February 17, 2025

The National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra – Kurla Complex
Mumbai 400051

Scrip Symbol: SANSERA

The Department of Corporate Services
BSE Limited,
P.J. Towers, Dalal Street
Mumbai 400001

Scrip Code: 543358

Dear Sir/ Madam

**Subject: Transcript of Earning group conference call**

Please find attached transcript of Earning call held on February 11, 2025 on Unaudited Financial Results of the Company for the quarter and nine months' ended December 31, 2024.

The above transcript will also be made available on the website of our Company at www.sansera.in.

We request you to take the same on your records.

Thanking you,

**for Sansera Engineering Limited**

RAJESH KUMAR MODI Digitally signed by RAJESH KUMAR MODI Date: 2025.02.17 14:41:28 +05'30'

**Rajesh Kumar Modi**
**Company Secretary and Compliance Officer**

Encls: a/a

# "Sansera Engineering Limited
# Q3 FY '25 Earnings Conference Call"
# February 11, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 11th February 2025 will prevail.

**MANAGEMENT:** **MR. B.R. PREETHAM – EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – SANSERA ENGINEERING LIMITED**
**MR. RAHUL KALE – CHIEF OPERATING OFFICER -- SANSERA ENGINEERING LIMITED**
**MR. VIKAS GOEL – CHIEF FINANCIAL OFFICER – SANSERA ENGINEERING LIMITED**
**MR. PRAVEEN CHAUHAN – HEAD CORPORATE STRATEGY – SANSERA ENGINEERING LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of Sansera Engineering Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the 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 after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. B. R. Preetham, the Executive Director and Group CEO. Thank you, and over to you, sir.

**B. R. Preetham:** Thank you. Good morning, and welcome, everyone. Thanks for joining this call. On this call, I'm joined by our CFO, Mr. Vikas Goel; Mr. Praveen Chauhan, our Head of Corporate Strategy; and Mr. Rahul Kale, our COO, along with our Investor Relations adviser, SGA. The results and the presentations are uploaded on the stock exchange and company websites. I hope everybody has had a chance to look at them.

Starting with the quarterly update, we delivered a decent performance in quarter 3 of FY 2025 with a revenue of INR7,278 million and an EBITDA margin of 17.5%, with a PAT margin of 7.7%. I would like to highlight that generally, Q3 is the weakest quarter for the overall auto industry. I think we have delivered this performance despite a challenging external environment and a very strong corresponding Q3 in the last financial year.

Following our QIP, the balance sheet continues to remain strong, with surplus cash standing at almost INR4,969 million. With this, we are well-placed to expand our capabilities in line with our order book of new business. During the quarter, the overall domestic demand trajectory remained moderate post-festive uptrend. That said, January began on a positive note, and the outlook for the year continues to be cautiously optimistic.

We expect some inventory correction to take place due to OBD 2 Phase B in the coming quarter. As per S&P Global's 2025 forecast, the global auto sector remains focused on managing production and inventory levels in response to regional demand patterns, which include slower growth in key markets. That said, North America, which accounts for about one-third of our exports from India, is presenting a meaningful opportunity with the changing global dynamics.

Let's take a closer look at our performance across sectors in Q3 FY '25. Emerging businesses, namely tech-agnostic, xEV, and non-auto, contributed 24.2% of our revenue. The long-term outlook for these remains very strong. The tech-agnostic and xEV business delivered a healthy growth of 9.5% on a year-on-year basis.

Our xEV business has experienced more than 30% growth year-on-year on a low base. We shall continue to maintain this high-growth trajectory going forward as our outlook for this tech-agnostic and xEV business remains solid with an order book of INR5,352 million, including a major proportion from aluminum forged products.

In the non-auto sector, we registered a decline of 6.6% on a year-on-year basis, owing to some softness in the off-road and Aerospace business. The off-road segment, especially, recorded revenue of INR203 million. The Aerospace business recorded sales of INR269 million. The decline here is owing to labor issues with one of our key customers, which were resolved by early November.

Since then, we have seen a gradual recovery in orders from their side. Further, we have expanded our customer base and added a large European-based player to our portfolio. Previously, we were working with Tier 1 suppliers of this OEM; however, now we have added them as a direct customer. We see significant momentum in Aerospace from Q4 FY '25 onwards.

