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CIN: L51909KA2005PLC036601
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Creating Possibilities

August 03, 2023

To,

National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai -400 051 **Symbol: SJS**	**BSE Limited** Corporate Relationship Department, 2nd Floor, New Trading Wing, Rotunda Building, P.J. Towers, Dalal Street, Mumbai – 400 001 **Scrip Code: 543387**

ISIN: INE284S01014

Dear Sir/Madam,

Subject: Transcripts of Analysts/Investor Meet/ Earnings Call of the Company pertaining to Q1 of FY 2023-24

Please find enclosed the transcripts of the Analysts/Investor Meet/ Earnings Call of Q1 FY 2023-24 held on July 27, 2023.

You are requested to kindly take the same on record.

Thanking you.
Yours faithfully,
For **S.J.S. Enterprises Limited**

THABRAZ HUSHAIN WAJID AHMED
Digitally signed by THABRAZ HUSHAIN WAJID AHMED
Date: 2023.08.03 11:16:51 +05'30'

Thabraz Hushain W.
Company Secretary and Compliance Officer
Membership No.: A51119

Encl: As above

SJS Enterprises Limited
Q1 FY2024 Earnings Conference Call

July 27, 2023

ANALYST:	**MR. RONAK MEHTA – JM FINANCIAL**
MANAGEMENT:	**MR. K.A. JOSEPH – MANAGING DIRECTOR & CO-FOUNDER** **MR. SANJAY THAPAR – CEO & EXECUTIVE DIRECTOR** **MR. MAHENDRA NAREDI – CHIEF FINANCIAL OFFICER** **MS. DEVANSHI DHRUVA – HEAD – INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to the SJS Enterprises 1Q FY24 Earnings Conference Call hosted by JM Financial.

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 '*' then '0'on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ronak Mehta from JM Financial. Thank you and over to you, Mr. Mehta.

Ronak Mehta: From JM Financial Institutional Securities, I welcome you all to 1Q FY24 Earnings Call of SJS Enterprises. From the Management Team, we have with us today, Mr. K A Joseph – Managing Director and Co-Founder; Mr. Sanjay Thapar - CEO and Executive Director; Mr. Mahendra Naredi - Chief Financial Officer and Ms. Devanshi Dhruva – Head, Investor Relations.

So as we do always, we will start the call with brief opening remarks from the management followed by a Q&A session. So with that over to you Devanshi. Thank you.

Devanshi Dhruva: Thank you, Ronak. Good morning, ladies and gentlemen, and thank you for being with us over the call today. We appreciate it.

Moving on, this is how we intend to take today's conference call forward. I will pass on the dais to Mr. K A Joseph – our M.D. and Co-Founder, who will make the opening remarks and brief you all about our latest acquisition, Walter Pack India's Performance. Then he will hand it over to Mr. Sanjay Thapar – our CEO and Executive Director, who will take you through some of the slides of our presentation that have been uploaded on the stock exchange as well as on our website.

Sanjay will take you all through the industry view, our business performance and also give a strategic outlook for the future growth of the company at the end. And Mr. Mahendra Naredi – our CFO, will update you on our financial highlights and post which we will open it up for Q&A.

The duration of this call will be around 60 minutes and we will try to wrap up our comments in about 20 minutes so that we leave enough time for you guys to ask questions. If time is not enough, please feel free to reach out to us through e-mail and I will try to answer all your questions to the best of my abilities.

Thank you once again and I will now hand it over to Mr. Joseph to make his opening comment. Over to you, Joe.

K.A. Joseph: Thank you, Devanshi for the introduction. Hello and good morning, everyone. I trust you had a chance to look at our Investor Presentation and the Results published yesterday.

While Sanjay and Mahendra will take you all through the presentation later, I'm happy to inform that we have completed the transformative acquisition of Walter Pack India within the set timeline.

After the successful acquisition of Exotech and the robust performance we delivered there in the last two years, we have gained more confidence in our execution capabilities of acquiring and integrating companies that could take SJS to the next level of growth. We now strongly believe that to strengthen our market leadership in the aesthetic business, inorganic acquisitions will continue to be our core strategy going forward.

Walter Pack acquisition has opened up a plethora of new opportunities for us. With this acquisition, we have penetrated deeper in passenger vehicles and consumer appliances segment, thereby further reducing our two wheeler dependence. According to SJS Q1 FY24 pro forma numbers, which includes Walter Pack India, 36% revenue contribution would be from two wheelers, 36% from passenger vehicles and 28% from consumer appliances and others. Both Exotech and Walter Pack acquisition have helped us to balance our portfolio concentration from a large two wheeler player to an overall automotive and consumer appliances player.

With Walter Pack acquisition, we have not only acquired a very large growth and high margin business at a good valuation, but at the same time achieved many key strategic objectives in terms of addition of new and emerging technologies, new customers, manufacturing capabilities and increase management bandwidth.

I would also like to highlight that Roy Mathew, one of the founders of Walter Pack India will continue to spearhead Walter Pack with 10% stake. This will ensure seamless integration in the short term and harnessing optimum revenue synergies in the medium term. I am excited and eagerly looking forward to see how SJS grows multi-folds in the future with all the synergies and cross-selling opportunities playing out amongst the three companies.

