

May 23, 2024

The National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra – Kurla Complex
Mumbai 400051

The Department of Corporate Services
BSE Limited,
P.J. Towers, Dalal Street
Mumbai 400001

Scrip Symbol: SANSERA

Scrip Code: 543358

Dear Sir/ Madam

Subject: Earnings Call Transcript

Please find attached a copy of transcript of Earnings call held on May 17, 2024 on audited financial results of the Company for the quarter and year ended March 31, 2024.

The above transcript will also be made available on the website of our Company at www.sansera.in.

Kindly take the same in your record.

Thanking you,

for Sansera Engineering Limited



Rajesh Kumar Modi
Company Secretary and Compliance Officer
M.No. F5176

Encls: a/a

SANSERA ENGINEERING LIMITED



“Sansera Engineering Limited Q4 FY-24 Earnings Conference Call”

May 17, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 17th May 2024 will prevail



**MANAGEMENT: MR. BR PREETHAM – EXECUTIVE DIRECTOR & CEO,
SANSERA ENGINEERING LIMITED.
MR. VIKAS GOEL – CFO, SANSERA ENGINEERING
LIMITED.
MR. PRAVEEN CHAUHAN – COO, SANSERA
ENGINEERING LIMITED.**

**MODERATOR: MR. RAUNAQ SABHARWAL – PHILLIPCAPITAL PVT.
CLIENT GROUP.**

Moderator: Ladies and gentlemen, good day and welcome to Q4 and FY24 Sansera Engineering Limited Earnings Conference Call hosted by PhillipCapital Private Client Group.

This Conference Call may contain forward looking statements about the Company, which are based on beliefs, opinions and expectations of the Company, as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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

I now hand the conference over to Mr. Raunaq Sabharwal for opening remarks. Thank you and over to you, sir.

Raunaq Sabharwal: Thank you Neha. Good morning everyone, on behalf of PhillipCapital Private Client Group, I welcome you all to the Q4 and FY24 Earning Conference Call of Sansera Engineering Limited.

We thank the Management of Sansera Engineering Limited for allowing us to host the call. From the management side we have Mr. BR Preetham – Executive Director and CEO, Mr. Vikas Goel – CFO and Mr. Praveen Chauhan – COO.

I now hand over the conference to Mr. Preetham for his Opening Remarks. And we will then open the floor for a Q&A session. Over to you sir.

BR Preetham: Thank you Raunaq. Thank you and good morning and welcome to everyone. Thanks for joining this call.

As told, on this call I am joined by our CFO – Mr. Vikas Goel, our COO – Mr. Praveen Chauhan, and our Investor Relations Advisor SGA team. The Results and the Presentations are uploaded on the Stock Exchange and the Company website. I hope all of you have had a chance to look at them.

We maintained our growth trajectory in the Fiscal Year 2024. We have reported a very healthy double-digit growth annually since our IPO. This growth is driven by our efforts to expand our emerging business segments, namely non-automotive, tech agnostic and xEV. We closed the year with our highest-ever annual revenue and EBITDA at Rs.28114 million and EBITDA at approximately Rs.4800 million respectively.

For FY24, I am very happy to say that our Board of Directors have recommended a dividend of Rs.3 per equity share.

The EBITDA margin has improved from 16.4% in FY23 to 17.1% in FY24 on the back of business mix and operational efficiencies. Our quarterly revenue and EBITDA were also at record levels at Rs.7459 million and Rs.1268 million respectively. Overall, the auto industry remained buoyant during the year with growth coming across all market segments including two wheelers, three wheelers, passenger vehicles, tractors and commercial vehicles. The two-wheeler segments growth was a function of both ICE and EV growth.

Historically Sansera has outperformed the industry growth by a healthy margin. Our performance in the past few years is a reflection of the same. In terms of business mix details, quarterly numbers are available in our investor deck, I am going to focus on our annual numbers to share some strategic insights alongside. Our auto ICE segment delivered a growth of 17.7%. The growth of this segment is driven by both addition of new customers as well as expansion in valid share of the existing customers like Bajaj, Maruti, Tata Motors, General Motors and TVS.

Zooming further on auto ICE segment, both motorcycles and PVs grew by over 20% approximately at Rs.9521 million and Rs.6014 million respectively. These are our largest in markets in the ICE space and continue to see traction amongst the global OEMs. With our manufacturing progress, we are able to address their needs in a swift manner. xEV segment grew by 10.7% taking the total sales to approximately Rs.2616 million, with growth spread across India and Europe.