Speaking of agriculture, just as we anticipated, this business delivered a healthy growth of 65% on a year-on-year basis, and 75% on a sequential basis. The revenue from the agriculture segment stood at INR177 million, primarily driven by healthy rural demand for tractors. Our auto ICE business, which remained muted on a year-on-year basis, stood at INR5,089 million. Our 2-wheeler business grew by 7%.

However, this does not show a fair picture of scooter performance, which grew much faster at a rate of 21%. For the long term, we remain positive on the 2-wheeler business as we expect the overall industry to grow in the coming future. As we saw channel inventory pile up towards the end of the December quarter and softness in export orders, our PV business de-grew by 19% year-on-year. This is in line with the overall industry scenario of lower demand.

Having said that, some positive recovery is expected to come on the back of newer product launches by OEMs. We aim to win maximum business in the newer models of our existing customers, both domestically as well as in export markets, with a focus on premiumization and critical engineering requirements.

The three-wheeler business, being the smallest in size, delivered a decent growth of 10.4% year-on-year. I would like to highlight that our CV business delivered the highest-ever quarterly revenue in this quarter, growing at a steady rate of 10.5% year-on-year. We have also received fresh orders from this segment, contributing to 4% of our new order wins.

Now, let's turn our attention to our order book. As of December 2024, our order book stood at INR22 billion, with more than 60% of these orders coming from international markets. We booked around INR1.9 billion worth of orders during this quarter, with major order inflows from the non-auto sector, helping us move closer to our long-term vision.

Recognizing the strategic importance of the Semiconductor sector in powering everything from consumer electronics to advanced technologies such as artificial intelligence and electric vehicles, India is looking to establish itself as a global hub for Semiconductor manufacturing. In line with our diversification strategy, we are also looking at this space very closely.

We have won a prestigious order from a global leader in wafer fabrication equipment for supplying parts of high-precision and complex machine parts to these equipments. This strategic deal comes following an extensive evaluation and selection process. This fairly large order is our first-ever order in this fast-growing space.

We expect our business with this customer to grow meaningfully over the next three years. This LOI is a testament to our ongoing efforts to diversify into the related high-growth areas with high precision. As an engineering-focused company, we aim to deliver best-in-class solutions across multiple business areas within our table.

To conclude, I would like to give an update on our subsidiary company, MMRFIC. The company is performing well in line with our plans. As mentioned previously, we have further invested in the company, for which the shareholding percentage will be determined on the FY '22 financial results. MMRFIC continues to make strides in the Defense space.

And has recently emerged as a proud winner of the iDEX Prime X challenge by the Defense Space Agency (DSA) for developing a 200-watt Ka-band solid-state power amplifier for satellite ground stations. MMRFIC has been awarded multiple government grants to support the development process, mainly iDEX, Grant 3 up to INR10 crores for iDEX Prime 1, up to INR1.5 crores each for iDEX Disc 2 Number , and a TDF grant of up to INR7 crores.

We feel privileged to contribute towards Atmanirbhar program for Defense and Aerospace sectors, offering them all the support that we can provide in terms of experience and expertise. And through this, we also get to be part of such an industry, which, as you know, is a critical aspect for the country.

Over a long period of time, we are confident that Sansera will continue to be a preferred choice of supplier for global giants with its deep precision engineering capabilities. Now I hand it over to Vikas Goel, our CFO, to take it forward. Vikas?

**Vikas Goel:** Thank you, Preetham. Good morning, everyone. Let me give you a brief about our consolidated financial performance during the third quarter of FY '25. Our revenue from operations rose by 2% on a year-on-year basis to INR7,278 million. The other expenses have reduced sequentially from the previous quarter and our employee expenses are broadly in line with our previous quarter. So the other expenses are basically a result of our continued efforts to improve cost metrics.

The EBITDA for the quarter stood at INR1,271 million versus INR1,207 million in the same period of last year. The EBITDA margins stood at 17.5%. During the quarter, we were able to maintain our margins sequentially due to our diversified product mix cost-saving efforts, and certain pricing actions. Interest costs also reduced on a sequential basis owing to the funding received through the QIP process. That said, Q4 of this year would be even better representation of the reduced interest expense. Depreciation and amortization expenses stood at INR445 million, again, in line with Q2. The profit after tax margin improved on a year-on-year basis by 90 basis points, reaching 7.7%.

Talking about the 9 months performance on a year-to-date basis. The revenue from operations rose by 8% on a year-on-year basis to INR22,351 million. EBITDA stood at INR3,877 million with a year-on-year growth of 10% and a margin percentage of 17.3%.