We have seen a good start for Walter Pack India this quarter. Walter Pack Q1 witnessed a strong revenue growth of 21% YoY and a robust margin performance with EBITDA margins around 31.5%. Please note that for FY24 only nine months financials of Walter Pack India will be consolidated with SJS financials.

With that said, I would like to now hand over the call to Sanjay to take you'll through some of the business and industry highlights for the quarter. Thank you. Over to you, Sanjay.

Sanjay Thapar: Yes. Thank you, Joe, for updating our investors and analysts on Walter Pack. Very good morning everyone.

Starting with our Q1 highlights:

We have seen a robust start to FY24 financial year as we yet again outperformed the automotive industry for the 15th consecutive quarter. Consolidated revenues, that is SJS plus Exotech together grew by 13.6% YoY on the back of strong 18.6% YoY growth in the automotive segment for us, that is the two wheeler and passenger vehicles combined. The automotive segment has grown well for us both in the domestic market at 14.2% YoY and exports market at about 120.7% YoY.

In Q1 FY24, we generated Rs.77.1 million in cash flows, taking total cash and cash equivalents to Rs.2,849.7 million, as of 30th June. However, post the completion of our Walter Pack acquisition recently, our cash and cash equivalent stands at 461.7 million and the net debt stands at 539.8 million.

We added two marquee customers to our already large portfolio, Toyota Tsusho and Autoliv. Autoliv is the world's largest automotive safety supplier with sales to all major car manufacturers in the world and we have bagged a large order of IML parts from them.

SJS has been consistently growing ahead of the industry and this quarter is no different. In Q1, the two wheeler industry production grew 1.3% YoY while SJS consolidated two wheeler sales grew by 15% YoY. The company witnessed passenger vehicle segment growth of 24.6% on YoY basis while the industry production volume grew by 7%. Automotive that is two wheeler plus passenger vehicle industry production grew only 2.3% YoY, while SJS witnessed a robust growth of 18.6% YoY on account of new business wins and increasing share of business in the automotive segment. Overall consolidated SJS sales grew by 13.6% year-on-year, partially impacted on account of slow recovery in the consumer appliances segment and some degrowth in the farm equipment segment.

However, I would like to inform you that we are seeing improvement in the export markets and our export revenue almost doubled for the quarter compared to last year same quarter which was impacted due to geopolitical issues in Europe and also macroeconomic slowdown in North America.

The increase in export revenue this quarter is largely due to winning new businesses with our existing customers in South America and EMEA. Our exports initiatives are playing out steadily. Appointing sales agents in South America, is helping us to strengthen our presence in that region. We intend to hire more such agents in North America and Europe as well to grow exports. We are seeing gradual pickup in demand in North America and Europe. This bounce back in export revenue will definitely help us grow further and it reinstates our belief that exports will be one of the core growth drivers for our company in the future.

Apart from adding two new customers like Autoliv and Toyota Tsusho as I mentioned earlier, we continue to expand our wallet share by winning new businesses from key customers like Mahindra, TVS, Visteon, Hyundai, Bajaj Auto Continental, Honda Motorcycles & Scooters amongst others.

Before I hand over to Mahendra, I would like to share one more update with you. On the CSR front, we've been supporting the paraplegic climber, Mr. Manikandan, since the past seven years and year-after-year, he's been winning medals and laurels in this field, making India proud. This quarter too, we sponsored him for the IFSC Para Climbing World Cup held in June '23 at Switzerland and he won a bronze medal for our country. So we are very. proud of him.

We also extended coverage of our Swachh Bharat initiative of garbage cleanup to 5 more surrounding villages, taking the total count to 12 villages. Our aim is to provide a cleaner and hygienic environment for people to live in. These initiatives make us feel very proud that our CSR initiatives are bringing about a definitive change and creating a positive impact in the society, be it in healthcare, sanitation, sports education, rural development around the community.

I would now like to hand over the call to Mahendra – our CFO to update you on the SJS' financial performance before I talk to you about the future growth. Over to you Mahendra.

Mahendra Naredi: Thank you, Mr. Thapar. Good morning, everyone. Moving to slide 12, which talks about our financial performance in detail. As you all know, consolidated revenue at Rs.1,172.5 million has grown at 13.6% YoY on the back of strong growth in automotive segment and exports.

On the domestic front, SJS witnessed 14.2% YoY growth in automotive segment; however, a degrowth of around 10% in consumer appliance and other segment resulted in 8.4% YoY growth in domestic sales, yet domestic sales outperformed the underlying automotive industry growth. Exports during this quarter grew by 90.8% on YoY basis on account of new business wins and gradual export market recovery. Export performance was due to a strong growth in the PV segment and some recovery in consumer appliance segment. Q1 FY24 export constitute 11% of consolidated sales compared to 6% of the sales last year, that was impacted due to external geopolitical and macroeconomic factors. EBITDA at Rs.313.8 million grew 12.8% YoY on a margin of 26.1%. This has impact of 30 bps on a YoY basis and that was due to one-off expenses under other expenses to the tune of Rs.8 million for interest on GST. PAT at Rs.180 million grew 11.1% YoY and PAT margin stood at 15.4%. Our ROCE during the quarter stands at 38.6% and ROE at 14.5%.

