SANSERA
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November 18, 2024

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

Scrip Symbol: SANSERA

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

Scrip Code: 543358

Dear Sir/ Madam

Subject: Transcript of Earning group conference call

Please find attached transcript of Earning call held on November 12, 2024 on Unaudited Financial Results of the Company for the quarter and half-year ended September 30, 2024.

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

We request you to take the same on your records.

Thanking you,

for Sansera Engineering Limited

RAJESH KUMAR MODI

Digitally signed by RAJESH KUMAR MODI
Date: 2024.11.18 11:35:10 +05'30'

Rajesh Kumar Modi
Company Secretary and Compliance Officer

Encls: a/a

“Sansera Engineering Limited

Q2 FY '25 Earnings Conference Call”

November 12, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 12th November 2024 will prevail

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

Moderator: Ladies and gentlemen, good day, and welcome to Sansera Engineering Limited Q2 FY25 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 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 touchtone phone. Please note that this conference is being recorded.

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

B. R. Preetham: Thank you. Good morning, and welcome to all, and thanks for joining this call. On this call, I'm joined by our CFO, Mr. Vikas Goel; Mr. Praveen Chauhan, our Head of Corporate Strategy; and Mr. Rahul Kale, our CEO; and also our Investor Relations advisor, SGA. The results and the presentations are uploaded on the Stock Exchange and the company website, and I hope everybody has had a chance to look at them.

To start with, we are pleased to report that our financial and operational performance in Q2 FY '25 has been quite strong compared to the existing market conditions. On a year-on-year basis, our revenue has increased by 10% to INR7,634 million, along with an improvement in EBITDA margins, which stood at 17.4%. Having completed QIP of INR12,000 million in the month of October, our balance sheet position has strengthened significantly.

This capital will be instrumental in supporting our future growth plans, giving us the financial flexibility we need to pursue growth opportunities. Now let's take a look at the broader industry landscape. In the domestic market, 2-wheelers maintained a healthy momentum in Q2 FY '25 with volumes increasing at double-digit rates on a year-on-year basis, while the passenger vehicles saw a slight dip. On the export front, 2-wheeler volumes showed a similar growth trajectory. And as we look forward, festive sales have come in strongly in the month of October. Having said that, we are seeing some softness in demand on the export side.

Let's take a closer look at our performance across sectors in Q2 FY '25. While our Auto ICE business had healthy growth, there was a mixed bag performance in our emerging business, namely tech-agnostic, xEV, and non-auto. The tech-agnostic and xEV business continues to be the fastest-growing sector with a growth of 55% (wrongly said, correct number is 53%) year-on-year basis.

This was primarily driven by the ramp-up order execution of our large North American-based EV customers, and interestingly, we are yet to achieve the peak execution level. However, our non-auto sector saw a degrowth of 20% year-on-year. This was mainly due to weak performance in our off-road and agriculture business.

Off-road segment revenue stood at INR166 million during the quarter. Agriculture sales, during the quarter, stood at INR101 million. With a stronger monsoon, we expect this segment to be better in the coming quarters. I would like to inform you that we have already started order execution for a large stationary engine and HCV customer, with one order already generating revenues and another set to start in the next few months. These orders will reach their optimum value by FY '26.

Speaking of the aerospace business, it was also under pressure, due to some headwinds faced by our large customer -- which resulted in delay of order execution. Having said that, we look forward for a gradual production recovery at their end. Broadly, the demand for aerospace remains robust, driven by healthy air traffic growth.

The underproduction of aircrafts in recent years has resulted in a very large order backlog, and with the ending of strike at Boeing, we expect the business to be back on the expected growth trajectory. We have entered into a strategic MOU with Dynamatic Technologies, allowing us to leverage our manufacturing and engineering expertise in producing high-friction parts going into the Airbus A220 aircraft door assemblies.

Coming to our Auto ICE business, it witnessed a growth of 9% year-on-year and stood at INR5,367 million, which is the highest-ever quarterly revenue. This performance was mainly driven by the 2-wheeler business, which showed a growth of around 21% year-on-year. We are positive on this business as we continue to receive new orders for 2-wheeler components in the tech-agnostic and high-end of the market, and we expect it to demonstrate similar growth in the future.

