



Sharda Motor Industries Ltd.

SMIL: BSE/NSE: 21-22/1811

November 18, 2021

BSE Limited

Department of Corporate Services
Pheroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001
(SCRIP CODE - 535602)

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra - Kurla Complex, Mumbai - 400 051
(Symbol - SHARDAMOTR) (Series - EQ)

Sub: Transcript of earning call held on November 11, 2021

Dear Sir / Madam,

In pursuant to the applicable provisions of the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 and in furtherance to our letter no. SMIL: BSE/NSE: 21-22/1111 dated November 11, 2021 regarding the submission of audio recording of earning call held on Thursday, November 11, 2021 from 3:30 P.M. (IST) onwards, in this regard please find enclosed herewith the transcript of the earning call.

Further the same is also being available on the website of the Company at www.shardamotor.com.

This is for your information and record.

Thanking You,

Your's Faithfully

Divyang Jain
Asst. Company Secretary &
Compliance Officer

Encl. as above

Regd. Office : D-188, Okhla Industrial Area, Phase-I, New Delhi - 110 020 (INDIA)

Tel.: 91-11-47334100, Fax : 91-11-26811676

E-mail : smil@shardamotor.com, Website : www.shardamotor.com

CIN NO-L74899DL1986PLC023202



“Sharda Motor Industries Limited Q2 FY-22 Earnings Conference Call”

November 11, 2021

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**MANAGEMENT: MR. SRINIVASAN N - CHIEF FINANCIAL OFFICER,
SHARDA MOTOR INDUSTRIES LIMITED
MR. AASHIM RELAN - CHIEF EXECUTIVE OFFICER,
SHARDA MOTOR INDUSTRIES LIMITED**



*Sharda Motor Industries Limited
November 11, 2021*

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY22 Earnings Conference Call of Sharda Motor Industries Limited. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance, and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal and 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. Srinivasan N. - Chief Financial Officer of Sharda Motor Industries Limited. Thank you and over to you, sir.

Srinivasan N: Thank you so much. Good afternoon to all. A very warm welcome to everyone present today. And I wish you all a Very Happy Diwali and a Prosperous New Year on behalf of Sharda Motor Industries Limited. Along with me today I have Mr. Aashim Relan - Chief Executive Officer as well as our Investor Relations Agency Strategic Growth Advisors present on this call.

Hope all of you have received our investor presentation by now. For those who have not, you can view them on the stock exchange. Let me first start with the industry highlights for the period. After the disruptions caused by the second wave of COVID in Quarter 1 of FY22, the demand started to recover in auto industry. However, soon the industry faced shortage of semiconductors, which has impacted the entire ecosystem. Also rise in the fuel costs have impacted overall vehicle running costs and customers have increasingly become considerate of the recent rise in fuel prices. The positive side is that the demand sentiment is still strong. With a decent monsoon and continuing investments in rural infrastructure, the Indian automotive sector is expected to remain stable in the near term.

Now coming to the business performance. In Q2FY22 we registered a strong year-on-year revenue growth of 32% with a value of Rs. 587 crores on the back of better volumes across segments compared to the previous year where COVID affected the volumes. We expect the market to be stable in the upcoming quarters. We also see a strong legislative tailwind, kicking over the next two to three years. This will enable us to increase content per vehicle and increase our total addressable market. We already have our product basket ready, which meets the new BS-VI RDE norms, CEV as well as TREM Stage IV and V regulations.

Again, the recently announced PLI Scheme will be a significant boost to the auto industry, and we expect the momentum to continue in coming years.

On the financial front, our consolidated revenue from operations for the quarter was Rs. 587 crores versus Rs. 444 crores in Q2 FY21, which is a growth of 32% and in terms of the H1FY22

it was Rs. 1,059 crores against the Rs. 548 crores of H1FY21, which is a growth of 93%. Further on a sequential basis compared to Q1FY22 our revenue grew by 24%. Our EBITDA including other income stood at Rs. 71 crores in Q2FY22 against Rs. 40 crores in Q2 FY21, a growth of 77%. EBITDA margins, including other income were 12% for Q2FY22, as compared to 9% of Q2FY21. In H1 FY22, the EBITDA was Rs. 118 crores against Rs. 36 crores of H1 FY21. Again, a growth of 229%. EBITDA margins including other income was at 11% in H1 of FY22 as compared to 6.5% in H1 of FY21. Our PBT margin rose to 10.4% in Q2FY22 as against the 6.5% of previous year's quarter 2. During the quarter, the share of loss of JV and Associates was Rs. 4 crores with lower volumes in the CV segment.

