SANSERA
ideas@work

May 30, 2022

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 presentation

Please find attached transcript of Earning group conference call held on May 24, 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

SANSERA ENGINEERING LTD BANGALORE 560 105

Rajesh Kumar Modi
Company Secretary and Compliance Officer

Encls: a/a

"Sansera Engineering Limited
Q4 & FY2022 Earnings Conference Call"

May 24, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 24th May 2022 will prevail

MANAGEMENT: **MR. BR PREETHAM – GROUP CEO - SANSERA ENGINEERING LIMITED**
MR. VIKAS GOEL – CFO - SANSERA ENGINEERING LIMITED
MR. PRAVEEN CHAUHAN – HEAD, OPERATIONS - SANSERA ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Sansera Engineering Limited Q4 and FY2022 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 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 participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. BR Preetham – Group CEO - Sansera Engineering Limited. Thank you and over to you, Sir.

BR Preetham: Thank you. Good afternoon everyone. Welcome and thanks for joining this call. On this call I am joined by our CFO, Mr. Vikas Goel and Praveen who is Head of our Operations and also we have SGA team who are our investment relation advisors. The results and the presentation are uploaded on the stock exchange and the company website. I hope all of you have had a chance to look at it.

I am delighted to be here today to talk about our FY2022 and Q4 results and the progress that we have made since our last earnings call. This has been a milestone year in the history of Sansera, which started with our IPO and we are grateful and thankful to you and your tremendous support. With our perseverance, we navigated through one of the most challenging years that the industry has ever faced. I am very, very happy to say that we crossed Rs.20 billion in revenues and also registered our highest ever quarterly sale of 5,808 million in the Q4 of this year.

We are also delighted to share with you that board has approved a dividend of 100% that is on the face value of Rs.2 per equity share for FY2022. In line with our strategic priorities we have built a very healthy order pipeline with a 20% increase in our annual peak revenue as of April 2022, it is close to about Rs.15 billion. This 20% increase of our order pipeline of 12.5 billion as of September 2021 is after considering almost 5 billion of orders moving to the mass production, which we have reset which means that the order book which was present as of September'21, so we have moved the components or the orders which have started mass production. This is a very broad-based growth across 99 auto and non-auto customers from India and international. Nine of these also customers have placed orders for xEVs. Another aspect is our high focus on diversification that is two-wheelers which constitute 47% of our current top line only represents 15% of the total future pipeline. Also global orders constitute 61% of the pipeline. Both these are in line with our strategic priorities.

With respect to some of our recent order wins there have been several of them, but as we feel that these are some of the very milestone orders. We have recently won a very big order of Rs.30 billion from a leading North American OEM for connecting rods for their upcoming project. We have already been supplying components to multiple locations of this customer for several years. This order further strengthens our relationship with them.

We have also bagged orders for two packages consisting of 26 aluminium forged and machined parts from BMW Motorrad amounting to approximately about Rs.3 billion over the next 10 years. Now I would like to mention here that on this aluminium forged and machined parts we have been getting several of interest and orders from several international and domestic customers, but what we have mentioned here is that very strategic orders which is kind of breakthrough for us in the aluminium forged and machined components.

We have also been lauded for our creative technology and environmental initiatives from our customers. As we had announced it in the April this year during the 30th GM Annual Supplier of the Year Award held at Phoenix, Arizona, USA, General Motors awarded Sansera an Overdrive Award which recognizes our outstanding achievement in one of the six global purchasing and supply chain priorities, that enable them to navigate their business results with focused initiative and cutting-edge culture. Sansera has been awarded by HMSI (Honda Motorcycles and Scooters India) for environmental initiatives. Knorr-Bremse which is one of the world's leading manufacturers of braking system and a leading supplier of the other safety critical rail and commercial vehicle systems presented Technology Support Award to us last month. We supply critical components for the braking system for Knorr-Bremse for their export requirements. I would like to mention here that we have set up a fully automated line for this very critical braking system component which goes into the commercial vehicle for their export requirement, the production is just about to begin and there was a team which visited from Knorr-Bremse who were extremely happy with the setup that they saw in our Pune facility.

Coming to some recent developments in the industry, as per the data published by SIAM. Overall industry witnessed a de-growth of about 6% in FY2022. Sales of all four segments of the auto industry are below even pre-pandemic levels despite some recovery from a low base. Passenger vehicles, commercial vehicles and three wheelers grew on a low base of the industry in 2021. However, the two wheeler segments saw 11% decline from the previous year largely due to weak rural demand. The semiconductor shortage seems to be easing to some extent, however the input cost will continue to be a challenge in this year., Having said that cutting the import duties on the ferro-nickel coking coal, PCI Coal, coke and semi-coke coupled with a hike on the duties on iron ore and steel exports which was announced over the weekend could result in some respite or at least will stabilize the prices.

Additionally we are also having ongoing discussion with our OEM customers for offsetting this inflation as well.

Coming to our performance, Sansera continued to deliver a better than industry performance with a total revenue of 5,808 million and an EBITDA margin of 17.2%. Our CFO Vikas will talk about this in detail a bit later.

Our auto segment which caters to global and domestic OEMs across two-wheelers, passenger vehicles and commercial vehicle space contributed around 90% of our sales in Q4 FY2022. Overall auto segment grew by 18% in Q4 FY2022 on a year-on-year basis. This was an all-round growth across the categories led by significant surge in scooter and PV sales. In terms of current sales mix motorcycle contributed about 36% of our top line, passenger vehicle accounted for about 29% of our top line, commercial vehicle accounted for 13% of the top line. We expect CV segment to benefit from commercial vehicle upcycle as well.

Within our auto segment, Auto Tech Agnostic and xEV products across all categories contributed 7% of the total sales. Within the non-automotive segment, we manufacture a range of precision components for the aerospace, off-road, agriculture and other segments including engineering and capital goods. This segment contributed about 10% of the sales in the quarter. In our current mix aerospace, off-road, agriculture each accounted for a tune of 3% of the top line and the remaining 1% of the top line came from few other segments.

On the Capex front, as we had announced, we completed a Capex of around 2,550 million in FY2022, which was also in line with our projected Capex plan. Out of this we have recently finished the setting up of phase one of our dedicated facility for hybrid and electric components within our existing plant in Bangalore. We are optimistic and with the response that we have received from the EV space this facility would be fully used in a couple of years. We have already secured business from both traditional OEMs and new age startups in the EV space. The production of both hybrid and EV components has commenced in this facility.

Further, we are constructing a Greenfield manufacturing facility in Bangalore dedicated to aerospace and defense which is expected to come on stream by the end of Q2 FY2023. With this new plant and a ramp up of production schedules by aerospace OEM and the defense OEM we expect a considerable uptick in this segment FY2024 onwards.

Going forward, we remain focused on the qualities that differentiate Sansera, which are operational excellence, product quality, ensuring the continuity of supply to our customers and generating profits. We have witnessed strong momentum in demand for new components and business and currently we have about 255 components under various stages of development including auto and non-auto excluding aerospace. We are also working on another 300 components on various stages of RFQ. The aerospace pipeline which typically works on large packages is also pretty good. I would like to reiterate that we are committed to consolidate and strengthen global share in the existing portfolio as well as diversify into non-auto technology agnostic components. So typically our order wins in the global auto segment, which is primarily connecting rod is very much in line with our plan of achieving 10% share of business globally.

I now hand it over to our CFO, Vikas Goel who will take the presentation forward with the consolidated financial highlights.

Vikas Goel: Thank you Preetham. Good afternoon everyone. I will first start with the performance during fourth quarter of FY2022. Our revenue stood at 5,788 million against the 4,960 million in the previous year which is a 17% growth year-on-year. We saw an increase in the raw materials cost in the past few quarters, however we were able to pass on these increases to the domestic customers quickly and in some cases with a slight lag of up to three months. The Q4 gross margins had a decline of approximately 4% primarily due to lag in the price increases in domestic sales. The optical effect of numerator and denominator cost being added in the sales as well as in the cost and also slight squeeze in the margins on the international revenue due to the material price increases. I will cover a little bit more about this in the annual performance section. The EBITDA stood at 1,000 million as against 1,044, a slight decline. The EBITDA margin for the quarter stood at 17.2%. This small de-growth in Q4 2022 was driven by fall in the gross profit and higher employee costs primarily due to the salary increments and the ESOP costs that we provided for during the quarter as against last year. Some of the other expenses which increased were largely in line with the volume growth that we had during the quarter. The quarter also registered higher finance costs due to an increase in the borrowing cost - primarily volume expansion and some Capex investments. The profit after tax stood at 374 million for the fourth quarter against 472 in the fourth quarter of last year, this was a de-growth of 21% year-on-year basis. The geographical sales mix for quarter four stood at as follows: India revenue was 63%, the revenue from Europe was 24%, USA 8% and other foreign countries about 5% of the total revenues.

Now we move to the full year performance. Our revenue stood at 20.05 billion as against 15.7 billion for the last year which is a 27% year-on-year growth and it is a record revenue that we achieved, we have crossed the threshold of Rs.20 billion in our revenue for the first time. Notably within the overall revenue, our domestic revenues in India registered a 24% growth, the exports from India registered a 40% growth year-on-year and our business in Sweden grew about 20% on a year. All elements of the business had registered a growth despite difficult market conditions during this period. Our EBITDA stood at 3,491 million as against 2,952 million for FY2021 a growth of 18% on a year-on-year basis. EBITDA margin for FY2022 stood at 17.4% versus 18.8% and now I would like to explain a little bit about this. I spoke about gross margins degrowth - optically our gross margin shrunk by about 1.5% due to the material cost inflation and some of that got recovered due to higher export mix and other efficiencies that we could generate. So net impact that you would see on the gross margin is about 0.9% on a year-on-year basis. The net profit for FY2022 stood at 1,319 million.

I am happy to share with you that the board of directors has recommended a dividend of 100% of the face value of Rs.2 per share for FY2022. We incurred a Capex of about 2,550 million during the financial year with the ongoing programs for our capacity expansion and capability enhancement for new product lines that we have got orders for.

The geographical sales mix for FY2022 stood as follows: India 63%, Europe 24%, USA 9%, and other foreign countries about 5%. On the net debt front, our net debt stood at 5,948 million is about 1,100 million increase from the last year. With this we conclude our presentation and open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Basudeb Banerjee with ICICI Securities. Please go ahead.

Basudeb Banerjee: Congrats Sir for the good set of numbers. Just a couple of things. If you can give us the growth breakup for this quarter as Q-o-Q revenue is up almost 18% where domestic two-wheeler industry is down from 8% sequentially. So such a beat in terms of revenue how much is the commodity inflation and which segment did drive such a growth on a sequential basis if you can explain?

BR Preetham: You are referring to our Q4 numbers right?

Basudeb Banerjee: Yes Q4 over Q3 growth is far higher than domestic two-wheeler industry growth so which areas resulted in this huge sequential revenue jump, how much is commodity inflation and which specific areas resulted in that jump and how much do you see any specific one-off execution or how to look at that improvement broadly that is what I was trying to understand?

BR Preetham: Basically generally if you look at Q3, Q3 will be always a subdued quarter because the change of financial year, the quarter so if you look at all the three quarters the Q3 will always be a subdued quarter. So generally Q4 will be our best quarter if you look at that way. So we have had growth in all sectors, we have had growth on two-wheelers, passenger vehicle and also if you look at our exports also. All the fronts we have grown compared to

Q3 to Q4. So it is not any particular one sector that we have grown, I would like to say that we have grown in all the segments including non-auto which includes aerospace, passenger vehicles I mean off-road vehicle and agriculture. So there has been an overall growth compared to Q3 if you are referring to Q3 and Q4.

Basudeb Banerjee: You were mentioning last time that some lag effect of price rise for Q3 will come in Q4 and overall how much was price pass on to customers in Q4?

BR Preetham: See overall in the whole of the year approximately about the overall effect of the steel price increase is around 55 Crores so we have been able to get most of it into the system by the end of this quarter, there is a very little increase that has to come from one of the customer who would have a delay of one quarter basically that would come into the Q1 of this year otherwise most of the price increase has been passed on to the supplier and also we have received it from the customer.

Basudeb Banerjee: Second question I missed out initially is that the ESOP cost was part of employee cost or other expense?

Vikas Goel: It is part of employee cost yes.

Basudeb Banerjee: So if I see your revenue growth being 18% sequentially where other expenses were almost up 30% so either other expenses were deflated last quarter or some one-off this quarter how to look at it?

Vikas Goel: Some of these costs are variable with the revenue and if you look at quarter-on-quarter increase, it will not be giving a right picture like the freight cost and there are certain other execution related costs which are variable in nature.

Basudeb Banerjee: Sure understood those are freight etc., so those pushed up other expense. Last question any outlook so if I look at two-wheeler retail numbers they have been improving since March, May numbers were better than March and April. April numbers were better than March, May first half is better than April so how are you looking at the two-wheeler demand progressing from your key customers and any overall revenue guidance for FY2023 if you are giving?

BR Preetham: Yes we are also hearing that there is an improvement especially after the sentiments could get better after the government's initiative on reduction of taxes on fuel and our key customers, some of our big customers have indicated a positive growth for this year it varies from 5% to 10% some of the customers have indicated 5% some of them have indicated up to 10% so please understand that there have been continuously de-growth for the two-wheelers so we expect that this year there would be a positive growth between 5% and 10%

from the OEMs, but as far as our revenue growth guidance is concerned, we have always maintained that we will grow much better than the industry but to be very frank that things are quite fluid at this point of time there are several uncertainties for which we still do not have a clear cut or a time framed answer which does not get limited to the Ukraine war or the commodity price increases that are being spoken about or even the power shortage that is happening in some of the countries in Europe, which could affect some customers as well as some imported steel parts but looking at all these uncertainties we still feel that we would do much better than the industry, we have a very positive order book but I would not like to give any guidance at this point of time. Probably I will wait till the end of the first quarter and when we meet for the quarterly results, probably things could be more clear where we could discuss it.

Basudeb Banerjee: And last if I can squeeze in you mentioned the aerospace was roughly 3% of revenue am I right sir?

Vikas Goel: That is right.

Basudeb Banerjee: So which means roughly 18 odd Crores so as I remember your existing aerospace capability peak revenue potential you mentioned was roughly 120 odd Crores so which means annualized revenue still is roughly around 80 odd Crores so when is that new facility getting on stream and as per your firm orders in aerospace, by when you see your existing capacity operating fully?

BR Preetham: See this year was better than the last year in aerospace compared to the revenue last year we have grown this year 7%, but things have started becoming much, much better and clearer in aerospace so we expect very, very positive growth this year, we expect close to about 35% to 40% growth in revenue in aerospace sector this year, but having said that the new facility would only get ready by the end of second quarter and then post that we would have some first article production and then approvals by the customer, then recertification of the plant new facility all this will take another two quarters I guess so we would look at the mass production from the new plant to start from the new financial year. So in our estimates we expect at least a CAGR growth of about 25% to 30% in aerospace for the next three years.

Basudeb Banerjee: Okay thanks.

Moderator: Thank you very much. Next question is from the line of Vaibhav Shah from ICICI Prudential Life insurance. Please go ahead.

Vaibhav Shah: Thank you for the opportunity. Good afternoon to the team and congratulations on good set of numbers. My first question is regarding the order wins which you have stated, so this

Rs.30 billion orders from a leading North American OEM so I just want to understand that is this a part of what we were already supplying to them or is this for a new platform and a question connecting to that would be that would we be required to do any specific Capex to meet this order requirement or will it be supplied out of our existing facility?

BR Preetham: This order is for a very new technology engine, this is not in mass production currently so it is a totally new technology, which would be much greener than the existing technologies that we are talking about so there is going to be an investment that is going to be made this because this involves a very big production volume close to about in excess of 5 million components every year. So as we had indicated last time also we are looking at setting up a facility in North America, most probably somewhere in US so this facility would be prepared to cater to this requirement because at these volumes, customer have actually indicated that most of the operations have to be done at the plant which we will setup in US and this goes in line with our strategy because we were looking at setting up a plant in US to attract higher share of business and also more content per vehicle from the North American customers so this is very very clearly in line with what strategies we have laid out for Sansera for the future growth. This would not be replacing any of our current orders because currently we are supplying to this customer though from last several years, but our share of business currently with this customer is far, far smaller because we are supplying out of India, for this program we have been nominated as a single source.

Vaibhav Shah: Just a follow up on that what kind of investment are we looking for to meet this order requirement and do we have sufficient orders to kind of generate a decent ROI out of this investment probably are we looking at some other customers as well right North America has the presence of large customers in form of both EV four-wheeler OEM as well as traditional OEMs, CVs also so if you can highlight probably what kind of investments are we looking for a broad range and what kind of revenue we could expect out of this investment?

BR Preetham: Yes, this facility will have to be set up by 2025 so we are not looking at any immediate investment, the investment should happen in 2024 because the production would start of course the land and building will have to be made ready if we are going to lease the building it would be much lesser upfront investment on the building but if we are going to do a Greenfields that decision is not yet taken. As I speak our senior management including our Chairman and Managing Director are visiting several of these shortlisted sites along with our team. So depending on the location availability and then the benefits that we get out of different locations, we would take a decision and then later on present a comprehensive plan to the board and after the approval, I would be able to share this, but if you look at the revenue that we are looking at it could be very close to about 75 million at its peak per year so we would be looking at, at a peak investment of close to about around

30 to 35 million so it is a very rough initial estimate that we have, but this could change depending upon several other projects that we are working on. I am sure that you would appreciate the fact that we will not be looking at a plant for only one customer and one product. We already have an order book which actually works there for us to execute it from partial execution from US. So this would be in addition to that this is a big order that we have received. We are also in discussion with several of our existing as well as new customers for a business that has to be done out of this place as well. So everything is still very, very in the initial stages I will be able to give you more information on this in the coming quarters when things become much more clear.

Vaibhav Shah: That is very helpful. One last quick question if you can just explain the export mix out of the total exports that we do and if you can probably also explain that do we have a commodity pass through clause for each of the segments within the exports or are there any specific clauses which are built-in?

BR Preetham: Yes, the exports actually contributed to, you see the exports from India was about 28% of our total revenue and overall this export grew by 40% last year. So our exports from India grew by almost 40% year-on-year and we generally categorize this exports you know mainly our exports are into passenger vehicle, two-wheeler, commercial vehicle and off-road apart from aerospace and off-road customer one of these customers to whom we are doing there is a pass-on of the raw material then in the aerospace also you understand that above 5% of variation of the thing would be a pass on but with a lag and this off road was also with a lag because we have an agreement of once this raw material will be reset, but on the passenger vehicle and commercial vehicle front as I had explained it during the last calls also these were all fixed orders, fixed price steel orders which we had signed but due to an extraordinary situation customers were willing to look at it and some of the customers have already agreed for compensating the price effective from 1st January and some of them have in the consideration. So we are very, very hopeful that most of this price increases that have taken place would be passed on in the exports also may not be from the retrospective but it will be mostly from the prospective area.

Vaibhav Shah: Thank you that is it from my side.

Moderator: Thank you. Our next question is from the line of Ankit Kanodia with Smartsync Services. Please go ahead.

Ankit Kanodia: Thanks for taking my question. I just wanted to understand as to when the auto OEMs in general are having a very tough time at least in the domestic market as we see and we see consistently good results and good order booking from your side and also some of your competitors. So, can you just give us some broad outlook as to how is the auto cycle in general and taking cues from the past how do you make sure that we are nearing the end of the down cycle and probably the upcycle is going up, any sense you can share with us which can help us in understanding the industry better?

BR Preetham: Very good question. I am sure everybody is looking forward to finding an answer for that at least I do not have an answer that how do we have to predict the cycle though this is a very cyclical business, but we are actually caught in a last three years have been or three to four years have been a continuous de-growth due to one or the other factors started with at least in India changing over to BSVI prior to that the increase in insurance cost then GST and then technology changes and everything has been contributing to the de-growth of the industry, but at least some of us are most of the auto component manufacturers we are also participating in the global program and as India is also quite well positioned and appreciated for our work in the area of component development, consistent quality and also clear cut price advantage that we have and the China Plus policy has really helped to acquire more and more businesses. Now as the vehicle cycle is now getting into a newer set of engines, newer platforms that are going to come up in the next couple of years across as the technology is also changing a lot of outsourcing is also being done from the OEMs which were traditionally otherwise being done now. That is one of the key reasons why we have always said that our global share of business which was around 3% to 3.5% a year back on the connecting rods which we supplied to several segments is poised to grow up and we have targeted at least that we should reach about 10% of this and these are quite big numbers and it is this kind of order wins from across sectors is keeping our growth above the industry average and we expect that this would continue because just to give you some splits in the last year revenue almost about 25% of our revenue came from the new products. So though we had a 5% growth on our legacy business almost 25% of our revenue has come from the new businesses that were either started previous year or from FY2019. So this is a kind of order book that we have and it continues to grow so we are very positive that we will be able to outperform the industry in the future as well.

Ankit Kanodia: Thank you so much Sir that really helped and my second question would be related to our big order win of Rs.30 billion so just wanted your understanding on this. When we take a 10 year contract it is very difficult to understand how the inflation will play out and how the currency will behave since it is an export contract so how does our contract work because in every year we have mentioned that we will be supplying them 35 million connecting rods. So is the rate decided every year or how does the contract work over here if you can give more color on that?

BR Preetham: Generally these kind of contracts when we sign we are very clear about the place of manufacturing. In this case we were very clear that this execution will not be from India it would be from US so there will be no currency effect on this order because our place of manufacturing and place of sale will be the same so we have costed this component as per the cost that would be prevailing in that country and we have also taken the inflation into consideration while doing so. But having said that, most of our export orders there are several ways of signing a contract, two of the most popular ways are that with a clear understanding with the customer you actually upfront load the inflation as well as take a calculated cost on to the raw material inflation as well and put it up front load it into the contract which would be generally five to six years. Now there is always a scope for speaking with the customer if there is a substantial increase or decrease in this cost generally this is agreed that plus minus 10% on whatever we have assumed will not really change the working so this is one way of contracting. The second way would be always look at either a three months or a six months or a yearly reset of the raw material cost which would go on an index based. So it depends on customer-to-customer what they would like to have so it would be discussed and agreed upon. So we would have taken in our calculation as we are we have data for several last year's so we would have taken an inflation both on a commodity as well as on human resource as well as on the raw material while we contract. So in this contract specifically the raw part is a bought out for us which is contracted separately by the customers. So we would not come into any kind of inflation on the raw material on this specific contract.

Ankit Kanodia: Thank you sir and since we mentioned that this would be done in US so how do we see our cost of manufacturing in US compared to India and in your previous calls and also interviews I have heard about your aspirations of growing the US production much higher than what it is right now. So what are your thoughts on the different cost of production when you are doing it in India and what are the advantages we see when we have our production out in US comparatively?

BR Preetham: We would have a mix of our machines as well as bought out machines. We would have a significantly higher level of automation which would be done from our machine building and automation itself and the cost of capital per se in US itself is going to be cheaper compared to in India at least by 3%, 3.5% the cost of capital. So with all these things, we do not expect that there would be any compromise on the margins in fact with the level of automation that we are looking at, we would expect that there would be a slight uptick on the margin on these products and these products are when we say that we are going to do it out of other countries we would have costed on that basis we would not have taken the Indian cost and later on try to decide so upfront we would have taken those costs and done it. So because we have this advantage of using Sansera machines and automating them so we are quite confident that we will be able to, if not better atleast maintain margins that we now have on these products.

Ankit Kanodia: Thank you so much that really helps.

Moderator: Thank you. Our next question is from the line of Siddharth Bera with Nomura. Please go ahead.

Siddharth Bera: Thanks for the opportunity. Finishing off on this North American order also last time we had indicated a Capex plan of about 750 Crores over the next three years now with this order how does this change how should we think about it over the next three years?

Vikas Goel: Our three year plan that we indicated during last year remains intact. This new order deliveries have to start in 2025 and investments will happen over 2024 and there will be some interchange

BR Preetham: The idea is that this 750 Crores what we had indicated would not have a significant portion of this investment because this would be beyond that, most of the investment would be made in FY2024 so this was not considered and there would be some, we had considered a small amount for the US facility which would continue to be there within 750 Crores.

Siddharth Bera: So fair to say that nearly it can go up by somewhere about 200 to 300 Crores over this period?

BR Preetham:: No I do not expect that to happen in this period I expect that it would go close to about 100 Crores could increase, but that again depends on the other contingency the thing also we have had so I do not expect too much of a change so it could be probably in the range of between 750 to 800 Crores, we still working out the finer details I will probably be able to answer to this slightly probably during the first quarter call.

Siddharth Bera: Second question is on the orders we indicated that we have started the production of the 5.1 billion orders from this year so a large part of it will come in this year will it be a fair assumption or it will be spread over the next two years?

BR Preetham: No, I think it will be spread over the next two years, but we expect that this would contribute also substantially this year as well.

Praveen Chauhan: Most of this 5 billion would be coming, maturity would happen most of the components in this financial year which is FY2023 and some portion might go to FY2024, but this 5 billion is actually overall order book that we are eliminating this year setting it right and beyond that we still have another 1,500 Crores.

Siddharth Bera: In case of XEV customer, I think last time we highlighted that we were in discussion with three more of them would it be possible to share any more updates you have any more discussions where are they right now and by when do you expect some of these order wins also to come?

BR Preetham: As far as the two-wheelers are concerned we have already on board five of the EV manufacturers, we are in finalization with couple more so we expect that we would be working with at least seven to eight on a long-term if not more, but on the passenger vehicle it is still a lot of discussion is taking place with a few of the customers. I probably would not like to indicate both domestically as well as globally these are both in terms of steel and aluminium forged components so as of now we have confirmation that we are working with two of the PV manufacturers, one global and one MNC out of India, but then on commercial vehicle also both these are export orders so there are several of inquiries that we have been working going and presenting a lot of our capabilities as well as the products that we have developed and we are working on so we are quite hopeful that every quarter you will see an improvement on this front from our side.

Siddharth Bera: Last question is on the Sweden so how much will be the EBITDA for FY2022 for that entity and going ahead do you think there will be more margin pressures coming up because of the energy costs in Europe going ahead?

BR Preetham: I will give it to my colleague Praveen who actually is involved fully in Sweden on the operations front. As far as the EBITDA was concerned this year we ended up with a 7% EBITDA on Sweden, but this year there will be a change because we have the product mix change, Praveen could explain this.

Praveen Chauhan: This last year that is FY2022 the EBITDA was 7% and going forward this FY2023 there is a slight change because they have actually developed another source because they wanted to not rely on 100% of a particular product which we have been supplying and in place they have given us 11 litre and 16 litre engine connecting rods. These are under development as of now, but the real growth out of these will come only in the next financial year which is FY2024 so there will be some dip because of this shift in the existing product portfolio, but it will be more than compensated in the next financial year. We expect some dip into the EBITDA numbers may not be too much, but slightly different to the EBITDA numbers this year.

Siddharth Bera: Got it because EBITDA margins I think last year was closer to 12% it has already come down to close to 7% is what you are seeing in FY2022?

BR Preetham: Yes, this is again the same thing there has been too many variations in EBITDA cost which has gone into development of the components which we are talking about D11 and D16 then you are already aware you mentioned about energy cost increase and again there also there has been some impact of the numerator denominator which is optical because of the steel price and other price increases on the top line which is only compensated to the extent of change in the price so there is a mix of all these things which have impacted we are hopeful not very sure as of now this energy cost is going to change, but probably it will continue to be there in the couple of next quarters a higher increase in the energy prices subsequent to that we expect that things might stabilize or may come down to normal levels.

Vikas Goel: Just to add to what Praveen said FY2023 will be a slight reduction both on the revenue and EBITDA we are working on with various initiatives to ensure that in percentage terms we do not dip but in the next year FY2024 the business will be back to normal and we expect that we would be in double digits EBITDA.

Praveen Chauhan: Just to add what Preetham said just now these new orders which is 11 litre and 16 litres are coming at a better pricing because these are all new order wins.

Siddharth Bera: Understood thanks a lot.

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

Jyoti Singh: Thank you for the opportunity. Sir if you can throw some light on the other expenses is the company doing any cost control?

Vikas Goel: The large portion of the other expenses constitutes the freight costs and certain other variable expenses and as you would know the freight cost is the outward freight especially on the overseas segment has been a bit of a concern for the entire industry. We are doing our bit to control that, but there is very limited that we can do in that sense as of now. We are monitoring it very closely we are finding out alternate ways and in terms of negotiating with the customers and the contractors also.

BR Preetham: So we have a lot of cost initiatives that we are working on not only in the area of packaging material optimization, a lot of renewable packing is being shifted to reduce our dependence and to reduce also impact on the environment as well as to check the cost in control. We are also looking at consolidating from Bangalore plants the logistic so a lot of work is being done both in that front as well as not only on the other cost we have also contracted almost close to about 85% to 90% of this year's demand we have contracted or we have set up facilities to come from the renewable energy so we would have a significant cost advantage of that coming into this year so which will also have a offset effect on the inflation cost that we will have so the company is working on a lot of initiatives to see that we can offset the inflation cost that is going to come on to this year.

Jyoti Singh: And sir what would be our future debt profile in this year we saw the significant growth on the debt?

Vikas Goel: We are estimating that our overall debt will remain constant in the current year based on our estimates and whatever fresh debt we borrow, will be kind of compensating the repayments that we have lined up for the year so overall we have programs in place to manage our cash in more controlled way and despite the investments we are making in the working capital and in the capital assets so we are planning to hold debt almost flat.

Jyoti Singh: Thank you that is it from my side.

Moderator: Thank you. Our next question is from the line of Dipesh Sancheti with Manya Finance. Please go ahead.

Dipesh Sancheti: Sir I think most of my questions have been answered. Just one question is when we should be able to throw more light on the current order which we have received from US basically what is the investment, what is the customer name and the process which we will be developing or making over there?

BR Preetham: I think it will take another at least a quarter so I should be able to give you more clarity towards when we have the Q1 call so we would have much more clarity on our timeframe, investments and everything.

Dipesh Sancheti: Interestingly you have not mentioned the customer name. So is it because of some agreement or…

BR Preetham: Generally most of the customers would prefer to keep their name unless that we have a specific request and then approval from them generally that is how it goes is that they would not like to have that because especially this is a newer technology as well so in this case they have asked us to keep the name confidential.

Dipesh Sancheti: So in this new technology will we have to go through some R&D cost also because since it will be a new product or have we already done that?

BR Preetham: This is the technological cost is on them (the customer). So we would not have anything specific to our component, this is a technology pertaining to the engine technology so our components will be very much similar to what we do except for there is a change in raw material front otherwise not much of R&D cost on our front.

Dipesh Sancheti: The last question is whether the customer is also investing in the new facility I mean will he also be doing any co-investments like will it be a SPV or something?

BR Preetham: No it will not be. This would be purely our facility.

Dipesh Sancheti: Purely Sansera will be investing in it right?

BR Preetham: Yes.

Dipesh Sancheti: And we will be also making products for other customers from this facility?

BR Preetham: Absolutely and it could begin earlier to this orders also so we have plans for starting other components and other customers earlier to this because this is a very significantly larger order so we would like to have some kind of upfront a production facility that is running before we do this so that is the idea.

Dipesh Sancheti: And what is the effect of the war on our European customers?

BR Preetham: It varies from location-to-location and place-to-place. We have customers in Poland facilities in Poland which was affected now it is restarting because a lot of people had moved over from Ukraine to Poland and that city where this was located was in a choke. So later on it restarted we have one customer a North American customer to whom we supply is not a very significant order, but then close to about 25 Crores per year so there is an effect of revenue loss for this quarter which goes to actually Russia so there is an effect on that, but otherwise there is some disruption on energy availability in some of the steel mills where we have had supply disruptions, a minor delay in another thing but overall there has been some impact on European customers, not a very significant.

Dipesh Sancheti: And going ahead are we even tapping into the EV market for India as well I mean are we supplying to the likes of Tata Motors and…

BR Preetham: Currently, we are not supplying to Tata Motors, but not restricted to any of the customers. We are in discussion and progressing well on this front with a lot of customers so there is a lot of work that is going on in this front as you can see we have also added customers in EV on two-wheeler front as their numbers are going up our business in this segment will also increase so it will be similar for passenger vehicle as well. So we expect that technology agnostic and non-auto components which stands currently at 17% this year would at least be about 22% to 22.5% next year 50% growth in this segment and which is in line with what we have projected that we would like to reach about 40% of this in the next three years to come. So we are very clearly in that roadmap.

Moderator: Thank you very much. Ladies and gentlemen as there are no further questions from the participants I now hand the conference over to the management for closing comments.

BR Preetham: Thank you very much everyone for your patience hearing and the support for Sansera. We are always available for any of the questions that you may have or clarifications which could be answered either directly or through SGA. So please feel free to contact us and we would be more than happy to interact with you. Thank you very much and looking forward to having conversation with you in the future as well. Thank you very much.

Moderator: Thank you. On behalf of Sansera Engineering Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.