As Mr. Thapar mentioned earlier, our cash and cash equivalent were at Rs.2,849.7 million at the end of June '23. However, post Walter Pack India acquisition, it was at Rs.461.7 million, and our net debt post-acquisition has increased to Rs.539.8 million and equity share capital has increased to Rs.310.38 million post preferential allotment to our promoter Mr. Joseph. Now his overall shareholding has increased from 15.5% to 16.9%.

Moving on to slide 13, that shows the quarterly financial in a snapshot. I would like to bring to your notice the proforma financial of SJS for Q1 FY24 by including Walter Pack India numbers for Q1. Although Walter Pack India numbers are not reflected in that consolidated financial reported for this quarter, but from Q2 onwards, WPI financial will be consolidated with the SJS numbers, basis our 90.1% holding in Walter Pack India.

As Mr. Joseph mentioned earlier, Walter Pack has kicked off the year with a great start in Q1 FY24. Pro forma revenue for Q1 FY24 would have been Rs.1,528.7 million, a YoY growth of 48.2%. Pro forma EBITDA margin were at 27.3%, witnessing 120 bps margin expansion as compared to Q1 FY24 reported margin. This would result in a PAT growth of 52.1% and EPS growth of 51.8% YoY. Even after considering the impact of lower other income and higher interest costs on loan taken for Walter Pack acquisition, then also our pro forma EPS would have been 21% higher than reported Q1 FY24 EPS, thereby highlighting the fact that Walter Pack India business will be EPS accretive for us. And this reinforce our conviction in Walter Pack business and we are confident of achieving our growth target in the medium term on back of various cross selling opportunities, synergies between all the three businesses and growing economies of scale.

I would now like to hand over the call back to Mr. Thapar to talk about our future plans and growth outlook.

Sanjay Thapar: Thank you, Mahendra. Moving ahead, we are absolutely on track in executing our organic growth strategy by addressing the aesthetic requirements of multiple end industry segments, increasing our global presence, introduction of new technology products and building mega customer accounts. This is consistently helping us outperform the underlying industry growth rates.

On the Exotech capacity expansion front, we would like to update everyone that post the Walter Pack acquisition, we see many synergies between the two companies, Exotech and Walter Pack. Both plants are in close proximity at Ranjangaon, Pune. Hence the company has deferred its chrome plating capacity expansion CAPEX plan by a year to calendar year '24. We are revising the expansion plans to align more effectively with the evolving business requirements of both Walter Pack and Exotech.

This rework aims to create a more conducive strategy that can accommodate the changing needs and demands of both companies. In the interim, we have chartered out an alternate plan so that Exotech growth does not get hampered in the short run. We are increasing capacity at Exotech by debottlenecking, utilizing our underutilized capacities in painting, etc., We have recently bagged a large order for painting as well at Exotech from a large passenger vehicle OEM. Simultaneously, we are also partnering with external chrome plating suppliers to utilize the excess capacity creating a win-win situation for both parties.

Hence, for the period FY24 to 26, we maintain our stance of 20% to 25% organic growth.

As a company, we've always focused on introduction of new premium products and technologies that are complex to manufacture and that will enable us to increase our addressable market quite significantly. It is our consistent focus on innovation that has enabled us to stay ahead of the curve and be a preferred supplier to most of our customers.

SJS has already started accelerating its efforts to increase its value in both two-wheeler, passenger vehicle and consumer segments with the addition of new technology premium products. We can see that growth playing out with the addition of chrome plated parts through Exotech and IML, IMD and IMF parts through the recent Walter Pack acquisition. SJS is also working on a few new age products like optical plastics and cover glass, which will further drive up the kit value that we supply to customers.

Our organic and inorganic strategies have helped us make SJS a significant player in the automotive interior space. We are confident that even in the future, any acquisition we do, will open up a new possibility for us to achieve higher business growth and will be complementary or an extension to our existing businesses. Hence, we believe we will continue to outperform the underlying industry growth, recovery in the consumer sector in the export markets will help us accelerate this momentum of our growth trajectory even further. Our inorganic growth through Walter Pack will be over and above the 20% - 25% organic growth that we have guided.

SJS will continue to deliver on its robust financial and operational guidance of FY24 with 50% YoY growth in the SJS consolidated revenues and a consolidated PAT growth of about 40% YoY with the addition of Walter Pack revenues and robust margin profile in our existing businesses. This of course will be post consolidating at 90.1% stake in Walter Pack for a nine month period in this financial year.

With that said, I come to an end of my quarterly updates. Thank you and we are now open to answer any questions that you would have.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Amit Hiranandani from SMIFS Limited. Please go ahead.

Amit Hiranandani: My first question is basically what was the contribution from new products in the consolidated revenue and what was it in FY23?

Mahendra Naredi: So Amit, a good question and our contribution for this quarter was around 10% and it was around the same in the last year.

Amit Hiranandani: And sir, we understand that Exotech margins on QoQ has slightly dropped, possibly we understand that due to the new products development, trial runs and etc., So wanted to understand, what could be the sustainable annual margin and where do you see it in the next three years?

