Sundram Fasteners Limited

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April 29, 2022

National Stock Exchange of India Limited
Symbol - SUNDRMFAST
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block, Bandra-Kurla Complex
Bandra (East), Mumbai - 400 051

By NEAPS

BSE Limited
Scrip Code - 500403
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001

By Listing Centre

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015-Transcripts of Analyst/Investor Meet

Further to our letters dated April 25, 2022 and April 26, 2022 on the subject, please find the attached transcripts of the Investor/Analyst meet for your information and records.

The transcripts will also be hosted on the Company's website at www.sundram.com

Please take the above information on record.

Thanking you,

Yours truly,

For SUNDRAM FASTENERS LIMITED

R-Dilip

R Dilip Kumar
Executive Vice President – Finance & Company Secretary

"Sundram Fasteners Limited Q4 FY22 Earnings Conference Call"

Subsequent to the Board Meeting held on April 22, 2022

MANAGEMENT: **MR. S MEENAKSHISUNDARAM - CFO, SUNDRAM FASTENERS LIMITED**
MR. R DILIP KUMAR – EVP-FINANCE AND COMPANY SECRETARY, SUNDRAM FASTENERS LIMITED

Moderator	Ladies and gentlemen, good day and welcome to the Q4 FY22 Earnings Conference Call of Sundaram Fasteners. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ram Seshan. Thank you, and over to you, sir.
Ramakrishnan Seshan	Hi. Thanks for joining. Good evening, everyone. Thank you all for logging in. We're pleased to have with us the management of Sundaram Fasteners. We have Mr. S Meenakshisundaram, the CFO, and Mr. Dilip Kumar, EVP, Finance and Company Secretary. I request Mr. Dilip to give us opening remarks on the results, post which we could have a Q&A. All yours, Dilip sir.
Dilip Kumar	Yes. So good afternoon to everyone. Thank you for attending this conference call on Sundaram Fasteners Q4 results. The year has been a bit of a mixed bag since we have had a very good year in terms of revenue. As you would have noticed, the pandemic year, we finished with INR 2,000 Crore of revenue. In FY22, we registered a 35% growth in the revenues. So, overall, the performance from revenue perspective has been very good for us. And also the rupee has been weakening, especially in the Q4, which has helped our export. As most of you would know, we are a net exporter. So a weakness of rupee helps our export performance and boosts our revenue growth. So we've had a good year and we are back to the '18-'19 performance. The challenge, as you know the raw metal front, prices, we have considered – price hikes we have considered since FY21 that has continued in FY22 also. It has reduced the gross margin by 250 basis points on a full-year period. And the other costs -- though, in the quarter there have been inflationary pressures but in the analyst performance, we noticed that costs have been largely under control and especially the overheads, implied costs have been managed well. So, we have been able to post a reasonable EBITDA for the year. And as you know the profit we have closed here with INR407 crore after providing for an exception item of INR30 crore This is primarily due to an adjustment towards impairment of our OC subsidiary, in line with the accounting standards. This is not an exception item, one time and non-cash charge. So, at EBITDA level, we are at 18% as opposed to 19% in the previous year, and that is how we closed the year. Now coming to the quarter, quarter again we have shown a margin of growth of 6% compared to the Q4 of last year. As you know Q4 of last year was a very strong year, kind of peak turnover in Q4 of last year. On top of that, we have grown by 6%. Again. like I explained in the case of a 12-month performance in Q4 also, specifically rupee weakness has helped in boosting revenues. And we first considered product price hikes for raw metal suppliers in Q4. So, the gross margins have come down here sharply from the raw material cost which choose to over around 40%, 41%, are now just shy of 46%. And these are typically costs which we recover from our customers, especially the domestic market, where we have particular elements that we recovered. In the export markets not all our revenues are linked to the raw material prices in the metal domestic market, they are linked to the American metal market where there could be a divergence between the local prices and the international prices. So to that extent, the recovery may be there, may not be there depending on the contract. And there have been inflationary pressures. The stores and tools, the indirect materials, especially the freight outward, we had challenges, not only the availability of containers, the port condition, the transit time and the cost of credit service. So, these are some of the challenges which we have faced in this quarter, which explains the

decline in EBITDA from 19% to around 15% this quarter, primarily driven by the RM cost.

And I think on the overall we are satisfied with the performance of the working capital front. We have managed that well and our borrowings have been under control. The interest rates are not very high. The RBI has been following a liberal monetary policy and also we have leveraged on our exports to grow very competitive loans for the working capital purposes. And the exception item of INR30 crore which I explained earlier in the context of full-year, has actually prevailed this quarter. And after adjusting for that INR30 crore, we have recorded a net profit of INR71 crore. If you remove this exception item and look at it, we are at around INR101 crore.

So, the overall you can see the entire year has been satisfactory and Q4, we would think the EBITDA performance has been affected by plummet in price increases and we hope to recover some of this as we go on in the coming quarters and come back to the original trajectory of 17% to 18% in the coming months.

Now, as far as revenues are concerned largely our revenues have been about 55% to the domestic market, one-third to the export market, 10% to the aftermarket. So, that composition may undergo minor change between quarter to quarter, largely percentage has not got to step. Again, the revenues in that 55% segment predominantly has got the passenger vehicles accounting for 40%, commercial vehicle for 20% and engine segment about 20%, tractors, which is about 10% to 12%. We have readied the caps winter in the segment about 5% each. So, that is broadly our mix. Of course, we are present in two wheelers and the industrial segment. But this is largely the mix, driven largely by passenger vehicles.

In passenger vehicles, again, the challenges have been there because of the shortage of chips, as being a bit of a dampener for the demand, though we have the capacity, and customers are willing to procure, but lack of confidence paired up with their productivity. So that has been a challenge.

And coming to the subsidiary performance, overall, we have registered INR4,900 crore of sales into the consolidated financial statements. And we have, as you know, two overseas subsidiaries and two Indian subsidiary. And the subsidiaries again has begun subsidiary, which is focused on two-wheeler business, has also faced raw material challenges. We have an IT arm which has done reasonably well. It has been a good year for the IT arm.

And in the overseas subsidiaries, China and UK, China's recorded good revenues. The profitability has been a challenge. Again, unlike India, where we have pass-through arrangements in the contracts with the customers, in the Chinese market, it has not been forthcoming. And especially with Chinese companies or Chinese customers. And in the UK, the performance last year was in line with the earlier years. We have grown in terms of revenue. But again, the commodity prices and the high inflationary pressures which UK is facing has again pushed up the cost. So there are Challenges are on that front. So, hopefully, FY23 will see a much better performance and subsidiary.

So, with this I will conclude my opening remarks about the performance of the company for the 12-month period, the quarter and the overall subsidiary performance. We are happy to take any questions you may have.

Moderator Thank you very much. We will now begin the question and answer session. First question is from the line of Vimal Goyal from Union Asset Management. Please go ahead.

Vimal Goyal Yes, thank you for the opportunity. So, my first question is employee, sorry, I joined a couple of minutes late, I'm not sure if you covered this in your opening remarks. But in your standalone revenues as well as export revenue, can just to help understand how much of the growth has come because of raw material price pass-

	through? And how much has been backfill revenue growth -- in terms of volume are you still not outperforming the industry overall? Or are we still outperforming OEM production? In terms of volume?
S Meenakshisundaram	Your question is that how much of the total revenue despite submission is a price increase is accounted for?
Vimal Goyal	Yes, Yes.
S Meenakshisundaram	For the full year, the kind of a price increase that we got, as Dilip has mentioned in his opening remark, most of the domestic OEMs, we got the pass-through arrangements. With that we're able to pass on this increase to the OEMs. Whereas in the case of export customers, most of the customers they operate on American metal market, the price index for both the General Motors and the other U.S. based customers, and therefore, the price increases there is mostly based on the moment of the AMM index. And there has been a sort of a disconnect between the AMM index and the domestic steel pipes variations. And so with the result that most of the prices increases, that what we have realised during the year is relating to the domestic OEMs. And to some extent, there are certain customers in exports as well, who compensate based on our domestic prices. So take into account that the overall price increase that what we have realised, is nearly INR200 crore, that's what we have realized this year. So our total sales includes this INR200 crore price.
Vimal Goyal	Right. So sir, if I were to exclude this INR200 crore, whatever growth that you've seen, would it be fair to say that you've sort of gained market share? Or maybe you've been wondering from existing customers or you added more customers or you've probably gained volunteer, how would I –
S Meenakshisundaram	Yes, the increase in the volume growth comes in multiple ways. One is, we have also expanded from other products to the existing customers. And therefore, we have increased over business to the existing customers. And also, there have been some addition to the customers actually. So, we have added the new customers also. In the new customers, there are certain new product line which effective we have not been supplying, we have added, especially in the export market. So this is how we have improved the volume.
Vimal Goyal	And sir, the incrementally, whatever products that you are pitching to your new customers or existing customers, are these four combustion engines or are these engine agnostic products? A related question to that would be, within your fasteners portfolio, how much of your fasteners would go into engines and how much of that would be in chassis? What would that mix be broadly for the domestic and export market?
S Meenakshisundaram	Yes, overall our fasteners – see, in the case of export fasteners, whatever the fasteners will do, in the kind of export market, none of them are relating to IC engines. All of them are relating to the vehicles where it's not relating to engines, but they are relating to the wheels and so on. So that is only because of domestic there are there could be some fasteners, which is going specifically to be IC engines. This may be according for about closer to about 10% to 12% of overall sales.
Vimal Goyal	Sorry, sir. How much would that be? Sorry, I didn't get it.
S Meenakshisundaram	10% to 12% of the domestic sales.
Vimal Goyal	Okay, so if hypothetically things were to go 100% Electric, in the next one year, hypothetical, then about 10% to 12% of your total sales will get impacted.
S Meenakshisundaram	That is only with respect to fasteners. We have the other product lines also, which could be going to be IC engines.
Vinal Goyal	Right, So how much would that account for?

S Meenakshisundaram	I think overall perspective, I would assume that about 35% of our revenue is going to the IC engines.
Vimal Goyal	35%
S Meenakshisundaram	Yes.
Vimal Goyal	Okay. And sir, last question from my side. If you can just highlight in domestic and export, the breakup between capex?
S Meenakshisundaram	It is 35% goes to the exports, about 65% to domestic.
Vimal Goyal	In terms of capex.
S Meenakshisundaram	oh you're -- sorry. I thought you're asking for the revenue mixup -- revenue break-up.
Vimal Goyal	No, I'm asking what is the capex outlook for domestic and export?
S Meenakshisundaram	Oh, okay. Okay, it's very difficult for us to segregate our capex towards domestic and exports. Okay, for current year, we have realized something like INR150 as capex, of which INR40 crore can be said to be exclusively for exports or it's been incurred towards our future plans. So the all the remaining thing, about INR110 crore is towards the domestic, predominantly. And there are exceptions, especially in the case of partners which can be interchangeably used for both for domestic and exports.
Vimal Goyal	Okay, fair enough. What is the current capacity utilisation in domestic right now?
S Meenakshisundaram	Capacity utilisation for the current year it will be closer to about 70%, 72%.
Vimal Goyal	Okay, and what typically what is the trigger for that we need to incur new capex?
S Meenakshisundaram	The capex trigger really is coming for the product line for which the customers have expressed interest. And they've given the patients about by way of an aura fuse and so on. And also there are certain specific product lines which we are focusing, like wind energy fasteners and all where we are also putting up the capacity expansion. So, that means, our capex allocation mainly focusing on the new product lines for which the expression of interest has been received from the customers or it is relating to the product lines where you got the demand potential. And so -- for all the other products for the sake of capacity augmentation, presently we are not allocating any capital expenditure because we have also got another about a 15% to 20% kind of capacity position to be achieved. So, which probably we should be doing it then also we will be incurring the capital expenditure towards that.
Vimal Goyal	Fair enough. I think I'll get back in the queue. Thank you so much, and all the best.
Moderator	Thank you. The next question is from the Shyam Sundar Shriram from Sundaram mutual fund. Please go ahead.
Shyam Sundar Shriram	Yes, hi, sir. Good evening. This is Shyam from Sundaram Mutual Fund. Thanks for taking my question, sir. On the export front, how is the outlook looking? Like the reason I'm asking is we are getting very mixed signals while the passenger vehicle there could be shortages in terms of the semiconductor availability, commercial vehicle backlog is still very strong. That is the kind of feedback we're getting. So given there's a huge backlog of these on the commercial vehicle side, can we expect at least a 15% kind of a volume growth in exports for the next couple of years, '23 and '24, 15%, is that visibility there, sir?
S Meenakshisundaram	It's very difficult for me to put a number of percentage…
Shyam Sundar Shriram	Directionally is that something…

S Meenakshisundaram Directionally, I think definitely, there is a scope for increasing sales in export market. And of course, this year, we have visited a very good increase on account of the fact that the 2020-'21 year was not that good, especially the last two or three months. They got affected by the COVID. And therefore, most of our customers based in U.S. were not performing well. So with that low base, and also of course, the last year, the third and fourth quarter, our customers have done extremely well. And based on this, we also did our exports well in the last two quarters of the financial year '21. And this year has been consistently good as far as exports are concerned. And therefore, we would expect the same kind of momentum to continue for this year and next year as well. And also there are certain specific products that have registered very high level of growth, especially in fasteners. We have resisted a growth of almost about 35% To 40% kind of growth in the export of fasteners. And this is also fasteners that go for the volumes, and therefore it gets the acceptance of the customers. And we would expect a similar kind of momentum to continue next year or the year after that.

Shyam Sundar Shriram Sure. So are there any new programs starting this year on the export frontier? I think the Free City project will ramp up we'll begin this year, fiscal year. So that should be around INR45 crore to INR50 crore in F23? That is an additional revenue?

S Meenakshisundaram You're talking about Free City, is it?

Shyam Sundar Shriram Yes sir. So, that is an additional thing, but other than that….

S Meenakshisundaram Yes, the validation process has been completed and therefore, we have ramped up the production. And so, even the last quarter of this year, financial year '22, we have already dispatched the products to the customers. And therefore those things will continue the current financial year as well. And probably we would expect that plan to generate a revenue of about INR40 crore, INR40 crore to INR45 crore this year. And as far as your question about the new products or new product lines for Force, we have developed some variants in powertrain components itself and for which has been cleared by the customers probably the commercial production of it would start from the second half of this year.

Shyam Sundar Shriram Okay, okay. So, second half -- so these are new components, which you are…

S Meenakshisundaram Not exactly new components, it is a variant of the existing component. The powertrain component, we're already supplying. These are some of the new variants which the customers wanted for their future programs which we have developed and will start commercially supplying to them from the second half of this year.

Shyam Sundar Shrriram Okay and these are not -- this is not related to the Free City. That is a separate…

S Meenakshisundaram Yes, this is Free City but this is Mahindra's.

Shyam Sundar Shriram Okay. Understood, understood. And you spoke about some under recovery in terms of export realization. Given this disconnect between the AMM index and the domestic steel prices, will this gap ever get bridged or it's only up to the currency movement etc that will take care of this? That is point number one… Secondly…

S Meenakshisundaram These are two different kind of an index. I think you could never beat -- there could be a situation where our domestic prices are stable and AMM prices will be moving. So there we will have an advantage at that point in time. So that there could be some sort of, but it can never converge, but possibly it can -- the kind of directionally and also the kind of -- the manner in which the movement is happening, possibly it could be slightly different from the domestic steel prices. And because there are different variables which is affecting the AMM price and the domestic prices. And therefore, when the domestic fighters more or less stabilizes at this point in time, possibly, there is a possibility that there could be a convergence of these two indexes.

Shyam Sundar Shriram Understood, sir. So then this quarter when we saw the raw material percentage of sales increasing substantially, around 2 percentage point sequentially. And that you also alluded it is primarily because of the exports per se. So then unless the domestic steel prices start falling, this may not come back to the earlier levels. Is that a fair understanding?

S Meenakshisundaram Okay, I'm not saying that it's falling. It's not still stable, because, AMM indexes is more or less stable except for some few quarters where there has been a sudden surge. Otherwise, more or less stable at a particular point in time. Even though, so it reflects broadly the international steel prices. And therefore, now, the domestic steel prices in India and what unrealistically high and therefore, it has to come to a realistic level. So when it comes to a realistic level, probably there will be a convergence of the international steel prices and Indian steel prices.

Shyam Sundar Shriram Okay. Understood, sir. So we don't have much leeway to ask the customer for…

S Meenakshisundaram We have been taken up with them for a kind of -- sort of adopting a different kind of an index, which could near about reflect the kind of domestic steel prices. And we are working with the customers, I don't know whether how much we are going to be successful. But anyway, we have already taken up with the customers on that.

Shyam Sundar Shriram Understood, sir. Sir, how much freight costs as a percentage of sales would have moved from last year F21 to F22 on a full year basis?

S Meenakshisundaram Actually, in terms of percentage is almost pulled up closer to 0.5% to 0.6% increase on the sales revenue compared to last year. Essentially, there is no pattern as far as the logistics costs are concerned because it's all based on the demand and supply of the -- especially the containers and all sometimes the containers are not available customers are desperate for the product, in which case we have to pay a huge premium which could be about 3 or 4 times. That is normally what it would cost us. And therefore, it has affected the logistics cost. And I think still this kind of trend still continues. As far as the freight rates are concerned is more or less it is also on the higher side, but there has been no volatility of the freight rates, but definitely there has been volatility as far as the container premium charges are concerned. And to some extent, we are able to recover the container premium charges from the customer, because of the criticality of the products that we supply and the customers have agreed for reimbursement of some of the premium charges we paid.

Shyam Sundar Shriram Understood. Thank you. So therefore, the near term margins other than the operating leverage and the volume growth, that could remain around the 16% band, rather than where they usually used to operate around the 17% to 18%, we could be at a lower band, 16% band at least in the next…

S Meenakshisundaram I would expect that the margins could be anywhere between around 16.5% to 17% in the near term. So still the raw material prices stabilizes. Especially, if the 17% is a possibility then there is at least about 10% to 12% increase in the volumes of activity compared to the current year. That could result in the kind of reduction in the percentages of the fixed rate costs and other overheads. And also some of the indirect materials that what we consume there are several variable expenditure, power is again SMA variable expenditure. Those are the things probably that could get leveled in case of the improvement in the volume. So on improvement of the volume itself, there is a scope for margin improvement. So this is what it is.

Shyam Sundar Shriram Understood, sir. One last question, if I may squeeze, on the domestic side, which segments are looking much better? So you spoke about passenger vehicle commercial vehicle, is there any other segment like tractors or anything which are looking to turn around per se from a…

S Meenakshisundaram I think the commercial vehicle segment is one which grows because it has improved gradually in the current year compared to the last year. And also the passenger vehicle segment, especially the Tata Motors and all I think they've done extremely well this year. And I think they continue to grow. And also, non-automotive

	segment, I think that has done extremely well for this year, especially the wind energy segment, there has been a significant kind of growth that we have posted. And also the industrial fasteners that we supply for the aftermarket, that has also registered a very high level of growth this year.
Shyam Sundar Shriram	Sure sir. Sir, the non-auto, which we usually talk are in the range of say, 14%. So this aftermarket…
S Meenakshisundaram	It used to be around say, 10% to 11%. This year the growth what we had experienced in the wind energy and the industrial fasteners, it should be around bout 13.5% on the overall business. Closer to about INR500 crore, probably would have been there.
Shyam Sundar Shriram	Sure, sir. Sir, the aftermarket, when we talk about the 10% is aftermarket, that also includes some amount of the non-auto industrial fasteners…
S Meenakshisundaram	Yes, yes. Very much.
Shyam Sundar Shriram	Okay. Understood. Thank you very much, sir. I'll fall back in the queue and best wishes, sir.
Moderator	Thank you. The next question is from the line of Sonal Gupta from L&T Mutual funds. Please go ahead.
Sonal gupta	Yes, good afternoon sir, and thanks for taking my question. I mean, just continuing with the previous question, could you repeat the break-up for FY22, I mean, domestic 55%, I think you said PVs is 45%, PV is 20% tractors, I couldn't quite follow. So, could you repeat this, sort of break-up or FY22 revenue?
Dilip Kumar	Passenger vehicle is about 40% and commercial vehicles can hover between 20% to 25%. We have also presented the engine segment. And tractors, about 15%. Two-wheelers, a small percentage. Then wind energy is another segment that we are present. Radiator caps and industrial applications. So that comprises our domestic 55% market.
Sonal Gupta	So, within the domestic 55%, how much is non-auto, wind energy and others?
Dilip Kumar	You can take it currently about 17% to 18%
Sonal Gupta	17% to 18%. And the non-auto, I mean the domestic aftermarket, how much is that?
Dilip Kumar	Aftermarket is about 10% to 12% of our total business.
Sonal Gupta	So, for FY22, it's 10% to 12%.
Dilip Kumar	Yes.
Sonal Gupta	Okay, and or would you be able to share exact number, INR300 crore, INR400 crore, what was the number?
Dilip Kumar	It was INR500 crore.
Sonal Gupta	Aftermarket.
Dilip Kumar	About INR500 crore.
Sonal Gupta	INR500 crore aftermarket numbers, right? And rest is export. And within aftermarket, could you sort of quantify how much is non-auto?
Dilip Kumar	Non-auto could be around INR100 crores to INR150 crore.
S Meenakshisundaram	And that's about 30%. 30% of the vehicles. It's about INR150 crore, INR160 crore.

Sonal Gupta Right. And so it's historically a small portion, but non auto as a portion of exports, could you -- how much is that?

Dilip Kumar Non-auto as a percentage of exports?

Sonal Gupta Or whichever way. If you can give me the total non-auto number and say x crore…

Dilip Kumar Overall, on all company basis, you can take non-auto as around 18% to 20%.

Sonal Gupta 18% to 20%

Dilip Kumar Overall. Be it aftermarket, exports, domestic, all put together.

Sonal Gupta Got it. And the other question I had was on, I mean, if I look at this year, this quarter, this is specifically for Q4, you've shown a 5% growth in domestic revenues on a year on year basis. Now, if I look at that, that is quite low given the fact that we've had so much raw material cost inflation itself, I think that itself would be in double digits, if not maybe 15% or something. So, this seems to imply that the revenue or the underlying volume growth has actually been negative. So could you explain the slow growth in Q4 in the domestic business?

S Meenakshisundaram It is mainly because of the fact that the last year fourth quarter, we had actually, the peak domestic sales, I think that's the one major thing. So, against that, you need to compare it to the current year. Except – like I said, the commercial vehicle setback, in fact, there has also been a problem in the passenger vehicle segment on account of the availability of the critical global shortage of electronic components. So that has really affected the performance of the passenger vehicle segment. So considering that, even though you are right, take into account the inflation, probably there could be degrowth in the fourth quarter compared to the last year, but definitely we have performed as per the industry -- as per the performance of the industry, and whichever the passenger vehicle OEMs, where we participate, I think we're able to either sustain or exceed the existing market share.

Dilip Kumar Our difference is not significant. We take your point about your observation, but it's not significant.

Sonal Gupta Because from what I understand, I mean you would have seen year-on-year in the fourth quarter growth in PV production, growth in CV production, I understand tractors might be -- will be negative, and two wheelers also will be negative. So but that is a small portion for you. So that's why I'm trying to understand. And given the cost inflation, I would have thought that we should get at least a double digit sort of growth in the domestic market on a year-on-year basis.

S Meenakshisundaram So you also need to see the kinds of models which have registered an increase during the period because definitely the product mix, what we are working with the customers could be different for the different models. So based on the kind of production program of the OEMs in the fourth quarter, so our calculations indicate that we are -- so whatever the production volumes achieve, I think we're able to achieve our share of business.

Sonal Gupta Got it. And this last question, sir. I mean, like, you talked about freight related cost increases in this quarter. But, I mean, what we've seen really industry has been talking about these for the last few quarters is there something specific to you that has happened in this quarter, which has pushed up your logistics costs this quarter?

S Meenakshisundaram No, actually last two quarters we have been experiencing this mainly because of the fact that in fact, our exposure to the exports also is quite high, it is about 35%. And generally, the price orders for the exports are significantly different from the domestic freight, number 1. Number two, there are -- some key customers out there with whom they operate on a exactly basis so it may not have any impact. But quite a lot of them, that is only accounting for about 50%. So, 50% of the remaining -- 50% of our exports are going -- rebrand the freight charges. And therefore, on account of the crude oil price increases, there have been volatility of the ocean freight rates, and also the container shortages. Also, in both conditions, they all lead to the higher costs associated with the logistics that we have to incur. To some extent the premium part of it, we're able to pass on to the customers, even though as per the original agreement, entirely the freight charges are to be borne by us. But on an exceptional basis, we have negotiated with them and got this premium on the container charges reimbursed by the customer. So logistics is not something we incur, but I think generally most of the exporters experience these kinds of cost increases.

Sonal Gupta Got it. But just on the overall, like the other expenses have gone up. I mean, if I look at sequence – quarter-on-quarter by almost 150 basis points. So is logistics costs the only reason or there are other factors…

S Meenakshisundaram Logistics cost is one reason. I've already explained that accounted for almost 0.6% to 0.7%. And there has also been an increase in the tools cost mainly because of the crude oil price increases. With the crude oil price increases our major imports like oil, lubricants, some other chemicals prices have increased. Gas is an important input for us and it has gone up. And also the packing materials, I think packing materials, especially the polythene bags, and all, those things have gone up. And also the cottons, those prices have gone up. So essentially, the kind of a price increase that we experienced, that has pushed the COGS up and also impacted the margins.

Sonal Gupta Got it sir. Thank you so much for answering the question. Thank you.

Moderator Thank you. The next question is from the line of Mythili Balakrishnan from Alchemy Capital. Please go ahead.

Mythili Balakrishnan Thank you for the opportunity. I just wanted to get one clarification from you, which is that when you talk about the 16.5% to 17% margins, you're largely talking about the standalone, right?

S Meenakshisundaram Yes, correct.

Mythili Balakrishnan So even when you say in a steady state, you expect the margins to go up to 17% to 18%, again, you're talking about the standalone.

S Meenakshisundaram Sorry, madam, I didn't get your question clearly.

Mythili Balakrishnan I just wanted to understand whether the 16.5% to 17% margin guidance which you have in the near-term, that is for the standalone basis, right?

S Meenakshisundaram Correct. Standalone basis, Yes.

Mythili Balakrishnan And what is the indications on the subsidiaries because they have been quite volatile, right? We had an extremely good performance in the second part of FY21, which has now gotten a bit subdued. So just wanted to get a sense from you as where do you think that these subsidiaries are headed in a more longer-term perspective?

S Meenakshisundaram Dilip, would you like to respond?

Dilip Kumar The subsidiaries, like I said at the beginning of our discussion. The China subsidiary is the biggest of all our operating subsidiaries, and it has done well on the revenue front. But again, the challenges have been there on the raw material front as well as power, availability of power. And the pass-through has not been easy. Unlike the Indian market, the contract there do not provide for such a pass-through mechanism. And the pricing, product pricing is also a challenge there. So, our profits could have been a lot better, but it has definitely got impacted because of these circumstances. And in the UK, on the revenue front, we have a growth of 50%, compared to FY21. But again, the inflation pressures have caught up there as well. And the customers are reluctant, like the Chinese market to give a price increase. They're sympathetic, but it has not translated into purchase orders for us. And there has been cost pressures. And the earlier pandemic regime, there was also support from the

	government in terms of subsidising excess costs, but that also has not happened this year. So, both our – especially UK subsidiary, there has been a challenge in the customer, but China's relatively better.
Mythili Balakrishnan	Got it. In terms of do customers especially on the PV side, if you look at the domestic business, we do have some missing gaps on the PV side, Hyundai, Kia, et cetera. So just wanted to get a sense from you as to whether you see that as a possibility for import substitution there or do they have domestic subsidiary to get them the fasteners and do you think you can make progress in that case?
S Meenakshisundaram	So your question is about the new product development or what?
Mythili Balakrishnan	New customers PV side, because I think they have mentioned that we are strong with Maruti…
S Meenakshisundaram	On the domestic side?
Mythili Balakrishnan	Right. In fact, our – the present portfolio of customers indicate that the most of the OEMs manufacture the commercial vehicles we got in our portfolios, like Ashok Leyland or Tata Motors, Eicher, Volvo and Daimler and so on. And even Mahindra. What we do is, we involve them in terms of -- most of these customers, whenever they come up with a new model, or the platforms they come up with the RFQs. And those programs we actively participate and therefore we increase our level of participation of our supplies to these customers. And definitely, as and when new customers entered into the field, definitely, we participate with them aggressively. I think that's how we expand our business in the domestic side.
Mythili Balakrishnan	Got it. But do you think that that is additional import substitution opportunities, which are there for us with some of the Chinese or the Korean customers?
S Meenakshisundaram	Yes, definitely, there are opportunities available. Some of the things which so far we've not been tapping into it, there is scope to enhance supplies to the OEMs, especially the Korean OEMs. Like, Hyundai, for instance, we have not been supplying the fasteners to them. So even though we supply the other products like powdered metal parts to them, but they've got their own program for localizing these parts these products in India. And based on their programs they will find -- they will source the those items from India. And we have been collaborating with them very actively on that. So as and when they have this program for localization, I think we will participate quite actively.
Mythili Balakrishnan	Got it. And I also wanted to ask you whether you have any plans to get into the more aluminum diecast part because currently they are largely in this field and the ferrous cogent part. So, just wanted to check with you whether that is an area of interest for the company.
S Meenakshisundaram	We do supply certain parts. Even though we are not manufactured in-house, I think we source it – aluminum diecast through subcontractors sourcing, vendor sourcing, and they do precision machining on that, we supply to some of the OEMs.
Mythili Balakrishnan	Okay, but any plan to sort of get into it in a more fixed fashion or is that part of the sister concern, so it stays…
S Meenakshisundaram	Because we are already in the business, it all depends on the kind of returns that particular product line would offer to us. So it is not something we need to enter into now. It's already -- we've already got in that business. Only thing, the largest opportunity in that area possibly, we'll get into it in case the return out of that are quite attractive.
Mythili Balakrishnan	Got it. Thanks. That's all from my side. Thank you.
Moderator	Thank you. The next question is from the line of Ramakrishnan Seshan from Spark Capital. Please go ahead.

Ramakrishnan Seshan Hi. So could you help us with the revenue around profitability of our 3 key subsidiaries, the Chinese, UK and…

S Meenakshisundaram Hello?

Ramakrishnan Seshan Could you hear me?

Moderator: There's some disturbance from your line, Mr. Sheshan.

Ramakrishnan Seshan Okay, I hope I'm audible now.

S Meenakshisundaram Yes, some noise is coming.

Ramakrishnan Seshan Okay, I hope I am audible now.

S Meenakshisundaram Yes.

Ramakrishnan Seshan Yes, sir, so I was checking if you could help us with the revenue and profitability of our three key subsidiaries, China, UK and Upasana?

Dilip Kumar So the Chinese subsidiary is in the region of about RMB300 million. It will grow in line with the market. The market has been slow this year. And there are challenges in this market again. That is the story, and I think this will be a very quiet year for us in China. That's the expectation on Chinese front. And on the UK subsidiary, we do about INR150 crore of business. I think it will stay at those levels. It could be a flat year in UK. And in Upasana, the Indian subsidiary, we hope to do mostly around INR160 crore. And we expect about 20% growth this year.

Ramakrishnan Seshan Right. And could you could you help us with the revenue and PAT for the year FY22 for these three subsidiaries?

Dilip Kumar Revenue? I just explained the revenue. What is the other question?

Ramakrishnan Seshan The profit after tax, PAT.

Dilip Kumar The profit after tax, all subsidiaries put together, I mean, giving us about INR18 crore, to INR19 crore per annum.

Ramakrishnan Seshan Okay, excellent. And sir, we were also planning to do some sort of production reorganization at Cramlington whereby, let's say a few low value added products were to be shifted from being produced at UK to being produced at plants in India. Any update on that?

Dilip Kumar So that is on schedule and we hope to build inventory at customer warehouses.

Ramakrishnan Seshan Okay. And, coming to the EV strategy, now how the company's EV portfolio evolves is something that we all have been watching with a lot of interest. So I just wanted to check which product categories and which products specifically are we focusing on? That's number one. And number two, what do you have any update on new orders or customers that we've onboarded, let's say in the last six months or so? And the third question is what's been the revenue from supplies to EVs, both OEMs and Tier 1s in FY22?

S Meenakshisundaram Yes, as far as your third question is concerned, the total revenue from the EV space that is the components that we supply to the EV segment, for this year '21-'22 it's about 90 -- closer to about INR100 crore which is almost 2.5% of our overall revenue. So mainly these products, like the hot and warm for forged parts, position forged parts, and also the powertrain components, and also some of the caps, radiator caps division. They developed certain products for their coolant systems in EV. These are some other products which cater to the requirements of the EV segment. There are a lot of opportunities there even in this segment to grow. We are also putting up some capacities in Mahindra City and also Free City in order to ramp up the volumes of these products, so that in the years to come possibly we will enhance the volume of supplies of these components to the EV segments.

Ramakrishnan Seshan Right. And so could you remind us again of the capex guidance for the next couple of years at a consol and a standalone level? I'm sorry, I did not get that very clearly.

S Meenakshisundaram I think what they have indicated is for next year, probably the year after next possibly, it's a bit hasty at this point in time. So for this year, that is '23, financial year '23, we expect our capex will be about INR300 crore. That is on standalone, and it's about goes up to INR50 crore gross for the subsidiary.

Ramakrishnan Seshan INR50 crore for the subsidiary. And these will largely be on these new product categories that we are focusing on. These will not be…

S Meenakshisundaram For exports, and EV segments, and powertrain components, again, for EV segments, and also for their regular ramp up and wind energy segment, I think these are the focus areas for us, as far as the capex allocation is concerned.

Ramakrishnan Seshan Right. And are these pretty much the areas on which should we spent about INR200 crore per annum in the last two years as well?

S Meenakshisundaram I think more or less these are the areas that we have been spending. In fact, that's how we are able to achieve the volumes in wind energy fasteners and we have created some capacities in Free City essentially, for development and manufacture of the powertrain components of different varieties. And all the forged parts creating expansion. I think these are the areas that we have been allocating capital expenditure for last two years or so.

Ramakrishnan Seshan Right. So, sir, with this as a backdrop, I was just looking at the margin guidance that you gave for the standalone business at about 16%, 17%. Now, correct me if I'm wrong, I think these product categories, the forged parts, or the PNPs, and so on, and so forth. These are higher margin products. And given that over the last four or five years investments have been more on these product lines, as opposed to fasteners, let's say lower margin products, do you think that you know, the margin guidance of 16% to 17% could be surpassed assuming that middle prices cool off and become steady.

S Meenakshisundaram There is a scope for enhancement as a margin provided the raw material prices stabilizes. At these raw material prices, I think quite a lot of our business is hit, especially the powertrain segments are export oriented, where possibly the raw material costs as a percentage on revenues goes up because the kind of a price, we are not being able to fully get the support, price support from the customers with respect to that. So there has been some sort of decline in the margins, 1% or 2% from these products, especially the export category. So I would like to be bit conservative in terms of, margin projection. So and then the volumes improves more than 15% or possibly our EBITDA margin would stay anywhere between 16.5% to 17%.

Ramakrishnan Seshan Right. And following up on that, how much does fasteners contribute to our overall revenue right now?

S Meenakshisundaram 35%.

Ramakrishnan Seshan 35%. And has that increased or decreased y-o-y?

S Meenakshisundaram This has been fairly stable because while the fasteners per se has increased in absolute terms, with our overall sales also going up, I think it keeps pace with the overall growth of the company. So fasteners business have been steadily going up also. But the overall – the share of fasteners remain at 34%, 35% for quite some time now.

Ramakrishnan Seshan Alright, thank you very much for this.

Moderator Thank you. The next question is from the line of Ameya Karandikar from Kotak Investment Advisors limited.

Ameya Karandikar Hi, good evening, sir. Thank you so much for the opportunity. Just persisting for a bit on the margin guidance that you spoke of, of around 16.5% to 17%, so if we look at the last quarter, in 4Q we did around 14.6% in the standalone business. So where are the incremental margin levers that we are looking at to sort of get to that 16.5% 17% range? If you could just speak a bit about that, thanks.

S Meenakshisundaram Yes, I think that should come mainly from the volume increase, because you could observe that in terms of the employee cost or the overhead's a big, pressure better control. And therefore we expected that there will be a volume growth and definitely, that would help us to sort of increase the margin. Plus also, the kind of price pricing that what we have experienced in the fourth quarter, possibly some other things we have not realize fully in the fourth quarter, especially the domestic OEMs, possibly those could get settled during the first quarter of the current financial year. And so that means, after that possibly on a regular basis, we should be clearing the product at the increased prices. So, with the raw material prices remaining at this level, the current level, possibly with the increasing volumes, I think we would expect the margins could be around 16% to 16.5%. Hello?

Moderator Mr. Ameya, does that answers your question?

S Meenakshisundaram Hello?

Moderator Mr. Ameya? Mr. Ameya, can you hear me? There is no response from the questionnaire. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the Management for closing comments.

S Meenakshisundaram Yes, I think the questions have almost covered all the aspects of the performance and the margins and so on. Okay, hopefully, I think with the improvements in the volumes, I think, we would expect that there could be an improvement in the margins as well. So, we will be looking forward to have a better first quarter financial year '23. Thank you.

Moderator Thank you for joining us, and you may now disconnect your lines.