Sundram Fasteners Limited

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February 13, 2024

National Stock Exchange of India Limited By NEAPS
Symbol - SUNDRMFAST
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Bandra (East), Mumbai - 400 051

BSE Limited By Listing Centre
Scrip Code - 500403
Phi Roze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015-Transcript of Analysts/Investors Meet held on February 7, 2024

Further to our letter dated February 7, 2024 on the subject, please find attached the transcript of the Analysts / Investors meet held on **February 7, 2024 (Wednesday)** for your information and records.

The transcript is also available on the Company's website at https://www.sundram.com/recentupdate.php

Please take the above information on record.

Thanking you,

Yours truly,
For SUNDRAM FASTENERS LIMITED

GOPALAKRISHNAN ANAND BABU

Digitally signed by GOPALAKRISHNAN ANAND BABU
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G Anand Babu
Senior Manager – Finance & Company Secretary

"Sundram Fasteners Limited

3Q FY'24 Earnings Conference Call"

February 07, 2024

MANAGEMENT: **MR. R DILIP KUMAR – CHIEF FINANCIAL OFFICER – SUNDRAM FASTENERS LIMITED**
MR. C RAJAGOPALAN - EXECUTIVE VICE PRESIDENT – MARKETING - SUNDRAM FASTENERS LIMITED
MR. R GANESH - SENIOR GENERAL MANAGER – FINANCE – SUNDRAM FASTENERS LIMITED

MODERATOR: **MR. MUKESH SARAF – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day and welcome to Sundram Fasteners 3Q FY24 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 date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mukesh Saraf. Thank you and over to you, sir.

Mukesh Saraf: Thank you, Viren. Good morning. Mukesh here from Avendus Park. Appreciate everybody logging in. I'm pleased to be hosting the management of Sundram Fasteners on this call. We have with us Mr. Dilip Kumar, Chief Financial Officer of Sundram Fasteners, Mr. C. Rajagopalan, Executive Vice President Marketing and Mr. R. Ganesh, Senior General Manager Finance. We'll start with a brief opening remarks from Mr. Dilip Kumar and then follow it up with a Q&A. Over to you, sir.

Dilip Kumar: Yes. Good morning. I welcome all of you to this conference call on Q3 performance. Just a customary announcement, if there are any journalists or media personnel you want to copy, please kindly check with me, verify the facts before putting out any news item. On the results, just to read out the numbers, the standalone financials for the quarter, the revenues were at INR1,180 crores as against INR1,226 crores.

The context to this is it is not a revenue drop, as you see from the numbers, but it is because of the impact of the floods which we had in Chennai, which affected the operations for a week or so at our factories in Chennai. So for that, we would have probably been better than the corresponding period of last year.

The domestic sales were at INR812 crores compared to INR813 crores of the previous year. The exports came in at INR339 crores versus INR364 crores. So here again, apart from the disruptions in the operations partially, the strike by the United Auto Workers has ended as we all know, and the stock build-up which was there in respect of our products, now the inventories have been consumed and we expected to have a strong Q3, which we think now will shift to Q4.

By all indications, the month has started well for us and we expect to finish this quarter strongly. We had earlier started with around $200 million with an aspiration and we said in the last call we will be somewhere between $160 million to $180 million. I will still hold on to that number. We should finish somewhere between $160 million to $180 million, given how we have started the first month. So that's on the exports and as we go along, we will get into more details if you have any more questions.

On the EBITDA, we have crossed INR200 crores of EBITDA for the quarter and the EBITDA expansion also has happened compared to the earlier year, where it was around 15%. Now we are inching towards 17%. There are many factors in the benign raw material prices, and the softening is there, and we have also negotiated hard with some of our suppliers. We have got a good commercial discount on the raw materials.