Two-wheeler scooters, which are transitioning into EVs at a fast clip de-grew by 10.8%, resulting in a sales of approximately 1533 million. To offset this trend, we have built a solid portfolio of tech agnostic and xEV products, which registered a healthy 43.3% growth. Our auto tech agnostic revenues were close to Rs.2000 million. This segment offers a variety of products including suspension parts, braking system, chassis components, stemcom steering, aluminum forged components, among other things. We have an interesting customer lineup over here, including premium two wheelers, and premium manufacturers who are based across the world. On EV side, we delivered Rs.1243 million in top line registering a growth of 52%. This growth is largely driven by the commercialization of our orders for a marquee North American customer.

Moving on to non-auto side, this business has been growing in accelerated manner. We delivered a revenue of Rs.3239 million with a 25% growth in this segment. Aerospace and defense segments registered 19% growth to reach a top line of Rs.1093 million. Broadly speaking, this business has doubled between FY21 and FY24. Despite experiencing a few minor setback this year. The business maintains a positive long term outlook due to substantial interest shown by both existing and the new customers. And we are very, very positive on the segment.

On the defense side, the validation cycles are fairly long, we have begun our journey in this segment, with a few marquee projects. We maintain our growth positive outlook on this segment. As expected, the off-road segments have passed the milestone of Rs.1000 million. In fact, we grew by 66% in this year to touch sales of Rs.1144 million. Agriculture sales declined to Rs.556

million. Industrial and marine engine coms which are an offshoot of CV coms are expected to be a major driver in a non-auto category. These components are typically larger in size than CV components for a larger size engines. We have recently secured significant orders in this sector from prominent international clients.

Taking a minute to talk about our Swedish subsidiary:

Despite some changes on account of product share reorganization in the last year, we reported a 11% increase in revenues. As we mentioned in our last call, we had several discussions with our anchor customer here. Resultantly, we have received orders for additional products in this facility.

Moving to order book updates. Of the new business with annual peak revenues stood at Rs.15.9 billion as of March '24. This is after our annual reset. As you are all aware, we reset our order book at the beginning of the year. This mix of our order book is in sync with our long-term vision with respect to the business mix.

On the CAPEX front, the new 4000 tonne press which will be commissioned in the H1 is well on track. In fact, our team has just recently visited manufacturers and cleared the press. Along with this, we are adding two more presses of 2500 tonnes and 1600 tonnes respectively to increase our capacities for the bigger engine category of components. This will be a very meaningful, there will also be a very meaningful addition to the capacities in light weighting and aluminum components here as well.

Typically, these components, these aluminum forged components replaced steel forging components to achieve light weighting requirements. A strong demand for these components is expected from premium vehicles, EV vehicles and also hybrid vehicles. Given the nature of these components, there is a potential to increase the revenue per vehicle by four to five times compared to our ICE per vehicle components. We also foresee a large export opportunities with these components. Our diverse product portfolio in these is the cornerstone of our continuous growth over the years. With this portfolio we are able to pivot and evolve continuously to meet shifting market demands as well.

With several years of efforts, Sansera has built a legacy on ICE side. We strive to create the same recall for ourselves in emerging business segments as well.

Now, I hand over this to my colleague Vikas Goel who will talk about our Financial Highlights. Vikas.

Vikas Goel:

Good morning everyone. Thank you Preetham. I will talk about the 4th Quarter performance first and then I will cover the full year performance.

So, for the Q4 our revenue stood at Rs.7459 million, which is a 21% growth on a year-on-year basis. While both domestic and international business showed strong growth in the quarter. The

international business outpaced domestic business resulting in gross margin improvement by 1.2%, including the continued improvement in the manufacturing efficiencies. EBITDA grew by about 32% on a year-on-year basis, to Rs.1270 million. Growth in the gross margin flow through our EBITDA and we achieved a margin of 17% versus 15.5% in the corresponding quarter of the last year.

The finance cost for the quarter increased to Rs.225 million, largely due to higher levels of debt. During this period, we also completed our investment in MMRFIC of 200 million, so the last installment was paid during the 4th Quarter. We also invested in a renewable energy project during the 4th Quarter, which will help us improve our overall green power percentage in the total energy consumption. Our profit after tax for Q4 stood at 465 million versus 354 million during the last year.

Coming to the full year basis, the revenue from operations surged by 20% year-on-year to Rs.28114 million. The growth in auto tech agnostic xEV and non-auto which represents our emerging business outperformed the auto ICE business at 34% versus 18%. So, the growth in the focus segments of tech agnostic xEV and non-auto was at 34%, while the growth in auto ICE segment was at 18%. As Preetham mentioned, we have multiple levers in place which will help this momentum to continue in the foreseeable future. With the effect of operating leverage, we were able to deliver a superior growth of 25% in our EBITDA, resulting in a EBITDA of 4800 million with a margin of 17.1%, which is a marked improvement against the performance of last year. The net profit for the year stood at 1875 million, registering a growth of 26%. On the debt front, our net debt stood at 7.4 billion.