Mahendra Naredi: So Amit, as we already guided in the past, there was a small blip in this quarter, but, however Exotech will continue to perform 14% to 15% sustainable margin.

Amit Hiranandani: And sir, where do you see it in the next three years… any chance to improve it further?

Sanjay Thapar: So as I have said earlier in our previous calls, we had inherited a legacy of existing customers. So the margins that are there are largely what are agreed with Exotech in the past and in the future we hope to increase our exposure to export customers where margins would be higher, but to be conservative, we are still maintaining our guidance about 14% - 15% EBITDA margins on a sustainable basis for the next 2-3 years. Beyond that, of course, we feel that this could improve.

Devanshi Dhruva: So see, definitely in the last two years as you know once we've acquired it, this business was actually traditionally doing margins of around 11% - 12%. And in the last two years itself, because of the operational efficiencies, economies of scale and all the efforts that we've put in, we've already improved margins by around 300 bps and last year it was around 15%. We hope to continue this and 14% to 15% right now we feel would be sustainable margins at least in the medium term.

Amit Hiranandani: Next on the Exotech's new plant capacity expansion, I just missed the initial comment. Can you please brief me a little more on this thing because what we're expecting is by FY24 end, the plant should be ready, but I think it is delayed by one year.

Sanjay Thapar: No, it's not delayed, it's a conscious decision on our part, because when we guided you on expansion, we see a very robust demand coming in by cross selling Exotech products to existing SJS customers. To meet that demand we planned a CAPEX. Now, what we found is a more innovative frugal way to increase capacity by debottlenecking. Now, when Walter Pack was acquired, there's a lot of synergy between Walter Pack and Exotech in terms of injection molding, for example, amongst other things. And o now we are planning a comprehensive plan which would address the needs of both these plants. So we just deferred that investment by one year as I said in my commentary and we will now try and grow this. In the short term we'll be using capacities of our suppliers and debottlenecking as I said. Our paint shop at Exotech was underutilized, which we are now using and we have also won businesses so that will increase sales without the need for chrome plating capacity specifically at Exotech.

Devanshi Dhruva: Basically, we would just want to be more effective and be very frugal with our investment. If this investment can actually help both the businesses, then it would be better to chart out a new plan for us so that both Exotech and WPI requirements are met.

Amit Hiranandani: Then, sir, you must be having some revised CAPEX guidance, right for Exotech and standalone separately?

Devanshi Dhruva: Yes. So for this year FY24, SJS would be somewhere around 10-12 crores and Exotech would be another 10-12 crores and Walter Pack for the next nine months would be around 10 crores. So overall CAPEX for this year would be somewhere around Rs 34 - 35 crores.

Moderator: Our next question is from the line of Joseph George from IIFL. Please go ahead.

Joseph George: Just one question on the postponement of the Exotech capacity. You mentioned that in the interim you would be using chrome plating capacity of your suppliers. So when you take that service from a third-party, how do we see the margins of Exotech moving in the coming year or so, because if you're outsourcing the process, it will be negative for margins?

Mahendra Naredi: Yes, Mr. Joseph, we believe that it will not impact our margins. Yes, in an outsourcing model, the raw material cost Is going up. But at the same time, the manufacturing, the admin and employee cost will not increase to that extent. So overall at EBITDA level we believe that it will not have any impact, and in fact at the PAT level, we believe that our PAT will go up because we will not have depreciation.

Sanjay Thapar: And just to add to this, so it is not that we are postponing the CAPEX, we are only doing it more intelligently to make sure that our investments are as frugal as possible to make sure that we extract the maximum ROC from this business.

Devanshi Dhruva: Moreover, if you will look at a consolidated basis, we will try and maintain our 25% to 27% margins that we have guided for and that will not get impacted.

Amit Hiranandani: And the second question was when you say that the CAPEX has been postponed, our old understanding was that last year revenues of Rs.130 crores in Exotech with the new capacity, the potential for revenues would have been closer to 300 crores or so. So in terms of the scale of capacity expansion, are those numbers still holding even though it's postponed by a year or is the scale of revenues and CAPEX also likely to be change?

Sanjay Thapar: No, nothing. Absolutely, we are on track. We are still holding those numbers. It's only a smarter way of doing things. And we already have a very, very strong trajectory of customer demand for Exotech. So everything goes as per plan and we are very, very bullish on growth at Exotech.

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

Piyush Parag: So my questions would be more on the WPI label. If you can just throw some light in terms of the actual performance of the WPI in the quarter and how is it expected to over the next couple of years, what cash positions of the business will be, more outlook on the revenue and EBITDA for this particular company and what is the capacity currently and how is the revenue potential and how do we expect it to grow?

Devanshi Dhruva: Could you just be a little louder?

Piyush Parag: My question was more on the WPI performance. How has it been during the quarter and how do we see its revenue and EBITDA outlook over the next 2-3 years, and currently, what is the capacity and how do you expect this capacity and revenue potential to improve in the medium term?

