Sundram Fasteners Limited

Email: investorshelpdesk@sfl.co.in

REGISTERED & CORPORATE OFFICE
98-A, VII FLOOR
DR. RADHAKRISHNAN SALAI,
MYLAPORE, CHENNAI - 600 004, INDIA
TELEPHONE : +91 - 44 - 28478500
PAN : AACS8779D
CIN : L35999TN1962PLC004943
WEBSITE : www.sundram.com

May 15, 2023

National Stock Exchange of India Limited By NEAPS
Symbol - SUNDRMFAST
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block, Bandra-Kurla Complex
Bandra (East), Mumbai - 400 051

BSE Limited By Listing Centre
Scrip Code - 500403
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015-Transcript of Analyst/Investor Meet held on May 8, 2023

Further to our letters dated May 5, 2023 and May 9, 2023 on the subject, please find attached the transcript of the Analyst/Investor meet held on **May 8, 2023 (Monday)** for your information and records.

The transcript is also available on the Company's website at https://www.sundram.com/recentupdate.php

Please take the above information on record.

Thanking you,

Yours truly,
For SUNDRAM FASTENERS LIMITED

GOPALAKRISHNAN ANAND BABU
Digitally signed by GOPALAKRISHNAN ANAND BABU
Date: 2023.05.15 13:43:05 +05'30'

G Anand Babu
Manager – Finance & Company Secretary

"Sundram Fasteners Limited
Q4 FY '23 Results Conference Call"
May 08, 2023

MANAGEMENT: MR. R DILIP KUMAR – CHIEF FINANCIAL OFFICER – SUNDRAM FASTENERS LIMITED
MR. R. GANESH – CORPORATE FINANCE TEAM – SUNDRAM FASTENERS LIMITED

MODERATOR: MR. RAMAKRISHNAN SESHAN – AVENDUS SPARK

Moderator: Ladies and Gentlemen, good day and welcome to Sundram Fasteners 4Q Results Call hosted by Avendus Spark. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the 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 star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ramakrishnan from Avendus Spark. Thank you and over to you, sir.

Ramakrishnan Seshan: Thanks, Aman. Good evening, everyone. I really appreciate you guys logging in. I'm very pleased to be hosting Mr. R Dilip Kumar, CFO of Sundram Fasteners and Mr. R. Ganesh of the Corporate Finance team. We'll start with opening remarks from Mr. Dilip and then follow it up with a Q&A, as always. Mr. Dilip, would you like to start?

Dilip Kumar: Yes. Good evening to all. Welcome to this Earnings Call and I appreciate the announcement made by the host. The information, which is shared, please keep it in strict confidence or if you are circulating any note to your clients, if you want to validate anything, please do not hesitate to reach out to me, so that I'm not quoted out of context. So, I just want to give you a brief economic background and the inflation continues to be sticky, as we have seen, and the March numbers are high.

But fortunately, RBI has not raised interest rates in its last meeting, so which is a good sign. But the FOMC continues to raise interest rates and the outlook does not look good. They will continue to raise rates for the rest of the year. There are conflicting reports. We are hearing that there has been an increase. The unemployment rate has come down in the US and the wage rates have grown, but people are talking about a potential slowdown recession, but we are not sure.

The oil prices are low in India, the world over, and which hovers well. Rupee has shown a depreciating bias, but largely, it's been stable between INR81.5 to INR82, which is good for a company like Sundram Fasteners, where we have nearly $200 million of exports. So, with that as a background, the company has achieved twin milestones, or should I say three, in fact, because we have crossed INR5,000 crores of consolidated turnover.

We have achieved a consolidated PAT of INR 500 crores, for the first time, and we also declared the highest payout in the history of the company. The dividend was INR 8.63 per share. The revenues have grown well from INR 4,198 crores to INR 4,949 crores, registering 18%. This growth has been broad-based across most of our divisions and also across all verticals, all segments, be it commercial vehicles, or passenger vehicles, or stationary engines, tractors, all have done well for us.

And even the export market, though in dollar terms, we may have been flat as compared to a FY '22, but thanks to large rupee depreciation in the first nine months, and to a little extent in

Q4, we have benefited from the rupee freefall, and so overall, we have finished at INR 4,949 crores. The profit before tax has come in at INR 615 crores, an increase of 11%, and profit after tax at INR 464 crores, a growth of 14%.

Now, the raw material prices, where we experienced a few challenges this year, the prices went up steeply by INR 8,500 per ton, in the first quarter, and thereafter, from 1, July '22, the raw material prices dropped by INR 4,750 per ton, all of which, had an impact in our results, and fortunately in Q4, the raw material prices have been soft, and which is reflecting in better gross margins. But going forward, there are expectations of a further price increase, but which we are not sure at this point of time, because this is a settlement which has to be reached between steel suppliers and OEMs, we are keeping our fingers crossed.