We have also managed our stores and tools, and other discretion is spent more carefully. Our fixed costs have been under control, which is why we have seen expansion in our margins at the contribution level, as well as at the EBITDA level, because our subcontract – our product mix has been favorable, so subcontract operations have come down and the power costs have been managed well because we are bringing in more and more renewable sources of power under the group capital scheme. So, all of which have helped to improve the contribution at the EBITDA.

Despite the increase in capital expenditure, we have been able to keep the borrowings under control. We had also paid the dividends last quarter and our interest finance costs have been stable and we had announced that we would be spending about INR1,000 crores over a three-year period.

We are pretty much on target to spend that kind of amount and some of you also may have noticed that we had entered into a memorandum of understanding with the Tamil Nadu government in the recently held Global Investor Meet, where we had said we would spend about INR1,400 crores up to 2027-28 and these are based on clearly well-defined plans and customer orders, etcetera. So we have signed – that was one of the significant milestones this quarter.

Our debt-equity ratio continues to be strong at 0.11. The profit before tax for the quarter came at INR155 crores compared to INR142 crores. The PAT was at INR116 crores over INR106 crores, a INR10-crores increase compared to last year, but if the operations had not been impacted, probably we would have had another INR10 crores to 12 crores more to the bottom line.

The consolidated financials for the quarter was at INR1,367 crores compared to INR1,403 crores. The net profit was at INR129 crores compared to INR118 crores. Here again, our Chinese venture is doing very well and though there is a bit of a slowdown in the construction sector where we are present largely in China, but the passenger vehicles and EV segments are doing well, and we had a very good Q4 there last year.

We expect that trend to continue in 2024, and they have done lots of hard work in improving the gross margin, and that is percolating down to the profits as well. And the UK venture, which had also turned around, had quite an impressive year in 2023, and though the interest rates are high, truck markets are slightly slowing down. The dynamic, interest rate dynamics are changing a bit, but we are watchful and we are confident that we'll be able to repeat the operating performance of CPFL in 2024 as well.

So, moving on to the nine-month number, the revenue from operations was INR3,630 crores compared to INR3,684 crores, with net profit for the nine-month at INR 347 crores compared to INR 347 Crores of last year. The consolidated financials came in at INR4,199 crores of revenue, as against INR4,214, with a profit after tax of INR391 crores compared to INR372 crores. So, these are some of the financial highlights which I wanted to share with all of you. And we are happy to take any questions on the market, operations, any questions you may have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Vimal Gohil from Alchemy Capital Management. Please go ahead.

Vimal Gohil: Thank you for the opportunity, sir. So, my first question would be if you just give me the mix for the nine months for our segments, both PV series, and so on and so forth, and the product-wise mix, if possible.

R Ganesh: This is Ganesh here. With respect to the domestic market, the split between the segments would be in passenger car, we are there at about 40% of the revenue. And with respect to HEV and LCV, along with the engines put together, it will be about 35%. The tractor segment would be in the range of 10%, and 2-wheeler and 3-wheeler would be sub-5%.

This is the broad domestic segment, segment-wise sales we have experienced for the last nine months. And with respect to the OEM, aftermarket, and export mix, if you look at OEM would be about 60%, and retail 10% to 12%, and exports sub-30%. That is the broad mix that we have experienced for the current year.

Vimal Gohil: Okay. Sir, how much did you say the retail was? Aftermarket, how much? Sorry?

R Ganesh: It will be 10% to 12% of the overall revenue.

Vimal Gohil: Understood. All right. Sir my next question was on, you explained or rather reiterated in your comments that there was some favourable product mix which helped in the margins. If you can just clarify exactly which products led to better margins for us, and will that continue going into the future?

C Rajagopalan: Yes, when you talk about the mix, actually, we are present from the commodity to highly value-added parts. So I think the requirements in terms of both domestic and the exports on the highly value-added parts are the precision machining parts are higher. Also, the near-net shape parts, what we make, that was also a higher content.

And then the industry is also moving towards better finish in terms of moving from hexavalent to zinc-aluminum flake and nickel-chrome flake, zinc-nickel finish and all that. So these kind of super finishes also have helped us to improve the – yes. And also, as Mr. Dilip mentioned, the subcontract cost, which we have been able to keep it under check.

