



Sharda Motor Industries Ltd.

SMIL: BSE/NSE: 23-24/1808

18th August, 2023

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: Submission of Transcript of earning call held on Friday, 11th August, 2023 at 5:15 P.M. (IST) onwards

Ref: Regulation 30 read with Part A to Schedule III of SEBI (Listing Obligations and Disclosure Requirement), Regulations, 2015

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. BSE/NSE: 23-24/0808 dated 8th August, 2023 with respect to the convening of Investors / Analyst conference call "Earning Call" on Friday, 11th August, 2023 at 5:15 P.M. (IST) onwards, for discussing the financial performance of the Company for the quarter ended 30th June, 2023, 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

**Iti Goyal
Asst. Company Secretary &
Compliance Officer**

Encl. as above



“Sharda Motor Industries Limited Q1 FY2024 Earnings Conference Call”

August 11, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 11th August 2023 will prevail.



**MANAGEMENT: MR. AASHIM RELAN – CHIEF EXECUTIVE OFFICER -
SHARDA MOTOR INDUSTRIES LIMITED
MR. PURU AGGARWAL – PRESIDENT & GROUP CHIEF
FINANCIAL OFFICER - SHARDA MOTOR INDUSTRIES
LIMITED**



Sharda Motor Industries Limited
August 11, 2023

Moderator:

Ladies and gentlemen, good day and welcome to Sharda Motor Industries Limited's Q1 FY2024 Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve 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. Puru Aggarwal – President and Group Chief Financial Officer. Thank you and over to you Sir!

Puru Aggarwal:

Thank you. Good evening to all. A very warm welcome to all the participants on this call. On the call I am joined by Mr. Aashim Relan, our CEO and our Investor Relations Advisor SGA. I hope that you have seen our results and our investor presentation by now. The presentation is also uploaded on the stock exchange as well as at the company's website for reference.

Before touching upon company's financials, I would like to provide an overview of some key highlights in the industry. Buoyed by surge in domestic demand the automobile component industry is poised to undergo a resilient upswing in revenue throughout the fiscal year 2024. This surge is emphasized by the notable trend of vehicle premiumization focused on local manufacturing and strides in enhancing exports and regulatory standards. Suppliers within the automotive component sector are anticipated to showcase growth over the medium to long term horizon. The forthcoming fiscal year 2024 is anticipated to witness capital expenditures primarily channeled towards the introduction of innovative products, the advancement of existing product portfolios tailored for specialized platforms and the driving force behind the development of cutting edge technologies and components for electric vehicles. In addition, the industry's growth trajectory is substantiated by a consistent and stable demand for replacements attributed to increased mobility and upswing in economic activity and the strong movement of freight. These factors collectively serve as catalyst propelling the industry's expansion.

On the passenger vehicle segment this segment grew by around 9% year-on-year in Q1 FY2024, largely driven by utility vehicle subsegment growth. The growth can be attributed to a blend of elements including increased production for high demand models with substantial order backlogs, enhanced semiconductor supplies, the introduction of fresh models to the market and a favorable outlook from both customers and the economic

standpoint. A favorable monsoon conditions have resulted in increased farm income leading to notable improvement in rural demand. All these factors have played a pivotal role in continuous expansion of PV sales solidifying the PV segments position as a prominent catalyst for growth within the automotive industry.

Coming to the commercial vehicle segment, in Q1 FY2024 there was a 3% decrease in sales compared to the previous year. This decline can be attributed to several fleet operators opting to accelerate their purchases in March 2023 due to impending transition to BS6 phase two regulations with an associated price increase. Despite this contraction the prospects for the commercial vehicle market remain optimistic with growth trajectory projected to persist. This positivity is underpinned by ongoing infrastructure expansion and sustained economic activity. Furthermore, improved e-commerce and advancements in last mile connectivity are poised to strengthen the commercial vehicles supporting their demand moving forward.

Two wheeler segment sales volume increased by 11% in Q1 FY2024 compared to Q1 FY2023. Although sales figures have not yet fully returned to pre-COVID levels there are promising indicators of a resurgence in rural demand aided by availability of more accessible financing options, the introduction of new vehicles, particularly in the premium category, and a robust replacement demand. A key catalyst driving recent momentum in electric vehicle segment was the FAME subsidy which resulted in a substantial surge in consumer purchases during May 2023. With the subsidy taken away it temporarily impacted the demand for e-two wheeler in June 2023. Despite this the overall prospects for the EV two wheeler segment remained optimistic given the favorable policy measures, technological advancements, and the ongoing introduction of novel models.