Mahendra Naredi: So Walter Pack India has done this quarter 356 million sales turnover with an EBITDA of 31.5%. We are always referring that we will maintain our growth rate of 20% to 25% and Walter Pack will be part of that. On the capacity side, company is currently working on 75%. They have two plants; one is in Pune and second is the Manesar. One plant is working on 75% and another is working on 65%, so average you can say 70% to 73%. That was the current capacity as of now for the current financial year.

Sanjay Thapar: So let me supplement that by giving you an outlook on Walter Pack. It just puts SJS into another trajectory. The in-mold forming technology that Walter Pack has, they have very strong knowledge on tooling and in fact there are very few companies in the world which has that expertise. So Walter Pack Spain, which was the parent of Walter Pack India is amongst the global benchmarks for in-mold forming and IML technologies. There is a trend of using IME and there is a trend to use also electronics and inside the ambient lighting of the car. So there are some very innovative technologies in place and there is a very strong demand from customers. In fact, in this year you will see, I will not name the customers because these projects are under development, but we will see a lot of cars from mega passenger vehicle OEMs in India which will have these new generation technologies coming in. So while on an overall consolidated level, we have guided that we will grow at about 20% to 25% organically. And Walter Pack also will grow at that. This year they'll grow a little faster because they address also a consumer durable segment. And overall, I would like you to think of us as an entity that has an end-to-end solution for all aesthetic parts and Walter Pack is going to actually help us introduce a lot of new technologies to the customers in India and overseas. So, I think the growth path is extremely positive for Walter Pack.

Devanshi Dhruva: So for FY24, as we have guided last time also, overall consol growth including WPI will be 50%. So you can interpret the growth with that because organic growth of SJS and Exotech together, as Sanjay mentioned will be 20% to 25%.

Moderator: Our next question is from the line of Mr. Ronak Mehta from JM Financial. Please go ahead with your question.

Ronak Mehta: So continuing on WPI, wanted to check so what are the opportunity areas for cross selling from the existing business? I believe some of the PV OEMs for whom SJS was a tier-2 supplier earlier, now becomes tier-1 post WPI acquisition. So how has been the response from the customers and in terms of awarding new business after the acquisition, if you can throw some color on that?

K.A. Joseph: One is we have a cross selling opportunity between two companies. They also make some dial, overlays, etc., So that SJS will gain more on all of that business. And also Walter Pack has won a lot of new order. We don't want to name the customer here, worth about 30 to 40 crores for FY25. So this year maybe we would get about Rs 12 to 13 crores out of that. And consumer business will also grow by almost about 50% for FY24. And because of that, the content per vehicle is also increasing, which will impact our overall sales as well for SJS.

Sanjay Thapar: Just to supplement what Joe just said. So as I said, large in-mold forming parts are the forte of Walter Pack India. Now Walter Pack does not supply to any two Wheeler OEMs. So companies like Bajaj, Royal Enfield, Honda etc we are in the process of telling them what we could do with IML technology that could improve aesthetics, especially for the plastics forming assemblies of these bikes. So both for the EV segment and for the conventional IC engines, I think the IML and IMD technology that we have to offer, IME will piggyback on this, will find a lot of demand when the customer sees this. So at the moment we are working on some development projects which I think are very exciting technologies. So cross selling to two wheeler customers and cross selling to our large consumer appliance customers. So Whirlpools of the world, Samsungs of the world, they use a lot of large IML parts which require deep forming which at SJS we could not do, now with Walter Pack those markets are within reach for us and we already enjoy a very strong customer relationship. So I see the synergy playing out extremely well in terms of how growth at Walter Pack will come plus how is the whole entity, all these three companies working together could offer some solutions which are truly innovative.

Devanshi Dhruva: Especially, on the Exotech and on the Walter Pack side, both the places we have added new passenger vehicle customers. So in fact, there will be a lot of cross selling opportunities between Exotech and Walter Pack also because both of them have customers which can be used for cross selling opportunities like Mahindra is there, Exotech, we have Maruti and Tata Motors with Walter Pack. So, a lot of cross - selling opportunities between these two companies will also be possible.

Ronak Mehta: On the recent addition of the new clients, Autoliv and Toyota Tsusho, so just wanted to clarify, will this be only for the India business or you will also export to their global plants?

Sanjay Thapar: Our strategy always has been that we take customers and we grow them into mega counts. So our focus as I said earlier is to prove our credentials with these global companies in the Indian market and then use the goodwill that we've generated in terms of capability demonstration to penetrate to the global network. So these are let's say starting steps. With Autoliv, we won a large order of course for the India market. But then once we deliver these parts to their satisfaction, we will certainly be having a conversation with them to let's take it to global. So luckily for SJS, we've grown because customers wanted us to grow. So the guy come to us and say, why don't you come and supply to me at this location. So I think we are competitive in terms of quality, cost and delivery, and that helps us win customer confidence to introduce us in more and more plants globally. So that has been the theme and that will be the theme for both these customers as well.

Ronak Mehta: One more housekeeping question to Mahendra. So Mahendra on the consol financials, other expenses have seen a sharp jump both on YoY and QoQ basis. So is that only because of the outsourcing in the Exotech business or if you can throw some color on that?

