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By NEAPS	**By Listing Centre**
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Scrip Code: STERTOOLS	**Security Code No. 530759**

Date: 08th August 2023

`Sub: Transcript of Analyst/Investor Conference Call dated 03rd August 2023 at 10:30 a.m. for Q1 ended 30th June 2023

Dear Sir/Madam,

Pursuant to Regulation 30 (6) and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, we wish to inform you that a Conference Call for the analyst and investors to discuss the financial and Operational performance for Q1 ended 30th June 2023 of the Company was held on 03rd August 2023 at 10:30 a.m.

Following Management attendees attended on behalf of the Company:-

1. Mr. Atul Aggarwal, Whole-time Director
2. Mr. Jaideep Wadhwa, Director
3. Mr. Pankaj Gupta, Group CFO

We further confirm that no unpublished price sensitive information was shared/discussed in the meeting / call.

Please find attached herewith the transcript of the aforesaid call. The same will be placed on the website of the Company i.e., www.stlfasteners.com.

This is for your information and records.

Thanking you,

Yours faithfully,
For **Sterling Tools Limited**

ABHISHEK CHAWLA

Digitally signed by ABHISHEK CHAWLA
Date: 2023.08.08 17:30:50 +05'30'

Abhishek Chawla
Company Secretary & Compliance Officer
A-34399

Encl: As Above

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"Sterling Tools Limited
Q1FY24 Earnings Conference Call"

August 03, 2023

MANAGEMENT: MR. ATUL AGGARWAL – WHOLE-TIME DIRECTOR
MR. JAIDEEP WADHWA – DIRECTOR
MR. PANKAJ GUPTA – GROUP CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to Sterling Tools Limited Q1FY24 Earnings Conference Call.

This Conference Call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Group CFO – Mr. Pankaj Gupta. Thank you and over to you, sir.

Pankaj Gupta: Thank you very much. Good morning, everyone. On behalf of STL Group, I extend a very warm welcome to Q1 and FY24 Earnings Call. Today, I'm joined on this call by Mr. Atul Aggarwal, our Whole-Time Director; Mr. Jaideep Wadhwa -- our Director and SGA, our IR advisors.

We have uploaded our "Results Presentation" on the Exchanges, and I hope everyone had a chance to go through the same.

I will now request Mr. Atul Aggarwal for his opening remarks.

Atul Aggarwal: Good morning, everybody. Welcome again to our quarterly investor call. Good to connect with you all over again. I look forward to a healthy interaction.

I'm not going to get into too much detail and numbers. You guys do this day in and day out, but let me give you a highlight of what's happening in the auto industry. The industry has grown by about 2.8% with all segments put together. We're in passenger vehicles showed a growth of about 7%, three wheelers had a growth of about 24%, two wheelers grew at a marginal growth rate of 1.3% and commercial vehicles were negative by 3%. Obviously, there are individual companies who have done better than the others, but I'm just trying to give you a flavor as to what the auto industry looks like.

So, Q1 was not as strong as we had hoped it to be from an industry perspective. Now, having said that, despite the auto industry only growing by about 3% overall, we were up about 7% in revenues, just to give you a flavor of that. EV segment grew up by almost 60%, if we factor in certain other kinds of vehicles almost up 77% in volume terms. So, the EV story is still looking strong. There are some concerns around FAME-II, but I think the industry is absorbing that impact and the market leaders and the stronger companies will come out ahead stronger in that process.

Our revenue of EV component business grew from 37 crores to 74 crores of Q1 FY23 and Q1FY24, so we are up 100% in revenue. And I think the bottom-line numbers, Pankaj will get into that detail with you, but even our bottom-line numbers have grown. I think we are showing EBITDA margin of 9% in the first quarter.

In our fasteners vertical, we were up 7% in revenue, not as per our expectations, but we are still hopeful of maintaining our guidance for double digit growth next year or this financial year. Normally, first quarter is always muted as a percentage of our total revenue for the full year, and we are on track to achieve that numbers. It's looking tougher, but I think we have some good initiatives in the pipeline where we hope to achieve double-digit growth on that.