Profit after tax witnessed a growth of 12% from last year and stood at INR1,577 million with a margin of 7.1%. We are also happy to share that ICRA Limited has upgraded the long-term credit rating from AA- stable to AA stable and reaffirmed the short-term rating to A1+. And India Ratings Limited has also upgraded our company's credit rating, long-term rating from AA- to AA stable.

With this, we conclude our presentation and open the floor for questions and answers. Thank you.

**Moderator:** The first question comes from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

**Mumuksh Mandlesha:** Congrats on the order wins in the Semiconductor and Aerospace. Yes. Sir, firstly, sir, just on the growth recovery from here this quarter, about 2% only kind of growth we had seen, which was, I mean, a little muted. So I just want to understand how do you see the growth recovery going ahead from here, sir.

**B. R. Preetham:** Thank you, Mumuksh. See, there were a couple of reasons, as I have already stated that while the quarter 3 generally remains a weak quarter for us among the 4 quarters traditionally for most of the automotive companies. Now added to that, exports, especially for Europe as well as uncertainty in the US prior to the elections, saw a weak demand from the passenger vehicle industry as well.

So I think that things can only get better, and we look forward for stronger quarters and a much, much stronger coming year because our order books both by way of continued orders as well as the new products that are getting introduced look quite strong for the coming year as well. So we are quite optimistic about the coming year's business.

**Mumuksh Mandlesha:** Sir, if you can share for the key segments, new segments in terms of guidance for next year, firstly, on the aluminum forging and then on the Aerospace, and then on the EV space?

**B. R. Preetham:** Yes. See, our long-term guidance, we have said that 40% of our business would come from non-automotive, xEV, and tech-agnostic products. Now if you see, we have reached almost 26% in the current financial year as we speak. But then if you really look at the stack up that we have from the current order book to -- I mean, current revenue mix to adding the current order book, we will almost reach almost about 38% in the next 3 years' time. So our diversification strategy and focus on non-automotive, xEV, and also on tech-agnostic components have really started yielding fruitful results.

Now having said that, most of these segments also cater to almost 60% of the business also comes from the export industry, which means that it definitely would be margin accretive. Now just to take an example on Aerospace and Defense and Semicon put together because this is something that we manufacture in one common facility at our Plant 9. So we have a current order book of very close to about INR600 crores. Now when I say INR600 crores, INR600 crores is an annualized full potential revenue that we have. These are contracts which have already been secured.

Now challenge would be to -- unlike the automotive industry, here, the number of products that are involved in development are quite significant. So we expect that at least 50% of this order book would get executed in the next year. And when I say next year, it is FY '26. And we expect that by FY '27, at least about INR500 crores or plus would get executed. Now the risk here remains that if there is a delay in the development of any particular package of the products, what happens is generally customer would have to resort to the current suppliers for ordering for the next 6 months to 1 year, and that could impact on the delay in starting of production.

So apart from that, the orders are there, and we have put enough and more resources, including engineering resources are being augmented, and we are preparing ourselves to deliver this order book as well.

**Moderator:** The next question comes from the line of Siddhartha Bera from Nomura.

**Siddhartha Bera:** Sir, the first question is on some of the newer areas, which you have got good orders. So some color, if you can share what is the size? And in the longer term, what is the quantum of revenues you think you can potentially address in the Semiconductor space?

**B. R. Preetham:** Yes. Thank you, Siddhartha. As I said, the space has been -- we have keenly been observing, and we are being evaluated from the last 1.5 to 2 years from potential customers. Now one of them who are the world leaders in manufacturing of machines for etching and deposition have started a business relationship with us post very, very rigorous evaluation over 1, 1.5 years.

So these are the components which go into the machines, which are very, very high precision. Some of the operations that we do on a 5-axis machine are for first time in our history, while we have been on this business of precision engineering for almost 30, 35 years, this kind of machining requirements, we are addressing it for the first time. It was quite challenging, but we have been able to successfully demonstrate our capability. We are also setting up a Class 1000 clean room for addressing their requirement.

So with all these things, we expect that we are creating a kind of very niche opportunity, which can actually scale up not only with this customer as well as with a couple of more slightly bigger customers as well. Now what is the biggest thing is these customers are looking at India not for any cost advantage. Basically, they are all looking at India because they are not able to expand for the lack of skill set that is available either in Europe or in the US. So we've been able to offer these capabilities -- they are presenting these opportunities and these also come with good margin profile.

