Date: May 17, 2024

To,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051.
Symbol: SYRMA

Department of Corporate Service
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.
Scrip Code: 543573

Subject: Earnings Call transcript of the Investors Conference Call held for results of quarter and financial year ended March 31, 2024.

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the Transcript in respect to the Earning Conference Call on the financial and operational performance of the Company for the quarter and financial year ended March 31, 2024, held on Monday, May 13, 2024, at 10:30 hrs (IST).

The transcript of the conference call can also be accessed at the website of the Company at https://www.syrmasgs.com/investor-relations .

We request you to take the same on your record.

For **Syrma SGS Technology Limited**

Komal Malik

Digitally signed by Komal Malik
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Date: 2024.05.17 12:28:39 +05'30'

Komal Malik
Company Secretary & Compliance Officer
Membership No: F6430
Place: Gurgaon

"Syrma SGS Technology Limited
Q4 and FY '24 Earnings Conference Call"

May 13, 2024

MANAGEMENT: **MR. J. S. GUJRAL – MANAGING DIRECTOR – SYRMA SGS TECHNOLOGY LIMITED**
MR. JAYESH DOSHI – DIRECTOR – SYRMA SGS TECHNOLOGY LIMITED
MR. SATENDRA SINGH – CHIEF EXECUTIVE OFFICER – SYRMA SGS TECHNOLOGY LIMITED
MR. BIJAY AGRAWAL – CHIEF FINANCIAL OFFICER – SYRMA SGS TECHNOLOGY LIMITED
MR. NIKHIL GUPTA – HEAD, INVESTOR RELATIONS – SYRMA SGS TECHNOLOGY LIMITED

MODERATOR: **MR. RAVI SWAMINATHAN - AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day and welcome to Syrma SGS Technology Limited Q4 and FY '24 Earnings Conference Call hosted by Avendus Spark. 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 and I'll hand the conference over to Mr. Ravi Swaminathan from Avendus Spark. Thank you and over to you, sir.

Ravi Swaminathan: On behalf of Avendus Spark, we welcome you all to Syrma SGS Q4 and full year FY '24 Results Conference Call. We have with us the senior management of the company. Now I hand over the call to Mr. Nikhil Gupta, Head of Investor Relations, to introduce the management and take the call forward. Thank you and over to you, Mr. Nikhil.

Nikhil Gupta: Thank you, Ravi. Hi, very good morning to all. Welcome to Syrma SGS Q4 and full year FY '24 Earnings Call. We have with us today Mr. J. S. Gujral, Managing Director, Mr. Jayesh Doshi, Director, Mr. Satendra Singh, Chief Executive Officer, and Mr. Bijay Agrawal, Chief Financial Officer, Syrma SGS to discuss the performance of the company during the fourth quarter and full year FY '2024, followed by a detailed question and answer session.

During this call, certain statements that will be made are forward-looking, which involves several risks, uncertainties, assumptions, and other factors that can cause results to differ materially from those in such forward-looking statements. All forward-looking statements made herein are based on the information presently available to the management and the company does not undertake to update any forward-looking statements that may be made in the course of this call.

In this regard, please do review the disclaimer statements in the earnings release and all other factors that can cause a difference. I will now hand over the call to Mr. J S Gujral, Managing Director, Syrma SGS. Thank you.

J S Gujral: Ladies and gentlemen, a very warm welcome to the FY '24 Annual Earnings Call of Syrma SGS Technology Limited. At the outset, on behalf of the management, I would like to place on record our sincere thanks to all the stakeholders of the company, be it the shareholders, investors, customers, business partners, and employees. But for their unstinted support, it would not have been possible for the company to be where it is today.

I will now briefly dwell on the FY '24 performance of the company and then dwell on the quarterly and other details. It was a momentous year for us because we crossed the INR3,000 crores revenue mark in this financial year, which is almost 4X of our FY '21 revenues and 2.5X of our FY '22 revenues. It represents a 54% increase yoy.

And over the last three years, the CAGR of the revenues has been a healthy 55%. We achieved the highest ever quarterly sales of INR1,149 crores in Q4 of FY '24, representing a 63% increase over Q4 of FY '23. We achieved in this year USD100 million in exports, representing a 26% growth for FY '23. Now this number is very significant if we look at the exports from the EMS sector in India. Almost 95% of these exports are to USA and Europe.

The CAGR of exports over the last three years stands at a healthy 19%, especially when we see it in context of the growth in those markets. The revenue growth in the current year has been led by consumer, followed by auto, followed by healthcare and industrial.

Coming to the margins, we crossed the INR200 crores operating EBITDA mark and INR250 crores EBITDA. Operating EBITDA and EBITDA stood at 6.8% and 8% respectively. Operating EBITDA has grown from INR100 crores in FY '21 to INR213 crores in FY '24, a CAGR of 29% over three years. For Q4, we achieved an operating EBITDA of INR82 crores, the highest ever in the quarters in this year.

During the year, we achieved operating leverages of about 1.5% and we plan to further consolidate on this in the coming years. This is a focus area for the management for the coming years. We have had a marginal reduction of 7% in PBT, primarily on account of a higher depreciation charge, which has gone up by 65%. Now this depreciation charge has gone up because of the capex cycle which we have undertaken, which is yet to be sweated and will give optimum operating results.

Net working capital has stabilized at about 70 days based on the average and about 80-odd days based on the year-end figures and we plan to bring it down further over the next few quarters with the target of getting to 60 days odd level as the final figure. Our CFO would dwell on these financial numbers in detail after my interaction.

During the year, it's very significant that we doubled our SMT capacity from 3.2 million component placement per hour to 6.3 million components. In other words, we replicated in one year a capacity which was built over three decades. This is also reflected in a higher depreciation charge in the books. We are in the process of commissioning a design center in Pune which will be primarily focused on ODM business in the MedTech vertical. This will go live in Q2 of FY '25. Commissioning of the Pune plant is also on track and will be ready for production in Q2 or early Q3 of FY '25.

We are expanding our footprint in Germany by setting up a 40k square feet facility to address to the near shoring requirements of our customers. I think this will enable us in the coming years in attracting more business from the Western Europe side. Coming to the future plans, we expect the growth momentum of 40-45% to be maintained in the coming year. This growth will be driven on the back of strong traction and demand across automotive, electric mobility, industrial, RFID and healthcare sectors.

Consumer is expected to stabilize between 37% to 40% of our revenues in FY25 with the target of the management to bring it down further. We expect softness in our exports in the first half of the year, but despite that we expect exports to grow by about 30% in the coming year.

