February 19, 2024

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: Earnings Call Transcript

Please find attached a copy of transcript of Earnings call held on February 13. 2024 on Unaudited financial results of the Company for the quarter and nine month ended on December 31, 2023.

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

Kindly take the same in your record.

Thanking you,

for Sansera Engineering Limited

RAJESH KUMAR MODI

Digitally signed by RAJESH KUMAR MODI
Date: 2024.02.19 18:56:15 +05'30'

SANSERA ENGINEERING LTD BANGALORE 560 105

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

Encls: a/a

"Sansera Engineering Limited
Q3 FY2024 Earnings Conference Call"

February 13, 2024

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MANAGEMENT: **MR. BR PREETHAM – EXECUTIVE DIRECTOR & CEO – SANSERA ENGINEERING LIMITED**
MR. VIKAS GOEL – CHIEF FINANCIAL OFFICER – SANSERA ENGINEERING LIMITED
MR. PRAVEEN CHAUHAN – CHIEF OPERATING OFFICER – SANSERA ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Sansera Engineering Limited Q3 FY2024 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 guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Preetham CEO and Executive Director. Thank you and over to you Sir!

BR Preetham: Thank you. Good morning and welcome and thanks for joining this call. On this call I am joined by our CFO Mr. Vikas Goel, our COO Mr. Praveen Chauhan and our investor relations advisor team from SGA. The results and the presentations are uploaded on the stock exchange and the company website. I hope everybody has had a chance to look at them. FY2024 has been a fairly strong year for us. We delivered our highest ever performance in terms of sales as well as EBITDA in each of the quarter this year. India continues to be the third largest automotive market globally. The auto industry is expected to drive major manufacturing growth and become a major exporter of cars as well as auto components. The auto component industry itself is witnessing a lot of traction and growth due to increased opportunity as the content supplied to the OEMs has been on a continuous increasing trend. Sansera has also been the beneficiary of that. India has become an integral part of the global supply chain. Globally OEMs have a renewed focus on all the ICE platforms as well apart from their focus on the EV segment and they are extending various ICE programs beyond 2032. Similarly, aerospace and defense OEMs are also actively looking to expand vendor base in India with a target aiming to develop sourcing and a manufacturing base for the long term. From time to time our achievements are recognized by our customers, recently Honda Motors India awarded us for the target accomplished in delivery and quality during year 2023-2024. Now coming to company specific performance highlights for the quarter gone by. We are pleased to announce that we have reported strong financial and operational performance in Q3. Our revenues came at a healthy Rs.7126 million representing 27% year-on-year growth and a 3% sequential growth. EBITDA margins during the quarter were steady at 16.9%. The performance is particularly noteworthy as this strong performance came through despite Q3 being a slow quarter industry wide and the pressure that we are seeing in our subsidiary in Sweden. This quarter we saw good order execution on international business as expected which comes in with an obviously higher margin. This increase in international business has mainly come from our North American customers. Now getting to the details of our operating performance in the quarter. The auto ICE segment registered a 28% year on year growth for Q3 FY2024 and

