

November 16, 2022

The National Stock Exchange of India Ltd
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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 November 09, 2022 on Unaudited financial results of the Company for the quarter and half year ended September 30, 2022.

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

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“Sansera Engineering Limited Q2 FY23 Earnings Conference Call”

November 09, 2022

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**MANAGEMENT: MR. B R PREETHAM – GROUP CEO, SANSERA
ENGINEERING LIMITED
MR. VIKAS GOEL – CHIEF FINANCIAL OFFICER,
SANSERA ENGINEERING LIMITED
MR. PRAVEEN CHAUHAN – CHIEF OPERATING
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Moderator: Good Morning, Ladies and Gentlemen welcome to Sansera Engineering Limited Q2 FY23 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. B R Preetham – Group CEO, Sansera Engineering Limited. Thank you and over to you, Sir.

B R Preetham: Thank you. Good morning and Season Greetings to everyone. Welcome and thanks for joining this call. On this call, I am joined by our CFO – Mr. Vikas Goel, our COO – Mr. Praveen Chauhan and our Investor Relations Advisor Team SGA.

The Results and the Presentations are uploaded on the stock exchange and the company website. I hope everybody had a chance to look at it. I am delighted to update you that this quarter we have crossed our highestever quarterly sales building on various momentum in the domestic market. Over the years, diversified product portfolio customers and markets have been our strong suit and this has helped us to deliver a healthy performance once again. Our customers continue to appreciate our efforts and we have been recently awarded for excellent supplier performance from Boeing one of our key customers in the aerospace segment.

We have also received awards for zero defect supplies from both Toyota Kirloskar Auto Parts and Toyota Kirloskar Motor as well. Talking about some major business wins. We have recently won an award from global OEM with a peak annual revenue of Rs. 1,300 million this contract would be for a time horizon of around 6 years starting from 2025. We have also secured a 6-year order from a well-known American company in the auto space with a peak annual revenue of 250 million order. This is in the non-auto space. Our order wins for connecting rods from Tata Motors and Force Motors and also Volvo Eicher share are progressing well in fact the mass production has commence in this quarter and we are engaging with them on various other products as well.

Before we dive into our performance during the quarter, I would take a moment to speak about EV industry in India and Sansera's progress:

Currently, the overall industry is still at a very nascent stage and it is developing at a very rapid pace. EV penetration in India as per various surveys are just about 2.6% of the total automotive market and our government of India is targeting between 30%-35% of EV penetration by 2030. As we have mentioned in our previous call Sansera has already secured business from traditional OEMs and new age start-ups in the EV two-wheeler space.

Today we have overall 12 xEV customers in all the sectors including some marquee global names. Our wealth of experience in ICE provides us with a solid foundation to grow in EV space. Interestingly, in the two-wheeler scooter space today Sansera has six customer for tech agnostic and xEV components vis-a-vis four customers in the traditional ICE components. Also, our peak content per vehicle for auto tech agnostic and xEV components in an EV scooter is about 1,827 versus Rs. 1,467 in our traditional ICE scooter. Production lines for two-wheeler xEV in hybrid PVs that are dedicated facility for hybrid and electric components began mass production in Quarter 4 of FY22 and it is ramping up well.

Our EV business is growing from strength to strength with the addition of new customers. This quarter close to 3% of our total sales came from the xEV segment, though still small it gives a fair sense of our progress directionally. A couple of our customer in EV two-wheeler space are getting us prepared for mass production and as a result we are anticipating accelerated growth of our components in the coming quarters. We have already doubled our revenues from xEV and tech agnostic segments in H1 FY23 and we expect this trend to continue in FY23.

Coming to our performance:

We registered a year-on-year growth of 17% in revenues to achieve a total revenue of Rs. 6,362 million with an EBITDA margin of 17%. Our CFO – Vikas Goel will talk about this in detail a bit later.

Sales of our auto segment soared by 20% year-on-year largely driven by growth in domestic markets.

This segment contributed around 90% of sales in Q2 FY23. Of this 10% of sales came from tech agnostic and xEV products versus 7% in the last Q2 of the last financial year. In terms of Q2 FY23 sales mix for auto segment covering both ICE as well as xEV and tech agnostic components 39% sales came from motor cycle segment, scooter accounted for 15% of our top line. China plus policy of some of our customers where we had secured big business in the past has now started maturing into full volume. Also, a couple of our customers are transitioning into the new engine and are relying more outsource partner leading to a higher share of business with them.

