November 16, 2023

The National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra – Kurla Complex
Mumbai 400051

Scrip Symbol: SANSERA

The Department of Corporate Services
BSE Limited,
P.J. Towers, Dalal Street
Mumbai 400001

Scrip Code: 543358

Dear Sir/ Madam

Subject: Transcript of Earning group conference call

Please find attached transcript of Earning group conference call held on November 09, 2023 on Unaudited Financial Results of the Company for the quarter ended September 30, 2023.

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

We request you to take the same on your records.

Thanking you,

for Sansera Engineering Limited

RAJESH KUMAR MODI
Digitally signed by RAJESH KUMAR MODI
Date: 2023.11.16 17:36:56 +05'30'

Rajesh Kumar Modi
Company Secretary and Compliance Officer

Encls: a/a

"Sansera Engineering Limited
Q2 FY2024 Earnings Conference Call"

November 09, 2023

DISCLAIMER: E&OE - THIS TRANSCRIPT IS EDITED FOR FACTUAL ERRORS. IN CASE OF DISCREPANCY, THE AUDIO RECORDINGS UPLOADED ON THE STOCK EXCHANGE ON 9TH NOVEMBER 2023 WILL PREVAIL

MANAGEMENT: **MR. B R PREETHAM – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER – SANSERA ENGINEERING LIMITED**
MR. VIKAS GOEL – CHIEF FINANCIAL OFFICER – SANSERA ENGINEERING LIMITED
MR. PRAVEEN CHAUHAN – CHIEF OPERATING OFFICER – SANSERA ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Sansera Engineering Limited Q2 FY2024 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. B. R. Preetham – Executive Director and CEO from Sansera Engineering Limited. Thank you, and over to you, sir.

B. R. Preetham: Thank you. Good morning and season's greetings to everyone. Welcome and thanks for joining this call. On this call, I am joined by our CFO – Mr. Vikas Goel and our COO – Mr. Praveen Chauhan and our Investor Relations Advisors – SGA. The results and the presentations are uploaded on the stock exchange and company website. I hope everybody has had a chance to look at it.

We are pleased to report a strong financial and operational performance in Q2. Our revenues came in a healthy Rs.6,929 million representing a 9% year-on-year growth and a 5% sequential growth. EBITDA margins during the quarter was steady at 17%, in terms of revenue and EBITDA this was yet another record-breaking quarter for us.

I am thrilled to share that Sansera has received premium award for outstanding achievement in collaborations and customer service from Raytheon Group. This award is another feather in our cap and it demonstrates the solid collaboration and valued partnership between Sansera and Raytheon. In this quarter, we also received awards from Royal Enfield, Fanuc Robots, Volvo Eicher Powertrain, and few more. These awards are a testimony of our high quality and delivery excellence.

Coming to some updates on the industry. At large, this has been a strong quarter for the Indian Auto OEMs with passenger vehicles leading the pack. Passenger vehicles delivered the highest ever sales during the quarter. Three-wheelers and Commercial Vehicle segments also continue to witness healthy growth. The retail figures of the two-wheelers have also exhibited promising trends. Further the festive sales are off to a promising start as reflected in the auto sales number for the month of October and Sansera has also seen a very good traction in October. The quarter of Sansera has been good, showcasing a stable business.

The demand levels in domestic markets are expected to grow in coming quarters as OEMs are also fairly optimistic, and are ramping up the production while ensuring ample inventory to meet the escalating demands. Notably our international operations experience significant expansion driven by a favorable demand landscape. This positive trend is driven by the robust sales demonstrated by the global OEMs.

I would also like to mention that our cash flow from operations also saw a remarkable 84% year-on-year growth in H1 FY2024. It went up from 1.3 billion in H1 FY2023 to 2.4 billion in H1 FY2024. At Sansera we have witnessed a substantial increase in the RFQs that we receive on a regular basis. Correspondingly, we have strengthened our organizational structure by hiring and as well as elevating relevant personnel to support this growth demand.

Now getting to the details of our operating performance in the quarter. Auto-ICE segment registered a 4% year-on-year growth for Q2 FY2024 and 11.1% year-on-year for H1 FY2024. This was primarily driven by growth in PV and HCV components. In fact in PV components we did our highest ever quarterly sales and this upsurge in PV is backed by strong performance of our large PV customer. Recent addition to this has been Tata Motors as our customer and it is proving to be a valuable partnership. We are also increasing our share of business with Maruti, our oldest customer.