On the cash flow side. Our cash conversion remains good, and our operating cash flow improved from 11% of the revenue in FY23 to 13% of revenue in FY24. Also, the operating cash as a percentage of EBITDA improved from 67% to 78%. Our CAPEX for the period stood at 3.4 billion, including 70% in plant and equipment, 15% in facilities expansion, and balance in maintenance and other categories.

On a like-to-like basis, our ROCE improved from 15.3% in FY23 to 16.9% or close to 17% in FY24. If we look at these numbers a bit differently by excluding the capital work in progress from both the periods, because that generally is an investment which is still to start delivering results, the ROCE growth will look like 17.7% from 16.2% of the last year.

Our Company is in a growth phase and a lot of investments that we have made over the past few years are not fully mature or in the process of getting mature. Hence, there is headroom for improvement or increased return profile over a period of time.

I would like to conclude this presentation and open the floor for Q&A. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: So, taking ahead, if you can give a little more color on the first is on this aerospace and defense where we have been, defense of course is not relevant, but aerospace numbers are not in the line. So, how do we see and second thing, we have a full potential of around 350 crore in the new facility, whereas we have order book of around 153 crores peak revenue. So, how do we really see the growth of this aerospace and what has led in Q4 or FY24 where we have not been really able to reach and defense also if you can give some more color?

BR Preetham: Thank you, Mr. Bharat. Yes, in fact, during our previous two earning calls as well, we had indicated that our dependence on in the aerospace is largely on two OEMs. And especially on North American based OEM through our Teir 1 as well as direct supplies is almost 65% to 70% of our revenue comes from them. Now, a couple of programs which were scheduled to start in the last year got postponed due to the regulatory approvals for the OEMs. So, resulting in push out of our orders to the subsequent quarters. So, we expect that all these because there are a lot of processes that have been put in place to strengthen a lot of supply chain related issues as well. So, we expect that things would be much, much better in this year, while the order book remains to be very strong our expected revenue generation this year again, is expected to be very strong, very close to 40% to 50% growth. But I would be guarded, because a lot of things are happening in aerospace segment, which actually is all positive, but we as a Company are very positive. In fact, all the capacities are in place as you rightly said, this facility of ours is equipped to deliver at least 350 to 400 crores worth of revenue. And if you really look at our order book is also quite strong. So, we expect that this year would be a good year for commercial aerospace. Now, in terms of defense, as you know that defense is a new segment for us directly through Sansera as well as through our newly invested associate Company, which is MMRFIC. So, there is a lot of exciting projects that we are working on both with Indian companies as well as with Indian government of companies, which are like HAL and DRDO and all the government agencies as well and also some very marquee foreign clients. So, not much of information can be divulged on this, but our journey into defense has begun and we are very quite bullish and excited on this.

Bharat Sheth: So, Preetham color on this aerospace what are we doing to de-risk from these to North American OEM to are we adding the customer and by 27 what is our vision for aerospace to contribute what kind of revenue?

BR Preetham: So, no we have already added, we are working on not only increasing the value addition but also increasing the product portfolio itself. We have added Saab as our customers, we have added Triumph Aerospace as our customer where these are primarily to de-risk our business. And then to further strengthen our offering in the aerospace field, the Board has also given a clearance to add special process facility to our existing machining facility. This would mean that a lot of dependency which we have today on external source for special process would be debottlenecked in terms of both, in terms of capability and capacity. So, with all the things we expect that this facility would be used fully by FY27.

Bharat Sheth: What kind of revenue do you have a inspiration to get from aerospace?

BR Preetham: When I say that this facility would be able to deliver 350 crores and it would be fully utilized. I am sure we are looking at by FY27 to fulfill this entire facility with order. So, we are looking at anywhere between 350 to 400 crores of revenue by FY27.

Bharat Sheth: Okay, great. And I have a question for Vikas on the bookkeeping. Vikas if I am trying to bridge what you have given, see FY23 order book versus FY24 closing order, till FY23 we had a revenue of around 2300 crore and 600 has moved into this year say into March production. So, it should work out something 2938 crore, but our revenue is coming 2800 crore, so does it mean that there was some kind of a dip from the previous customer and that has brought down this revenue. So, how do we really see, order book playing out and then there's some kind of, some component moving out of our sales revenue, if you can give a little more color?