Now currently, our order wins from this customer is about $12 million annually, per annum. But the LOI that has been signed will go up to about $30 million in 3 years per year. So this is the kind of opportunity currently that has been visible with this customer. But again, it all depends on how fast and how well we perform. And I think once we establish our credentials, this can only be scaled up further.

**Siddhartha Bera:** Sir, the second question on the US side. I mean, you also hinted that there are new opportunities also opening up for the US market, while we do see the tariffs impacting demand as well. So how to think about the roadmap for the US market in the next few years? Are you concerned with the demand outlook from existing clients? And what other new areas we can look at to offset this? And lastly, for this new US assembly plant also, which you were sort of thinking in the past, any update there how to navigate these tariff issues in the US market?

**B. R. Preetham:** Yes. Siddhartha, the reason that we haven't taken the final step on this manufacturing facility was to wait for all the uncertainty around the tariff and structure that the new US government would have in place. So we would like to just -- we have been waiting -- I mean, we probably would wait till the end of this quarter to firm up our final plan as to the exact location and the scale of the operations that we need to start.

But the one thing -- one factor is definitely going to be there that it will only be encouraging for people to look at some kind of front-ending facility and manufacturing facility in the US. So that is what is the whole objective of this I mean, current regime to encourage more manufacturing in the US, which also would mean that more and more OEMs, especially in metalworking place, will look at vendors who would have some kind of facility to offset the tariffs.

So in terms of the current customer orders, I don't think there is so much of an issue with that because in certain new products that we have started producing, we are almost single source for that. So it is on the ramp-up and that would continue to happen.

But meanwhile, there has been a lot of engagement with the existing multiple OEMs to look at all the newer programs because ICE has got a renewed focus, both in terms of multi-fuel engines as well as hybrid engines. So we are engaged in multiple conversations with multiple customers for our traditional components, which would actually go beyond 2035 as well. So we are looking quite positive towards the opportunity in North America.

**Moderator:** The next question comes from the line of Abhishek Jain from AlfAccurate Advisors Private Limited.

**Abhishek Jain:** Congrats for a decent set of numbers in a tough time. Sir, my first question on the capex side, you have done a capex of around INR3.7 billion to date. I'm looking for around INR4.5 billion in this year. So how much incremental we will be able to generate based on this capex in the next 2 to 3 years? What would be the asset turnover?

**B. R. Preetham:** Yes, I'll probably take this question, and then Vikas can add to my answers. See, generally, we have always maintained that when we are putting up a greenfield facility or expanding the facility, generally, if you will have to take our overall asset turns around 1.3 to 1.4. Our order book is also quite clear. It is at INR2,200 crores. So we will require over the next 3 years to invest about INR1,300 crores to INR1,400 crores, which included this year as well. So to make sure that we execute this.

But one thing that we would like to add is any incremental expansion in the new facility, especially in Aerospace, where we have already created the infrastructure and then further addition of only the machining facility and this thing would be at a higher asset turns, which would mean that any incremental investment. This year, in fact, we would be investing about close to INR110 crores to INR120 crores in the Aerospace facility on the machining alone. And that would mean that we would have an asset turn of more than 2. So it's a mix of both the thing. And I think it is safer to assume that 1.3 to 1.4 is the right mix for us to look at.

**Abhishek Jain:** And the next question on the international business, which now accounts for the 31% and the new order book. My next question on the international business, which accounts for the 31% now. And most of the order book -- around 60% order book is for the international business going ahead. So just wanted to understand what change in the mix we can assume international versus domestic business for the next 2 years?

**B. R. Preetham:** So I think, see, over the time, we expect that the international business should move between 35% to 40%. This also includes our business out of Sweden and exports from India. But again, it also depends on how the domestic market would perform because the domestic market performing strongly, the base is much larger here, 69% is coming from the domestic market. But then anywhere between 35% to 40% over the full next 3 to 4 years' time is what we think it will -- that is where we are looking at.

**Moderator:** The next question comes from the line of Khush Nahar from Electrum PMS.

**Khush Nahar:** Sir, 2 questions. So first, how do we see demand in general, if you can elaborate a bit more, considering the tariffs that might be placed on India also? And second, sir, a bookkeeping question. Our employee expenses have increased year-on-year by 15%. So what kind of manpower are we adding here because revenue has increased only by 2%? And consequently, our tax rate is also lower this quarter. But is it safe to assume that it will be 25% on a yearly basis?

