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Sub : **Transcript of Conference Call held on 16<sup>th</sup> August, 2023**

Dear Sir/Madam,

Please find enclosed herewith the transcript of Conference Call held on 16<sup>th</sup> August, 2023 with the Investors.

This is for your information and record.

Thanking you,

Yours faithfully,  
for **Rico Auto Industries Limited**

**B.M. Jhamb**  
**Company Secretary**  
**FCS : 2446**

Encl : As above



“Rico Auto Industries Limited Q1 FY24 Earnings Conference Call”

August 16, 2023



**MANAGEMENT:** MR. ARVIND KAPUR – CHAIRMAN, CEO AND MD  
MR. R.K. MIGLANI – EXECUTIVE DIRECTOR  
MR. RAKESH SHARMA – CHIEF FINANCIAL OFFICER  
MR. B.M. JHAMB – COMPANY SECRETARY

**ANALYST:** MR. VIJAY GYANCHANDANI – S-ANCIAL TECHNOLOGIES

**Moderator:** Ladies and gentlemen, good day, and welcome to Rico Auto Industries Q1 FY24 earnings conference call hosted by S-Ancial Technologies Private Limited. 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 zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vijay Gyanchandani from S-Ancial Technologies Private Limited. Thank you and over to you, sir.

**Vijay Gyanchandani:** Thank you. Welcome to Rico Auto Industries Q1 FY24 earnings conference call. From the management we have today Mr. Arvind Kapur, Chairman, CEO and Managing Director, Mr. R.K. Miglani, Executive Director, Mr. Rakesh Sharma, CFO and Mr. B.M. Jhamb, Company Secretary. Now I request Mr. Arvind Kapur to take us to the key remarks after that we can open the floor for the Q&A session. Thank you, and over to you, sir.

**Arvind Kapur:** I'm Arvind Kapur, and I'm sitting here in the board room of Rico Auto with my colleagues, who are all here with me. And firstly, I'd like to apologize for having the investor conference call today, we should have had it on the same day as the board meeting, i.e. on the 11th. But unfortunately, or fortunately, one of our directors was overseas. He was in Canada. And so the timing, we finished our board meeting was around 6.30 in the evening. So then it became difficult to have an investor call immediately after that.

So being a long weekend, Monday, we were advised that there's no point in doing it because many people will not be able to participate. So the earliest was 16<sup>th</sup> August. But in the future, we are going to take care and in case such a situation arises, we will have our board meeting early morning, and so that by the evening we can definitely have the call-in case there's a long weekend ahead. Otherwise, we assure you that in future we'll have the conference call either on the same day, investors call either on the same day or the following day.

The market seems to be good, at least in the passenger vehicle sector, and in general also the market is good if you look at the real estate sector, etc. Going by the GST collection that's taken place, that's been on the positive side, and so things seem to be shaping up in our country, we are very happy about that. The country is now getting into election mode and so I think the next one year is going to be exciting both politically as well as there will be many freebies and other things that will be distributed in the market. There is a lot of investment and a lot of focus on semiconductors.

We have all suffered because of that in the past, but we are hopeful that the investments that are taking place in the country, there will be enough available in the country itself. But at the moment, there is enough available in the world. There could be a problem very of choice, but the semiconductors are available. And I had thought many productions are being lost because of that, but there could be some redistribution or reallocation of the semiconductor because of the availability of any particular type of conductors required.

But the lot of investments are going to come in and Taiwan is investing, Japan is also investing and the U.S. companies are also looking at India positively to invest in the semiconductor industry in our country. So the passenger vehicles are doing well and there is still a waiting for the passenger vehicles and like I said the last time, the more expensive the vehicle, the more the waiting. Two-wheelers is still a challenge. They keep on fluctuating. They are not up to the best that we've had. And we are not very certain as to what the future is. They keep on telling us again and again that the next quarter is going to be better or this quarter is going to be better.

Now it's the season time, which is around the corner, and we'll do better. But it has not happened. And we are hoping that there would be better sales and the rural markets actually pick up. If you look at the commercial vehicles, they were down in the last quarter. But this quarter, they seem to be bouncing back. We are hoping that the market would remain on the higher side. And the bus market would also improve further. So we're looking at that.

