



# Sharda Motor Industries Ltd.

**SMIL: BSE/NSE: 23-24/1402**

**14<sup>th</sup> February, 2024**

**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, 5<sup>th</sup> Floor  
Plot No. C/1, G Block  
Bandra - Kurla Complex, Mumbai - 400 051  
**(Symbol - SHARDAMOTR) (Series - EQ)**

**Sub: Submission of Transcript of Earning call held on Friday, 09th February, 2024 at 05.30 P.M. (IST) onwards**

**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: BSE/NSE: 23-24/0502 dated 05<sup>th</sup> February, 2024 with respect to the convening of Investors / Analyst conference call "Earning Call" on Friday, 09th February, 2024 at 05.30 P.M. (IST) onwards, for discussing the financial performance of the Company for the Third quarter and Nine Months ended 31st December, 2023, 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](http://www.shardamotor.com).

This is for your information and record.

**Thanking You,**

**Your's Faithfully**

**Iti Goyal**  
**Asst. Company Secretary &**  
**Compliance Officer**

**Encl. as above**



“Sharda Motor Industries Limited  
Q3 FY’24 Earnings Conference Call”  
February 09, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 09<sup>th</sup> February 2024 will prevail.



**MANAGEMENT: MR. AASHIM RELAN – CHIEF EXECUTIVE OFFICER -  
SHARDA MOTOR INDUSTRIES LIMITED  
MR. PURU AGGARWAL – PRESIDENT AND GROUP  
CHIEF FINANCIAL OFFICER – SHARDA MOTOR  
INDUSTRIES LIMITED  
SGA, INVESTOR RELATIONS ADVISORS – SHARDA  
MOTOR INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Sharda Motor Industries Limited Q3 FY'24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

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

I now hand the conference over to Mr. Puru Aggarwal, President and Group CFO from Sharda Motor Industries Limited. Thank you, and over to you, sir.

**Puru Aggarwal:** Thanks, Seema. Good evening, everyone. A warm welcome to all the participants on this call. I'm here with Mr. Aashim Relan, our CEO; and our Investor Relations Advisors from SGA. You have had a chance to check out our results and the investor presentations. You can also find the presentation on the stock exchange and the company's website for your convenience.

Before going into the company's financials, I would like to give a brief overview of some noteworthy highlights in the industry. Let's start with the latest development in the automotive sector. India continues to be the third largest automotive market globally, and is likely to end FY'24 with 4.1 million PV sales and to be one of the fastest growing markets globally in the coming years. Given this, many global OEMs have set up manufacturing plants over the last 10 to 15 years to grab share of this important market. In order to scale up at a faster pace, a lot of global OEMs have now solidified their plans to make India their global hub for some of their models to begin with.

In the PV segment, SUV saw a strong demand. Production volumes for passenger vehicles for Q3 FY'24 stood at approximately 11.4 lakh, reflecting a Y-o-Y growth of 5%. Notably, significant sales were achieved during the quarter with the passenger vehicle segment registering sales of 10.1 lakhs units. The surge in demand was driven by the festive season, year-end promotions and new product launches. However, there was a slight moderation in sales volume compared to Q2 FY'24, primarily attributed to the Kharas period characterized by subdued demand from December 15 to January 15, 2024.

In the commercial vehicle sector, sales volume for the quarter ended December 2023, reached 2.4 lakhs units, up from 2.3 lakhs units in the same quarter last year. This growth was fuelled by strong economic expansion and increased construction projects, leading to improved utilization rates and cash flow for fleet operators. However, the tractor segment saw a 5% decline in the

sales volume during the same period, largely due to subdued demand caused by a delayed harvest season. Despite this, solid order bookings and positive market sentiment indicated a resilient growth path for this sector.

In the last quarter, the 2-wheeler segment experienced a significant recovery, propelled by festive demand. This positive trend continued through the December 2023 quarter as sales volume for Q3 FY'24 reached 47.31 lakhs units, indicating a strong Y-o-Y growth of around 23%. The increased demand was in place by several factors such as festive enthusiasm, heightened rural sentiments, the wedding season, intensified marketing initiatives by OEMs and the anticipation of price hikes by January 2024. After providing insights into the industry, I will now shift the focus to the operational and financial performance of the company.