Coming to two-wheeler segment which is one of our major contributors to Sansera's revenue. Here we are witnessing an increase in the top line with industry growth and recovery along with premiumization. It is noteworthy that premiumization is advantageous to us as the content per vehicle in premium two-wheelers exceeds that of the entry level two-wheelers significantly. We are participating in some of the prominent programs for premium motorcycles which our OEM clients are running. For instance we have a very healthy partnership with Royal Enfield, we are supplying multiple components for Bajaj Triumph models, we are also catering to premium bike models such as Hero Harley, BMW Motorrad, etc. Sansera is also a preferred partner for our customers in their future programs. While three-wheeler segment has demonstrated remarkable growth figures, but for us it is a very small contributors for our overall revenue. Based on all these three factors, we are very confident about a strong growth coming into Auto-ICE segment in this year. In all Auto-ICE segment contributed to about 75.6% of our sales in Q2 FY2024 versus 80.1 in Q2 FY2023. This included the segment’s 35% of our sales coming from motorcycles, scooters accounted for only 5.9% of the top line, PVs accounted for 24.5% of the top line, commercial vehicle sales contributed to 9.4% of the top line.

The other segments which are Auto-Tech Agnostic, xEV and non-auto have grown at a much faster rate compared to the Auto-ICE segment. This aligns perfectly with our long-term vision and showcases our dedication towards achieving our targets. Auto-Tech Agnostic and xEV products together contributed around 11.9% to the sales revenue. This is reflecting Sansera's readiness for futuristic product range. The year-on-year growth in the first half of this financial year was an impressive 44.8% demonstrating exceptional progress. 7.3% of revenue came from Auto-Tech Agnostic components. We have very good traction for our aluminium components due to growing requirement of light-weighting and premiumization. The contribution from xEV products has decreased to 4.6% primarily as a result of scaling down of our business from one of our domestic EV two-wheeler customer. However we are quite confident that our EV business will improve as the production schedules which saw a setback due to withdrawal of FAME2 subsidies are back on track. Also our new American multinational Automotive EV customer's orders will contribute meaningfully to our top line in the coming quarters.

Our non-automotive segment grew by 44% in the quarter, contributing to 12.6% of the total sales versus 9.6% last year.

Talking about the sales mix. In Aerospace we manufacture seating parts aero structure parts. door assembly, light weighting parts, cargo handling systems, also engine and landing gear related parts. Aerospace and defense contributed to about 4.6% in this quarter. We see great opportunities in Aerospace segment, especially with a lot of Indian carriers presenting a lot of new orders, which are quite big in size as well. Defense: While in its nascent stage the opportunity is vast , currently we have focused on supplying components to tier one companies for components involving advanced technology.

Off-road sales were to the tune of 4.2% of the revenue, this year we expect to do a top line of more than Rs.1000 million in off-road components alone. Agriculture component accounted for about 2.1% of the top line and the remaining 1.6% of the top line came from few other segments.

Coming to our order pipeline, our order book of the new businesses with an annual peak revenues stood at Rs.19.3 billion as on 30th September 2023 versus 16.9 billion as on 30th June 2023. This increase is largely driven by strong order inflows in the Auto-ICE segment reflecting Sansera's expertise in its core product category. Having said this we have also received major orders from xEV and Tech Agnostic products, which accounted for about 35% of the incremental orders in the quarter. Our order book reflects our growing commitment to the diversity. The current order book of 19.3 billion includes Auto-ICE orders of about 9.29 billion, which contribute about 48% of the overall order book. Auto Tech Agnostic and xEV adding to 5.2 billion, that is about 31% of the overall order book and non-auto accounting for 4.13 billion, which is about 21% of the overall order book. On a strategic level, we are working on initiatives to optimize capacity utilization particularly in our Auto-ICE area. Further we are continuously ramping up our machining capabilities. The new press lines which we are installing in our existing plant 11, is expected to get commissioned by next month. Once commissioned the work will start in full stream of this as our capacity is fully booked with orders from various customers. Our long-term targets are built around Sansera's core competencies in high engineering and precision products. With this focus we have been able to deliver consistent results while adhering to our mantra of growth via diversification. I will now hand it over to Vikas, our CFO for the explanation on financial performance.

Vikas Goel: Thank you Preetham. Good morning everyone and season's greetings to all of you. I will cover the second quarter performance on a consolidated basis first.

As you all know that the operating revenue for the quarter stood at 6929 million with a 9% growth on a year-on-year basis. The sales from automotive sector in this grew at 6.6% while the revenue from non-auto business grew at 44% on a year-on-year basis. This was primarily led by the recovery and phenomenal growth in the off-road segment by about more than 4x and a 26% growth in the Aerospace sector, which was slightly behind our original expectations.