**B. R. Preetham:** The first 2 questions, let me answer. The trade impact of trade on India and the Indian suppliers is yet to be seen because the reciprocal tariff is what he's talking about and the US President is talking about, but nothing has yet been firmed up. They are all -- they expect that a lot of these are kind of negotiation tools. And that is why I said that we would wait till the end of March, probably where things would become much more clearer before one can come to any kind of conclusion on to what is going to be the effect on each country and each product category.

It's too early for me to make a comment on that. So I would refrain from making any kind of comments on what is going to be the effect on this. As far as our labor cost is concerned, yes, see, because it's an engineering industry and it's a high skilled area, we will not be able to, on a short term, adjust towards big variations. We would rather carry the trained manpower because our long-term and medium-term goals are very clear and the targets are clear.

So we have focused on creating skilled manpower, especially in the areas of high-precision machining like Aerospace, Defense, aluminum machining, and aluminum forging, these are areas which need a very, very high skill set. So any temporary drop in the revenue, we will not definitely make a knee-jerk reaction to cut the manpower rather increase our investment and training and skilling of these people is on a long-term basis.

So in a short term when the revenues are weaker, you would see a slightly higher percentage, but this is done keeping long-term strategy in mind.

**Vikas Goel:** Talking about the tax rate for the quarter, yes, it seems lower for this quarter because of certain pricing actions we did in our Sweden subsidiary because of which we have a relatively higher profit there. And on a full year basis, we should be closer to the average for the whole entity.

**Khush Nahar:** Around 25%.

**Vikas Goel:** Around 25%, that's right.

**Khush Nahar:** Sir, just one question, if I can squeeze in? So what kind of revenue growth you're seeing for the next 3 years considering this uncertainty in demand and obviously, our current order book, which is strong?

**B. R. Preetham:** See, the current order book presents a very, very aggressive opportunity for growth. But having said that, the current -- see, auto is generally a cyclical business. And there would be once in 3 years, that we would see a couple of quarters, there would be a dip in demand. There is also coupled with now there is technology changes that are coming in. So I would still say that high teens is what we should expect over the 3 years on a CAGR basis.

**Khush Nahar:** Obviously, sustainable EBITDA margins around 18% to 20% going ahead, considering product mix.

**Vikas Goel:** **Yes,** it's EBITDA sustainable margins, we would not put a number to that. Yes.

**B. R. Preetham**: I mean, the intent is to improve our margins year-on-year, at least by 0.5%. That is how the company is focused on working. And on a long term, 20% is definitely a target on which we are working on. So both on ROCE and margins. So that is where our long-term vision is. So we, as a company, are working towards that.

**Moderator:** The next question comes from the line of Basudeb Banerjee from CLSA.

**Basudeb Banerjee:** A few questions. Like I can see year-to-date capex at around INR360 crores. And even a year back, when we were discussing, you are looking at full-year capex of INR300 crores, INR320 crores. So maybe post fundraising, some more comfort for growth capex. And on the other side, revenue growth is a low single digit. So how to look at from a strategy angle next 3, 4 years, your triple 20 vision of growth margin and ROCE, especially the last one?

And how are you looking at the ROCE factor in the next 3, 4 years where venturing into Semicon and EMS or other areas in the initial phase of scaling up, how do you look that in the transition phase?

**B. R. Preetham:** Thank you, Basu, and congratulations for your new innings. So yes, this quarter, as you said, this year or year-to-date, the going has been not as expected because especially in our export markets and domestic PV industry has been muted. Exports, especially in certain of our customers like off-road have had a significant degrowth in this year, which was also expected. But then I see a very, very strong momentum.

The order book is strong. New programs are quite promising. The new industries with which we are working on, like we have added Airbus as our customer directly. Today, the Aerospace and Defense and Semicon order book stands at almost INR600 crores. So we are focused on making the right investment into these areas. Of course, auto ICE business, which is our traditional business, there's not much of incremental investment that is going on.

This is where our effort in consolidating our products at our various manufacturing facilities and harnessing the existing capacities we are working on. So Rahul, our new COO, along with his team, have been very focused on having this approach. I would say you would be able to see results in the next few coming quarters of all these actions that have been initiated.

I would say that on all the newer investments that we are making, especially in nonautomotive sectors, both our margin profile and ROCE are much, much better and higher than the traditional line of businesses. But of course, as you rightly put it across a few of the first initial quarters, there would be a learning curve.