16.4% year on year for nine months ended FY2024. This growth was primarily driven by growth in PV and two-wheeler motor cycle segments. In fact within the two-wheeler components we had our highest ever quarterly sales driven by the motor cycle components which has also helped by the premiumization of these models which have started delivering the numbers and this upsurge is also backed by the strong performance of our large two wheeler customers along with increase in share of business focused on premium models. We are participating in most of the premium motorcycle models including Royal Enfield, TVS, BMW program, Harley, Hero models and Triumph Bajaj models as well. Parallely, the CV segment which contributes more than 10% to the total sales has also witnessed the highest ever sales in this quarter. The PV segment contributed 22% of the sales in this quarter, which is a 36% improvement over the same period last year. We are focusing on increasing our wallet share among our customers and targeting to participate in their newly launched upcoming models as well. In all, the auto ICE segment contributed 76.1% of our sales in Q3 FY2024. This segment includes 37.1% of the sales from motorcycle segments, scooters accounted for around 5.7% of the total top line, passenger vehicles accounted for 21.9% of the top line, commercial vehicle sales contributed to 10.7% of the top line. As anticipated, the other segments which are auto tech agnostic xEV and non-auto have also grown at a faster rate. Auto tech agnostic and xEV products together contributed 11.7% to the sales revenue reflecting Sansera's readiness for the futuristic product range. The year over-year growth in the first nine months of this financial year was an impressive 41.8% demonstrating exceptional progress, 7.9% of the revenue came from auto tech agnostic components. We have very good traction for our aluminium component due to the growing requirements of the light weighting, as well as the fact that more aluminium components go into the premium models. The contribution from xEV products has decreased to 3.8% primarily due to the scaling down of our business from one of our domestic EV two-wheeler customers as mentioned previously as well. However, our EV business will improve as a new American multinational automotive EV customers orders have already started contributing to our top line. Our non-automotive segment grew by 25.5% in the quarter contributing to 12.2% of our total sales and the contribution was similar in Q3 last year. Talking about the sales mix in aerospace, we manufacture seating parts, aero structure parts, door assemblies, lighting parts, cargo handling systems, parts which go to actuation and engine systems. Aerospace and defense contributed together about 4.4% to the quarter. Growth in this segment is lower than our earlier expectation as there are some delays in one large order from our customer end which was also mentioned during our last conversation. This order is expected to be starting from this quarter, but ramp up will happen throughout the next financial year. Off-road sales were to the tune of 4.6% of our revenue. This year we expect to achieve a top line of more than Rs.1000 million in the off-road category. Agriculture accounted for about 1.6% of the top line and the remaining 1.6% of the top line came from few other segments. Our order book of the new business with an annual peak revenue stood at Rs.20.4 billion as of December 31st. This is more than 85% of our topline in the last year.

This is a very meaningful number as this is over and above our existing business and does not include the orders which are already in the mass production stage. In the quarter we saw a very strong inflow of orders in both non-auto segment and auto ICE segment reflecting Sansera's expertise in these areas. Non-auto accounted for almost 58% of the new orders and we also received major orders for the tech agnostic products which accounted for almost 14% of our new incremental orders in the quarter. On the capex front this quarter we have finished the construction of our new machining facility at our existing plant 11. We have already started commissioning machining lines here which will primarily cater to the machining of aluminium forged components as well as bigger connecting rods for agriculture and construction equipment and heavier engines as well. The construction of the new forging plant at our Bidadi facility has commenced and we expect that towards the end of the second quarter of the next financial year this building would be ready and we will be commissioning our 4,000 ton press in the same new building. This will also be a very meaningful addition to the progress in our light weighting and aluminium components. I now hand it over to Vikas Goel our CFO.

Vikas Goel: Thank you Preetham. Good morning, everyone. I will talk about the consolidated financial performance for the third quarter of FY2024. Our revenue stood at Rs.7126 million with a 27% growth on a year-on-year basis. This is a very broad-based growth across the geographies and segments. Over the years Sansera has become known as a leader in the connecting rod space which is very critical in auto ICE. However, a number of our ICE products, including the connecting rods find application in both ICE as well as non-auto and tech agnostic spaces. We have increased our disclosure with respect to the component mix to offer more clarity on this. You can refer to slide number 17 in the presentation for the same. Further in terms of revenue mix, customer diversification is in the play with higher business coming in from new customers. The percentage of top five customers came down to 48% from 52 on a year on year basis which is a progress in the right direction. Gross margins were in line with previous quarters. However, one percentage point improvement in EBITDA margin is witnessed which is largely due to operating leverage coming into play. Overall EBITDA improved 36% on a year-on-year basis to Rs.1207 million. The finance cost for the quarter was at Rs.175.4 million which was in line with the finance cost of the last quarter. Profit after tax of 483 million for the quarter with a margin of 6.8% witnessed a year on-year growth of 55%. Geographical sales mixed for Q3 stands as follows, India 68.3%, Europe 18.1%, North America 11% and other foreign countries 2.6% of the total revenues. Now we come to the nine-month performance on a year to date basis. Revenue from operations surged by 20% year-over-year at Rs.20,656 million as compared to Rs.17,274 million in the corresponding period last year. Nine month EBITDA grew in line with our revenues and stood at Rs.3582 million with a margin of 17.1%. Net profit for the nine months at Rs.1412 million registered a growth of 25%. On the debt front our net debt stood close to Rs.6196 million. With this we conclude the formal presentation and open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Thanks for the opportunity and congrats on a good set of members. Sir first on the order book, we have continued to see a very good improvement over the year in terms of the order book, depending on the order book can you give some more colour what percentage or what quantum of this order book will probably get executed in the next one year and according to you which segments do you see stronger growth, I mean this quarter we have seen a good pickup in the two wheeler motorcycle segment but if you look for the coming year which are the segments which you think that grow can be stronger depending on the order book here.