Our PV business, fueled by the slowness in the export market, degrew by 8% year-on-year, which is in line with overall industry scenario of slower demand. Now let's turn to our order book. As of September 2024, our order book stood at over INR20 billion, with 60% of these orders coming from international markets.

I would like to mention that this quarter was very good in terms of order booking as well. We booked around INR3.2 billion worth of orders during the quarter, and major order inflows are from both auto and non-auto sectors.

In order to meet the increasing demand for our products as well as the necessity for launching new products to meet our customer specifications, we have also set out our plans to expand our capabilities, including the establishment of a new manufacturing facility in order to accommodate new forging lines and machining lines.

Towards this, we have signed a letter of allotment for 55 acres of land in Harohalli, Karnataka. We are also expanding our factory building at Plant 9 to accommodate a new special process setup. Further, we will be upgrading and adding some more machines, too, in these facilities as well.

We have also expanded our manufacturing facility at our Pantnagar plant, having acquired a new manufacturing place with 120,000 square foot area, and we hope to continue our low-cost manufacturing base at our Pantnagar facility. Broadly speaking, beyond land and building, we intend to spend more than 60% of our future capex towards new-age components in tech-agnostic, xEV, and non-auto side.

We are also focused on expanding our professional team and have recently roped in multiple members at the senior level. To name a few, Mr. Rahul Kale, who has recently joined us as COO of the company, brings a significant amount of experience and leadership expertise with a demonstrated history of more than 20 years in automotive and MNC.

Mr. Madhukar Bhat, CHRO, has over 2 decades of experience in HR leadership experience. Mr. Sridhar, who has joined as Head of -- COO of our Forging division, also comes with more than 2 decades of experience in the forging-related industry.

If you recollect, we have already added experienced professionals to take on leadership roles such as Mr. Anil Patil, our CQO, who has over 2 decades of experience in quality management and operational excellence across automotive OEMs; Mr. Pattabhiraman Raghuraman, our CSSO, over 2 decades of experience in managing sourcing and supply chain management; and Mr. Satyanarayan Patel, Head of our Business Finance, who has also over 2 decades of experience. Along with our strong existing team, collectively, all of them bring a wealth of industry experience that will be instrumental in driving our growth journey forward.

At Sansera, we are driven by a passion for engineering to effectively seize market opportunities and drive continued growth in the years ahead. Now I hand over this to our CFO, Mr. Vikas Goel.

Vikas Goel: Thank you, Preetham. Good morning, and let me talk of the consolidated financial performance during the second quarter of this financial year. Our revenue from operations rose by 10% to INR7,634 million. We have delivered our highest ever quarterly revenue despite the challenging macro environment in the auto industry in domestic as well as international markets. Our gross margin expanded by approximately 1.3 percentage points due to evolved product mix and certain efficiency projects, which we've been working on, which have now started delivering benefits.

During the quarter, our gross margin stood at 41.3%. In Other expenses, we had a marginal improvement on a sequential basis, on a few items, and this is basically a result of our cost control measures. So that also helped us improve and maintain a good performance.

The EBITDA for the quarter stood at about INR1,331 million versus INR1,178 million in the same period last year. Our EBITDA margin for the quarter stood at 17.4%, which is marked improvement on an ongoing basis. Interest cost was higher on a sequential basis, partially due to higher debt and largely due to the discontinuation of interest subvention on export credit. Going forward, we expect this to get nullified as we are deploying the proceeds of our QIP for repayment of most of these loans. And so we should have some positive reflection on the results going forward on this account.

Our depreciation and amortization expenses stood at about INR425 million, in line with our ongoing asset capitalization. We were able to maintain our PAT margin level and closed the quarter at INR516 million of PAT.

Talking about the performance during first half. The revenue from operations rose by 11% to [INR15,073 million with a healthy margin profile. EBITDA for the half year stood at INR2,607 million, with a year-on-year growth of 12% and a margin percentage of 17.3%. PAT stood at INR1,018 million with a margin of 6.8%.