Our consolidated Profit After Tax including the profit or loss from the JV and Associates was at Rs. 42 crores in Q2FY22 compared to Rs. 21 crores in Q2 of FY21, which is 100% increase year-on-year and Rs. 24 crore in Q1FY22, it is again an increase of close to 90%.

We continue to remain debt free with about Rs. 286 crores of surplus cash as on 30th September 2021. All our further expansions are to be funded by internal accruals while maintaining the cash surplus position. With our march towards better volumes and profitability, and our prudent use of capital, we have a healthy improvement in ROCE. With this, I would like to open the floor for questions. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: I have three questions. First, within PV, I know the PV mix at 60%. But what is the relevance of KIA, M&M and Tata Motors in that 60% combined if you could give the number? My second question is in the roof systems, have we got XUV 700 order? And M&M being our client in the exhaust system also, do we have the orders for XUV 700? And my last question is on the Eberspaecher JV, there is a roadmap for profitability improvement and second plant, if you could help us update, what is the progress there? And when should we see these two things happening, which is profitability improvement, second plant coming? Thank you. And these are my questions.

Aashim Relan: So, this is Aashim. And I will be taking the question. So, season's greetings to you as well. So, let us start with the first question in terms of the breakup. The exact numbers are not in front of us, but we will revert back. The second question regarding, you know, model specific. So, model specific we cannot comment but in general, yes Mahindra is a strong client for us, one of our biggest clients. And we do have good content across all the models, including the new models for Mahindra. And that does include the latest launches. On the third side, with the Eberspaecher JV with the second plant, we are very hopeful to be into a breakeven situation, but given the commercial vehicle volumes being quite low this quarter and added with the semiconductor shortage, sales did not pick up in this quarter. But as the sales pick up, we will be seeing a very

good improving situation in the joint venture. And that is a little bit contingent on commercial vehicle volumes and the semiconductor situation specific to one or two customers which we are taking in the joint venture.

Pritesh Chheda: Sir, clarification on two answers that you gave. So, on the CV Eberspaecher JV, when is the second plant coming and when you say profitability improvement, does it mean that when the industry goes back to its pre-COVID peak number of let us say 3.5 lakhs MHCVs, that is the time where even our JV becomes profitable, or the JV profitability can be much earlier than that?

Aashim Relan: So, first, the second plant has started already and just the volumes have not picked up because of this semiconductor shortage, but the start of production is already there for the second plant and it is up and running. In terms of the profitability, it will happen much sooner than when the CV industry picks up. Right now, it is substantially low specifically for this quarter. So, even if we see some slight improvement, or at least a semi normal scenario also the JV will be in a very good position to have some good numbers.

Pritesh Chheda: In the roofing system, the mix in the revenue which is 5% where do you see it heading to, sir?

Aashim Relan: So, the roofing system is actually a niche category that we are doing. We do not do all kinds of roofs. We only do the convertible canopy when it comes to roofing systems. We are doing the convertible canopy and a little bit of the soft top canopy. We do not do hard roofs as of now.

Pritesh Chheda: Convertible canopies are not the glass one, right? That is how we put it?

Aashim Relan: No, not the glass. We are not yet in the sunroof business. We are on the business where, you know, you can put the roof into the bonnet and the way it comes out a convertible.

Moderator: Thank you. The next question is from the line of Saurabh Jain from Sushil Finance. Please go ahead.

Saurabh Jain: I have a couple of questions. The first one is with reference to slide number 10, that is legislation tailwinds. So, you mentioned that the new norms in off road and on road would drive the addressable markets as at a CAGR of 114% and 7% respectively over the next five years. And that is what Mahindra was also talking about in yesterday's media appearance that farm equipment segment is likely to grow 10x in next six, seven years. So, could you please let us know what would be the size of these addressable markets as of now and what are we looking at in next three, four years?

Aashim Relan: Yes, sure. So yes, one we are very excited about the off-road segment. Currently, our product does not go into the off-road segment, because the legislation does not call for it. But as the TREM 4 and TREM 5 legislation comes in, the emission product will be required across mostly all tractors, construction equipment sector. And we expect a very good growth coming in from

that segment. In terms of the total addressable markets, it is going to double or even triple for us as we go into these legislations because the entire segment, each tractor will require our products. And our core customers already are very strong in the tractor segment. And they are expecting a very good growth in that front as well, which has been noted in some of the earnings calls recently as well. So yes, overall, it is a very exciting opportunity for our company, these legislations which we have mentioned on slide 10.