We expect annual EBITDA margins to stabilize at 7%. Quarterly variations based on the seasonality of the demand from the various verticals would be always there. We expect the company to be OCF positive in FY25 and Bijay our CFO will dwell on this in detail.

Based on the performance of the company, the management has decided to retain the dividend payout as was last year which is essentially 15% dividend. With this, I now hand over to Bijay to dwell on the financial numbers in detail and then we can open up for the Q&A session. Thank you very much.

Bijay Agrawal: Good morning everyone. I will now take you through the brief financial performance for the quarter and for the full year FY24. Our operating revenue for the year is INR3,154 crores which is up by 54% year-on-year and for the quarter it is INR1134 crores which is a growth of 67% year-on-year. The growth has been mainly contributed by a stronger demand growth on the auto sector side which is 60% plus.

Consumer sector side which is 90% almost, healthcare side 55% growth year-on-year and same way industrial sector which has grown by almost 30% which has resulted into the overall 54% growth year-on-year. Our export revenue as Mr. Gujral has already explained has grown up to almost INR810 crores in FY24 which is 26% growth year-on-year.

Similar way ODM revenue for the year is about approximately INR480 crores which is almost 15% of my total sales for the year. Our gross margin for the year is about 22% and for the quarter it is 18% on the back of mainly business mix change from the year to the quarter. With a continued efforts on the overall operational efficiencies and some bit of operating leverage benefit we have been able to brought down our overall overhead percentage by almost 100 bps as percentage of overall revenue which is visible in our numbers.

Our operating EBITDA for the year is INR215 crores and for the quarter it is INR82 crores which is 7.2% of operating EBITDA margin for the quarter. Same way PBT for the year is INR168 crores and for the quarter it is INR61 crores and PAT for the year is INR124 crores and for the quarter it is INR45 crores which is approximately 4% of PAT margin. Our current operating performance doesn't factor any PLI benefits so far which can be taken into the P&L henceforth once we receive it.

Moving to our overall working capital performance our net working capital investment is currently for about 70 days of sales and which is again when we calculate on an average basis as explained by Mr. Gujral. Moving to our debt position we have a total gross debt as on balance sheet as on 31st of March 2024 is INR576 crores which is mainly inclusive of working capital debt of about INR490 crores. We are also continuing with a total treasury position of INR400 crores and with that my net debt position as on year-end is INR175 crores.

Coming to capex during the year we had spent almost INR250 crores of capex and we are expecting to spend another INR150 crores to INR180 crores in the year FY25 towards the project as Mr. Gujral has already explained regarding to our Pune project and other projects which are already ongoing. Our ROCE return on capital employed for the year is about 15.4% when we calculate it excluding the unutilised IPO funds and goodwill from the balance sheet.

Our OCF operating cash flow for the year is negative mainly because of incremental investments towards working capital on the back of higher business demands expected into the upcoming quarters. Same way some update on the merger which we have already filed regarding amalgamation of our subsidiary SGS Tekniks, SGS Infosystems into Syrma SGS. We have already filed this scheme with NCLT and the next steps are already in process. We expect the merger to be completed in another 9 months, 12 months period.

Regarding guidance for the next financial year on FY25 as Mr. Gujral has already explained, we expect the similar growth of 40%, 45% to continue into our overall revenue and with an operating EBITDA margin of approximately around 7%. We still continue to focus upon working capital improvement and OCF improvement. That will be a focus area going forward for the next year also.

With this, thank you very much and I will hand over this call to Ravi again to open it for the question and answer session.

Ravi Swaminathan: Neha, we can go for the Q&A session.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Aditya Bhatia from Investec. Please go ahead.

Aditya Bhatia: Hi, good morning, sir. My first question is on the gross margin decline that we have seen this year which actually has been quite sharp partly offset by operating leverage benefits that we spoke about. Now, what has really led to this level of gross margin erosion because mix alone cannot justify that. It appears that margins across individual segments have also been declined?

Bijay Agarwal: So, broadly, individual customer-wise margins have not yet declined. The MIX change, mainly you can see in the quarter, my consumer business has contributed almost 46%, which has again resulted into some impact on the overall gross margin. Into the same auto sector, my EV business has contributed a larger number to the auto, so that has also impacted flights a bit by 100%. So, that is where the overall MIX change has impacted by this overall gross margin decline. Otherwise, customer-wise margins have not declined anyway so far.

J S Gujral: Yes, just to sort of further expand on what Bijay shared, we very closely monitor the margin profile, the gross margin profile of each vertical. And there, we don't see contraction in the vertical-wise margins. The fact that my consumer business is contributing 46% of my revenue led to this contraction of about 4% points. The raw material margin has come down from sort of 26%, 26.4% to 22%. It's primarily because of that and not because of contraction in margins in the verticals where we operate or with the customers with whom we work. We monitor this very closely on a monthly or quarterly basis.

Aditya Bhatia: Sure, sir. So, we no longer get the gross margin details on a segment-wise basis, but if I just assume that in second half, we had similar gross margins across segments as first half for all of the segments other than consumer, then the implied gross margin for the consumer business would be only with single digits. So, what are we really missing over here?

Is consumer business this lower margin business for the company? I mean, with single digits on a gross margin side would possibly mean no margins at the EBITDA level or maybe even losses at the EBITDA level. Or is it that in one of the segments, at least we have seen a big margin drop?

J S Gujral: See, in consumer business, we have two or three basic silos. One is my ODM business, which is a small portion of my revenue, which also includes my RFID business. So, if I was to take the ODM business including the RFID business, which is an ODM in nature, the margin profile would be compared to automotive and industrial somewhere in between. It is in the fiber-to-home consumer-oriented telecom business, which forms a major chunk of the consumer business, that the margin profile is significantly lower. Here, we talk of…Bijay, gross material margins of telecom consumer business? It could be less than 10%.

Aditya Bhatia: Okay, sure. My second question was on the working capital side. In the last few conference calls, you had alluded to consumer segment having a much lower working capital, and therefore, ROICs across segments not being dramatically different. This time around, we have seen a big jump in consumer business, while some of the high margin businesses have grown at a slower pace. But we have not seen the corresponding decline or moderation in working capital. So, what has that been on account of?

J S Gujral: You see, as I explained in my opening remarks, we have achieved a quarterly run rate of 1,000 plus INR1,100 crores in Q4. But my average for the whole year would be 750. Now, the inventory days we calculate on the average of the overall sales. If we were to calculate the net working capital based on the exit rate of Q4, which is my incoming rate of Q1 of this year, then my net working capital is significantly down to about 60 days. It could be a couple of days less or a couple of days more. So, the Q1 of this year, I would be doing what I did in Q4 of last year.