Having shared my thoughts on the industry, I will now move to operation and financial performance of the company. On the consolidated basis we registered a revenue growth of Rs.654.1 Crores in Q1 FY2024, which is a growth of 4.2% as compared to Q1 FY2023. Our EBITDA for Q1 FY2024 is Rs.68.2 Crores as compared to Rs.60.8 Crores in Q1 FY2023 which is a growth of 12% on a Y-O-Y basis. The EBITDA margin for the quarter grew by 75 basis points from 9.7% in Q1 FY2023 to 10.4% in Q1 FY2024. Our PBT for the quarter was Rs.74.1 Crores after accounting for shares in profits in JV and its associates. Our JV reported a profit of Rs.0.28 Crores in Q1 FY2024 as compared to a profit of Rs.0.52 Crores into Q1 FY2023. Our PBT grew by 23% compared to Q1 FY2023. The PAT for Q1 FY2024 was Rs.55.2 Crores, which registered a growth of 22% as compared to Q1 FY2023. On a full year basis our revenue, EBITDA and PAT grew by 20%, 24%, and 40% to Rs.2700 Crores, Rs.282 Crores, and Rs.208 Crores respectively. On the balance sheet front, we continue to maintain a healthy liquidity position for more than Rs.572 Crores in cash

and cash equivalents including investments and bank balances as on June 30, 2023. With this we can open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Gaurav Agrawal from Nine One Capital.

Gaurav Agrawal: Sir just a couple of questions. Sir there is a new SUV which is getting launched in the month of September from Honda the model name is Elevator so are we present in that particular model?

Aashim Relan: We do not give customer or model specific details there is no disclosure like that just a general guidance so cannot comment on specific models and customers.

Gaurav Agrawal: On this 550 Crores cash balance which we have, have we decided or looked at any other inorganic opportunities or are you pursuing any guidance you want to give on that front?

Aashim Relan: Yes so for our cash surplus the preference is always utilizing it for M&A opportunities in power train agnostic products but we do not keep any fixed timeline as we want to be very careful with the deal and the valuation specifically because we are on the conservative side and we want to ensure that it would create long term wealth and value for the company as well as shareholders. We all often are having many talks, interactions but nothing has materialized. There could be some possibilities but as we know more we will keep you updated and further to that we have established robust dividend policy, in fact last financial year was the highest dividend we have ever declared by significant margin and we will continue to return back additional surpluses to shareholders by dividends and other options as they come so that is on the cash balance.

Gaurav Agrawal: Thank you so much Sir.

Moderator: Thank you. The next question comes from the line of Sonaal from Bowhead. Please go ahead.

Sonaal: Hi Aashim congratulations on good numbers. I have a couple of questions. First on the employee cost seems to have moved quite significantly Q-on-Q can you throw some light on what is the reason for it and whether there is any one-off or this is a sustainable number and then I will ask you the remaining questions later?

Aashim Relan: Good evening and thank you. For employee cost our increment cycle has started from the financial year so I think the increment cycle has been adjusted to match the financial year so that would have a quarter-to-quarter impact. In addition to that we are hiring in quite decent

way due to upcoming expansion so I think across all departments we have been hiring as we are expecting good growth, expansion plans coming with regulation shifts and as well as our foray into the international market.

Sonaal: So this includes hiring for your tractor business possibilities or is that also a decent part of the reason why there is a jump?

Aashim Relan: Yes so we are expecting a good growth and we are just building the team across the domain, so for all the growth aspects and one of them definitely is tractors as well and there is RDE, export expansion and so on, so we are building the team and strengthening it for the future expansion.

Sonaal: Secondly the benefit of RDE norm started accruing because there was no call last quarter, started happening to the company fully in Q4 itself or was it largely in Q1 and how has been the experience so far?

Aashim Relan: Sure RDE got implemented from this quarter. There has been a gradual ramp up and we have established new lines for some of the products. In general there has been some benefit in Q1 but of course there are things like the startup cost and the products maturing. As the production lines mature through the year and next year there will be further improvement that we will see from RDE and also for the new RDE products we are implementing the policy where we do the value addition part. We will not procure the catalyst so that there is full transparency so we have applied that as well and in general I think we will see some benefit this financial year for sure from the RDE norms kicking in.