We are going through that already because from month of October, the production to these sectors has started. And I expect that over this quarter and middle of next quarter, we should be through with the first batch of the 12 million orders that we have received and production has to start. So things are looking quite positive, Basu.

**Vikas Goel:** I would like to add here, Basu. Normally, the capex that we incur in our business is ahead of almost 3 to 4 quarters of the actual sales realized. So the capex that you see now is not meant for this year. It's actually going to result in revenue in the coming year. And that also takes a gradual upscale as the volumes increase on any new order. And most of the capex that we incur is actually driven by the new orders that we have.

**Basudeb Banerjee:** And sir, the new businesses, what will be the fixed asset turn compared to the earlier traditional businesses?

**B. R. Preetham:** New businesses should give us about 2 to 2.25 asset turns.

**Basudeb Banerjee:** And last question, this year, you will be ending up with how much consolidated capex?

**B. R. Preetham:** Consolidated capex would be between INR425 crores to INR450 crores, not inclusive of the new parcel of land. The land included, it would be very close because we have invested in a very large piece of land, 55 acres in the new EV estate that the government of Karnataka is creating very close to the existing Toyota facility where a new airport is also proposed to come nearby. So I think with that, we should be very close to INR550 crores with the land parcel included.

**Basudeb Banerjee:** And any last guidance you are giving for Aerospace revenue for next year?

**B. R. Preetham:** Next year, I already said, Basu, that we are targeting about 50% of our order book execution. Our order book is about INR600 crores as we speak. So Aerospace, Defense, and Semicon put together, we expect that we would execute at least 50% of that in the next year.

**Basudeb Banerjee:** And Semicon will be how much of that?

**Moderator:** The next question comes from the line of Arjun Khanna from Kotak Mahindra Asset Management.

**Arjun Khanna:** Just carrying forward from Basu's question. So what is the revenues we expect from Semiconductors this year?

**B. R. Preetham:** This year, Arjun, do you mean the next coming year?

**Arjun Khanna:** Just to understand the breakup, while we are saying INR300 crores for FY '26. So FY '25, what would this like-to-like number be?

**B. R. Preetham:** I think in our own estimate, we have taken about INR60 crores as the revenue coming out of Semicon in this year, but the potential to do is much higher because our order book currently is almost close to $17 million. In fact, I've been just corrected, I was telling about $12 million. We have recently received one more additional order. So it has been about $17 million. While the opportunity is slightly higher, I'm being a bit more cautious because the cycle of establishment of these products and the FAIs and customers also.

As I said, these also will require that we have to get into the cycle. If we miss a cycle, we would miss about 6 months of revenue. So in our current estimates, we have taken about INR60 crores coming out of this.

**Arjun Khanna:** Right, '26. So if I look at Aerospace, Defense, and Semicon, we have said we'll do INR300 crores in FY '26. So this INR300 crores, what would the number be in FY '25 for all 3 businesses? Semiconductor may not be there much. But for Aerospace Defense, what do we expect for the closure of FY '25?

**B. R. Preetham:** Arjun, can you repeat your question? I couldn't get it.

**Arjun Khanna:** Sir, we've mentioned INR300 crores of revenues in FY '26 from Aerospace, Defense, and Semicon. Just wanted to understand what would this number be for FY '25 given that most of the year is done.

**B. R. Preetham:** We should be very close to about INR140 crores.

**Arjun Khanna:** So we are looking at almost a doubling of the business in FY '26?

**B. R. Preetham:** If you really look at the INR140 crores, about INR8 10 crores is only coming out of Semicon. So a big amount of that would get added in the next year. Plus there is a good amount of Defense orders coming through, which we are getting into production. So the Aerospace will have its normal growth, but that would be mostly be supported by Semicon and Defense.

**Arjun Khanna:** Sir, the second question is on MMRFIC. If you could just talk about how do you look at the end game out here. So while we continue to invest, we see a new R&D facility also. So do we envisage us taking a much larger stake in the future? If you could talk about in terms of synergy benefits that possibly this partnership could represent?

**B. R. Preetham:** Yes. Actually, see, when we looked at them, and it's been now close to 2 years since we have invested in them. So coming this March, it will be 2 years. I think in my calculation from whatever equity that we have already put, it should result between 35%, 36% of holding in the current this thing. But going forward, we have the right to go up to about 51%.

And beyond that, it is only whether valuation and whether we want to be -- because there we need to be making sure that the promoters who are working on the projects also are interested and they have a reasonably good amount of stake in the company. Now that is something on holding and the other thing.