And the product mix changes, that also comes down, which helps us to improve our contribution on the margins. Primarily, the value-added parts and then the different kinds of finishes which we are bringing on board is helping us to have a better – better moving up in the value stream.

Vimal Gohil: Understood. And, sir, if you can just help us with an update on your industrial segment?

C Rajagopalan: Yes, industrial segment, we are going well, actually. When you talk about the industry, apart from the automotive, we are penetrating deeper and wider into the entire industry, both domestic and exports in terms of servicing the various other small OEMs, we call it. Okay, I do not want to use the word small, but OEMs of larger and then relatively existing lesser in terms of sizes.

And that primarily we do to deal to the channel mechanism what we have either through the distributor or through the direct dealers. And that is going up. Of course, it was not very great. It was a little subdued in the last few months. And then we hope that will also pick up. But then the penetration is there.

As we speak, we continue to expand the network in terms of the dealers and distributors, and then also adding more dealers as we speak and converting the competitors' dealers also into our pool.

Vimal Gohil: Understood, sir. Thank you so much. I'll fall back in the queue.

Moderator: Thank you. The next question is from the line of Anirudh Shetty from Solidarity Advisors Private Limited. Please go ahead.

Anirudh Shetty: Yes, I just had one question that, with Euro VI norms, do you think that that could have implications for our business if, say, the requirement encourages more stainless steel applications versus carbon steel applications for some emission norms? So I just wanted to get your thoughts around that.

C Rajagopalan: Yes, I think it's a good point what you're making. When we talk about the exhaust, definitely stainless steel, the participation is more. And Euro VI is definitely one of the earlier questions was there. That is also helping us to move in the value stream. And stainless steel, we have started a couple of years back, and then we are gaining traction. And then from the standard parts, we are now moving into critical parts which are going into the exhaust applications. That will, again, become a significant the thing as we move along.

Anirudh Shetty: Got it.

C Rajagopalan: Not only stainless steel, even the supervised like Inconel and then titanium and all those things, both in Euro VI and also in the aerospace segment.

Anirudh Shetty: Got it. That was my only question. Thank you.

Moderator: Thank you. The next question is from the line of Nemish Shah from Emkay Investment Managers Limited. Please go ahead.

Nemish Shah: Yes, thanks for the opportunity. So I had a few clarifications. So this quarter, you had other income of about INR 24 Crores. So can you just explain what would be that pertaining to?

Dilip Kumar: Yes, so this represents, in general, we have sales and tools consumables, which we, when there's a sale of tools to the customer, this comes as an income. This will not be a steady state occurring every quarter. And whenever the customer gives an acceptance for the sale of tools, there is a spike of that income in that quarter. So normally, it reflects that. And also, it reflects the foreign exchange movements based on our accounting and actual realization. So these are some of the items of income. This may not get repeated every quarter.

Nemish Shah: Understood. And in our press release, we've mentioned our EBITDA margins to be at around 16.8%. So is this excluding the flood impact? And does this include the sale of tools in your calculation?

Dilip Kumar: Yes, it includes the flood impact also.

Nemish Shah: Okay. And also, just to clarify, so we've kind of accounted all the impact and the individual expense items. And then you mentioned that you've kind of taken some insurance, the ad hoc insurance claims. So that would also be included in the other income?

Dilip Kumar: Yes, this is also included in the other income. The net impact is INR7 crores.

Nemish Shah: Understood. Okay. Yes. Thank you.

Dilip Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Pratik Banthia from Girik Capital. Please go ahead.

Dhaval: Yes, hi, sir. Good morning. This is Dhaval here. Just a couple of questions. First is, what is the contribution of wind energy segment in the Q3?

C Rajagopalan: Yes, the wind energy segment, the contribution will be around, in the fastener side, that will be about 12% to 13%. I'm talking only about the fastener domain.