Revenues are growing at a very healthy pace with support from the new order book and we have set high standards, high benchmark of performance for ourselves. We are hopeful that our consistent and steady profits will see a meaningful upswing once we are completing a structural shift in the overall business profile as Preetham just outlined. The growth is led by strong sales in our international markets particularly in the US. Last year second quarter was particularly difficult for us in the international markets and has recovered ever since. The international sales recorded in this quarter are in line with our recent performance in these markets, despite a marginal impact from the UAW strike in the US towards the end of September and marginally lower than expected off take in the Aerospace business.

On the margin front we saw a 200 basis points improvement in the gross margin primarily on the back of higher exports, and material cost stabilization. This could have been slightly higher for the reasons that I explained in terms of the international business, we had some marginal setback which has a higher gross margin business. So approximately 30 to 40 basis points was an impact on gross margins and the EBITDA margins because of these.

As Preetham mentioned we are strengthening our organization structure to execute the growing and more diverse business, which has led to an increase in the employee cost on a temporary basis, if you look at a percentage to the sales. Our expenses which are semi variable in nature increased in tandem with our revenue are in control. At EBITDA level we maintained our margins at 17% despite all the factors that I explained just now and saw a

9% year-on-year increase at 1178 million. Finance cost for the quarter was at 180 million and in line with the finance cost for the last quarter. Profit after tax stood at 475 million in the second quarter with a margin of 6.9%.

Geographical sales mix for the second quarter stood as follows: India 71.3%, Europe 16.3%, USA 9.5% and other foreign countries at 2.9% of the total operating sales revenues.

Looking at the half year numbers: Revenue from operations surged by 16% year-on-year at 13,529 million as compared to 11,678 million in the corresponding period last year. The H1 EBITDA grew in line with the revenues and stood at 2,321 million with a margin of 17.2% slightly higher than the same period last year. Net profit for H1 stood at 927 million registered a growth of 14%.

Coming to the cash flows and balance sheet for H1. The company generated a total cash from operations of 2,391 million as against 1,299 million last year because of our very high focus on the cash management during this period. To further highlight the point, the cash generated during this period of H1 is almost equivalent to the total cash generated during last full financial year. So you can see the kind of improvement and focus we have had on cash management during this year and this we expect will continue going forward. In H1 2024 we invested a total of 1,634 million towards purchase of plant and equipment and also this includes 125 million invested in our new entity MMRFIC which we shared with you some time back.

On debt front: Our net debt stood at close to 6,232 million as against 6,500 million in the end of March. CapEx for the year will be in the vicinity of 2,800 million and majority of this CapEx will be in the areas of non-auto and non-ICE categories in order to deliver our evolving order book.

With this, I would like to conclude our presentation in this meeting and open the floor for question and answers. Thank you.

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

Siddhartha Bera: Thanks sir, and thanks for the opportunity and season's greetings to the team as well. Sir, my first question is slightly on the longer-term. So EV I think globally has seen some slowdown in the quarter and we continue to see a good traction in the xEV segment. So some thoughts there how do you see this segment developing over the medium-term and second is on this light weighting segment as well where we continue to get very good traction. So do you think the revenues or the mix can shift meaningfully here how much capacities are we adding and some color there will also be very helpful.

B. R. Preetham: Good morning Siddhartha, thank you and season's greetings to you as well. You are right, we have been having a good traction, lot of order inflows into the xEV segment both from our domestic customers as well as from our International customer a well-known leading EV manufacturer from the North America. We have started our commercial production of our programs into this customer and you will see that revenue ramp up happening in the quarter three and quarter four as well. While I just came back from US yesterday from a 10 day business tour where we have had visits to our customers just to reaffirm our commitments to the business, and also discuss with them on various opportunities that are available. So one thing was evident from the discussions with most of them is that there is a slowdown on the EV adoption especially in North America and this is also evident from the fact that all the three major auto OEMs have scaled down their plans on EV. So there is a renewed focus on all the ICE platforms that are again seeing lot of revamping and also on extension of the programs beyond 2032s. So we have been getting a lot of opportunity on this as well while we are working on strengthening our xEV portfolio by adding more products into it, but the opportunities in our core components which comes at a very healthy margins as well are significantly going up. So we are quite bullish on this, going forward you would also see addition of few more customers from them and also participating in the newer programs through these additions also.

Siddhartha Bera: Second is on this order book, so you have indicated that over a three-year period we should see the full impact and you have compared and showed us the mix compared to FY2023 where we are so. Is it fair to assume that this is largely sort of, I mean, the risk to this sort of playing out because in the recent term we have seen some slowness in some segments. So how confident are you are that by maybe FY2026 we sort of achieve the potential, long-term potential probably which you have called out here.

B. R. Preetham: See, if you really look at our last year's performance that is what we have shown in our slide number eight in our presentation, where it demonstrates that the new order book combining with current last year's product mix performance, we would have reached close to about 36% of our revenues coming from the non-auto xEV and Tech Agnostic products. Now while this is the current revenue mix and actually visibility that we have on the order book and the mix of it, but we still feel that the trends towards premiumization, trends towards light weighting, and also our growing collaboration with the xEV customer would also mean that we would probably be able to do better than this 36% and move closer to our vision of 40%. But as you rightly said these are all also, there are various external factors that could have an influence on this, while that is exactly the reason why we have not really focused on any particular segment, while we have kept ourselves more focused on non-auto and tech agnostic. So even if there is a slight slowdown in the one particular segment or one particular technology, we are trying to ringfence ourselves. Now while the programs themselves owing to various external factors may get slightly extended in terms of their startup programs or the thing, but we are very confident that by 2026 or FY2026 we will be able to achieve these numbers as a company in terms of all the resources, capacities and our strategies we are working towards the same.

Siddhartha Bera: Last question on this depreciation, we have seen some increase in the current quarter compared to the last quarter. So any particular investments which we are being doing and the sort of the benefit or the revenue pickup is not happening now, is anything there to look at.

Vikas Goel: Nothing unusual there, see this is as a normal process we continue to invest in expansion of facilities or balancing of lines. So this is in line and probably in one specific quarter you may have some ups and downs, but on an overall basis this is all investment in the productive assets, which if not completely in this quarter will pan out and reflect in the following quarters. There is nothing abnormal that we have seen there.

Siddhartha Bera: Sure sir, thanks a lot. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Hi sir, thanks for taking my question. The first question is that when we look at your growth this quarter which is about 9%. Does it have an impact of the UAW strike because you said October has been very good where I am assuming if you are saying good, this is despite the UAW strike which was very stringent in October. Can you clarify that.

B. R. Preetham: Good morning Nitin and again season's greetings to you as well. So, yes, we have had an impact of close to about 5 Crores in September because of the UAW strike where we could not deliver and that number is almost closer to 9 Crores or so in October as well, but despite that we have had a very good October and now that is passed, I think we will see a good traction going forward from our North American based customers.

Nitin Arora: Second can you talk about little on the content you talked about Triumph and other products coming in, in the two-wheelers. Can you talk about a little on the content how much is the content there because the response of the bike has been very phenomenal. So if you can throw about some light there how much content can be there in terms of, because I assume you are in Harley as well. So the content increase if you can talk about that and second we have not seen much benefit to you coming from the commodity side or let us say OEM giving you that benefit so far though we are maintaining our margins closer to 17%, but can you throw some light, are there some levers or OEMs are not at all passing because their margin seems to be doing very well. Those are two things.

B. R. Preetham: Yes, like in the previous interactions also I have maintained that while we are participating in most of the premium motorcycles including all the programs from Royal Enfield, programs from TVS BMW, we are also supplying to Harley Hero models, as well as Triumph Bajaj model. While there is a significant addition of components especially light weighted components aluminium parts to these models, the contribution varies from model to model and I would say it varies from Rs.5000 to Rs.9000 currently because in some of the models that we have per vehicle, some of the models we have more number of components compared to the other, but we are quite confident as we establish, see we are also on the, in terms of our light weighting capacities that we have commissioned. See we have three presses which are currently operating, we are just on the verge of commissioning the fourth press for aluminium forging which is at 2500 ton press. We have two more presses on order which should get executed before the end of this financial year. All these presses have been fully booked, when I say fully booked the 4 plus 2, six presses have been fully booked. So there are constraints in how much more we can take with current capacities that are being panning out and please understand that this is also a new line of business for us. So there is a learning curve we are going through which means that while we are developing many more variants and components of this, there is also a pressure of production because most of this is also brought into a production. So overall I would say there is a lot of good traction in aluminium light weighted components like it is demonstrated by the fact that we are fully booked for our capacities which is currently available and also on plan. We have also added couple of components from passenger vehicle segment which goes into the EVs in this category as well. So there is overall a very, very positive response from both domestic as well as international customers for this segment, and I understand while I talking to this thing that the scope and the opportunities in this segment both internationally and domestically is going to significantly increase in the coming quarters. So at Sansera we are fully committed, we are starting expansion of our new forging facility, we are adding another forge shop into our plant 11 which will be able to house another six additional presses for aluminium whenever the time is required as and when we start getting the orders, we will have this facility ready. We hope to complete this facility by first quarter of FY2025, building will be ready where we will also place 4000 ton press by end of May. So with this I think there will be a very meaningful progress in the light weighting and aluminium components. On commodity prices I will leave it to Vikas.

Vikas Goel: When you say impact of commodity price this works the other way. So actually we have to pass on a material selling price reduction to the customers based on the purchasing price reduction that we get from suppliers. So in terms of margin, yes, it is visible, if you see the gross margin has had an improvement of 2% for the quarter as against same period last year. So this is visible due to the stabilization and slight reduction in the raw material cost versus last year.

Nitin Arora: Do you see this levers of further commodity benefit coming in the gross margin and overall EBITDA margin or you think this is the thing.

Vikas Goel: I think this is now stable for some time, it has been stable for a few months and we do not have any further indication of more reduction immediately. The improvement that we expect to come forward is basically from the change of product mix and so we will see improvement coming in from more higher exports as well as stabilization of the new products that we are launching every month will actually start reflecting in slight improvement in the gross margins.

B. R. Preetham: Just to add to what Vikas said, see over the last two and a half years you are aware of the fact that there has been more than 60% increase in the raw material cost actually resulting in almost 2.5% to 2.75% optical impact on margins for us because it is a numerator denominator effect. As the commodity prices cools down and it starts moving down, we would have that similar positive impact onto the gross margin.

Nitin Arora: All the best sir. Thank you.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from ICICI Securities. Please go ahead.

Basudeb Banerjee: Thanks sir. Just to continue with the margin thing. Decent set of numbers, gross margin improving sequentially also. But just one thing for Goel ji that revenue up 5% Q-o-Q, other expenses up 10% almost Q-o-Q. So any one off in that other expense one like I can see it is moving up almost 10%. So margin would have been closer to 18% also this quarter.

Vikas Goel: You are right, there is a 5% increase in the revenue whereas the expenses have actually risen faster, and as we explained that the major reason there being increase in manpower cost, which is not a one off or not an exceptional thing. This is the planned increase that we have had because of increasing the capability and we are adding a lot of people in the mid management layer to improve the capability and also to address the growing diversity in the product profile.

Basudeb Banerjee: But sir, manpower cost would get reflected in the employee cost, staff cost line item. I was saying about other expenses.

Vikas Goel: Other expenses also has an element of contractors. So that is the main item which is actually reflecting in other expenses also the contract labor.

Basudeb Banerjee: So with the rise in scale requirement of higher contract labor will keep that line item at this level elevated.

Vikas Goel: Yes, so it will normalize over a period of time, so as I said when we introduce products initially there is a higher amount of manpower and there are sometimes imbalances in the schedule. So that also causes this. So we are keeping a track of this.

B. R. Preetham: One more thing is that as we in the Q2 generally because owing to the almost one month of holidays in Europe. So generally the international business would be slowed down, but we will not be slowing down our production because our distribution is over 12 months. So you would see that some of these costs are loaded because while we had produced this we would not have delivered that you will see that effect which will come from third and fourth quarter. So overall things are very much in line with our expectation as well.

Basudeb Banerjee: Second thing if I look at 4.6% of revenue Aerospace almost pointing to the annualized revenue of 130 Crores. So as you were guiding earlier beginning of the fiscal that you are targeting 130-135 this fiscal. So already you are reaching annualized 130. So any incremental order addition which is giving you visibility of increasing that outlook because that is a higher margin area.

B. R. Preetham: Yes, see while in the beginning of the year we had set ourselves a target of about 50% growth in Aerospace business. So I had said that we will be anywhere between 140 to 150 Crores in this year, but there has been one program of one of the major customers has owing to the delay in the approval clearance for their aircraft, this particular program which is a cargo conversion has got delayed, and overall there is a 16 Crore impact on full year basis, but we have now been told that, that program is going to restart or start commencing from first quarter of the calendar year which means the fourth quarter of our year. So while there could be a reduction from our original estimates of 50% we will still be around 40% growth for this year, but the order inflows have been very, very good, you will further see because there is a lot of RFQs where we have been working on while there have been finalizations that have happened yet to get a full final confirmation you will see those things panning out in this quarter and the next quarter. Overall we have a very, very healthy order book in Aerospace as well. While defense is in a still nascent stage, opportunity wise we see a lot of traction, but in defense as you are aware it is a long-term and we are working on a lot of approvals working with certain agencies for working through their programs as well.

Basudeb Banerjee: Thanks. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Saurabh Patwa from Quest Investment Advisors Private Limited. Please go ahead.

Saurabh Patwa: Thanks a lot for this opportunity sir. Just wanted to have your thoughts on the slide eight where you have given your growth part. So, is it based on the LOIs or how much would the ratio would be for LOIs and purchase orders because it is quite long as you have given it is almost for next 3, 4 years. So you have the visibility of revenues or is it also includes some expectation which you believe you will get.

B. R. Preetham: You talking about the slide eight right.

Saurabh Patwa: Yes sir.

B. R. Preetham: It is 100% on LOI and purchase orders, we do not have any of the thing. These are the peak annual revenue as we have explained previously also and these would only include the businesses that have been secured by us in terms of either LOI or a purchase order. So there is nothing that we have put in this as expected businesses, it is all confirmed volume and the prices that have been given either through a LOI or through a purchase order.

Saurabh Patwa: So this gives a visibility of close to 4000 Crores plus kind of a revenue in FY2026 is it a fair understanding.

B. R. Preetham: Yes, like see what we are saying is that generally our orders peak in about 3 years' time depending on the sector, some of them could peak around two years, some of them will take three years, based on either domestic or international businesses, but overall it is a fair assumption to say that while we say that the order book is peak annual revenue could lead to a full volume of Rs.19 billion Indian rupees so 1900 Crores. So this would mean that at its full peak when all the programs kick off and attain a maturity it will give 1900 Crores, but please understand our current order book also would have orders which have just started last year where we have moved from order book to this. So overall there is a very healthy order book progress and inflow of RFQs as well.

Saurabh Patwa: From the current order book also do you believe that current order which you are already executing say FY2023 operating revenue you believe some part of revenue may mature and like those programs may get longer be there which will get replaced by the new orders which you have already got.

B. R. Preetham: While in the new order book that we project, we have always maintained that these would only reflect new businesses that we are acquiring and would not reflect any replacement business. Just to give you an example if an x model we are supplying to one of our customers gets replaced by a newer model that is not a new business for us that is only a replacement business which does not get included in the order book. So whatever new businesses that we acquire is only reflecting in this, no replacement of this.

Saurabh Patwa: Just add one more question sir, if you allow. On this current quarter while we have grown Y-o-Y in the export business, is the Sweden business is there some seasonality there where in the second quarter revenue there.

B. R. Preetham: There is international revenue as I said. See generally if you see the guidance, we have said that our international revenues would reach closer to 31.5% to 32% of our overall mix, but if you really look at this quarter it was only 28% which means that for almost one month our Sweden subsidiary was closed because of the summer holidays we had some impact of UAW strike in September we also had our export customers especially in Europe where we have a lot of presence, also there has been a dip. So while our domestic has done reasonably well as expected Q2 there is a slowdown in the international business which is very normal and Q3 and Q4 you will see that the international business will be back to the normal growth and we will definitely move towards that 31% to 32% contribution coming from the international business on a full year basis.

Saurabh Patwa: Essentially your H2 will be far better in terms of revenue growth versus H1, is this a fair thing to assume on a consolidated basis.

B. R. Preetham: You mean H2 would be better than H1.

Saurabh Patwa: Significantly better than H1.

B. R. Preetham: We expect that, see H2 will definitely be better than H1, but how much significantly better depends on how the markets pan out we have our plans in place so we expect that definitely H2 will be better than H1.

Saurabh Patwa: Any specific area where you see weakness in India or outside India.

B. R. Preetham: Any specific area where you see…

Saurabh Patwa: Some sort of weakness because there are some macro headwinds in India as well as a large headwinds in outside India any specific segment or a product or a product line something in case you have.

B. R. Preetham: I am not very sure at present we do not have any particular indication or anything. See whatever slowdown was there because of the UAW strike I expect that all these people will try and catch up in the next two quarters of whatever the loss in revenue that they have had so that should actually positively impact. I have also commented on Aerospace while that program which one of the programs which was temporarily could not be executed because of our customer did not get a final regulatory clearances, but that should also start. So I really do not have any indication on anything negative, currently everything looks normal.

Saurabh Patwa: Great sir, thanks a lot and all the best for the coming quarters and wishing you happy Diwali.

Moderator: Thank you. The next question is from the line of Ankit Merchant from SBI Life. Please go ahead.

Ankit Merchant: Hello, thank you for the opportunity. From the revenue perspective during the quarter we have seen that the two-wheeler growth on a year-on-year basis it is negative 11%, is it largely been driven by the scooter segment. So can you give some more color on this. So scooter segment is actually not doing much better for us.

B. R. Preetham: We actually have exited one of the programs of one of the large EV OEM two-wheeler because of pricing and margins. So we did not wanted to continue because we were not having a meaningful contribution coming towards that. So while we are keen to work with all the customers, we want to improve the business relationship, but that cannot come at a cost of margin. So we are very clear on that while we choose our customers, we try and get the component, so this you would have seen that, that is one of the reasons that we would have lost about 6.5 Crores of revenue because we exited that program and some of the two-wheelers market which is outside India that is like all our BMW, Ducati all these customers who are Piaggio all these customers would have had a summer break. So the exports also would have not taken. So overall that is the reason that you would see that two-wheeler contribution coming down.

Ankit Merchant: So is it the new age OEM which you have exited or is it an established OEM.

B. R. Preetham: No few of the products that we have exited not the overall OEM itself. It is a new age.

Ankit Merchant: And from the Sweden subsidiary so basically can you highlight what was the impact on the margins.

Vikas Goel: Sweden subsidiary during Q2 and H1 both have actually improved in terms of revenue as well as margin, we have had a 34% increase on a year-on-year basis both for Q2 and H1 in the revenue and this is primarily due to the recovery or the normalization of volumes that we had an impact due to the changeover during last year. So that is now back to the normal levels and similarly the margins have also come back to the normal level.

B. R. Preetham: There was also a price correction that we have received from the customers in terms of energy prices and also inflation compensation that has also helped improve the margins there in our Swedish subsidiary.

Ankit Merchant: How much was it, the margin.

Vikas Goel: The margin for Swedish subsidiary was about 11% we had during H1.

Ankit Merchant: The revenue impact is largely because of the shutdown as well as some impact because of the UAW.

Vikas Goel: Shutdown is seasonal and it happens every year, but if you look at a year-on-year basis for Q2 as well as for H1 as I said,

Ankit Merchant: No sir, I am just talking about the Sweden part.

B. R. Preetham: Yes, UAW Sweden has got no impact, it is only shutdown which is seasonal. So the UAW impact is not for Sweden, it is for one customer in US.

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

Jyoti Singh: Thank you for the opportunity. Sir if you could please provide information on the current order status and any a strategic target for the increase, the revenue mix within our Aerospace segment as we are doing pretty decent on that segment and second I would appreciate it, if you could provide further detail and insight regarding the increase in content per vehicle due to premiumization.

B. R. Preetham: I think increased content per vehicle question I already addressed because Mr. Nitin had asked us. See specifically what happens as our premiumization, these are all higher CC engines could be around 400 to 500cc engines. So we would have our components integral crank shaft along with connecting rod, higher technology rocker arms gear shifter forks balance equipment, engine components that goes into all these things. These of course go at a much higher revenue compared to a 150cc or a 180cc motorcycles because the configuration of the components and technology is totally different, but added to that we also supply a lot of aluminium forged and machine components which goes into suspension chassis and such of the system. So all put together I said there could be an opportunity between Rs.5000 and Rs.9000 per vehicle depending on the what all mix of these components we supply to various models not everything goes into every model. So the maximum being about Rs.9000 per vehicle. So that is about the premiumization and this thing. In terms of Aerospace we see a lot of traction, see I have said that and I am willing to maintain that statement purely based on the orders that we have and the traction that we have that for the next 3 years we see that there is a potential growth opportunity of about 50% year-on-year there could be a temporary one or two quarters impact because of one or two programs not being started on time, but otherwise in general our order book is very strong we are adding customers as well as product portfolios which are larger and better value addition in this so we are on track for having 50% growth for the next 3 years at least.

Jyoti Singh: Okay thank you so much sir.

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

Arjun Khanna: Thank you for taking my question. Sir, just on the CapEx side. So you talked about the premiumization. Is there additional CapEx we need to do for these components in the ICE given that our utilization levels are lower at this point in time.

B. R. Preetham: No, particularly for ICE category of components like all our traditional components except for some balancing equipment in the integral cramp shaft line where we have actually added some of the induction hardening and grinding facilities which to balance out because we need to expand that otherwise we are not adding anything specifically in ICE subject but then premiumization also means that aluminium and aluminium related components where we are adding capacities both in machining, in heat treatment, in foring as well. So these also come under two-wheeler segment where we are only fully booked as I said on the capacities, but our CapEx plan which was planned budgeted includes all those things. So there is nothing additional that we are going to do on this. We have already planned for this.