So, based on that, my working capital days, there are significant reductions to about 60 odd days in this year. But yes, if we calculate it on an overall average of the thing, then my working capital based on an average of opening and closing is about 70 days. And based only on closing is about 82 days, which is down from 88-89 days at the beginning of the year. So, I've seen a 10% reduction in net working capital based on the closing balances and almost a near-flat-ish thing is on the base of average. I hope I have clarified the point.

Aditya Bhatia: Sure, that's a fair point, sir. But my only issue over here is that we've been growing very fast in the past as well. It's been a similar kind of trajectory that we've been seeing for some time now. And even the expectation is that growth rates will remain like this, in which case, working capital, that means, is likely to remain elevated, even if they make certain groups.

J S Gujral: We believe and we are targeting to bring down this working capital from about 70 days, which is at the base of the average figure, to about 60 days in the coming year.

Bijay Agarwal: And if you see on a quarterly sales basis, if you calculate it, it is around 56 days of sales when we calculate it on the quarterly sales of q4. So, even if we continue with a similar kind of a sales number going forward, I think overall working capital will then gradually come down. As expected.

Aditya Bhatia: Sure, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Hi, sir. So, when we see the overall growth in segments like healthcare, significant growth and auto also growth, you are talking about EV contribution also. So, can you talk about is this segment is not sufficient growth to whatever the margin contraction we have? Because I think healthcare is a better margin business. And we have also acquired Johari Digital, which is a better margin business.

So, can you talk about - is this segment is not sufficient growth to whatever the margin contraction we have? Because I think, healthcare is a better margin business. And we have also acquired Johari Digital, which is a better margin business. So, can you talk about how the Johari is not helping or margin has deteriorated from there when we have acquired?

J S Gujral: No. You see, the healthcare business forms about 8% of my total revenue. So, if the healthcare business at 8% grows at, say, 30%, it would still form a smaller absolute figure of my total revenue. Hence, its impact, the positive impact on EBITDA gets diluted because of a higher phase of the consumer business. Consumer business is approximately 40 odd percent of my revenue, where the healthcare business is 8%, 8%-9%. So, if the lower margin on a 40% sort of bucket has a negative sort of - it erases the positive of a growth in an 8% business, which constitutes an 8% business. It's not that the healthcare business is not profitable. It is profitable, as we envisaged, but being only 8% of the revenue, it in fact gets diluted of the overall number figures.

Sumant Kumar: And the Johari Digital margin has deteriorated from when we acquired?

J S Gujral: It's sustaining the margin on which basis we had acquired the business. There is no significant variation in it. It's a healthy business.

Sumant Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Hi, thank you for the opportunity. I have a couple of questions. First, sir, when I look at this quarter's numbers, consumer is about 46% of sales, and your operating EBITDA margin is 7.2%. Next year, as we get to consumer at about 35 odd percent of sales, that's a 40% of sales, why would our EBITDA margin go down to 7%?

J S Gujral: Well, we are guiding on 7%. We are conservative because the year is yet to pan out, to be very honest. So if we find, if we believe that there is a need to revise it either way, we'll come back to you on quarterly earning calls. But as of date for the year, we are maintaining a 7% EBITDA annual margin, which could see quarterly variations because of the change in the product mix. But on annual basis, we are very confident that we'll sustain 7% EBITDA margin with a 40%-45% growth rate. If it goes up, we'll come back to the market and revise our guidance accordingly. But for now, we all should take 7%, which is the management's take.

Indrajit Agarwal: Sure. Can you help us with what is the current order book and what is the domestic and export mix in that?

J S Gujral: Bijay will take that.

Bijay Agarwal: So we have an order book visibility of approximately INR4500 crores, in which export would be approximately 22%-25%.

Indrajit Agarwal: Sure. And lastly, one more, if I may, given that you are targeting to be FCF positive next year, what would be the funds used for? You have taken an enabling resolution to raise funds. So what would that be used for?

Bijay Agarwal: This is just an enabling resolution and we want it to be fully prepared, ready- available for any growth opportunity. So broadly, the funds, whenever we raise, it will be more targeted towards long-term business growth. And that's what can be one of the use.

J S Gujral: So this is an enabling resolution to keep the company ready because we are, we always keep evaluating an organic acquisition. And as I shared in my earlier call, we were looking at sort of, our aim was to acquire companies where we don't have the product offerings. Hence, we had acquired JDHL. And similarly, in the railways and the defence, it would take us a lot of regulatory approval time if we were to do it in-house at any show.

So we are looking at those companies and this is just an enabling resolution that it has to go through the AGMs and all those things. So that's why we have taken this enabling resolution. We'll share the purpose for which it is to be used once we hit the market and we have concrete proposals on our table.

Indrajit Agarwal: Sure. That's all from my side and all the best.

Moderator: Thank you. The next question is from the line of Piyush Khandelwal from Bank of India Mutual Fund. Please go ahead.

Piyush Khandelwal: Hello, sir. So my question is on the ROIs of, let's say, a consumer business. If I look at the annual basis, a consumer business contributes 40% in FY '24 versus 32%. So there's an 8% deviation. And you said that the fiber-to-home business accounts the majority chunk of this consumer business, so gross margins are less than 10%. I mean, what we have seen, especially in the case of a consumer business, that margins are lower, but ROICs or OCs are much better. So is it fair to them, similar in our case, or let's say ROICs are better than the company average in this fiber-to-home business, lesser than that? If you can just help me in that specific consumer business ROIC?

J S Gujral: See, in the consumer business, once it stabilizes, the ROCs are better because of lower involvement of working capital and higher asset turns. You see, broadly, in the EMS industry, the higher the margin of the business, comparatively lower will be the asset turns and higher will be the working capital involvement. It's inversely proportionate. So lower margin businesses have a higher asset turn and a lower involvement of working capital.

In our particular case, this is true, but since we have still not reached the optimum scale of things, because this thing has only happened during the course of the year, we expect its impact on working capital to be visible in FY '25. But as I just shared, if I share some numbers, my net working capital on a global basis is about INR711 crores. And if I take the exit rate of INR1100 crores of Q4, which translates into 300, whatever, INR50-odd crores of per month revenue, my net working capital as number of days is already down to below 60. Bijay has referred to a figure of 56. And he can dwell this in further detail.