I'm going to hand over to Pankaj to talk in more detail about financial data and then we'll open the room for questions. Thank you.

Pankaj Gupta: Thank you, sir. I will give a brief financial on Q1FY24.

I'll start with the standalone numbers. For Q1FY24, the total income increased from 138 crores to 148.6 crores, that's a 7.5% YoY growth. EBITDA stood at 21 crores, which is pretty much in line with previous year, the margin is 14.1%. PBT stood at 11 crores, that is about 7.5%, and profit after tax for the quarter was 8 crores.

Coming to the consolidated financials, the total income increased from 175 crores to 222 crores, that's about 27.6% growth. EBITDA increased by 22% to 28 crores and YoY our margin stood at 12.4% on consol level. PBT increased by 31% to 16.9 crores in Q1 and PBT margin was 7.6%. We have seen a very robust growth in our PAT both on YoY and QoQ basis; PAT for the quarter increased by 36.6% YoY and 68% QoQ to Rs.13.1 crores.

So, those are the few highlights and thank you, everyone. We can now begin question and answer session please.

Moderator: We will now begin the question-and-answer session. We have the first question from the line of Deepan Sankara Narayanan from Trustline PMS. Please go ahead.

Deepan S. Narayanan: So, firstly on the EV business side, so what is the contribution of top 1-3 customers and has it improved substantially QoQ?

Jaideep Wadhwa: Customers as of today are Ola, Ampere and Tork, which is a part of the Kalyani Group and though you asked for three, I'll also add four, which is sales through SEG which go to a number of customers as they sell our motor control units along with their motors to several customers. The percentage has been about stable across these four over the last quarter.

Deepan S. Narayanan: So, this EV two-wheeler volume has fallen in July month, but top three players have been increasing their market share. So, how has been our order book progressing there and what kind of EV revenues we are looking for FY24?

Jaideep Wadhwa: Yes, it is true that there has been obviously a setback in the industry due to the changes in the same policy. Some companies have weathered the storm better than others. We are fortunate that some of our customers amongst the companies that have done better and have managed to maintain volume, so our order book is healthy. I think we look at our current run rate and it's a run rate that we can maintain and possibly enhance.

Deepan S. Narayanan: In EV business, what is the reason for sharp improvement in gross margin QoQ, and is it sustainable margin for us for the coming quarters also?

Jaideep Wadhwa: Compared to last year, obviously, there's a world of change that we have been through. We have localized much more. As we've got volumes, we've negotiated better pricing with our suppliers both for imported components as well as for local components. So, there's a lot of improvement that's been done over this year, I mean it's 12 months, but it feels like 34 or 36 months in terms of what all has happened during this period. In terms of the margins, we have consistently maintained that in the short term, we believe that this business is 8% to 10% EBITDA margin business. And that's what we expect. There may be minor changes within a quarter basis product mix or other factors, but 8% to 10% is where we expect to be, probably closer to 8-10%.

Deepan S. Narayanan: And any progress on this MCU LCV product launch, have you tied up with any large customer?

Jaideep Wadhwa: So, we actually have, very good success with our LCV customers. We think we have a very strong market share there on the LCV customers. As you know, the data is all out there for you to see. The product launches by our customers haven't taken place. So, while our products have been used in the vehicles that have been sent for homologation while we continue to supply samples for proto builds and the initial trials, we won't see the volumes…you won't see this reflected in our numbers until our customers actually start selling this in the market which we are hoping I think the third quarter of this fiscal is when we'll actually start to see some traction on that… at least one more quarter of the same type of activity, where we'll be doing a lot of technical work, we'll be doing a lot of engineering support work, our customers will build vehicles, get feedback, get homologation, etc., but it won't translate into numbers. Once our customers launch, then obviously we'll see the numbers kick in.

Moderator: The next question is from the line of Viraj from SIMPL. Please go ahead.