Dilip Kumar: Fastener domain is roughly one third of our revenues.

C Rajagopalan: And in that 10% to 12%, Yes. And that is, okay, that's one area that is gaining traction.

Dhaval: Okay. So, your voice was not very clear, sir. Can you just repeat what was the contribution?

C Rajagopalan: Yes, the contribution of wind in the total fastener pie is about 12%, 12% to 13%.

Dhaval: 12% to 13%. Okay. Okay.

Dilip Kumar: Not the all company revenues in the fastener space.

Dhaval: Yes, and fastener is one third of the top line.

Dilip Kumar: Yes, yes.

Dhaval: Okay, so 12% to 13% of the one third.

C Rajagopalan: Yes, sir. Yes.

Dhaval: Okay. And, sir, how is the outlook for the wind now, and for the fourth quarter? We were expecting around INR40 crores kind of, INR30, INR40 crores of revenue contribution for wind in the fourth quarter. Are we-- should we be around that number?

C Rajagopalan: Yes, Yes, it will be around that, because definitely it should be around that. That segment is also doing well. And there was some correction happening in the year 2023, and the general indication given by the big players in the wind energy is, Yes, Yes. So, the indication given is, the guidance given for 24 is very good from our customers.

So, that will increase, and we have also added, we are also, we are adding capacities, and which will kick start by, let's say, March or April. So, next full year, financial year, benefits will accrue from the additional capacities, what we are putting in place.

Dhaval: Correct, correct.

C Rajagopalan: Experts the consistently also started, shipments have started going in the wind area. One of our large customers.

Dhaval: Okay. Okay, on the wind side, Yes. And, sir, on our EV project, things are on track, as what we have been discussing.

C Rajagopalan: EV project?

Dhaval: Yes.

R Ganesh: Yes, with respect to the EV project, we are on track with respect to submission of samples and validation at customer end. So, hopefully, as planned, the revenue should kick start in H2 of next year, '24, '25.

Dhaval: Yes, and order book stands at around INR4,000 crores?

R Ganesh: Yes, yes. Over a period of six years. Six years,

Dhaval: Correct. And, sir, again, coming on the exports, year-over-year, our exports have de-grown. So, the reason would be, one would be the flood, right? I mean, the six, seven days were lost due to flood.

Dilip Kumar: So, that is not the main reason. That is partly, probably an insignificant reason. Yes, definitely, just to clarify, while we had reported a INR10 crores higher profit number, it could have been another INR10 crores more if we had that additional sales of about INR40 to INR50 crores. But that apart, all our major businesses export, and there have been various reasons. For one of the products, there has been, the demand has moderated. Another product line faced the customer cancellation or slowdown because of the UAW strike.

And the customer also had some supply chain issues, design change, etcetera. So, various factors have contributed to the lower exports for the nine-month period. And things, like I said in the part of the beginning, in the opening remarks, things are looking up. We are encouraged by what we have seen so far in Q4.

Dhaval: Okay, okay. So, some things, so things have changed between our last conversation post-Q2, where we were expecting Q3 exports to outlook better than Q2. So, in the last two months, all these things are happened?

Dilip Kumar: Yes.

C Rajagopalan: Just to add, just to give you a little more information, especially in the commercial vehicle segment, there are certain supply chain constraints with some of our major customers. So, there are two things. One is the end customer requirement. The order book is strong for them, but then they are not able to, the productions have dropped because of certain supply chain issues. Of course, one is the domestic issues, as well as the issues in Europe, and on top of that, this Red Sea. So, all these things have also contributed in a very unfavourable manner, but inventory correction, what we expected, is happening now, post that strike.

And we are expecting that things will start moving upwards, maybe by February end or March. So, which would definitely give the benefit to us in our Q1. And then Q2.

Dhaval: Okay, okay, okay. So, now, on the export front, how would you like to, you know, guide the FY25 outlook? How do you see export contributing to our top line?