So going forward, we expect the impact of this to be reflected in the financials. This is an area of sort of a strong focus of the management. Even if it is 60 days, 58 days, net working capital or the working capital involvement is the focus area for the management to improve the OCS. Bijay, if you could dwell something more on this.

Bijay Agarwal: Yes, absolutely. So ROC can be furthermore improved. And for this consumer business also, some bit of like this has started during the year. So now full benefit or full efficiencies are not yet achieved. Going forward, we will target those efficiencies in terms of working capital and OCF, which will help us to achieve the desired ROC.

Piyush Khandelwal: No, that's fair enough. I mean, you've been making the same comments since last three quarters. My question is specifically because we have grown 90%. So we have utilized some of the assets. It's not that we have not utilized. So my question is specific to that fiber-to-home business, which I'm mentioning that accounts for the majority of the chunk of this consumer business. There, the ROICs are better than the company average. Is it lower? Is it at par with the company average? That's the question.

Bijay Agarwal: Here, ROICs are almost in the range of or maybe as per the company average only. It is just like a low-margin business with a better asset, but still delivering similar kind of ROC. That was the target. The only point here is during the quarter four also, if you would have seen, there's a higher sale. And similar with the same higher sales of the total company level is what we are expecting in the upcoming quarters also. So that is where we are maintaining higher networking capital as of now in terms of absolute numbers and the inventories.

So which will gradually -- in the upcoming quarters, we should be able to see that benefit of number of days of working capital into the OCF, which will help us improve the ROIC percentage by a few percentage points. But that is what we are targeting. But overall, on an average basis, it is not a low ROIC business. It is almost at par kind of an average ROIC business.

Piyush Khandelwal: All right, sir. Thanks.

Moderator: Thank you. The next question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: Hi, sir. I hope you can hear me fine. Just sort of getting into the similar sort of question because the peer that does business or retail probably has networking capital based in the 10-day sort of range. Still, if I assume like a best case in a INR45, INR46,00 crores top line next year and INR320 crores of EBITDA, with about 60 days, we still are not sure of how we will sort of generate positive OCF. So could you kind of help us as to what gives us confidence that 60 days we should be sort of enough in terms of OCF?

Because next year again, because there will be growth after that, right. We will be stocking up inventory for FY '26 growth. So I just wanted to sort of dwell into how are we looking at positive OCF specifically?

Bijay Agarwal: In your, maybe the numbers which you have taken as an example here, from INR320 crores of EBITDA, we are expecting we can, maybe there can be some bit of tax outflows for about INR60 odd crores, one can take as an example. And maybe incremental working capital may not be more than INR100 odd crores. And balance will be operating cash flow is what we are seeing here.

Deepak Krishnan: Maybe just one final follow-up. What is the actual networking capital days in the home-to-fiber business? Like what kind of networking capital do we have for that particular client?

Bijay Agarwal: So as of now, we are at about INR650 or INR670 odd crores of networking capital. On a 60 days basis, assuming a INR4,500 crores of sales, we may be at around INR750, INR770 odd crores of total working capital requirements. So there is another INR100 crores rupees of working capital requirement may pop up for the upcoming year. But that another INR100 crores of working capital with an additional INR60 crores of tax, both are removed from the EBITDA number of maybe estimated.

In these examples, like we are just putting as an example number here is INR320 odd crores. Still there can be a would decent operating cash flow positive number available. Assuming the company is able to maintain the entire operations with the incremental INR100 crores of working capital, which is what we are keeping as a target.

J S Gujral: Yes. You see, just to dwell on some figures, I think for better clarity, INR315, INR320 crores of EBITDA would result into a PAT of approximately INR165 odd crores at back of the hand calculations. Or current networking capital is about INR711, INR710 crores as of March of '24. Now, if we take it a 60 days thing, then there is no incremental investment in the working capital. If we take it at 70 days, my working capital at the year end March '25 should be at about INR850, INR860 crores. So in the worst case basis that there is no improvement in the working cap, my PAT goes into my working capital. I don't have to borrow further at the worst case.

But if it's a reduction, a 60 days, it comes out to 60 days, then my working capital requirement is about INR750 crores, INR711 crores as of March of '24. So hardly a INR39, INR40 crores increment. That's the game plan which the management is focused on. How do we bring down the net working capital from the present level of about 70 odd days to 60 days?

Deepak Krishnan: Sure, sir. And will we see that continuously throughout the year? Or would it be more, 2H driven, given that 1H will be still ramping up on, the incremental revenue?

J S Gujral: Start kicking it in the quarter. Because I personally don't see my net working capital significantly going up in the Q1 of the next year from the current level. So if we are doing, we are planning, if we do say inr1000 crores, the exit rate of Q4, then my working capital for, I think, is only down to 60 days. Assuming there is some amount of incremental, it will be 62, 63, 65 days in Q1. Broad figures.

Deepak Krishnan: Sure, sir. Those are my questions.

J S Gujral: Thank you.

Moderator: Thank you. The next question is from the line of Hardik Rawat from IIFL Securities. Please go ahead.

Hardik Rawat: Thanks for the opportunity. I had a couple of questions with regards to the healthcare business. Just wanted to understand that you've done a top line of about 160 of about INR1.2 billion what part of this was from the core healthcare portfolio of Syrma and what part of this was from the Johari Digital company that we acquired?

Bijay Agrawal: So for the quarter I think you are referring here this INR1150 crores of revenue which includes almost 100 plus crores of total healthcare business. And almost 50-50 is from the core business and 50% of it is like from the acquired JDHL business, MedTech business.

Hardik Rawat: Got it. Also, a longer term question in terms of our mix from consumer has increased from 20% to now 40%. Now, going ahead how do you see this evolve over the next 2 years to 3 years? And next year we are targeting about 45 to 46 billion in revenue. What do you think is - what do you expect is going to be the mix of this revenue?

J S Gujral: Satendra will you take that question? The mix of the business in the coming years. Satendra our CEO will address this particular question and then I can also pitch it or I can pitch it in the beginning that the endeavor of the management is to bring down this percentage from 40%-odd to below 40%.

That would essentially be with an increase in other verticals. So, Satendra can dwell on this detail, but the direction of the management is very clear that the consumer business we would like to keep it – too happy to keep it low 40 in this year itself, but in longer run it has to come down to between 30 and 35 in the long run. This year I think it's too early to say.

Satendra Singh: I think we are very focused on this particular activity which is to balance between different segments. And we are doubling down on growing our revenues in the industrial and auto. And that would be kind of in a way helping us offset. But at this point of the numbers with Gujral and Bijay shared I think we will hold on to that. But going forward, I think there's a lot of focus on growing the business in the industrial and auto.