BR Preetham: Thank you Sidd. I mean orders as I said that Indian auto comp industry has been witnessing a quite a steady inflow of orders and we are no exception while we have diversified into non-automotive and in automotive tech agnostic components, xEV components so these are helping us definitely to increase our order book, So currently what we are seeing is that most of these orders, the maturity would happen around FY2027 so which means that from FY2025 to FY2026 and FY2027, towards the end of FY2027 the full maturity of this order book could be seen that is what we have the projections from our customers and if I have to speak about from which sectors are we getting the maximum traction out of the total order book about 47% of our orders have come from auto ICE, non auto contributes to about 23%, xEV about 18% and tech agnostic components about 12%. In auto ICE as well, I would say 28% is coming from passenger vehicle segment and in two wheelers we see a lot of traction on the premium motorcycle segment so that is where all our growth is coming from. We have added also some customers in the larger engine capacity so I see a lot of growth coming in that segment which goes into industrial heavy commercial vehicle then agriculture segment, of course our xEV components continue to grow. We have kept adding to this as well.

Siddhartha Bera: Sir some more clarity on the non auto side. I mean we have sort of overall numbers been around that in the last couple of quarters so some colour on the outlook I mean like aero space or off road can we sort of go back to that 40-50% growth which we sometimes have indicated in the past in the coming year or that according to you may take longer.

BR Preetham: Fundamentally there is a good traction in the non-auto segment. We have been growing. You would see further addition to this segment in the coming years as well as I said that we have picked up orders on the larger engine category which is mostly non-automotive. Second thing is that on the aerospace and defense we continue to see a good traction. Of course, there was some delays in few of the order execution as I had communicated last year otherwise, we would have seen the same 45 to 50% growth this year but for that but slowly we are seeing that that is also coming back while almost 70-80% of that order will be executed in the next financial year. As we see today the current customer projection and the order pipeline and the development pipeline that we have we still think that next year we could see closer to 45 to 50% growth in our aerospace and defense segments. We continue to be quite positive on this segment, Siddhartha.

Siddhartha Bera: Got it Sir. Sir last question on the margin side I mean if I look at the standalone margins they have improved quite a bit if I look at Q2 versus Q3 but we have not seen that type of improvement in the consol margins, you mentioned like Sweden had seen some issues so probably X of Sweden where will be the margins and how long do you think this Sweden issue will take to resolve. I mean by when should we see the normal margins coming back X of Sweden.

BR Preetham: In Europe we see a bit of a slowdown overall as well as due to the reorganizing of the product share of business between us and another supplier for the derisking. There is a cut in share of business on our largest engine programme but we have got additional volumes from the other programmes but that is not in line, in the sense because we have two separate lines, one producing larger volumes where we have lost some share of business and overall volumes have come down in this segment as well, see the whole of the next year the Europe looks flattish and then we do not see too much of a change coming from the numbers that have been projected from our customers so what we have done is we have based on what projections that we have, we have started serious conversations with our existing customers for finding a solution because we do not intend or on a long term this is not a desired situation for us to have in Sweden so we have taken with our customer for various options including looking at some of the production facilities or some of the volumes to be done from India to offset cost or compensating so this is underway, discussions are underway so I do not see too much of a change that is happening in Sweden in the coming quarters unless there is a market pick up or change in share of business that can happen but we are in continuous conversation now with our customers to ensure that how do we cover up for this reduction in margins, of course our other subsidiary Fitwel we have a very strong sales pipeline there. This year due to one of the customer’s slowdown for them the growth has not been significant. They have had a single digit growth but then their order pipeline is quite strong so I expect that next year they will have a reasonably higher growth for us so on a standalone performance Vikas can you talk about this.