The exports are okay, and we've done better than last time and there's a lot of development that is actually taking place, a lot of sampling etc. that has also been done and the approval process is on so gradually our exports will also go up. We should see an improvement taking place. Now coming to the quarter, there was a reaction and there was a disappointment that was there. We've had as far as the turnover is concerned; it's been less. One of our customers, they know they were down by almost 25%, 26%. And at the moment, there is no visibility as to their revival.

So we're not very sure. We are talking to them, and we are asking for better pricing. And we are going to free the equipment which is lying in those lines so that we can use that equipment for all the new programs which are coming, so we don't have to do major investments. On the two-wheeler side, our main customer, Hero, they were down, and their market share also came down. But we as a company, we took a tough decision this time that we actually reduced some volume that we were supplying, primarily because there was a dispute as far as the pricing is concerned.

And we've been requesting that for almost a year, and nothing had been done. But now, there is some movement that is taking place. But we took a tough call because what was happening was every component we supplied, we were loosing lots of money on the price. So we took a tough call and we did the bouncer of the board also and told them that our turnover will come down. We have promised better turnover but it will come down but the main reason is that we cannot sustain the losses which are coming in because there is no end in sight as far as the 5-6% now.

The talks are taking place hopefully in the next 10-15 days, there should be some settlement that will take place. It is not only us who are suffering. I think the whole supplier community was actually suffering to the two-wheeler industry. So we are hoping that this would get okay. But taking advantage of the situation, what we did was we did approach aggressively the other customers. That is the Suzuki motorcycle and Honda motorcycle and Royal Enfield. And they have approved our plans.

Now we started the process of sampling and sample making, etc. The pricing that we are giving is a lot better than the pricing that we were getting early from our main customer. So we took advantage of what we did in the last quarter. And we got our approvals done. And hopefully, by

the end of third quarter, our supplies should commence to some of these customers. And this process is long.

On the profitability front, there is an increased cost of manpower. I must tell you here that this is the quarter we have a three-year wage settlement with our unions. And the installments get due in the first quarter of the year. And that's why you see a change there. We did reduce our production, but we did not shunt out the workers because they are all trained manpower because we knew that if we reduce our production level for certain components, we would be requiring those people to come back to work with us in any case.

There was a minimum salary which the government allocates, those were also revised. In Gujarat, they revised it by almost INR 4,700 per month. So over 20% increase that they've given, and other states have also done the revision. So whichever state is actually heading towards the election, they keep on increasing the salaries. And that also had an impact on the salaries.

But we are very confident that by the end of the year, that's a level out and we already have plans to cover up the total cost of the increase in salary cost. And by the end of the year, we will be back to whatever we had achieved last year. Our annual would be exactly, or if not, less than last year, or better than last year.

So that we are very confident. On the power and fuel, this is a seasonal increase that you would notice. Every summer, we need to switch on our air handling units, the cooling arrangements, and other things in the plants, and the cost actually goes up. If you compare it to the last year's same quarter, you'll find that the power cost was about the same level.

Having said that, there was a slight price increase also, but that was not major. But this also will be covered because it gets balanced out in the balance part of the year. And having said that, we are also getting solar and windmill power. Solar would be available in all the major plants by October end.

And the windmill in Chennai will be available by January end. So we've already taken steps, we've made the investments which are required to be done on this, and there is work which is already started on this. So this will also help us to reduce the power cost. So I think by the end of the year, our power cost should be lesser than the previous year.

This will also help us to, now despite all this, we could maintain a double-digit EBITDA. And, but we are very confident that by the end of the year, our EBITDA would be better than whatever we achieved last year. This is as per the promise that every quarter we'll see change, but this quarter has been exceptional primarily because of some of the tough calls we had to take, but we had to do it. There was no choice that was left on us.