Hardik Rawat: All right. And one last question circling back to the Johari Digital, I just wanted to understand what sort of base did we have back in 4Q FY23 and how the growth has spanned out in that company?

J S Gujral: See, the growth of Johari in the FY24 has been flattish. There was this merger and all that, but we expect a decent growth of about 25%, 30% in this business going forward and the management is very focused on the areas where we have to work in the Meditech business which will essentially be revolving around four, five verticals of pain and rehab, surgical, diagnostic, patient care, and some services, certification services in this business.

So that would be the focus of growth and we expect this business to grow at about 30% in this year and significantly higher percentage in the future years. As I earlier said at the time of acquisition of this business, this is a platform which we have acquired and not a business per se. So going forward this would form a decent portion of overall business.

Hardik Rawat: All right. Thank you so much. All the best.

J S Gujral: Thank you.

Moderator: Thank you. The next question is from the line of Vipraw Srivastava from Incred Research. Please go ahead.

Vipraw Srivastava: Hi. Just had two questions. So first question is regarding what would be the order book breakup by segment?

Bijay Agrawal: Broadly, out of this INR4,500 crores of open order book visibility about 40% is what from consumer business, 20% to 25% from industrial business. Similar way 20% to 22% is approximately from auto sector and about 5% to 7% from healthcare. Balance is IT and railways.

Vipraw Srivastava: Noted. Secondly, the 70 days NWC number which we are coming up with, net working capital days is based on average?

Bijay Agrawal: This is based on average if we calculate on the closing inventory basis it is around 82 days.

Vipraw Srivastava: Yes, but average is not a correct metric because there's a very significant difference between last year and this year inventory receivable days. So average wouldn't be a better metric. I guess closing days would be a much better metric?

J S Gujral: If we were to take the closing numbers we are down from 88 days, 89 days to 82 days. We are sharing the average because industry peers are also reflecting only the average. So we are sharing both the numbers. If we were to compare the quarter and the yearend numbers it is down from 89 to 82 days. If we take the average it is a flattish from 72 odd days to 70 odd days. We are sharing the numbers because the practice of the peers is to show average only. So for an apple-to-apple comparison we are sharing both the numbers. But yes for us it is the year end numbers and that's why I said that if I take the year end numbers and my Q4 run rate we are down to 60 days.

Vipraw Srivastava: Okay, cool. And last question, why has the receivable days gone up so much. As far as I can see, it has gone up significantly receivables?

Bijay Agrawal: So there is quite a bit of sales is what we have achieved during this quarter and that is where the sales receivable numbers are because there is always maybe two months to three months of receivable period is always there. So if we have achieved a very significant amount of sales in Q4 that is reflecting into the receivable stage also.

Vipraw Srivastava: Yes, but does the company internally has an ROC metric which we use. I mean, if you can share that before you go for a deal or you go for sale, internally what would be the ROC metric which you have roughly?

Bijay Agrawal: So broadly for every business whatever we are doing acquiring as a new business, we always calculate ROC and track ROC also because ultimately without ROC performance there is no [inaudible 43:00]. We evaluate all these metrics. Internally, we are also doing it. Some bit of time we take a strategy call also if some business is there linked with some kind of PLI benefits.

Some other kind of entering into a new market, new product segments so those kind of strategy calls also we do take along with that ROC thing, but generally, for a normal business, we always try to get more than 20% plus kind of ROC performance.

J S Gujral: And Bijay just mentioned the PLI. In all the financials which you have shared with the community it does not include a penny. I repeat a penny of PLI. For FY23 where our claim is in the final stages of sort of approval and disbursement, we have a gross PLI of about INR9 crores.

After sharing with the customer we would be left with about INR3 crores, INR3.5 crores, INR4 crores. For FY24 based on the sales which we have done in the telecom consumer business my PLI entitlement on a very rough estimate would be about INR48 crores to INR50 crores.

Out of which assuming I share two-thirds with my customers I am left with one-third. It is a INR16 crores benefit for the sales which I have done in this year. Now, this PLI has not been factored in. So, if we were to hypothetically because we have taken a call that will account for the PLI once it is in the bank.

Hypothetically, if we were to take it on an accrual basis, my EBITDA goes up straight by INR16 crores. That is the net what will come to me in the company. And INR16 crores on a INR3,000 crores base translates into 0.5%, 0.6%. And that will also directly affect the ROCE of that particular business.

Vipraw Srivastava: Right. Just a last question. So, a significant chunk of your EBITDA margin expansion this quarter has come from other expenses. It has come down as a percentage of sales. So, any thoughts on that? What is the other expense which has helped the EBITDA margins, the breakup for that? Other expense?

Bijay Agarwal: So, broadly, I think you are talking about this operating efficiency you are talking about. Mainly, yes, the other expenses include many other like facility infrastructure related expenses, R&M expenses, legal and consulting expenses. It includes quite a bit of fixed nature kind of expenses. So, as the revenue grows up, the operating leverage is resulting into that benefit saving.

J S Gujral: We have saved 1.5% on that compared to FY'23. And we want to plan to consolidate on this saving in the coming year further. My operating expenses have come down by 1.5% approximately.

Vipraw Srivastava: Right. And if I am allowed to ask one last question. So, fundamentally in your business, is there any risk that you can be undercut by your competitors on price? Because as far as I can see in the PCB consumer business, there is no such barrier to entry. So, is there a possibility that your competitor might undercut you on price and in that sense, you might have to also take a cut in gross margins? Is that a possibility?

J S Gujral: See, in the consumer business, if you refer to it, there is a big entry barrier of PLI. Only the companies which have got the PLI, for example, if I was to enter a mobile phone business today, I am just taking a hypothetical question. If I was to enter a mobile phone business, I am at a disadvantage compared to the existing players because they have a PLI and I don't have a PLI.

Similarly, in the telecom sector, the PLI entitlement is already there with certain companies. Now, within that fraternity of companies which have the PLI, I don't think we have not witnessed undercutting of the prices. New entrants have a barrier because they don't have a PLI and it involves a lot of regulatory and quality approvals of the customers.

Vipraw Srivastava: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Hi, Gujral sir. Namaste. One thing I still could not understand is your EBITDA margin guidance, which you said is 7% for 2024-25. If I look at your last 12 quarters also, not a single quarter is EBITDA margin of less than, all of the quarters are well above 7%. If we are seeing that the consumer business, which is a low margin business, percentage would decline in 2024-25 and would decline further going forward. Why is the EBITDA margin at 7%? I mean, it baffles me. When in last 12 quarters, not a single quarter, forget about a year, but not a single quarter, EBITDA margin is below 7%. It is actually well in excess of 7% in each quarter.