Consolidated revenues for Q3 FY'24 were flat compared to Q3 FY'23 and around to Rs.689 crores. Our revenue for 9 months FY'24 reached Rs.2,106 crores, reflecting a 5% growth compared to 9 months FY'23. In Q3 FY'24, our EBITDA stands at Rs.94 crores, demonstrating a substantial growth of 47% Y-o-Y compared to Rs.64 crores in Q3 FY'23.

The EBITDA margin for the quarter also experienced a robust expansion, increasing by 434 basis points from 9.4% in Q3 FY'23 to 13.7% in Q3 FY'24. In 9 months FY'24, our EBITDA has reached Rs.262 crores, indicating a significant growth of 31% Y-o-Y compared to Rs.201 crores in 9 months FY'23. Notably, the EBITDA margin for the 9 months period has expanded by 247 basis points, progressing from 10% in 9 months FY'23 to 12.4% in 9 months FY'24.

In the quarter, our profit before tax amounted to Rs.103 crores, factoring in shares in profits from joint ventures and its associates. Our JV reported a profit of Rs.0.9 crores in Q3 FY'24 compared to Rs.0.3 crores in Q3 FY'23. For the 9 months period, our profit before tax amounted to Rs.283 crores, considering shares in profits from JVs and its associates. Our profit before tax witnessed robust growth, soaring by 64% compared to Q3 FY'23.

Additionally, for 9 months FY'24, our PBT experienced a commendable increase of 44% compared to 9 months FY'23. In Q3 FY'24, the profit after tax amounted to Rs.76 crores, marking a notable growth of 64% compared to Q3 FY'23. For 9 months FY'24, the profit after tax reached Rs.211 crores, exhibiting a significant growth of 44% compared to Rs.146 crores in 9 months FY'23.

On the balance sheet front, we continue to remain a debt free company as on 31st December 2023, with surplus cash and cash equivalent Rs.688 crores and Rs.103 crores in mutual fund and bonds.

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

**Moderator:**

Thank you very much, sir. We will now begin with the question-and-answer session. We take the first question from the line of Ravi Naredi from Naredi Investments. Please go ahead, sir.

**Ravi Naredi:**

Mr. Aashim, first, congratulations, all of you and your team to give the so fantastic result. Sir, can you tell how much growth we may achieve in next 2 to 3 years? And what is our aim and capex plan?

- Aashim Relan:** Thank you for the compliment on the results. Now the guiding growth in the next 2, 3 years, we don't give any specific guidance in terms of numbers, but we remain to be very optimistic. And in a longer-term period to have a similar growth pattern that we've seen in the last couple of years. But as such, in terms of numbers, we don't have any guidance that we are giving at this point.
- Ravi Naredi:** Capex plan?
- Aashim Relan:** Capex will remain to be incremental, how it has been. There will be different stages but it will all remain to be incremental for the next 2, 3 years and a similar pattern, maybe slightly higher, lower, depending how it's been for the last couple of years. And it will be taken more than enough by the profitability that we are expecting.
- Ravi Naredi:** Yes, I understand. And sir, we have Rs.688 crores, as you mentioned. So what is utilized -- how you utilized them for immense ROC?
- Aashim Relan:** Yes. So I think that's a very low-hanging fruit that is there that we have a significant amount of liquidity. And do remain to be debt free. In addition to that, we also have a few surplus line. So our first preference has always been to utilize this for an M&A opportunity. But at the same time, we are long-term focused as well as very conservative when it comes to valuations on products. So we are working on various opportunities, and there is no time line in terms of M&A.
- Nevertheless, at the same time also we want to substantially increase the returns to shareholders. So I think that already started with a revised dividend policy of between 10% and 30% of profit. But at the same time, we are working on higher policy in terms of returns to shareholders and maybe by the end of the financial year, we would also have that policy out, so there would be a substantial increase that we may do at that end as well, while we continue to look at M&A, and when the right deal comes, definitely we will take that.
- Ravi Naredi:** Right, right. right, right. Sir, you don't monetize property in NCR. So how you have planned to monetize them? Anything can you mention or value of the property where we receive in future?
- Aashim Relan:** Yes. So given that right now, the liquidity position is very good as well as where those properties are located, there's a very growth area. We don't have any immediate plan to monetize it. But at same time, if we do get a very attractive price at some juncture, we would also monetize them, but no fixed time line in terms of monetizing it. But that's something that is additional. And at the same time, we don't intend to use that land also. So we will at the right time and right price definitely go ahead with that.
- Ravi Naredi:** Okay. And sir, last, this immense margin possible in future years because in quarter 3, you raised top line by 2% but net bottom line, 65%.
- Aashim Relan:** Yes. So I think the way the numbers or sales is probably not the right metric to look at it, gross profit is actually the best indicator in our numbers. And gross profit roughly grew by 32% year-on-year. And that's something that is also indicative of the underlying sales growth, while it's not exact, but it is very similar. But in the increased margin front, how it looks currently, due to the sales number. We would be at a good number, which is, of course, better than last year.