Saurabh Jain: Yes, so I get it double or triple, but what would be the size of the addressable market as of now, so that we will get to know what kind of addressable market we are looking at in a couple of years down the line?

Aashim Relan: Rather than an exact number, because there are variables in terms of content and the exact formation of the market, but it would run into a few thousand crores.

Saurabh Jain: Okay, that is helpful. My second question is Eberspaecher JVs, first plant has been live for more than a year I believe. Has it turned around because the loss of Rs. 4 odd crores I believe, it is broadly pertain to both the plants or if you can tell me when is the JVs likely to turnaround and going forward would the margins eventually get in line with our margins or it would be better margins?

Aashim Relan: So, yes, we have done a lot of cost saving initiatives as well as improvement initiatives at the joint ventures. So, as soon as there is an uptick in sales, it will start turning around and we are hopeful for it to happen soon. It is a little bit contingent on the commercial vehicle market as well as the semiconductor situation. In terms of margins, once JV matures its margins are expected to be at similar levels to us. But for that it will take some time as it is still new JV and it will take some time to mature to that level, but we do expect margins to be of a similar category.

Saurabh Jain: Okay, so the first plant has also been not turnaround?

Aashim Relan: No, the plant is turned around. It is just that in particular quarters, it totally depends on the sale situation. And the orders are there. It is just the end customers' production numbers are fairly low. And they are low, largely due to the semiconductor shortage now because these products in specific are facing much more shortage impact than other products on the passenger vehicle.

Saurabh Jain: My last question is about the usage of cash. I believe in AGM or in previous conference call, you had mentioned that lithium-ion batteries and all these new investment would not require much of CAPEX. And I believe such a strong generation of cash will affect our ROCEs going forward. So, what is our strategy on that, since in the past, you have mentioned that we will be looking for financial investments rather than a strategic one?

Aashim Relan: Yes, so we will be utilizing the cash either for inorganic opportunities, or to return it back to the shareholders and both options remain open. We are actively looking at inorganic opportunities as well. And as they mature, we will keep you updated. But we are cognizant of the fact that the cash generation is going to be strong. And the CAPEX required for some of our core products is only incremental. So, we will be utilizing it in an efficient way to ensure that ROCE and ROE are in check with the cash flows coming in.

Moderator: Thank you. The next question is from the line of Viraj from Securities Investment Management. Please go ahead.

Viraj: Congrats on good set of numbers. I have a couple of questions. One is, if I understand our revenue profile in terms of our customer, what we had seen is that there were significant production cuts across our key customers like Hyundai and all. But still we have seen a strong growth in the top line. So, what will you ascribe this revenue growth to? Is it like we have gained more market share or just to understand?

Aashim Relan: Sure. So, it is a combination of factors. One is that this was the first quarter where we could stably produce our new products. Right. So, this really this quarter is a depiction of our overall business development that we did previously. And the second, we have gained a little bit over competition in few areas. So, that has also benefited us in outperforming, let us say the industry when it comes to revenues.

Viraj: Okay, so the new products, which you mentioned, which we had introduced, and this is the first quarter we operated fully, what would be their revenue contribution for the quarter? Like, would they be like 10%, 15% of the revenue as of now?

Aashim Relan: Yes, so most of our products, in fact, I would say all the products are new only because with the BS-VI legislation, what I meant by that this is the first stable quarter otherwise, you know, either there was COVID coming in, or one thing or the other. Right? So, this is the first stable quarter that we got where our customers were also starting to produce all the models in the configuration that we have products attached to. Most of the products are new only.

Viraj: And similarly, what they have seen in auto ancillaries this whole quarter, the story has been that the top line growth was very strong, but every company was suffering on the gross profit. But we have done a pretty decent job with an improvement in margin profile.

Is it like more higher value addition of products which has played out in terms of better gross margin or what has helped us improve our gross margin both sequentially, and year on year? And do you think it is sustainable?