And on the debt front, our net debt stood at INR8,797 million as of September 2024, owing to higher capex during the first half and a slightly elevated inventory which is basically to build up for the ongoing festive season.

Capex investments were to the tune of INR2,937 million, in this period of first half. And the details of which were already explained by Preetham in his address. Cash flow from operations stood at INR1,959 million, and I would like to highlight that with the help of QIP proceeds, we are currently net cash positive.

With this, we would like to conclude our presentation and open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mukesh Saraf from Avendus Spark Institutional Equities.

Mukesh Saraf: My first question is on the order book. You have seen the order book kind of expand now this quarter. And moreover, it seems like the non-auto segment has seen a good order increase now, last, INR500 crores. Could you give some more sense on this number? Is this largely aerospace? Or is there some of the other orders that we are getting in the non-aerospace and non- auto segment as well?

B. R. Preetham: Thank you, Mukesh. Yes. See, while the overall order book is quite healthy, orders have flown from all the segments. Overall, if you really look at our order book, which is about INR2,055 crores, more than 50% of this has come from non-auto, tech-agnostic and xEV, approximately about INR500 crores from non-automotive. Tech-agnostic is about INR205 crores.

xEV is about INR315 crores. And Auto ICE also is quite healthy with INR979 crores. So -- and if you really look at domestic versus this thing, again, about 40% of this is from domestic and about 60% is coming from exports. So there is a healthy order inflow from each of the sectors and also from the geography as well.

Mukesh Saraf: So my question was specifically on that INR500 crore non-auto order book. Just trying to understand this incremental quarterly improvement that we have seen, is this largely only aerospace? Or is there other segments in the non-auto as well?

B. R. Preetham: Also a portion of -- we have been able to add some new segment as well. So in this, about 36% -- about 37% of the orders have come from aerospace. About 4% from agri but then we have also added a customer in semiconductor business. So we have been able to get a good entry into this. This is for a semiconductor equipment manufacturer, and that constitutes about 55% of the non-auto order book.

Mukesh Saraf: Got that. Got that. And secondly, on the money that we have raised, the INR1200-odd crore number, could you kind of spell out the plans that -- obviously, you mentioned about some debt repayment, etcetera. But any strategic plans there in terms of M&A? And even if you're not able to kind of specifically talk about M&A, could you tell us what kind of areas we're looking at? Is it more a geographic expansion that we're looking at?

Is it a capability building, say, on forgings? We do have Fitwel, but is that -- anything that we're looking there on the forging side? Or is it like a customer acquisition -- so could you kind of spell out a little more in detail on the usage of these funds? Obviously, there's a U.S. plant as well that you're looking at, so if you could give those details.

B. R. Preetham: Yes. See, broadly, what we have strategized is that to begin with, immediately, we would actually net off our debt. So we have become mostly debt free. That will also give us a leverage for any further expansion as and when the opportunity comes up. We have also, as I've specified that we are expanding in 2 places on our land and building because we have almost run out of land bank.

So we are acquiring about 55 acres, which is in an EV path coming up very close to this industry an area where government has identified a parcel of 55 acres and allotted. Where we expect that all our future order book execution would happen.

We have also added a manufacturing base, which we intend to keep it as a low-cost manufacturing base in our Pantnagar. Now post this, we are also setting up a special process plant in our aerospace facility. This will also accelerate our growth in aerospace and also in other non-automotive sectors because special process being extremely critical to these sectors.

Now apart from this, as you said, that we areon the -- very actively pursuing our plans into starting up of a small assembly plant to begin with in the U.S. And with the change in government that is due to happen in U.S., we are closely watching what kind of policy shift will happen, which would also help us to take further decisions on this.

Now just coming -- and we -- you know that we have already invested in a deep technology startup where -- in MMRFIC, and we would definitely look at much faster growth in that. Of course, aluminum would play a key part in our expansion strategy. We are definitely open to looking at more and more warm-forged as well as hot-forged components critical to our component strategy. Some of our key members who have joined us would also come with that expertise. So we expect that, that will also leverage our -- propel our growth.

Mukesh Saraf: Right. Any number you can tell us on the US capex will be a small -- I mean are you starting off with a very small number now because you've raised money? Just want to check.

B. R. Preetham: Yes, it is not a significant number at all. To begin with, it would be only a lease premises with some final inspection, assembly and operations. So, it would not have any material impact at all.

Mukesh Saraf: Got it. And just lastly, margins. While we have maintained a ballpark around the 17.5% number, what are the kind of levers, from here, you're seeing? Because -- how are you seeing some of these initiatives you're taking in terms of product diversification, etcetera, might take some more time. What is the trajectory you're seeing on these margins?

Vikas Goel: So as I explained earlier, the margin is definitely, you rightly said, there are project diversification or higher product mix is one lever. The second lever is the cost improvement initiatives. On the indirect costs, we are taking control measures. And also, we are looking at efficiency improvement projects. There are a few projects running already in the company.

So these are two levers that we have. The third lever is the volume expansion on an overall basis and a higher capacity utilization, which will probably also materialize over a period of time.

Mukesh Saraf: Right. So immediately -- I mean, so basically, it would take some time as we see these business play out at basically?

Vikas Goel: Yes, absolutely.

Moderator: The next question is from the line of Arjun from Kotak Mahindra Asset Management. Please go ahead.

Arjun: Congratulations on a great set of numbers. Sir, the first question is just on the capex, while you did cover it. We had indicated roughly INR450 crores of capex for this year. Has there been any change in thought process post raising money in the QIP?

B. R. Preetham: No, Arjun, we continue to work as per the guidelines, except that this between INR425 crores and INR450 crores, what we had indicated was not inclusive of this land parcel that we have mentioned. So that would be additional. And apart from that -- yes, those two land portions. And apart from that, it should be more in line with whatever we had indicated. Of course, we will also take the overall macroeconomic condition and the market momentum into consideration while slightly adjusting in case that we need to curtail or accelerate any of this thing.

So because, as I said, that we have added some more sector, there could be some capability that needs to be added into those, which may also require some additional equipment. But that, again, having said that, that should be well within the projections that we have made.

Arjun: Sure. Sir, just on the margin side of it, while you did also articulate. Going forward, if I look at your order book, entering into semiconductor equipment, etcetera. Would it be fair to say that the margins of the order book potentially could be higher than the existing margins?

B. R. Preetham: Yes, while the new sectors, especially non-automotive and also tech-agnostic xEV, these are primarily driven by the export. Geographically, it is meant for exports. So this -- all these comes with higher margins, of course. But then we also have some learning, as I had already said that we are optimizing our learning in our tech-agnostic components especially in aluminum forged and machined components.

I expect that we would take another couple of quarters before we reach those optimum levels, which also currently is a drag. So -- and definitely, the order book, as it represents, should give us a positive momentum in margin expansion and also some of the initiatives that we are taking in our Swedish facility, along with the new order additions there and some automation projects that we have taken up.

Beginning of the next quarter, we should see a better -- going back to our normal margin, the thing. And you'll see the full year next year going back to normalcy in our Swedish facility as well. So with all these things, definitely, we expect that there will be some expansion in the margins.

Arjun: Sure. Sir, just a final question, a quick one. Obviously, things are fluid globally. But just if you look at the aerospace and defense piece, we had earlier indicated that we could look at maybe INR350 crores of peak revenues over the next couple of years. Obviously, there have been global-related occurrences. But how do we see the ramp-up now going forward? Is our order book yet intact? Or has there been some change in the orders? Or anything has been canceled?

B. R. Preetham: No. In fact, our order book has expanded in aerospace and defense. And with the recent -- one of the largest OEMs, you are aware that there was a labor issue and then it has been resolved. And we expect that they would really put their efforts to catch up the lost ground.

So since we have also expanded our customer base, we have been able to work through with the newer orders. We really -- very firmly, we are working towards achieving whatever is our targets. Of course, external factors do play a big role. But we have tried to -- we have also added, as I said, the new sector would also get added into this facility. So this -- achieving and setting up of special process line, our facility into this is also towards achieving those numbers much faster than what we had thought.

So we continue to hold a positive outlook on aerospace and defense. And definitely, again, as I reiterate, that the company intends to grow by 40% to 50% CAGR in this sector for the next 2 to 3 years with a strong outlook on the order book.