Given product mix and other things, there is no fixed number in terms of EBITDA margin or PAT that we have. But given that there is more FOC that we have in terms of catalyst as well as catalyst price we've reduced, there would be a higher number which we are seeing than booking.

**Moderator:**

The next question is from the line of Vishal Srivastav from Svan Investments. Please go ahead. As there's no response from the current questionnaire. We move on to the next question. The next question is from the line of Sonaal from Bowhead. Please go ahead.

**Sonaal:**

Aashim, congratulations on another very good quarter. Just a couple of questions here. Firstly, while you don't share the tracks on volume data. And based on that looks like a gross profit per vehicle has increased or almost at similar level. So the last thing you mentioned that your gross profit for vehicle could be one-off because of better product mix but it seems like it's maintaining. And I'm not talking about margins here. I don't like that metric.

We have a reasonable understanding of your company. So do you think this number is sustainable because last time you seem to be suggesting that maybe as you are a conservative management, maybe you were suggesting that this may be a one-off. But do you think this kind of number may be sustainable because of the benefits of RDE norms and so forth now fully flowing in?

**Aashim Relan:**

Yes. Regarding the RDE norms we do have a tailwind, and that's roughly 10% because our content per car increased because of RDE norms. And as also part of the RDE norms, the new products that we took in that, the catalyst was free of cost, right? So we did not have catalysts as part of our sales.

So just mathematically, margins do improve as a result because the catalyst friction is not there in the newer products right now, but definitely for some of the older products, it does remain, but it has been lowered as a percentage of sales. So the margin does look better.

Now the best indicator just because of this catalyst movement as well as now catalyst prices have come down also, is to track the gross profit company level, which is publicly available, and that's how growing...

**Sonaal:**

I understand, I'm actually at 1 level ahead of that. So we track our volumes through a different way. So when we look at our internal metric, we track some gross profit divided by some volume, which is proxy to your volumes. That seemed to be also very high for last 2 quarters. So when you shared Q3 numbers, you mentioned that number seems to be quite high compared to history.

And I'm talking about gross profit margins in any stretch of the imagination. That number is quite high, but the product mix was much better in Q2, is what you've said in the last call. So I was wondering the gross profits which we are seeing, they seem to be not sustainable. Is that a fair assessment. Maybe after the first quarter came in, you were not very sure.

But now this is a second quarter trend of your gross profits and not margins, actually gross profit or gross profit per vehicle which you don't share, but can be backward calculated. They seem to be pretty high. So is this number sustainable number, this kind of profit, absolute profit?

**Aashim Relan:**

Sure. So I can't comment on gross profit for vehicle or the way you're tracking it, as I'm not fully aware on and don't have a clear understanding of it. But as a broader point whether this is sustainable, whether that's improved. So I think, one, there has been an improvement it was at last quarter, it is at this quarter. And that is on account of RDE products have stabilized.

And as we saw in our results in 2020 also when BS6 or 2021, once products mature, there is definitely some improvement. But at the same time, both these quarters have also had a favourable product mix, right? So it could be both. One is definitely some maturity of the products that have come in because these were new products. And second, the product mix has been favourable this quarter as well as last quarter. We hope that it continues, but product mix is something that is not fully in our hand. So there has been a product mix tailwind in this quarter and last quarter. But definitely some part of it can be attributed to maturity of these newer products. So margins don't improve generally because of that.

**Sonaal:**

And all the benefits of RDE norms already factored in or some more to come because it may take a few quarters for them to fully flowing. So more or less Q3 captures all of that or some more may be possible?

**Aashim Relan:**

RDE norms in general, the products have started. So now there's growth because of RDE. And that growth will continue. It will continue as we go forward also because now all those products are live and they're in production.

**Sonaal:**

No, what I meant was like would your EBITDA further improve because of the cost cutting because it takes a few quarters, 3, 4 quarters for these things to fully stabilize. So what I was trying to capture was that, obviously, in Q1, you didn't see the benefit in Q2, you some -- saw benefit. So in Q3, you may have seen more benefit. But is it now more or less done? Or there incremental further cost savings as you stabilize the RDE further and cut your fixed costs, which you may be -- or all those benefits already fully get reflected in Q3 was my question.

