SMIL: LISTING/24-25/1202/01 **February 12, 2025**

BSE Limited
Department of Corporate Services
Pheroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001
(SCRIP CODE - 535602)

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

Sub: Submission of Transcript of Conference Call held to discuss the Operational & financial performance for quarter ended December 31, 2024

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

Dear Sir / Madam,

In pursuant to the applicable provisions of the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 and in furtherance to our letter no. **SMIL: LISTING/24-25/3101/01** dated January 31, 2025 with respect to the convening of Investors / Analyst conference call "Earning Call" on **Wednesday, February 05, 2025 at 03.30 P.M. (IST)** onwards, for discussing the financial performance of the Company for third quarter ended December 31, 2024 for the financial year 2024-25, in this regard please find enclosed herewith the transcript of the earning call.

Further the same is also being available on the website of the Company at www.shardamotor.com.

This is for your information and record.

Thanking You,

Your's Faithfully

Iti Goyal
Digitally signed by Iti Goyal
Date: 2025.02.12 19:36:09 +05'30'

Iti Goyal
Asst. Company Secretary & Compliance Officer

Encl. as above

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"Sharda Motor Industries Limited Q3 FY25 Earnings Conference Call"

February 05, 2025

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 05th February 2025 will prevail.

MANAGEMENT: **MR. AASHIM RELAN – CEO, SHARDA MOTOR INDUSTRIES LIMITED**
MR. PURU AGGARWAL – PRESIDENT AND GROUP CFO, SHARDA MOTOR INDUSTRIES LIMITED

MODERATOR: **MR. MIHIR VORA – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY25 Sharda Motor Industries Limited Conference Call hosted by Equirus Securities.

This conference 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 guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions once 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. Mihir Vora from Equirus Securities. Thank you and over to you, sir.

Mihir Vora: Thank you. Hi, good afternoon everyone. On behalf of Equirus Securities, I welcome you all to the Q3 FY25 Post Results Conference Call of Sharda Motors.

From the management side, we have Mr. Aashim Relan - CEO and Mr. Puru Aggarwal - President and Group CFO. So, without further ado, I now hand over the floor to Mr. Puru Aggarwal for his opening remarks. Over to you, sir.

Puru Aggarwal: Thank you, Mihir. Good afternoon, everyone. A warm welcome to all the participants on this call. I am here with Mr. Aashim Relan – our CEO and SGA. I hope you have had a chance to go through our results and the investor presentation. You can find the presentation on the Stock Exchange and on the Company's website.

Before going into the Company's financials, I would like to give a brief overview of some highlights of the industry for the quarter gone by. In Q3 FY25, passenger vehicle production volumes registered modest growth of approximately 3% year-on-year, reaching around 11.7 lakh units. Within the PV segment, passenger car were down 10%, though utility vehicle saw 11% growth in production. The Q3 sales growth of 7% indicates the expectation of recovery in PV segment with gradual clearance of inventories driven by strong demand and surge in SUV launches and effective marketing strategy by OEMs.

In Q3 FY25, the commercial vehicle sector recorded production degrowth of approximately 2%, reaching around 2.46 lakh units. The subdued production activity was primarily due to a slowdown in industrial activity, delayed government fund releases and slow financial approvals, leading to many customers postponing purchases to the final quarter of the fiscal. However, optimism is rising, particularly in the regions benefiting from infrastructure projects. Additionally, this sector may witness a gradual recovery driven by an accelerated pace of infrastructure development and Government incentives which could support fleet renewals and expansions.

In Q3 FY25, the tractor segment recorded a production growth of approximately 12%, reaching around 2.2 lakh units up from 1.95 lakh units in Q3 FY24. This expansion was driven by strong growth in the agricultural sector and a favorable monsoon during the year. Given the positive outlook for agriculture, this momentum is expected to continue in the final quarter of the fiscal year. While the industry remains closely linked to agricultural trends, increasing mechanization, rising farmer income and improved access to financing are is expected to drive steadily the volume growth over the next 3 years.

The two-wheeler segment registered a decent year-on-year production growth of 8%, reaching around 59.2 lakh units driven by 12% increase in scooter production and a 6% rise in motorcycle production. In contrast, the three-wheeler segment experienced production degrowth of 3%, indicating a market slowdown. This segment continues to remain positive, sported by improved supply, new launches and stronger rural demand, though financing concerns may continue to pose hurdles.

Additionally, a revival in export markets further strengthens growth prospects. Overall, the Indian automobile industry registered a year on production growth of approximately 6% in Q3 FY25, reaching around 75.9 lakh units, primarily driven by the two-wheeler segment with 8% Y-o-Y growth fueled by new model launches, a revival in rural demand, festive season sales and OEM discounts that boosted sales. PV and CV segments performance was subdued; however, given the sales growth and clearance of inventory in Q3 FY25, it is hoped that numbers in these segments will improve going forward.