Sonaal: So if I understood correctly very little benefit of RDE norms is reflected in the Q1 number reported because of the startup costs and other costs and some cost related to that, is my understanding correct?

Aashim Relan: Yes your understanding is correct. That is we just started and new lines are there so have they mature the benefits will improve and that is of course the caveat that the overall business environment, passenger cars, LCVs, etc., continue to remain the same but given that definitely we are expecting improvement as these lines mature. They have just started early this quarter.

Sonaal: This will be like what Q3, Q4 or beyond that?

Aashim Relan: If you look at it on a FY2024 basis hopefully you will see some tailwinds that will come in from RDE and that will improve as we move forward and we are already seeing some improvement and we expect it will keep improving as things mature.

Sonaal: Great. Two more questions with your permission firstly on the expansion side you have mentioned that you have got aggressive expansion plans so whatever is possible for you to tell us whether international market or new customers or when you say expansion are you referring broadly to the same customer, same models or it seems from your language that you are talking about some aggressive expansion so some light on that and then on the dividend policy, is any special dividend policy you mentioned about some dividend policy or you meant in general, you have been increasing dividend while there may not be any specific payout policy as of now?

Aashim Relan: Sure so first I will take the point on the expansion plan and second I will come to the dividend policy. So talking about the expansion plan, number one we want to maintain or increase our market share also in the LCV segment as well as the PV domestic exhaust and with RDE coming in it has further become a good market and we want to increase the market share here itself. Then our next goal is to attain market leadership in the domestic tractor market which will become very I would say large as soon as TREM V kicks in and we are working very hard with our teams across to ensure that we have a leadership position when it comes to market share in tractors. Then we have also built a vertical which is nascent still, but people have been added for the export of subcomponents as well as emission systems for tractors, gensets on the smaller side and that is our play on the China plus one and that is also that we are now preparing little bit more to build one or two verticals which we already have internally or by on the power train agnostic side. The vertical that we already do have is our suspension vertical, but it is not as mature as our emissions vertical but we are adding people there as well as other possibilities on some adjacencies that we see in power train agnostic products and this is largely on the expansion side. In terms of dividend policy we do have a policy that is set out to have a payout ratio between 10 to 30% I think and we would try to maintain on the high side of that dividend policy as we go forward.

Sonaal: You have a very valuable piece of land which must have appreciated very significantly in last 1-2 years I heard crazy stories about land parcels in that part in the last 1-2 years, would you look at unlocking the extent of boom and appreciation in the land parcel you have to store up your cash for future acquisition because the prices are really going through the roof?

Aashim Relan: Sure we do have two pieces of land in the NCR region which have been there, nonoperational land for some time and touchwood the land prices have really gone up in that region. We do not have an estimate right now on what they are, but that is smart of our let us say excess capacity for creating shareholder value. Of course we are being maybe bit conservative on the M&A front, but with the right opportunity and specifically at the right

valuation we would be more than happy to deploy that part also if required and if for some time we do not see any attractive opportunity then we would unconditionally unlock the value of the land at the right price and then have a plan on giving back more to our shareholders.

Sonaal: Thank you so much. My last question any clarity on PLI policy and if yes then when you start seeing benefits of PLI and what is the capex plan for this year as well as next year? Thank you.

Aashim Relan: Sure so the PLI policy lot of changes in terms of how to calculate and guideline shifts that has happened so we are working along with our internal team as well as an external consultant to align to all the guidelines. It is still too early to say what the benefit of PLI will be. We are not considering any benefit as of now for PLI in our results, but of course anything that would come from that would likely to be additional and when we look at the capex plan we have a moderate capex plan for the year, but it could get enhance a little back in case we see the kickoff start for the off highway industry so we would be in approximately a range of 45, 50 Crores in case it is a standard here but if off highway market kicks in and we call it a tooling kick off if we receive then there could be additional 30 Crores that goes into that 30-35 Crores.

Sonaal: Anything planned already for next year?

Aashim Relan: Similar range that we are planning for next year also and it would really be when the norms kick in it would be linked to that so it could either be next year or this year, but a very similar pattern is what we are planning.

Sonaal: What would be your cash and cash equivalents as on June 30, 2023?

Aashim Relan: I do not have the number. Maybe Puru Sir mentioned in the opening, maybe it is around 572 Crores in cash and cash equivalent.

Sonaal: On March 31, 2023 or June 30, 2023?

Puru Aggarwal: On June 30, 2023 we have 572 Crores.

Sonaal: Thank you so much. All the best.

Moderator: Thank you. The next question comes from the line of Chirag Shah from White Pine. Please go ahead.

Chirag Shah: Yes. Thanks for the opportunity. Sir I have quite a few questions actually. The first question is on the presentation side Sir can you indicate what is volume growth on a consistent basis in your presentation because it is very difficult to figure out how much is the volume growth for you and how much is the pricing growth point one, so that is the first question. And also, the presentation needs some changes because it is a very standard presentation without any additional information even on quarterly basis and if you can look into that side so that is the first question on the volume side if you can give us what was the volume growth for the quarter versus 4% revenue growth that you had?

Aashim Relan: Sure thanks for the question, on the first point before the part also thanks for the feedback and we will definitely take that on the presentation and maybe connect offline for more detailed feedback so that we can incorporate back into the quarterly presentation. Regarding volume growth we do not per se disclose volume growth, but the way the movement happens in our mix as well as a component called the catalyst in general our volume growth has been higher than 4%, but it is just indicated on catalyst prices, etc., but it has definitely been on the double digit size when it comes to volume growth.

Chirag Shah: So Sir if you can make us understand versus a 4% revenue growth and a double digit volume growth, so how does the mix change for you if you can make us understand it would be helpful because you indicated that there could be certain changes in the mix which could have an impact on the volume growth?

Aashim Relan: Okay so our products are cross used across platforms and they are also cross used across industries, so our products are used in PASCAR, the same product might be used in an LCV and now we are seeing that the same product is now being used in minivans as well as now it is going into off highway and it is an engine-based product, so it is a little bit difficult to correlate in terms of volume to the market. And we also have a component called the catalyst which is mostly a pass-through kind of an item which we buy for some of the customers and for some we do not and that kind of also distorts in terms of correlating with volumes. We have been working with our customers to either disclose the catalyst or to make it free of cost so as positive mode towards it we have reached an agreement with key customers to minimize the buying of this catalyst and go towards the FOC model so that it is more apple-to-apple and all our new products which have come in this year or which will be coming in also are generally without this so it will become clearer as we move forward and that is probably the best way that we can look at for the time being but volume standalone that is something that we do not share.

Chirag Shah: Sir does it mean you are looking to go back to the earlier way of disclosure where your margins will be significantly higher because bought out goes out?

Aashim Relan: So earlier that was not the case we have always been in the same way only, but earlier there was a...

Chirag Shah: I am referring before the transition we used to have a double digit margin and half the revenue and then the transition of emission norms happened where you had to increase the bought out component to make it as an assembly and where revenue doubled and your margins kind of halved in a very cruel form I am just referring to?

Aashim Relan: Sure so before the regulation change also it used to be the same thing only but at that time the bought out component, the catalyst was much cheaper. So as a percentage of overall sales it used to be much lesser, but it was the exact same way. In fact previously we were buying more of it because we did not have agreements with all our customers at least more than half or even larger than that we do not buy it for, so the change that you saw pre-regulation change and now is only that catalyst prices shot up because what is required in BS6 is a much more expensive catalyst and that is why it appears to be a higher part and optically that is why our margins look at whatever 10-11% but of course they are much higher if you remove that part out.

Chirag Shah: If you can indicate in the presentation what is the bought out component revenue and what is the normal revenue and give the volumes it would be helpful for us to understand how is the value curve moving in the existing product also; however, it becomes very difficult to understand your quarterly results Sir?

Aashim Relan: Absolutely and the points well taken and in general we have tried to do that, but because of customer confidentiality we have not been able to disclose in that pattern. Best is to look at our results more on a long term basis and there it correlates very well and in general now as a policy going forward we are not taking many products with catalysts right and this very shortly will be fully transparent as a result because legacy products, our customers want us to continue the model, but new models are being on a value added sales basis so then it will become clearer, but we are working on the same and we will definitely go towards that.

Chirag Shah: Sir second question was on the dividend policy that you had, I will hold that question, before that I wanted to understand when you are looking for M&A, one what is the sweet spot of revenue that you are looking to acquire and what are the capabilities that you are looking to acquire either product capabilities or business capability and the sweet spot that you have in your mind to acquire?

Aashim Relan: So we have a range right and we do not have a disclosure on the range for it, but maybe to help you understand better we want to utilize it for power train agnostic products. So we are really looking at products which do not shift with changes in power train and also

companies which either have a strong presence in India or are likely to have a strong presence in India as we move forward and the range is something which is without sharing numbers, which is big enough for it to be valuable to spend the management bandwidth as well in it. Yet not too big as we are not very well versed with M&A yet given that the company has never acquired a company before and so we would of course want to start with a medium scale, but this is just a range bound kind of look that we are having on M&A.

Chirag Shah:

Sir why I am asking is because your cash pile is just increasing given the business that you have and the strength that you have so if you have a particular amount in mind maybe 20% of your current revenue or something like that the excess cash could be returned back in terms of buyback or dividend because every year you are going to have a significant cash pile, you already have more than 20% of your market cap in terms of cash and given our conservatism I am pretty sure that you are not going to go out and write a cheque of Rs. 1000 Crores or something like that unless it is very, very, very lucrative kind of a thing?

Aashim Relan:

So without commenting on the number, as we said there is no number as such in terms of what could an M&A look like, but the philosophy which we just mentioned is well recognized. I think there is no doubt that we recognize that this is a very significant cash built up and we do need to have a more straightforward policy on it and we also do need to cap it and we also do need to in case above a certain limit return back to shareholders in the formations that you spoke about. So I think the philosophy we are completely aligned with but do not want to state an exact number or exact kind of range also but the direction is exactly what you mentioned that we are thinking and actions would also be made on that direction only.

Moderator:

Thank you. The next question comes from the line of Kartikeyan from Suyash Advisors. Please go ahead.

Kartikeyan:

First is of course I am going to deliver the same point as Chirag made which I would appreciate if you can be slightly more proactive with communication especially under exceptional circumstances the break has been the longest one and there has been no communication, if you can consider that as an input that will be helpful, the second of course is a long pending request for some kind of an index for volumes the sooner you do the better otherwise your presentation is like reading the same novel a third time, there is nothing really in terms of details in the results, so kindly think about that. The PPT can be slightly more self-explanatory otherwise the table is anyway shared with the exchanges. Just by way of feedback it helps because I think the value here is too great for people not to be left in the dark for so long that the point I am making here.

- Aashim Relan:** Sure point well taken and the feedback is well taken.
- Kartikeyan:** So first question one is can you talk in terms of what specifically is the letter in spirit of this change that you have communicated with reference to the JV?
- Aashim Relan:** This is regarding ETPL JV right?
- Kartikeyan:** I am taking about the Eberspaecher joint venture.
- Aashim Relan:** So the JV scope is only a mandate for simplification so the language has been changed on the scope of the JV making it engine focused now rather than category focus. As you mentioned before OEMs have started using the same engine in commercial vehicle, gensets, construction equipment, tractors so it is very tough to now bifurcate in terms of category or segments, so we thought it is much better to do it in terms of engine, so because then there is no gray area and this will become very important. Now we wanted to be proactive about it because as we know that the construction equipment market in India is becoming emissionised, gen sets will require products, tractors will require and then it was very important not to have any kind of ambiguity there and we are also approaching international markets so we wanted to be clear on the scope side of it. So it is simply to make the language simpler and crystal clear in terms of engines.
- Kartikeyan:** So just to clarify when you say that it is engine focus versus category focus does that mean that they would also be addressing some of the categories that you were earlier addressing as the parent company, how should one think about that or do you still say anything about 3 liters they will do and anything below 3 liters we will do irrespective of category is that a way to understand?
- Aashim Relan:** Litreage might not be exactly 3 it is higher than that, but the way to look at it would basically be status quo as of now, but all the changes that are coming into the market, the products will be required and off highway and crossed uses and on there will be no overlap. So our addressable market remains the same, it becomes slightly larger. And there was one category probably which we could not have addressed before, which is a niche category of higher engines in the segment of gensets, marine, and things like that where we did not have the technology but now with this simplification, if the opportunity presents itself then we can also utilize the technology for those kind of applications also.
- Kartikeyan:** So the parent entity or rather the listed entity can use the technology to address that option?
- Aashim Relan:** No that will go into the JV in case very, very large kind of engines and all that is like a very niche technology which we do not have, our JV partner has so from looking at it as a

standalone entity there is virtually no change apart from just making it engine focus and also clearing out any ambiguity for the emission changes that will be coming domestically and also giving a clean slate for looking at international opportunities via exports.

Kartikeyan: The Chairman and the CEO to be appointed, is that a time bound thing or how exactly would that be appointment by Eberspaecher on the JV?

Aashim Relan: So I think all other terms are exactly the same that management control remains with them and that is why we do not consolidate everything else from the industry. It was a very simple distinct to the scope only which I just mentioned. Nothing else has changed.

Kartikeyan: Sure and while we are on the topic can you just update on the performance of the joint venture, has there been any improvement in the volumes at all?

Aashim Relan: So this quarter in fact has been very slow and I think in general the CV industry we have seen has been slow and even when we look at it on a Q-on-Q basis Q1 is a slow quarter for CV, but even on Q-on-Q I think the industry has not done very well, so the sales have not been great for the quarter, but nevertheless we still remain profitable and our capacity utilization remains to be around 50%. We have taken the initiative to make some of the products to be crossed used across engines and that could become important maybe year later because then whenever the opportunity presents itself it would be slightly faster and we are working with the customers to increase share of business and getting to some of the high run of products, but goal was to stabilize, touchwood we have been able to stabilize the JV quite well and that is indicative that even in a low volume quarter we remain to be profitable but of course lot of work has to be done in terms of increasing market share.

Kartikeyan: You would want to give us some kind of a timeline for when we can see meaningful upside?

Aashim Relan: See it is totally dependent on the CV industry and also the customer's preferences on how they are going to move so it is very difficult to give any timeline on this kind of thing and CV in general is very concentrated the volumes on just a couple of engines. So the market share shift when it happens it would not be incremental it will be dramatic, so if we were to even get one engine you could see a substantial increase, but of course given that it is so concentrated in engines the competition also defends it as eagerly so we are in that and we are working towards that but tough to give a timeline given that there are only I think three, four engines in the entire market that are really out there right when you look at it from a value perspective.

Kartikeyan: On the parent entity listed entity one question would be on the sourcing parts so in what timeframe do you believe the old model should have been completely phased in and phased out and business would be entirely based on the newer model I am just trying to understand in what timeframe would manufacturing be 100% of your reported revenues?

Aashim Relan: There is no timeframe because we do not know when model, what exactly expire. Either way it has absolutely no impact on EBITDA, on profitability, and overall performance and numbers. It is only the optical change that would happen and that is right so the only change that would happen is literally optical on the sales number and then it would be correlated.

Kartikeyan: But there were some benefit of cash flows is what I understood would that be correct or no?

Aashim Relan: No, there is no benefit as such on cash flow side also because it is neutral right and that working capital anyway shifts here and there based on other things also, but regarding this change the change will largely be optical in nature from the sales perspective but the benefit is then it will be much more correlated I guess on basis to industry and all that, but still I do not think quarterly it can be correlated but definitely it is something that will be much simpler to correlate then.

Kartikeyan: Sure and one quick question on the breakup of other income that would help?

Aashim Relan: I do not have that offhand but we will share it with you offline on the other income right, noted I will share it.

Kartikeyan: Right and then one last thing and then I will let you go. Can we meet sometime please just to engage a bit more in detail that would be useful?

Aashim Relan: Sure we will definitely set something up and we will schedule.

Kartikeyan: That would be great. Thanks and best wishes.

Moderator: Thank you. The next question comes from the line of Ankur from Quasar Capital. Please go ahead.

Ankur Shah: Hi Sir thanks for taking my question. Sir I was just trying to join the dots on your comments about volume growth you mentioned that it was double digit volume growth and considering the RDE and all setting in where the minimum expectation of content per vehicle is going to go up by 10% or 25% depending on the engine which it applies to, so Sir like I am not able to join the dot on the revenue growth of focus can you just help me understand that?

- Aashim Relan:** The RDE norms have just been implemented. There is a gradual ramp up in this quarter. New lines have been established and as indicated before that the gasoline content per car is going to be 10% increase, diesel would be 20% and then there are of course other parts of the business that come into the sales numbers. On a blended basis we will have a tailwind of roughly 10% plus for the overall years given that everything else goes well so that is the guidance when it comes to RDE.
- Ankur Shah:** Exactly the question Sir that why it still happen during the quarter like during the quarter you are saying that there are many cars which was still manufacturing without the new RDE norms?
- Aashim Relan:** We actually supply in terms of engines and the ramp up was gradual on this basis, right and RDE norms have an impact on mostly the hot end of the car. We also manufacture the cold end of the car. We also manufacture other parts of the car so it is more like a blended impact that we will see and I think more will come in Q2 onwards.
- Ankur Shah:** Then second question is again slightly linked to the cash generation and the business plan that you have, so considering that we have been hearing from you about the M&A part which you rightfully explained that we want the right mix and since it is the first time you do not want to go aggressive that is understandable but like from a business perspective why do not we try and start something on our own and depend on M&A to through. So like you have the customer connect, you can just go and ask them that what is the requirement and we can do some R&D I am just thinking out loud from a business angle because we have been waiting for this since a long time and the cash is piling up and it is going to pile up Rs. 200 Crores every year so just your thoughts on this will be very helpful?
- Aashim Relan:** Sure. So first we as a company have grown substantially in the last couple of years and a lot of bandwidth got consumed in terms of where we are in the emission industry also right so it was not a very easy task to take market leadership position in India for BS6 and now for BS6 RDE and then we have few more registration that are coming in, so we definitely wanted to focus on the core right when we are talking of the organic side of it. And then now that maybe 1-2 emission norms are there definitely a similar philosophy to what you are mentioning is what we are charting towards but we are on the conservative front. We rather not do a M&A then do a M&A at an valuation that will not create wealth and we just want to be careful on that front and we have also very recently only come up with a dividend policy and it would be on the higher side only that we would move forward which would ensure that there is a good return also coming back to our shareholders and not a very excessive pile up in terms of cash manage but point well taken and the philosophy is exactly what you mentioned on the organic side as well as on the inorganic side.

- Ankur Shah:** Sure Sir and last question just a followup because there was no followup announcements on the raid, so is that matter settled or there is some litigation pending with regards to that?
- Aashim Relan:** It is as per what was disclosed it was a search and survey. Our business operations are continuing as per normal and there is no update beyond that and it is just these kind of matters are routine and they take time so there is no litigation per se.
- Ankur Shah:** Thank you Sir. All the best.
- Moderator:** Thank you. The next question comes from the line of Nirvana Laha, an individual Investor. Please go ahead.
- Nirvana Laha:** Thanks for the opportunity. Hi Aashim nice to speak to you after a quarter gap. A couple of feedback points also from my side. One was echoing the same thing that the last gentleman said about a meeting request so we have been reaching out to your IR quite a number of times so if you can probably give us some time maybe multiple shareholders to meet face-to-face that would be really nice.
- Aashim Relan:** Sure absolutely point well taken and we are fully consumed with this RDE implementation personally, but now that RDE products are implemented I will take the timeout and to meet in person.
- Nirvana Laha:** Sure we will look forward to that. Another thing is often when financial questions are asked on the call for example the other income question that the gentlemen asked we do not seem to be ready with the answers but Aashim to be honest these are standard questions where shareholders only get a once in a quarter opportunity to clarify them so since the CFO is also on the call I would request you if possible from the next quarter to be ready with the numbers so that these are the inputs that we can get during the year otherwise we will have to wait for the annual report right so if you can please take that suggestion onboard.
- Aashim Relan:** Sure absolutely to the best of our ability we will try to be ready and unconditionally you can always reach out to the IR advisors for specific point.
- Nirvana Laha:** Thank you so coming to the question, there was a Rs. 330 Crores increase in other financial assets during H2 during the second half of the financial year could you comment on what was this exactly what were the assets?
- Aashim Relan:** I think this would be part of the overall investments in cash, cash surplus but maybe Puru Sir if you are aware of this number is this just reconfiguration of cash investment.