As far as, the other operating cost elements, they have been in line with the previous corresponding quarter or the previous quarters, there have been no major surprises, but barring one pleasant surprise, which is the freight outward, which has fallen sharply, which was as high as $11,000 per container in Q1, has now dropped to about $3,500 to $4,000, which is reflecting in our freight outwards, which has fallen.

The other element is the power cost, which continues to be a challenge, because most of our plants are located in Tamil Nadu, and 75% of our energy consumption is within Tamil Nadu. So, as many of you may know, which we have also discussed in earlier calls, the government has given a five-year plan, and they have revised these prices, the tariff, after a gap of nine years or ten years, so going forward, there is going to be year-on-year increase.

Just to give you a flavor, what was INR 6.33 per unit has moved to INR 6.75 last year, and with the surcharge, at the peak of our utilization, the weighted average rate is actually INR 7.19, which is slated to go up to INR 7.57 per unit this year. So, what the company is doing, you may wonder. So, we are trying to invest more and more into group-captive power policy of the government of Tamil Nadu, whereby, we buy from private power producers either solar power or wind power or blended power.

So, we hope to keep our costs under control, not at the TANGEDCO price, the discount price, but we hope to keep this much lower, also with more and more tie-up of wind energy and solar energy. This will also bring in more green energy into our mix, which addresses the ESG perspective also. So, these are the two elements which I want to touch upon as far as variable cost is concerned. The contribution for the quarter, as well as, for the period, for the entire year, is hovering around 25%. The next major element is the employee cost.

Traditionally, Sundram Fasteners has kept it below 7%, which is a good metric to achieve in line with probably our peers in the auto-component industry. And the fixed rate cost, apart from salary cost, all other cost elements are fairly stable, around 8% to 8.5%. So, EBITDA for the quarter has come in at 16.2% and the entire year at 16.1%. Now, there has been a steep increase in our borrowing costs, while borrowing by itself has fallen a bit. Our debt EBITDA ratio is only 0.15. At the group level, we are at 0.23.

And as, there have been repeated hikes in interest rates in India, and what was available money at 2.5% to 3% for a good company, from a packing credit perspective, now has almost doubled. And RBI also has strictly compulsion rate, available for export finance. And in parallel, FOMC also raised dollar interest rates. So, we have a small ECB book, so the interest rates, interest cost has gone up. The company has spent about close to INR 300 crores on capital expenditure, largely on plant and machinery. Most of them have got capitalized in Q3, Q4, so the depreciation impact has not been as steep.

The effective tax rate has dropped marginally because we had some income tax refunds, which is already provided for completely, so we had the benefit of, we could take some of those credits, in our tax element, in our tax cost. And overall, the net profit after tax for the quarter was INR116 crores, compared to INR 71 crores. But the INR 71 crores had an extraordinary, exceptional cost last year, which was an impairment provision which we had taken, based on the underperformance of one of our subsidiaries.

And I'm happy to report in this context that that subsidiary is also turned around, the UK subsidiary, and it has come into a black. And the profit for the year, at INR464 crores, at 9.7%. The subsidiaries also have done well, and the Upasana, our domestic subsidiary, had a reasonably good Q4, compared to the first three quarters, where more sales come from our Hosur factory, where the value addition tends to be high, because of the critical parts, engine parts, and brake components, which we supply. Our IT arm, TVS Next, has also performed well, and registered, managed to reduce some outsourcing costs, though the bench costs have gone up, and it has also done well.

I'm happy to report that Cramlington Precision Forge, our UK subsidiary, has done exceedingly well, from a loss position, it has turned around, because the customers, it has been because of many things. The customer mix has changed, and where we are selling more to a customer, where margins are high, or material content is low, we have also managed to get compensation from our customers, for the RM price increase. We have ensured sufficient machine availability, so there have been savings in logistics costs, and other sub-contracting costs, where material used to move out, so we are able to send out in reasonable batches, and so you are seeing the benefit of all this, in the performance of Cramlington Precision Forge.

The Chinese subsidiary, which had a difficult year, and continues to make profits, but the first quarter performance has been encouraging, current year's performance. It had a subdued last year, and in line with the issues there, the economy was slowing down, they had COVID, they had extreme weather conditions, so there are many challenges, so the economy is coming out of this, and we will see, hopefully, a good number in Q1.

So, otherwise, it has been a very good year for Sundram Fasteners, both in terms of the year performance, as well as the quarter, and we are delighted to report, like I said, more than INR 5700 crores of turnover, and INR 500 crores of profit, with the highest dividend payout, in the history of the company. So, with this, opening remarks, I would throw the floor open. The participants can ask their questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Ramkrishnan Seshan from Avendus Spark. Please go ahead.