Viraj: Just three questions. First is on the commercial vehicle business. I think when we talked last quarter, we were expecting a very strong commencement of new order pipeline, so our expectation was more of highly double-digit growth, even in an environment where the market may not grow or be flat, so we were expecting a lot of programs to commercialize. So, any update you can provide, has that been delayed and hence we are seeing relatively muted growth or the expectation itself is now if at all it has changed?

Atul Aggarwal: Actually, when we did the outlook for this financial year for the industry was very good. CV industry had done very well last year, and it is expected that commercial vehicle business in FY24 will be stronger than FY23. Now having said that, first quarter of FY24 CV industry has been negative. So, it has been a double whammy in a perspective sort of no growth, is also a negative growth in that segment. Tractor industry, which has gained about 10%, 12% of our revenue is down 11%. So, these two negative growth in the industry have impacted our growth numbers. So, programs are still alive, but the volumes we are expected for those programs to come through have not crystallized, which is putting pressure on the growth numbers. So, yes, you're right, I think our guidance was much stronger in my last call with you guys, but I think the first quarter industry performance has not been as expected, it has been disappointing, which is putting pressure on our growth, but we are still up 7%, and I think knowing what's happening to the industry and knowing what's happening to some of our competition, we believe we could do better, yes, I think we are still in an okay space, and we still have three quarters yet to go, we are hoping that the commercial vehicle industry will turn around because that's still the largest consumer of automotive components in India. I think that's what my response would be.

Viraj: And second question is largely in terms of the operating margins in the fastener business. So, one is the contribution margins and if we see YoY, we've seen some moderation in contribution margin. So, how should one understand? I understand there's a denominator - numerator effect, but is there any other element either in terms of product mix or the new business we have kind of maybe a slightly aggressive. So, is that the reason why the contribution margins may be on the slightly lower side? And in the journey to 16% to 19%, is it more largely driven by scale, or you see recovery in contribution margin itself being a major driver?

Atul Aggarwal: So, last full year on an annualized basis we had a margin of 15%+ on EBITDA. The concern was margins coming in Q423, but I think if you look at our Q1 margins, we have improved our margin positions over Q423. So, it's an improving trajectory. Yes, there is a numerator/denominator effect. Our guidance has been about 16% for this year, but I think the way things are going and the growth we have and in cost saving and improvement initiatives we have in our operations, we believe we'll be close to 15%+ operating margin numbers on a full year basis. So, I think the concern, that this flag was raised for our Q4 margin numbers being a little depressed vis-à-vis other quarters. There were various reasons which I explained earlier. But I think we are recovering ground from our Q4 margins, it already improved, and we hope to certainly improve that. So, I don't see that as much of a concern going forward.

Viraj: But there's no change in terms of the base margin that if we do the business, any new business we could, there's no change in any of those parameters?

Atul Aggarwal: No, none. I think we are still acquiring new businesses; margin retention and margin visibility is always one of our key guiding principles when we acquire new businesses.

Viraj: On the EV business, correct me, what I understand is customer contribution is very high currently. So, the top customer may be 60, 70 or even higher end of the share and the last quarter we talked about looking at potentially Rs.350 crores kind of a scale this year and further build upon that. So, in terms of the customer mix or the portfolio mix, how are you looking at in '24 and '25, what will drive that?

Jaideep Wadhwa: I think I partially answered that the earlier question. I believe our customer profile and our ratio of customers or our ratio of sales to the top customers will remain relatively unchanged for this fiscal year. As we go forward into next year, I do expect to see a significant change as more customer programs come online and gain volume. What has happened is that as you're aware with the change of policies on FAME, there have been setbacks/delays in the launches of other vehicles and the volumes picking up and our volumes with these customers obviously depend on what they produce and actually sell in the market. So, we continue to be the sole nominee for these businesses in most cases. As you know, we are waiting for the volumes to pick up.

Moderator: We'll take the next question from the line of Abhishek from Dolat Capital. Please go ahead.

Abhishek: Sir, the government has issued the quality norms for the nut bolts and fasteners for the import of substandard goods and goods of domestic manufacturing. So, how this will be positive for your company?