Vikas Goel: Sure, sir. So, the process that we follow as and when the particular product goes into mass production, and we have reasonable certainty that it will continue growing, we exclude it from the order book at the end of the year. Now, this does not mean if you remove 600 crores worth of orders, it is not delivering 600 crores as of now, but 600 crores is the peak annual volume. So, this will still take some time to reach the peak levels. So, the growth in revenue that we see from last year to this year was partially through this order book and partly through other growth factors.

BR Preetham: And to add to what Vikas has said on order book. See, we do not take any kind of, this is an LOI volumes that would be indicated by the OEM. So, we generally take it as the same because we need to create capacities as well on that, but generally when you look at this, this would also include their market expected projection. So, there would be about 10% to 15% variation both plus or negative side on each of the orders depending on how the market receives those kinds of models. So, when we say that 600 crore is the LOI volume, so we should take some kind of haircut when we are look, we do thus when we are creating the facility. So, when we move the 600 crore order, it is partial contribution has come in the previous FY24 there would be contribution in FY25. And most probably this would peaked-out in FY26. So, that is how you should look at.

Bharat Sheth: Okay. Preetham or Vikas, you say that operating leverage is playing out. But that operating leverage is, I have seen that particularly in Q4. Our EBITDA has improved only because of improvement in a gross margin but other expenses are as a percentage to sales has almost remain same. So, how do we see the EBITDA if we are assuming that these gross margins sustain at this level. So, if you can give a little more color?

Vikas Goel: Sir there are two pieces in this, one is the product mix, which largely impacts positively or negatively the gross margin. Secondly is the manufacturing efficiency or operating efficiency, the improvement projects that we are running on a regular basis in various streams for improving the cost efficiency. That also works, and of course third piece of operating leverage or margin efficiency comes from the operating leverage when the volume increases, which is other expenses. So, there could be in the 4th Quarter specifically if you see, we had a slightly higher

freight cost because of the Red Sea crisis that was partially responsible not fully responsible, because not a significant cost. Similarly, there would have been certain other minor cost but we have been able to maintain the cost not increase it substantially, despite the growth in revenue.

Moderator: Thank you. The next question is from the line of Abhishek Jain from AlfAccurate Advisors. Please go ahead.

Abhishek Jain: Sir this year CAPEX was high around 340 crores and that's why the debt has increased to 890 crores and it has reflected also in the finance cost. So, just wanted to understand what is your debt repayment planned ahead and what kind of the CAPEX we can see the next two years?

Vikas Goel: Sorry Abhishek, can you repeat your question and go a little slow?

Abhishek Jain: Sir, what is your CAPEX plan for the next two years and what is your debt repayment plan going ahead?

BR Preetham: See, we are a growing Company and there is a very strong order book especially on new generation of components, higher CC engines and this thing. So, this all requires and we are in a vertically integrated facilities. Generally our kind of components also requires front loading of our CAPEX. So, this year, because we are adding some 4000 tonne press, 2500 tonne press and there is a lot of front loading of forging capacity is the thing, we are looking at approximately about 400 crores of CAPEX this year, but going forward in the next year, it should be back to our normal range of between 300 to 350 crores depending on the kind of order inflows that will be there. But since the order book is very strong, and we are also looking at adding capabilities. So, there would be some front-loaded investment this year. So, we are quite confident that with our cash flow and marginal increase in our debt profile, we will be able to, we will be able to manage our investments and in case there is and we are reasonably, very light on leveraging. So, we have not leveraged highly. So, we have option of taking further debt in case it is required, we will keep our options open as to how do we go about funding of this.

Abhishek Jain: Okay. And sir the current segment which is non-auto segment is around 12.5%. So, how do you see the growth ahead and what's kind of the mix you are looking forward in auto versus non-auto in the coming year by FY26-27?

BR Preetham: If you really look at our overall full year basis, our auto ICE is at 76%. And our other businesses of non-auto, xEV and tech agnostic stands at 24%. But if you really look at exit quarter, it is slightly higher it is almost at 26% instead of 24%. So, going forward, we have already said that on a longer mission we intend to reach 40% of our revenues coming from xEV as well as non-auto and tech agnostic components. And if you really look at our business order book, The future order book, it is very well acquired account, our businesses are flowing in that to actually say that, in fact our order wins are significantly higher in these category of components. So, we are quite confident that our vision, we are progressing towards achieving our numbers in that.

Abhishek Jain: Okay sir. And my last question on the other expenses side. So, basically it is quite high around 26%, 27% and this quarter you have impacted because of the Red Sea issues. So, what is your plan to reduce the other expenses to sales ratio and improve the margins?