Then with improving RFID contribution with reducing consumer business percentage in the total mix and on a larger business with some amount of operating leverage of the spend that we have made on people significantly, plus on the consultancy fees that we have spent, all of that, I can't understand why the EBITDA margin should be 7%.

J S Gujral: Good question. We are being, based on what we have achieved in the last quarters and the sales mix which we have, to be on the conservative side because earlier on we were, I wouldn't call it accused, but we were sort of held up for not being very positive on the guidance. So we are taking all the pros and cons, guiding 7%. Now, it is the call of the management to guide and if during the course of the quarters we find that the ground situation has changed from what we believe it would be, we would be more than happy to come and share with you all the revision in the guidance. But for now, we stick to 7%, being on a conservative basis.

Bijay Agarwal: And this is an annual guidance, so quarterly personalities may still be there, as it was there for FY'24 also, but full year basis we are confident to deliver.

Bharat Shah: But FY'24 also not a single quarter where our EBITDA margin is below 7%. Are you confusing between operating profit margin or EBITDA margin?

J S Gujral: I'm saying operating EBITDA.

Bharat Shah: Meaning without counting other income?

J S Gujral: Yes, please. So all this 7% is operating EBITDA margin. So happy that you clarified it. I should have clarified it, so we are at fault on that. It is the operating EBITDA margin which we are guiding at 7%, not the overall EBITDA margin.

Bharat Shah: Now, if operating margin is at 7%, that number for FY'24 is about 6.3%. So are you saying about 0.7% higher than that?

J S Gujral: It's 6.8% because foreign exchange fluctuations are related to the business purchase and sale and they are accounted for as operating income. These are not on investments or anything. So if I were to take the overall operating margin, including the foreign exchange fluctuations, which are essentially on the purchase and sale of goods and services, my annual EBITDA margin is about 6.8% and the exit margin is about 7.2%. Exit quarter margin is 7.2%. So these fluctuations are related to the business. These are the accounting entries when we book a purchase or sale, it's on the bill of exchange entry rate and when we remit money, it could be lower at a higher rate. So these are fluctuations purely related to the business operations and not to the investment or treasury income.

Bharat Shah: All right. So 6.8% operating margin of FY'24 should at least be 7% in FY'25.

J S Gujral: Yes, against a 7.2% exit margin Q4 of FY'24. So there's a 0.2% contraction, which we are projecting as a conservative thing. So we say 7% operating EBITDA margin for full annual FY'25 against 6.8% of FY'24.

Bharat Shah: Gujral sir, pardon me, but are we in a situation where we have to be cautious? Because I still don't understand this number. Their larger turnover, there will be operating leverage, non-consumer mix will be higher. So all that should lead to this number also better. So are we being unduly beaten up by what has happened where our guidance is being more enthusiastic by numbers are being behind? And because of that, we are just taking a very conservative stance?

J S Gujral: We could say that, but for the now, for the present, we hold on to this guidance and another 60 days from now, we'll be back to the market with our Q1 results. And we find that there is a significant change. We'll revise our guidance accordingly. But for current, my submission is that we stick to the 7% guidance.

Bharat Shah: Okay. But there are no business condition adversity that you are seeing, which makes you revise this number?

J S Gujral: Currently, we stick by this number, but we are not seeing any adversity which is pulling down this number. We are sticking the sort of calculated this number and on a, say, let's put it on a slightly conservative basis. A Dravid style approach instead of a Virender Sehwag style approach.

We stay at 7%. And if the situation changes during the course of the quarter, we'll definitely come back. We'll be more than happy to share even good - better news with the investing community and analysts and my investors. But for now, I'm holding my horses and staying at 7%.

Bharat Shah: All right. One last thing. Depreciation has been about INR50 crores for the year and interest has been about INR40 crores. So about INR90 crores. If we are likely to be sweating assets better and there'll be cash flow release, that interest number probably will be lower for the year ahead, similar or higher?

Bijay Agarwal: So going forward in the next year, what we see, depreciation can be slightly higher for the capexes, whatever we have done or maybe which are under capitalization. So quarter number, you can see about INR16 odd crores rupees of depreciation for the quarter, last quarter, quarter four. So similar way, maybe the number should be approximately around INR60-INR70 crores of depreciation for the next year.

And financing cost is like always a derivative number of our total financing. If we are able to manage the working capital as per our plans, my working capital borrowing will also be in the similar range. And accordingly, the financing cost would be similar way. So with a slight a bit of 10%-15% of variance.

Bharat Shah: So interest cost would be around INR40-INR45 crores?

Bijay Agarwal: 40-50 is what we can say.

J S Gujral: Yes. So we expect about, as Bijay was saying, depreciation to be about 60-65 interest, 45, so about INR100, INR110 crores of charge after operating EBITDA from our thing. So if we say the operating EBITDA for about 315, whatever is the figure, so that will be reduced.

Bharat Shah: Operating profit plus other income minus the charge.

J S Gujral: Yes.

Bharat Shah: Okay. Thank you in all the best. I hope we are beautifully strung by the past and therefore we are diving cautiously for the future. That's appreciated.

J S Gujral: Thank you. Thank you very much.

Moderator: Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Pandya: Thank you for the opportunity. So just first clarification, the capex that we have done, organic capex in FY '24 should be around INR333, 40 crores. Is it correct understanding? And what would be the utilization for this incremental capex?

Bijay Agarwal: So this capex, yes, the overall number is correct. The total utilization would be approximately towards, we are planning to set up a facility in Manesar one more, Manesar 3, part of the capex has gone towards it. Part of the capex has gone towards my Chennai project.

We have also acquired land for my Hosur project, the part of the capex for that, Pune and Bawal. It's a mix of 4-5 projects towards which we have done the entire capex.

Keyur Pandya: So I'm saying on the gross block of FY '23 end, what is the utilization and whatever capitalization that we have done in FY '24, what is the utilization on that incremental added gross block also?

J S Gujral: Okay. As of the year in March 24, on an average basis, my asset utilization is about 65 odd percent.

Keyur Pandya: On the blended basis, with a doubled capacity?