Atul Aggarwal: Let me give you how the industry works currently. Government wants to introduce a BIS system for fasteners, but the challenge is all our customers, in the passenger vehicle space the Japanese and Koreans dominate that space, with almost a 70%-75% market share and they work as per their Japanese standards, or within the Japanese standards, Suzuki will have their own Suzuki engineering standard, Toyota will have their own, Honda will have their own, and same thing with the Koreans as well. So, none of the fasteners are made to any particular standard product lines, they're made as per spec for each drawing, and all these drawings are specific to that particular function and following certain OEM standards who are consuming them, Suzuki, Honda, Toyota or Hyundai for that matter. Same thing applies to Tata and Mahindra. Tata will have their own Tata standard and Mahindra will have their own standards. Someone is trying to bring in a common standard across the board, but the functionality and the specifications are totally different. We are working closely with the government and with Automotive Component Manufacturers Association. So, the QCO, we are working closely with the government, we're working with the automotive body, which is ACMA, and we are working with the customer at the same time. So, it's a work-in-progress. I think I'm sure we'll arrive at a workable solution. But having said that, whatever the solution is arrived at, it's not going to impact our business negatively or positively, we just have to align ourselves with the market needs and address the issues. So, from a business sustainability and a growth perspective, I don't think it has any impact on that.

Abhishek: And in a fastener business, your growth was 7%, YoY, so how much volume growth and how much the impact of the fall in the realization because of the fall in metal prices?

Atul Aggarwal: So, our volume goes about 5%. Steel prices, like I said, have stabilized. All that has been factored in. So, our volume and price points are pretty much aligned. There may be a differential coming of 1% or 2% over time depending on the product mix for that quarter or some customers buying different kind of products. So, that mismatch which was there in the last two years for volume and value is probably aligning itself now.

Abhishek: And how was the mix of standard versus the special fastener in this quarter?

Atul Aggarwal: Pretty much the same. It doesn't change very much quarter-to-quarter. We can talk about on an annual basis or on a quarter-to-quarter basis, the mix does not change very much.

Abhishek: And your margin in your fastener business that has gone up by 200-bps quarter-on-quarter, but still it is at a lower side, and last quarter you had mentioned that you are facing some problem because of the increase in the conversion cost. So, can we expect that this problem will be sorted out in the coming quarter and we will be able to make a margin of 16%-18% what you are targeting for the medium-term?

Atul Aggarwal: Like you said yourself that our margins have improved over Q4 to Q1 this year. We are already in the process, we are working with our customers, we are we are trying to get some price increases on conversions which some have kicked in, some will kick in as and when the negotiations crystallize. At the same time, we are looking at cost improvement activities in our operations. It's a combination of host of things to bring back our margin numbers to the more expected level where we want to be. The trend is already improving. Only one quarter has gone by. We hope to maintain this going forward.

Abhishek: So, in this quarter, as you mentioned that there was a lower growth from the CVs and the tractors. So, has it also impacted your margin in this quarter because the mix is slightly poor?

Atul Aggarwal: No, it's not really impacted in that sense of the word. Like I said, one quarter is too tight or too short a period to have meaningful impacts. I think this take a few quarters of numbers to work through, but we don't feel the lack of growth in CV or tractor has impacted us as of now.

Abhishek: My last question on CV business, you are targeting around 340 to 350 crores of the revenue in FY24. So, are you still intact with this number?

Jaideep Wadhwa: We closed the first quarter at Rs.73 crores and then there's also other income about a crore, so let's say Rs.74 crores. We believe that run rate despite the hiccups is maintainable and we have the opportunity of increasing that further. That's where we look at right now basis what the current estimates are. They are possibly upside that we will see coming in, in latter quarters as more programs come online.

Abhishek: So, when can we expect the volumes from the LCVs and passenger vehicle in MCU segment?

Jaideep Wadhwa: So, LCV should start by the third quarter of this year as I had mentioned. I think they'll at least start up by then, I hope that starting next year you will see many more LCVs on the roads and that will be very good for us. Passenger vehicles will probably be a little further away.