Vikas Goel: So, as I mentioned earlier, there are various projects which are underway currently in terms of improving the operating efficiency or the manufacturing efficiency in various areas, we have invested in the 4th Quarter in a green energy or a renewable energy project, which will further improve our ratio of renewable energy. So, this not only helps us to contribute towards the sustainability, but it also helps us to improve or reduce our cost. Then there are various other projects currently underway, so we are sure that we will be able to handle or keep other cost under control.

Abhishek Jain: And what is the EBITDA margin in international business versus domestic business, because in international business you are facing some issues in Sweden, that's why margins are lower, so if you can throw some light over there what's your plan to improve margin over there?

Vikas Goel: So, Sweden business is a small portion of the total international business, our total international business is about 32% out of which Sweden is hardly 6%. So, 26% of our total revenue comes from exports from India, which is a very, very fast-growing segment. So, we are quite positive that this fast growth in the exports from India, which definitely is at the highest margin ratio compared to the other two segments will continue to help us positively.

Moderator: Thank you. The next question is from the line of Arjun from Kotak Mahindra Asset Management. Please go ahead.

Arjun: Sir, just continuing from some of the previous questions, firstly in terms of utilization, if you could just talk about that where we are currently and of the CAPEX you mentioned 400 crores for FY25, how much is it for new capabilities and what are these new capability that we are talking off?

Praveen Chauhan: Hi, good morning. On the utilization of the capacities that we had, we had spoken about that this year we might reach around 69% to 70%. We are very much on track and slightly better than that. So, as the existing business continues and as the domestic market grows, we will continue to improve this we optimally think that the best in the auto sector could be 80% of capacity utilization, because of cyclic behavior during the entire year. That's on the current capacities. On the CAPEX side typically, we are talking about close to around 40% going into auto ICE and most of the CAPEX going into newer technologies, which could be aluminum and it could be tech agnostic, EV and non-auto. We are on a track on a broad basis, and we will continue to do so going forward.

BR Preetham: Just to add to what Praveen has said that in the last year, we have added almost 26% of our capacity has gone into PVs and CVs on auto ICE. About 40% that is 20 out of 40% has gone into tech agnostic component and non-auto. Only about 15% has gone into auto two wheelers in

the legacy components, but that 15% also is for high end premium vehicles category of investment. So, mostly our new investments are going into as I said that into higher category of engine components like industrial engines and agriculture and heavy commercial vehicles and as well as 40% has gone into tech agnostic and non-auto.

Arjun: So, essentially this enables us to increase our addressable market?

BR Preetham: Right.

Arjun: Sure. And does this 400 crore also include overseas capacity?

Praveen Chauhan: No, it does not include any overseas capacity, there is some investment that has been done in Sweden facility to increase our automation levels for the new order that we have acquired. But that is to an extent of about 15 to 16 crores, other than that, there is no other investment that is considered for any overseas facility.

Arjun: Sure. The second one, just on Sweden. So, this year, just working on numbers we are very close to the target that we mentioned in the previous conference call of 160 crores, just wanted to understand what would our EBITDA margins be for the year for the overseas for Sweden, and in terms of our outlook for FY25-26, since we are investing for new capacities, what could be the size of the order win?

BR Preetham: I will just first tell you about the order win and then Vikas and Praveen can talk about the EBITDA margin and what we are looking at. See Arjun, during the last year we had said that Volvo has taken up this de-risking proposal, wherever we were 100% we have been cut by about 20%, 30%, 35% and we have got similar order. So, in that process, there are two lines, two kinds of lines were operated in Sweden facility, one is a high volume fully automated line in which we were 100%, we were catering to 100% of Volvo's those requirements, while the volume from that line was cut, and they have added new components which was generally done on a mixed line which was primarily not automated fully. So, if we have to continue doing that way then it will cost a lot of labor cost and it would not be feasible for us to produce. So, what we have decided is, since they have a 17-liter engine order has been confirmed to us and this is what is going to take us back into the normal levels of revenue which will be in excess of about 200 crores. So, we are investing about 15 to 16 crores in automating the second line in order to ensure that it becomes feasible, and we are on track for about 10% to 11% of EBITDA. Now, currently Praveen can you just take the current numbers and see what we are.

Praveen Chauhan: See current year is a transition period, the investments have just started, and it may take around three to four months at least, to do that activity and after that only we will start getting the benefits of that automation. So, current year being the transition period, we expect the marginal improvement from last year's numbers, but the real margin improvement would happen in FY26. So, that's where we stand on the overall business, we are on a growth track, as mentioned that we have acquired an order of 17 liter connecting rods in 100% capacity so that full volumes

would actually appear in the next financial year, which is '26. So, '26 would be an interesting year to see where in margin improvements would happen. And the top line growth would also happen.