J S Gujral: Yes. If my total capacity available as of March of 24, and then we calculate the capacity every month as the capacities are added. The average utilization is below 70%. So this is what gives us the sort of leverage to grow in this year. And as I shared in my last call also, that the capex which we will be doing in FY '25 is aimed at my FY '26 target. For the FY '25 target, by and large, my capex is in place and the capacities are in place, buying some balancing equipment or one-odd equipment in a particular location because of a customer demand. So whatever capex which Bijay tells me is about INR150 crores in this year, FY '25, is aimed for FY '26 revenues, bulk of it.

Keyur Pandya: Okay, INR150 crores organic capex. And anything on the inorganic side?

J S Gujral: Inorganic, as of day, we have nothing, no concrete proposals on the table, but we keep evaluating proposals in areas where we are not present in offerings which we don't have to sort of complete over product offerings in defence, aerospace, and maybe railways. So those things are a work in progress. We keep evaluating. And once we have a concrete proposal in hand, we'll definitely come back to all - to you people.

Keyur Pandya: Okay, just last question, if I look at other expenditure, other opex, sequentially Q3 and Q4, our revenue has gone more than 60%-70% up Q-on-Q. I expect other opex is around flat at around INR80 crores. Now we have some one-off or we should continue similar run rate going ahead also in FY '25 because if I look at the revenue guidance, that is around $45 billion. So that is on the similar quarterly run rate as we have seen in Q4. So this INR80 crores has some one-offs and that is what it is lower or this is the stabilized other expenditure level on the quarterly basis?

Bijay Agarwal: Other expenses include some bit of variable and some bit of fixed expenses. The variable portion is the labor contractor expenses. So whatever is there, that will definitely be increasing with the increase in the sales. That's where we are. Rest of all are fixed, so this will be there in the similar range, the balance number.

Keyur Pandya: Okay, thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Pratik Banthia from Girik Capital. Please go ahead. Mr. Pratik, your line has been unmuted. Please go ahead with your question. Mr. Pratik, can you hear us?

Nikhil Gupta: Next one, I'm probably in the background, you can check.

Moderator: As there is no response from the line of the current participant. Our next question is from the line of Vipin Goel from Mirabilis Investment. Please go ahead.

Vipin Goel: Yes, hi, sir. I had just one question regarding to the commentary that you made on the bringing down the consumer mix in FY ‘25. So if I look at the current order book, it's at about INR4,500 crores. And there you say that you're alluded that it's consumer mix is about 40%. So if we assume 40% growth, that translates to roughly INR4,200-INR4,500 crores kind of revenues for the next year.

Now, our question is that, how are we going to bring down the consumer mix execution in 25? Because consumer orders are usually short cycle orders. So this 40% of the order books is what we'll have to execute anyway next year. On top of that, there could be some incremental consumer orders as well. So, I mean, could you just help us understand what am I missing here?

J S Gujral: You're not missing. We are targeting that the consumer business in the current year, FY25, would be anything between 37% and 40% of the revenue that's all the breakup of our projections we have done internally with the industry-wise breakup. Now, there could always be a possibility going forward that if there's a business then my top line would go further up, but as of date what we have budgeted we believe that the consumer business will be between 37% and 40% odd of the revenue and the revenues are expected to grow at about 40%, 45%.

Now, hypothetically, if I end up a 60% increase in revenue next year if I'm not committing, I'm saying if then obviously some of the verticals will see a higher growth. Now, whether it will be consumer, healthcare or industrial that will change when it comes if we have to revise the guidance. But for now, the guidance which you are giving is a 40%, 45% top line growth with a 7% a bit and the one particular segment, we have shared the composition of it in the total revenue.

Vipin Goel: Got it. So does that also mean that the incremental order intakes that we'll be taking for 25, that wouldn't have much of the consumer the FTTH piece that we are doing because if we do then that means your consumer mix is kind of going up because it's already built into the current order book the 40%.

J S Gujral: So yes see current order book and based on the visibility from the customers we have shared the figures. So if we - as we go forward and it's a dynamic society it's not that it's an annual plan which is sort of - which cannot be changed or revised upwards or downwards mostly upward. So if that happens, we'll share with the markets.

But as of now, I can't say the plan will not be revised or some vertical will not go up or some vertical will not go down. So that's the thing as we progress the year and the quarter we'll keep updating the markets and the analysts on this, but as of now, we stand by what we have said, 40 to 45% growth rate with 7% EBITDA margin operating EBITDA margin.

Vipin Goel: So how does this one the PLI piece, the FTTH piece in terms of ordering, I mean, since we are qualified for the PLI does that mean that we'll have to anyway meet certain criterias and have to bid for the upcoming projects in a similar category?

J S Gujral: The PLI scheme has a play of investment and incremental revenues. Those have been factored in the projections. It's not that I have to take more orders to sort of avail the PLI to whatever entitlement I have got today based on the approval which I have received from the Government of India, I have factored in those businesses.

If those businesses were to exceed that limit, they will not be PLI entitled. So if, for example, if my business limit is a revenue limit of INR800 crores I do INR1200 crores in a particular vertical, but I'll be entitled to PLI only on INR800 crores based on the approval which the Government has given. So we have taken all those things into consideration when we have drawn up our plans AOPs and shared with you.

Vipin Goel: Sure, sir. That's it from me, sir. Thank you.

Moderator: Thank you. The next question is from the line of Raj Shah from Ambit AMC. Please go ahead.

Raj Shah: Yes, two questions from my side. Firstly, if we see our order book sequentially it looks flat at INR4,500 crores. So is it because we are slowing down our consumer business or there has been a general slight slowdown in other segments as well if we see sequentially?

And second is that for the railway business. So now as we have got the RDSO approval, so what kind of order book as well as revenues do you see for the next year that is FY25 and FY26?

J S Gujral: Now, the flattish order book position which you are referring to is because of a higher execution in Q4. It's not because of any softening in demand from any of the sectors. So during this coming quarters the position may change because by turnover increased by almost like 30% from INR750 odd crores to INR1100 crores between Q3 and Q4.

And the orders will never be in sync with the execution, but the broad visibility we have shared with you. As far as RDSO approval is concerned, we have orders which we'll be executing this year. Last year against the RDSO approval, we executed an order worth about INR3.5 crores rupees.

We expect in this year more towards the second half of the year the business from this RDSO approval to grow to about INR25 crores, INR30 crores. Railways is a longer gestation period in terms of getting the orders and executing the orders. Unlike automotive where once you get the approval the execution is very fast and consumer.

So currently we have the visibility of railways which we have shared it should be about in the current year INR45 crores INR50 crores of business in the current year. If any further orders are received we'll share when they are received. Currently, the situation is this.