Dilip Kumar: So, the exports will traditionally contribute to one-third of our revenues. This time it's around 30%, pretty close to that one-third number. I think with the new project, EV project, coming on board, coming on stream, the second -- H2 of next year, we should be back to about 35% to 40% range.

Dhaval: 35% to 40% for FY25?

Dilip Kumar: Yes, for FY25.

Dhaval: Okay. And the problem of Europe, you mentioned for the US customers, the supply chain problem. So, what is that problem in Europe? Is it still that Ukraine-Russia war, or some other reason?

C Rajagopalan: The combination of Ukraine-Russia war, of course, even, I'm talking about independent, the US customers, and even in the Europe customers, the projection of the trucks, CV segments, they have projected a slightly muted in the, for the year '24. So, for some of our major customers, we are expecting some drop in that. And also, EV is not really gaining traction the way we expected.

So, but it is happening, but it is happening a little slowly. That's the only thing. On the whole, definitely, this '24 will be, I would say, definitely better than '23, despite the Red Sea and things like that. And we only hope that it gets eased out and doesn't get aggravated.

Dhaval: Got it, got it, got it. Okay, great. Thank you very much. I will get back in the queue.

Moderator: The next question is from the line of Sahil Sanghvi, from Monarch Network Capital. Please go ahead.

Sahil Sanghvi: Good morning, sir, and thank you for the opportunity. A couple of my questions have already been answered. I just want clarification on one thing. The loss of production due to the shutdown of operations on account of the flood. Okay, that number you quantified about INR40 crores, INR50 crores, am I right?

R Dilip Kumar: Yes, correct. You are correct. Your understanding is correct.

Sahil Sanghvi: Okay, okay, okay. Thank you. That's all. Thank you.

R Dilip Kumar: INR40 crores in terms of revenues.

Sahil Sanghvi: Right. Thank you.

Moderator: Thank you. The next question is from the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

Rahul Ranade: Hi, sir. Thanks for the opportunity. I just wanted one clarification. So if you remember, actually, during the past few years, we used to have some divergence between steel prices domestically and the ones that are used in terms of pricing of exports. So has this divergence normalized, or do we expect for the next year, an improvement on the export revenues for us?

R Ganesh: No, with respect to the steel prices, now, whether it is the domestic price or the imported price, I think they have all now stabilized and they are in the same bench. We are not seeing any exclusive advantage of importing or using domestic for our export business.

Rahul Ranade: Okay, okay. Our exports, if I'm not wrong, were linked to an international benchmark, which was causing a difference between local and international prices reflecting in our margins last year, right?

R Ganesh: Yes, Yes, that still continues. That still continues with respect to any steel material movement, export business for specific customers are linked to AM bundle price. So that practice still continues.

Rahul Ranade: Okay, okay. Understood. And any kind of impact that you're seeing from this whole Red Sea related issue in terms of our export traction? I know it's too early to ask, but Yes, anything that you're already seeing?

C Rajagopalan: Yes, the impact is twofold. One is the now the transit time has increased by two to three weeks. So it has to go via that cape of good hope or whatever. So that is one thing. Second thing is that this container shortages, again, is easing down.

Last time I said it is easing down again because of this, the costs have gone up. So that is one more thing that may put pressure on the margins. One is lead time increase, the other one is the availability and the cost. So generally, there is a two to three week kind of a delay happening.

Rahul Ranade: Okay, okay. Container cost increase has to be borne by us? Any kind of extra cost that we incur in terms of...

R Dilip Kumar: No, no, the customers have been supportive so far. So it's a bit of a negotiation. But so far, the need for the products and their supply chain should not get affected. So that is where it is.

Rahul Ranade: Okay, okay. And sir, how should we think of margins, let's say, over next year and year after that, with advanced automotive products taking in one of our peers who, kind of works exclusively in this, reports fairly high EBITDA margins on that portfolio. So would it be a meaningful kicker to our margins also as the contribution ramps up?