Vikas Goel: So, this year we should expect between 5% and 6% EBITDA, Arjun.

Arjun: And then move in 26 to closer to 10?

Vikas Goel: Yes, 11% is what.

Arjun: And for FY24, we would have done closer to low single digit 1%, 2% margins?

Vikas Goel: 6.4%

Arjun: Okay. So, we are expecting flat margins 24 to 25?

Vikas Goel: That's right.

Moderator: Thank you. The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan: Couple of questions from my side, first what is absolute EBITDA and percentage of debt you like to keep on a standalone basis?

BR Preetham: You mean standalone performance.

Lakshminarayanan: Net debt as the percentage as well as on an absolute basis over the next couple of years?

BR Preetham: Can you repeat the questions, we couldn't hear it properly sorry.

Lakshminarayanan: My question is, in terms of debt on the books, on the standalone basis what is the, what is the absolute debt in INR million as well as in terms of the percentage in terms of debt equity you like to maintain for FY25 and FY26?

Vikas Goel: Sir in FY24, the absolute net debt that we had was 6419 million for FY24. Going forward and this basically on a consolidated level, it translates to a debt-equity of 0.54. Going forward, we believe that the debt-to-equity will continue to improve because we used to be 0.57 in FY22, reduce to 0.55 in FY23 and now 0.54 going forward we expect this to marginally improve, because we are generating a lot of operating cash in the business and bulk of the investments will be funded through the cash generation itself.

Lakshminarayanan: Got it. Now, in terms of the CAPEX in the last year and also in the next two years FY25 and 26 which segment you would like to spend the CAPEX on of course you mentioned 4000 tons and 2000 tons, etc. Amongst the various segments like two wheelers, aerospace, defense, how the

debt was, how the CAPEX was spent on machinery as well as land for the last year and how do you think in the next couple of years, just broad numbers would help.

Vikas Goel: Sir, I had referred to that in the remarks that say, so about 70% of the investment was made in the plant and equipment during last year. 15% was spent on facilities expansion that is land and building and balance 15% was on maintenance and other categories like IT and miscellaneous categories. So, that's how it was spent last year. Going forward this year, bulk of the investments will be on the forging and machining capacity. And we are also building a new facility for the new forge shop for the larger presses that we are acquiring. The new factory or expansion of the building of factory is under construction as of now. So, that will be another major item this year.

Lakshminarayanan: My question is slightly different sir, I just wanted to understand which segments we are spending because what we understand is that, in two wheelers, our utilization is low therefore, we are actually spending incremental CAPEX on the other businesses. So, this while given in terms of plant, land and others just want to check from a business point of view is that how one should think about it, or that's how the Company looks at it?

BR Preetham: So, as you have seen there has been a good improvement in terms of our utilization. Now, in even the two wheeler segment. Last year had a healthy growth this year also we expect that it should be back to normal. So, our utilization levels would become normal in terms of two wheeler but we are not actually investing anything on the legacy components in two wheeler, about 40% to 45% of our investments would still be going into tech agnostic and non-automotive segments, which means that we will be investing into aluminum forging lines, machining lines, anodizing facility for an aluminum we are also investing into few of the machines in aerospace and defense. Meanwhile, as we have also indicated that we have received some good orders from our auto PV, we have added Ford Motor Company as our, we never had Ford Motor Company as our thing in the 4th Quarter we have added a business, we have won about 75 crore worth of business, that's the first of the business that we have won from them, and we expect a lot of good progress with that customer as well. So, passenger vehicle will continue to attract our investment and there is investment that is planned for heavy engine category which constitutes both xEV as well as industrial engines. So, primarily our investments are towards all the new generation of components and segments that we are focusing on.

Lakshminarayanan: Just one more question I want to squeeze in. Sir, if I just step back and look at it, there is a lot of products which we make which are all built to print, so you actually make whatever the OE or whoever ask for it and there are certain products you may think of building a system. So, just want to understand how where are we on that journey in terms of building to print and versus building to non-profit what is the ratio you are now and what do you have aspired to be?