Raj Shah: And how is the margin profile for these orders?

J S Gujral: It's better compared to the automotive and industrial, but it is also accompanied by a higher working capital cycle because the execution period is long. It involves a lot of stage-wise inspections and all that. So the working capital cycle is long in railways.

Raj Shah: So last question we have incorporated the new design subsidiary and you said that we expect revenues from FY25 onwards. So what kind of revenues do you expect from this [inaudible 1:10:00] subsidiary?

J S Gujral: Early days, we have got strong inquiries. We believe that in the current year we should be able to sort of come above board on the design part. When I say above board means that it should not be out of pocket. How much business we will be able to generate in this year it's still in the works. I think next year is the time when we should have fruits of this effort. It is taking longer than expected.

I had expected that by 2024-2025 we should be able to kick in a decent amount of revenues. But with the revenues of the company being about what we are projecting it will still form a very small portion of our revenues and hence a small portion of our EBITDA. But going forward, I am very confident that this leg of the business should be EBITDA accretive.

Moderator: Thank you. The next follow-up question is from the line of Vipraw Srivastava from Incred Research. Please go ahead.

Vipraw Srivastava: Thanks for allowing me to ask a follow-up. Just one thing on the balance sheet. Your other current assets have gone up significantly compared to last year. So wanted to understand why is that happening? What are the other current assets comprising of?

J S Gujral: Okay, Bijay can answer in detail, but the significant increase in the other current assets is on the account of GST which has to be paid in advance when you buy the material. Inventories are accounted for net of GST. So GST is one of the major portions of the other current assets. But Bijay can dwell in detail on this.

Bijay Agarwal: Primarily, that's the reason with the higher businesses and multiple locations. There is a higher inventory holding, which is there reflecting into my balance sheet. So that is one of the reasons, balances with the government authorities and all. So and some of the advances for the new businesses. These are the two things which are actually leading to this particular.

Vipraw Srivastava: And one last question. So you're setting up something in Germany, you mentioned in the initial part of your call, right? What was that?

J S Gujral: See, we have had a company in Germany since 2008. They were operating on a small premises. And we had shared with a call, I think in the December earning call or something, that we had also set up a prototype line in Germany to address to the needs of the new product for mid-sized companies who don't have bandwidth to come to India.

Now, based on the traction and the input from the consumers, customers rather, we have expanded and consolidated in a single facility of 40,000 square feet in Stuttgart, Germany, which should go on stream. It's under refurbishment and fit out, which should go on stream in Q3 of this year, maybe end of Q2 or the beginning of Q3 of this year.

So that will address, so I would have a facility to show to my existing and potential new customers, address to the nearshoring requirements of the European customers. So it would initially be an integration facility, which means that all the board will be done in India, shipped to our subsidiary in Germany, and they will integrate into the final product.

So this is a step towards increasing the export. My exports have increased by 26% last year. CAGR of three years is 19%. And believe you me, neither Europe nor America is going at that pace. So this is to address a potential business market segment in Western Europe. That we have beefed up our presence in Germany.

Vipraw Srivastava: Okay. So there are no plans of moving to manufacturing, right? Only the integration part, right?

J S Gujral: Yes, we have a prototype line over there to do the MPIs. We have currently no plans of doing the bulk-scale manufacturing. But if there's a business opportunity and it's profitable to me, whether I do it over here by putting up a line or I do it in Germany. The only thing is, in Germany, the costs are more. So it logically doesn't make sense to do the large-scale production where manual intervention is high. So hence, I believe that we'll start with integration. But logic says that it will convert into a full-scale manufacturing in the years to come. It's a normal logic.

Vipraw Srivastava: Okay. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, we'll take this as the last question. And I'll hand the conference over to the management for closing comments.

J S Gujral: I thought there was another question coming. Before I give my closing comments, I'll ask Satendra to share his small view on this, summarize view on this, and then I'll close it off.

Satendra Singh: Thank you, Gujral ji, and thank you everyone on the call. I think we had a very busy quarter. As indicated by the growth, and we expect to continue the similar growth in the years to come. Clearly, I think we are at a stage wherein, as a company, we are investing for future, like as indicated in many data points and also comments made by Gujral ji and Bijay on the investments we are making in the equipment.

Whether it is the SMT capacity, I think we doubled the capacity. I think Gujralji has said it in the call today and very clearly. So whatever capacity the company created over initial 30 plus years, we have created same capacity in last one year. So we are doubling the capacity effectively in last one year. That prepares us to deal with the business which is coming in.

We are continuing to invest in the talent, bringing in more professional on board. And we are continuing to invest on optimizing our processes. Because as we go through this growth journey, we should ensure that our processes are strong and they are ready for the future. Because what we have clearly is a very solid road ahead of us.

And we are doing everything we can to make sure that we deliver on the commitment we have made. And the indications we have given during this call today. I would say thank you very much for your support. And back to Gujralji again.

J S Gujral: Thank you, Satendra. I think Satendra has swelled in on all aspects of the business. I would like to restate that management is very focused on building a long-term sustainable business. Hiccups when you grow at 50%, 55% CAGR over three years will happen. Ideally, they should not happen, but they will happen.

And they will have impact, more negative impact than positive impact because of the hiccups. As we have stabilized the growth rate and the teams have gained the confidence of managing growth rate upwards of 40%, 45% year-on-year, I think the teams are now focused on bringing in operational efficiencies and the cost of the growth.

Please appreciate that when you grow from a small base at such a scorching pace, efficiencies are the first casualty. And efficiencies will be both operating and on cost of materials. Going forward, I think we are now well-placed to take benefit of the base which we have created. And the management is focused on a high growth trajectory with stable margins in the business. Exports would continue to be a forte.

And as I shared, not many companies from India have a $100 million export, independent TMS companies like us. A Foxconn can do by exporting the Apple phone. But an independent company like us, I don't think there would be many companies who have that level of exports. And we expect the exports to continue to grow at this pace of 20-odd percent, maybe higher in the coming years.

MedTech [79:13] will be one of the significant contributors to the bottom line in the coming years. As I said, we have set up a design center in Pune primarily focused at MedTech specialty. We are very cautious of our social responsibility. And we have internal plans of how do we reduce the carbon footprint. And this is being monitored on a monthly basis.

So we are here to create an organization which will grow at a rate of 40% with stable profit and be mindful of the social responsibilities of the – towards the society. With this, I say a big thank you to all of you for supporting us and look forward to this continued journey with you. Thank you.

Moderator: Thank you. On behalf of Avendus Park, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.