R Dilip Kumar: Yes, so our margins should be, because we are operating, we are investing in an existing unit, which is expanding. And the, you referred to our peer, and I think our margins would probably be much better than that based on the initial indications. So the margin profile will increase in our export business. And given the fact that our wind energy business is also coming on stream in the coming quarters, and the second half, the EV business is later to pick up, and the raw material prices have been favorable so far, the confluence of all these factors should expand our margin in the coming quarters.

Rahul Ranade: Understood. Understood. And lastly, just on this INR4,000 crores order book over six years, so would this be, kind of largely back-ended? Is that the right way to think about it in terms of translation into revenues? Or would it be, kind of fairly well spread over the six-year period? How should we think about that?

R Dilip Kumar: Yes, it will be well spread over a six-year period.

Rahul Ranade: Okay. Understood. Thanks. This is very important. Thank you.

Moderator: Thank you. The next question is from the line of Prolin Nandu, an Individual Investor. Please go ahead.

Prolin Nandu: Yes, hi, management. Thank you for answering my question. My first question was what would be the margin loss because of the flood, because you have also included the insurance claim there. So can you help us understand what would be the margin loss?

Dilip Kumar: So I would not say margin loss and I would say if we had done about, let's say, INR40 crores more and we would have had, our PAT would have been probably higher by another INR10 crores, to INR12 crores.

Prolin Nandu: PAT. PAT would have been higher by INR10 crores to INR12 crores.

Dilip Kumar: Yes. So that is the positive thing which we think will flow into Q4. So it will be more the revenue postponement which has happened and not the impact on any margins.

Prolin Nandu: Understood, sir. Thank you for that. The second question would be, you know, in the export market, you said that even if we leave aside this impact of flood, there have been some supply issues at the customer end.

So what I would understand is that once the supply issues get resolved, not only some of the pending orders will get executed, but the schedule for next year will also get executed. So can there be a case where next financial year onwards, that is FY25, or specifically for that export growth can be substantially higher because of this bunching up of some of the pending orders and the usual schedule for the next year as well? Is that a fair way to look at things?

Dilip Kumar: I think it's absolutely right. I think that's a fair way to look at it. But we have been jumping from one crisis to another crisis internationally. It's really Russia and Ukraine, then the Israeli Hamas, then the United Auto Workers strike, now the Red Sea. So we've been jumping from one thing to another in the world. So barring that, your assessment is absolutely spot on.

Prolin Nandu: Great, sir. So thank you for that. Last question would be, as you said, your EV project or EV order execution will start sometime in FY25, right? And that's the INR4,000 crores potential over the seven-year period.

Dilip Kumar: Six-year period.

Prolin Nandu: Six-year period, I'm sorry. Can you help us understand some of the other newer avenues also that we are working on and what is the pace with which we are working on the RFQs and how has been our success rate in some of the recent RFQs versus the success rate in the past?

C Rajagopalan: Yes, normally, no, like our SFL policy is not to depend on one single customer or single segment. So in the EV itself, whatever big orders we have got from one customer, we are working with other customers also. So we are working with other customers, in fact, in international as well as domestic. So we are consistently working on all that as we speak, the RFQs.

We are trying to, okay, some validation time in some areas could be a little longish, but that is to be expected only. So I think to answer to you in a simple manner, the RFQ is gaining momentum and then we are trying to increase the speed with which we react and then develop. We are not going to be depending on one single.

Of course, that large pie of the order is there and then we will be adding so that the continuity is maintained during those six years and beyond as well.

Dilip Kumar: Yes, so strategically, the new business, the wins have also helped us to showcase our technical prowess, our engineering strength to other customers with whom we have been in the traditional ICE business. So a lot of RFQs discussions, technical discussions are underway and hopefully in the next 12 months or so, some of them will translate into purchase orders.