Devanshi Dhruva: So other expenses have increased on account of two reasons. One is that there has been an increase in subcontracting employees which comes under our other expenses and the other reason is there is a one-time expense in terms of a provision made for interest on GST to the tune of Rs 8 million. So that's the two reasons because of which the other expenses for this quarter looks a little high.

Moderator: Our next question is from the line of Karn Bhargava from WealthBridge Capital Advisors. Please go ahead.

Karn Bhargava: I have two questions. I think I misheard the number for the WPI revenue. If you could just clarify on that for the quarter?

Devanshi Dhruva: WPI revenue for this quarter grew 21% YoY to Rs 356 million.

Karn Bhargava: There's been a lot of talk on the IME side, that's the In-Mold Electronics. And I think last we spoke you had mentioned that the product is still under development. So is there any update on that and what kind of a market are you looking at in there?

Sanjay Thapar: So the applications are quite diverse, so we are looking at the two wheelers, we're looking at four Wheelers. Since this is a new technology that the OEMs themselves are now trying to evaluate. So we have some prototype build requirements or projects going on with a few customers. It will take time. Typically, what it involves is there's a decorative layer, and then a functional layer which has the electronic parts. LEDs are going to be implanted in the functional layer and that is going to be molded together, making it, let's say, phase-I of IME you may. The next phase is there is going to be electronic components like ICE also form the part of the functional layer which can reduce the size of the underlying PCB or connectivity with the body control modules used in a car. So all that functionality will build in. But since this is a new technology, it will take time. So my expectation is that it would be another 2-3 years before you could see real life IME part coming in. The other part is that Walter Pack has IME technology. We have a technology support agreement with Walter Pack Spain and Walter Pack Spain will be our technology partner really in terms of advising us how to implement IME in the listing IML and IMF products that we have in India.

Karn Bhargava: Walter Pack, Spain will be helping you out with the development of the product as well?

K.A. Joseph: Absolutely.

Moderator: Our next question is from the line of Shrinjana Mittal from RatnaTraya Capital. Please go ahead.

Shrinjana Mittal: Sir, two questions from my side. One is on Exotech sales quarter-on-quarter was also slightly done. So what could be the reason for that?

Devanshi Dhruva: So generally also if you will see Q2 and Q4 are usually stronger quarters for us due to festive season and seasonality. You can't compare the QoQ growth in terms of Q4 and Q1.

Sanjay Thapar: Exotech this year grew a little lower because the farm equipment demand was soft. So John Deere is an important customer. They export parts to North America and that demand was subdued plus of course there was some delays in launching of a new product by the sanitaryware segment, we supply to Geberit. So these two areas impacted a little bit the sales for this quarter, but the demand for Q2 remains robust and we hope to achieve our sales growth trajectory at Exotech which of course is very, very strong demand.

Shrinjana Mittal: Second question is on exports. Like you mentioned, I think around 11% is the contribution. Just wanted to see like what was it last quarter because you mentioned that the exports have grown in this quarter?

Mahendra Naredi: Last quarter our export was 7.9% which has now gone up to 11%.

Devanshi Dhruva: In fact the entire last year, if you will see because of the geopolitical issues in Europe as well as macroeconomic issues in North America, exports had been impacted. And overall for the year in fact exports took a dip of almost 32% degrowth, but this year we are seeing the demand coming back in Europe as well as we are winning new businesses on our export front. So that's why we are seeing the growth coming back and export revenue has almost doubled this quarter as compared to last year same quarter.

Shrinjana Mittal: So like going forward like for the year organically we are guiding for around 20%, 25% only for export business. Like what are we targeting on the growth plan?

Sanjay Thapar: We don't provide guidance specifically, but as I said earlier in my commentary, on QoQ basis, exports has jumped up double, about 90% growth overall, this last quarter versus the quarter a year before. And moving forward, we feel that this momentum should continue. We expect growth to return. So for us, Asia, EMEA and South America have grown well. North America and Europe still continue to be in the recovery mode. So it's a wait-and-watch situation there. But overall we feel that we should come back to the pre-disruption levels that were there last year… so we should come back to what we were a year ago.

Moderator: Our next question is from the line of Ridhima Goyal from Acquaintbee Ventures. Please go ahead.

Ridhima Goyal: Hi, Sanjay and hi Devanshi. Just one question from my end is what is the consumer durable on the overall revenue and what is the growth profile in this quarter for consumer durable segment?

Devanshi Dhruva: Sorry, can you repeat the second part of your question?

Ridhima Goyal: What was the growth for this quarter in the consumer durables part?

Devanshi Dhruva: So consumer durables was a little muted growth; I would say almost about 2% - 3% and overall as a percent of sales, it was somewhere around 15% - 16% of our sales.

Ridhima Goyal: I know that you guys don't disclose your order book as such.

Devanshi Dhruva: Can you be a little louder?

Ridhima Goyal: I know that you guys don't disclose your order book as such, but it would be great if you can give some broader clarity like what is the overall order book in terms of value and also the execution time like is it executable in two, three years or maybe five years?