Moderator: The next question is from the line of Alisha Mahala from Envision Capital. Please go ahead.

Alisha Mahala: Have you signed the agreement with Gtake, are the terms frozen now?

Jaideep Wadhwa: The terms are frozen. We are going to China next week to finalize this.

Alisha Mahala: We were talking of increasing the MCU capacity. Where are we on that and other plans is increasing it further or have we signed any new customers or clients in the last one quarter?

Jaideep Wadhwa: So, in terms of our capacity, we've mentioned that we will be expanding our capacity to 600,000 units. Now, I believe some of our investors had visited our plant. So, the construction is underway. Once the construction is completed, we will be able to get to that 600,000-annual volume. In the interim, within the existing facility by doing some debottlenecking, we are able to increase over 400,000. So, we've made a step improvement, but in the capacity of step enhancement in the capacity. But obviously there is the full effectiveness of this will only come into play once we have the extra space that is required. To answer your second question, I think it's addressed in our investor deck. We have 14 confirmed contracts in the last quarter, we are now at 16. Just as a piece of additional information, both those customers are in the LCV space.

Alisha Mahala: And after 16, how many of your products are live, because you do expect any good amount in Q3 especially LCV clients. So, is it possible to understand..

Jaideep Wadhwa: You had asked the question as to how many of the 16 customer programs that we have been awarded which are already in production. About half.

Alisha Mahala: The balance we're expecting most of them to be like in the second half of this year or still a large part we will be launching the products in FY25.

Jaideep Wadhwa: No, no, we expect all of the balance to go live this year. I'll have to say that it depends a little bit on the customer, but I would be surprised if any one of these don't go live within this fiscal year.

Alisha Mahala: Just one last question on the fasteners space. We did mention in the opening comments that CVs were kind of weak and that has impacted our growth, but we're still expecting growth to continue to be in double digits. So, are we gaining market share or are we looking at the other segments to kind of pick up? And also, on the margins you used to talk of 17%-18% (inaudinble) significantly lower. What will be the driver for margins in this segment, will we hit that number this year or next year?

Atul Aggarwal: So, to address the first part of the question, we have not lost any business in the CV segment. In fact, we have acquired new business both at Leyland and Daimler. So, there are no concerns on losing our share of wallet or share of business with the customers. It's just overall downtrend. Leyland and Tata suffered substantially in the first quarter. Leyland had a booming Q4 last year, but I think it's a combination of sales issues and inventory correction what they've done in Q1 this year. So, there is no concern of that. Going back on margins, I think let me just say that we are improving, we are on track to do 15%-16% this year. We have improved our margin in Q1 over Q4 last year, but at peak level, our margin used to be 18%-19%. If you do a like-to-like comparison, I can request SGA to set up a separate call to run through you our number in detail. Steel prices have gone up, we have got a full compensation on steel prices from our customers through and through. There may be a lag of quarter max, but we have been compensated fully for that. What we have not been compensated fully by our customers has been conversion costs going up, which is the value addition we do. Typically, our raw material content before price increase used to be about 37%, has gone up to about 41%-42% now. And that's a function that prices have gone up, but we have not been able to successfully yet increase on other inflationary issues of power and energy, chemicals, oils, tools, steel, etc., so, it's a combination of those two things. We have got some increased from some customers which is helping us bump up margins again. But, from a pure mathematical basis, that 18% benchmark what we had earlier is coming down to 15% on a like-to-like basis. Like I said, it's a mathematical equation. I'll request SGA to set up a call with you independently and maybe Pankaj can run that through with you. So, when we look at the business overall, our concern is getting conversion cost increases from customers because of inflationary pressures. Steel has been fully compensated. Having said that, despite those pressures we are doing well through cost improvement programs internally and product mix improvements with our customers.

Alisha Mahala: Just a clarification, sir. Are we saying that in the current scenario more sustainable number for this business is about 15%?

Atul Aggarwal: I would say between 15% and 16%, that's correct.

Moderator: We'll take the next question from the line of Viraj from SIMPL. Please go ahead.