And okay, so then there is an increase in inventory also, we'll talk about it as we come to the question-and-answer form. That is it from me and I think we have; I think we open it to the questions-and-answers. And I'm sure people are waiting to be asking us questions.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two
- Arvind Kapur:** I'd like to add one more point here. In the last meeting, we had said that our turnover this year will be in the region of INR 2,700 crores, which includes about INR 80 crores to INR 100 crores of defense supplies. There would be a slight revision here. We are now talking of INR 2,600 crores approximately. That's what our turnover will be, but INR 80 crores to INR 100 crores of defense supplies. That's the one thing I would like to add here. Yes, please continue.
- Moderator:** If you wish to remove yourself from the question queue, you may press "\*" and two. Participants are requested to use handsets while asking questions. Ladies and gentleman, we will wait for a moment while question queue assembles. A short reminder to participants, anyone who wishes to ask a question may press "\*" and one on their touchtone telephone. First question is from the line of Harsh Vasa from SBI Capital Securities. Please go ahead.
- Harsh Vasa:** Yes, thank you, sir, for the opportunity. So actually, I just missed out on the few points which you had told earlier. So what was the reason behind the decreasing turnover? Like, what was the reason behind that?
- Arvind Kapur:** Come again?
- Harsh Vasa:** What was the reason? The turnover was less a little, what? So actually, there was a lot of disturbance coming so I could not hear. So I just missed on that. Could you please repeat it?
- Arvind Kapur:** You are asking me why the turnover was less?
- Harsh Vasa:** Yes, you told that there were some two reasons. Like one of your customers...
- Arvind Kapur:** I get your question now. Okay. One is that Renault, one of our customers in our Chennai plant, their production has come down by almost 25%-26%. Their exports are also down and the domestic market is also down. That is one. And number two was the supplies to our main customer, the two-wheeler plant, Hero. They were also down. And A, they were down. B, we also curtailed some of the supplies to them, primarily because the prices that we were getting were not fair.
- And we have been requesting them for almost a year and a half, or a year, actually. And now there is some movement that is taking place. And hopefully, I think in the next 10 to 15 days, that will take place and we should be back to normal.
- Harsh Vasa:** Okay sir. Thank you and all the best.
- Moderator:** Thank you. Next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Hello
- Moderator:** Yes, Mr. Deepak, you are audible, please go ahead.

**Deepak Poddar:** Thank you very much sir for the opportunity. Sir, I just wanted to understand first, I mean, you spoke about a lot of, disappointment that happened in this quarter, right? The problem of the Renault client, even on the Hero side. So, I just wanted to understand, I mean, why you didn't give a heads up to the market. I mean, we had a last call on 30th May, right? When we were like two months into the first quarter. So why was this issue not discussed in the fourth quarter call where you could have highlighted, right, that these were the issues that we are facing right now. I mean, this would not have cropped up in one, two months, right?

**Arvind Kapur:** What you're saying is correct. We should have taken it up, but we were hoping that the settlement would have taken place and we would be back to normal. And with Renault, we have been discussing, and they kept on saying, give us another 10 days-15 days, and the exports are going to start again.

So this was false commitment that the customer kept on giving us again and again. And as far as the 2-wheeler part is concerned, we have been pushing on a daily basis and they had assured us that the settlement would take place.

No, they've been talking about the settlement for almost, we've been asking them for over a year, but they've been talking about, must be on the next week for the last six months. So I mean like, one is hope against hope. That's going to be on the next week, this is what actually happened.

So what they're saying is correct, we should have brought it up in the last meeting. That's, we stand the way and in future we will do that.

**Deepak Poddar:** Yes, yes, that would be our request that if you find any such issues I think that in the concall you should have put the heads up or something like that to the investor community right that is what the problem is.

**Arvind Kapur:** Yes, you're so right I think we should have actually taken all into the conference last time.

**Deepak Poddar:** Reason I'm saying that even in the last quarter you were of the view that quarter and quarter we would be seeing EBITDA margin improvement, right? We were at 12% EBITDA margin.

**Arvind Kapur:** See, we were hoping that the price settlement would take place and our old money would also go and EBITDA would improve in any case. So we were very confident of that. But the delays just kept on, kept on, kept on. So the water went above our head. We are sorry for that. We will keep this in mind and we will do that in future.

**Deepak Poddar:** Okay, sure. Thank you, sir. And now on the defense side, I mean, you said INR 80 crores to INR 100 crores. So aren't you seeing more traction on the defense side because there's a lot of optimism in the segment, right?

**Arvind Kapur:** Yes, I know the optimism, it's almost tripled this, but we are committing INR 80 crores to INR 100 crores primarily because that's the first time that these big orders are going to start flowing in. Once they start flowing in, then this goes up to quite a large number. But till it, defense is, there are certain things we've been working on defense for the last five years.

And, you know, there's always a slip between the cup and the lip. So we get very wary of that. So till we actually have it with us, we did not commit the larger number, to be honest with you.

- Deepak Poddar:** But are we bidding? I mean, are you increasing the bidding pipeline in the segment?
- Arvind Kapur:** Yes, the bidding pipeline and the variety of items which are there has also gone up. And the orders have been placed in some cases, but until we get everything in place, we do not talk of numbers.
- Deepak Poddar:** Okay, understood. And on the...
- Arvind Kapur:** But let me tell you, after so many years, this is the first time we are actually getting excited about the defense, what is happening in it. And even the way we will share with you what all we will be supplying in the next meeting or even we'll try to have a meeting earlier once the orders get final then we start working on it.
- Deepak Poddar:** Yes. Okay, fair enough. I understand. And now you're saying in the EBITDA margin front by year end what we expect to be better than whatever we achieved in FY '23 right so you expect EBITDA margin to fall down further in coming quarters?
- Arvind Kapur:** No we will be at 11% plus by the end of the year as a whole.
- Deepak Poddar:** 11% plus including other income right?
- Arvind Kapur:** No, that's excluded
- Deepak Poddar:** Excluding other income?
- Arvind Kapur:** Yes.
- Deepak Poddar:** EBITDA margin, 11, and in terms of business, I mean, do we have aspiration medium to long term of 14%-15% kind of a margin aspiration? Can we have that actually, or will it be?
- Arvind Kapur:** Primarily, our target is that, by next year, we should be 12% plus, we're between 12% and 13%. And what is happening is the newer items which are coming to production, those are with better margins than all the older items which are there. So, and the new items we are bidding are all in the better EBITDA levels. In some cases, we are talking of much higher EBITDA levels.
- Deepak Poddar:** 12%-13% right?
- Arvind Kapur:** Yes, once the defense kicks in, what you are saying, we will cross that very easily.
- Deepak Poddar:** Okay, understood. Fair enough sir, I think that's it from my side. All the very best to you. Thank you so much.
- Arvind Kapur:** Thank you so much. We are sorry for not informing you the last time.
- Deepak Poddar:** No problem.



- Moderator:** Thank you. Ladies and gentlemen, before we move to the next question, a reminder to the participants, anyone who wishes to ask a question may press star and one. The next question is from the line of Deepesh Sancheti from Maanya Finance. Please go ahead.
- Deepesh Sancheti:** Yes, Hi, Am I audible.
- Moderator:** Yes, you are audible, please go ahead.
- Deepesh Sancheti:** Just a request for the investor presentation before the call. I just wanted to know about what is the debt situation right now?
- Arvind Kapur:** The debt situation remains the same as it was at the end of the year. And by this year end, like we promised earlier also, that our debt will start coming down. At present, it is at the same level. There is no increase or decrease, although we have made repayments also. But working capital is also that need is there because of the expanding business. So because of that, at present, it is at the same level.
- Deepesh Sancheti:** Okay. What is the percentage of sales from Hero in this quarter?
- Arvind Kapur:** 28%
- Deepesh Sancheti:** 28% Okay. And from the EV business, how much are we getting? How much percentage of sales are we expecting in this year?
- Management:** We are expecting 12% plus but I can give a... How much are you expecting? We are expecting that. Our EV is did 12% last year, this year we are expecting to be 15%.
- Deepesh Sancheti:** 15%, okay. And are we supplying to any pure EV players or are we only supplying to Toyota as a major customer in the hybrid model?
- Arvind Kapur:** No. Our main customer is BMW in Germany. We've been supplying for the last eight-nine years now. Pure EV, not hybrid. We are talking about pure EV?
- Deepesh Sancheti:** Pure EV, yes. I'm talking about pure EV?
- Arvind Kapur:** Yes, we've been supplying to BMW, to PSA, that's the Stellantis now, and Renault, for the last almost eight- nine years now. Okay, development started in 2016 and we've been supplying since 2017- '18.
- Deepesh Sancheti:** Okay, and are we looking at even supplying to any of the local players over here in India?
- Arvind Kapur:** We will supply to anybody and everybody. As far as the passenger vehicles are concerned, what is happening is that it's a very slow traction that is actually taking place. And more so it's in the two-wheelers, and the two-wheelers probably become much faster than the passenger vehicles. So what we are estimating is by 2030, the passenger which are the electric, sorry, the total would be in the year about 7.7 to 7.5 million vehicles out of which 50% to 55% would be IC engine, and about 25% to 30% would be the hybrids, and about 15% to 20% would be the electric.

That's what we are estimating. And that's what we were interacting with the Government also that we are estimating. And because a lot of infrastructure, which are required to be still installed, That process is taking place. But we are interacting with anybody and everybody, and we are always there.

**Deepesh Sancheti:** Right. And are we planning any capex in this year?

**Arvind Kapur:** No. What is happening is, the capex is normally about INR 60 crores-INR 70 crores, that's what we would be spending. Mainly the maintenance capex would be some balancing equipment, which is required for, like Maruti increased the volumes for, we become a single source of many components to Maruti. And for the oil pumps and the oil pans, they the volume from, they gave us a commitment of 1,500, now they want 2,500. So for that we are putting some balancing component.

So that sort of thing we are doing. And, but there is a major capex for any new project like we've done for Toyota, that is not at the moment. And what we started doing is we started taking on, now most of the equipment that we have is fungible. We can shift from normal component to electric component to a hybrid component, to any component that we would like to machine. So we do that shifting, almost 85% of the component is fungible. It's 15% which is very specific to the component. So we have flexible, a matter is just a, this system to continue in any case.

**Deepesh Sancheti:** That's great, okay. Fine, if there's any other question, I'll get into the queue. But just another request, if you can have the investor presentation given before every call, it will be great for us to go through and ask better questions.

**Management:** Okay, in fact, the investor's presentation was uploaded, one month back only. And earnings release has been done today. So investors' presentation also, we'll try to update every time.

**Arvind Kapur:** Earnings release also, we'll like to release the same day.

**Deepesh Sancheti:** Yes. Thank you so much.

**Moderator:** Thank you. Next question is from the line of Chethan Dhruva, an individual investor. Please go ahead.

**Chethan Dhruva:** Okay, thank you for the opportunity. One question, a clarification actually. Sir, you had mentioned that you are targeting around INR 2,600 crores of revenue and INR 80 crores to INR 100 crores of revenue would be coming from defense. Is that over and about the INR 2,600 crores or is it part of that, sir?

**Arvind Kapur:** Oh, that is good. The earlier last time, in the last con call meeting, we had mentioned INR 2,700 crores, including defense INR 100 crores. And this time, we are revising that to INR 2,600, including INR 80 crores of... We will exceed it, but now we are committing to something and we want to achieve it and exceed it.

**Chethan Dhruva:** Got it. Okay, thank you sir. Good luck for the subsequent quarters.

- Moderator:** Thank you. Ladies and gentleman to ask a question, you may press star and one. Next question is from the line of Ashwini Agarwal from Demeter Advisors LLP. Please go ahead.
- Ashwini Agarwal:** Good afternoon, Mr. Kapur. Good afternoon, team. Just two questions. In the opening remarks, sir, you alluded to higher working capital, higher inventories in particular. If you could provide some insight into what's happened?
- Rakesh Sharma:** Yes. When MD was talking about the higher inventories, it was in the context of P&L account. If you see our P&L account, in that increase in inventory is there to the tune of around INR 12.3 crores. And if you see the previous quarter, there was a decrease of inventories by INR 50 crores. So that effectively means that, when we talk of the goods produced by our plants, those were almost at the same level.
- Out of the INR 602 crores of turnover that we achieved last quarter, INR 50 crores came from the existing inventories, those were already manufactured. And this year, whatever sale has been achieved, like INR 533 crores. In that, we have additionally produced around INR 12.5 crores of goods. So in that context, he was mentioning that manufacturing level came to the same level. So percentage of expenses that gets distorted when we base it on the operating revenues only. So if we consider the increase and decrease in finished goods inventory, so we will see that, both the quarters the same kind of volumes were produced by us.
- So expenses were incurred to that tune. So that is why certain expenses in percentage terms those are looking at a higher side this quarter, while it was not that much higher as compared to the last term. Yes and the reason for this happened was that this quarter, lot of our customers took shutdown and because of shutdown, they had instructed us that, they will need these components and we have to keep producing them.
- Arvind Kapur:** We had to create extra inventories for them. They wanted four days or six days of stock or something.
- Rakesh Sharma:** It's not from the point of view of working capital. Working capital not much of increases there in inventories. But with respect to P&L account, this has a significant impact.
- Ashwini Agarwal:** Right. In the follow-up question to the first person, who commented that, we had our call around the 30th of May and at that point in time, of course, we had hoped that things would recover in June, but they didn't. And therefore, we landed up in the situation that we are. And now we are halfway through the quarter. We still have six weeks to go. But again, I'm asking this question purely because what's happening is that, if the guidance doesn't get met on a quarter-to-quarter basis, then what happens is that there is a certain degree of skepticism that creeps in.
- So how confident do you feel that Q2 will be better on margins on a quarter-to-quarter basis or this is still a work in progress and, it's uncertain. Because if it is uncertain, then I think, it's better that we know it right now. Also, because both Hero as well as Renault, from whatever figures I can see in the papers, in terms of their monthly production and market shares and so on and so forth, they are kind of struggling. So if the two main customers are struggling, then what is the basis for expecting that the September quarter will be better than the June quarter? That's the second question I have.

**Arvind Kapur:** Renault, we are not very confident whether they're going to bounce back, but Hero should bounce back primarily because of the Diwali season that's around the corner. So this is a time, they actually produce more for the season. And we are also confident that, our price settlement will also take place in the next week, 10 days' time. That's the most important part. But the other side is that our Maruti sales are going up and the other customers are exporting and others are also going up. So we've actually gone customer to customer to see what is the worst situation, what is the best situation.

And keeping that in view, what we are saying is that the wheel production will start the day they do the settlement. The full volume will start the day they do the settlement. But now we have decided that we will not, we were giving almost 80% of the supplies to them. But we've actually reduced it down now.

In future, we are going to distribute it amongst Hero, Honda, Suzuki, and Bajaj, and Royal Enfield. So we are going to distribute it evenly amongst all and whoever gives us a good price and better price. And if Hero doesn't give us a price, we are actually going to reduce our volume over here.

**Ashwini Agarwal:** Okay. And sir finally, there was some discussion around the sale of the land at Gurgaon and obviously it's a long process. It's a big piece of land. Is there any update you can share with us?

**Arvind Kapur:** There is no update but in case you have, we've been talking to various people, you had also recommended that person, they came and they spoke to us but he confused us more than he convinced us. So I'm here, he is still to come and give us all the details. We were in touch with the guy, but at the moment there is no update, there is nothing, there is no movement that has taken place.

**Ashwini Agarwal:** All right, Okay.

**Arvind Kapur:** There were two possibilities. One was the outright sale, and one was the joint development. In outright sale, the amount that he was suggesting was similar to the joint development that was taking place. We said, why should I go for joint development? I spent four years to get my money, then to do outright sale. So I told him, there's got to be some benefit I get in the, if you can help us there, we'll be too happy.

**Ashwini Agarwal:** All right, sir. I'll take this subject offline with you. Thank you, sir. All the best.

**Arvind Kapur:** Yes, thanks.

**Moderator:** Thank you. Participants to ask a question you may press star and one. Next question is from the line of Shushant Verma, an individual investor. Please go ahead.

**Shushant Verma:** Hello, good afternoon, sir. Well, I'm disappointed with the numbers, to say the least. But what I'm more concerned about is, since the time I attended the previous call versus today, somehow I feel your confidence level or maybe you have become more tentative than what you were probably the last time. So as an individual investor, well, I'm quite worried now, because I'm not getting that certainty or that confidence from the management team.

Although, you have provided all the details that I really understand and I appreciate as well, but I really hope that considering that this industry and the industry that you are in that has a lot of tailwinds, I'm hoping that the progress would be much more faster and whatever you have planned would be achieved in the coming quarters. But as of now, I have become quite nervous, I would say. And I really wish to know that what is your confidence level as a management team, to achieve the numbers that you have stated?

**Arvind Kapur :**

So, Shushant ji, we are very confident. And let me tell you that we worked out every detail. The only unfortunate part is that when we had to cut down intentionally the production to one of our main customers. And the second customer, they tell us. Otherwise, we are very confident. And because our machines are fungible, we do shift the equipment from one to the other. And so we don't waste our investment, which have actually happened.

So when I mention about Honda and Suzuki and others, that was the day we decided to do that, the same day we approved them, and we got our approval done immediately. So we are very confident on what is happening and to achieve the final numbers and also to give you a better bottom line. That's for sure.

Now, unfortunately, there's a INR 100 crores loss, which we are internally, we are still pushing it. But to you, we are telling you in advance that we're going to lose INR 100 crores of sales. But the bottom line is still going to be intact. Our team is very confident. We are all on it.

**Shushant Verma:**

Okay. Thank you very much, and all the best to you. Thank you.

**Arvind Kapur :**

But we would want you to visit us and come and see what all we are doing here.

**Shushant Verma:**

No, sir. I definitely would want to. But as I said, between the two quarters, I mean, the calls for the two quarters, and all of that.

**Arvind Kapur :**

Now, this has been unfortunate what has happened and because we have been begging about one year. One year is a long time. It doesn't take so long. And we were not being as reasonable, we were being absolutely reasonable.

**Shushant Verma:**

Sure. No, that I appreciate. You are being candid and transparent. I know that. But I was just airing my apprehension. That's fine.

**Arvind Kapur :**

No. If I were you, I would have probably reacted the same way. But let me assure you that we are on top of it.

**Shushant Verma:**

Fair enough, sir. Thank you very much and all the best to you. Thank you.

**Moderator:**

Thank you. Next question is from the line of Bhaskara D, an individual investor. Please go ahead.

**Bhaskara D:**

Hi, sir. Good afternoon, everyone. My question is, what is the share of Renault, turnover? And we are going to stop delivering.

**Arvind Kapur :**

No, we're not stopping. We're not stopping Renault, please. It was about 12%- 13% and now it's come down to 6% and but we are asking a very transparently, either you pick up the material or

we transfer this into some other program. So that's what we've been wanted to. We have the requirement for the equipment, so we will transfer it very easily. But they were BMW is about 18%, 19% earlier, and they were about 12% to 16% if I remember now they are 6%. So they have dropped drastically.

**Bhaskara D:** Okay. So the second one is like is there any new orders from BMW like we expected some big orders. Like is there any traction on that from BMW?

**Arvind Kapur :** We have received one order for electric vehicle components, that has already come to us, that's about INR 100 crores a year, when it comes, kicks-up. And there are other components that we are talking to them and a lot of attraction is there.

**Bhaskara D:** Okay, sir. The last one is like on the defense side, in the last call you mentioned that there will be some like joint or partnership with someone that you're going to announce in a couple of months' time. Is there any progress on that?

**Arvind Kapur :** Yes, there is. We actually, we're waiting for the orders to come. As the orders come, then we will make the announcement immediately.

**Bhaskara D:** Okay. Is it going to be before the Annual General Meeting or it's going to take a couple of months more time?

**Arvind Kapur :** Before the AGM?

**Bhaskara D:** Yes.

**Arvind Kapur :** Maybe around the AGM only. Maybe we can make the announcement then also. That's a possibility. Yes.

**Bhaskara D:** Okay. That's it from my side. Thank you.

**Moderator:** Thank you. Ladies and gentleman to ask a question, you may press star and one. Participants to ask a question, you may press star and one on your touchtone phone. We have our next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Sir, I just wanted to understand, I mean, what was the share of revenue from Hero in FY '23 versus in first quarter FY '24?

**Arvind Kapur:** See, Hero is normally ranges between 30% to 35%. That's what, now when we actually did it, we ended up with 35%, now it is about 28%, 29%.

**Deepak Poddar:** FY '23 was 30%, 35%, and FY first quarter was 28%.

**Arvind Kapur:** It's about 28%. No, but 23 was around 30%. 32%. 31%. It vary between 30-35%, but now its 27-28%

**Deepak Poddar:** 27-28%? and are we still supplying to Hero, because of the pricing issue, we are right now not supplying?

- Arvind Kapur:** We supply a bunch of components. We supply almost about 10 different types of components. So there issues with two components, to be honest with you.
- Deepak Poddar:** And what would be the share of that, I mean that two component revenue share?
- Arvind Kapur:** Whatever drop there is there is only on those components.
- Deepak Poddar:** No, so drop in the sense?
- Arvind Kapur:** Those are the main components. One is the aluminum beam and one is the clutch. The clutch is bounced back, and now I think we are back to normal. And on the wheel front, that takes about another week, 10 days.
- Deepak Poddar:** That I understood, but these two components form about 10% of your revenue? That would be little higher, right? 5% to 10%?
- Arvind Kapur:** Clutch alone is about 10% and the wheel business should be around 15% to 20% I think. I'll have to get back to you on this.
- Management:** But it is not the total turnover, it is the turnover of the Hero.
- Deepak Poddar:** Yes, understood. So around 10% would be clutch and 15% to 20% of the component, so total 25% to 30% of total Hero turnover would be these two components, right? Is my understanding correct?
- Arvind Kapur:** Yes, but we'll give you the exact figures since you asked us this question.
- Deepak Poddar:** Okay, and we expect this pricing issue to get resolved in the next 10 days to 15 days?
- Arvind Kapur:** The clutch is already a bounce back and now it is the beam which is left now.
- Deepak Poddar:** Okay, sure. That's it from my side. Thank you.
- Arvind Kapur:** It's also will be done. It's not that simple. Only thing is they took a little too long.
- Deepak Poddar:** Understood. Sure. Thank you.
- Moderator:** Thank you. Participants to ask a question, you may press star and one. Ladies and gentlemen anyone who wishes to ask a question, you may press "\*" and one on their touchtone phone. As there are no further questions, I would now like to hand the conference over to the management for the closing comments.
- Arvind Kapur:** Thank you so much for this meeting and also the questions. And please feel free to write to us or to talk to us or call us up and ask any other questions that you would like to ask. We would like to be totally transparent. And we will take care that in the future, in case there's anything to be shared with the shareholders, we will do it in advance. And we take a note of that.
- And let me assure you, we are on track. And this small tension that we had with Hero because of the prices, that gave us, that probably pushed us to get into other customers as well, which is



a good thing and fortunately they all played us and hopefully by the end of the year, actually end of the third quarter we should start some supplies for them. So this is a blessing in disguise, and this will also add further to our turnover. And so we are very happy on that account.

And some of these customers were not even talking to us earlier because they said that we are related to the Hero family. But now that is the passage. And so we took advantage of the situation. And so we will be supplying to all the other two-wheeler suppliers as well, customers as well. And but talking about the others, Maruti is doing very well. We are adding more-and-more components from Maruti. And Toyota, they are also increasing, and their volumes are going up. Kia, their volumes are also going up. And all the other customers are doing well. And the commercial vehicles have also started picking up, so there also we are okay, and there are new sets of components which have also come in. On the export front also we are doing well.

So we are okay, as far as I am concerned, and let me assure you that we are on top of it. We had to take a tough call this time, and the tough call, this should lead to some good results. And this will also improve our bottom line. That's the other big advantage that we finally get, yes. Thank you so much for the call and please do write to us in case of any questions.

**Moderator:**

Thank you. On behalf of S-Ancial Technologies Private Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.