Sanjay Thapar: So consumer durables is a very important segment for us and we have made further inroads by this Walter Pack acquisition where we've added a new consumer product line to our portfolio which is the Fascia Plate that you have for modular switches. So Walter Pack is a large supplier of these to, Legrand, which is a leader in the business and the demand is not just in India but also overseas. Also, on one hand, the SJS product portfolio has very bright potential because we are underpenetrated in North America as I mentioned earlier. So we are making inroads. In South America we've already seen the results. We will add to our feet on the ground in North America and Europe to accelerate that further. Plus, this new technology areas both in terms of the Legrand business for modular switch plates, that's also consumer business and the IML businesses that we could do with the likes of Whirlpool and the other appliance manufacturers. So that in the long or the medium to long term would be very large growth drivers for our consumer appliance business. Look at this company as a consolidated entity. That's what I would encourage everybody to see. So our dependence on two wheelers have come down. Two wheelers and four wheelers now are largely similar, thanks to the addition of Walter Pack to our business and the consumer appliance business also will be significantly higher, thanks to a large proportion of Walter Pack revenues going to the consumer businesses. So overall, I think we will grow at about 20% - 25% as we guided earlier in terms of the mid-term growth guidance that we have given.

Devanshi Dhruva: Also, if you'll notice, last year we added Mabe group and even IFB on our consumer appliances front. And those will also grow over a period of time because initially as we said that whenever we acquire new customers, we have a smaller chunk of their sales. But going forward, maybe after a year or two, we'll start getting more business from them as well. So we'll keep on increasing our global presence as well as customer spread also in consumer appliances.

Ridhima Goyal: I understand your point, but my question was related to the order book. It would be great if you can disclose the value… what is your current order book overall?

Devanshi Dhruva: We do not give order book segment wise or anything. Overall, what we have guided for is 20% to 25% organic growth and of that almost 90% of our order book is confirmed for FY24 overall SJS plus Exotech consol business.

Ridhima Goyal: Including WPI?

Devanshi Dhruva: No, not including WPI, but on the WPI front also, almost around 90% of the order book is confirmed for FY24.

Ridhima Goyal: I need to understand was, do we have some common customers between WPI and SJS as a whole?

Sanjay Thapar: Yes, we do. But a very small overlap. So WPI supplies to Tata Motors and we supply to Tata Motors as well. But our content is much smaller. WPI are very large parts contributing almost about Rs.2,500 to Rs.3,500 content per vehicle. Our current supply from SJS just these dials that we supply, and of course the optical plastics part that we will do, will increase that quite well, plus we do chrome plating, so that is some of it. So the common customers are Tata Motors, Mahindra for example, they don't supply too much. We have a large presence in Mahindra. So there are lot of cross selling opportunities that exist because we will not cannibalize the business if that is the question.

Moderator: Our next question is from the line of Rohan Advant from Multi Act. Please go ahead.

Rohan Advant: My first question was on the technical support fees that Walter Pack pays to its parents. What was it earlier and what will it be now, now that we own it? And when you calculated the pro forma numbers, what have you considered there, if you can talk about in terms of say percentage of sales?

Mahendra Naredi: Earlier the technical fees paid by Walter Pack was in the range of 3.5% of the sales value. We have agreed for a fixed amount over a period of time. That was not a percentage of sales, but if I say broadly on the sales, it will be around 1%.

Rohan Advant: When you've done the pro forma calculation, you've considered 1% because that is what has to be paid?

Mahendra Naredi: That has been considered, yes.

Rohan Advant: Secondly, our guidance of 50% revenue growth and 40% profit growth, but Walter Pack is a higher margin business, so it is margin-accretive. So why would the profit growth be lower than revenue growth, what am I missing here?

Sanjay Thapar: As I mentioned earlier, so we are in a transformation stage. Think of it as the whole entity. So this guidance for 40% PAT is on the consolidated level of all these three businesses put together for us. As I said, we are entering many new exciting areas like optical plastics, cover glass, which we will do for the first time. In our last earnings call, I mentioned that we will be accelerating our growth footprint. We are not so worried about EBITDA because we have a very consistent track record. So typically what happens is that when you start a new product or product line before you offer to a customer, you do a lot of trials internally. So there's a larger consumption of raw materials, manpower, which is not billed to the customer. So that impacts the EBITDA to a certain extent in the short term. Also when we launch a product, we are extra careful in terms of quality. So any efficiency improvement that comes in is once that stabilizes. So our past track record if you see SJS standalone we do close to about 30% 32% of the EBITDA over the last five to six years and we've been steady in maintaining that. So these are new generation products requiring in the short term, additional materials, additional testing requirement, new manpower being hired to create, to handle or to create competency in those areas. So these are the short term costs that may impact margins in the short term. That is what is behind the 40% guidance that we've done.

Mahendra Naredi: And just to supplement here, one is the business side. Another is when we made the acquisition of Walter Pack, we have taken the loans for that. So there will be interest cost on that plus our internal accrual or our cash balance has been used to fund this acquisition which was earlier generating income and now this income will be very negligible income in FY24. So all three facts will make the PAT at 40% growth over last year.

Moderator: Our next question is from the line of Amit Hiranandani from SMIFS Limited. Please go ahead.