Arjun: So what would be your peak revenues currently in terms of order book and current business?

B. R. Preetham: I think -- see, if I add the new sector also into it, we are already very close to about INR325 crores to INR350 crores worth of order book, both aerospace, defense and semicon put together.

Moderator: The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Sir, my first question is on this non-auto side again now given these improvements with your key customers, ramping up now and your orders also, we are starting to get. Should we expect that this segment start growing in that 30%, 40% or maybe in high teens from current quarter onwards? Or do you think some of that recovery may take longer?

B. R. Preetham: No. See, that as the -- now we see that there's already a momentum started seeing. We are also looking at the entire supply chain to definitely support this growth story. And I expect that while the third quarter should maintain the momentum and should see an improvement.

But in the fourth quarter, you would see a significantly improved performance, because already, we are towards the middle of November, and these things would start taking some time into -- coming into the production line. So I expect that full recovery and a full back to normalcy from the fourth quarter. So there you will see the kind of growth that we have been speaking about.

Siddhartha Bera: Got it, sir. Sir, second question is on the PV side. We have seen a quite soft growth in the last first half of this year. What are the issues here? And given the lot of potential, even in Indian market as well as in the export customers, when can we expect some of these trends to sort pickup for us going ahead?

B. R. Preetham: See, PV, both headwinds, so there is headwinds in both the domestic as well as export market. But for our -- having said that, while, one, macro conditions are not yet very favorable, but some of the programs initiatives that we have taken, which should start kicking in the next couple of quarters would cover for -- if -- we expect that even the industry would not continue to demonstrate the same slowness. And in a quarter or 2, it should be back to the normalcy. But added to that, we also have programs, which are now going to start in the first quarter of next financial year. So we definitely are quite positive on the passenger vehicle industry.

Siddhartha Bera: Got it, sir. Sir, lastly, on Sweden, would it be possible to share the EBITDA towards this Q3 for the Sweden entity?

B. R. Preetham: You mean our Swedish entity, what kind of numbers did they return?

Siddhartha Bera: Yes, EBITDA level?

Vikas Goel: EBITDA is about 5.5% for the Swedish facility. And as Preetham explained earlier, the -- closer to 6% with the improvement in the outlook for that business, especially due to price revision with the customer and the new orders, we expect to reach double digit by end of next year.

B. R. Preetham: So Siddhartha, for the overall H1, it was about 6.7%. I mean H1, it was 6%, but Q2, it was 6.7% (Wrongly said, the number is 5.7%). But then what we see is, already, from Q3 to Q4, you will see a performance improvement. And towards the end of the Q4, we should be back to our normalcy. We expect that between 10% to 12% EBITDA to sustain ongoing quarters.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Just firstly, how do you view and overall growth has been around 10% to 20%, and we expect to do, like, 10% better than industry? Also that -- a key segment 2-wheeler, particularly has been well -- just wanted to understand, in terms of the new orders execution, how that has performed. Because it seems, broadly, our growth has been broadly closer to the industry growth, much of outperformance we have seen, sir. Just want to understand, I mean, why is the low growth then what we expect, sir?

B. R. Preetham: Sorry, Mumuksh. Now if you really look at -- while our overall business is both distributed across about 32% coming from international business, 68% coming from domestic business. And if you really see, about 28% of our business, 27%, 28% of our business coming from passenger vehicle, while the 2-wheeler itself has done reasonably well, and we have also done this thing in line with or slightly better than the 2-wheeler growth. But then what you need to consider is, apart from that, there is a lot of headwinds across PV, across aerospace because of one of the customers there being done.

If you really average out all those things, we still have significantly outperformed the industry numbers. And this is because we have been able to ramp up our newer programs, especially on tech agnostic and non-auto, which is -- tech agnostic and xEV, which has actually given us almost 50% growth. And these are all newer components coming into production in this program. And we expect that this would add to the momentum going forward.

While we keep maintaining that overall industry, if you average out all the sectors, both domestic and passenger vehicle, we still have outperformed the industry growth.