- Puru Aggarwal:** So this detail is not handy we would be happy to supply this information offline.
- Nirvana Laha:** The next question is, in March I think you commissioned a new plant for emission systems with a 5.25 lakh capacity so two questions, what kind of capacity increase with this 5.25 lakh constitute and towards what purpose is this exactly because targeted towards one particular segment of your emissions business or is it generic?
- Aashim Relan:** So we have expanded capacity in the west for couple of reasons, one we did some existing space for RDE, then we are expecting few of our customers who will be adding capacity as well in the western region so that is in the news so we are preparing for that and as well as some TREM 4 were kicked in as well as TREM 5 will also be west region will be a pivotal part of it, so we will be utilizing this capacity over the next couple of years.
- Nirvana Laha:** As a percentage of your existing capacity before this came online what percentage increase would this be roughly?
- Aashim Relan:** So we continue to augment our capacity because it gets augmented fairly easy on a capex light model so I do not have the percentage number but in general whatever that you mentioned is the capacity we would have in cumulative products so this is hot end as well as cold end.
- Nirvana Laha:** Alright and on your Eberspaecher or the JV would you be able to tell us what Q1 revenue was and suppose we get into one of the engine programme that you just mentioned while answering to somebody else what kind of maximum revenue potential would we be looking at because we understand that COVID was there and there was a lot of disruption and since then it seems like you are ready with the product but waiting with the OEM so just for us to get a sense of how this could ramp up in terms of a number what could be our potential yearly number if things work out favorably like would it be as large as our LCV or would it be much smaller than that some idea would be helpful?
- Aashim Relan:** Sure in terms of revenue we roughly in this quarter did between 80 to 90 Crores and that is including catalyst. In terms of increase it could be substantial so you could imagine double or tripling in case we get one or two good engines but nevertheless it would not be as big as the standalone entity. I think we address a much larger market in the standalone entity so for the time being it would be significant but not like anything that you can compare with standalone entity.
- Nirvana Laha:** Okay so this 80-90 am I misremembering or this used to be 40 till above two, three quarters back?

- Aashim Relan:** I think that was without catalyst which we had mentioned.
- Nirvana Laha:** So without catalyst number would still be trending at the same 40 Crores, 45 Crores?
- Aashim Relan:** On a Q-on-Q basis it is roughly the same, I think there has been a decline of 5-7% on Q-on-Q if you look at the quarter-on-quarter results but it would be very similar number.
- Nirvana Laha:** Okay got it. On TREM 5 anymore visibility is April 2025 looking the likely timeline any update from the government or what you are picking up from the tractor industry?
- Aashim Relan:** So the tractor industry is preparing fully for it. There is some delay expected. It was originally I think planned for April 2024 but if we look at that the trend that we saw in TREM IV there is some delay expected but not too much. There has been no formal notification of it but preparation by all the tractor makers is on full swing and prototype development, testing, etc., is happening as per normal but it is up to when the notification comes so some delay could be expected.
- Nirvana Laha:** Final question on your battery JV so what is happening here so the last time that I asked you this question you explained this was more going to be BMS assembly a low value add initially where you would be learning first, understanding the ecosystem, also changing regulatory needs, etc., you had explained the full go slow approach so have we seen any revenues from this JV in the last quarter and this quarter and where are we right now as your thinking changed at all on this are we speeding up or how is it going?
- Aashim Relan:** So the last time when we spoke largely same terms of the philosophy that we will be very cautious and we will go slow what the updates probably are that we have built up prototypes and the first phase of testing has been completed for that and we are applying with the agencies for approval which is required on the battery side and this is again battery assembly side. We of course want to be 100% sure of these products because there is a very high field quality with batteries especially in this segment have as well as warranty and servicing so being very careful and of course these subsidies have been reduced that has increased the cost pressure quite substantially in the market, so we are making some changes in the configuration to be more competitive on the cost side and also the AIS amendments also which came in while the batteries are compliant to it they have become more expensive so we are reconfiguring that. In terms of revenues there is no substantial revenue from this and we do not project we will be going very cautious and slowly in this segment.



Sharda Motor Industries Limited
August 11, 2023

- Nirvana Laha:** Right so your presentation still says that the plant is under consideration so what I would like to understand is what milestone do you have to get for the plant to be sort of green lit that would be helpful to understand?
- Aashim Relan:** So the battery prototypes to be approved by the agency and to be within the first target range of the customer.
- Nirvana Laha:** Alright thanks Aashim and wish you all the best.
- Moderator:** Thank you. Due to time constraint that was the last question. I would now like to hand the conference over to Mr. Puru Aggarwal for closing comments.
- Puru Aggarwal:** We thank you for your participation in our earnings call today. We hope we have been able to address all your queries; however, if you have any further questions you can get in touch with our IR advisors, strategic growth advisors. Thank you and have a good evening.
- Moderator:** On behalf of Sharda Motor Industries Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.