Viraj: Just a couple of questions on the EV business. First is we talked about moving the capacity from say 3,00,000 units to 6,00,000 units. So, now with the increase in expansion, is there a plan in terms of further localization or we think that the level with which we are is good enough at the moment, so any perspective and given with the milestones we will look at for the localization? A related question is on the agreement with the tech partner, will there be any further payout either in terms of royalty, how would the arrangement work?

Jaideep Wadhwa: So, what I was saying was that as has been clarified earlier that the agreement is basically a formalization of the working arrangement that we have and there is no impact in any shape or form on the on our P&L as a result of this. In terms of localization, as per the government regulations, what we have localized is the maximum we can do with the current supply chain available. If you take model-A, we have localized it to the best of whatever we can do today in India. There is no possibility to localize further than that as of now. However, as we are progressing, we are adding more and more models. So, currently there are two families that are localized, and these have several models within them. The third one is coming on stream, will be localized in the early part of the third quarter and the fourth family will be localized in the fourth quarter. Again, in each of those cases, when we localize, we will localize pretty much everything that we can technically localize in India and then we have to wait for someone to set up a plant to make electronic components to improve the capability of PCB manufacturing in India, and only then will we be able to localize further.

Viraj: Just one more question on this, post this new AI standards, any perspective you can give in terms of the competition landscape for MCU? So, if you look at the marketplace right now in the last 2-3 years, you've seen a lot of other players who have no background for say either in electronics or related components have entered the space for MCU motors and others. So, post this stringency in terms of the standards, what is the feedback you're getting from your customers, and what is your sense of the competition landscape?

Jaideep Wadhwa: So, despite the announcements maybe many, but if you actually look at who's got any volume in the market, those will be a handful of companies. It would be us, Brose, which is also very small right now, it would be Mhale, it could be Hella and Bosch and Brose would be small. That's where the volume is divided, and then there's probably one Indian company that's doing some volume. So, that's where the volume is divided across the entire two-wheeler and three-wheeler landscape. I'll address the LCV landscape separately. So, people are announcing, I guess, they're putting in the efforts. I think we'll have to see how this pans out, we'll have to see which ones have made the right investments in capability, not only technical, but also in building up the ecosystem and building up the supply chain and we will see that. We've talked about the growth rate expectations in the industry over the next 5-7 years are pretty close to 50% a year CAGR. So, there is a lot of scope for companies to participate and play in this market. We believe that we'll be able to grow, and we'll be able to maintain a strong position in this segment because of the investments that we have made in all aspects of our business. So, I can't comment on whether company A or B will be successful or not, because we'll have to just see how they actually perform on the promise that they make.

Viraj: The agreement with the Chinese partner, does that affect us in terms of capitalizing any export opportunity, if at all, that's a..?

Jaideep Wadhwa: No, actually we participated in our first overseas trade show earlier this year, it was in Southeast Asia. I think it was more to learn the market. I don't expect to report export numbers in the near future. I'll say not to report any significant export numbers in the near future, but we have the ability to sell to certain markets unilaterally and others on an agreement. So, we've received enquiries from say, Germany from a two-wheeler company and we agreed with our partners that we would handle it because we were better equipped to handle it. We didn't get the business, it was too complex transaction, but there's nothing that stops us from talking, and then we are very open about these opportunities when we discuss with them.

Viraj: But more complex for product technology logistics, our concern was how do we support?

Jaideep Wadhwa: The big strength is that we have in India is we have a tremendous amount of technical support available. So, we can resolve problems, manage vehicle integration issues, etc., Managing that in Germany was too expensive for the kind of volumes. Meeting German standards by giving the support required, etc., is just not viable for us. But these are all opportunities. We don’t have a plan to export to say, Germany. If someone has given us an enquiry, we’ve looked at it. Like I said, I don’t expect to see exports in the near future. We’ve got our hands full with the Indian market. The direct answer that I would give is that we are able to export to other markets, but it's not something which is a priority for us at this time.

Moderator: We'll take the next question from the line of Karthi from Suyash Advisors. Please go ahead.