Mumuksh Mandlesha: Sir, do you see that going ahead, sir, with the new programs coming up, can this pace of growth further improve, assuming the industry more or less stays around this level, sir?

B. R. Preetham: Yes, we will. Because like I had said, that some of the sectors, which had faced the headwinds like one of the sectors that we have seen. Almost 25% reduction in the industry level is on the off-road, and the customer expectation and the market expectation is next financial year, it should be back to normal. We have already spoken about aerospace where we see a momentum -- significant momentum to improve in the quarter 4 itself, where we will demonstrate that.

And with the addition of new sector, we should be able to outperform as we have committed in our previous and we have been saying that we would outperform the industry by 8% to 10%. So we are working towards that, and I'm quite hopeful that we will be able to achieve that.

Mumuksh Mandlesha: Got it, sir. And also will there be any steel pass-through impact, I mean, because steel price has come down. So any pass-through impact of that, sir?

B. R. Preetham: Steel is not a big impact. Whatever is the nominal reduction that has happened has already been executed, but it's a very small impact.

Vikas Goel: We have a similar offset of this in these scrap rates because that also has been falling. And so largely, we see a nullification of that benefit as of now.

Mumuksh Mandlesha: Okay, sir. Sir, coming to this aerospace MOU with Dynamatic. Can you just share us how this business potential is there? And just more on this particular order win from A220 door parts, sir?

B. R. Preetham: Yes. I think as we had communicated in our press release also, they have secured the supply of -- orders for supply of complete door assemblies for this A220 programs. And we would be machining a lot of critical components to one of the door assemblies. And this is approximately about INR40 crores, INR45 crores -- INR50 crores of annual revenue. About INR53 crores of annual revenue to start with.

And we expect that once the program is launched, we would have higher opportunities in this. And this also gives us a good entry into the ecosystem of Airbus, where we are working with multiple tire ones and also with OEMs to -- on numerous new upcoming projects as well.

Mumuksh Mandlesha: Got it. And this order will start by when, sir?

B. R. Preetham: We have already started submitting the FAIs, and we expect that Q1 of next year, it should start getting into commercial production.

Mumuksh Mandlesha: Got it, sir. Just then lastly, on the aluminum forging, sir, how that is gaining traction, sir? And can you indicate what could be the order book for this segment, sir?

B. R. Preetham: Totally, aluminum forging, as we had also said that we have actually -- overall, we would be having about 8 presses operational by end of this year. And with a total order book of what we are currently executing as well as overall order book is close to about INR350 crores.

And I think by towards the end of next financial year, because these are also going into some newer programs starting in Europe for the high-end motorcycle business, there's some couple of components, which are getting into passenger EV car exports as well. And by towards the end of the next financial year, quarterly hit rate, I think we should be very close to executing the full -- at least about 80% to 85% of this order book.

Mumuksh Mandlesha: Got it. And sir, currently, it will be in the double-digit growth, sir, full year basis this year?

B. R. Preetham: Yes, yes, yes.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate Advisors. Please go ahead.

Abhishek Jain Congrats for a strong set of numbers despite the challenging environment. Sir, in ICE segment, our growth was around 9%. So if you can explain the new products and the client additions in the ICE segment?

B. R. Preetham: No. See, ICE segment, of course, 2-wheeler itself has grown well. Of course, there has been a degrowth in our passenger vehicle segment, both domestic as well as the export -- domestic export being slightly more than domestic. But we have been able to expand our business with -- as we had said that Tata Motors has been -- we have been expanding our , business with Tata Motors.

We have also been able to grow in line with the growth in 2-wheeler business, we have been able to grow with our existing customers, namely Bajaj and HMSI and as well as TVS. We have also added Ford Motor Company, where the development is on for a connecting road, which would be largely exported. so that's it. I mean, we see that the momentum continues in this quarter as well.

Abhishek Jain: So how do you see the revenue growth for the medium terms in the ICE segment? The industry will grow by the 6% to 7%. How much outperformance can be possible because of the new client addition and expansion?