BR Preetham: No, when we say that, when we are doing built to print, it is not exactly built to print because most of the newer generation of components are either co-designed or designed from statement of requirements. And then designs are also validated through finite element analysis and also testing done in-house to validate the designs. So, mostly that, all our newer components, newer

businesses, we participate in design to manufacture, so a lot of input and co-design happens from our side. As far as the system supplies are concerned, this would be primarily driven by the OEM strategy, with already with Maruti we supply connecting rod and piston assemblies while it would be almost 50%, 50% piston manufacturer supplies as an assembly there by connecting rod assemble it and send it or we buy pistons and rings and assemble it and give it to Maruti. This kind of transition into the full system assembly has happened in the like crankshaft assembly for the entire two wheelers are now being supplied. So, we buy crank pins, we make crank shafts and connecting rods, we buy bearings, we buy sprockets and then assemble and supply as a full crankshaft assembly. Now, this has already happened in Indian OEMs which is becoming more and more prominent, but in international OEMs this is just started. So, we expect that over the time that we will graduate into that, that is on automotive but in aerospace we are already looking at becoming more and more subsystems supplier.

Lakshminarayanan: Sir on the designed manufacture what is the broad revenue, I assume that usually get higher margins for us. So, any how the Company stands to

BR Preetham: Mr. Lakshminarayanan, more than higher margins it becomes a kind of protected design, because when we do a participative design, the design becomes joint ownership. So, it becomes much more productive business case. Rather that is what we look at rather than of course, there would be cost that are going to be compensated related to testing and designing which is part of our tooling cost that comes engineering and tooling cost. But this is primarily help in securing and protecting our businesses towards improving share of business and protecting.

Moderator: Thank you. The next question is from the line of Sakshat from ICICI Pru. Please go ahead.

Sakshat: On the existing asset block, what can be our peak revenues like post FY24 and can you break it, give an idea segment wise like on two wheelers, EVs, then on probably aerospace mix. So, that it gives us a better idea where are we in terms of utilization across segments and why our CAPEX amount, why are we further investing so much in FY25?

BR Preetham: Okay, it may be difficult to give you kind of how break up on how we are looking at the each segment, definitely what we are looking at for the next year growth prospects is definitely that we will continue our momentum, we have assumed certain industry numbers, but when we see the momentum, momentum is much better than our assumption. So, we expect that, as we have continued to deliver (+20%) of growth, we expect that this momentum will continue, but with the current FY24 base with reasonably good utilization of about 80% to 85%, we should be able to hit a peak revenue per quarter of about 900 crores potentially. So, this is what we can do potentially, of course it depends on sector mix and how each sector utilization happens. So, we will, with our capacities that are installed on FY24 end base, we should be able to generate a revenue of 900 crores per quarter on a peak utilization basis.

- Sakshat:** Got it understood. And sir just one more question on the CAPEX numbers which we have outlined for next year. Does it also continually emerge a new opportunity or that would be separate?
- Vikas Goel:** No, that would be organic, it is based on the order book visibility that we have.
- Sakshat:** Okay, got it. And are we actively looking for any inorganic opportunity as well, or that would be?
- Vikas Goel:** We are not scouting in the market. But we are open to good opportunities.
- BR Preetham:** So, we work with a lot of initiatives which are initiated by ACMA as well as Indian Institute of Science. So, we come across and meet a lot of startups. And this is a process that, in that process itself we add investor in MMRFIC as well. So, we keep looking at it and if anything is relevant, and we find it technologically advanced opportunity that comes in our way we would look at it but nothing specific.
- Moderator:** Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.
- Siddhartha Bera:** First question is on the order wins for the quarter if I calculate it comes to somewhere about 160 crores in the quarter. Probably you indicated that we have got about 75 crores from Ford any other big order wins which are here and going ahead how are you sort of thinking about customers or segments for the coming year?
- BR Preetham:** Thank you sir, yes, approximately you are right about 150 crores of orders approximately were added, major wins were from Ford, 50% of that was from one of the orders that we have received from Ford Motor Company. This on a program where we have got a partial order from this and we expect that a very similar sized order we should be able to get from there another overseas unit for the same, connecting rod program. But when I say that we have also added Triumph aerospace and Collins have also given another 20 crore order for aerospace business. So, aerospace has got about 30 crores of order in that quarter as well. We have actually added one more connecting rod from Tata Motors into that. Now, talking about the momentum yes of course, our existing order, our existing clients both from North America both the traditional OEMs as well as a marquee EV customer, we have been talking about very interesting projects which you would see a lot of order wins coming in this year. There's a lot of momentum even for Latin America and this is also aided by some troubles that they have been going through because of the floods and this thing, which is also contributing to accelerating those discussions with us. So, there's a good momentum in North America as well as Latin American states in the order inflows for us.
- Siddhartha Bera:** Got it. Sir second question is on the EV side. If you see in FY24 we were at about 4.5% in terms of xEV revenues and given the order book we are expecting that to go up to 9.5%. I do see that you have also added another EV customer in the current, two EV actually customers in the

current quarter. So, some color here who's, which are these customers, which segments and where are we seeing a stronger traction is it India or export markets?