Ramakrishnan Seshan: Hi, I thought I will go first while the queue assembles. I would like the other participants to ask the more interesting questions on TVS, etcetera. My question is rather basic, sir. It is on capex. So, the company has incurred significant capex, over the last five years in the standalone operations. We have spent cumulatively more than close to INR 1,000 crores. Could you give a very broad breakdown of the product categories or the segment that capex has been spent on? That is number one.

And number two, I would also like to know the guidance for capex over the next two years, three years?

Dilip Kumar: Yes. So, actually, we took a pause after the initial INR 1,000 crores odd, we spent. The last cycle, then FY '20, '21 and '22, the last three years have been muted. But we have resumed in FY '23. And we said in the last AGM, we would spend about INR 1,000 crores. And we have spent about INR 300 crores this year. And we are likely to spend the targeted INR 1,000 crores, in the next couple of years. That is a balance INR 700 crores. And these, in line with our revenue growth, these have been broad-based across our Fasteners division, our engine components business, our powder metal business, hot forging.

We have spent across all of our verticals and also wind energy, most importantly. And the expansion is most likely to happen more in the next couple of years, in wind energy and in our hot forging vertical, where we are, as we came up with, a Press Release, some time back, we announced a $250 million order for E-axle, sub-assemblies. And the capex are likely to be in the wind energy space and the electric vehicle space.

Ramakrishnan Seshan: All right. Thanks for that.

Dilip Kumar: Thank you.

Moderator: Thank you. The next question is on the line of Vimal Gohil from Alchemy Capital Management. Please go ahead.

Vimal Gohil: Yes. Thank you for the opportunity. Sir, I just wanted to get a sense on the performance for Q4 versus the production. Now, if I were to observe, MHCV this quarter has grown at 18%. Cars have grown or rather passenger vehicles have grown in excess of 15%-20%. Two-wheelers have been weak. Now, in light of that, a 9% growth in standalone or domestic division seems to be a bit weak. That is one.

Even in exports, if I were to look at on a Y-o-Y basis, the dollar, as you rightly pointed out, the dollar has depreciated by close to double digits. So, over there also, a mid-single digit kind of a growth seems to be a slightly sub-par. So, are we missing something here? How structural is it? How can we sort of improve this going forward, would be question number one.

Dilip Kumar: Thanks. So, on the dollar, like I said, we set out to achieve about $200 billion and we probably ended with around $185 billion. And the whatever growth in rupee terms, you have seen, has largely come from the rupee weakness. So, it moderated a bit in Q4 rupee weakness, but largely it moved from INR 74, between INR 74 and INR 75 levels as at the beginning of the year to INR 82.18, if I remember. And it was around INR 82.5 at the end of Q3. Yes, you're right about the export performance.

As far as the domestic is concerned, if I look at the, not look at the quarter by quarter, but if I see the entire year, we were running the data and in terms of the components, where we participated, the growth of the industry has been around 23%. And whereas Sundram Fasteners has reported 26%. But there may be some, yoyoing between quarters, depends on the customer pool, the products in which we participate. But if I look at the entire year, the data points suggest that we have grown higher than the industry.

Vimal Gohil: So, for this particular quarter, the reason for underperformance could be some platforms that we were catering to. Maybe the production was lower this quarter. Could that be the reason?

Dilip Kumar: That would be the main reason.

Vimal Gohil: We have not lost any share, right?

Dilip Kumar: No, we have not lost any share, in fact, our share of business in the platforms of the products we participate in, tends to be fairly high.

Vimal Gohil: Understood. All right. Sir, could you comment on exports? What is the outlook in volume terms? We have sort of had a decline in Q4, it seems, from your commentary. But what does it look like for FY ‘24?

Dilip Kumar: FY ‘24?

Vimal Gohil: Yes.

Dilip Kumar: For FY ‘24, with the new platform and EV participation, it looks strong. But given the recessionary trend, both in Europe and America, we see a sort of lull in the current quarter, April to June. And going forward, it should pick up. That is what the indication that we have.

Vimal Gohil: Right. So, the growth could be back ended in FY ‘24?

Dilip Kumar: Not only in the export market, even in the domestic market, the growth could be bit back-ended.

Vimal Gohil: Understood, sir. And sir lastly if I can just slip in one more. One of your competitors, Sona BLW, has gotten to sharps and to cold-forged parts. So, in light of increasing competition there, how do we place ourselves with customers? If you can just give us…

Dilip Kumar: The Sona is also into e-axle and differential case assembly. We are also into differential case assembly. So, I think the scope is huge and wide. And the components or the parts we are talking about are highly critical parts. So, once the customer validates, this is not about the competition where somebody dropping a price by a few cents and taking over the business. This may be proved to some extent in a commoditized product such as Fasteners. But in a hot-forging business where the validation has happened meticulously over a long period of time and the validation itself will take a long time and costs quite a bit. So, therefore, another competitor or Sona coming in or we getting into differential assembly will not make a difference to either of our positions.

Vimal Gohil: Understood, sir. I will get back in the queue for further questions. Thank you so much.

Moderator: Thank you. The next question is from the line of Dipen Sanghavi from Enam Asset Management. Please go ahead.

Dipen Sanghavi: Yes, okay. Thank you. So, sir, in our previous interaction, you had mentioned some time ago, I think last quarter that there was some under-recovery in the raw material and you had indicated that a large part of that under-recovery could be taken care in Q4. So, has that happened? Is there any further under-recovery left in the raw material?

Dilip Kumar: Yes, so for the quarter, the recovery has been very-very good. We have almost recovered most of it. But if I take the entire year, there is a gap and this will continue to be there because our contracts do not provide, especially in the export business, do not provide for 100% recovery. Also, in the domestic businesses also, such as the wind space and the aftermarket, which is 10% of the business, the price increases can only be prospective because we are dealing with dealers and which is the most consumer-facing business. So, this recovery tends to be there and it has narrowed down in Q4, but the gap will be there.

Dipen Sanghavi: Okay. Secondly, on the exports, when you highlighted that there are near term, this quarter is likely to be little sluggish, but you are expecting the growth to be back ended. So, as compared to $185 million exports that we have achieved in FY '23, if you were to put any number at the moment, what kind of number would you indicate for FY '24?

R Ganesh: We will be looking at, say, $190 million to $195 million for the current year. That is our estimate.

Dipen Sanghavi: So, not more than 5% type of growth for the year, right?

Dilip Kumar: Yes. If in dollar terms.

Dipen Sanghavi: Yes, sure, in dollar terms. So, because last year, we are unlikely to, probably not likely to see the kind of rupee depreciation that we have seen in FY '23. So, your overall reported export revenue in rupee terms this year, probably likely to be a single digit growth or sub-10% growth. So, this is where we have always been quite bullish on, and I am now talking of beyond a couple of quarters or one year, as a directionally, you have always spoken of a very strong potential of growth in exports. So, despite the order of EV, the execution of the EV order and some new platforms, if you are indicating only 5% type of constant currency growth, are there other segments where you see some kind of stress or declining, some orders?

Dilip Kumar: No, we are not seeing any decline in orders. The efforts are on, and we also want to achieve profitable growth. So, this process takes time, and this EV order execution will happen, will start happening from next year and peak the year after. So, you will see a good shift in our constant currency terms, the dollar sales. But right now, taking into account the possible slowdown in the US, this is what we expect in dollar terms. But we are not losing any share with our customers, or we are not apprehending any such thing.

Dipen Sanghavi: Sure. Thanks. And lastly, you know, we had our standalone business, we had been operating at about 17% to 18% EBITDA margin, till except for last few quarters, where we've been hit by RM soft and other various other costs. So, you had kind of indicated that, margins will go back to that level, with a pause, with some kind of lag. Are you still maintaining that view, that margin can go back to closer to the 18% level in towards second half of FY '24? Or if there's likely some little more…

Dilip Kumar: No, at the EBITDA level, we are at 16.1%. We would be happy to achieve around 17% this year.

Dipen Sanghavi: Okay, 17%. So, despite the freight cost and various other costs coming down, as you highlighted earlier, and the raw material and the recovery, largely been behind, we have still not expecting the margin to cross 17% that is what the understanding is that correct?

Dilip Kumar: Just to give you a perspective, if I eliminate the inflation, I'm probably at 20% or 21%. If I take into account my recovery, what I've consider to the RM supplier, but unfortunately, we cannot compute results in that manner. And therefore, factoring in the inflation in the revenues and the RM cost, we are at 16.1%. And given that the measures we are taking to contain energy costs and the sharp fall in the freight outward, and as more and more value-added products we sell, and the standalone, especially the EV sub-assemblies, we expect the margin to improve.

Dipen Sanghavi: Okay, sure. And sorry, one more question, if I may. On the overall subsidiaries, the Chinese subsidiary had a very tough last year, and you had indicated that now things are getting back to normalcy. So, what kind of growth, all subsidiaries put together, or maybe specifically for Chinese subsidiary, if you can highlight, are we likely to see in the current FY '24 financial year? And are you likely to see margin expansion on the overall subsidiaries level this time as well?

Dilip Kumar: Yes, so we are likely to see growth in our Chinese subsidiary, both in terms of revenue and in terms of margins. Because last year, the raw material prices were very high, and the availability of resources were a challenge, because the last quarter of Q4, they relaxed the COVID. So, there were many, many challenges, which was beyond the control of the company. But right now, the prices are suffering a bit. We've also penetrated more with Chinese customers. It has its pluses and minuses, but we are happy, not depending on only multinational customers there. And we are seeing that margins are having an uptick going by the first quarter performance.

Dipen Sanghavi: Okay, sure. Thank you. I'll get back in the queue.

Dilip Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Alchemy Capital. Please go ahead.

Vimal Gohil: Yes, thank you, sir. Sir, just one clarification on the comment you made on domestic growth. While exports is understood that we have a large order, and that will sort of start peaking in the end of the year. But within domestic, why are we expecting the growth to be back ended? Because if we were to hear the production schedules and etcetera. The growth seems to be fairly okay?

Dilip Kumar: What I'm saying is that the plans, which we are set out to achieve, and we expect overall for the year, good growth in the domestic also. But we expect because we've had a good March, and therefore that first quarter may be a bit of a slowdown.

And because, as the government spends more on the infrastructure and the vehicle scrapping policy kicks in, and being an election year, so we expect the Q2 and Q3 to be much stronger than Q1. So that is the context. It's not that we will have a slowdown, or we expect things to be only rear-ended, meaning, we'll have a strong Q3 and Q4. Right now, our sense is that the Q2 and Q3 will be far stronger than Q1. I hope. I have put it in the correct perspective.

Vimal Gohil: Right. If I understood you correctly, sir, maybe some of the newer projects that you receive are, would take some time to ramp up?

Dilip Kumar: Absolutely. In the wind energy space, we expect the uptake to start happening from October. So, the projects are in various stages. So, we were saying more from that context.

Vimal Gohil: Understood sir. Thank you.

Dilip Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Senthil Manikandan from Ithought PMS. Please go ahead.

Senthil Manikandan: Hi, sir. First, congrats on the seeing, the milestone of INR5,000 crores on top line. Just a couple of questions from my side. First is just continuing from the last question on the wind energy. So, you have been on the earlier interactions, you have been saying about expanding the capacity. So, any update on that?

Dilip Kumar: Yes. So, the capacity expansion has started happening. And like I was explaining to the previous question, we expect the project to be fully operational and get the benefit of the capital expenditure from overlapping between September and October, Q2 and Q3.

Senthil Manikandan: Okay. And on demand side, particularly for the wind segment, how do you see it for the next year?

Dilip Kumar: The next year looks quite strong. Even the year after that looks quite strong. And like we've been saying, we are based on the project which we are executing. We are hopeful of further expansion in the wind energy space.

Senthil Manikandan: Second question is, so broadly, what would be the company's medium-term aspiration over the next three years, five years on the revenue diversification on the margin side?

Dilip Kumar: So, the growth in terms of revenue, like we've been saying consistently, we will outbid the industry by 2% to 3%. Like, we have seen even this year, the industry has grown by 23% in the products, the space where we participate. We have grown by 26%. So that is the broad guidance at the revenue level.

So, the middle line, which is where the bulk of the costs are accounted by RM, which is not entirely under our control, and we can keep our fixed costs constant. So therefore, to answer your question on margin, we are hopeful that we'll be able to move from 60% to 70%, factoring in the growth planned, this year. And for it to breach or come back to 19 levels or 20 levels, will depend on the RM inflation dropping further.

Senthil Manikandan: Okay, thanks.

Dilip Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Sonal Gupta from HSBC Mutual Fund. Please go ahead.

Sonal Gupta: Hi. Good evening, sir, and thanks for taking my question. Just coming back to the domestic business, like if I look at the standalone quarterly numbers broadly, we've been more flattish. I'm just trying to understand, like, Q4 was an extremely strong quarter for the industry, if we look at sequentially double-digit growth in PVs, tractors, CVs, everything. So, and we don't really have much exposure to two-wheelers. So, I'm just trying to understand that, and last year's base was also not very high. So just trying to understand, why it seems that the domestic has sort of been very slow in Q4?

Dilip Kumar: No, for us, the last year, if you see, we had done about INR 750 crores Q4, and we had moved to INR820 crores. So, it's not that, the base has not been high. The base has been fairly high from our perspective. Yes, so like we explained in the earlier part of the call, in the platforms where we participate, our share of business is very high, and this is what, reflects in the quarterly numbers. So, if segments, where we are not participating or platforms, we are not going to have grown, to that extent, it will reflect in the quarterly revenues.

Sonal Gupta: Okay. And so, could you give us, as you usually do for the full year, maybe the breakup in terms of sales mixing PV, CVs like domestic, tractors, industrial, aftermarket?

R Ganesh: Yes, with respect to the industrial segment-wise breakup, cars and utility vehicle accounts for roughly about 40%, for us, in the domestic standalone business. And with respect to the commercial vehicle, LCV and the engine, it would be in the range of about 25%, and the tractors would constitute about 10%.

The balance would be represented by the industrial segment, where we service the aftermarket requirements, and roughly about 5% from the wind energy Fasteners, and the radiator cap would account for 3%. This is the broad industry-wise segment.

Sonal Gupta: So, this is just domestic, right?

R Ganesh: Yes. Domestic. And in terms of exports, if you look at predominantly, the presence is between CVs and cars and multi-utility vehicles. Those are the broad segments where we participate.

Sonal Gupta: So how much would be industrial exports for us?

Dilip Kumar/ R Ganesh: Industrial exports is minimal. When I meant industrial sales, it is through the aftermarket within India, where we service multiple industries. In the export market, between commercial vehicles and passenger vehicles, they account for 80% of our businesses. There will be balance in probably the aftermarket, but not in industrials.

Sonal Gupta: So, balance would be aftermarket. So, you will say that industrials is very low, right? Like earlier, we sort of shared that our industrial revenues last year were around maybe less than INR100 crores. So, has that, on the export side, would that have improved a lot?

R Ganesh: No. Industrial side, our presence is only in the domestic market. That is within India. In the export side, our presence is predominantly in the cars and the CV segment, which would account for 80%, tractors, say, around 5%. And the rest of it goes to off-road vehicles, stationary engines.

Sonal Gupta: Got it. So as of now, you're saying that, because of the wind energy project, I thought that wind was a meaningful portion, something meaningful even last year, right?

R Ganesh: No, it will catch up during the current year. Already, we are servicing the wind energy market requirement. That is predominantly, within India. So once the project is on stream, starting from Q2, of the current year, we should see a good pickup in the export revenue for wind energy.

Sonal Gupta: Okay. Got it. So, sorry if I'm wrong, but I'm just because I have something like 5% of last year's exports was wind energy related. So that was for FY '22, would we have something in that ballpark? Or it's not, that's an incorrect number that I've noted?

R Ganesh: No, 5% is the overall wind energy exposure of Sundram Fasteners. It's not in…

Sonal Gupta: Got it. And between I'm just trying to understand your guidance on the export side, which I understand is conservative. You're building in some sort of a U.S. recession or slowdown. So, from that perspective, what sort of underlying market decline or core business decline are you building in?

R Ganesh: We are not building any decline. We are working based on the customer schedule or requirements. The indication for us is, yes, the Class A trucks would be doing in the range of higher single digit. So that addresses the CV segment. And the cars and multi-utility vehicles we are performing based on the lines of customers' requirements.

Sonal Gupta: Got it, sir. And just on the EV export orders, like you said you expected to peak or reach the peak revenue potential by FY '25. Is that correct?

R Ganesh: Yes.

Sonal Gupta: So that's a large order, right? Like INR300 crores, INR400 crores of annualized run rate, right?

Dilip Kumar: Yes.

Sonal Gupta: So, by FY '25, you expect to hit that run rate?

Dilip Kumar: Yes, between FY '25 and FY '26, around that 12-month period, it should peak.

Sonal Gupta: Got it. But FY '25 would be fairly slower, right? It's not much revenue on that.

Dilip Kumar: No, no. It's a six-year program, and we expect the things to peak between second to fourth year with a peak volume of $52 million, either in '25 or '26.

Sonal Gupta: Got it, sir. Great, sir. Thanks for taking my question. Thank you so much.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Goldfish Capital. Please go ahead.

Prolin Nandu: Hi. Thanks a lot, sir, for taking my question. I'm sorry to repeat a few questions, but to get more clarity, first on the domestic side of it, right? You mentioned that there might be some growth in the platforms in which we are not present. So, I'm just wondering whether – is there a very high concentration of these platforms in our sales revenue that in case if one platform does not do as well, it affects our overall revenue? So, is there a very high concentration there, and how do we diversify within getting into different-different platforms?

R Ganesh: Now, see, with respect to our participation, we are there in all the segments, whether it is M&HCV, CV, or LCV, cars and multi-utility, tractors, engines. So, our participation is widespread in the domestic.

Prolin Nandu: So, let's say, for example, in Q4, what you are saying is that maybe in some of the platforms where we are present, that did not do well, and that is the reason why we are growing lower than the industry level, right? Am I correct?

Dilip Kumar: Yes, so that was with reference to one of the data points just pointed out. Somebody had said Q4 market had grown much higher than our performance. So, we have to validate that, but if that was the case, I have a data point for the entire year. If that was the case, yes, sometimes these things happen where the platforms we participate, there is no growth, and therefore, our sales tends to be moderate or flat in that quarter. That was the context.

Prolin Nandu: Right. Okay, understood. So, is there a number where, let's say, for example, any one platform would be contributing what, around 5% of our revenue, or that's a too large number to probably work with?

R Ganesh: See, we don't have a concentration of revenue coming from a particular platform, so it's very difficult to quantify.

