And in this product line that we have displayed in our presentation, any product line which is not -- is that a risk to EV transition?

**Jayant Davar:** No, none whatsoever. None whatsoever. They are very, very agnostic to the powertrain technology, sir.

**Pritesh Chheda:** And how much is this ADC overseas is all export, and that's the only portion of our business which is exports, which is 15% of sales?

**Jayant Davar:** Well, that is our international revenue. There is some exports that we do from India, especially in the cabin business and so on and so forth. But yes, in terms of foreign exchange earnings, the bulk of it comes from our overseas operations and overseas core plants that we have.

**Moderator:** The next question is from the line of Arjun Khanna from Kotak Mutual Fund.

**Arjun Khanna:** My first question is, while you have articulated the JV businesses' profitability, etcetera, could you let us know what is the capital deployed in the business including loss funding at this point in time?

**Jayant Davar:** Yes. Yashpal ji will answer.

**Yashpal Jain:** Yes, for joint ventures?

**Arjun Khanna:** Yes, sir.

**Yashpal Jain:** It is INR85 crores we have invested in joint ventures as of now, including all funding -- loss funding, etcetera.

**Arjun Khanna:** Sure. And when we look at ROCE, so when do we envisage at least getting or going above that for these joint venture businesses? I know this quarter has been extremely positive, but do we see this trend continuing in the next couple of years? And could we see a double-digit ROCE from this business?

**Yashpal Jain:** Yes, we are hopeful as per the plans that we have got from JV partners and we are seeing in the customer demand, we expect that the ROCE will significantly improve in the current financial year. And from next year onwards, we are also expecting a double-digit ROCE from JV investments.

**Arjun Khanna:** Sure. In terms of our debt, this year, our debt levels are pretty similar to the previous year. Going forward, while we should have our capex requirements are lower, do we envisage that current year's debt would be the peak debt unless we have some major capex?

- Yashpal Jain:** Yes, obviously. You can take it, the INR547 crores of debt. And we expect -- unless there will be new some projects coming up, new business coming here, we expect it to be reduced significantly in the coming 2 years of time.
- Arjun Khanna:** Sure. Is there any guidance you are giving out in terms of debt reduction?
- Yashpal Jain:** Well, normal repayments would be there for the term loans. So as of now, you see INR308 crores of the cash flows we have generated. Last year, largely INR250 crores we have spent on the capex. That requirement will be lesser this year because -- having said that INR100 crores of liabilities we have in terms of past projects and some amount of maintenance capex we would be required. So we expect that at least debt should be coming down in terms of normal repayments. And we don't see vis-a-vis this debt that we consider now, that INR550 crores.
- Arjun Khanna:** Sure. And lastly, in terms of the EV projects that we are currently on -- under development, if we have to productionize a lot of them, what would be the capex that we envisage for the same?
- Yashpal Jain:** Mr. Davar addressed like development activities we have done, only the lines will be required to set up, so that we'll be doing in Phase 1. In the current year, while the plant will be set up, the basic lines will be set up, we expect something to spend around INR9 crores to INR10 crores. And gradually in the next year, depending on the customers' business requirements, whether we require to expand those lines or to continue, that depends on the schedules that we'll be getting by this year-end.
- Arjun Khanna:** Sure. There would be no major larger greenfield capex for the same?
- Yashpal Jain:** As of now, nothing -- no major capex is on the cards, sir.
- Moderator:** The next question is from the line of Udit Gupta, an individual investor.
- Udit Gupta:** So my question is that with models like the Honda 110CC motorcycle being launched, sir, is it a problem for us? Or are you supplying to Honda these models also because we might lose some share to models like this?
- Jayant Davar:** I'm going to answer that question. I think it's a matter of pride for us that the first Honda lock business that we got was for this 110CC. We are the single core supplier, where we set up our lines in our existing Bangalore unit. And we supply from there completely for this new model that has just been launched, the Honda Shine or whatever it's called.
- Udit Gupta:** Sir, so it's not a threat to us?
- Jayant Davar:** Well, it's not a threat. I think in both of them combined, we supply to both of them. So that's what we are looking at.
- Udit Gupta:** And sir, so last quarter, you were telling us that you were looking at 2, 3 deals in the 4-wheeler business. So has any of that happened or like we are in process?
- Jayant Davar:** Please tell me. Can you repeat that question?