Karthi: A couple of clarification. One is in terms of the understanding with Gtake. Given that the local supply chain will evolve over a period of time, are you also planning to pencil in some kind of transition path or a higher percentage of local content? And I'm asking this because there will be a compromise (inaudible) on their interest in this context.

Jaideep Wadhwa: Look, again, as of today over the next one or two years, we don't expect to be able to source any electronic components in India. There is no supply chain available. DSPs are not made in India, mosfets are not made in India, current sensors are not made in India. So, there's no value to trying to source locally. If we have to buy a DSP, the DSP is from a global company, it's from Renaissance or TI or ST or someone else, these are global giants in this field. So, none of them have a manufacturing facility in India. All of you follow the news articles on Foxconn and other ventures and you understand the lead time and the gestation for something like this. You have to understand, there is no magic wand that anyone has on building an ecosystem for electronic components in India. This is something which will take a lot of effort and a lot of time. Let us assume that someone goes ahead with a microprocessor plant in the country in the near future, it'll probably take two years to build, two years to stabilize, that's if they broke ground today. Again, I'm not an expert on semiconductor. So, please don't take my number or my timelines to be right, but I'm just giving you an indicator. So, let's say, easily two years to build, easily two years to stabilize, and then the question is if someone was putting up a plant to build microprocessor to do wafers in India or to do a fab plant in India, would you first put up a plant to do, would you first focus on power electronic components like what is used in EV, so would you first focus on, let's say mobile phones or TVs? At least if I was taking that business decision, I would focus only on mobile phones. So, that's a different thing. There's a lot of talk about this, but we have to then shift through layers of information and understand exactly what's being talked about. Definitely, we are moving in the right direction as a country, but we are playing catch up and we are years away from building electronic component ecosystem in India.

Karthi: But am I to infer therefore that the agreement you would sign would be for a relatively short term, say for five years, or do you believe that you're looking at an open-ended agreement to be renewed on a progressive basis?

Jaideep Wadhwa: Sorry.

Karthi: Are you looking at an open-ended agreement or a perpetual kind of an agreement or a time-bound kind of an agreement?

Jaideep Wadhwa: Agreements can't be perpetual. It is a time bound agreement. But again, we have the option to revalidate it. We'll see how the market evolves and then take a call from there.

Karthi: The second question, sir, was you spoke about two families currently commercialized and two more by the end of this year. Would any of these four families include a proprietary model or all four are based on what's been sourced from, Gtake inputs?

Jaideep Wadhwa: All four are based on technology from Gtake.

Karthi: When would your own proprietary model be available for commercialization, your best case scenario can be?

Jaideep Wadhwa: I assume that by the end of the FY25.

Moderator: The next question is from the line of Piyush Parag from Nuvama Wealth. Please go ahead.

Piyush Parag: One question that I've again on the localization. I just wanted to understand just one, what percentage would be kind of your localization would be currently and if I assume nothing new infrastructure is developed in EV, so what kind of localization in percentage we can go up, I mean, just for a purpose to understand it, not very specific.

Jaideep Wadhwa: The import content is between 50% and 60% and I'll say that is consistent within and this is what FAME II requires right now. I think FAME II looks at a couple of things; they look at the total import content or they look at the number that you asked for. They allow you to import about 20% of components that could be manufactured in India. You can import citing technical reasons or other things, but at least 80% of all components that can be made in India have to be bought from India. So, they look at a couple of different filters for this. All the companies that are doing this right now are in the same ballpark; there may be 5% difference here or there, but it's all in the same ballpark. Because like I said again, the key components are not made here, I mean, the biggest value are driven by three or four types of components and those are not built in India.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Atul Aggarwal for closing comments. Over to you, sir.

Atul Aggarwal: Thank you, everybody for giving us your time and being patient with us today. We are always available. SGA, our Investor Relations partner, you can always reach out to them and set up calls and we'd be happy to provide additional information. Thank you. Have a good day.

Moderator: Ladies and gentlemen, on behalf of Sterling Tools Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines.