“Sundram Fasteners Limited

Q1 FY23 Earnings Conference Call”

Subsequent to the Board Meeting held on July 29, 2022

Jay Kale: Okay, we can start.

Elara Capital: Can start you can go ahead yeah. Okay.

Jay Kale: Good evening everyone.

Jay Kale: I would like to welcome you all to Sundram Fasteners q1 FY 2023 Post results.

Jay Kale: First result conference call today we have with us, the management of Sundram Fasteners Limited, we have Mr Dilip Kumar the Chief Financial Officer, Mr K Srinivasulu, Vice President Finance and Mr R Ganesh, Senior General Manager. At this point i'd like to hand over the floor to Mr Dilip kumar for his opening remarks, and then we can go to our questions over to you, sir.

R. Dilip Kumar: Yeah, thank you for the warm introduction and I welcome all the investors for this post results conference call, happy to interact. With this quarter has been quite strong, for us, and we have had good traction across all our segments be it OE, after market, to some extent even and exports. We have registered revenues of Rs. 1,239 Crores for the quarter ended June 30, 2022 as against Rs. 938 crores, which is a 31% increase. As most of the investors and analysts would know, two thirds of our businesses come from domestic market and one third comes from an African export market. In that two third segment domestic market, we have registered a 42% increase and in the export market which is one third of business, we have registered at 13% growth and we have grown, not only because of the rupee weakness, also the even on constant currency terms we have registered abroad. The EBITDA for the quarter came at Rs. 215 crores, as against 192 Crores in the corresponding quarter and ensure the increase of 11.9%. The finance cost, and there have been some exchange fluctuations as an exporter, we also avail packing credit and has RBI reduced the suspension from 3% to 2% there has been some incremental cost finance costs because of that, and the also we have a ECB to finance the capital expenditure which were taken in the past, there has got impacted so we have taken. Some hit in the finance course the profit before tax for the quarter ended was at 171 Crores, as against 151 Crores and PAT came at 130 Crores and as against 112 Crores. I am happy to inform all that this is the highest ever. In the history of Sundram Fasteners as a standalone we have recorded the 130 Crores and the earnings per share for the quarter is 6.19 rupees. So, and the raw material prices, while sequentially it has been stable compared to q1 we've had about 6% increase compared to as most of you know, there has been a continuous increase in Raw Material prices, the inflation has caught up in indirect materials as well, but due to prudent practices control better control fixed costs and outdoor product mix, we have been able to improve the EBITA from last quarter to 17.3% compared to 20% of last year, I already to explain to you about the Finance costs and the capital expenditure so far has been neutral and we expect capital expenditure to pick up in the coming quarters, so the depreciation has been flat and, overall, it has been quite satisfactory, it not only from the standalone performance from our overseas subsidies in China and upon all other also done reasonably as well so with these opening remarks we're happy to take the questions.

Jay Kale: Yeah oh. Thank you so thanks introductory remarks we will now open the floor for questions participants, anyone who has a question can please raise your hand and I will announce your name or you can unmute your line, the first question is from the line of businesses, today, she is please unmute your line and read your question.

Shirish Guthe: yeah.

Jay Kale: yeah.

Shirish Guthe: Yeah so thank you for taking my question want to understand the next four or five years if you can give a big picture of what kind of CAPEX are we looking at and what kind of Revenue that CAPEX will generate and if you can explain a little bit more about the Child line products, what is the kind of opportunity, and whom we are supplying the to etc.

R. Dilip Kumar: The second part of the Question.

Shirish Guthe: Under drive line products, we are doing some investments, where which areas are we investing in and.

R. Dilip Kumar: No, I think the capital expenditure, just go back into the past we have spent nearly 1500 Crores in the last 4 to 5 years typically in Auto component industry in the initial phases. As the business matures we expect not less than 1:1, and so, and the assets improved in course of time to 1.5 to 2 times, depending on the business so we have, I think, spent enough, and most of the sectors it's been affected, with a pandemic, the last two years, so it has affected us as well. So we are in the process of realizing the full potential of the investments already made, so we are only investing in new areas at this point of time in areas such as let's say difference for aerospace as opportunities come or mainly in the non-auto verticals, so I think we will wait for opportunities and in any year we invest not less than 250 crores on an average. Though the last couple years have been neutral and some of the new investments have been coming in our Mahindra

City and the where our SEZ plant is located, where we are in the process of receiving orders and actually seeing orders for electric vehicles segment, which also, incidentally qualifies for PLI incentive in India.

Shirish Guthe: Can you explain more, in which Electrical Vehicle Component are making these.

R. Dilip Kumar: These are input shafts, output shafts, Intermediate Shafts and different types of shafts which are being made for American customers.

Shirish Guthe: This will be marginated in Market.

R. Dilip Kumar: Well yeah, we have to see that is, that is the basis on which we are making investments, and not only because of the PLI incentive or which it qualifies we expected to be marginated.

Shirish Guthe: So that you wanted to 250 Crores CAPEX is will be continue for next five years that could accelerate.

R. Dilip Kumar: It can accelerate so in the game looking into the history for guidance in between 2018 – 19, 2017 -18 and 2018 - 19 we are almost in 1000 Crores, so we have done upto 325 to 350 crores in the past, so 250 Crores is just a number, yes we can, if there are market opportunities, we will not hesitate to invest.

Shirish Guthe: got it, thank you, thank you.

Jay Kale: So, to the question 2 assembles i'd like to just take one question in terms of electric vehicle portfolio mentioned that you know you're investing in a PLI is when it finishes throw some sense on how you serious portfolio shaping up, which are the kind of products you're targeting.

Jay Kale: You know and which are the products where you will not kind of invest into the EV portfolio and the current client that you bought in the American market would it be similar clients to who you're supplying your ice products today or you're also trying to get into some of the your EV customers as well, I.

R. Dilip Kumar: No today we are made an entry with customers with whom you're already selling ICE products that's the easiest way to start and so that's where we have tasted success, but having said that, we have also received our tools and advanced stage of discussions and closing certain deals with the other customers with whom we were not supplying necessarily from India, but other parts of our Chinese subsidy as well, so we have a good customer connect but the SEZ plant for which is primarily focusing on EV will like I said we'll manufacturing and supply shafts and the other products, shall I said into under discussion and it would you know take some time for us to share more details, but what is at this point of time which is you know certain cities supplying different ways of manufacturing shafts.

Jay Kale: Okay, but it product profile focus will largely been metallurgical products right, you may not want to enter into any electronic type of products or anything like that, as a as a focus area.

R. Dilip Kumar: Yeah I would think metallurgy what is our core competency and I don't see ourselves diverging from that from that direction.

Jay Kale: or any power electronics OK.

R. Dilip Kumar: I will follow on to.

Jay Kale: Since we have the next question from you know may, please, please unmute your line and when, with a question.

Mythili Balakrishnan: Sure, a couple of questions. Would you just help us with the mix.

Mythili Balakrishnan: Which is bare for us currently on the domestic side between the different types of different segments just as tractors, two wheelers, for we let you go.

R. Dilip Kumar: Yeah the mix remained largely unchanged for over a period of many years with commercial vehicles, probably, accounting for 25% and passenger vehicles, which is a big business for us, accounting for 40% and we also have tractors, which is about 10% we have we are in presently two wheelers, we are also in the wind energy fasteners and we are so we are, we also manufacturing's supply radiator caps and we would think largely the two major sectors for us are Pasture Vehicles and Commercial Vehicles between them and the engine segment would account for about 70% of our business.

Mythili Balakrishnan: And given that both commercial vehicles, and you know the commercial vehicle segment, especially is doing extremely well as that proportion not increase percent because the growth has been you know much ahead of what happened in.

R. Dilip Kumar: Agree, I agree within that we have internally out performed in the LCD segment and to some extent in medium revenue commercial basis, yes, I agree with you, the proportion, we have slightly changed but do not have significantly changed.

Mythili Balakrishnan: In terms of your market Shares in these segments or in your wallet share with these customers, would you just be about some committee of how we just moved over a period of time.

R. Dilip Kumar: Yeah I think while we're not focused too much on market share. So, but definitely in a way is and we definitely want to have higher share of business of wallet share as to say, but in most of the products with to whom we work with it we work with on all leading manufacturers so, for instance Maruti, or TATA , or commercial business manufacturer the share of business can be as high as 75 to 80% in the products we participate.

Mythili Balakrishnan: And we also have us help little bit to say your top five customers on the domestic side, how much they contribute to our revenues currently.

R. Dilip Kumar: Currently at the top, if I take top 5 customers I would even not extend that to 10 customers they'll probably account for 70% of our business.

Mythili Balakrishnan: Also wanted to check with you on the non-auto segment because that was one of the most sort of focusing on big energy etc so just wanted to get a sense of view of what is the kind of growth you're seeing that you know.

Mythili Balakrishnan: What expanding on that front.

R. Dilip Kumar: Non-auto for us would include practice, also, that is how we measure eternally so for us we're seeing good traction in the wind energy and also in the aftermarket where we have a strong presence in the industrial segment and stationery engines and off road vehicles, infrastructure, so if we aggregate all of this and put a number to not be less than 25% of our total business.

R. Dilip Kumar: How much reading excellent wonderful person.

Mythili Balakrishnan: And how about this being a year ago, for us, or metabolism going back for more and undisrupted quarter, how much data have been.

R. Dilip Kumar: Maybe you would have been around 15%.

Mythili Balakrishnan: I had a question on capacity utilization right in our last call we had sort of guided to 300 crores CAPEX on a standalone basis and 350 crores for the consolidated entity, would you just help us understand a few, but you know what is the capacity utilization and that, now that we have this new facility in a Sricity, how was it sort of ramping up for us for just.

R. Dilip Kumar: Sricity, it will take some time, I think it was CAPEX predicted on European customer and you know, Europe is having a lot of challenges, the inflation going through the roof, and there has been a slow down and so things have not picked up, as well as we would have wanted in as per Sricity concerned, but nevertheless we're working with customers and trying to actualized more business as per as CAPEX is concerned we had a no CAPEX last year but we expect this year CAPEX expenditure to get widen this year, probably, we will do somewhere 250 to 300 Crores this year.

Mythili Balakrishnan: This will be on a standalone and 50 Crores more. If require we will invest

R. Dilip Kumar: Will know be watchful year because of the potential recession in US and Texas. Hopefully India will continue to grow, not less than 7% so with these Caveat, I think we should spend about it 200 to 300 crores.

Mythili Balakrishnan: In terms of Sricity facility that this particular customer of ours has a not because you think that is a sport for us to sort of you know change the customer mood or look at someone else to sort of fill up this capacity or is that something that we are making specifically for.

R. Dilip Kumar: yeah we have are manufacturing component specifically for European customer, but having said that, the endeavor is always to look at other options, because nobody would want to keep the having incurred expenditure to keep it.

R. Dilip Kumar: Yes.

Mythili Balakrishnan: Thank you that's on me and.

Jay Kale: Then all the other next question from Dipen Sanghavi depends on we please unmute your line and depression.

Jay Kale: yeah David.

Jay Kale: What do you ask the question, please unmute your line and.

Dipen Sanghavi: He I am I audible now.

R. Dilip Kumar: yeah yeah.

Dipen Sanghavi: Thank you for the opportunity, so I wanted to get a clarification on the CAPEX as guided earlier in just or.

Dipen Sanghavi: explaining the previous question 300 Crores for the standalone entity and 50 Crores for subsidiary for current financial year.

Dipen Sanghavi: And when you when I look at your press release the new investment of 350 Crores and another 300 crores are these two investment over in above what guided for the current year Capex and or is it somewhere kind of you know, part of that club them within that.

R. Dilip Kumar: Then, maybe a small overlap, but in a in any typical year we would spend, not less than 250 Crores so. Like I said, if there is a possibility of Slowdown Economy, we may not go ahead as planned at 300 Crores we may scale down a bit but what you saw in the press release or the AGM speech of the chairman, we are looking at certain business opportunities to materialize as an idea happen, we are well poised to incur that kind of expenditure.

Dipen Sanghavi: Okay, so in these opportunities materialize then your 350 Crores consolidated CAPEX can you know go to 450 - 500 Crores as well, is that understanding.

Dipen Sanghavi: Absolutely okay.

R. Dilip Kumar: it cannot get incurred all of in one year.

Dipen Sanghavi: yeah yeah.

Dipen Sanghavi: that's yeah okay so basically if I look at our next three years, combined period, then your capex on a consolidated business can range in the, probably from 1000 crores to even to 1500 and 1600 crores based on the new opportunities materialization.

R. Dilip Kumar: possible at least 1000 Crores looks definitely possible over the next 3 year period.

Dipen Sanghavi: Okay okay great secondly about the RM Cost pass through how have things changed between.

Dipen Sanghavi: The previous or March quarter on quarter ending or let's say for of last financial year and current quarter q1.

Dipen Sanghavi: we've seen your gross margin, improving slightly as compared to the march quarter so have you been kind of taken the past two has happened, or is it some other adjustment, and that is one secondly.

Dipen Sanghavi: You know, is there any change in your overall freight costs and how you, is there any.

Dipen Sanghavi: kind of you know benefit out of that also or that is yet too materialize.

R. Dilip Kumar: yeah so this RMC like you rightly observed Raw Material cost, there has been some improvement in realization from customers, where we have managed to get price increases for the price which you have considered.

R. Dilip Kumar: Right, so that gap is narrowing, we hope we are hoping that would get narrow down further in Q2 but, having said that it may not get recovered fully. This is because, in the typically the settlements happened the retrospective effect so by the time the goods would have been sold aftermarket so while you can recover from the OE customers yeah it may not be possible to recover the aftermarket But having said that, we always have the ability, subject to competitive position to increase prices in the aftermarket.

R. Dilip Kumar: And even if subsequent months the RM prices soften you have kind of some kind of ability to keep the you know not hold back the prices. So, as far as export market is concerned, in some of the contracts, we have pass through arrangements in some contracts, we have sharing arrangements in some contracts. They are linked was completely different index, which is diversity from the local fluctuations, so we have all flavors. Also, therefore, there is to answer the first part of the question and regarding the freight, as many of you would know the frieght has been a big challenge and container shortage has been a challenge and therefore not many ships are available and we hear stories where if hundred ships go to America will be 60 return and there's a lot of delay. Because a pandemic and various reasons so freight has gone through the roof, but fortunately for Sundram Fasteners two thirds of our businesses X works. And one third, is where it's unsafe basis, so we don't bear freight costs on two thirds only on the with respect to remaining one third wherever we bear we have worked with customers explain the position we have been somewhat successful in recovering these freight costs.

Dipen Sanghavi: Okay, so on the raw material part you know from based on what you say.

Dipen Sanghavi: What will be the extent of under recovery of raw material costs, you know the RM cost, which is still there and in the system and yet to be recovered.

R. Dilip Kumar: 1%.

Dipen Sanghavi: you had earlier guided based on the current raw material inflation scenario and under Security etc.

Dipen Sanghavi: And the freight costs, keeping all that in mind, you had earlier guided for standalone EBITA margin of 16 to 17% do mostly believe that the same range is kind of achievable or probably based on the current quarter result or new see this number can be slightly higher.

R. Dilip Kumar: I think we have done something point three this quarter, and I think that is my opinion, sustainable.

Dipen Sanghavi: OK, one on one more thing on you know you explained earlier, that, based on the Asset turnover ratio in your business, you know, ranging from one 1.1 to eventually one nearly two times 1.5 to two times over the period and you said that.

Dipen Sanghavi: CAPEX you've done in the last five years, you are yet to realize the full revenue potential of that and keeping in mind the current of.

Dipen Sanghavi: Recovery across various markets and the current you know business condition, where do you see, you know that incremental you know revenue realization over the next two to three years.

Dipen Sanghavi: were to take a you know you just slightly longer view, do you believe that your most exports and domestic revenue came into what kind of you know, growth rate, can you maintain or maybe you can give some kind of numbers or absolute numbers.

R. Dilip Kumar: yeah, so I think the gap would have between our CAPEX and our revenues in an ideal world should not be there at all, and today I think there is a gap of nearly 250 crore rupees. So much of additional revenues potential is available for the capital expenditure already incurred. Okay, the potential we have in some of the businesses.

Dipen Sanghavi: Right so.

R. Dilip Kumar: Therefore, that I will put as the number as far as the exports growth and the domestic is concerned largely driven by the domestic course one third of our business is also exports, which is not a small number for us, which is you know.

R. Dilip Kumar: If everything goes well, we would probably I hit a number of 200 million dollars of exports all company so they're our big customers are comments and General Motors Navistar john Deere so we did with many of the big names, so we would be not necessarily a function of the growth there, there could be many compulsions, why would they would want to do business with us as far as domestic market is concerned, we are clearly.

R. Dilip Kumar: We will grow with the industry and we have seen in the past, Sundram Fasteners is always grown at least by three to 5% is higher than industry.

Dipen Sanghavi: Okay, and that gap, or what the underlying industry you, you see that you know Company you are maintaining the that gap 3 to 5%.

R. Dilip Kumar: yeah it has it has been always been there.

Dipen Sanghavi: Okay.

R. Dilip Kumar: In general, in general, if GDP growth, grows by 7% we have seen that auto sector grows by two X by 220 percent and Sundram Fasteners grows by 20 to 25% sure sure.

Dipen Sanghavi: Thank you i'll come back in the queue for 5 more question.

R. Dilip Kumar: Thank you so much, thank you.

Rahul Ranade: You know, one question in terms of RM cost you partly answered that but.

Rahul Ranade: You know if you know kind of recall earlier con call, because one of the reasons for under recovery in terms of RM Cost was that you know exports were linked.

Rahul Ranade: To you know international steel prices, which had not the region as sharply as the Indian prices is one of the reasons.

Rahul Ranade: For under recovery which was you know kind of mentioned so just want to understand what is the scenario currently in terms of bad data between our prices and international prices and.

Rahul Ranade: How do you see that moving.

R. Dilip Kumar: Well, I think the American metal market index has started moving higher and so that works well for us and we are seeing some traction there.

R. Dilip Kumar: Which is frantic realization as the contracts, provide for adjustment of the invoice values at the time, the customer inputs the material so when the.

R. Dilip Kumar: index keeps moving up there, we will see a higher realization it was not in sync earlier because it was more link to the local scrap prices which was not reflecting what was in India or other parts of the world, so that is getting corrected to some extent, but it's still not significant.

Rahul Ranade: Our industry and just further understanding, you know what is, you know business as usual kind of a data generally and where was it at its peak and where is it currently so some you know broad numbers around.

R. Dilip Kumar: In the with respect to US market.

Rahul Ranade: yeah yeah.

R. Dilip Kumar: yeah with respect the US market in the first quarter has been good for us and the outlook for the Q2 also remains the same, and so we grew by 13% in rupee terms were out of which about 4 to 4.5% would have come from Rupee weakness, the balance 8% include in volume terms, so we expect that growth numbers to continue.

R. Dilip Kumar: If not 13% but at least eight to 10% into.

Rahul Ranade: Okay okay.

Rahul Ranade: Out of the 13% rupee weakness next contributes around 4% so 8% is then.

R. Dilip Kumar: Come on, in.

Rahul Ranade: A combination of volume and realization or is it just volume.

R. Dilip Kumar: know the export market, the higher realization inflation impact has not been there, so I would attribute to do most of it to volume.

Rahul Ranade: Okay okay so, so we are then you know just going back to the first question we're still you know yet to see a realization improvement because of the gap of clothing between American and Indian prices.

R. Dilip Kumar: yeah like I said it is somewhat improved, but it is not significant.

Rahul Ranade: Oh well.

Rahul Ranade: understood all it Thank you.

Jay Kale: Thank you.

Jay Kale: We have the next question from the line of deep Jen Sunday, please unmute your line and.

Sandeep Jain: Has a question first on this Sricity plant which you have mentioned that the European client has not picked up.

Sandeep Jain: So if we can understand how much impact is there in terms of revenue or how much impact, it can be in the 23 revenue and all and, second, in terms of you know capex which you are planning to do over the period of two three years or so, would it be entirely.

Sandeep Jain: Internally, funded right that's a clarification.

R. Dilip Kumar: yeah so to answer your second question first P, is the.

R. Dilip Kumar: At least up to 150 to 200 crores of CAPEX would met out of internal accruals, because internal accruals are quite strong at this point of time and so I don't see any incremental borrowing as far as your first question is concerned, I don't have an answer at this point of time.

Sandeep Jain: Okay, and if the situation improves and, if you think that the you know capex can be done at 300 to 350 grows over a period of one and a half year or so, you might see some kind of borrowing in our balancing.

R. Dilip Kumar: Yes, there could be incremental borrowing and we have never shied away from borrowing, so we are open to borrowing, though, that bedt equity currently stands at 0.17.

Sandeep Jain: yeah it's very low.

R. Dilip Kumar: it's very low at this point of time, but if there are opportunities and like we said in a press release you've more than the routine CAPEX expenditure needs to be incurred we are open to borrowing.

Sandeep Jain: And on the first question any kind of you know previous order book or anything you can share from that European point.

Sandeep Jain: Okay yeah.

Jay Kale: yeah you're done.

Sandeep Jain: yeah thanks.

R. Dilip Kumar: Thank you.

Jay Kale: You have the next question, Mr Sonal Gupta please.

Sonal Gupta: yeah hi.

Sonal Gupta: Good afternoon, Sir, and thank you, my question yeah just I mean just to begin with, first, could you talk about I, I believe the press release the 350 crores of capex for our next five years for EV and advanced ice engine components is related to PLI right.

R. Dilip Kumar: yeah these are advanced automotive products where we have tied up with customers for electric vehicles.

Sonal Gupta: So, because it in the press releases it mentions and select icebreakers as well, so um.

R. Dilip Kumar: yeah so there will be at can be both in ED and I was permitted, so the our EV and P&L driven more by than EV.

Sonal Gupta: Right and are you making a separate subsidiary for this, so this will be part of the.

R. Dilip Kumar: This is part of our SEZ business located Mahindra city Chennai, so it is a division of Sundram Fasteners, not a separate entity.

Sonal Gupta: Okay Okay, and the other portion with 300 Crores for wind energy will that also be part of the Mahindra.

R. Dilip Kumar: this is located in Pondicherry and it's again other division of Sundram Fasteners.

Sonal Gupta: Okay, but this is not forming the part of PLI.

R. Dilip Kumar: Not only part of the PLI.

Sonal Gupta: got it got it, so the PLI investments on what you're looking at is like 300 Crores.

Sonal Gupta: yeah 350 Crores.

Sonal Gupta: On this wind energy, like you mentioned next two years itself so is this part of your 300 crore capex.

R. Dilip Kumar: 350 Crores will be over a period of five years, this wind energy can be to always be more a shorter period of time, subject to certain orders, advance type of discussion in materializing .

Sonal Gupta: Okay okay so, and can you just talk about what components are you looking at him the wind energy side or.

R. Dilip Kumar: We are looking at mainly the tower bolts.

Sonal Gupta: tower bolts yeah and, and this is all for I mean this is.

R. Dilip Kumar: wind mill manufactures.

Sonal Gupta: yeah So this has wind mill gearbox, so this is wind mill.

R. Dilip Kumar: This is both.

Sonal Gupta: And I mean what I was trying to understand is like we have some large oh yeah I mean gearbox manufacturer like said F and splendor of Linda, so this is for those guys were manufacturing in India for export markets is that.

R. Dilip Kumar: Oh no no.

Sonal Gupta: Okay Okay, and just on the.

Sonal Gupta: I mean like this, going back to one of the questions that was asked, in terms of increasing domestic wallet share like you mentioned that you are you already have high.

Sonal Gupta: share of business in the components that you were supplying So what are the newareas we looking at in terms of being able to grow, the wallet share.

R. Dilip Kumar: Well, I think the Wallet Share.

R. Dilip Kumar: may improve if as.

R. Dilip Kumar: indigenous more, but I think in the products where we participate, the Wallet Share is fairly high, as it is.

R. Dilip Kumar: So I think from risk mitigation perspective may not be able to increase beyond so if for any product unless it's a highly specialized product and where we have put up investments exclusively for a customer where there's 100% procurement arrangement.

R. Dilip Kumar: I think for any other product you know rely on 100% on one supply.

Sonal Gupta: No Sir sorry I, what I want to ask was how can you grow your revenues for the most part customer essentially supplying more components.

R. Dilip Kumar: Oh yeah yeah.

R. Dilip Kumar: yeah, that is, that will be the only way and working with the customer for with with them for new products and.

R. Dilip Kumar: and see what more we can do, because Sundram Fasteners has got different technologies, depending on what the customer wants, we can do forging a cold forging hot forging, we can develop a batch the metal through cold energy metallurgy we can do, casting so we have all the technologies so.

R. Dilip Kumar: We can we are like you may know, we're not really a faster company and it's so fast and it's only one third of our business today.

R. Dilip Kumar: And we are various technologies so like rightly said by we can increase the share of business with the customer, not the component, by doing more business by doing manufacturing more components for the customer, whichever technology that works for the customer is good for us.

Sonal Gupta: You got it and so just I mean this last one is on the.

Sonal Gupta: Like the I mean last few quarters we've seen pretty low domestic sales, could I know this year this quarter looks better because you last year was a low base, but if we look at it sequentially there is limited improvement, and this was something that i'd raised.

Sonal Gupta: In the last quarter call as well that last quarter which seen only a 5% growth, which would have been less than the.

Sonal Gupta: amount of raw material price inflation, you would have seen, so why we seen some improvement i'm just trying to understand like is there any segments, which are not doing for well for us in the domestic market.

R. Dilip Kumar: Nothing specific comes to my mind, said, this time I think if I see the internal numbers in the CRM data has been put out for various categories of vehicles.

R. Dilip Kumar: It looks that we have not under performed anywhere.

Sonal Gupta: got it and so just Lastly, on the export side, what sort of exposure do we have to the US Classic segment, I mean in terms of the products that you supply.

R. Dilip Kumar: The May be I if I take our export as 1500 Crores may be one third would probably be driven by classic.

Sonal Gupta: Okay, and the rest would be.

R. Dilip Kumar: would be aftermarket in US.

Sonal Gupta: aftermarket you mean like industrial to.

R. Dilip Kumar: know it can go to the auto but through aggregators.

Sonal Gupta: Okay, so like I mean I mean clearly come into the best is a big customer for you, so they would have not discussed it with other heavy industrial equipment.

Sonal Gupta: Engine stationary engines.

R. Dilip Kumar: The engines you're right.

Sonal Gupta: So, so those would get classified under aftermarket rate.

R. Dilip Kumar: No, I was talking more from our fasteners business, which is the about we have a lot of exports 200 crores of fasteners which go into the aftermarket it can go into trucks or auto commercial vehicles or pasture vehicles through aggregators would be again supplying, or going to the aftermarket.

Sonal Gupta: Right.

R. Dilip Kumar: Supply Chain companies.

Sonal Gupta: got it so sorry, just to clarify this, so when you talk when you're talking one third is classic you talking about the full exports of about 1500 crores .

Sonal Gupta: And rest is for passing the vehicles.

Sonal Gupta: Oh.

R. Dilip Kumar: yeah.

Sonal Gupta: I joined Mike Thank you.

Jay Kale: Thank you.

Jay Kale: The next question of schizophrenia, please unmute your line.

Viraj Kacharia: yeah most of my question.

Viraj Kacharia: Just one query and have been answered a couple of quarters back, but to restructuring and the group level.

Viraj Kacharia: To Sundram Fasteners we're kind of looking to add that into a lot of new products, new segments, so this kind of restrict us a number what product or categories

R. Dilip Kumar: Free there is there are no major constraints on what products, we can do what wecannot do.

Viraj Kacharia: Okay, thank you, thank you.

Jay Kale: Thank you we'll take a few questions from the chat window, so one question is um youknow the margin profile.

Jay Kale: we've seen in the last three four years, your margins are range between 18 to 19% nowwith raw materials, increasing.

Jay Kale: You know we're guessing that you may not have the profits on the costs increased Is it fairto assume that this should now settled more than that 17% or 17 to 18% range despite factoring in the value edition or the higher margin components that will be having.

R. Dilip Kumar: yeah I think there will be a fair statement and hope we're all hoping that raw metalprices would soften that's the broad market expectation.

Jay Kale: Okay Okay, and also in this quarter, how much would be the pricing pieces, you would have brought in from the customers, both in the domestic as well as experts market.

R. Dilip Kumar: yeah exports like I said earlier, the contractual arrangements do not provide for such a pass through effectively, but the domestic markets, we have been fairly successful and the gap has been about 1% between the price considered and price received the customers 1% of our revenues.

Jay Kale: Okay okay understood and also only a new product side and a new job, a new client side if you can throw some light on what is the status of your new client wins, especially the European andthe US market, both on the auto as well as an auto side.

Jay Kale: Because I think currently General Motors in the passenger vehicle side is your largest patent export markets any idea that for any new order wins or client wants, or what is the pipeline.

R. Dilip Kumar: yeah comments in General Motors other two key customers and with the General Motors, we are working on for some of our EV products, which I mentioned from a Mahindra City So those are the some of the new wins and orders in the pipeline.

Jay Kale: Okay, understood understood now, we take the next question for Mr Ketul Dalal, to the law, please unmute your line and where the person.

Ketul Dalal: yeah Thank you, thank you for taking my question now so So could you through like what is, what is your export market outlook considering slow down fields in USA and has it impacted our auto book in any way yet.

R. Dilip Kumar: So, so far, not that I hope it doesn't happen so when the recession may happen in the US and.

R. Dilip Kumar: There is an expectation of that indicated by the financial markets where to many interest rates are higher than the any other districts.

R. Dilip Kumar: And, but I just want to share a piece of data with you, which is very interesting, you know American GDP is driven 70% by American households.

R. Dilip Kumar: And, unlike the earlier recessions this time, the government has put in huge amount of money in the bank accounts of American households.

R. Dilip Kumar: And the data was saying there is about something like $3.5 trillion is sitting idle in American bank accounts and that you know is slightly more than the size of Indian economy.

R. Dilip Kumar: And so, with that kind of money in Americans to spend this recession, hopefully, will not happen, but even if it were to happen, and I think there will be cost pressures and they should look to outsource more to countries like India.

Ketul Dalal: Okay, so another question, if I can squeeze in late when you authors are EV Order book currently and are we looking at to tie up with customers in a domestic market as well.

R. Dilip Kumar: Yes, across all product groups we do supply electrical vehicle products that so really the focus of the management as well.

R. Dilip Kumar: But today, it is some about 2% of our revenues with these orders from General Motors other customers materializing as part of our PLA initiative that to go up significantly in the years to come.

Ketul Dalal: Okay, and last question would be what would be your outcome for the non-automotive segments.

R. Dilip Kumar: Eventually, we would want to do 50-50 were almost 50% of Auto business and non-auto comprises 50% but if I include.

R. Dilip Kumar: All the things which I said earlier about infra, industry vertical on the aftermarket and wind energy and practice, we will be not less than 25% today, and that is growing.323

Ketul Dalal: Oh, thank you, thank you so much, so that's all from my side.

Jay Kale: Thank you just take a few questions in the chat window again or Sonia subsidiary financials we've seen you know if we just do console minus standalone.

Jay Kale: we've seen a margin dip of quarter on quarter basis, as well as the revenue dip whereas you know the standalone operations have posted decent enough.

Jay Kale: Growth, both on top line, as well as.

Jay Kale: EBITA, so any fuel you can throw on the individual subsidies, what has been the performance any subsidy which is underperforming maybe it will be the China is it because of the China subsidy the China lockdowns and, what is your outlook going forward.

R. Dilip Kumar: yeah I think we standalone accounts for 90% of the revenues and probably 90% of the profits so there's no secret that the SFL group is driven by the standalone performance but having said that the whole subsidies acquitted themselves well this quarter, except.

R. Dilip Kumar: Like you rightly pointed out, China and because the zero COVID policy it is hampered production, not only of our Chinese subsidiary but we also affected because most of our customers their production level have come down to some 25 to 30%.

R. Dilip Kumar: And the supply chain has got affected and swell with the elections of the new way President, being the next big thing there.

R. Dilip Kumar: And they hopefully they will relax the zero COVID policy we expect, Q3, to come back in line with Q1 for our performance, we expect a strong Q4 as far as China is concerned, but barring that blip I think all others subsidiaries have done this well.

Jay Kale: just tell me or wind energy in aerospace business, we have spoken about these two segments, for the past decade, as well.

Jay Kale: Any you know if them going forward what has worked and what hasn't worked in the last 10 years what what key learnings in these segments and are you seeing more optimism on these two new segments going forward than what we had seen in the last decade.

R. Dilip Kumar: yeah definitely we see a lot of optimism as far as the wind energy is concerned, and we expect.

R. Dilip Kumar: I think more investments to be made, as we are talking to the big customers, and so we started this plant in 2012 and while i'm not aware of any specific learnings from the operations perspective but.

R. Dilip Kumar: SFL is ready to invest and if there is a market opportunities, we are well placed, we have the experience we work with.

R. Dilip Kumar: We work with all major names in the segment, while it is a very competitive field, the margins are probably not as high as the auto segment.

R. Dilip Kumar: or other non-auto segment, but it gives us a good diversification and gives us the scale, I think we haven't placed it as far as Aerospace is concerned.

R. Dilip Kumar: Yes, we have started on a low scale, both aerospace and Defense it is text, it has long lead time.

R. Dilip Kumar: requires certification, we will set up a separate subsidy to give a full focus to tap defence and a lot of samples have been submitted pro-text that we've developed.

R. Dilip Kumar: And the team is working with the PSUs, it takes some time, so I think while PSUs are also an obligation to support MSME.

R. Dilip Kumar: There is a bit of chaptalization I understand so it's going to take a while, but here again we are quite excited because there are a lot of opportunities, not only in aerospace and Defense we're also seeing customers are seeing as.

R. Dilip Kumar: are seeing distribution between fasteners and our subsidy and are willing to award more non offer businesses so we're looking at offer awakens.

R. Dilip Kumar: we're looking at we're positioning it says engineering company and this subsidiary is on TVS engineering and we are quite excited about but it's going to take over.

R. Dilip Kumar: I would say, at least two to three years before we make tangible progress.

R. Dilip Kumar: In these businesses.

Jay Kale: understand your next question for Mr legion Lester please unmute your line with the question.

Neelesh Dhamnaskar: yeah hi i'm out of it.

Neelesh Dhamnaskar: yeah yeah thanks Thank you so so I had this question on just one clarification on this.

Neelesh Dhamnaskar: Potential revenues which you can do from your existing so in one of your earlier commentary to you just mentioned that to 250 crore revenue more you can do from your existing capacity so.

Neelesh Dhamnaskar: Is this word standalone first of all.

R. Dilip Kumar: This is for Standalone Standalone.

Neelesh Dhamnaskar: Standalone okay fair enough fair enough, but just just not taking this as a number, I remember, I think, maybe, maybe you're a couple of years back when it at a at a at a steep pricing level, which was much lower than what it is currently the broad match a remember one of the concall you're given us about you can do about 5000 Crore revenue on the on your that on your CAPEX on that point of time, so so now so so currently whatever us certainly revenues have gone up if you want to just simply analyze this quarter's.

Neelesh Dhamnaskar: Revenue run rate, then that works about of standalone and it works out to 5000 Crores, but the equivalent at that point of times, maybe still.

Neelesh Dhamnaskar: Just not just negating the steel price increase I don't know what the exact numbers but broadly should be about 4300 crores so I just wanted to know I mean.

Neelesh Dhamnaskar: I thought that this 250 crore gap is much lesser in the sense you, you have you have had you seemed at least understanding was that the operating leverage still left is much higher so where's the discrepancy.

R. Dilip Kumar: No, there is no discrepancy, and I, like, I said 250 Crores is definitely something.

R. Dilip Kumar: We are we can actually and there well there could be a potential reward it really depends on the type of businesses which you would get but the I would think the if not less than 250 Crores s, if I can put it, is that definitely.

R. Dilip Kumar: Additional business that can drive out of the CAPEX is already.

Neelesh Dhamnaskar: So that's the kind of minimum but but, but what would be this upper end of this range is minimum 250 Crores.

R. Dilip Kumar: yeah you can go up to maybe 350 to 400 percent as possible okay okay.

Neelesh Dhamnaskar: So is it then does it mean that the maybe some of the New York CAPEX which you would have put maybe the asset asset turnover is for those CAPEX is slightly lower than what you generally do.

R. Dilip Kumar: yeah initial visits, they have been incurred in the recent times.

R. Dilip Kumar: It takes some time to.

R. Dilip Kumar: Time maturity in.

Neelesh Dhamnaskar: but then does it mean that the so when you say 350 crores, it is still at that first date or one it attain maturity.

Neelesh Dhamnaskar: additional okay.

Neelesh Dhamnaskar: So what's the 300 to 350 Crores and maximum you will you will be will do from your current capacity that do throughput levels with you in general do, yes, you got it and, and I think capex you have already elaborated okay great thanks thanks.

Neelesh Dhamnaskar:, yes, thank you.

Jay Kale: Thank you so just one question from an existing product profile, you know are forging fasteners between product by product segments that we have.

Jay Kale: Now, which are the product segments where you see the maximum growth opportunity, and in that context which one would be the highest margin business, so to say, and also in a couple of years back, there was a lot of value addition.

Jay Kale: delta that you're getting and hence it was reflecting in your margins Where are you in that journey for different segments, and would there be more scope on that front.

R. Dilip Kumar: yeah I think the our oldest businesses fastness business and so then business, which is not only as a high market share of almost 40% of the market, fasteners and business, which is one third of our revenue profile as well, and contributes decent.

R. Dilip Kumar: margins and also gives us a good return on capital right more than the margins further you know related to the captive fasteners business.

R. Dilip Kumar: gives you a higher return, but in the other segments as well, like the fasteners forging business and above powertrain components, you had reasonable margins and.

R. Dilip Kumar: Also in the vertical in the new facility, I was a new facility, the facility setup in uttrakhand more a decade back.

R. Dilip Kumar: is also maturing when and where return ratios are very high, where we have three product profiles, we have.

R. Dilip Kumar: The pumps business, we have the fasteners business, so I would think across our product groups, the margins are stable not going and.

R. Dilip Kumar: But if I were to ask me I think in terms of sheer size, it will be faster business which the scores on the efficiency of the capital and as well as the efficiency of operations.

Jay Kale: Oh understood the next question comes up please unmute your line and.

Sonal Gupta: yeah hi being immigration so again.

Sonal Gupta: To this to a couple of things on the cost side, like you mentioned that there is still some under recovery right in the prices right like you said about hundred web system under recovery so I mean like given that now globally we've seen a softening of steel prices so can we expect that in the next couple of one or two quarters that should sort of normalize for you.

R. Dilip Kumar: I would think so, Sir that's the phone hope, and I think that's the broad expectation of components manufactures.

Sonal Gupta: got it and just on make the logistics costs, you mentioned that more or less it's sort of been a pass through so when you're saying to two third and one third one only one third only for exports right.

Sonal Gupta: Yes, sorry just clarifying and this Lastly, I mean, are there any components in your other expenses line item right like were.

Sonal Gupta: Caught I mean like you already ruled out logistics, but are there any other components like power costs are etc where you've seen a high inflation or in terms of your material consumption space consumption prices, which should sort of come down going forward is there any scope there.

R. Dilip Kumar: A in the indirect materials, yes, I think, prices have again.

R. Dilip Kumar: gone through the roof.

R. Dilip Kumar: largely linked to the oil prices, and I think chemicals, diesel, acid it's reflecting it is all is on pervasive inflation, and so it is there and said when those prices oil prices are often I think we'll definitely see some pass through and as well as.

R. Dilip Kumar: In the hour, I think we have done reasonably well and when there was a challenge in the month of April, because of.

R. Dilip Kumar: The coal shortage the again prices went up artificially but they have somewhat stabilized in the last two months, and we expect to use more wind power, solar power to keep the cost competitive.

Sonal Gupta: got it, and this on the export side, I mean like is there any.

Sonal Gupta: Major new program kicking in, or are we sort of more dependent on how the overall demand of the end markets is fluctuating.

R. Dilip Kumar: I would think so I would think more by by the end market.

Sonal Gupta: got it, so the EV orders will start when.

R. Dilip Kumar: You start as will start from this year onwards we expect more significant orders for next year, but the flows will start happening from this year.

Sonal Gupta: God OK so great Thank you so much.

Jay Kale: Thank you just one question that you decide, you know you mentioned already started from this year, and it is from an existing customer only the tech would largely replace the ICE portfolio of their customer so, is it fair to assume that the EV content.

Jay Kale: For that particular customer would be higher than you are is content currently that you're supplying to the customer.

Jay Kale: You get additional revenues yeah.

R. Dilip Kumar: yeah may not be the initial status, but you have you been here three or four years.

Jay Kale: understood and just last question on the raw material side, you mentioned that you know you will see some softening and you also mentioned that.

Jay Kale: You have 1% or under recovery so is that slated to come, that in a price increase from the customer is slated to come and save Q2.

Jay Kale: And then from q3, you will see raw materials softening and, hence, you would also have to pass that on with the quarters back to the customer is that how that would go.

R. Dilip Kumar: yeah the industry works that way, there are many models, yes, largely what you're saying is correct.

Jay Kale: So, in that sense, you could see an a temporary kind of further margin expansion right since you still have an under.

R. Dilip Kumar: yeah yeah.

Jay Kale: undisturbed condition oh it's so in the interest of time I think we'll end this call, and despite you can thank you participants for participating and thanks management for giving us the opportunity was this call.

Jay Kale: And I look forward to the next call all the eggs.

R. Dilip Kumar: Thank you so much bye.

R Ganesh: Thank you.