C Rajagopalan: ICE, in the ICE, again, it is getting, you know, dependence only on gasoline. Now we are looking at hydrogen and other alternative fuels. With all those platforms also, we are working with them, but it's going to take a little longer time because nobody knows exactly which is going to be the winner, but definitely the ICE will coexist with the EV is what the larger prediction is, not that the EV is going to occupy the entire ICE space.

Prolin Nandu: Sure, and any new order, will it be dependent on capacity or capacity is something which is not a constraint and any new order which we can win, we can probably add the capacity in modular fashion in the future as well. I mean, how dependent is any new big order win on the capacity, existing capacity that we have?

Dilip Kumar: Typically, we add capacity after we reach, let's say, around 75% utilization. We have our, you know, start assessing capacity the moment we reach about 60% to 65% of utilization. Thereafter, the capacities are closely monitored and if there is a huge win and requires execution over a longer period or time frame such as six years, if the capacity is not sufficient, we will definitely add capacity and investment and creating additional capacity is not a constraint.

And we also have a strong subcontractor ecosystem and we're also with us for the last 60 years. So depending on the criticality of the part, we can develop it in-house or, you know, subcontracted. So I think in my assessment, capacity will not be a challenge.

Prolin Nandu: Great, team. Thanks a lot for all the answers and all the best.

Dilip Kumar: Thank you, sir.

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

Jyoti Singh: Yes, thank you for the opportunity. So my question is on the order book side that we are targeting to execute 4000 orders in the six years. So how we are targeting and what are the strategies? And is there any customer where we have a larger order?

C Rajagopalan: Can you repeat your question?

Jyoti Singh: Yes, so my question is on the order book side. So like what are the strategies? I mean, how we are going to execute it, you know, on a yearly basis?

C Rajagopalan: Yes, we have a very firm indication whenever we are bagging big order. Like, you know, we have been saying six years. So we know what it is going to be in 25 or 26 and 27.

So the life cycle monitoring is done. And then we also, as mentioned earlier by Dilip, we have the capacity and when the requirements, you know, the peaks, we will be in a position to, we will be working ahead to add the capacity. So, and also the additional programs whenever comes, we keep monitoring, evaluating the capacities and then we, if ever there is a gap, we work in advance so that, you know, we have the capacity ahead of the demand.

So this is one thing. The other thing is also the, just to add the, there is a lot of Atmanirbhar issues related things going where the government is insisting that, and they are curbing the imports, especially in partners and all that. So that's also they're expecting info over the next one or two years so that a lot of localization will happen.

Yes, development and submission of samples in time, you know, whenever, like zero, smooth takeoff, we call it zero issues. So we work in tandem with the customer for all the SPFAP schedules and sample submission and then the bulk ramping up. Because I expect a robust system, we have to ensure that, you know, and even the customers, once they start pulling in, only after we create a consignment stock at their end, wherever.

Jyoti Singh: Okay, thank you, sir. Another question is on the second half, I mean Q4, how we are expecting and what are expectations from H1-FY '25?

R Ganesh: No, I think with respect to Q4, as explained in the earlier discussion, with the supply chain settling down fairly beyond February and March, there will be a marginal uptick for the Q4 and we expect things to be better off in H1 of '24-'25.

Jyoti Singh: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

Mukesh Saraf: Yes, sir. I just had a couple of questions. Firstly is, I mean, we've discussed a lot about the exports, but on the domestic side, could you give us some sense on how are the markets behaving, especially on the CV factors? Because we -- this quarter, we seem to have kind of been flat Y-o-Y. So, how is the outlook ahead on the domestic side?

C Rajagopalan: Yes, the domestic, it's not really great in terms of the industry growth. What we're expecting is only around if the weighted average could be 3% to 4%. It is mainly dragged down because of the tractor segment pulling the thing down. We expected it to grow beyond 10%, 15%, but that is also going to be around 6%, 7% percent. And then the passenger car around the same level. So, the overall industry growth would be around 3% to 4%. And then definitely, our revenue would be much ahead of that.

Mukesh Saraf: So much ahead. I mean, this is going to be driven by some new products or is it market share?