I will now shift the focus to the “Operational and Financial Performance” of the Company:

On the consolidated basis, we registered revenue of Rs. 690 crores in Q3 FY25 and for 9MFY25 our revenue stood at Rs. 2,087 crores. Our gross profit was Rs. 181 crores in Q3 FY25 which is a growth of 5% compared to Q3 FY24. And for 9MFY25, our gross profit stood at Rs. 549 crores, which is a growth of 14% to 9MFY24. Our EBITDA for Q3 FY25 was Rs. 95 crores as compared to Rs. 94 crores in Q3 FY24. The EBITDA margin for the quarter was 13.7% and for 9MFY25, our EBITDA margin was Rs. 296 crores as compared to Rs. 262 crores in 9MFY24, which is a growth of 13% on a Y-o-Y basis. The EBITDA margin for 9MFY25 was 14.2%.

Our PBT for the quarter was Rs. 101 crores after accounting for our shares in profits of JVs and its Associates and for the 9M FY25, the PBT stood at Rs. 309 crores after accounting for our shares in the profits of JV and its Associates. The PAT for Q3 FY25 was Rs. 75 crores and 9MFY25 PAT stood at Rs. 231 crores. On balance sheet front, we continue to maintain a healthy liquidity position of more than Rs. 863 crores in cash, cash equivalents and investments as on 31st December 2024.

We are excited to announce a new order win for our lightweighting vehicle vertical. The order is for suspension control arm product with annual business of USD $4 million and lifetime business of USD $22 million. The SOP is expected from Q3 FY26 from our new plant in Pune.

With this, we can open the floor for Q&A.

Moderator: Thank you so much, sir. We will now begin with a question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Chetan Ginodia from PGIM Mutual Fund. Please go ahead.

Chetan Ginodia: Hello, sir. Congratulations on a great set of numbers in a challenging environment. Sir, wanted to understand that our revenue growth for 9 months or for this quarter is more or less mirroring the industry growth as of now given the tough macro, but for coming year, do we have any significant orders or any new products that can help us grow ahead of the industry? I know we were working on a bunch of new products because it looks like TREM-V is consistently getting delayed, especially on the tractor side. So, are there any growth verticals available for us where you can inch up our revenue growth at least to double digits?

Aashim Relan: Good afternoon. I think I was on mute. Good afternoon and thanks for the question. So, I will just take it in few parts. First, regarding the sales being flat, I think better to look at our numbers with the gross profit growth, de-growth, so for this quarter, we have had a 5% growth versus the PV industry which is growing at 3% and LCV is actually degrowing by approximately 1%. For the 9-month basis as well, our gross profit has grown by roughly 14% versus the PV industry growing at under 7% and LCVs at 2.8%. Now, coming to the question of the immediate year ahead of us, which is FY26, so there we have couple of things coming up. First, we have the CEV norms coming in where we have successfully won the business on the adjacency which is the temperature control pipes and that is something that will additional come probably mid of Q2 next year. Then, of course, our new plant, which is our lightweighting plant for suspension control arms that is just about starting up and that will have its full year next year. In addition, we have just won a very good order which Puru San announced, which luckily is also for a existing running program. So, we have in fact managed to take business and that is also going to start within FY26. So, that should be coming in the revenues from Q3. Then, the export business that we had announced last call, which is a very significant win that we made that also is scheduled to start Jan 26, so we will have revenues for that in Q4. And of course, there are some small LCV PV launches as well that will be coming in the next year. So, we should be able to outperform the industry with these additions. Now, when we move forward on 5-year basis that, of course, the strategy which we had noted is well under one, the export business is going to be growing fast. We have already won our first business in CV emission components. In addition to that, we will be looking at the temperature control tubes which we are going to start production next year for the domestic market to export that, third on the genset emission side and fourth on the under 100 horsepower tractors. Then, the lightweighting vertical, which has started with the control arms already showing very good growth. They are also working to add technology organically plus inorganically to increase our content on that side and that will be a very good growth area. Then, of course, the upcoming emission norms, whether it be BS7, TREM-V will be great drivers for content as well as revenue, and then M&A is of course something that we are actively working on.

Moderator: Does that answer your question, Chetan?

Chetan Ginodia: Yes, sir, it does. So, just lastly, for this new program that we have won and also the new products for our temperature control pipe and the new lightweighting plant, so all this make the margin profile any different from what we are doing right now, if you can give any light on that?

Aashim Relan: Sure. So, these are newer products. We are hoping for a similar margin profile, and though it is too early to yet take a call on that. As we move forward and we really start producing them at scale, I think we will know more. Definitely, anything that is adjacency is very similar in margin profile, lightweighting as we start production, we will learn more, but we are hopeful to have similar margin profile.

Chetan Ginodia: Thank you so much, sir and all the best.

Moderator: Thank you. The next question comes from the line of Amit Hiranandi from Phillip Capital. Please go ahead.

Amit Hiranandi: Hi, thanks for the opportunity team. Sir Just wanted to confirm is the TREM-V implementation date is confirmed from April 2026?

Aashim Relan: So, the government has notified the date for 1st April 26. There is always possibility of time adjustment from the government side. However, the government has not changed the date. So, as of now we are looking at the date 1st April 26. However, as we learn from the government we will keep you updated.

Amit Hiranandi: But similarly, if it is confirmed, so you must be having orders in hand for the date, right?

Aashim Relan: Yes. So, we have most businesses already awarded for TREM-V. So, we have all the LOIs. However, the norm is something that the government ~~needs~~ leads, right. So, the current notified date is April 26, right and that will be based on the government. That is why it is difficult to guide so far there are no changes, but most of the orders for this segment have been awarded.

Amit Hiranandi: Alright. Sir, any order wins in the export side and if you can also let us know what is the contribution coming from the international markets now?

Aashim Relan: Right now, the contribution from the international markets is very less. In terms of exports, it would be like 1%-2% only. However, we won a very good order, which we announced last time. In fact, it was our main target order for commercial vehicle components. That is something that will start production in January, 26 and that is going to be for the US market. Their annual business is roughly 7 million and lifetime business is about $40 million. And this is also only few components for that particular customer. It is the leading engine & emission vertical Company in the world. And the balance, we have a very good RFQ pipeline. We have added a strong team which is focused on exports, which are working on various segments and as and when we have significant additions like the one, we had, we will keep updating. We are quite positive on the export side.

Amit Hiranandi: Right, and sir, like I wanted to understand what is the capacity utilization for the exhaust system at present and in case, demand surges for exhaust and do we have any sufficient capacity in hand?

Aashim Relan: Yes. So, for exhaust systems, we can augment capacity very easily, right. It is kind of a very high ROCE low CAPEX kind of business. So, we can augment very easily and that is why we are well prepared on the exhaust system capacity side.

Amit Hiranandi: Anything on the utilization currently for this one?

Aashim Relan: We are at about 80% plus, but we don't share utilization numbers just because we can augment it very quickly. So, it is not as relevant in this exhaust system product as it is to other components, but we are of course always at a high utilization. But if we need to augment capacity, it can happen very easily in emission vertical.

Amit Hiranandi: My concern is basically in case the TREM-V implementation date is April 26, so are we like very much having the capacity in place to service?

Aashim Relan: We have the capacity in place. However, we will trigger CAPEX, etc., once our customers commit to taking up as well. It is going to be linked to customer, but we have ample capacity available, and we can augment at a very short period of time.

Amit Hiranandi: Right. This last two question, if you can, help us with the CAPEX outlook for FY25 and annually for the next two fiscal, please?

Aashim Relan: We will consistently have a similar run rate as we had last year and this year. So, from the CAPEX perspective, we anticipate on a gross level to be around Rs. 60 crores, Rs. 50-Rs. 60 crores and might be going a little bit higher this year and early next year because of our new plant, but generally we will maintain a very similar run date and of course if there is any inorganic opportunity that comes that is additional or any substantial order when that comes in the lightweighting vertical which is not to do with control arms.

Amit Hiranandi: And sir, in your opening remarks, you have mentioned something on the M&A, like in which areas are we looking for M&A?

Aashim Relan: Powertrain agnostic products, anything that is powertrain agnostic and first focus is things that can strengthen our lightweighting vertical. Otherwise, any product that is powertrain agnostic and which is recommended by the customer of course to us.

Amit Hiranandi: Like said broadly, if you can give us some outlook on the PV and the small commercial vehicle industry for FY26, any color on this?

Aashim Relan: I think the PV industry; the budget was very good and hopefully that now really drives consumption and higher demand for PVs. However, given the global environment right now, it is hard to really focus the next year. But we are quite optimistic about the industry reviving. And I think the festive sales that happened were really good and hopefully next year will be even better.

Amit Hiranandi: My next question is on the bookkeeping kind to Puru sir. Basically, sir wanted to understand there is jump of 18% in the other expenses line item on a Y-o-Y basis. If you can help us understand the same, please?

Aashim Relan: Sure, I will take that. So, our other expenses, they include various headers. There are various semi-fixed things like high labor charges which are in line with minimum wage and wage inflation plus there is power, fuel, etc. And then we have also had some development expenses. That is one of the additions that have happened. So, just a mix of all these things I think, nothing major on the other expense and it is not all, of course, there are a lot of semi-fixed headers also that come into other expenses.

Amit Hiranandi: So, there is no one-off and this will be a sustainable number, right?

Aashim Relan: Difficult to guide. There are some small one-offs. It is difficult to guide because this particular header includes fixed, semi-fixed as well as onetime expenses. So, there are some one-offs on R&D, new plant and so on, but difficult to guide because of the combination of the expenses that come in this side.

Amit Hiranandi: Sir, anything to read on the Q-on-Q basis, there is a small drop in the EBITDA margin side, so anything you want to highlight here?

Aashim Relan: In what to what? Sorry.

Amit Hiranandi: On quarter-on-quarter basis in Q2 FY25 to Q3 FY25, EBITDA margin looks little bit lower, are you saying sequentially or sequentially Q2 versus Q3?

Aashim Relan: So, generally very difficult to look at sequential in the auto comp industry. There is a lot of seasonality, the long value chains and so on, but definitely on this little bit product mix, addition of employee cost that has happened, we are adding teams for our global business, lightweighting, new plants, margins and so on and plus these other expenses to some degree, but it is very difficult generally to look at sequential, but these factors are definitely play into that.

Amit Hiranandi: Right sir, all the very best. Thank you so much.

Aashim Relan: Thank you so much.

Moderator: Thank you. A reminder to all participants, please restrict yourselves to just 2 questions. In case, if you have any more questions, you may rejoin the queue. The next question comes from the line of Rushabh Shah from Buglerock PMS. Please go ahead.

Rushabh Shah: Thanks for the opportunity. Sir, my question was, in the suspension business in the PPT, you have written that you have a market share of 10%. What definitely have we done in this business that we command this type of market share of 10% and how big is this market?

Aashim Relan: Can you please repeat the question? I think your voice is coming very muffled.

Rushabh Shah: In the suspension business, in the PPT, you have written the way we command 10% market share. How big is this market and what differences have we done so that we command this 10% market share?

Aashim Relan: Sure. Thanks for your question. One is that we update the market share on an annual basis. So, definitely in the next year's presentation, you will be seeing even a better market share than 10%. But for the time being, one we have a really good R&D for emissions. We have worked to augment it for control arms. And when we utilize the word suspension, I think in the industry it is used in various ways. Various other products also called suspension because it is more like a category. Most of our revenues are coming from control arms, which is suspension control arms as well as the overall suspension and axle assembly. And in these products, the range really differs and the content differs from car to car and LCV to LCV. So, currently, the products that we offer, the range is quite big, it is between Rs. 2,000-Rs. 8,000 per car per LCV that we have and there are various factors on the design of the suspension and so on that lead to that. However, we are also working on increasing the content, on how we can offer more content in this. For the time being, we are doing 2,000-8,000 and that is roughly what the market size would be.

Rushabh Shah: Sir, just a follow up, what led to gain the market share in so less time?

Aashim Relan: Sorry, your voice. It is as we just want a good order right now also, so it is work in progress and that is why we update annually. So, once we update annually, we will have of course, an uptake because this order also is quite good, and this is the second or third order now that we wanted to say.

Rushabh Shah: I am asking the reasons, what led to gaining market share in so less time?

Aashim Relan: The reason we set up a new facility, we augmented our R&D and started offering control arms only. Then we do have a very good knowledge as well as prior experience in stamping because we are backward integrated and specially stamping and welding parts which are sensitive, because emissions is of course sensitive to emissions, suspensions are sensitive to safety. It is a safety item, so it involves a lot of parts. Lot of these parts, the industry in India as well as globally try to shift it to casting, aluminum and so on. However, there are a lot of failures that happened previously and there were lot of imports from China and other countries. So, I think OEMs took a strategy to go back into sheet metal, but to go into higher tensile steels and also to really work with larger players so that they can take care of the safety angle of it as well. And I think us being prepared from before and doing some R&D investments from before as well as having very good experience in this product, of course, directly we were doing some of it plus indirectly also through our backward integration and exhaust system. So, we were well fit for this, so we benefited a little bit from that.

Rushabh Shah: My next question is in the.

Moderator: Sorry to interrupt Rushabh, if you have any further questions, please rejoin the queue.

Rushabh Shah: My second question.

Moderator: I guess you are done with two already.

Aashim Relan: It is fine if you want go ahead, please.

Rushabh Shah: In the PPT, you had mentioned that the total export market size is $48 billion within addressable export market size of $2.2 billion for Sharda Motors for this current product range. So, which products are we talking about and why the addressable market is so less, and which product can be in the highest share of the borrowing?

Aashim Relan: If you can just repeat the number, your voice is coming very muffled. If you can just repeat the numbers, I got the gist of that

Rushabh Shah: USD $48 billion in the total export market and the addressable export market is $2.2 billion for Sharda Motors for this current product range, so which product are we talking about and why is the addressable market is so less for us and which product can get the highest share?

Aashim Relan: Sure. So, I will just focus first on not going into exact numbers, but the larger picture that we want to start with a focused area into exports, of course because we are new to exports, the four sub segments where we are focusing on is commercial vehicle, emission components that is something where we have now already had a major success. There, we have got the order for these components for the largest engine maker in the world for commercial vehicles for their emission vertical and that is the first focus area that we have had. We will of course try to increase our wallet share with the same customer as well as add more customers in this line and here there is also a trend happening that the CV emission norms are shifting in US and Europe. So, it is a great time to enter and add content business for us over here. Second is on the adjacency or the emission adjacencies of the off-highway market. This is the temperature control tubes which we have just developed and we will be starting production first domestically. This is focus for us to of course cater to the domestic market. However, for this product, there is a much larger market outside of India, especially US and Europe and that is a focus area. Third is on genset emission systems, so we already have exports where we do emissions and mufflers for a generator, these power generators and there is a big move going on in the power gen market. Reason for that is varied from data centers to all these fires we just saw to various outages that have been happening in the US. So, we are just trying to utilize our prior experience and cater to customer who have much higher market share in some of the growing markets and last is emission system for under 100 horsepower tractors. These are 4 focus areas for exports.

Rushabh Shah: Thank you.

Aashim Relan: Thank you so much.

Moderator: Thank you. The next question comes from the line of Krish Agarwal from Taurus Asset Management. Please go ahead.

Krish Agarwal: Sir, as I mentioned, the Company holds over Rs. 800 crore in cash and cash equivalents, so what is the capital deployment strategy you have in your mind for this amount? Like, are you looking for an M&A or some upcoming CAPEX plans or some special dividends going forward?

Aashim Relan: So, our first preference is to utilize this for augmenting our lightweighting vertical through M&A and through of course organic investments as well, second to do M&A in the powertrain agnostic products where we can have a JV, TA or acquire a Company to add content to cars, trucks, tractors and so on. So, that is the first preference. However, for this there is no fixed timeline. Because of the cost when it comes to acquisitions, we want to be very careful with deals valuations and we won't do anything that is not of the correct value for the shareholders plus JVs, TAs there is always talks ongoing with multiple companies. So, it really depends when they materialized. In the meantime, we last year of course really accelerated the returns back to the shareholders. We had initiated a buyback and that was a very large size buyback. It was about Rs. 230 crores gross and we will continue to return back in other forms. We have established dividend policy. The dividend policy right now is roughly 10%-30% of that and so that is really a plan going forward.

Krish Agarwal: Yes, sure, sir. Another question, how does the Company plan to mitigate the high customer and product concentration risk? Like there are any strategic initiatives to diversify the product portfolio or expand the customer base in the medium term?

Aashim Relan: Yes. So, I will first take maybe a customer. We have added multiple new customers. It would be a very large number of customers in various segments in the last two years and of course, when you add a customer, the beginning is always small, right. However, once the relationship strengthens and mutual trust is developed, the growth is exponential. So, I think we are very good with the number of customers that we have now as a Company and that will grow overtime and of course, the good part is that the current customers also grow. So, that is a good problem to have and I am sure that all so many new customer additions that we have had overtime that will grow and take care of itself. Now, coming to product concentration, so of course, right now most revenues come from emissions. So, our focus is to first get into the adjacencies. The adjacencies is which I just mentioned within emissions and to cater more to the power generation, commercial vehicle, tractor and off-highway industry. And outside of emissions and outside of adjacencies, we are investing into the lightweighting vertical, which is right now the control arm business where there is a lot of work going on. And I think that work is now also showing results and that lightweighting vertical of course add control arms and assembly business, but overtime, there are a few more products that can be introduced into the similar theme and that will have a much higher percentage of revenues in the future than we see now. And third, we will of course, as I mentioned, we will use the M&A route, JVs, TAs acquisitions to add more content other than this and more products which overtime also reduce the product concentration.

Krish Agarwal: Alright, sir.

Moderator: Thank you. The next question comes from the line of Ankur Poddar from Svan Investments. Please go ahead.

Ankur Poddar: Hello. Am I audible, sir?

Moderator: Yes, please go ahead, Ankur.

Ankur Poddar: Thank you for taking my question, sir. I have two questions. I will start with the margin. Gross margins, we have seen, it has stabilized to around 26% odd last 3-4 quarters. So, from here, do we expect this is the stable run rate of gross margin, it is going to remain at these levels? Or with the introduction of new emission norms in the construction equipment segment post 2025, will there be some increase in the gross margin as what we have seen in the RDE emission norms which have improved our gross margin levels 6-7 quarters back. Will we see some kind of improvement in gross margin with the construction equipment emission norms as well? Can you throw some light on that?

Aashim Relan: Thanks for the question. So, I will just first go back to the improvement that we saw is also from our strategy change from buying the catalyst or buying the catalyst on behalf of the customer directed by free of cost model. So, it got reduced from our topline and bottom-line accordingly and that of course mathematically as a percentage also improve the gross margin. So, gross margins as such would not be the best way to look at and it is very difficult to guide because some still non-catalyst and the catalyst business mix is there, so product mix can always change that. Now coming to your question on the CEV norms that are coming in, so as step one, we are getting into the adjacency product which is the high temperature control pipes and those pipes anyways don't have that so they are going to be as per normal only and there is no base effect there as well, right. Because as on date they don't serve to this or very little we serve to construction equipment, so whatever little revenues will come from this adjacency will come fresh. So, there won't be any impact like that.

Ankur Poddar: Because you always guided that gross margin is an important parameter to look the improvement in the efficiency level for us because as we migrated into new norms, the bottom component will be lower. Since you don't share?

Aashim Relan: I will just clarify here that it is gross profit growth right, that is what we have been sharing gross profit growth. So, it does go in tandem with margins also. It is kind of the same, but what we had guided is on gross profit growth that would be the best way to look at it rather than that percentage margin. So, if you see all the commentary also it is on gross profit growth and since we have been sharing that and then you look back also, it matches very well gross profit growth.

Ankur Poddar: Any inputs on the follow-up orders of the last quarter we got initial products from the US, I think was 7 million order and you shared that we are pitching for follow-on orders in this market. So, any input on that and what strategies we are developing to scale up this export business because we have been trying to scale this business for some time now. So, can you throw some light on that as well?

Aashim Relan: Sure. So, definitely that export business takes time; however, let us say the time, what we have been doing for a while, that has shown good results, right. I think this order win which we have had is very significant, I would call it because it has given us CV emission components for new emission norms, for the largest customer in the world, right, so I would say that is quite significant. And of course, we do have a very good RFQ pipeline also. Now, what are we doing about it, number one, we maybe now it has been more than one year that we added a completely new vertical for exports with a separate team who has now built a team under him, including people who are working on the US and the European market, plus we want to of course utilize this order to build trust with this customer as well as to build trust with other potential customers.

This is regarding the CV emission segment. The rest of the works on the other fronts are also on and as we have significant business wins that we will keep updating on that.

Ankur Poddar: Just one suggestion from my side, since now the lightweighting vertical is scaling up, so in your reporting structure it will be really great if you can provide segmental information of lightweighting and emission products, so that will be really helpful for us to analyze.

Aashim Relan: We will look into that and we will see the possibility of separating.

Ankur Poddar: Thank you. Thank you and all the best.

Aashim Relan: Thank you so much. Thank you.

Moderator: Thank you. The next question comes from the line of Aaryan Dadhich from Taurus Mutual Funds. Please go ahead.

Aaryan Dadhich: Yes. Sir, my first question is, what is our current capacity in for powertrain agnostic products? If you can give a percentage of that in our revenue and who are our main customers for powertrain agnostics mainly as in the ICE vehicles or EV vehicles?

Aashim Relan: Sure. So, we don't give capacity numbers as such and I would say that they are different also. And powertrain agnostic might be a very, let us say, large bucket, right to be talking about just in terms of capacity. So, we can focus on the control arm side or the suspension assembly side. And there is new plant coming up. It has now come. It is just going to start with roughly 300,000 capacity and we do have additional capacity in other plants also. We are even catering to this segment a little bit from the South as well. Now coming to the customer profile, so we have 3 customers, one is newly developed in this segment and as you see from the market that mostly all customers have all kinds of vehicle and powertrain offerings. So, this product is cross used between ICE, CV, CNG, hybrid and so on. So, that is what it is agnostic to, so it is cross used. So, even our products are going into all different power grids because they are agnostic these products.

Aaryan Dadhich: Got it, sir. Sir, one last question. Given our Company's limited bargain power in the OEM supply chain because we are dealing with players like Mahindra and Hyundai. So, how do we expect to enhance our cost efficiencies because the raw material prices are fluctuating a lot considering steel prices and other metal prices, how can we improve our price pass through mechanism to maintain our EBITDA margins or maybe improve them?

Aashim Relan: Sure, one didn't name any customers as part of these calls, so, but in general, I will take a general question, if you can just reframe the question, how can we improve our EBITDA? I didn't understand. If you can just reframe the question a little bit.

Aaryan Dadhich: Sir, my question is because the raw material price is fluctuating a lot, how can we enhance our cost efficiencies and how can we be safe and resistant from that price fluctuations from EBITDA margin table?

Aashim Relan: Sure. With all our customers, we have a mechanism called indexing, right? So, it is index based on fluctuation. So, sometimes raw material goes down, sometimes it goes up right and it is volatile. It has always been. So, for some time now we have with all customers, agreement, so sometimes when raw material prices even go down, we have to pass through to the customers and we are back-to-back with the entire supply chain largely. So, that is the mechanism we use, which is called indexing. So, from this there is no improvement that happens just pass through, right, so it is just neutralizes, it is pass through.

Aaryan Dadhich: We don't use any hedging instruments, right?

Aashim Relan: No, we don't use any hedging. Per se, there may be some small here and there that we use, but nothing.

Aaryan Dadhich: Sure. Thank you. Thank you for your time.

Aashim Relan: Thanks.

Moderator: Thank you. The next question comes from the line of Sanket Kelaskar from Ashika Stock Broking Limited. Please go ahead.

Sanket Kelaskar: Thank you for the opportunity, sir. Sir, what is the revenue potential from the existing CV norms as in what is the market size and what is the revenue potential from the largest customer for this segment particularly?

Aashim Relan: Sure. Thank you for your question. So, I will segment this answer into three. One is the revenue potential from high temperature sensitive pipes, which we are starting with domestically, right. So, with this customer, we have now a good amount developed plus we are hopeful that the balance industry also overtime that we will be able to develop this business domestically quite good. However, the volumes domestically for construction equipment are not that much vis-a-vis other segments like PV, CV and so on. So, overall, the size is modest, but the next part to it that most of these customers are going to localize even there after treatment or emission systems, once these norms come in, they are waiting maybe for a year to pass by before they actually localize it given that they already have similar systems available somewhere in the world and they are importing mostly, in most cases, they are importing them so that localization theme that will happen here that will expand quite a lot this segment or the addressable part of it domestically. So, that is the second part that when they localize the emissions, we want to participate in that and developing these customer relationships help us in that and that is something which would probably happen with the lag from the emission norms as they first want to stabilize by importing mostly. Then third, all these customers and the ones we have developed, the ones we are working with have a very large wallet for similar products globally, because globally the construction equipment market is very large and as well as it has a good amount of content for our products also. So, we want to harness these relationships that we are developing and really go for that export opportunity. So, this is in three areas where there is opportunity.

Sanket Kelaskar: Thank you, sir. My second question is what is the value of business in which you have received from the control arm segment?

Aashim Relan: For the one which we just announced right now, the new one?

Sanket Kelaskar: Yes, sir.

Aashim Relan: Sure, the lifetime value is $22 million and the annual is $4 million.

Sanket Kelaskar: And this is just with respect to export or domestic as well?

Aashim Relan: The control arm is domestic. The control arm business is a domestic business which we won which we announced as part of this call today and export is commercial vehicle emission component that is a separate business.

Sanket Kelaskar: Thank you, sir. That is all from me.

Aashim Relan: Thank you.

Moderator: Thank you. The next question comes from the line of Mihir Vora from Equirus Securities. Please go ahead.

Mihir Vora: Thank you for taking my question. So, sir, my question was on the suspension and lightweighting segment, which right now would be roughly around 7%-8% of our revenues. So, going ahead, what is the aim here like, do you have any internal targets here to reach? Because the way we are seeing the order book building up and you winning new orders, so what is there in the store for next 2-3 years in the suspension and lightweighting segment?

Aashim Relan: Thanks for the question. Yes. So, we have a new plant coming up. Of course, there is a slight echo from the moderator side.

Moderator: Yes, actually, there was an echo, sir. I have taken care of it.

Aashim Relan: Thank you. So, thanks for the question. So, there is a good amount of traction in this segment. The control arm business, we are gaining market share and now we have won another good order here, so first focus is of course to strengthen the control arm and axle assembly business. This we have done organically. At the same time, we are also looking for partnerships, partnerships in the form of JVs or TAs where we can further strengthen the control arm and axle assembly business, but more importantly that we can add content and offer more content because right now the content changes only 2000 to 8000 and this entire segment has lot of opportunity to add content and there are lot of changes going on globally as well as domestically which makes this more technology enabled segment rather than the traditional stamping segment that it was. So, we are focused on that, and we are quite hopeful for this to be a significant contributor for us moving forward. However, giving a firm percentage number, I think is too early and there are a lot of other moving parts as well, but this is a focus area which we will be working on organically and inorganically as well.

Mihir Vora: Just a follow up on that part. So, we have a 1.8 lakh unit capacity annually for the suspension part, but with the Pune plant coming in, so would that be a substantial addition to our capacities or how can we look at it?

Aashim Relan: Yes, that is going to be substantial. That plant alone will have about slightly less than 300,000 capacity.

Mihir Vora: That is all from my side. I will be back in the queue.

Moderator: Thank you. The next question comes from the line of Agastia Dave from CAO Capital. Please go ahead.

Agastia Dave: Thank you very much for the opportunity. Sir, a lot of the questions that I wanted to ask you have been asked by my fellow participants. Thank you very much for answering those. Sir, again, there was a question on the gross margins and how the previous changes in emission norms contributed to higher gross margins. So, can you provide some understanding of the scale of the opportunity again in terms of, let us say absolute EBITDA or absolute gross profile, once TREM-V is fully operational and all the opportunities related to CV are also something that we are actually like addressing that entire market, so the timelines I understand are uncertain, but again the magnitude of the opportunity, sir can we double the size of the Company based on these opportunities plus the lightweighting plus export opportunities, is that possible, sir? Are these opportunities big enough?

Aashim Relan: So, without going into specifics, because there are long list of various markets that we are addressing, but if you look at it from the perspective that currently the Company revenues are of course as on date coming largely from emissions. That is entirely from exports, tractors, construction equipment. I think all of that put together we had shared this has been 5% of our revenues as on date. So, there is a huge opportunity, now different segments, different numbers, but if we were just to list out our focus area to begin with, the largest opportunity is exports and within exports also, the four subsegments of CV mission components, then emission adjacencies, then the genset emission system market as well as the under 100 horsepower tractor market. So, put all of this together, it is a very large addressable market and of course much larger than the

Indian market per se because it is US and Europe. Then, our lightweighting vertical where we have just started off and we are already seeing very good kind of traction. So, there just contributes to 8% of our sales, right and with additions that will definitely contribute a higher percentage. In addition to that, the CEV norms, the TREM-V norms as well as the export tractor market, all of that will significantly increase it and all of that is on top of the possibility of us adding content to our existing customers and new customers via M&A. So, overall, yes, we are quite hopeful to be growing significantly and to be outperforming the overall market.

Agastia Dave: Sir, have you discussed publicly, the timelines associated with the M&A opportunity because we have been discussing it for about an ~~a~~ year now. But when do you see, realistically, the M&A opportunities fructify?

Aashim Relan: Yes. Number one, when we look at M&A, there are three parts to it, of course JV, TA and then acquisitions. So, on acquisition front, we are going to be very careful and that really depends, the deal has no fixed timeline for that. We won't just do an acquisition for the sake of doing it, right. And we at any given time are exploring various opportunities. We have a separate team in fact, now that we have created only to look at M&A. So, there are a couple of people who just look at M&A opportunities. When it comes to JVs, TAs there are various talks that are always ongoing and as something material comes up, we will keep updating. However, there is no fixed timeline per se to any of this, because this is also really dependent on various other factors.

Agastia Dave: Understood. The final question, again going back to the exports and including all the four segments that you mentioned I want to understand the nature of the traction that you are seeing with your clients? Are we going to see a slow and steady, by steady, I mean let us say exports going at let us say 25%-30% CAGR or will there be a very quantum jump in your exports once an inflection point is fixed, how do you expect the growth to pan out? I am not talking about the numbers here, so just the characteristic of the growth. Suddenly we see a huge jump or will there be like a slow and steady increase, a fast and steady increase?

Aashim Relan: Sure. So, one, it is of course difficult to forecast CAGR per se can be very high because the base is so low. Export base is so low right now, so CAGR is very high, in somewhere if you look at just the order, we want the CAGR number that you shared with already we met by that right. However, it is very difficult to time what we have learned in the export market so far that getting the first order and really getting the trust going takes longer, but once it is done then it opens up a wallet that is 10x or 20x bigger, right, and that is what we have seen so far. I think we have made one significant move already and one significant win. So, that should open up lot of more opportunities and we are in similar stages in the other segments also that we spoke and some customers which are very large export customers are heavily focused on also producing out of India because of the geopolitical situation that is happening. So, we are actively also working to develop those customers, even if they are small in India, so that we can access the wallet share that they have globally, so difficult to guide per se as the timeline. However, we have seen progression generally to be at this point.

Agastia Dave: Understood, sir. Sir, thank you very much. And again, excellent performance, operationally you guys always deliver irrespective of the macro environment. Sir thank you very much, all the best.

Aashim Relan: Thank you so much. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we would take that as the last question. I would now like to hand the conference over to Mr. Puru Aggarwal for the closing comments.

Puru Aggarwal: We appreciate your participation in our earnings call today. We trust that we have addressed all your queries. Should you have any further questions, please feel free to reach out to our Investor Relations Advisors, Strategic Growth Advisors. Thank you and have a pleasant evening and happy prosperous New Year.

Moderator: Thank you. Ladies and gentlemen, on behalf of Sharda Motor Industries Limited, that concludes this conference, you may now disconnect your lines.