- Srinivasan N:** So, in terms of the gross margin, it is absolutely right. We have done a very good performance compared to previous quarters. There is a few key factors in favor of this. One is our cost improvement initiatives. Even in the last call, we spoke about it. I think there are realizations of these initiatives that have kicked in this quarter. Secondly, we had a great product mix in quarter 2 which was favorable in terms of our margins. Again, as our CEO said the new product production was stabilizing in quarter 2, and that gave us a healthy output and the margin ratio. Again, in terms of the sustainability, we believe that this margins are sustainable except subject to the product mix, which we feel was really favorable during quarter 2. And, of course, our commodity and cost saving initiatives are going to continue and that will help us sustain this.
- Viraj:** Okay, and last question on the JV side, sir, as I understand the Eberspaecher JV is more on the CV side. And this question was earlier asked also, and you said that as the scale has come up and we are seeing is that the CV had seen a pretty good decent growth in the quarter, but still the losses have increased. So, what would be the minimum or the threshold level for us to break even in this JV at the top line level?
- Aashim Relan:** Sure. So, one that the products that we are producing in the joint venture, they have not increased in this quarter because of the semiconductor shortage. So, the customer was unable to produce much of those trucks where our systems are going in. In terms of breakeven level maybe Srin, if you can add to it?
- Srinivasan N:** Yes, in terms of the breakeven, you know, we are looking at a revenue of Rs. 200 crores for the JV to breakeven. So, as we know, last year, we had about Rs. 140 crores and now, we are looking at Rs. 200 crores at least and we are yet to get to that kind of volume in JV.
- Viraj:** Okay, and last question, sir, because you interact with a large number of OEMs. On the semiconductor side, the noise, which was there that Q2, it was very severe and incrementally what everyone is saying that the things are relaxing. How are you reading it? What is the sense you are getting from the customers that incrementally do you see that the production level should improve or what is the reading you are getting?
- Aashim Relan:** Sure. We feel that the situation remains to be dynamic, and it is not easy to predict how our production will pan out in the next couple of quarters. We are optimistic but very cautious that the global situation of semiconductors remains to be tight.
- Moderator:** Thank you. The next question is from the liner Vishal Srivastav from Edelweiss. Please go ahead.
- Vishal Srivastav:** Sir, couple of questions. In fact, follow up of one of the earlier question since the scenario of demand has been comparatively better in Q2. So, just wanted to know sir, what would be the average utilization levels you would be having for this quarter?

- Srinivasan N:** So, I will take that. In terms of the capacity, we are at 85% utilization.
- Vishal Srivastav:** Sir, my second question is regarding what kind of CAPEX you are expecting for FY22 full year?
- Srinivasan N:** So, it is basically only an incremental CAPEX. We have so far incurred about Rs. 14 crores and probably in the similar levels for the second half year.
- Vishal Srivastav:** Sir, any guidance in terms of top line growth or, you know, margin expansion you would like to give for FY22 and going forward?
- Aashim Relan:** Yes, so I think there is no specific guidance that we would like to give but we are optimistic for the next few years for sure in terms of top line growth as well as a good cycle that we are going into.
- Vishal Srivastav:** Just one year follow up to this answer. What can be the maximum top line you can generate from current gross block and do we need a minor debottlenecking to fuel that kind of growth you are looking for?
- Aashim Relan:** Yes, so our product is very, very modular in nature. And it is more intellectual property driven. So, when it comes to the physical asset side of it, usually it only requires incremental CAPEX to augment capacity. And that is what our forecast is showing as well that we could substantially improve our sales with incremental CAPEX to increase capacity.
- Moderator:** Thank you. The next question is from the line of Ronak Vora from AUM Fund Advisors. Please go ahead.
- Ronak Vora:** Sir, to follow up on the question of the previous participant. What kind of turnover can we do from the current gross block, if you could just give an asset turnover number two times, three times whatever?
- Srinivasan N:** Our asset turnover as of now on a yearly basis is about eight times.
- Ronak Vora:** Okay. And sir, on the JV end. How much have we invested with Eberspaecher for the CV segment? And how do you see the whole ramp up going in the next two to three years with the legislation norms coming in? And what kind of turnover and profitability do we see in the next three to four years, if you could give a picture or give a sense about it?
- Aashim Relan:** Yes Srini, if you could provide the exact number on the investment side, and I can take the balance of the question?
- Srinivasan N:** Okay, so in terms of the investment, we are at about Rs. 50 crores in the JV. And in terms of the CAPEX and in terms of the overall investment, it will be about Rs. 110 crores. And we are

looking for getting to breakeven. So, maybe as Aashim, you would like to take up on the volume side?

Aashim Relan: Yes. So, in the next two, three years, we are very optimistic on the joint venture, and not being able to give an exact number in terms of sales or margins. We feel that we will be able to substantially improve the sales from where we are as we have won some new models, as well as we have the top two customers already in commercial vehicles. And as the norms change into RDE, we are very optimistic about the next two, three years when it comes to the Eberspaecher joint venture.

Ronak Vora: Okay, I understand you cannot give numbers but in terms of wallet share with the top two customers that we are currently supplying. Are we seeing any increasing wallet shares or, you know, like, are they like ordering more from us? Is our quality of product much superior to what others are supplying? You know, if you could give a better picture and how is it turning out currently?

Aashim Relan: Yes, so the models which we have won that will lead to an increase wallet share coming in to next financial years. So as these models start being produced.

Moderator: Thank you. The next question is from the lineup of Sabyasachi Mukerji from Centrum PMS. Please go ahead.

Sabyasachi Mukerji: So, my question is, can you just share the percentage revenue contribution from the value-added products in this quarter?

Aashim Relan: Srini, you can take it.

Srinivasan N: So basically, we do not give the numbers on the value added. But it is almost in the similar level, maybe a slight change from the previous quarter. But we do not give away the value-added numbers as of now due to the restrictions to the customer.

Sabyasachi Mukerji: Yes, I am asking that can you share the traded revenues portion in the quarter?

Srinivasan N: Yes, Mr. Sabyasachi, it means the same, you know, either way, you know, it will give out the value-added number. So, we are just trying to get the permission on that. In the subsequent calls we will be able to share.

Sabyasachi Mukerji: So, from a probably a directional basis, is it fair to assume that whatever revenue contributions from value added products was there in FY21 a year or two years down the line the percentage will go up and probably it will increase our margin profile. Is it a fair understanding?

- Srinivasan N:** It is not directly, you know, proportional to the way the value-added changes but definitely, you know, it depends on the mix, if the mix is a favorable in terms of the value add, it helps us when the value-added content goes up.
- Sabyasachi Mukerji:** My second question is on the market size. You mentioned that in terms of the PV exhaust systems, probably the market size is around Rs. 3,000 crores. And if I am not wrong that we are having around 30% market share. So, directionally what is the typical growth rate that you guys look at in this entire market size? And what is the game plan in terms of increasing this market share or holding on to it?
- Aashim Relan:** If you can just speak what is the question? It is PV or CV, I could not get that?
- Sabyasachi Mukerji:** The passenger vehicle, with the PV exhaust system? One is the market size growth, what you are estimating and the second is your market share, or wallet share into it? So, directionally increasing or holding on to the 30% share, what is your outlook?
- Aashim Relan:** Sure, and we have a 30% share in the passenger vehicle market. So, in terms of growth, there are two avenues of growth. One is as the market grows, of course, in terms of the number of cars produced that is going to increase the market. Second, the legislation coming in 2023-24, which is BS-VI RDE, that increases the content per vehicle for our products. And it changes between gasoline and diesel, but anywhere between 10% to 25% is where the content increases per vehicle. So, that has not outperformance when it comes in terms of market size growth into PV. Market share in general, we are always aiming to improve our market share and go towards one of the bigger customers that we do not have. So, we are always working towards that on how we can sustain and improve our market share when it comes to the PV industry.
- Sabyasachi Mukerji:** Okay and similarly in the commercial vehicle front, so, if you can throw some light on what is the current market size? And again, similarly, what growth aspects over there and your market share strategy?
- Aashim Relan:** Yes, our market share strategy when it comes to CV is to increase it substantially and it is by improving our wallet share with the largest customer and the second largest customer in the segment, as well as adding some new business to it. In terms of market size, it is very similar to passenger vehicles that the same norms are going to come into commercial vehicles as well. And that gives a window for resourcing for the customers. And we are hopeful to gain some new models in that window that will open up in 2023-24. And the work for that has already begun. And as it matures, we will keep you updated.
- Sabyasachi Mukerji:** Sorry sir, last bit. What is the current market share in the commercial vehicle that we enjoy right now?

- Aashim Relan:** It ranges between 10% to 20%. Usually at the 15%, 16% mark. It depends on the production levels of particular models at the OEM end.
- Moderator:** Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.
- Chirag Shah:** I have two questions actually. First, so on this JV that we have done with Kinetic Green, on battery and BMS. Can you throw some light on how that business will work, because battery and BMS both are very strategic, and why would somebody come to the JV to source that? And what is our part of contribution in that JV? Can you throw some light over there? What is the thought process on the business model of that of that entity?
- Aashim Relan:** Sure. So, Kinetic is our anchor customer for the joint venture. And we will be supplying the BMS and the assembly of the battery to them. The reason why we are working together is that they wanted to offload the battery onto a new entity. So, we already have an anchor customer, where we will be supplying the battery system and BMS. By doing that as phase one, this is our entry into a new space of two-wheelers and three-wheelers, and it will enable us to develop subcomponents, which we will be able to cross sell across other customers. So, our expectation is that the overall battery and the BMS we will only supply to Kinetic, but the subcomponents within that we will be able to cross sell to other customers. But this joint venture we are looking at in a phased manner. Right now, we are fully focused on phase one, which is to productionize the incumbent business with the Kinetic OEM.
- Chirag Shah:** Okay. So, this JV is only for vehicles made by Kinetic Green right and Kinetic Green is not in itself doing an outsourcing work for other players?
- Aashim Relan:** The phase one of the JV is focused on Kinetic Green vehicles. And phase two will include other customers as well for subcomponents as well as some of the battery systems as well.
- Chirag Shah:** By when can we expect some production over there?
- Aashim Relan:** We are hopeful for Q3 next year. So, around that time, we are hopeful to begin phase one.
- Chirag Shah:** The second question was on this emission norms, the new emission norms for tractors and RDE. Now, the content increase that you have indicated what would be the split between the value add and the traded in that increase in content? Would it be similar to the current mix or it is more towards the value add, the content increase?
- Aashim Relan:** So, value add, and brick is only a matter of choice of the OEM, how they want to source the product and whether they want to provide the brick free of cost or whether they want us to trade. We are working towards a business model where we will be focusing only on the value added side in the tractor market as well as the other legislations in that account.

- Chirag Shah:** So, on the tractor the content jump that you have indicated you are referring to only the value-add portion right that is the right way to understand?
- Aashim Relan:** Yes.
- Chirag Shah:** Okay, because the margin profile in value add would be far higher than the average reported margins?
- Aashim Relan:** Yes.
- Chirag Shah:** And on the CV side also because even there you are indicating a 10% to 15% or a 10% to 20% increase in value content. So again, how the split will be over there on the PV and CV side?
- Aashim Relan:** Yes, whenever I am referring to content it is all meaning of value added only. So, we discuss mainly value added when it comes to content increase because that is what drives the margins.
- Chirag Shah:** Okay. And sir, last just a clarification. For M&M and Tata Motors, the two of our customers, how different is the share of business that we have in PV and the share of business that we have in CV,? Is it significantly different because overall CV market share that you have indicated is 10% to 20% only?
- Aashim Relan:** Yes, so without commenting on customers specifically the PV business as well as the smaller commercial vehicle business is done through our standalone entity. And there we have a higher market share. When we look at the heavy commercial vehicle business, which is above 3-liter engines, we do it through our joint venture with Eberspaecher. The joint venture with Eberspaecher is a much newer company. So, as of now it has lower market share, but we are hopeful as it matures it will get better market share as well with all customers.
- Chirag Shah:** 10% to 20% market share that you have indicated just before answering the previous participants' call, he was referring to Eberspaecher specifically or it was Eberspaecher plus Sharda's standalone business?
- Aashim Relan:** Eberspaecher. Sharda standalone business is under 3-liter engines. We do not do over three-liter engines in the standalone.
- Chirag Shah:** So, over there our market share would be similar to what is there in PV, right? Or it could be even higher actually?
- Aashim Relan:** It will be even higher, and it is hard to differentiate under three liters between CV and PV because most of the customers use the same engine for both, but we have a very strong market share in the under 3-liter CV.

- Chirag Shah:** And last is, if I can just squeeze in one more. Is there any price hike that you have got in the quarter which pertains to earlier period based on the negotiations that you would have completed? Is there any price hike that you have got in the current quarter or which you have accounted in the current quarter I pertains to the earlier periods, because OEMs would have agreed to now?
- Aashim Relan:** So, nothing specific as such and there is always, you know, the indexing etc. that is going on but nothing specific that we would comment on.
- Chirag Shah:** Okay, nothing unusual. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Sonaal Kohli from Bowhead Investment Advisors. Please go ahead.
- Sonaal Kohli:** I just missed one part of the answer you gave on the size of the tractor market, you know, the connection was not very clear. Did you define it either in terms of per vehicle or in terms of TREM 4 or TREM 5 or any benchmark, sorry, I could not hear that?
- Aashim Relan:** So, no particular specific definition that we are giving to it. The larger emission norm will definitely be TREM 5. And the content for tractor is going to be very similar to commercial vehicles as of now, but we are not putting any specific numbers to it because it is a little bit dynamic as of now.
- Sonaal Kohli:** Is it fair to assume that content per vehicle is much higher or it would be broadly be similar for vehicle in TREM 4, TREM 5?
- Aashim Relan:** TREM 4 and TREM 5, the difference will be on the horsepower of the tractor. So, let us look at TREM 5 only to simplify and in TREM 5, it is going to be substantially high. TREM 4 also some tractors will be very high, but it is just based on horsepower range. So, to simplify TREM 5 would be when the full tractor's industry or 95% of it will require our product.
- Sonaal Kohli:** Sir, I was not referring to that. What I meant to ask, content per vehicle, because of the highest horsepower is it like TREM 4 while it may be 5% of volume, but would it be like content per vehicle 2x of TREM 5 in the ballpark number?
- Aashim Relan:** I could get the question that it is that whether TREM 4 products will be similar to TREM 5, right? So yes, they will be very similar products.
- Sonaal Kohli:** So, TREM 4 per vehicle would not be significantly higher than TREM 5 per vehicle, right?