But as far as the order book and the products are concerned, I understand that they have very, very strong development programs that are going on. They have been working with multiple products with ISRO, with DRDO, with Indian Army. There have been 4 or 5 grants that have been given on the iDEX programs from them.

And then according to my information, their current order book backlog is in excess of INR100 crores. So in that way, they are very well poised to have meaningful growth in the years to come and also scale it up in the products that have already been developed. Most of this would also result in technology transfer agreements once your iDEX programs are completed.

So I think the future for this company is definitely in line with what we have been all anticipating. And especially they are currently, as we speak, they are also participating in the aero show where they have a stall. And we expect that there would be a lot of interest from the customers also coming out of that.

**Arjun Khanna:** Sir, so just to understand, sir, maybe over a 3-year period, say, by FY '28, would you expect in terms of milestones, maybe INR100 crores of turnover from this business?

**B. R. Preetham:** See, Arjun, what has happened is that, yes, these are all -- now currently, the one big project which they have been working on, which is the Radar 1, which as we speak, has been under evaluation. And it is just on the cusp of mass production. Now we expect the field trials to be over sometime in the next 2 quarters. And then we have already given 5 sets for all the field trials.

And once this starts, there will be a very stable revenue, significantly higher revenue coming into the company because we expect that about 150 to 200 radars is the peacetime requirement per year. But apart from that, there are several projects on which there is a thing. I am not in a position to put an exact number, but things look very, very positive.

**Moderator:** The next question comes from the line of Sahil Kanade from Asian Market Securities.

**Mayur Milak:** This is Mayur Milak. So 2 things here. One, the Semiconductor business, currently safe to believe that you're reporting it under the Auto-tech agnostic segment?

**B. R. Preetham:** No, it is on non-auto.

**Mayur Milak:** So it will have a separate growth pattern going forward, right?

**B. R. Preetham:** Currently, we are reporting under non-auto because this is the facility which is combined with Aerospace and Defense and Semicon. We have not yet started reporting it separately. But going forward, as the business achieves scale up and reaches a meaningful level, we will separately show, but it will be under non-auto. So under non-auto, it will be off-road, agriculture, Aerospace, Defense, and Semicon. It will be like that.

**Mayur Milak:** So when you say there could be a 40% kind of CAGR growth in the Aerospace and Defense based on your order books with Airbus and gradually the Tier 1 supplier as well.

The Semicon will be over and above the 40% growth that you will be reporting in that space.

**B. R. Preetham:** Could you please repeat your question?

**Mayur Milak:** Sure. Sir, I was just trying to look at the numbers in the Aerospace and Defense segment that you've reported so far. It looks like this year will be a flattish year, where you're saying you already have included about INR50 crores, INR60 crores of the Semicon revenue to be added into this segment for this year. So clearly, the aerospace and defense by itself would have been in a negative growth territory this year.

**B. R. Preetham:** INR50 crores, INR60 crores is going forward next year. This year, the revenue has just started. So this year, we should be ending up very close to about INR140 crores, INR135 crores to INR140 crores. So we will have a positive growth.

**Mayur Milak:** And sir, when you guide for a 40% kind of outlook growth in that space, that will be over and above. So the Semicon growth will be over and above the growth that we will get in aerospace and defense space individually. Safe to look at it like that?

**B. R. Preetham:** Yes. See, basically, what I said is that between INR140 crores to INR300 crores is what we are targeting for the next year. About INR60 crores will come out of the Semicon. So if I remove that this year, INR10 crores has come from INR140 crores from Semicon, INR130 crores to INR240 crores is the growth that we expect from Aerospace and Defense put together. So there is a good amount of Defense orders also getting added to that. So Aerospace by itself will grow by about 50% CAGR. That is the minimum that we have taken.

**Mayur Milak:** Sir, I think, a couple of guys have also asked it, but I was just trying to look at the ratios. So clearly, in the last 8 years, there are 2 things here that our asset turn has always been at that 1.2 mark. And our ROCs have always been in that 11% to 12% range. Now I believe we've already started our journey on the non-auto side and the heavy growth on xEV. But some of that really doesn't seem to be reflected in the asset turn as well as ROCE.

So can you throw some light, is there a near-term possibility of looking at a 14%, or 15% ROCE over 3 years? Or are these going to be more gradual and slower because the numbers do suggest that even in 2, 3 years, we should be around the 12% mark only. So just trying to work out some number on that side.