- Udit Gupta:** So last quarter on the call, you had said that you're working on 2, 3 deals in the 4-wheeler space, sir.
- Jayant Davar:** Yes. Yes. Yes.
- Udit Gupta:** So is there any progress on that front?
- Jayant Davar:** Well, we have got an order from Hyundai already, which is now under development. This is again a large order, supplies of which will begin from the next financial year.
- Udit Gupta:** Okay. And sir, the start-up costs that we are still incurring, so will it -- will the last of them be in the June quarter? Or are we expecting some in the September quarter as well?
- Jayant Davar:** It will go down, and it will taper down. Yes, Yashpal Ji, go ahead. Sorry.
- Yashpal Jain:** Yes, sure. Sure, sir. Yes, we expect to settle it down in June quarter.
- Moderator:** We have the next question from the line of Saurabh Jain from Sunidhi Securities.
- Saurabh Jain:** So what was the contribution from new projects -- 6 new projects during Q4 FY '23? And what kind of turnover can we see from these new projects at the peak utilization?
- Yashpal Jain:** So like to touch upon the turnover from these projects. As we mentioned that they were in the development phase in last financial year, so largely, there were development costs. The revenue was very insignificant, close or to around INR80 crores of the revenue that we generate from these projects.
- But in the coming -- like out of these 4 projects of sheet metal, 3 will be in mass production in the current financial year, while Mysore will be becoming in mass production by third quarter of the current financial year also.
- Saurabh Jain:** Okay. And sir, if you could give us broadly what was the capacity utilization in company overall and as well as JVs so that we -- of course, Jain sir has given the numbers on the JV front. But if we get the utilization level, it will be quite good to understand what headroom or growth do we have?
- Jayant Davar:** Yes. So if you were to look at all the joint ventures, the 7 of them that you have seen, we have basically just touched the top and the 2 lines. These are not very heavy investment JVs, as Mr. Yashpal Ji has just said. We have invested -- like he said, so far, our investments have been to the tune of about INR87-odd crores. I would expect that an asset turn of 5 to 6x is probable in calculating the utilization. INR87 crores is our portion, which is 50%. Obviously, if you look at the joint ventures per se, the numbers are much larger because the other 50% has been invested by our partner.
- Moderator:** The next question is from the line of Sailesh Raja from B&K Securities.

**Sailesh Raja:** Again, sir, recently, you said your Hosur, Attibele and Bangalore plants have very, very good infrastructure with a lot of automations. And the teams really did it, sir. I have 3 questions. Sir, in the last year, there are so many parts going inside the product. 30% to 40% of the cost still we are outsourcing. So any plans to reduce the outsourcing parts, sir, in the future?

**Jayant Davar:** No, we don't have any such specific plans to cut down outsourcing because you have to understand that in some of the locks, the number of parts that go in are almost 150. Now these constitute almost all kinds of technology, which is -- casting, again, within casting, you have aluminum, you have zinc, you have magnesium, you have several kind of specific plastics, you have rubber, you have steel, you have other kinds of metals that go into it. You have springs. And so if you were to add all those up, they add up to almost the entire scenario of the manufacturing industry of every kind.

While we have taken a lot of this inside in terms of large componentry, in terms of, let's say, castings, for example, we do not anticipate that we will go and to find production of almost all the technologies that there are.

And we do find that unless and until there is scale, it doesn't make sense for us to get into every element of manufacturing, so outsourcing of parts will continue. We will do a per-chart analysis as to which are those parts which bring value to the organization. And if there is cost-merit analysis, we always continue to see that. But at this point of time, I don't see any major initiatives from us in terms of bringing outsourcing of these component parts within us.

Yes, in terms of smart locks, for example, as you see is a large portion of our growth strategy, the manufacturing of the PCBs has already been considered, and we've already set up where we will be doing what there is.

**Sailesh Raja:** Okay. Okay. Understood. Sir, my second question, could you please talk about the steel wheel rim business? What is your plan here? As industry is slowly shifting to alloy wheel, is there any plans to scale down the business? And what is the margin...

**Jayant Davar:** Not at all. Not at all. Not at all. In fact, it's the other way around. The aluminum alloy wheels that came in came in almost 12 years ago when our volumes kind of dropped. And -- but it sustained itself. It went up to a level of almost 90% of the industry, and it's rolled back to 70%, 75% of the industry. Because of the onset of specific models where they felt that there was our legacy tradition and design which needed the steel rim, the business actually began to kind of grow.

Also, the fact that we are one of the few ones who had the coating facilities, so we haven't seen much competition in this area. And our capacities, in fact, we've grown capacity in the last few years. Incremental capacities have been grown both in terms of plating and output and so on and so forth. At this point of time, the way we sit, we absolutely see no threat of the business to the steel wheel rim projects.



- Sailesh Raja:** Okay, sir. Sir, my last question, can you please talk about our new machining business? Recently, we have taken a lot of orders from TVS. What was the revenue we have reported in FY '23? And how much you are targeting in FY '24 and '25?
- Jayant Davar:** Well, the business of machining that you are saying has been taken on 2 counts. One is that we have taken all the machining business of TVS, which means that every kind of castings that go into TVS would now be routed through us. We have taken this business only on a job work basis. The reason for that, again, is we wanted to cut down on the capital employed in the business, whether it was working capital and so on and so forth. The business, as it stands, we expect a revenue of close to about INR70 crores in this particular year with a healthy margin of somewhere in the region of 30-plus percent. That's what we are looking at with the machining business.
- The other element of the machining business is that while we do castings at machining ourselves, such precision casting as are being done, we will be moving in almost 400 machines, a part of which or let's say a major part of which has already been brought into our facility. The balance will be brought in, in the next quarter or so.
- This gives us an opening into a huge exports arena going forward. We haven't started any yet. We are still stabilizing the business for the Indian customers. But going forward, we see that to be a huge revenue and a profit product.
- Sailesh Raja:** Sir, in [inaudible 0:49:40] business, any further capex you are planning, sir, in addition to the INR70 crores, INR77 crores?
- Jayant Davar:** No, there is -- whatever has been, has already been advised, and the plants have been commissioned. I said there is a movement of machines that still have to move from TVS to us. And there is a spillover capex that we have to pay, which has already been adjusted in the numbers that were given to you earlier.
- Yashpal Ji, do you want to add something here?
- Yashpal Jain:** Yes, sir. So total outflow, we are expecting all together to finish in the Mysore and to pay the remaining portion of this capex of INR100 crores in India. That amount we will be spending in current year in terms of cash outflows to the equivalent capitalization we were doing in the book for the remaining, that's all under the financing.
- Moderator:** The next question is from the line of Ashish Kothi, an individual investor.
- Ashish Kothi:** I have 2 questions. One is in EV space, what is our total value for scooters or for 4-wheelers, passenger 4-wheelers?
- Jayant Davar:** Well, it is anticipated right now, I can tell you on the products that are ready with us, one is the DC controller, the EV charger and the motor controllers, all 3 of them bulked up, depending from model to model, could range from anywhere between INR15,000 to INR30,000 per vehicle.

- Ashish Kothi:** Okay. That is for both 4-wheeler as well as 2-wheeler?
- Jayant Davar:** No, this is -- I'm only talking of 2-wheelers. 4-wheelers, we are in the process of establishing where the cost of -- let's say, just the motor controller alone is about INR60,000 to INR70,000.
- Ashish Kothi:** Okay. So approximately, it will always be around, say, 15% to 20% of the value of the product?
- Jayant Davar:** It depends. It depends. It depends, again, on the vehicle. If you are looking at 4-wheelers, for example, if the cost of the vehicle is INR20 lakhs and you calculate INR50,000, it works out to a much lesser number. If you look at 2-wheelers and you look at all these products put together, then yes, the number you are saying is correct.
- Ashish Kothi:** Okay. Sir, we have -- Suzuki as a client in 2-wheelers.
- Jayant Davar:** Yes.
- Ashish Kothi:** But they are not our clients in 4-wheelers per se?
- Jayant Davar:** Right now, no.
- Ashish Kothi:** Do we intend to add them for...
- Jayant Davar:** Where we do supply to them, but we don't supply directly yet. We supply, let's say, some of the electronic parts that were established in the last few years have already started going. We are looking to talk to them and we are already talking to them of development of new parts. But at this point of time, we supply relays to them, but that is supplied through another Tier 1.
- Ashish Kothi:** Okay. And with regards to -- we take -- overall, our product range contributing to our total sales. How much that would be of India and how much would be normal?
- Jayant Davar:** At this point of time, it is very insignificant. At this point of time, like Mr. Yashpal Ji just said, our sales to EVs in the last financial year was to the tune of about INR25-odd crores. That came from our legacy product, which is our locks and metals.
- In terms of EV products itself, we will -- we are in the process of setting up lines as we speak in the name of the new company that I said, Sandhar Auto Electric Solutions Private Limited, which is a subsidiary. The production of this will begin sometime in the last quarter of this year, but we are not anticipating much revenue coming from this in this year. Yes, once the lines are established and production starts, it will form some portion of our revenues in the next financial year.
- Ashish Kothi:** It will be 100% subsidiary?
- Jayant Davar:** Yes. Yes, it's 100% subsidiary. .
- Moderator:** The next question is from the line of Radha from B&K Securities.

**Radha:** So sir, to a previous participant, you mentioned that you are not cutting in any industry growth in the 25% which we are expecting. And one of the key reasons for growth is increase in content per vehicle, especially with the 2-wheelers. And you also mentioned INR15,000 to INR30,000 for the new EV products in pipeline. Sir, so with respect to this, could you draw a road map for us how the content for vehicles was listed in FY '19 for 2-wheelers? And how is it now? And what would we expect it to be in the next 2 to 3 years?

**Jayant Davar:** Well, Radha, it is not a simple question. It is a good question, however. Let me try and answer it in some form or the other. You see, what happened was, let's say, if you go back 10 years ago, our contribution to, let's say, a Hero motorcycle used to be in the range of INR900, which today is perhaps INR2,000-plus.

If you look at TVS, for example, there are certain models in which when we started out, we only supplied them with a lock of INR300. Today, in some of the TVS vehicles, our contribution is as high as INR11,000 to INR12,000 per vehicle. And all of this has come with not the same part but with an additional part. And that expansion of the wallet share of that is increasing continuously.

Now as we said today, I mentioned that I think another gentleman asked that question, our locks itself goes from INR300 to INR3,000 in case it's a smart lock, for example. That's a 10x expansion on the value addition that you are putting into the picture.

The same is happening with mirrors, for example. We now have new kinds of electrochrome mirrors, which are completely different and where the price is again more than 10x. So it is happening with every product in one category or the other.

The other thing is in terms of, for example, the TVS lines or the sheet metal new plants that we put, these are products which we were not supplying earlier. They were either being supplied, we were not there, or if they ever being supplied, they were supplied by a competitor. Obviously, because we were found to be more viable, more competitive, better in terms of technology, we've got those businesses.

And this process and this strategy of the company will continue. And that is not going to stop. And that is the reason why we continue to grow despite the fact that in 2-wheelers we are not really taking any market growth for that particular sector.

So even in the last year, if you look at it, the entire market grew at 12%, but we as a company grew at 25%. I don't know if that answers your question, Radha. That's my best way to explain it to you.

**Radha:** Yes. Just lastly, could you give us the 2-wheeler keyless locking system penetration in the last year as of now? And what do you expect it to be in the next 3 to 4 years? And second, sir, since the cost of 2-wheelers have gone up significantly, like you mentioned in the last few con calls, with this keyless locking system penetration expected to increase further, I mean, do you see this jump in keyless locking system to increase significantly despite the rise in prices of 2-wheelers? And...

**Jayant Davar:**

Radha, again, a very good question. I mean the answer to that is very simple. You saw that in 2019, we as a country sold about 22 million 2-wheelers, which fell down to 13 million to 14 million. Dramatic drop down, and a large part of that drop was not only on account of COVID but also on account of the price increase. If you look at price increases in the 2-wheeler segment, they've gone up from 40% or, in some cases, 90% over what the numbers were in 2017, '18. Obviously, the market went in for a shock, and there was not so much of an ability to pay for these new brought-up prices.

Having said that, over a period of time, because of the cyclic nature, because of the replacement cycle that also comes in, people knew that they would have to buy. Add to it the fact that there has been a huge increase in the interest cost. And you are aware that a lot of vehicles are bought on EMI. When that EMI goes up because of the increase in interest rates, the overall impact of cost of ownership went up dramatically.

So one, what happens is, over a period of time, people get used to that idea. But we are still not at 2019 levels even today. What we are anticipating is that we will see very minor increase in the volume. Yes, there is a fact that a company like Hero, for example, is probably launching 20 models in this year. Some people are saying 30. Every company is coming up with new models to attract the different segments of the market. We will have to wait and see how that bodes up. But for us, our strategy continues. We will add to the value addition. We will add to the market share. We will add to the wallet share.

All of these are being put together in terms of newer technologies that are either being mandated from comfort perspective, safety perspective or from an ease perspective. All these 3 put together is bringing in new technologies. And new technologies will continue to add cost. But for us as a company, it will make sense even if the market doesn't grow as a sector.

**Moderator:**

Thank you. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

**Jayant Davar:**

Thank you very much, Michelle, for putting this together. Thank you very much, Abhishek, for getting everybody together. We tried -- me and Yashpal Ji, we tried to answer your questions to the best of our ability. However, feel free to reach out to us, and we will try and clarify whatever questions we can take under the allowed guidelines.

We are very bullish for the company. We are sitting solidly on the order book. And unless there is some world event that happens or there is something unusual that happens, I see no reason why the growth that you have seen in the last year will not continue.

We also are confident of the expansion in terms of our margins. We will continue to work on the reduction of debt. We will continue to work in improving the operational efficiency and reduction in costs. We are very much conscious on the control of new capex and, as many people mentioned, to make sure that we do the maximum utilization of capex that's already being incurred.



We are looking at integration of some of the manufacturing plants. We continue on the diversification of our product portfolio. We're expanding the customer base and, like many of you said, increase content per vehicle. That is our mantra. That's what we are trying to follow. And we are very, very hopeful that this will lead to very, very pleasing results for all of us.

Thank you once again for joining this morning. Thank you once again, Dolat Capital. Thank you, Michelle, for being the moderator today. Thank you very much.

**Moderator:**

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