Amit Hiranandani: Just continuing with the WPI side, if you sir can tell us more about going forward strategy in domestic and exports? I understand export is almost zero for WPI. Is there any restriction from WPI Spain that we can't go in certain countries or we can't acquire any customers. And on the WPI side, on the revenue target if you can give for FY24 - FY25, please?

Sanjay Thapar: So as I said, the WPI is a great acquisition for us. There is a technology support agreement that is available to us. There is a very clear understanding between us and the parent company that we are allowed to service the existing customers that we have. And there are some areas that we were missing out earlier. I mentioned the cases of large IML, IMF parts to Whirlpool and to Samsung. These are very large companies globally and we don't do any IML part with them. So that is a great growth opportunity for us moving forward. We are also, as I mentioned earlier, the IME technology that we will ride on that is something that we will do. So primarily, growth, I think we are very, very clear that there is going to be huge length of growth for the Walter Pack business going forward. Walter Pack is not existent in many of the customers that SJS already has a strong relationship with. So this just adds some additional opportunity for Walter Pack technology to be used for these customers. So cross selling, exports and penetrating the Indian market faster with new technology products like IME. So those are the growth vectors for Walter Pack.

Devanshi Dhruva: Overall, as a company for SJS and Exotech put together organically, we have mentioned that it will be growing at a CAGR of 20% to 25% and inorganic acquisitions will add to this growth above this 20% to 25%. However, we won't be able to give any guidance in terms of Walter Pack currently because the acquisition has just got completed. And we will work out the details on our strategy at least for the next three to five years and probably then we'll be able to take your question and give details later.

Amit Hiranandani: I'll just rephrase it. So at the optimum utilization capacity of WPI, how much revenue we can generate?

Devanshi Dhruva: Currently, we are at a capacity utilization of 60% to 70% and we can generate revenue close to Rs.200 crores.

Amit Hiranandani: Rs.200 crores you are saying at full utilization?

Devanshi Dhruva: Yes.

Amit Hiranandani: One last question from my side on the standalone side, so SJS I understand is trying to acquire some strategic customers which will of course benefit in the mid to long term. Can you please tell us these customers are from domestic or international markets? And secondly, are we going to see some impact on the margins due to the strategic step and sustainability of the margin if you can tell us on the annual basis for SJS standalone please?

Sanjay Thapar: So these customers are both domestic and export customers and it is for the existing customers it is new technologies. So I talked of optical plastic, optical glass where we are adding to our management bandwidth in terms of having some subject matter experts who will support this program. We will of course have costs associated with that. So that is what is going to impact. But what customers that we are talking about are existing customers because our universe of customers is very large. But we are opening new doors in terms of new technologies with them, which is increasing the addressable market very, very quickly.

Amit Hiranandani: Just one request, from Q2 FY24, we are going to incorporate WPI in the consolidated numbers. So it's a request if the team can provide WPI's financials separately, please?

Moderator: Our next question is from the line of Vishal Khurana, who's an investor. Please go ahead.

Vishal Khurana: My first question is, so we are almost providing the aesthetics to almost every two wheeler OEM, except for Hero. So what is really stopping us to onboard Hero with SJS? And who is the current supplier to Hero in aesthetics?

Sanjay Thapar: So Hero is a company that we've been pursuing. They like us, they visited and audited us. The ball is not in my court, it is in Hero's court. So they have to take a call as to when to start buying from us. They know SJS very well, they understand that we have a strong capability. So just wait-and-watch. So it should happen sooner than later, that's our hope.

Devanshi Dhruva: Their current supplier is Classic Stripes.

Vishal Khurana: Second question is in the previous quarter investor presentation, we had mentioned that we had onboarded Foxconn, who will be making electric vehicles in India and we'll be supplying aesthetics to them. So may I know when they are going to put up that facility for this contract manufacturing of EVs that they'll do?

Sanjay Thapar: No, no, Foxconn is not going to make EV, Foxconn is going to supply parts to EV. And we announced last quarter that we had won a business from Foxconn, which was in the area of the display screen of the EV. So they supplied to a company. I will not name it because the product is still under development, but it should start production in Q2.

Vishal Khurana: We also discussed about that we'll be entering into television and medical devices aesthetic segment. Is that correct?

Sanjay Thapar: We won a business for some decorative decals for the television industry, so that we've done. Medical devices, of course, the possibility is in terms of displays and in terms of overlays and maybe IML parts. So that is the market that we are mining. So we are in touch with customers and we hope to grow that business as well.

Vishal Khurana: How big can this TV opportunity be since we are manufacturing a lot of television and other electronic items in India now?

Sanjay Thapar: It is wait-and-watch. Our specialty is make long lasting durable aesthetic parts. So the opportunity in other areas is larger. So television, while that's an opportunity, we have still not sized to be honest, to say how large it could be. So at the moment, we just entered this last quarter. So we will examine as we have discussions with the customers to see what more is possible.

Moderator: Ladies and gentlemen, that was the last question of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Devanshi Dhruva: Thank you everyone for joining us on this call. If any of the questions were left unanswered, please feel free to reach out to us and we'll answer it to the best of our abilities. Thank you.

Moderator: On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines.