August 08, 2023

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

Scrip Symbol: SANSERA

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

Scrip Code: 543358

Dear Sir/ Madam

**Subject: Transcript of Earning group conference call**

Please find attached transcript of Earning group conference call held on August 02, 2023 on Unaudited Financial Results for the quarter ended June 30, 2023.

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

We request you to take the same on your records.

Thanking you,

**for Sansera Engineering Limited**

RAJESH KUMAR MODI
Digitally signed by RAJESH KUMAR MODI
Date: 2023.08.08 18:40:35 +05'30'

**Rajesh Kumar Modi**
**Company Secretary and Compliance Officer**

Encls: a/a

"Sansera Engineering Limited
Q1 FY24 Earnings Conference Call"

**August 02, 2023**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 2nd August 2023 will prevail

**MANAGEMENT:** **MR. B R PREETHAM – GROUP CHIEF EXECUTIVE OFFICER – SANSERA ENGINEERING LIMITED**
**MR. VIKAS GOEL – CHIEF FINANCIAL OFFICER – SANSERA ENGINEERING LIMITED**
**MR. PRAVEEN CHAUHAN – CHIEF OPERATING OFFICER – SANSERA ENGINEERING LIMITED**

**Moderator:** Good morning, ladies and gentlemen. Welcome to Sansera Engineering Limited Q1 FY24 Earnings Conference Call.

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 risk and uncertainties that are difficult to predict.

As a reminder, all participants' 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

**B. R. Preetham:** Thank you. Good morning, everyone. Welcome and thanks for joining this call.

On this call, I am joined by our CFO – Mr. Vikas Goel and our COO – Mr. Praveen Chauhan along with our Investor Relations Advisor – SGA. The Results and the Presentations are uploaded on this Stock Exchange and the Company website. I hope everybody has had a chance to look at it.

I am thrilled to update you that we have kicked off this financial year with our best ever performance in terms of both top line and EBITDA. This stellar performance is driven by broad-based growth across domestic and international markets, and we hope to continue this fast lane throughout this fiscal year.

Talking about some industry-wide trends, as per the data published by SIAM during this quarter, passenger vehicle sales rose to 9.9 lakh units, up 9% as against the same period of the last fiscal. Two-wheeler sales rose by 11% to 41.4 million (wrongly spoken, actually it is 41.1 Lakhs units) units on a year-on-year basis. Overall, the Indian Auto industry is growing at a healthy pace with strong trends emerging across the category.

OEMs have lined up multiple launches in H2 and which should again help in consolidation of our business with them and also growth. The reduction in the FAME 2 subsidy can lead to a rise in the price of electric two-wheelers which will have a short-term impact on the EV two-wheeler sales.

Coming to our performance in the quarter, the contribution of Auto-Tech Agnostic and xEV products continues to improve on a growing base reflecting Sansera's readiness for a futuristic product range. We saw an upsurge of 70% in our Auto-Tech Agnostic and xEV products on a year-on-year basis. This growth is largely driven by xEV products. The segment contributed

12% approximately of our sales of which 6.6% came from Auto-Tech Agnostic products and 5.3% came from xEV products.

Auto-ICE segment registered a 19.6% growth largely driven by growth in our motorcycles and PV components. The upsurge in the PV components is backed by our latest customer addition. This growth was achieved on a large, very large base and is a reflection of our very strong engineering capabilities in our key component categories such as connecting rod, crankshaft assemblies, rocker arm, integral crankshaft, gear shifter fork etc.

The Auto-ICE segment contributed 76.4% of sales versus 79.8% in Q1 of FY '23. This segment included 35.3% of sales were from motorcycles. Scooters accounted for 5% (wrongly spoken, Actually scooters accounted for 5.7%) of the top line. PVs accounted for 23.8% of the top line. Commercial vehicle sales' contribution was 11% of the top line.

Our non-auto segment grew by 27% in the quarter, contributing 11.7% of the total sales. Talking about the sales mix, our Aerospace and Defense business contributed 3.2% in the quarter. We are expecting robust growth coming from aerospace in FY '24 and FY '25. Visibility is good and we are prepared for achieving these numbers.

Off-road sales were to the tune of 4.3%. Demand is coming very strongly from this segment. Agriculture accounted for 2.7% of the top line and the remaining 1.5% of the top line came from few other segments.

Coming to our order pipeline, our order book of the new business with annual peak revenue stood at Rs. 16.9 billion as on 30th June 2023 versus 13.3 billion as on 31st March 2023. This increase is largely driven by strong order inflow in the Auto-ICE segment reflecting Sansera's progress in its core product category with Auto-ICE contributing about Rs. 8.04 billion, 47%, Auto-Tech Agnostic and xEV adding Rs. 5.09 billion, which is about 30% and non-auto accounting for 3.8 billion, which is 23%.

On the CAPEX front, we are highly focused on our new generation components. In fact, our last two plants which we have commissioned include our electric and hybrid components plant, Aerospace and Defense plant. Recently, we have also started construction of a new Brownfield machining facility, which is about 1,50,000 square foot of built-up area. This is largely intended to house all the aluminum forged and machine product category of components and this step is in line with our increased long-term sales contribution target of 20% from xEV and Tech Agnostic products.

With a combination of strong tailwinds in our operating segments and our strategic initiatives, we are very confident to deliver a healthy top line going forward. To achieve these targets, our ICE segment will continue to outperform the industry growth on the back of the component client additions, while the newer initiatives like aluminum forged and other components will bloom to much faster rate.

Now, I will hand it over to our CFO Mr. Vikas Goel to give you the Financial Highlights. Vikas.

**Vikas Goel:** Thank you, Preetham. Good morning everyone. Welcome to our earnings call. Before I talk about the financial performance of this quarter, I would like to share some changes with you in terms of our financial presentation.

Firstly, we have made some changes and we have standardized our financial presentation by separating revenue from operations and other income as against total income. This helps in a better and more clear understanding of the operating EBITDA.

Secondly, some of the manufacturing expenses which were being directly reported on the face of the income statement have now been combined with other expenses in line with standard practice across the market. However, we continue to show the cost of goods sold and gross margin figures in our investor presentations for easy reference of the audience.

Coming to the Q1 performance, our revenue from operations for the quarter stood at 6,601 million representing a 24% growth on a year-on-year basis and a 17% increase on a sequential basis. This is our best ever quarterly performance from a top-line perspective driven by excellent performance in our international markets as well as domestic markets. Our international business grew about 35%, while the domestic business registered a healthy 20% growth. Despite such strong growth in the international business, its contribution to the overall sales still lacks the historical average.

The gross margin stood at 39.9%, an improvement of about 1.5% on Q-o-Q basis. You may recall FY '23 has had some movements in the gross margin from quarter-to-quarter owing to various factors, like raw material price fluctuations and certain customer claims etc. The gross margin for the Q1 was better than the full-year average of FY '23 by 20 basis points. So, we thought it's a better reference point in terms of comparison.

Employee expenses for the quarter stood at about 910 million versus 774 million in Q1 of FY '23, largely representing annual salary increases and volume increase related costs for the quarter. Other expenses, at 579 million inched up in line with higher sales. Overall, our EBITDA margin for Q1 stood at 17.3% versus 17.2% in Q1 '23 and 16.4% during the full year of financial '23.

Finance costs for the quarter increased to about 189 million as compared to 137 million in the corresponding quarter of FY '23, largely due to increase in the rate of interest and higher amount of borrowing. Profit after tax of 452 million Q1 '24 as against 348 million in Q1 '23, a 30% growth over year-on-year.

In terms of geographic sales mix for Q1 '24, India contributed 68.4%, Europe 19.5% and North American region 9%. Other foreign countries' share was 3.1% of the total sales. In the next financial year, we are looking at better numbers in terms of international business mix.

Our Swedish subsidiary recorded a 35% growth in revenue on a year-on-year basis resulting in an EBITDA margin of 12% during the Q1. On a full-year basis, in the current year, we expect to get back to between 9% to 10% EBITDA for this subsidiary.

On debt front, our net debt stood close to 7.2 billion as of June '23 representing increase in inventory and receivers to support the revenue growth, especially in the international markets.

CAPEX for the financial year is estimated to be in the vicinity of 300 crores. A majority of this CAPEX will be in the areas of non-auto and Auto-ICE categories in order to deliver upon our evolving orderbook.

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

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Siddhartha from Nomura. Please go ahead.

**Siddhartha:** Thanks for the opportunity and congrats on a good set of numbers as well as on your appointment as ED. Sir, my first question is on this export side. So, we have seen a good pickup in trend, but I think in the past, you had indicated that it might be even stronger at close to 50% growth for the full year. So, does that still hold? And does that mean that we will see some more acceleration in the coming quarters?

**B. R. Preetham:** Thank you, Siddhartha. Yes, we still are certain that we will grow by more than 50% on our previous year's export base. If you had remembered our slide in the export contribution in last year started from Quarter 2 and Quarter 3. So, the base has shrunk in Quarter 2 and Quarter 3 and we expect that this year we have a very strong momentum in the exports, and we will overall on a full-year basis, we will do better than 50% growth.

**Siddhartha:** Even in non-auto side, sir, if I see the current quarter, I think the trends have been slightly weaker, especially on the Aerospace side. So, can you highlight here? I think, also we had indicated close to 50% growth and how should we expect why the slight disappointment this quarter and how should we expect for the full year?

**B. R. Preetham:** No, see, as you remember that we have commissioned a new plant. We have moved the most of the facilities now to the new plant. Apart from the new machine additions, all the older, I mean, the existing facility was also entirely moved to this new facility. So, while doing so, a lot of re-PPAP and customer approvals needs to be acquired. So, we had both at customer and our end, there were inventories that were built, and I think upon all the customer approval in the last quarter Q1 customers because it was all approved, now I think the inventories, in-house inventories of their were consumed and that is resulted in a slight slower off take from our this thing, but overall the business outlook looks very strong and we are quite confident with the addition of the newer businesses and also growth in the Aerospace sector overall, we will be able to deliver close to 50% growth in this sector. You will see a strong recovery and performance in the quarters to come.

**Siddhartha:** Sir, lastly on this investment in MMRFIC. So, any progress there on the new orders which you are seeing? And will it be sort of possible to highlight some of the orders or your targets probably in the next few years?

**B. R. Preetham:** Yes, while this business itself has come new to us and our understanding on this is pretty new even for us because it's a very, very high technology business module, we are focusing on two separate segments. One is, of course, on defense and the other one is on the surveillance radar. Now these surveillance radar's application is quite wide from both defense and civilian perimeter surveillance, anti-drone systems, automotive applications.

So, with contacts of Sansera, we have been able to get them on-board with one of our European clients and now they have technically been cleared for developing a radar. These are three radars combined into a small one module which will be of the size of a credit card and technically, everything has been cleared now and a go ahead has been given, but we are awaiting their final confirmation on with the financial aspects as well, but we are very confident that with this breakthrough, we will be able to approach our other customers.

Sansera's deep penetration in the automotive segment could help them, but while I say that they are also making good progress in the defense sector as well, their ability of last five years of effort is now this thing, so resulting into newer opportunities even in defense and with government push, we expect that as I had said that during our last time also in the last speech where we expect another 18 to 24 months where full potential of this Company can be realized. So, this is the current status now.

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

**Mumuksh Mandlesha:** Sir, on the medium to long-term perspective, you have set the target for 20% sale contribution from the xEV, Tech Agnostic and non-auto. Based on the current order book, where do you see reaching those targets in next three years?

**B. R. Preetham:** Mumuksh, so we had, see, both put together, xEV, Tech Agnostic and non-auto, we had said we would like to reach about 40%. Initially, we had said it would be 15% and 25%. Then now we have revised 20% and 20%. And if you really look at our order flow, sales order book inflows also, we are quite confident that given the current momentum that we have in this space, we should be easily able to surpass our targets, but having said that, we are also doing quite well on Auto-ICE as well.

So, while I am, because this when I say the 40% in the next three years, so it would be on a much larger base. So, definitely which means that our growth in this segment has to be much, much faster than our normal growth to achieve these numbers, and we are quite confident that given the momentum that we have and the order pipeline that we have, we should be able to surpass our targets of 20% and 20%. Between both these segments, today, this year, we should be reaching closer to 28%. Last year it was closer to 22%, and this year we should be reaching closer to 28%.

**Mumuksh Mandlesha:** In three years, 40%, right?

**B. R. Preetham:** Yes.

**Mumuksh Mandlesha:** On the international that Sweden order, the split which happened, has that order commenced, sir?

**B. R. Preetham:** I would ask our COO Praveen Chauhan to talk about Sweden. Praveen.

**Praveen Chauhan:** So, Sweden last year as we had told that there are a lot of development activities happening. There was a shift in share of business for one of the major components. All that has got stabilized and the results have started coming in already this quarter. This quarter, if you see, there is already a growth and the product mix has already changed. So, all those things are on track. In fact, we are under final discussions with our customer to further look at growth over the next couple of years. So, we are quite confident because they expect us to be doing more numbers over the next two years and we see a good potential of growing, growth over there.

**Mumuksh Mandlesha:** Sir, can you share more insights on the new order won during the quarter of 3.7 billion and also the new PV customer win?

**B. R. Preetham:** See, it's quite wide. It has come from all the segments, but to be more clear, I think we have got some of the main key customers who have given repeat orders are the orders have come from General Motors. It has come from SCS, Stellantis, TVS Motors, Cummins Aerospace and also a reasonably big order from the marquee EV international customer. So, there has been a good spread of order. Especially, if you look at these things, these are more tilted towards exports because there is an order from General Motors almost 87 crores annual. Stellantis is about 67 crores. Cummins is about 40 crores as well as the marquee customer of EV another 70 crore. So, there has been quite widespread orders from all the customers.

**Mumuksh Mandlesha:** Sir, can you just finally share the breakup of the power and fuel conversion charging and consumption store separately, sir, number?

**B. R. Preetham:** Yes. You want it on the call or if you wanted? Power and fuel as a cost to the entire revenue, is it?

**Mumuksh Mandlesha:** Yes. So, this quarter, the breakup of the power and fuel and conversion charges and the consumption store. So, you have given a total number in the presentation. A breakup I wanted, sir.

**B. R. Preetham:** Vikas will probably give you those numbers.

**Moderator:** Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

**Jyoti Singh:** And my question is what's the opportunity in the Aerospace industry? And how does the offset clause benefit us with Boeing and Airbus supplying to India?

**B. R. Preetham:** The Aerospace industry as we have been telling that the opportunity in Aerospace is quite robust, especially with a lot of Indian carriers presenting a lot of new orders, big orders, biggest in the history both Air India group, Tatas and also Indigo. This only makes more committed outsourcing to India from these things. As of now, we are not part of any offset program because these offset programs are predominantly more significant in the defense sector, but on commercial airlines, as such the order inflows are quite good and more so the value-added parts are going up.

What used to happen earlier was that India would get only an overflow of components or components with lower engineering significance or lower value addition. Now looking at we have been also recently, last couple of days back, we got a Platinum award from Raytheon Group which is the second highest award in their group. So, very, very few suppliers have got this. So, there is a lot of confidence and faith shown on the Indian vendors. So, we are able to now get much better, higher value-added parts, bigger opportunities to participate. So, I only see that this as a beginning of a big growth story for companies who are involved in the Aerospace industry.

**Jyoti Singh:** And sir, like we are catering to all Auto-ICE, Tech and Tech Agnostic and Aerospace and non-automotive, so, sir, which segment we are seeing very much a good traction? I mean, you can see very good traction which segment we are seeing?

**B. R. Preetham:** Your question is which segment do you see good traction, is it?

**Jyoti Singh:** Yes.

**B. R. Preetham:** We expect that, see, while still the two-wheeler industry is yet to pick up fully, there is a huge upside that is expected to be there because the two-wheeler industry has been struggling in the last three, four years and we expect that it should come back to its especially now with there is a pressure on EV two-wheelers in terms of subsidy reduction. So, there would be a short-term impact, which would also mean that the vehicle buying will tilt towards the ICE for some time. So, it should do well.

Premiumization of this two-wheeler industry is helping because the content per vehicle in the two-wheeler, premium two-wheelers, we are presented with all of them like we are already strongly partnered with Royal Enfield. We have got a good order from Bajaj Triumph models. We are present in Hero Harley also and in the future models that are getting developed.

So, two-wheeler is looking, apart from that in all the E two-wheelers we are present. So, two-wheeler segment for us apart from the industry growth because of the premiumization and also on the Tech Agnostic components lightweighting which is happening, our content per vehicle is significantly improving. So, this would add both to the top line and as well as or to the margins. Passenger vehicles, we are adding customers. Tata Motors has been a good addition for us. Maruti share of business is going up. With export customers Toyota is doing extremely well. So, we are one of key customers (wrongly spoken, actually we are one of the key suppliers) to them on connecting rods and hybrid components. On international front as well, we have won good order. So, on all these segments, we are looking for a very, very strong growth in this year.

**Jyoti Singh:** Sir, just last question. For the Tata Motors, how much order we have, if you can explain?

**B. R. Preetham:** No, currently, we have started production of one connecting rod. It is about 75,000 connecting rods per month. There are other two contracts that are on the testing. So, slowly, the relationship is started just in the third quarter of last year. We expect that with our performance, we expect it to gain share of business with them.

**Moderator:** Thank you. The next question is on the line of Arjun Khanna from Kotak Mutual Fund. Please go ahead.

**Arjun Khanna:** Sir, congratulations on the appointment on the board as Executive Director. A few questions from my side. First, just in terms of the CAPEX, we have increased our CAPEX guidance from 250 crores to 300 crores. Is it because of the US assembly plant? Or could you throw some further light on this?

**B. R. Preetham:** No, Arjun. Thank you very much, first of all, and the CAPEX as such, there is no, the US plant, we have not yet committed any revenues nor any this thing while the work is going on as to I think by third quarter, we should have some news given to the Board and after that approval of the Board, we will also announce it to the other thing, but as of now there is no CAPEX that have been considered for the US facility. This is primarily Vikas, can you just say?

**Vikas Goel:** Yes. So, this is primarily to cater to capacity expansion and line balancing. Line balancing in the existing product lines and capacity expansion for the new range of products and businesses that we have in the order book and this also includes some capacity, sorry, some facility buildups like Preetham mentioned about the machining facility being under construction now. And then, so, largely, it's for the businesses which we already have.

**B. R. Preetham:** Arjun, also, you should also appreciate the fact that some of these premium models that I mentioned has also come as an additional business to us where like the number of components that we are supplying to these models are also high and then also initial estimation projections to currently looking at the response, they have increased their ask. So, we are adding capacities in those segments as well and especially on aluminum, in fact, five presses what we had planned fully booked. Now we are contemplating adding two more presses because the order inflows are very, very strong there.

**Arjun Khanna:** That's very heartening to hear, sir. Sir, just the second question on Sweden. So, if you look at revenues for the quarter based on your disclosures, we have seen 35 crores move to 47.5 crores, almost 30 odd, 36% growth. So, effectively, this captures the loss of business which we had and incrementally, it's on new business that turnover would grow. Is that the right understanding?

**Praveen Chauhan :** Yes. This quarter is the right indication of what is going to happen over the years. We have gained, as you rightly said, we have gained whatever was lost to a great extent and we hope the European market and our customer demand in the market continues to be the way they have been indicating. We are quite hopeful that this year will be in line with the growth that we already had in the quarter.

**Arjun Khanna:** My final question is just in terms of the debt level. So, that has risen quarter-on-quarter in spite of very strong numbers. Obviously, CAPEX would be a part of it. Now we'll get the balance sheet disclosure next quarter, but just in terms of how do you see the debt profile for the Company going forward given our CAPEXes?

**Vikas Goel:** So, Arjun, this is rather a unique quarter. As a first quarter, we generally have a revenue reduction after Q4 because of seasonality in the industry. So, Q1 is generally either at par or slightly lower than Q4, but this time we have had growth on a sequential basis also, and that's thanks to the international business picking up. Now some of the inventory…

**Arjun Khanna:** So, it's a working capital impact.

**Vikas Goel:** Yes.

**Arjun Khanna:** Is that the right understanding?

**Vikas Goel:** I am coming to that. So, that actually necessitates extra inventory built up and also higher amount of receivables because of this increase in the international business. Now, this will get normalized over next two to three quarters and as we expect, we should be around this level of debt by the end of the year.

**B. R. Preetham:** Yes, Arjun, it will get softened a bit. We expect that we should be in the range of 680 to 700 crores as debt overall. That's our target.

**Arjun Khanna:** And as our exports or the international business continue to grow, do we expect the deterioration in working capital cycle?

**Vikas Goel:** The credit periods or the collection period is relatively higher in the international market. So, yes, that's a valid assumption.

**Arjun Khanna:** And the flip side is would that essentially mean higher EBITDA margins going forward since that business has higher margins?

**Vikas Goel:** Yes, this should marginally improve over the period reflecting a growth in the international business.

**Arjun Khanna:** So, EBITDA margins, as international business grows, we should see an improvement out there.

**Vikas Goel:** We should see improvement.

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

**Basudeb Banerjee:** Just a couple of questions. So, just to understand how are you looking at the two-wheeler indents in the coming months this season in October, November, so at least for next couple of months, how the orders panning out from the large player? And second question is, on one side, the two-wheeler manufacturers are saying say the leaders in EVs, say OLA or TVS that from August itself, the EV portfolio will go back and make new highs, whereas in July, we still saw that the retails were pretty much subdued because of the subsidy change. So, you are still being one of the key suppliers, how are you looking at the production of the EV models of the leading E two-wheeler vehicles? So, these are my two questions.

**B. R. Preetham:** First question to ask that this time, there is also additional bad month where people don't buy the vehicle. So, the vehicle, two-wheeler sales have not really picked up. It was generally assumed that the buildup would start from July, but I think it has got delayed by a month. So, we expect that August, September, October should be reasonably good for two-wheelers.

While I say that, there is more and more we see that more and more entry level, there is a pressure on entry level segment. I think the executive and the premium models are doing better. So, there is a shift which you can see. Premium models, definitely, what are being released now, has a better, at least for us, we have a better contribution in terms of number of components, value of components going up.

So, for us as a business on two-wheeler, we expect that the coming quarters would be quite strong. I am yet to I think it will take another couple of months at least for the EVs to go back to reasonable numbers. That's what is my assumption that there could be a couple of more months before they stabilize and hit the numbers as previously what they were doing.

**Moderator:** Thank you. The next question is from the line of Devesh Kayal from Monarch AIF. Please go ahead.

**Devesh Kayal:** Sir, it's really heartening to see whatever you have been committing and delivering on the same. Sir, my first question was on debt. So, that is now addressed. So, second is on the machining plant, which we are putting up at the Bidadi plant. So, peak revenues that is for exports which you had mentioned earlier. So, peak revenue from this machining plant, how much can we expect?

**B. R. Preetham:** No, it is actually the extension of our current machining facility, which is there in Bidadi, which largely caters to the export in terms of ICE components where we are producing bigger connecting rods for customers, both the commercial vehicle as well as industrial application. Further, this portfolio would be enhanced there because new orders has to be started delivering like Cummins connecting rods are going to be manufactured from there. So, we expect that by first phase of this expansion would get completed by end of September.

The second phase, which is on the, we are we are doing it on the two floors for machining, ground floor plus first floor, and the ground floor is almost ready, and it would be commissioned by September, and first floor should be ready by the third quarter end. This will also mean that we have enough and more space for both aluminum and bigger connecting rods. Overall, this plant which should do close to a revenue of about 400 to 420 this year with full occupancy and utilization, I expect that this should double up. This plant would have a overall potential to deliver between 800 to 850 crores of revenue.

**Devesh Kayal:** And our international mix in the order book, so that's currently high and with this new capacity by end of FY '24, so our international mix going forward, let's say, FY '25, '26, so fair to assume that that will cross 40% in the overall sales?

**B. R. Preetham:** See, the order inflows are tilted more towards international business because currently, we are focusing on lightweightings, which we have won orders from UK-based passenger vehicle Manufacturer for aluminum forge and machine components that should start in the next year. These are all about 600,000 volumes per year. Then there is also this marquee EV customer for which our production is starting from this third quarter. That's also a good significant chunk of order. So, there is a good momentum on international business. While I say that, see, in the FY '22, our contribution from international business was almost 37%. Then in FY '23, it came down to 28%, but we have said that this year we could be around 32% to 32.5%. On a long term, yes, there is a potential that we should be looking at around 40%. So, between 35% and 40% depends on how our domestic growth also goes on.

**Moderator:** Thank you. The next question is from the line of Mulesh Savla from Shah & Savla. Please go ahead.

**Mulesh Savla:** Sir, most of my questions have been answered, but I am really delighted to know that we are getting tractions for all our divisions, and we are in for further expansion and line balancing, and we are trying to get higher wallet share along with all our customers. So, looking at this scenario, there was one question in past that we might think of even inorganic growth potential also. So, is there anything in the pipeline, sir?

**B. R. Preetham:** We have just made a investment into this hi-tech technology Company where we are focused on Sansera's Automotive and Aerospace penetration to help them. While they are very strongly in defense, we intend to take that into this thing. So, our current focus is on looking at how to stabilize this and mutually grow this business. While having said that, we keep coming across opportunities both in automotive as well as non-automotive spaces. We keep looking at it and as such, there is nothing on cards now, but that doesn't mean that there is not going to be. So, we will keep our eyes and ears open. We are looking at opportunities, but nothing concrete is at present now.

**Mulesh Savla:** And sir, in this radar Company also, we were planning to increase our stake up to 51%. So, how soon that is likely to happen?

**B. R. Preetham:** No, see, this is we already have a right to increase up to 51%. Now this is based on a capped valuation as well. So, as and when the Company requires the funds and as and when we feel that it is an appropriate time to increase, we will do it. In my expectation, this should happen over two to three years' time.

**Moderator:** Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

**Jyoti Singh:** Sir, if you can explain on the revenue from the top five customer along with their respective name as some changes done, so, please?

**B. R. Preetham:** Madam, so as we keep expanding our customers, the contribution from each of our customers have also the share of contribution as strategy our top four customers, if you look at our top four customers, only two of them are now about 10%, Bajaj being the number one customer at 13.6%. So, overall if you look at the contribution from the top five customers, it now stands at 47.7%. So, while this is also very healthy, this is in line with our strategy because we would like to grow with our customers. In the same time, we want a lesser and lesser dependency on one such customer. So, it's been a good mix. So, today, if you look at last year's first quarter which was our top five customers contributing to 52.7%, now it has reduced to 47.7%, and only two of our customers are above 10% now.

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

**Siddhartha:** So, basically, sir, just wanted to check on one more thing. I mean, if I look at the, for this quarter, like if you see your domestic revenues have grown by 20%, and if I see segment-wise, even two-wheeler motorcycles, I would say, has grown by upwards of 20%. So, now if I look at the industry production numbers for the two-wheeler industry, it's been sort of flattish to marginal growth. Even for PVs will be on those similar lines, low single digit type of growth on the production side. So, any particular reason why our growth is much higher? What is thriving this? And given the numbers, given the run rate now, should we expect some normalization going ahead?

**Praveen Chauhan:** Yes. Siddhartha, basically, we had always been saying that we will grow much faster than the industry, and this is exactly what is happening and what is visible right now. The industry growth has not been in line with our expectations, but we have been growing by virtue of two things. One is that we have been consolidating our position in the two-wheeler segment. With the addition of TVS two years back, we have been continuously ramping our business with them and they are closer to the top six, seven customers that we have and on top of that new addition of businesses and the premiumization particularly what Preetham spoke about some time back, that premiumization is something which is coming in quite handy for us, especially from aluminum forging business.

Our customers like Royal Enfield are expanding into it and talk about any customer, they are talking about getting very seriously into premium segments. All these are somewhere benefiting us. We had been talking about it like that and that is all now fortifying now.

**B. R. Preetham:** And also the programs which we had started this year, mass production programs for supplies to BMW for their European programs, all these components which are going into that have already kicked in. The full production volumes have started, and also there is 400 plus cc Vehicles where our contribution is upwards of Rs. 7,000 to Rs. 8,000 per vehicle is also helping us to improve our the two-wheeler spread.

**Siddhartha:** But sir, if I look at the quarter, I mean, on a Y-o-Y basis in Q1, I mean, 440 cc anyways the production has not happened in Q1. So, that will not be the reason.

**B. R. Preetham:** Yes. Q1 the contribution, as Praveen said that it is mainly coming from TVS, Royal Enfield and also from our aluminum forged components which have started exports.

**Siddhartha:** Yes. Aluminum forge will be coming under Tech Agnostic, right?

**B. R. Preetham:** Tech Agnostic, yes.

**Siddhartha:** TA, yes. So, I was just looking at the two-wheeler ICE motorcycles revenue. So, one will be the TVS share of business. So, possible to highlight how much has it gone up and can we see further increase from the current levels?

**Praveen Chauhan:** TVS we have grown by more than 30%. So, that growth is coming. Then similarly, Royal Enfield is much higher than the industry as such.

**B. R. Preetham:** And Royal Enfield, if you look at our participation also, again, in the newer series of engines and newer programs, again, our contribution per vehicle has increased. So, the number of components have increased. So, that has also helped.

**Moderator:** Thank you. The next question is in the line of Rahul Shah from Crown Capital. Please go ahead.

**Rahul Shah:** Can you please share a few more words on this stake you have recently taken in the high-tech Company? What is it exactly for? How does it help us exactly?

**B. R. Preetham:** So, basically, this Company is into high technology products, especially electronic products. They are focused on radars and Sansera felt that, see, we have always been focused on technology and we felt that there is a lot of synergy that we can derive out of both these companies. They are a bootstrapped seven-year-old startup. All the promoters are technocrats who come from, two of them are doctorates, in fact, and they have been working on this technology. Currently, this technology is not fully practiced in India. They work between 20 to 110 gigahertz band, and this is between W and K band, if you are familiar with that.

So, primarily, there are two phases of application. One is on defense and one is on civilian application including autonomous driving vehicles including altimeters, which are used in all the flying objects. So, there are a lot of applications where we can participate in terms of while they do all the electronics, there is a lot of mechanical components like Gimbal, antennas goes into this which requires very, very precision machining. That is where he thought both our expansion into defense which we are keen on doing it which will also be helped by them and their expansion into the aerospace and two-wheelers segment can be actually helped by Sansera.

So, with this in mind we have committed or invested about 20 crores. This would on a projected EBITDA basis, the CCPS, when it gets converted, would result into approximately about 20% stake, but we also have a right to go up to 51% with a valuation capped valuation. So, we expect that between 18 and 24 months, a lot of revenues which are now in final testing and field-testing stages would fructify and this Company would have a great runway.

**Rahul Shah:** And secondly, are you sharing any outlook or guidance for FY '24? Because you mentioned a lot of factors which will lead to growth across all the segments. So, overall on a full-year basis, revenue and margins, what are your expectations, sir?

**B. R. Preetham:** Basically, see, I have said that previously also, just on a thumb rule basis, you can just say that we will be approximately growing at double the pace of the industry. If industry grows by 8%, we would be growing by at least 16% to 17%. So, looking at that, that is how we look at ourselves. So, we have kept ourselves a target also. I have also said this in my previous this thing, Company-wise, there have been initiatives. There have been very, very focused KRAs that is fixed for each one of us where all our plant heads and business heads are working on certain things to make sure Company-wide objective which we have set at 20-20-20, which is 20% growth, 20% EBITDA, 20 ROCE. We are working towards that.

**Moderator:** Thank you. Ladies and gentlemen, we will be taking the last question that is from the line of Akshay Karwa from Anand Rathi. Please go ahead.

**Akshay Karwa:** Sir, firstly, congratulations on exceptional performance. And sir, my questions are basically with regards to TVS. So, what will be the new share of business with them? And secondly, with regards to the new customer acquisitions in this quarter, I mean the auto-ICE segment, which product is this for? And what would be the expected production of this? And when do we start seeing the revenues are coming for the same, sir?

**B. R. Preetham:** You said that you wanted to know what is our share of business with TVS currently?

**Akshay Karwa:** Yes, sir.

**B. R. Preetham:** On Auto-ICE, I think our share of business is close to about 30% on Auto-ICE components, whereas on Tech Agnostic and wherever we are supplying their EV models, I think we are close to 100% share of business. That is what it is. And the second question was pertaining to new customer additions, what are they into? Is that the question?

**Akshay Karwa:** Yes, sir. The new customer, what product we will be supplying the connecting rod, crankshaft? So, when do we expect the revenues accruing for the same into our P&L?

**B. R. Preetham:** Generally, see, a lot of these orders have come from our existing customers. As I said, it has come from Cummins is, of course, a new customer for us. General Motors and FCA and Tesla, all of these are existing customers, but having said that, the revenue order book that we generally indicate, that would anywhere start peaking from second to third year onwards. So, if I have to say that this 366 million what we have received would start coming into the revenue a year later and then peak will happen from about six to eight quarters from today. So, that is how we should look at it, but not all orders follow the same trend. There are like orders which, especially in the domestic segment where the orders would start fructifying within six months as well. So, that, but internationally, generally, if you look at it, it is between 18 and 24 months where the order peak will start happening.

**Akshay Karwa:** So, assuming the Q1 F '26 revenues, we expect Cummins to kick in?

**B. R. Preetham:** No, but this order of Cummins would begin slightly ahead of time because of their own requirement. So, we expect that in the next financial year the revenues will start contributing.

**Akshay Karwa:** Sir, lastly, now that we have so many customers based in the US, GM, Tesla and all these guys and now that we have Cummins also on board, so, I know that we had the plan to start a capacity in the US. So, any color on that in the next two years, sir?

**B. R. Preetham:** I already, I think, answered this, but at the cost of repetition, let me again say that that currently there is nothing concrete on that. While the Company is working on, we are yet to identify and finalize on a place which I expect should happen towards the end of the third quarter. Upon the Board approval, any further information on this, we will be sharing it.

**Vikas Goel:** One thing, follow-up, there was a question regarding the manufacturing expenses, like power and fuel and consumables. So, for the Q1, it was 1,074 million. I think Mumuksh had asked that.

**Moderator:** Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. B. R. Preetham for his closing comments.

**B. R. Preetham:** Thank you everyone for having patience and being supportive of us. We expect to continue our journey strongly into this financial year, Quarter 2, Quarter 3 and Quarter 4, and we certainly expect that we will be in line with similar growth story for all these quarters. So, with that in this thing, I again thank you all of you and all the best. Thank you.

**Moderator:** Thank you members for the Management team. 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.