Prolin Nandu: All right, no worries, sir. Again, the second part of the question would be on your guidance for FY '24 on the export market, and, in the previous question, you answered that you have assumed a high single-digit kind of growth for Class A trucks, and that's broadly the number that you have also given us for the next year's export in constant currency basis. So, I would have thought that maybe Class A trucks would be the most volatile part of it. So, is this not a very, very conservative kind of a guidance? And also, to add to that, is there no scope to gain market share irrespective of however the market is growing? Are there not any couple of basis points which you can gain in terms of market share over and above the industry growth in the export market?

Dilip Kumar: Yes, so a couple of things. So, gaining market share is not easy. Like I said, especially if it is a critical component, the OEMs are not comfortable replacing. In that sense, virtually there's no competition. For instance, the $250 million program which we have won, if some other supplier, whether in India or some other part of the world, offers a better price, the OEM will not change the source. So, they are continuing to buy from only Sundram Fasteners. So, it is cast in stone from that perspective. But yes, you are right about we've been a bit conservative in our guidance on growth in dollar terms, but we'll be happy to report more optimistic scenario in our Q1 call.

Prolin Nandu: Right. That is great. Good to know. And the last question would be, you mentioned that, there are this EV orders that you have won that takes your top time in terms of validation. So, at this point of time, are we going through a lot of RFQs and validation? And are we expected to probably win some of these orders in which we are going through these validations? Can you just help us understand as to what is this whole, the current levels of RFQs and validation that we are going through right now?

Dilip Kumar: Sorry sir. It's a continuous process, sir. So, we have subsequently won small orders also in the EV space while not being very big to the extent what we announced earlier. So, there are small wins with the customers. And the RFQs and evaluation of new opportunities is a continuing exercise by the marketing in the areas where it fits into our growth strategy. And like I said, we also want to have a profitable growth. So, we are not there merely for market share. And so, the return ratios also should get met. So, keeping all this into account, yes, the RFQ pipeline is strong.

Prolin Nandu: Sure. And what could be the historical conversion rate that we will be having of all these RFQs?

R Ganesh: With respect to the RFQ conversion, the number could be in the range of double digit with respect to, say, if I'm handling 50 RFQ, it would amount to 25% to 30% with respect to heat ratio. That has been our experience.

Prolin Nandu: Sure, sir. And last question would be on this wind energy capex that you are undergoing right now. Now when we talk to other players, we are getting a slightly contrary view that maybe this wind energy turbine capex is probably slowing down or the demand is not as strong as what it was expected. Are we hearing anything from our customer about any slowdown or this is in line or on time in terms of whatever we had planned in terms of execution timelines?

Dilip Kumar: Yes, we are on course in terms of our execution timeline and our revenue plan for the year. We have not heard anything to the contrary.

Prolin Nandu: All right, sir. That's it from my side. Thanks a lot and all the best.

Moderator: Thank you. The next question is on the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

Rahul Ranade: Yes, hi sir. Thanks for the opportunity. Just a clarification. So, what would be our revenue from non-auto in the standalone? So last year the revenue that we had called out was INR500 crores odd. So what would be the number for fiscal year?

Dilip Kumar: So roughly our non-auto business is about one-third of our standalone revenues.

Rahul Ranade: One-third of the standalone?

Dilip Kumar: Yes. This comprises of wind energy, then aftermarket our tractor business…

Moderator: The current participant has dropped off from the queue. Hence, we will move to our next question, which is from the line of Sahil Sanghvi from Monarch Networth. Please go ahead. Sahil, your line is unmuted. Yes, please go ahead.

Sahil Sanghvi: Yes. Thank you for the opportunity and congratulations for the improved performance. My first question is regarding on the cost front. As we're seeing steel prices moderating domestically also and in the foreign markets, can we expect the prices to stay at that place and hence a bit of margin expansion or the price pass on will happen immediately?

Dilip Kumar: The RM prices have been soft or constant in Q4, but there are expectations that there may be one more round of hike. This is our understanding, but we are keeping our fingers crossed. But if it were to happen, it is generally instantaneous in terms of pass-through. There may be a one-month lag, may spill over to Q2, but most of it happens within the quarter.

Sahil Sanghvi: Right, sir. Are you seeing the trends of correction in the RM cost further?

Dilip Kumar: No, not really. Like I said, the steel mills have sounded out a price increase, but it has not been agreed by the OEMs. The Q4 was quite a silent quarter, but there are once again whispers and noises about price hike.

Sahil Sanghvi: Got it, sir. Second question is regarding the wind energy business that we have, sir. Supposedly, roughly 5% of our total revenue, which is, roughly it is around, say, INR280 crores, INR 270 crores, INR 280 crores. Correct me, if I'm wrong, but what could this number scale to in, say, FY ‘24 or, say, FY ‘25? What kind of visibility do we have on the wind energy side, if you can throw some numbers to us?

Dilip Kumar: So, currently, we are around INR 200 crores. We expect that, to go to let us say, from a 12-month period from September 2023 to August of next year. In that cycle, to go up another INR80 crores to INR100 crores.

Sahil Sanghvi: INR 80 crores to INR 100 crores, it should grow?

Dilip Kumar: Yes,

Sahil Sanghvi: And that should peak out, or then it depends on how things evolve after that?

Dilip Kumar: We can say, it's kind of locked in here.

Sahil Sanghvi: Okay. Got it, sir. And thirdly, do we get any kind of a once in a year kind of a price hike from our export orders, or, that has already happened? Is it in Q4, usually?

Dilip Kumar: No, there are no price hikes separately. So, if there is a compensation request to the customer can be made for freight, the freight has also fallen. And if raw material prices go up, we may go back to them, for a price increase. But otherwise, there are no price increases.

Sahil Sanghvi: Got it, sir. Thank you so much, and all the best. Thank you.

Moderator: The next question is on the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

Rahul Ranade: Yes, thanks for the opportunity. I got dropped off. So, you were explaining in terms of the non-auto piece of the standalone?

Dilip Kumar: So, like I said, it's one third of our revenues currently. And the management has a plan's aspiration to take that to 50%, to mitigate the cyclicality of the domestic commercial vehicles and passenger vehicles industry. So, currently, it stays at 1/3.

Rahul Ranade: Okay, and does this also include some aftermarket also? Because the last year half time, the same split was given as to be 10%, is aftermarket of the standalone revenue.

Dilip Kumar: Yes, in the aftermarket, which is, for our business about INR 600 crores, about INR 300 crores in the industrial segment.

Rahul Ranade: Okay. And non-auto includes tractors. And in the earlier, kind of remark, where you mentioned that tractor is around 10% of the domestic, right?

Dilip Kumar: Yes.

Rahul Ranade: **So,** tractor would be then, 10% of some 3,200 odd. So, INR 320 crores odd, would be tractors out of this.

Dilip Kumar: Yes,

Rahul Ranade: Okay. So, out of the INR1,500 cores - INR1,600 crores odd, 1/3 of the standalone INR 1,500 cores – INR 1,600 crores odd, INR 300 crores is from tractors and the rest around INR70 crores odd is the non-tractors?

Dilip Kumar: So, currently, you take it as INR 450 crores of tractors and the 350 crores of industry, for FY '23, between these two, you get INR 800 crores. Then the stationary engines, infrastructure, wind energy, off-road vehicles will account for the balance INR 400 crores to INR 500 crores.

Rahul Ranade: Got it. No, this is very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Karan Sharma from Kredent. Please go ahead.

Karan Sharma: Sir, I was going to ask you regarding, specifically, with respect to Fasteners. With respect to Fasteners, specifically, can you tell us the total size that, is there in the global market in the automotive and in the non-automotive segment?

R Ganesh: Please repeat the question.

Karan Sharma: Sir, Fastener industry. Specifically, with respect to Fasteners, can you tell us total market size that is there in the global market and related to the automotive and the industrial segment?

R Ganesh: The Fasteners segment on a global side, no, it would include whatever from your, apart from nuts and bolts, it would also include very many categories, but we are more focused on the high-tensile Fasteners. Fasteners has a very wide definition.

Karan Sharma: So, what would be the size of that part, high-tensile Fasteners, globally, on a global scale?

R Ganesh: Probably, we need to validate it.

Karan Sharma: Okay, sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, we'll take the last question. That is from the line of Dipen Sanghavi from Enam Asset Management. Please go ahead.

Dipen Sanghavi: Yes, thank you again, Sir. Just a clarification. When you mentioned, when you made it for a 5%, so they're around $195 million excluded for FY '24 in US dollar terms. Does that include the contribution from the EV order of year one?

Dilip Kumar: Yes, sir, it includes. It includes the businesses, all our businesses.

Dipen Sanghavi: Okay. And approximately, what kind of number that be? You said peak revenue will be from year two, which is about $15 million or there above. Year one would be a much smaller number.

Dilip Kumar: It may be less than $5 million this year.

Dipen Sanghavi: Less than $5 million, okay. So that means that, that five going to 50 from year two, which is FY '25, and the usual growth, hopefully in the normal, in the rest of the export business, that means FY '25 should be a, should see a significant jump in your overall export revenue.

Dilip Kumar: FY '25 and FY '26, also you'll see its peaking. FY '25, it will accelerate and FY '25 it will peak.

Dipen Sanghavi: Okay, got it. Thank you so much for the clarification. Thank you, sir.

Moderator: Thank you, ladies and gentlemen. That would be our last question for today. I now hand the conference over to the management for their closing remarks. Thank you and over to you.

Dilip Kumar: Nothing specific. we have answered, set the context in the beginning to the results and we have taken the questions. There are no specific closing remarks from our side.

Moderator: All right. Thank you very much. Ladies and gentlemen, thank you. Ladies and gentlemen, on behalf of Avendus Spark, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.