So, a combination of these two factors resulted in a robust two-wheeler growth for us. Passenger vehicle accounted for 27% of our top line. Commercial vehicles accounted for 9% of our top line even that a significant portion of the sales of CV comes from our Swedish subsidiary we witnessed a subdued performance in Europe in this sector in this quarter.

Our non-automotive segment contributed 10% of the sales in the quarter in our recent sales mix. In our current sales mix aerospace contributed to about 4% of our sales registering a strong growth of 41% year-on-year in the quarter. We expect this momentum to continue and register a 35% to 40% growth in aerospace revenues this year.

The agriculture segment accounted for about 4% of the top line. Off-road registered a substantial reduction largely owing to the continued supply chain challenges faced by the customers. The sales contribution of the off-road sector came down from 4% in the Q2 FY22 to about less than 1% in Q2 FY23 and we expect that this would be on the recovery path from the Q4 23 onwards and the remaining 1% of the top line came from other sector. On the CAPEX front, our new aerospace and defense facility is almost ready and is expected to get into the operations by the fourth quarter. The mass production post all the approvals is expected to start from the year FY24.

Coming to our order pipeline:

On 30th September 22 our order book of the new business with an annual peak revenue stood at Rs. 14.2 billion with auto ICE contributing 6.94 billion 49% and auto tech agnostic adding 4.41 billion amounting to 31%. Non-auto accounts for 2.84 billion and contributes 20% to the sales order pipeline. This order book continues to showcase the progress that we are making towards our long-term vision of improving market share participating in xEV opportunity and diversifying into technological agnostic components and focus on non-auto sectors. Our aluminum forged and machine components continue to see a very healthy traction. Going forward our growth will come on both auto and non-auto sectors.

With a strong festive season automakers reported a very healthy domestic demand and we expect the recovery to continue in the coming time. However, export may continue to be a drag for the industry this year. So, going forward we expect our domestic sales to register higher growth. In addition, our growth will be driven by new products like xEV and hybrid components for which mass production has already started. On the non-auto side, we should see a strong uptake in aerospace and defense business next year. The last two or three years were rather dull for the sector, but now the demand has come back strongly.

Now, I hand over to our CFO Mr. Vikas Goel to talk about our financial highlights.

Vikas Goel:

Thank you Preetham. Good morning everyone. I would like to cover the performance during the second quarter first. Our revenue for the quarter stood at 6,362 million as against 5,418 million last year, which is a growth of 17% on a year-on-year basis. This growth is a combination of superb sales growth in our domestic sales which was partially neutralized by under performance in the international sales. In fact, I am delighted that we recorded our highest ever quarterly and half yearly sales in the review period. In the quarter gone by we were able to pass on the commodity price increase to our domestic customers. This increase was retrospective for two quarters. However, the passing of cost makes a margin percentage appear narrower in an optical sense.

Further, the reduction in international business both sequentially and year-on-year basis also impacted the gross margins negatively. Our expenses increase by 17% in line with the revenue growth. With the higher COGS percentage our EBITDA margin for the second quarter stood at 17.1% against 20.1% in the second quarter. We will talk about it in more detail in the H1

summary. Finance cost for the quarter increase to 144 million as compared to 113 million in the corresponding quarter in FY22. This increase was largely due to the higher working capital borrowings to support business growth and also the interest rate hike that we have been witnessing in recent times. Profit after tax of Rs. 469 million in the second quarter as against 518 million for the last quarter same period.

The geographical sales of Q2 FY23 stood as follows:

India accounted for 77%, Europe 16%, US space customers 4% and other foreign countries overall 3% as a percentage of total product sales. Exports have been muted in this quarter and we expect this trend to start improving by the fourth quarter from this year based on our current visibility.

Now, talking about the half yearly results:

Looking at the half year numbers the total revenue surge by 25% on a year-on-year basis to 11,691 million as compared to the corresponding period last year. This includes approximately 3.5% of the material inflation pass on within the customers in the domestic region. For H1 FY23 EBITDA stood at Rs. 2,008 million with the margin of 17.2%. The net profit for H1 FY23 stood at 817 million and registered a growth of 16% as compared to 706 million in the corresponding period in the previous year.

Coming to the cash flow and balance sheet:

For H1'23 the company generated cash from operations of about 1,299 million against Rs. 709 million last year posting a significant growth in cash generation. In H1'23 we invested about 1,282 million against the purchase of property plant and equipment to support the current order book for new business.

On the debt front our net debt stood at Rs. 6,250 million the net debt to equity ratio was 0.56 against 0.57 for the year FY22.

With this, we would like to conclude our presentation and open the floor for question and answers. Thank you.

Moderator: Thank you. The first question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: So, couple of questions from my side firstly with respect to export indicated recovery from fourth quarters, so what are the indicators are we looking at which gives us comfort of recovery coming from fourth quarter?

B R Preetham: Look we have been interacting with our customers, so most of our customers do indicate that the supply chain challenge that they had. So the result of that was cutting in schedule and correcting the inventories wherever they had built up and the indications that we get are that

from our fourth quarter which is their first quarter thing should become more normal once they correct their inventories and start consuming the material. So, we expect both in our non-auto that is off highway vehicle category where as I said in my speech that compared to last year which was 4% has come down to less than a percent and also on the PV sector this should normalize from our fourth quarter.

Jinesh Gandhi: And secondly on the export continuing based on the order book which we have today in next two to three years what percentage of our revenue we expect to be from exports remains at 37% in FY22, do you expect that mix to sustain or that will be in favor of exports and within that we see share of US going up vis-a-vis over two to three years?

B R Preetham: If you look at our order book as well as our current order position which the production has already begun except for this year when right from the beginning of the year we have clearly said that this year would be a subdued exports. We did not expect any growth in this, but going forward our expectation is as things normalize we should be back to between 35% and 38% of international revenue on our overall gross sales. So, it could be that quarter-on-quarter there could be some variation, but we expect that overall, it would be between 35% and 38% of our revenues should come from our international market. When I say international market this would include our sales from Sweden as well and also our exports from India. So, we do not expect any big change in that mix because our current order book also indicates the same thing and to answer to your second question how our US order book is looking or our US sales are looking US continues to be a very focused market for us. We are adding a lot of business in US, for example, the order win that we have mentioned about in this presentation which is about 130 crores worth of order annually for 6 years from a global OEM starting from 2025 will amount to almost 700 crores over the business period and the second order also is from an North American customer in the non-auto segment. Again, we have also been working on a lot of xEV component for marquee customers so our US business is looking very strong.

Jinesh Gandhi: Second question with respect to the Euro depreciation against INR, so what was the impact of that in Q2 maybe you can share the Euro and our realization for the quarter vis-a-vis first quarter?

Vikas Goel: We have a rather balanced mix of our trade in terms of Euro. We import a lot of materials in Euro currency while we also export. So, approximately 40% of our exports is in Euro and 60% happens in dollar currency and against that 40% almost I mean if I look at an overall basis the ratio within the Euro is about 75% of that is imports. So, the net impact on Euro appreciation or depreciation is rather marginal at this point in time while we had a significant headwind in the dollar which actually is a good news going forward.

Jinesh Gandhi: What was the average realization for the quarter?

Vikas Goel: You mean the FOREX gain loss what was the overall impact is what the question is.

Jinesh Gandhi: Yes and if you can share the FOREX realization as well on USD, INR basis?

- Vikas Goel:** So, in terms of overall gain or loss we had the kind of neutral we incurred a mark-to-market loss of about Rs. 6 million and because of the forward contract that we had in place, but in terms of average realization I can share with you give me some time I will share with you.
- Jinesh Gandhi:** My last question on RM cost inflation, so would it be fair to state Q2 was probably the last quarter of inflationary pressure and Q2 onwards do you expect some relief or savings on RM cost which would be having our mathematical impact, positive impact on margins?
- Vikas Goel:** See while the second quarter saw some cooling down of raw material prices, but in our results all the effect of raw material increase which was due in the first quarter and later on which got slightly rolled back in the second quarter as all come in Q2. So, in Q3 that definitely will improve because Q3 will be for only Q3 this thing, but I expect that in Q3 the operational leverage will not be substantial because as the Q3 there would be Q3 quarter will not be as strong as Q2 in terms of domestic volumes, there will be year end and model change will come in December where almost one week of maintenance will be there with lot of customers. So, Q3 in terms of leverage so we expect that our margin will continue to be in range between 17 to 20 and more towards 17% - 17.5% in this Q3, but Q4 we expect a good improvement in margins definitely the operational leverage will also kick in and also there will be recovery from exports.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.
- Nitin Arora:** So, we had a very strong start of orders, new orders this first half can you talk more about the new platforms where you are bidding both in Europe and US also in context of do you see the new platforms which are getting delayed and also the size of these potential orders if you can throw some light on these?
- B R Preetham:** Is this the question pertaining to overall platforms or only ICE or it is xEV can I understand this thing?
- Nitin Arora:** Sir first is on the export side basically US and Europe across the category so across the segments were there it is ICE and it is electric or whether it is aluminum forging specifically, so first on the exports if you can talk about whether you are seeing some delay in the new order, what are the potentials of new orders which you are bidding because first half has been very strong when eventually people are talking about slowness coming in going forward, so that I wanted to know?
- B R Preetham:** So, the new orders that we are participating are all generally orders which are going to be executed for the new platforms from calendar year 25-26-27. So, a lot of these orders that we are participating and we are winning also corresponds to that. So, this also goes in line with what we have been maintaining that more and more outsourcing is being looked at for the new platforms. So, there is a recent win what we have mentioned in our presentation as well is from a global OEM for a North American operations and this is we have been working on this project from almost close to one and half years. The product has been tested, various stages of protos has already gone through. So, this production would begin in 24, but relatively, volumes will

start picking from 25 and the second order that I have also mentioned is on stationary engine platform and this is starting first in Europe. This is a North American based customers, but the order is starting in calendar year 25 in Europe, but very interestingly this order would be we have a almost 10x potential on this order from North American base. So, what we are looking at we have also been participating in many more such RFQs where there is a good amount of progress. We are quite confident that the volume of such orders will keep coming, but what I need to also mention here that this is not only restricted to ICE whether it is in passenger vehicle, commercial vehicle or in stationary engine category, but on xEV front as well there is a lot of traction and in this specifically what I need to mention is this would not be dependent on modern years because we are participating in both current programs as well as the newer upcoming program. So, we have been given the opportunity to participate in both and I am quite happy to share that while we have last time I have mentioned that we have received certain orders from this marquee customers. There is a good amount of progress, development is going well. We have already developed four of these components and the customer has had several visits to us and this business is progressing well. While I say that this is on a midterm to long term view, but what we look at it as I mentioned we expect that our Q4 and calendar year where Q1 of the next year we expect that there would be a volume recovery because most of the inventories with our customers have already been corrected or in the process of getting corrected.

Nitin Arora:

Second question is you talked about a non-auto which is keeping a run rate of 50 crore, 57 crore quarterly run rate revenue an aerospace has doubled almost in last one or two quarters, so this off road impact the category which was 20 crores coming to 2 crores, will that get normalize by next quarter the question is that if that would have been normalized you would be doing 70 crores, 80 crores in this quarter out of that, so can you throw some light because how the revenue ramp up should happen in that?

B R Preetham:

See basically I think the customer whom when we have interacted they had a lot of dependence for China for sourcing lot of critical electronic and other components from there which they had a lot of issues in those things. So, they had to cut their production, there is a very healthy order book for them, but they were not able to fulfill those order books. So, as I understand that now things are becoming much more better and clearer and in anticipation of goods sales they have also built up the inventory on other components which they have normalized. So, I expect that because we have also added components in that sector to that customer we had expected in fact a very good growth for that customer this year much for this factor. So, I expect that this will be back on track from Quarter 4.

Nitin Arora:

And lastly Preetham we talked about putting up a plant in US for a customer and then we lost one order get reverse and I think last call you said we still want to put it, so can you throw some light because is it something for a very specific customer we are going and we are hoping that the big order will order and that will be the catalyst for putting up the plant or we are still going ahead and putting up the plant now if you can throw some light on that decision?

B R Preetham:

Nitin while I had clearly specified in the previous calls and during the topic of this discussion also that while our interest in US plants is for very big opportunity that exist in both auto and

non-auto market and xEV market in US and their policy towards China plus is moving away is wanting them to be closer to their own geography. Today the main driving force for us to look at the US facility while this order which got cancelled apparently had a accelerating effect on this. So, because now this order was kind of because this specific order everything had to be done on in the US while our strategy was on other components we would do most of the green machining and forging in India and do finishing operations and assembly operations in the US, to keep the supply chain lean. So, this strategy we continue to have because our focus on US is continuing, our growth in US in both auto, non-auto as well as xEV continues. So, we are quite keen on setting up a manufacturing facility, but the timeframe we have no constraints like the earlier. So, in fact we had a detailed visit to the US last month I was to look at various potential sites and talk to various customers about their upcoming programs and this thing. So, our plans are very much intact of starting the only timeframe is what when we need to decide. So, at an appropriate time we will take the decisions, but the plans are being done for having a facility in US.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from ICICI Securities. Please go ahead.

Basudeb Banerjee: Few questions one sir as per your presentation 4% of revenue is from aerospace in first half so which means roughly 50 crore am I right sir?

B R Preetham: Pardon me can just be louder.

Basudeb Banerjee: Sir as per your presentation aerospace revenue is roughly 4% mix in first half and first half revenue is roughly 1,200 crores so roughly 48 crore, 50 crore revenue was from aerospace?

B R Preetham: Yes it was very close to 40 crores.

Vikas Goel: The percentages that we indicate here with respect to product sales.

Basudeb Banerjee: So, just wanted to know last few quarters back you were discussing about post COVID aerospace revenue moving back towards 200 crores, so what is the situation with regards to that and what is your outlook in terms of timeline to reach such an annualized run rate?

B R Preetham: Basu yes we would definitely the plans for reaching aerospace to 200 crores is very much intact and that is where our progress is also being there. This year the recovery of aerospace sector is quite good we expect that we would be doing better than H1 and H2 our order book also indicates the same thing and with the new plant opening up in this starting production in the next financial year we do expect that we will be reaching or we will be doing better in at least see our target was in three years timeframe we should reach 200 crores. So, we would be still the target is still there and we are hopeful that we should be doing better than that.

Basudeb Banerjee: So, roughly 3 years means including 23 you mean or from 24?

- B R Preetham:** No, including see 24-25-26 so three years is what had given.
- Basudeb Banerjee:** Second thing sir as you mentioned in the earlier part of call 38% of console revenue to be out of India including Sweden CV parts business, so if you can mention the health of the Swedish business now and your outlook for next couple of quarters, margin situations here?
- B R Preetham:** See like last time also I had mentioned that this year our Sweden sales will be subdued because of the change in strategy from our OEM, a major OEM where we were 100% in certain category of components and there was another source which who are 100%. So, they wanted both of us to be 70%. So, that transition is going on and added to that the energy crisis had put some pressure, but we expect that in the coming years the Sweden growth will be back to normal revenues of like the previous years. Though we do not expect too much of change in volumes, but operating efficiency by increasing automation and increasing engineering efforts from India we expect that we will maintain healthy double-digit EBITDA from Swedish facility from next year. This year as mentioned in the earlier reports also we will have a degrowth and this would be only a temporary years in terms of Europe revenue and in terms of Swedish revenue.
- Basudeb Banerjee:** And how much was the EBITDA in first half if I missed out?
- B R Preetham:** For the Swedish facility you mean.
- Basudeb Banerjee:** Yes.
- B R Preetham:** About 7%.
- Basudeb Banerjee:** So, basically the today's margin of 16.7 includes that the deterioration of European margin so revival should also help and third in your earlier discussion also you mentioned in Q3 in operating leverage will be at a disadvantage position though Q1 it was an after effect of cost pass on Q1 and Q2 together, so the outlook should be Q3 margin remaining static with gross margin improving and other cost as a percentage of sales moving up, if you can help us understand in this 400 bps of margin deterioration how much because of two quarters piled up together?
- B R Preetham:** So, Basu I think for better understandability I would suggest that because Q2 was slightly skewed all the raw material effect got accounted for in Q2 so if you look at H1 that would be probably a better thing. So, Vikas could probably give a more meaningful breakdown of that.
- Vikas Goel:** So, Basu in terms of if you look at H1 results about 1.9% is the margin deterioration on account of material inflation and the geographic sales mix combined. There is a slight increase in manufacturing expenses which is also responsible for that about 0.2% and we expect this to be kind of a run rate going forward. So, if the material cost remains the same so instead of 4%. Then we have the operating leverage on employee cost and other expenses put together about 0.6%, which should partially offset during the third quarter because of the subdued volumes of the cyclical nature of the industry. All of these should improve on the recovery of exports during

fourth quarter as well as on the operating leverage getting better because of volume expansion in the fourth quarter. So, we expect is to hold our margins or EBITDA margins in the third quarter and achieve an uptake during the fourth quarter because of improvement of all these factors.

Basudeb Banerjee: Sir if I missed out you explained 1.9% how much time will it take for the full reversal of that?

Vikas Goel: It is not a reversal it is a optical effect of material content becoming higher in the overall value.

B R Preetham: So, in that 1.9% about 1.3% is the optical impact of raw material about 0.4% was the effect of change in geographical mix. If you please see that almost 25% is the quarter-on-quarter 25% is the erosion of export compared to the Q2 of last year to Q2 of this year. So, this 0.4% as the exports become better will come back definitely on margins. This 1.3% which is the raw material impact optically will continue to be there for some more time till the raw material prices get corrected.

Basudeb Banerjee: And last question if I can chip in October retails and wholesales two-wheeler EV saw a good spike up, so as you are supplying to multiple OEMs, how is the production schedule outlook looking ahead for next few months it that spike up sustainable or moving up further or you see some normalization?

B R Preetham: So, overall, we see that two-wheeler industry is doing better than what was expected especially there is a lot of stability coming in from some of the new age electric vehicle startup where there are lot of issues. So, we see that there is a good steady thing. One of our key customer HMSI have also been doing pretty well. So, there are some of the customers who still are struggling, but overall, we see that two-wheeler industry is doing better than what we had expected. So, the order position overall if you look at all the customers put together looks better.

Basudeb Banerjee: Any color on two-wheeler EV specifically?

B R Preetham: Two-wheeler EVs in fact continues to do well our participation has also increased. We now have 6 customers, the volumes have started going up that is the reason that you see that we have already started registering a noticeable portion of our revenue starts coming from EVs now 3% of our revenues started coming from EVs which is small, but directionally what we want to achieve we are very clear on that. Even the order book also indicates that almost 20% of our order book we have xEV components specifically. So, we are quite bullish on the performance of xEV two-wheelers for the coming quarters as well.

Moderator: Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Sir, my first question is on the order book so we have shared that order book has gone up from 11 to 14 now you have shared 1.5 from the two customers, what were the rest how have those have got added?

- B R Preetham:** There has been order inflow from all the sectors. There have been order inflows from quite a good number of aluminum orders we have been able to get. So, in fact there is a substantial increase in that. If I am not this thing that almost 100 crores of orders have been booked, aluminum components itself. So, we have been seeing we have got received orders from aerospace sectors, defense is shaping up as well. So, there is a good amount of order inflow from all the sectors.
- Praveen Chauhan:** Quite interestingly if you look at the order book 18% of this order book is coming out of xEVs only and that is the most interesting part and that is in line with what we have been talking about directionally and that all mix is quite comfortable that indicated 40% plus coming out of non-auto ICE I mean non-auto tech agnostic and EV. I think we are very well in track rather we might exceed that.
- Siddhartha Bera:** Sir this aluminum component orders which you talked about this is for which sectors broadly, will it be more for aerospace or it is across components?
- B R Preetham:** What I spoke about specifically is about currently on two-wheelers.
- Siddhartha Bera:** Second is on this ramp up for the second half, can you just sort of guide us in terms of pick up in terms of order execution what all things we should expect to come through in the second half of the year?
- B R Preetham:** Some of this xEV customers with whom we have been working on the mass production has commenced and the ramp up will happen on that on the two-wheeler front. We have already started commenced production I am very happy to say that Tata Motors we have added them as our customers, we are very happy and proud to be that. The production of that has started there is a very positive feedback from the customers on that we have added Force Motors the production has started for that, we have added Volvo Eicher the production again has started for that. There has been an increase in these are all sectors where we were not very strong, be it agri, be it commercial vehicle in India all these are sectors where our presence was not very strong and we have been able to penetrate this and the production has started. Hybrid components for our customer has already started and it is at a full ramp up now. There is a breaking system components which goes to the European sector where the ramp up full mass production has started which will also contribute to this revenue. So, these are all some of the of course as I said that aerospace and defense continues to recover and new orders are also being executed. So, all these things should give us that required push into the next level of revenue growth.
- Siddhartha Bera:** Second question is on the exports which you have already touched upon, so just some clarification so earlier you had said exports is likely to be flattish for the year, now if we see for the first half they are down about 15% on a YoY basis trending at about 100 crores in the quarters now if we look at from the next couple of quarters, first is they still maintain that earlier guidance of about flat for the year and that implies that we should be somewhere back to the earlier levels or slightly higher than the earlier levels in the second half or would be right way to think about it?

B R Preetham: I still think that more or less we should be in that range itself because I expect that the Quarter 4 should be relatively strong for exports. So, my expectation is that we should be more or less very similar to the last year number.

Moderator: Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: In your presentation slide number 23 we have given the sales mix in four aspects one is in terms of geography, one is in terms of customer, one is in terms of product mix and then one is in terms of customer relationship I just had a longer term I wanted to have a longer term view from your side as to how do you see all these four parameters going in say next two to three years traditionally I know you cannot pinpoint a particular numbers, but if you can give some color on all the four aspects that would really help?

B R Preetham: Geographically, I have already made it clear for the next two, three years we expect that not going to be a very big change. We expect about 35 - 65 broadly of our geographical mix between international revenue and Indian revenue. In terms of customers as we keep expanding our sectors and adding new customers I expect that in the next two or three years none of our customers will be more than 10%. So, while we grow with each of these customers, but relatively the other growth is much higher so which would mean our dependency on one customer would keep coming down. So, I expect that the biggest of our customers could be very close to double digit not more than that. In terms of products as I said that overall if you look at it our target is in by next three to four years we should reach that 40% of our revenue should come from non-auto and tech agnostic. It could be 25-15 or it could be 20-20, but we have said that overall as a basket 40% of our revenue should come from non-auto and tech agnostic components and we are I am quite confident the way our order book is shaping up we would still be doing better in terms of if the xEV offtake improves then this ratio will be much better. In terms of our relationship with the customer as we strengthen our existing relationship with our customers we are also adding a lot of customers and that is one of our focus that while we keep adding our new customers we would not lose our focus on existing customers. So, we keep working tirelessly to make sure that our existing customers keep giving better share of business and add more products. So, I expect that while we focus on the newer technologies our bread-and-butter components specifically connecting rod for passenger vehicle and commercial vehicle segment international it is our target that overall, we should reach on a medium term about 10% of global share of business and we are working very tirelessly towards achieving that. So, these are fundamentally how we are looking.

Ankit Kanodia: Just a follow up on that if we broadly assume that domestic and export market percentage would be broadly similar, so is it fair to assume that the EBITDA margin will also be on a similar range or do we have other levers through which we will see an uptake in margin going ahead?

B R Preetham: We expect that with better utilization we have always maintained that our EBITDA margin should be between 17% and 20% is what we say and as our utilization and recovery in the two-

wheeler sectors happens we should be towards the better half of that range so that is what we expect.

Ankit Kanodia: And any particular long term risk or any particular point which you will be most particular about when you think of realizing these all long term goals of sales target?

B R Preetham: No, as you keep accelerating the growth there are always challenges the company face and it is nothing different to us also. We also go through the same thing while we cater to large inflow our SKUs and large inflow of orders getting executed. There is a stress on the entire human all the manpower that we have especially on engineering. So, we have been working on as mentioned this in my previous call also that we have been working on processes and systems as to how to better our the thing because as the customer expectations the product lifecycles are coming down, development times are coming down, the customer expectations also becomes steeply increasing. So, with all these things in mind we have been working in adding so that could be one of the challenges as to how effectively we can manage our engineering resources to cater to this increasing demand as we diversify into different products and different sectors these challenges become more amplified. So, company is very well aware of it and we have put a structure in place, we are trying to mitigate that risk by working on succession, working on skill development of our various levels I am quite confident of coming through it.

Ankit Kanodia: Just one last question on competition how do you look at competition in this space and how are we positioned towards that if you can give some color?

B R Preetham: So, competition is definitely going to be there. We are quite aware of this fact because as the market is progressing towards EV especially in EV segment, there is price pressure, there is competition because the addressable space is also limited. So, Sansera, which is fully integrated facilities where we offer the entire solution right from design, testing, forging, machining, heat treatment, special process as one stop solution to our customers. This gives us slight leverage over the competition. We are quite aware of it that we need to both domestically and internationally compete with very competent companies who are equally competitive in terms of engineering abilities and cost competitiveness. So, Sansera is also, we are also preparing ourselves as we try to be more engineering focused and new technology focus. So, we hope to keep outperforming our competition.

Moderator: Thank you. The next question is from the line of Pranay Roop Chatterjee from BCMPL. Please go ahead.

Pranay Roop Chatterjee: So, my first question is with regards to the xEV/tech agnostic portfolio and I wanted to check three things here first what are the products that are driving bulk of the volumes and how does the product complexity compare with your core ICE products that is one. Second is how do the gross margins and contribution margins for these new products compare with your core ICE portfolio and lastly how did you start and go about building a competency here I and actually signing clients because there are other ancillaries whose majority of the revenues already come from EV and tech agnostic segment and I believe they would have a larger scale and the more

cost competitive, so it is interesting how quickly of transition to tech and EV, so if you can just talk about the competition, who are these competitors and how do you develop a advantage over them?

Praveen Chauhan:

I think very interesting question here how to look at the competition, how to get the orders and how to remain up. So, we have been right from the beginning talking about our capabilities into precision components and to everybody's knowledge EV still continues to have a lot of content out of the precision component it is just that the component categories are changing while we are making, connecting rods or rocker arms, and lot many other things (Inaudible) 57:45 there are similar high precision components in the EV segment number. So, our first choice had been to pick up those parts and what we see is that the customer new ages as well as established while the established knew us pretty well, the new age customers also have realized that these are very critical parts and we have to only pick up those suppliers who have those capabilities right from engineering to implementation of those. So, we have been able to continuously pick up those kind of orders and as we have been saying that our content per vehicle today is higher in the EVs out of similar those components as compared to what we have been getting in ICE that is one part of it. Second is that we realize quite early that light weighting would be very important going forward in EV in order to have a higher mileage out of the same energy source which is battery and we certainly had our earlier exposure into aluminum components out of our aerospace business. So, we developed aluminum forging and that is what impacting is the number two that lot of components are emerging and in fact our transitioning over a period of time into aluminum forging parts into this EV segments and just to give you slightly more update on thing about this aluminum is that while aluminum die casting have been prevalent in fact they have been quite a lot capacities available in India. Aluminum forging is a different thing which is having a higher strength as compared to dye casting components. So, that is where we are into it and that is where we see that a lot of transitioning happening not only domestically, but internationally also. So, these two factors put together and our diversification and openness into getting into any other kind of precision category parts I think has led to getting a lot of business and that is what the customer have been appreciating. On the completion side I would say I think we can bit touch upon that earlier also that we have certain very important edges particularly in terms of having our own engineering based and having our own machine building capabilities. These two put together and the fungibility that we have across our CAPEX from our ICE to non ICE businesses having all these put together we certainly think that we have an edge and we have been getting benefitted by that.

B R Preetham:

In terms of margins what you ask for in the new category of components in fact right from that time that when the thing that we have been mentioning that Sansera belief is that we have three we have very clear principles on which we take the business. One is it should be engineering centric, the second one is it should be scalable and the third one is we look at very closely the ROCE and EBITDA to be around 20%. So, that is how we try and get into these components. So, while we say that we are getting into xEV components, these are primarily precision engineered products. So, these are actively based costed and these follows a similar pattern of costing what happens in ICE segment as well. So, it would not be very different to what our current existing margins.

Pranay Roop Chatterjee: And the second and the last thing I want to check is on the aerospace segment you expect quite a strong pickup so if you could help me understand firstly is it largely linked to Boeing production schedule, is that your major client and second is who are your key competitors here and how strong is the visibility on the scale up to 200 to 250 crores?

B R Preetham: No, we work with both Boeing and Airbus through their Boeing directly and for Boeing and Airbus through their Tier-1 and Tier-2 and our visibility see in aerospace industry since the raw material ordering cycle is pretty long compared to our because you need to have a visibility of almost one year because your ordering cycle is also one year. So, we do have a clear visibility or at least we get a fairly good visibility from our customers in terms of what they want for the next full year and also we do have a certain order book what we are working, certain FAIs that we have been working on. So, all these put together we do see that a good amount of recovery is on the card because we do have a fair amount of sense on what is going to be build for the next one year in terms of our existing business and also what components are getting into production. As I say that there is one on commercial aerospace, but on defense also we are putting in a lot of focus efforts and opportunities that are being created by Government of India in Atmanirbhar Bharat is also helping us to getting into various sectors where private sector is catering to. So, I cannot mention too much details into all those things, but then we are quite upbeat on even defense programs coming through. So, overall aerospace and defense as I said factor to Mr. Basu's question that we are looking at reaching that mark of 200 crores in over two to three years' time.

Moderator: Thank you. Ladies and gentlemen that was the last question I now hand the conference over to the management for their closing comments.

B R Preetham: Thank you very much for your patience and all the interest that is there. We really appreciate your interest in our business and I am sure that you will have many more questions and we will be more than happy to answer any of your queries either directly or through SGA. So, we would be more than happy. So, all the best and look forward for interacting with all of you in the future as well. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Sansera Engineering Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.