**Vikas Goel :** So when you say ROCE, could you just elaborate on how you look at it? Because according to -- at above 15% mark.

**Mayur Milak:** So basically, sir, I'm looking at EBIT one minus tax net of that?

**Vikas Goel :** Post-tax you're looking at. we look at it as a pre-tax because this includes all elements. So see, pre-tax, we are targeting to reach up to 20%. So if you do a post-tax, it will definitely be above

15% over a period of time. And various actions in terms of margin improvement in terms of diversification and also capacity utilization improvement are some of the actions.

**Moderator:** The next question comes from the line of Shashank Kanodia from ICICI Securities.

**Shashank Kanodia:** I wanted to check on the QIP proceeds. So out of this INR1,200-odd crores, what proportion would you be using for retiring debt and balance for growth capex?

**B. R. Preetham:** Yes. Praveen, could you please answer in case our line gets cut because you are on the line where you could hear most of it?

**Praveen Chauhan:** I'll try and do that. Are you answering this question?

**Shashank Kanodia:** I was just asking, sir, out of these INR1,200 crores of credit proceeds, what proportion you would be using for retirement of debt? And what proportion you will be using for growth capex and the gross debt number as on December end versus the March numbers?

**Vikas Goel :** So out of the INR1,200 crores, we have already retired INR700 crores of debt, which was the plan as declared in the QIP document. INR200 crores is going towards the capex, out of which INR100 crores is towards the new parcel of land and another INR100 crores is towards some new machine equipment that we are in the process of procuring.

Balance INR300 crores out of that INR25 crores was the expense of QIP and INR275 crores is what we will basically be deciding in the next few weeks. Mostly it will go towards growth capex and certain other developmental expenses.

**Shashank Kanodia:** So the gross debt number is roughly about INR300-odd crores as of December end because I think it was INR800-odd crores as of March end if I'm not wrong?

**Vikas Goel :** Gross debt as of December end is about INR350 crores because there is some debt also in the subsidiary companies, which we have not touched as of now. And we are retaining some debt in the parent company in the flagship company because of a longer period of that debt. But on a net basis, we are negative debt.

**Shashank Kanodia:** Positive cash is about INR500 crores of cash flow, right? Positive INR500 crores of cash?

**Vikas Goel :** On a net basis, it will be about INR150 crores.

**Shashank Kanodia:** Net basis, INR150 crores of positive cash?

**Vikas Goel :** Yes.

**Shashank Kanodia:** Secondly, sir, in the past, on the order book size, we have been mentioning that it will take roughly 2, 2.5 years to reach the peak revenue potential of that order book. So from roughly INR3,000 crores of revenue run rate that we're doing right now, it essentially means we should be touching closer to INR5,000 crores of revenues in FY '27. Is it the right understanding?

**Vikas Goel :** I would say by '28.

**Shashank Kanodia:** So by FY '28, you should be touching INR5,000 crores.

**Vikas Goel :** Crossing INR5,000 crores, considering everything as normal.

**Shashank Kanodia:** Lastly, you can put a timeline to your 20% EBITDA margin and ROCE target as we have been giving this as an aspirational target, but I think we would be more concerned what is the timeline that you're looking at this 20% margins in ROCE?

**Vikas Goel :** See, this is a 2-way street. If you look at the diversification strategy and new product introduction that we are adding, there is definitely some amount of effort and cost, which is incurred in the initial phases whenever we introduce a new product line into the business. So that makes up for some costs. Also, there is a learning curve when we stabilize. So while theoretically, we are improving our margins on one side, on the other side, we are incurring additional costs and in the learning curve to stabilize these new products.

That's an ongoing process. And we believe that year-on-year, we should still be able to sequentially improve our margins by about 50 to 60 basis points. So considering we are about 17.5% now, it should take about 3 to 4 years for us to touch or get closer to 20%.

**Moderator:** Ladies and gentlemen, in the interest of time, we would take that as the last question. I would now like to hand the conference over to the management for the closing comments.

**B. R. Preetham:** First of all, let me apologize for all the inconvenience caused due to some technical issues during the call. We could have done the call without that. I'm sorry for that. And with this, I conclude this call. If you have any further queries, please contact SGA, our Investment Relations adviser, or us directly. And with a very positive looking next year, we end this call, and thank you, everyone, for joining us today for the earnings call. Thank you very much.

**Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of Sansera Engineering Limited, that concludes this conference. You may now disconnect your lines.