Vikas Goel: So we have done well as you have also noted Siddhartha on the standalone basis and it is on all the fronts including gross margin as well as on the operating leverage in terms of other costs so that is translating well and if we had been able to maintain the same in the subsidiaries we probably would have a margin which would be higher by about half percent or 50 basis points so that is the impact that we see. While Sweden may take a little longer to resolve, in Fitwell we are hopeful that we will recover faster and the impact itself is very low there.

Siddhartha Bera: Got it Sir. Thanks a lot. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Akshay Karwa from Anand Rathi. Please go ahead.

Akshay Karwa: Sir the previous person's question regarding the order book so assuming that the order book we have is of Rs.2 billion and we expect it to be executed by FY2027 so what type of revenue target are we looking at for the next few years Sir by FY2027, FY2028 preferably, if you could talk about that Sir.

BR Preetham: Akshay when I answered the previous question I told you that most of this order book depending on the sector and depending on the geography there are different programmes that we are working on but then I see the maturity happening by FY2027 that is what as per the current indication most of the 90% order book maturity would happen I would still like to maintain that given the size of the business which is growing and the order book addition to that I would still think that we will continue to grow at double the industry growth. If the industry is going to grow by almost 7.5 to 8%, I think that it is very safer to assume that we will grow double that thing. Specifically, we are still to work on how much of each of this segment so we are still working on the numbers from our customers so we are still not ready with the full set of numbers which we may have for the next year so we will have some more clarity towards the next quarter.

Akshay Karwa: Assuming that your two-wheeler industry your entry level segment if this segment come back to pre COVID levels so what type of revenues could you expect for the two-wheeler segment in FY2023 we did something around 500 Crores of revenue so what type of revenue would you be seeing if the potential in this segment Sir.

BR Preetham: See currently,two-wheeler revenue contributes almost closer to 1000 million till year to date revenue so I would say that see we are expecting a double digit growth in the two wheeler segment in the coming year that is what is the most industry productions are all also pointing to. Added to that we have got good amount of tech agnostic products that are maturing into the higher end CC where our contribution per vehicle as well as some margins are better so looking at that we should have a very healthy, again I would still say if the industry is going to grow by 8 9% in two wheeler segment. We will double the growth.

Akshay Karwa: That is nice to hear and Sir just last question in your opening remarks you mentioned about this new 4000 ton press in the Bidadi plant so what type of components would we be looking at from this press and what type of margins, what type of profile, could you talk about this please.

BR Preetham: See all this while our component category predominantly could have been accommodated in a 2500 ton press so our lines were equipped to handle that as we have now moved to higher engine category going up to almost 18 to 20 litres engines the components that we have developed for some of our customers which would include customers like Cummins, JCB, Kohler, Liebherr, and CNH programme. All these would require bigger tonnage of press so we have added this new press, it is a brand new press unlike the industry generally the bigger presses are not added on this thing so it is a brand new press with fully automated line with anti vibration mounts and all those so this would be operational towards the end of the second quarter while the commissioning would start towards August. Primarily 50% of this capacity would be meant for forging the bigger connecting rods and 50% of the capacity we still would like to keep it for developing some bigger aluminum components as well. So given the product portfolio and the profile obviously I expect that going forward we will have few more of these presses in the future because there is a lot of traction in this kind of components.

Akshay Karwa: Got it Sir, so basically you would be catering more towards the larger engines from this 4000 ton press.

BR Preetham: Mostly coming into the non-automotive segment larger engine capacity, larger connecting rods and bigger component which is also both steel and aluminum.

Akshay Karwa: Thank you so much Sir and wish you all the best. That is all from my side.

Moderator: Thank you. The next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: Thank you so much Sir and congratulations for a great set of numbers. I have four questions here one in terms of order book of about 240 Crores how much is domestic and exports.

BR Preetham: So the order book domestic totally segment wise I have to see the domestic contributes about 41.45% and exports is about 58.55% approximately about 1196 million is from exports and 847 million or 846 million is from domestic.

Kashyap Javeri: And within this 11960 which is exports how much is EV.

BR Preetham: xEV is close to 2,000.

Kashyap Javeri: So slightly less than 20% of that is EV.

BR Preetham: Yes.

Kashyap Javeri: Second question is on the operating leverage side so continuing from what Siddhartha highlighted about the domestic margins now at about almost about 18 % how much of more operating leverage can be squeezed in the domestic operations from the investments that we have done over past let us say about four five years. I mean we have invested almost about 1100 Crores in capacity additions how much of more operating leverage can be squeeze from this with existing capacity.

BR Preetham: To correct my last previous answer about 200 Crores coming from EV in exports but another 165 from domestic so you need to add that both put together it is about 365 coming from xEV. Just to correct that because my answer was more towards 200 coming from exports so I left out the domestic portion there.

Kashyap Javeri: Right Sir got that, on the operating leverage side.

Vikas Goel: See operating leverage will definitely come through as our utilization on the two-wheeler segment improves, we would say about another half a percent may still come over the next one to one and a half years.

Kashyap Javeri: So last time in one of the conferences that I had met you had highlighted that on overall basis we could still do roughly about 18-19% kind of margins now contingent on what is happening in the Swedish operations would that 18-19% be limited to less than 18% overall on consolidated basis.

BR Preetham: I think it is safer to look at that way on a current situation basis because I said that Sweden might take some more time to come back while we are performing well on our domestic front or Sansera India basis so it is safer to assume that for time being.

Kashyap Javeri: Sure third question is on the capex side we have spent significant amount on capex last five years next five years we are seeing the complete change of our revenue mix in favor of the newer technologies how much are we going to spend let us say over next five years in terms of capacity addition on a broader basis I am not asking individual business wise but on the broader scale how would that capex be split so over next about five to six years.

BR Preetham: See most of our capacities are going into new technologies only except that in passenger vehicles. We are looking a lot of traction in the passenger vehicle you would see in the coming days or in the next quarter announcement that we are talking to some new big international customers on addition of business in the auto ICE as well in our core category of components and it is substantially good business inflow coming from there so while most of our investments today are focused on tech agnostic components that is going into aluminium forging, machining, anodizing lines, special process requirements we are also expanding our capacities in non-automotive segment. As I said that we are adding capacities both in forging and machining for larger size components which goes into industrial construction equipment, agri as well but looking at our order in flows we should safely assume that because we do an end to end capacity expansion on a gross block level about 1.5 to 1.6 asset turns is what we should look at in the automotive and non-automotive category except in aerospace where we could probably look at 1:2 on the order book basis that is how we will split our capex.

Kashyap Javeri: Sure, and last question is on new components contribution to overall top line what is it today and over the period of next five years where do we see that going.

Praveen Chauhan: See typically speaking what Preetham has been telling is that we are likely to grow double the industry growth from that point of view the 50% of our growth would be coming from the new component and 50% would be via the industry growth. Now this 50 could be sometime 60-65% sometimes around that but typically around 50-55% of the growth would come out from the new products.

Kashyap Javeri: Sure sounds great Sir. Thank you so much. That is it from my side. Thank you so much Sir.

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

Mumuksh Mandlesha: Thank you so much Sir for the opportunity and congratulations on a good standalone performance. Sir can you provide an update on the aluminum forging what are the revenues currently nine month and expected revenues next few years.

BR Preetham: Mumuksh thank you. See aluminium as it stands today for the current nine months a pure aluminium components about 26 Crores of our revenue for the first nine months but what I see here we will be producing closer to a million components this year and this whole of this year we worked with almost two and a half presses now we are working with four presses and then two more are getting added now 1,600 and 1350 ton press towards the end of this year and looking at how business is shaping up another three presses are required at the current order book that we have confirmed order so in terms of aluminium tech agnostic product and aluminium forge and machine category of components if you see our orders breakup almost 245 Crores is coming from tech agnostic components 12% of our total order book so there is a good amount of traction. And please understand except for a two or three orders which we have got from passenger vehicle industry we have not yet touched that at all, what we are doing and currently focused on is on premium two wheeler segment and also on some xEV segment on the scooters but then there is a huge scope and currently as I see whatever capacities that we have committed and the thing we are full up to FY2025.

Mumuksh Mandlesha: And that is 250 Crores currently order book right.

BR Preetham: The current order book which is not yet executed itself is about 250 Crores while we already total tech agnostic, I think order book if I see is about 361 Crores.

Mumuksh Mandlesha: Got it Sir so on the Sweden can you share what has been the revenue and the PAT for the nine month numbers and can you just guide how do you see for FY2025.

Vikas Goel: So revenue for nine months is about 127 Crores and we expect to reach about 160 Crores for the year. The projection for FY2025 will depend on how the negotiation with the customers go. We are looking at multiple options as Preetham explained, it could be pricing, it could be volume so it all depends how the negotiations conclude.

BR Preetham: But currently we do not expect too much growth coming there for the next year. We expect the revenues to be flattish. The EBITDA margin currently for the YTD stands at around 7.5% but for the quarter it was lower. The EBITDA margin for the quarter was only about 1% so going forward we expect that from all the things that I told you that Sweden, we did not expect from the beginning that we will not cross I mean we were targeting about 10% EBITDA margin from this business but next year would be a challenging year so we expect that with the current talk with the customers we would be able to resolve this issue and move towards that number.

Mumuksh Mandlesha: Got it Sir and just lastly can you share some thoughts on the margins for the new segment like auto tech and xEV so I mean it would be broadly in similar to the oval company margin or you will see better margins as they are more on the export side.

BR Preetham: See on a overall basis if I see tech agnostic and xEV components today more than 50% of that is coming from exports so which means that the export margins are better in line with our exports margins but as I also kept on explaining especially on tech agnostic components there is still headroom available for improvements because we are currently in a phase where both development and mass production ramp up is happening in the current facility which is again restricted to one of the facilities here where we do only in one facility so there is a lot of pressure, while we have to develop all the components, all the improvement cycles are still on the progress which means that going forward we will still have good head room for improving our margins. We are still not optimized on both the machining and forging on this category of components. Potentially we will do much better on this category.

Mumuksh Mandlesha: Understood Sir. Thank you so much for the opportunity.

Moderator: Thank you. The next question is from the line of Arjun Khanna from Kotak AMC. Please go ahead.

Arjun Khanna: Congratulations on a good set of numbers. I just have a few questions. The first one on the aerospace and defense side in terms of order book we talk of almost 185 Crores of an order book so in terms of an annualized number which year do we expect to hit these peak annual revenues.

BR Preetham: If I see how things are progressing so FY2026and FY2027 towards the middle of FY2027 is when I see the current full order book, full maturity Arjun.

Arjun Khanna: So, by FY2027 we could see roughly 185 Crores revenues is that the right understanding.

BR Preetham: No, this 185 Crores of revenue is only on the new order books which are yet to be executed.

Arjun Khanna: FY2023 revenue is around Rs. 90 Crores.

BR Preetham: No but if you really look at the current order book that we have had apart from what we have so this itself would be around 180 to 190 Crores so you add another 185 to 190 Crores for this order book from the new order so in my opinion that overall order book from the current orders and the new orders put together would be around 350 to 360 Crores.

Arjun Khanna: Okay. Understood now Sir. We are saying the facility will reach peak utilization by FY2027, the entire facility and this year like you mentioned in the previous quarter have been partly shifted so on an FY2025 basis what kind of order book would come into the actual execution.

BR Preetham: I think FY2025 we are looking at somewhere around 170 to 175 Crores total revenue in aerospace.

Arjun Khanna: Sure so we are looking at possibly 2027 being double of 2025 is that the right understanding.

BR Preetham: I think so yes. Arjun, this also goes in line with what I have been saying that in the next two three years given the kind of growth potential that is there in the order book visibility we could grow by 50%. This year being exception because one of the things we had got so if you really extrapolate what is happening that is how it will pan out also.

Arjun Khanna: That is very good to hear Sir. Sir the second question is in terms of the two-wheeler piece you mentioned we have won a number of premium two wheeler orders; I just wanted to understand do we utilize the same equipment machining or do we have to set up new equipment etc for that.

BR Preetham: Basically for the existing setup components ICE category of vehicles especially on the entry segment and executive segment of vehicles we do not intend to or we have not added any capacities that is where we use our own existing facilities but on all the premium models be on ICE components as well as on tech agnostic components there needs to be a capacity expansion that needs to happen especially on aluminium components and on higher CC crank shafts like 400 cc but very marginal. On the core components there is no expansion that is planned.

Arjun Khanna: Sure and just in terms of core components what is the utilization rate currently.

We had mentioned around 50%.

BR Preetham: Last year it was around 55%. I think this year we are closer to 70% now.

Praveen Chauhan: That is right. We are closer somewhere around 67-68% is on an average. We expect the year to go close to around similar number 68 to 70%.

Arjun Khanna: Sure so then that operating leverage should show up in our margins markedly if utilization rates go up further.

Praveen Chauhan: Yes there is certainly a potential to go further up. We expect the utilization but as you see that our order book is very strong and we are adding new types of products so we are adding new product lines, our capex will continue to be on a higher side so maybe only over a period of time we will have these better operating leverage but we will continue to have that benefit.

Arjun Khanna: Sure thank you and wishing you all the best.

Moderator: Thank you. The next question is from the line of Rakesh Vyas from Quest Investment. Please go ahead.

Rakesh Vyas: Hi congratulations on good set of numbers. I have two set of questions first one is extension to what was asked previously on the existing capacity that we have what is the peak revenue that we can expect from the business because you said we are in the conversation we are already at around close to 70% so given the kind of product mix that we have what is the maximum revenue that we can attain and the second question is the peak revenue visibility of 4500 Crores kind of number in FY2027 how does the existing ramped up order actually gets accounted for example if there is a change in model from the existing OEM which you are already supplying how does the reordering or some of those numbers comes into picture in this 4500 Crores revenue.

BR Preetham: Actually, see our order book as we have mentioned earlier, we do not take any of the existing business replacements into our order book. Suppose if we are doing for just to give you an example if we are doing some components for Maruti Breeza and Maruti Breeza would get an upgrade and we get an order for that upgrade model so our order book does not constitute any of these components so there is no order which accounts for replacement business of the existing business is accounted for. While we say that there would be some programme which would probably retire but given the track record of our past performance with the customers and our relationship and this thing, we expect that we would be a strong participant in the future models as well because that is how the development cycle goes. We keep ourselves engaged with the customers in the development cycle from the beginning because our kind of components also go through quite a long time of development about one and a half years of development so to answer to your question as none of the replacement business are factored in, it would be only new businesses that are factored in. Second thing is that you ask me what is the peak revenue potential of our current facility, so while we say that theoretically we would like to have between 80 and 85% utilization given the cyclical nature of our business we need to keep some headroom for some peaks andother things so we are comfortable operating between 80-85%. Please understand these capacities are calculated on a three shift, 300 day working basis so with that and this is a moving piece we keep adding and depending on different sectors performing I think it is safer to assume that at around 85% we can generate a revenue from current capacity about 900 Crores per quarter.

Rakesh Vyas: Got it and just for clarity the existing revenue that we are generating today which is on most of the ramped-up production on the already existing order book is there a visibility that of this how much will actually taper off going forward into FY2027.

BR Preetham: Please understand that my existing order book or existing revenue is consists of three pieces if I have to say one is that it is a full mature business there is another one which is probably 50% mature business and there is a portion of business which is just started last year and on the ramp up stage so all these three put together and all have got different thing. While we drop our business plan we also have to take it into consideration depending on the model and customer wise projections on what model goes down so there is enough headroom because the current order book is not a full mature order book./

Rakesh Vyas: And lastly just to clarify again this 4500 Crores revenue visibility as of orders that exist in high end today and in next two years if you get more orders which you will obviously get this revenue visibility will actually further improve beyond this 4500 even for FY2027 itself because as you said some part of this new order will add to ramp up using FY2027 as well.

BR Preetham: Definitely that is the plan and that is how we work because we continuously interact with customer. We strive to participate in all their new programmes. We also expand both geographically and product mix so we expect that we continue to add new businesses into our order book in the coming quarters.

Rakesh Vyas: Great thank you so much and best of luck.

Moderator: Thank you. The next question is from on the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Good morning Sir. I have two questions, so firstly I wanted to check on the technological front in case of aluminium forging especially for the new components what kind of technological skill sets are required to be successful in this business and we hear that there are lot of players who are trying to get into this space so in terms of competitive intensity and margin profile how would that play out.

BR Preetham: Good morning Kapil. This is a journey that we had started about three four years back when we realized that our expansion has to happen beyond auto ICE component so this was something and we being in the forging and machine category of components so obvious choice was to get into something very similar. So when we started our journey we also said that this is something that we could achieve or do it much faster and much easily but contrary to our belief that the kind of components that are being offered at least in the segment that we are operating in are quite complex in nature which means that the end to end production facilities are required to be in place in order see most of these are class A and class B components which are very aesthetically important apart from functional requirements. So which means that our whole focus currently which was on functional and micron, submicron level of tolerance and all that. Added to that and new dimension got added was a very strict and stringent aesthetic requirements because most of these products are going into or majority of these products are going into premium model so while focus on aluminium forging technology itself was primary thing but the material flow, the Die heating technology, the equipment itself but a lot of vertical integration both in terms of machining, anodizing, solutionizing everything so what is very key here at least that is what we have learned is that what you forge is not what the product that the finish of the product that is not what you see at the end of the line, so this gets amplified after solutionizing, after anodizing so it is better or it is recommended that most of our customers should have a fully integrated facility that is where we are expanding. Today this is what we have learnt and this is how the whole industry operates and added to that a lot of skill set is required on product like some of these components which are in multiple planes you would not believe we would have done some 65-70 iteration to get into level so that we are in so it is something that is not as simple as steel, the equipment and technology is not fully understood and available in India. Of course, there is a lot of interest in this segment people are wanting to get in and by having this technology about three four years now we seem to have got a good head start in this.

Kapil Singh: Great Sir. Second question I had was if you look at the model cycles for the OEM now they seem to be more aggressive than the past where a lot of frequent changes are taking place and more focus is there on premiumization now I suppose that is also going to put a lot of pressure on your development and engineering teams, how are you preparing to handle this and how does this manifest into profitability for the company if you are putting in more effort to develop these components and some of these may be running for lesser periods before again there is some kind of upgrade that is coming, if you look at historically the models need to last much longer.

BR Preetham: Of course traditionally what we used to do or when we have as we keep growing this segment there is also kind of understanding on the category of this segment so broadly today we know there are triple clams there are support brackets, all these are class A components, now we are able to understand a product category among sub category among this category. So traditionally in Sansera what we have done is we work with quite advanced software where we do automation on the design itself, so by parameterizing the whole thing that we automate the design of both product as well as the fixtures and jigs that are required and when you seen in our facilities we have mostly even in forging all our toolings we have made it more fungible depending on this thing so we can actually change from one component to another component quite fast in terms of the thing but having said that you are right the number of components that are developing per vehicle is significantly increased, the number of models and the variants that are getting developed are also increased. There is a lot of pressure. Only thing that is currently challenging is and while I say that while we are adding capacities not much of time we are getting on a lot of improvements that we want to do so we are adding capacities and I am sure that in next two to three quarters we would get into a space where we will have some team and equipment to only focus on improvement on the thing but going forward this technology that we have now learned over three four years we will also put in our expertise to automate a lot of design work as well so that is how we are looking.

Kapil Singh: Sir my question was also to understand that if there is more development work being put in for these products is that you can ask your OEM for better margins also for these products because ultimately if you have a product A and it runs for 10 years 20 years and now these products are running for lesser periods and more development work is required then ideally you should be asking for better margins from the OEMs so that is where I was coming from.

BR Preetham: Always we want to have better margins from the OEM of course because these are on the premium category of vehicles and with diversified customer base that we have we expect that the product margins are going to be better in this category. Of course we also get development cost for these components as well. They also understand the kind of iterations and kind of development efforts that goes in so we get compensated for the development cost as well but over the time our understanding of the product pricing has also been better. We have also done mistakes in our product pricing in the earlier stages of our development. We have understood it better. We are pricing it more optimally so yes you are right that this category over the maturity should give us better margins.

Kapil Singh: Thank you Sir. Wish you all the best.

Moderator: Thank you. Due to the time constraint we will take this as the last question. I now hand to conference over to management for closing comments.

BR Preetham: Thank you everyone for your time and in interest in our company. I conclude this call. If you have any further queries, please contact us directly or our SGA, our investor advisors and thank you again everyone for joining us today for our earning call.

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.