BR Preetham: Basically, it's one of our Japanese based two-wheeler manufacturers for whom the new EV would be launched. So, we have got some component business out of them. So, that becomes a newer customer for us. We have also gained, our EV last year if you know that we had said that we have actually made one of the exits from one of the two-wheeler OEM. So, that actually reduced our growth in xEV components last year, but this year we expect because of our commercialization of EV components to North America, as well as starting of the newer components into the existing two-wheeler market customers as well as this thing, we expect to double the revenue coming out of xEV in this year. So, xEV portfolio looks very strong. Plus, there are a lot of interesting RFQs that we are working on for the overseas customer as well.

Moderator: Thank you. The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Sir just want to check with the North American mark EV order, how the ramp up is going sir, how are the production planned for their product, is there any change in expedition then earlier what we guided?

BR Preetham: No, we have not at least seen any change we should cross 100 crores of revenue this year. With that customer, and we expect a strong business relationship going forward as well. So, we have started delivering all our developed products according to commercial production. So, we expect a very strong momentum in that, we have not seen any cut or significant reduction in any of the projections from them.

Mumuksh Mandlesha: Okay, sir. As you mentioned about the aerospace of 40%, 50% growth. Can you also mention for the non-auto and tech agnostic what kind of growth you see for FY25?

BR Preetham: So, non-auto and tech agnostic we expect about 40% growth in the coming year. So, that is what is approximately, I can tell you from the current base for this thing. So, this year we will grow by about 40% in both non-auto and tech agnostic. And I told you that xEV we will grow by about 100%.

Mumuksh Mandlesha: Got it sir. Just lastly on MMRFIC, this quarter there was some profit from associate. So, is it you are relating to this MMRFIC and just want to see how is the revenue projection for this business?

BR Preetham: So, lot of this is coming from still not a full-fledged production revenues. While there is some stocking up of the components from the customers were the defense radar, which is being developed for by them. So, yes this associate Company profit that has been added is our proportion of investment that has been considered, it's 5 million or so.

Mumuksh Mandlesha: Yes, got this and in terms of revenue side, any news what kind of numbers?

- BR Preetham:** This year, we are looking at about 20 crores of revenue from MMRFIC.
- Moderator:** Thank you. The next follow up question is from the line of Bharat Sheth from Quest Investments. Please go ahead.
- Bharat Sheth:** Sir now coming back a little more on this MMRFIC, you have 20% stake. So, what is our future roadmap are we going to increase our stake or if at all, then what level, what will be the, how the valuation will be done and what kind of amount will be required?
- BR Preetham:** I had addressed this issue, but I will again say that, that we have the right to go up to 51% as and when the Company requires the capital we will assess it and we have the right but we don't have an obligation, we have a right to go up to 51% and here the valuation is capped based on whatever is agreed so, it's a predetermined valuation, though there could be very upside in terms of their performance, but we have capped our valuation just to ensure that we get the leverage of our investments into this Company. So, just to give you a proper answer this, we will be at 51% over the next couple of years and this fund infusion will happen as and when they require any funds. This year, I don't see any kind of investment that they will require.
- Bharat Sheth:** Okay. And one more question for Vikas, Vikas exchange losses, can you give some color on the nature of that loss?
- Vikas Goel:** Yes, so basically there are two elements to the foreign exchange gain or loss. One is the gain that we actually realize, on the transactions which are completed. Second leg of the gain or loss is the mark to market measurement of the open exposures, whether in terms of outstanding receivables and payables, or in terms of outstanding forward contracts. So, this year, towards the end of the year, we have a certain negative on account of the mark to market measurement. And that is actually resulting in this negative here. And it's not real, it's a notional loss, which will be get reset as we move on.
- Moderator:** Thank you. Ladies and gentlemen, we will take this as a last question. And I hand the conference over to the management for closing comments.
- BR Preetham:** Thank you very much for all of you for your participation and all the questions that you have had. And thank you for your patience. We are very confident of good performance in the coming year as well. As explained, we are moving towards a long-term vision of 60% of our business coming from auto ICE again predominantly from commercial vehicles, high end motorcycles, passenger vehicles. And then 40% of our business would come from non-automotive xEV and xEV and tech agnostic components. Company is very confident of delivering industry best growth numbers, we expect that at least 10% additional growth to the industry growth in the coming years as well. And as demonstrated, we will also be working on various initiatives to improve our margins year-on-year. So, with this I conclude this call and thank you very much for all your patience hearing. Thank you very much.

Moderator: Thank you. On behalf of PhillipCapital Private Client Group, that concludes this conference.
Thank you for joining us and you may now disconnect your lines. Thank you.