**Aashim Relan:**

It's very hard to say. And just being on the conservative side, I'm again mentioning that the product mix has also been beneficial. So it's very hard to say if there is some further improvement. It may come, right? But it's very hard to say at this junction. Generally, as quarters go by, products become more mature. There are some benefits, but that is contingent on various other factors also. So very hard to give guidance on that front. So hoping that there could be improvement, but very difficult to give any kind of call on going forward.

**Sonaal:**

So four more questions all very short. So first question was pertaining to the -- a lot of strategic initiatives you mentioned in the last 1 or 2 calls on the export front, etcetera, etcetera. When you see expecting traction that is like a few years away from now? Or we could see some benefits of whatever initiatives you have been taking in the next year itself? And these discussions are in more advanced stages. This was my first question.

The second question was on the investor relationship side. In the last few quarters, you mentioned that now since RDE thing is stabilized, you may take more in interest, so any further plans in terms of activity or hiring on that front? Thirdly, last two calls, you mentioned that you are actively looking at disclosing per vehicle data at least in terms of index terms, but we don't

see any progress on that side, and I would presume 6 months is a very long time to figure these things out. So do we expect at some stage you will share it? And or that plan is off?

**Aashim Relan:**

Sure. Thanks for the question. So in case because there are a few questions, so in case there's a question that I missed out, please do add. So first, taking export side, right? So we have built a team for international business development. We are very new to it, right? And we have a very good RFQ pipeline. We do expect some new customer additions. And we're also seeing that initial orders could be small because they do like the newer customers to the pilot orders, especially on the export front.

But once the pilots are done, then the growth is literally exponential in this industry. And there is a very strong tailwind when it comes to China plus one. It's maybe much more than we also thought. But at the same time, the gestation period is anyone to guess when it comes to exports. We are working on it. And as something material develops, I will keep updating but that could be an additional growth lever that once it comes in, it would be a substantial. But it will start small. We are seeing very good traction on the RFQ side. So that's on the export front.

Now the next question regarding investor relation activity, definitely, a lot of back-end work is there, and we will be planning even in terms of hiring, we are hiring on the investor relations side or more on also activities on being rewarding shareholder. So I think there are policies underway. And as we get approval internally also, we'll be sharing that. And lastly, regarding the index, right, that we've been working on. So that's something that we thought is better in a new financial year.

And it is not gross profit per car or per vehicle kind of index, I think that you were mentioning, but it's something that would be easier to track growth in terms of sales because it's not from the sales that are reported visible exactly how much the growth has come. And gross profit is a very good indicator for that. But we're just tracking on that? And maybe as part of the new financial year presentation, that would be available.

**Sonaal:**

Lastly, any progress on the EV venture. And one suggestion before you answer this question, the place where you have the property, as you know, has gone through a massive inflation bubble. So you may not need that money, but maybe you should explore taking the money when it's available. That property must have really appreciated by multiple times in recent years, I'm sure. So last year, I look forward to your answer on the EV side.

**Aashim Relan:**

Sure. So on the EV front right now, we're going to slow on that, and we are still testing out the prototypes because there are a lot of changes that have come in because of the AIS Amendment 3. And there's a lot of cost pressure on the OEMs for EV. So they've requested us to go for lower-cost battery options. Now we have developed a lower-cost battery prototype, and that is again back into testing. So this is something that we are being again, very cautious, right.

And battery packs do require very high quality and hold a lot of field risk in the market. So until we are not fully comfortable, we won't release this product. And as of now, we are definitely going to spend some time internally on testing until we don't have full confidence on that. And that will take some more time to really come when we're talking about the Kinetic JV right now.