C Rajagopalan: Yes, it is both new products and the market share and also a couple of customers where we have been aggressively pushing our sales. And then in the commercial segment, we try to work, as I said last time, whenever our business is weak, we try to penetrate more, adding more items.

We have developed a lot of parts in the last couple of quarters. So, I think the revenues will -- those are the new parts which you mentioned. That share of business growth, new parts, I think that will help us to go ahead of the industry segment in every segment. Whether it is tractor, whether it is CV, whether it is LCV like that.

Mukesh Saraf: Right. And we also have some of your existing customers launching EVs in the domestic market, probably starting this year. So, are we going to be taking part in some of those programs?

Management: Yes, we are already part of it. If you look at significant presence of EV today in the four vehicles from Tata Motors, all are our parts only, Sundram Fasteners only. Many of them are horizontally deployed from the current library and few of them we have developed as well. And Mahindra, other customers we are developing and then -- so they would be kind of -- they are all launching space. So the real revenue and significant revenues will come only as they scale up. But we are going to be there in all of those platforms. But that is

Mukesh Saraf: Sorry, sir?

C Rajagopalan: Yes, all the three wheeler and four wheeler is our focus.

Mukesh Saraf: Got it. So, that is not part of the INR4,000 crores order book that we have. So, any kind of quantification we have for this domestic EV orders?

R Ganesh: No, Mukesh, I think with respect to the scaling up of business for EV segment in India, it will be in line with customer pull. We are present with all the key players in the car and to a certain extent in the two and three wheeler. So, it will be dependent on customer's pull.

Mukesh Saraf: Okay, got that. And secondly, we have a INR1,000 crores kind of a capex plan. Could you give some sense on the current capacity utilization? If I exclude this capacity that we are adding for EVs?

Dilip Kumar: Yes, we will be probably around 65% to 70% of utilization currently. And like I said in the earlier part of the call, we are assessing our capacity. And as we are getting into the business plan exercise, we will map the plan versus our capacity and whether we need to strengthen our subcontract ecosystem or whether we need to invest in those. Those decisions will be made now. But broadly, yes, we are between 65% to 70% currently.

Mukesh Saraf: Okay, got that. And maybe one last one on the PLI feature. We've been in touch with the ministry, I guess on this side. Any kind of an update on this? We have what kind of PLI we can get, when it will start?

Dilip Kumar: So, as you know, government has extended the PLI scheme by one more year, which is good for the industry. There has been a lot of interaction between the Ministry of Heavy Industry and the companies which have got approval, both OEMs and auto components. And so the products are being qualified, tested, and there has been a site visit to our plant.

So all that has progressed well. And once they approve this product as AATP, Advanced Automotive Technology Product, the incentives will start growing. But I would not jump ahead at this stage and wait for things to roll out in the next few months.

Mukesh Saraf: Okay. And the range could be the same 8% to 13% of revenue?

Dilip Kumar: Yes. So that's the policy provision. So that has not changed. And some of our products have very high value addition because many companies have had a challenge with creating domestic value addition because under the policy, you need to have a DV of more than 50%. So ours is not a challenge from that perspective.

Mukesh Saraf: Okay. All right, sir. I guess we are done with the questions. Maybe if you have some closing remarks before we end the call.

Dilip Kumar: Yes, so as a closing remark, the outlook for Q4 looks better than Q3. We expect the export market to perform well, our exports to perform well compared to the Q3 or Q2. All the bad news is behind us. And we should see attraction in the domestic market.

And we expect -- and also like I mentioned, the softness in the commodity prices and the additional revenues coming from wind energy segment. So all of which should push up our revenues and expand our EBITDA and overall profit after tax. The Q4 looks, I would say, quite promising.

Mukesh Saraf: All right, sir. Great. Viren?

Moderator: Yes, thank you. On behalf of Sundram Fasteners, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

Dilip Kumar: Thank you.

Management: Thank you.