- Aashim Relan:** Yes, TREM 4 and TREM 5 would be very similar. In TREM 4, it would be a smaller size of the market, which would require the emission product. In TREM 5 it could be a larger part of the market, but the product itself would be similar with slight change.
- Sonaal Kohli:** Sir, in your slide, you know, where you talk about regulatory changes and the impact, you know, you mentioned RDE norms will result in addressable market CAGR of 7% over the next five years. When you say this, is there any volume assumption in this or, you know, how do you get this 7% between volume and value? And considering, all the bases are common for last two years? What is this CAGR?
- Aashim Relan:** Just your voice is a little bit unclear, but what I could get from it. This is largely to do with this content increase, which is mentioned in our presentation.
- Sonaal Kohli:** Sir, why would it be CAGR? Is it like going to incrementally increase every year or it is all at one go in April 2023?
- Aashim Relan:** It is in one go. It is in one go. I think we have just mentioned it as CAGR. But it is really in one go only. So, you can calculate in that sense also. And we could change that within the presentation only. It is in one go in 2023 onwards.
- Sonaal Kohli:** So, it is like a 40% increase?
- Aashim Relan:** Something in the range. Then what we will do is we will update it on the presentation.
- Sonaal Kohli:** Sir, on the CV side what will be the content per vehicle because of the regulatory changes?
- Aashim Relan:** So, commercial vehicles above 3 liters, there would not be a substantial change to the content. For commercial vehicles below 3 liters, it would be similar to what we will see in passenger vehicles.
- Sonaal Kohli:** And sir, is my understanding correct that tractor is a two-player market or tractor would still be a three-player market just like the car market and what will be the case in case of the M&HCV market? Is it also a three-player market?
- Aashim Relan:** Yes, so the M&HCV and the tractor market are similar, which will be three player market. Just on the tractor front, two players are expected to be stronger, and one is not showing enough interest, but it is largely going to be a three-player market as well, just like MHCV.
- Sonaal Kohli:** Sir, lastly, your exhaust systems are mentioned in the PLI Schemes. So, do we have any plans for that? And if we have plans for this, would our joint venture partner will be interested in sourcing something from India, anything whatever is possible at this stage, and if any plans you already have in mind, or you are planning for this?

- Aashim Relan:** Yes, so we just in fact received some notification of it very recently. So, we are still studying it. And as you know, we build plans around it we will keep you updated.
- Moderator:** Thank you. The next question is from the line of Karthi Keyan VK from Suyash Advisors. Please go ahead.
- Karthi Keyan VK:** A couple of things. One is can you talk about whether there is any progress made on exports in terms of either components or through the joint venture partner or for the joint venture partner either way?
- Aashim Relan:** Yes. So, in this quarter, we have no specific updates. But there is work going on this initiative. And we are expecting results for it probably from next year where we will be able to provide some updates on it. But the work is going on in the backend, just that it is not in a stage where we could comment on it as of now.
- Karthi Keyan VK:** Second thing is more in terms of some perspective on how you have seen this? See the regulatory change is impacting demand, assuming that because tractors are a politically sensitive, product. The TREM regulations are not implemented or deferred. How does that change your growth plans? Also, some color on various years? Like say three, four years down the line? Just a flavor of it?
- Aashim Relan:** If you could repeat the last question?
- Karthi Keyan VK:** So, I was saying looking beyond all these, say as the full potential plays out in each of the three categories, which is passenger vehicles, tractors and commercial vehicles, by FY24 or FY25, how do you visualize Sharda Motors from a revenue mix point of view? Whatever some thoughts on this?
- Aashim Relan:** Sure. So, we are actively building new vertical, which the beginning is just of the EV vertical from the Kinetic JV, but we will be building on that and, we will be able to see very good results coming into 2024-25. And second, when it comes to the legislation on the off road side, we are very confident that we will be able to develop a global market for this, and this would not just be an India play, but rather a global play. So, all the products that we are designing for the Indian market, we are keeping into mind the legislations in Europe and US. And we are looking at how we could utilize the same modules to export out. So in the year 2024-25, we would also be looking at that as a very big market for us.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.
- Dhiral Shah:** Sir, my question is pertaining to the CEV - IV which just got implemented in April 2021. So wanted to know, what is the content per vehicle improvement we have seen in that?

- Aashim Relan:** So, that is probably starting now in October because of some COVID related delays, etc. And that is going to be new products only on the off-highway side. And it would probably show in the numbers coming into FY23 now. So, it would be next year or next to next year. But this is not a very substantial legislation. If I'm understanding you correctly, because the line is unclear we will revert back to you in offline.
- Dhiral Shah:** And lastly sir, if you can help us to understand your revenue contribution from CV, PV and off-road because I was looking in to the presentation but I did not find anything?
- Srinivasan N:** Yes, so in terms of our contribution, it is PV and CV are almost similar levels at 45% and the rest are from the suspension, the procurement business and the canopy business.
- Dhiral Shah:** How much is the export contribution?
- Srinivasan N:** The export contribution is about 4%.
- Moderator:** Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.
- Chirag Shah:** I just got disconnected in between. I have one question is on the new product that you are working on. You had referred to that earlier? Can you indicate how are you looking at expanding your product portfolio outside what you are trying to develop on the EV side? Or even on the EV side, what is the thought process over there?
- Aashim Relan:** Sure, so we are taking it in a very phased manner. The products which we are most excited about is of course our first phase for the EV which is the BMS, and the battery system. And as a result of that, we are also working on products, which are subcomponents to the battery and BMS system, which we will be doing on a standalone business. When it comes to other products on the export side, we are working on some proprietary stamping products, which do go into emission systems, but then also bring about a very good export market. And we are in active discussions to be expanding our product portfolio. And as those stocks maturing, we will keep updating on that as well.
- Chirag Shah:** Yes, this is helpful but sir, slightly on a broader side. So, within the organization, there must be some thought process to expand your product basket. Okay, so have you boiled down the broader areas or how you are looking at expanding it? Because while exhaust systems are doing well, you are very well recognized that there is some kind of risk if not near term say to a long term for the exhaust system? So, is there any other products that you are looking which could be engine neutral or something like that, where there is an opportunity or via acquisition where you are trying to do? Is inorganic activity are part of your strategy?
- Aashim Relan:** Yes, so absolutely. So, one, in general, we are working towards our powertrain agnostic strategy. So, unconditional of the powertrain mix as we go forward in the next 5, 10 years, our content

will remain the same. Now on the organic side or on the standalone side are the products which I mentioned. But we are actively looking at inorganic side as well as joint ventures and partnerships to build the basket of products. And we are in conversations with multiple companies, but all the conversations remain to be on not a mature stage yet. So, as they become mature, we will update on that. But definitely the inorganic side is also part of the strategy and will be a good way to become powertrain agnostic. Overall, broadly, we expect to be powertrain agnostic in all segments, as we do expect shifts coming in in the next 5 to 10 years.

Chirag Shah: Thank you very much. Whenever you can, if you can elaborate on this aspect, because these would be really helpful for us as investors and analysts?

Aashim Relan: Absolutely. And we will be updating as we get to maturity on much of the inorganic side, but are actively in discussion and as well as scanning for opportunities on inorganic front as well.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Srinivasan N for closing comments.

Srinivasan N: Thank you. So, it was a great interaction with all of you. To conclude, I would like to say that we have a very strong legislative tailwind leading to increase in content per vehicle along with positive volume trend in CVs. We expect the PV volumes will soon start its upward trajectory on the back of improving the chip availability as well as improvement in overall macroeconomic scenario.

We are also very excited on the two wheelers, and three-wheeler EV opportunity that we are targeting through our JV with Kinetic Green. We are prepared in terms of technologies and strategic partnership to capitalize all these opportunities.

I take this opportunity to thank everyone for joining the call. I hope we have been able to address all of your queries and we will also get back to you wherever we were not having the details immediately. And for any further information, kindly get in touch with me or Strategic Growth Advisors, our Investor Relations Agency. Thank you so much.

Moderator: Thank you. On behalf of Sharda Motor Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your line.