- Sonaal:** Last two small further question, if I may.
- Moderator:** Sir, may I request you to please join the question queue as we have several participants waiting for their turn.
- The next question is from the line of Vishal Srivastav from Svan Investments. Please go ahead.
- Vishal Srivastav:** I had a couple of questions regarding our growth. We have seen the top line, it has actually been degrown by almost 10% on a Q-on-Q basis. And if we exclude the Maruti numbers from the overall passenger vehicle production, the production has degrown by almost around 8-odd percent on a -- 7% to 8% at on Q-on-Q basis.
- In the presentation, we are also seeing that we are seeing content for vehicle increase in the new norms by almost in the tune of around 10 to 15-odd percent. So sir, just one guidance from your side that in this scenario, we should outgrow the industry. So I'm not understanding this is a kind of trajectory where or you can guide and how the trajectory will be going ahead in this regard in the industry growth?
- Aashim Relan:** Yes. Okay. Thanks so much Vishal for your question. It was slightly unclear, but I think I got the crux of it. So for us, sales and gross sales are not the correct indicator when it comes to tracking growth, right? And that's surely because of catalyst prices. And this quarter, even catalyst prices have dropped. And I'm talking Y-o-Y because sequentially, in the auto industry, it is very difficult to look at. So I'm talking about quarter-on-quarter.
- And if you look at our product mix, our new products, which have come in have all been without catalysts for the RDE side which you are referring to. So better indicator to look at growth for us is gross profit. So if you look at our gross profit number, this is Y-o-Y, right? It has gone up 32% in Q3 versus Q3. And on a 9-month basis, it is 23% up, and that is substantially more than the growth that the industry has seen.
- So whether you exclude Maruti, whether you count LCV, whichever blend, right, because different blends that it can be looked at but the growth of the industry has been ranging between 4% to 7%, while as our gross profit is up 32% this quarter as well as on a 9-month basis, it's 23% up. So our guidance that our sales/gross profit would be up more 10% versus industry has been there, and we will continue to see that as well as our content per car increase this time. So I think just looking at the sales number for us may not be relevant because it includes that distortion of catalyst and gross profit would be a much better indicator.
- Vishal Srivastav:** Okay. Sir, so in that case going ahead for next subsequent quarters, this kind of gross profit improvement on Y-o-Y basis will continue for the year because as our model -- products matures and we are getting new model also. So we expect this kind of improvement?
- Aashim Relan:** So yes, I think the guidance has been that we would outperform by 10% versus industry, right? And that we would do for this year because of RDE, and we are ahead of that slightly already. And I think that should continue because of the content per car increase, and that's surely because of the variant RDE content per car increase. Our content per engine occur because it's just not car..

- Vishal Srivastav:** Okay. Sir, what has been our R&D spend? Or I would say, what do we expect our R&D spend for FY'24 full year and FY'25?
- Aashim Relan:** I don't have the number in front of me, but it's been relatively similar. It does grow incrementally. And we are planning to add some R&D resources. But as an overall number, it will not be a very substantial increase that we will see this year, or the next year, but definitely as the path it's been growing it would continue.
- Vishal Srivastav:** Okay. Sir, any update on JV for sunroof?
- Aashim Relan:** Sorry, JV for?
- Vishal Srivastav:** The sunroof systems we were planning.
- Aashim Relan:** I don't think we have ever been planning, maybe some other company, I think. We have never been planning, may be some other company I think. We have never been planning.
- Vishal Srivastav:** Yes, can you guide for capex for FY'24? And what actual we have done in first 9 months of FY'24?
- Aashim Relan:** Yes. So roughly, on a gross level, we have done about Rs.44 crores for the first 9 months. And in a similar trajectory, we should continue for the next 3 months.
- Vishal Srivastav:** Okay. And any guidance for FY'25, sir?
- Aashim Relan:** No particular number, but we do expect capex to be incremental, even though we will be maybe setting up few new facilities, but it would remain to be incremental it will not be anything substantial in the realm of the numbers.
- Vishal Srivastav:** Okay. Okay. Sir, I was asking you about sunroof because there is an information that we have some tie-up with a company called as Bestop Incorporation in USA for some sun roof systems.
- Aashim Relan:** Okay. Bestop is not sunroofs. It is the convertible roof, semi-hard roofs, which is the canopies. Bestop is what we have for canopies. So it's not sunroof, it is the canopies and it's a semi hard canopy which is a specialty product. So that's continuing on, but it's a very niche product. So the application is not very wide. There are only certain models that have it, and we are supplying to those markets. It is a small business.
- Vishal Srivastav:** Is this business from India? Or this is from international markets?
- Aashim Relan:** This is India. This made in India. Bestop is an international company. It is based out of Denver, Colorado. But we have that technical assistance with them for India.
- Moderator:** Sorry to Mr. Vishal, may I request you to join the queue.
- Vishal Srivastav:** It's just one question which is connected, if you can.
- Moderator:** Please go ahead.

- Vishal Srivastav:** Sir, what exactly the potential you see for this kind of product in India going forward in the next 2, 3 years?
- Aashim Relan:** I think this will remain to be a niche product. This is going to be a niche product. I think definitely, if there's 1 or 2 more models that come up, it could grow, but the numbers are very small, and we don't see a very large addressable market for this particular product, which we are doing.
- Moderator:** The next question is from the line of Chirag Shah from White Pine Investment Management. Please go ahead.
- Chirag Shah:** First, a few clarifications. So you are indicating that the product mix is improving for you. I understand Y-o-Y because of RDE. But sequentially, is there a big shift in product mix? That is the first question. And if you can elaborate which category you are referring to? Are you only referring to passenger car when you say product mix and RDE norms? Or there is something else that will also happen on the CV side, which is also additional advantage that you have?
- Aashim Relan:** Yes. So the way -- thanks so much for the question. The way we look at our products is that the various models and engines that we supply to some models and some engines have better profitability on a relative basis than others. So when the engines with better profitability or the products subproducts with better profitability, sell higher and the ones with less or one sell lower. That's what I mean by product mix. So it's not really segment based, but it is just how it is in terms of what models and some models that we are selling. And that's a factor of how they're doing on the final market.
- Chirag Shah:** Again, sir, just to elaborate, does it also mean that if say for India more SUVs or high-end cars are being sold, it implies a better product mix, or not necessary? It's more specific to based on what was your -- what is your arrangement with each OEM for each model. That is what determines the profitability is -- what is the right way to understand this?
- Aashim Relan:** Yes. So I think it's not even just OEM-based also. Within OEMs also then would be like 7, 8 products, right? Yes, but it is more specific to our own product mix rather than any industry level product mix. But of course, higher-end cars and SUVs generally have better content, but it cannot be correlated on an industry level, it's models-based. And not even customer, it's various models...
- Chirag Shah:** The SUV trend change, the rising share of SUV has been happening. And in fact, the pace of change was far higher in earlier years as compared to last year. When profitably -- that was the reason I'm trying to understand, we have not seen the impact of product mix earlier.
- Aashim Relan:** Yes. So I think it's not something that's a macro factor, which I think you're trying to, it's more an internal and multi-product kind of a thing when I say product mix. But at the same time, that is only a part of it. Definitely, there are improvements because these products were newer to us, the RDE products, and now we produce them for about 6, 9 months. So generally, as products mature, there are improvements. So it's a mix of both, but definitely, last 2 quarters, we've had good product mix shift.

- Chirag Shah:** On the commercial vehicle side, the 3 to 4 liter engines, if you can just talk a bit about it, how big it is and when it can start changing because in HCV, the transition to newer engine has not happened in that sense. We are still using the older ones. But 3 to 4-liter engines was an opportunity that was supposed to open up as the transition happens. So if you -- and how big is this opportunity?
- Aashim Relan:** Sure. So the 3 to 4-liter segment is something where we did not have stand-alone technology before. Now we do have stand-alone technology to cater to the 3-liter to 4-liter engine market. And that stand-alone clearance, we've only got probably about 6, 7 months ago. And this segment is roughly, I would say, 25%, 30% of the CV market which we were not playing in or were very small and before.
- And this is something we started working on, right? And it's totally dependent on business development on when we could get entry into the segment. But what's good about this segment is that the products can be cross used. So we do have internal development work happening but it is contingent on the business development cycle and being able to penetrate on the customer side.
- Chirag Shah:** Yes, my question was about that, where has been that cycle sir? Have we submitted our products to the OEMs and they are being tested? Or they are still in initial approach space a 2-year to 3-year cycle bare minimum. How should we look at it?
- Aashim Relan:** So yes, it is very hard to predict these cycles, right? It can be multi year or it can be multi-month also. We are ready in terms of the technology now. So I think that there's a big milestone for us. We never had the technology for this segment, but we developed it internally now. And now we are ready. It totally depends. There is no guidance as such in terms of when this can come to full..
- Chirag Shah:** Anything on the 4 to 5-liter engine?
- Aashim Relan:** Sorry?
- Chirag Shah:** Anything on the 4 to 5-liter engine because that is also area where the transition has not happened as yet, right?
- Aashim Relan:** So for any engines which are above 4 liters, we don't do it from a stand-alone entity. We do it through our joint venture. So we don't do it as a stand-alone, that we do through our joint venture which is with Purem/Eberspächer.
- Chirag Shah:** And sir, lastly, on this China plus one, you made a comment that it has actually surprised you positively that -- so how should we look at it in terms of the pace of approvals you are getting, and when can it start flowing in your P&L? So how should one look at it?
- Aashim Relan:** Yes. So in general, there's this macro trend of China plus one. For us here, very well positioned to take it on also because we have internal emissions technology for the highest end emissions, right? So the same emission norms, which are there in Europe as well as the U.S. market are there in India. And even on the off-highway sector, we've seen emission norms coming in. A

part of them have already come in and the others are coming in, and we have complete technology for that.

In fact, we're the other smallest company in the world right now with technology for these emission norms in the entire world. Everyone else in this field is a multibillion dollar sales company. So we do have a good tailwind in terms of the technology that we have. Now how to look at it or what I commented that we are very new to exports. We have been trying for roughly 1, 2 years now. We've developed team, which is fully focused on international business development.

But what we are learning is that the gestation period is that, first, we have to acquire the customers, which has already started and they begin small, the pilot runs because this is also developing trust. Exports is a lot more about trust and then they give bigger orders. So we are working on it. We have a very good pipeline of RFQs, but how they develop to see. But even on to customers can be a substantial increase because the market is much larger ofcourse given that a lot of these products are currently exported out of China. And definitely, people are looking for alternatives.

**Chirag Shah:** Just one last follow-up on this. So basically, still in RFQ stage you're indicating. So you have to submit the samples, they will approve it, it's a reasonable long process, right?

**Aashim Relan:** Yes. I think in this, we may have some smaller customers closer to development but it doesn't work exactly like that, that there's RFQ, then is submitted and then there's a product, right? It's a little bit, let's say, more ambiguous when it comes to exports. But RFQ it means that we have contacted the customers. Customers have visited us. They have audited us. They felt that we are good enough to work with and then they share an RFQ for pilot models and so on, and it is at different stages with different customers, so very difficult to paint it with one brush.

**Chirag Shah:** Sir, one suggestion or request on the Investor Relations side In fact, even I have been trying for a meeting with you or interaction with you since now a very long time. I presume that would be the case with a lot of other investors. I would request you to just allocate some of your time for this activity. Now there are a lot of things are in place and this is an autopilot basis?

**Aashim Relan:** Sure. And I think, in general, that has been there and with the SGA team, we will work out, and we'll...

**Chirag Shah:** The reason we have been behind -- we are trying to do it with SGA also, but we are not able to get a time slot on this. This could be a key with a lot of investors.

**Aashim Relan:** Sure. I think this with the SGA team will look into it. And definitely, I think we would all meet in priority.

**Moderator:** The next question is from the line of Karthi from Suyash Advisors. Please go ahead.

**Karthi:** Aashim, a couple of questions. One is now that the TREM5 time lines are FY'27 effectively. I just want your thoughts on the drivers available for growth in the interim. Given the muted

outlook for the industry as a whole, how do you see that? Could you share some thoughts on this, please?

**Aashim Relan:** Sure. So for us, already, we have been working on various growth levers from the fourth and hopefully, in the period between now and TREM5, some of them will show good results. So one of them is definitely the export side, especially on the global small engine off-road segment plus components would be one good lever that we would see some traction on default. Second, this 3-liter to 4-liter segment that has now opened up for the stand-alone entity that is definitely going to be a growth lever for us.

And we have also started working some additional technical work on our suspension vertical, right, which is a positive surprise that we are also seeing in terms of order book, and that may increase as a percentage of sales, maybe as we go forward in the financial years. And of course, in addition to this at the right time and the right deal, if an M&A comes by that would, of course, be a growth lever.

**Karthi:** Right, right. So just to be sure, is anything likely to happen in FY'25 which is a new line item as that's really where I'm coming from. Can something meaningfully be expected in FY'25?

**Aashim Relan:** We are very optimistic of FY'25, '26, but there are so many things globally that are going on as well as various other factors. But in terms of our efforts, we are very hopeful that some of them do come to fruition, very hard to say in terms of timing that by FY'25, '26. And any one of the things that I mentioned, if they were to come into fruition, it would be very substantial for the numbers that we're looking at. But to exactly time it and to comment on a financial year basis, that is a bit difficult.

**Karthi:** And second question would be on the exports front, you spoke about various RFQs. A, to what extent is Eberspaecher helping you out in this? And b, would you be at least able to share with us how many OEMs to whatever distributors, whatever model you are trying to follow, you are currently in contact with some things where there is some progress made?

**Aashim Relan:** Sure. So one, we are doing it as a stand-alone entity, right? So we are completely doing it as a stand-alone entity. In terms of number of customers, there's no number that we have yet guided on, but it's substantial because in terms of coverage of customers, we have covered a good amount of the market. But now it has to be seen how it develops into business, but no specific number that we're sharing at this moment.

**Karthi:** Any colour on geography, anything just to keep us at least...

**Aashim Relan:** Western Europe is actually what we've been working on.

**Moderator:** We will take the next question from the line of Manprit Arora from Arora Wealth.

**Manprit Arora:** Aashim, are there any opportunities for us on the defence side now that the government is opening up on defence and railways, are there opportunities on the exhaust system stores for any of defences segments? And are we looking at towards those as a company?

**Aashim Relan:** Sure. So in the defence segment, maybe indirectly if our customers are supplying, we would supply. But as of now, we don't have any vertical or team that is focusing on the defence segment. And railways as well, we are not working on. It's not part of our plan yet. There could always be opportunities, but it's not something that we are working on.

**Manprit Arora:** Okay. Okay. And the next question is a technical in nature. So just to understand the RDE norms, what is the extra value add that has happened before RDE and after RDE? So my understanding is that before RDE, the norms were -- had to be fulfilled in the lab, but now with RDE, every vehicle on the road has to fulfil that.

And there are some onboard diagnostics and it probably requires more electronic components for this to be -- is that the value-add that we retain with RDE, the value that has added to the exhaust system that bring you by 10%, 15% extra. It's a little more technical, but just wanted to be sure.

**Aashim Relan:** Sure, sure. Sure, sure, sure. So yes, so I think the previous BS6 norms were the standard norms, which is the first phase of BS6. When RDE comes, in essence, what happens is that the regulation becomes more stringent. And there are various changes that have to come in as part of RDE and the entire car, right, or in the entire truck or LCV.

But for our product specifically, I'll discuss that as part of the RDE norms, there was a little bit of addition and amendment to our products that was required to meet these more stringent norms. And it's not much on the electronics side, but it's really just our product, which is more on the canning front that was required and a little bit of augmentation of the products was required to cater to this norm.

But from the customer standpoint, they would have to change various things in addition to that also. So we are just a part of the entire emission story.

**Manprit Arora:** Okay, okay. And last -- one last question. So you mentioned that we are 1 of the 3 companies which have the -- in the world which have product like this. Now since we need BS6 standards, does our product also meet some of the global standards like Euro 6, etc, and does automatically qualify us for meeting those standards and we just have to work with the OEM there to get our product in or our products also needs modifications?

**Aashim Relan:** Sure. So we are not 1 of 3, we're the smallest I mentioned, but of a few company. Now the way this product works in the industry works, it's not something that you know is pick and place kind of a product. It does require to be working with the OEMs. So having technology the BS6 norms, the BS6 RDE norms are very similar to the emission norms that are there are in the developing or developed world, sorry, the U.S., Europe and very similar norms that they have. And hence, we have this technology to meet them.

And similarly, on the off-highway side, whether we talk about TREM4, TREM5 CPC, B4C, these various norms that have come into India, they are very similar in the European market as well as in the U.S. market. And these are intense in technology requirement. This is not a product which is a newcomer even by making a very substantial investment can just come into for two

reasons. One, that the technology is difficult or it is complicated. It requires multiple years of research and development.

And second is that it also requires a lot of trust in terms of proving these products on the market, right? And in India, it came in 2020. So now products have been out there for 3, 4 years. And that, again, adds to our barrier or our enabler to work with OEMs outside India. But of course, because we want to be on an export-led model, we are more focusing on the off-highway segment when it comes to export rather than traditional PASCAR LCV globally.

**Manprit Arora:** Okay. So on the export side, our focus is more on the off-highway side?

**Aashim Relan:** Agriculture and the off-highway market, gensets and so on. That's where there's a sweet spot because they generally exported these products out of China, so...

**Manprit Arora:** Okay. And is this the subcomponent market that you are referring in the past or is this the...

**Aashim Relan:** Subcomponents a little bit more agnostic between industries. So subcomponents can be on other fronts also.

**Moderator:** Ladies and gentlemen, due to time constraint, we take that as the last question for the day. I would now like to hand the conference over to Mr. Puru Aggarwal for 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 other questions, please feel free to reach out to our Investor Relations Advisors at Strategic Growth Advisors. Thank you, and have a pleasant evening.

**Moderator:** Thank you. On behalf of Sharda Motor Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.