Arjun Khanna: Sure, so I just wanted to understand, so as the premiumization of the market happens potentially we could drive higher revenues and possibly margins from existing equipment to some extent.

B. R. Preetham: Right, so like rocker arms, gear shifter folks, connecting rod, all these are coming out of our existing capacities. We do not need to increase any of the capacities there including the traditional crankshafts we are utilizing our existing capacities, but in terms of these premium motorcycles also would have integral crank shafts which means that this is where we have added some capacities or balancing the equipment on integral. So other than that it is mostly coming out of our existing capacity.

Arjun Khanna: The second question is, if one looks at our CapEx, if you uh look at slide #8 we have given a guideline in terms of how we expect revenues to increase, what would the CapEx be required to meet some of these programs. So some of them would be completely new, some would be existing businesses. So, if you could talk about the CapEx plan for the next three years. Thank you.

B. R. Preetham: See, while we have this revenues and this thing in place, we said that generally our asset turns into the new business in auto when we are looking at forge and machine components would be around 1.5 times and in Aerospace it would be slightly better than two. This would not include addition of new plant. So we need to really work through it I do not have an exact figure for the next three years, but it would not be too much of a difference from what we are doing currently. So it would be in the range of 250 to 300 Crores per annum for this kind of business mix.

Arjun Khanna: Thank you and wishing you all the best.

B. R. Preetham: Thank you Arjun and wishing you a happy Diwali as well.

Moderator: Thank you. The next question is from the line of Aman who is from Carnelian Capital. Please go ahead, sir.

Aman: Thank you for the opportunity. My question was regarding this EVs and motorcycles like currently in India we are seeing some transition on the scooter side, but depending on our discussions with OEM and like when do we expect motorcycles to start basically coming into EVs how are we thinking about it. If you can talk about it.

B. R. Preetham: We have been working with a couple of them in terms of ultraviolet and also top motors on this, but the volume and the progress on that we are also participating in couple of programs with the newer OEM, I mean, the traditional OEMs who have also been looking at some models, but in my personal opinion from whatever interactions that we have been having with both the new age OEMs as well as the thing, motorcycles still has a long way to go for a meaningful journey into the EV, but at Sansera we are we are well prepared and we in fact look forward for this thing because as you are aware that motorcycles are much more heavier compared to the scooters in terms of their weight and it requires definitely for the same similar range and similar power it would require a lot more light weighting. So where we see ourselves as well positioned to take up that opportunity. So while I still have my reservation on a meaningful journey into electrification in motorcycles, but as and when it comes Sansera is very well prepared and look forward for participating in this program.

Aman: My second question was on the inorganic opportunity like as one of our strategies we have mentioned inorganic opportunity how are we thinking about it and would we consider some area in non-Auto space like Aerospace, defense or even some of the spaces we have been talking about like contract manufacturing for EMS and all. So how are we thinking about inorganic opportunity to add upon the growth from the new orders we already have.

B. R. Preetham: We have been very selective in our approach towards any inorganic growth, we have had in our history only three times one is acquisition two of them are participating in this thing but the last one being MMRFIC where we have a very, very going into the future technology we have been very, very selective because Sansera has been very focused on, we are an engineering company, we like engineering, we invest in engineering ahead of the curve. So this is what has been driving our business and in line with that only we have had this investment into MMRFIC we think both in defense as well as in auto we will have a meaningful contribution through this because we see a lot of adoption in the future autonomous vehicle segment the things are looking very, very positive for this company we have been discussing with a few of the OEMs in developing a radar for the automotive application where the object identification is becoming a norm definitely we will have a role to play in that thing while such opportunities we are through ACMA cluster programs and also through some of the programs conducted by IISC we keep looking at a lot of opportunities with startups and wherever we feel that this thing we have a deeper discussions with them. Currently there is nothing on cards that I have to tell you, but we have kept our ears and eyes open, in the future we might look at something to do with aerospace and defense an opportunity outside India, if we need to look at it that is something that is of interest to us as well.

Aman: Very Happy Diwali to the whole team. Thank you.

B. R. Preetham: Thank you. Happy Diwali Aman.

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

B. R. Preetham: Thank you. With this I conclude the call, if you have any further queries, please contact SGA our Investor Relation Advisors. Thank you everyone for joining us today on this earning call and Happy Diwali and season's greetings to all of you.

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