B. R. Preetham: No, we expect that , a very significant portion of our Auto ICE will also come from passenger vehicle export, while the domestic industry has grown well. But we still await our recovery in the export segment. So all put together, I think we should be between 8% to 10% better than the overall industry, including exports and domestic.

Abhishek Jain: Okay. And are we looking at some big orders from the export segment in the passenger vehicle side, in EVs or ICE, sir?

B. R. Preetham: Yes. That's an ongoing process. We can't stop working with our existing and new customers to acquire new businesses. Of course, at any point of time, there will be a lot of projects, which we will be working on, including some of the big ones going into both North America, Latin America as well. So we expect that, that's an ongoing process. We are quite hopeful with the favorable manufacturing conditions in India and also China plus other thing. We would expect that our inflows will start getting better and better in this segment.

Abhishek Jain: Okay, sir. In non-auto segment, our revenue on quarterly basis is INR65 crores to INR80 crores. So how do you see the medium-term revenue on the basis of the new orders wins now? So new orders in the non-auto segment is quite healthy. So there, what kind of revenue you are targeting for the medium term in the next 2 to 3 years in non-auto segment sir?

B. R. Preetham: In non-auto, see, if you really have to dissect the non-auto. Non-auto primarily consists of aerospace defense as well as off-road. So off-road still, we think that another 1 or 2 quarters, it will take for it to come back to its normalcy because the sector itself is struggling. In U.S., one of our major customers, are having -- this year, they had already projected that they are looking at between 15%, 20% degrowth.

So that is in line with whatever the market had expected on that. But other than that, we are quite bullish and you will see us growing much faster in aerospace as well as defense. And you would also see a kind of recovery in agriculture sector, which also is part of the non-auto for us.

So see, overall, if you really look at the off-road coming to its normalcy over the next couple of quarters, I don't expect that to happen in this quarter or the next quarter, but at least from the Q1 of the next financial year, we should really look at about 35% to 40% growth in our non-auto business.

Abhishek Jain: Okay. Sir, my last question on the raising the fund, you have raised around INR1,200 crores, and you are also looking for the repayment of the debt. So how much debt would be repaid? And how much interest cost will go down in FY '26?

Vikas Goel: So we have stated that we will be repaying INR700 crores of debt and the process has already started. By March, we should be able to complete this entire process. Approximately this should reduce our interest cost by about INR55 crores per annum on an annualized basis.

Moderator: The next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go head.

Gaurav Gandhi: Just 1 question, sir. This order regarding semiconductor equipment you are talking about, will this order be recurring in nature or onetime? And is there any more better opportunity in this space for the company?

B. R. Preetham: Yes. This is definitely a recurring order, and we expect that once we -- you start establishing yourself in any sector, you would have definitely higher opportunity, both with the same customer as well as with a few more of these players who are dominant in this industry.

We are creating certain kind of facilities, which are very, very typical for this sector, including Class 1,000 clean room, also with some of the very high-end capability of machining. All these things should definitely aid us to improve our standing in the sector.

Moderator: The next question is from the line of Deep Shah from YES Securities. Please go ahead.

Deep Shah: A question on aerospace and defense, if you can share what's the revenue share for the quarter for this segment aerospace and defense put together?

B. R. Preetham: In this quarter, what was the revenue is what is your question?

Deep Shah: Yes. From aerospace and defense put together?

Vikas Goel: Approximately, it's close to 4%. That's the average share from this segment that we've been having for some time now.

Deep Shah: Right. And the related question to that is with this supply input from Dynamatic Technologies, when it starts, with annualized run rate of about INR50 crores to INR60 crores, where do you see the revenue share from this segment to go. I mean the other question to that is how are the margins, in terms of within non-auto from this particular segment? Is it, like -- so if it's a critical equipment, how is the margin profile different versus the other components. So that's the second question?

B. R. Preetham: See, overall, I don't see too much of a change between 6% to 7%, like, is what we see aerospace, defense and semicon put together to happen in the short term in the next 2 to 3 years. While we see that this growth would have about 35%, 40% CAGR on year-on-year. But since our other sectors are also growing and this, being a smaller base, would not really improve a lot from current 4%, 4.5%, it would probably go up to about 5.5%, 6%.

As far as the margin is concerned, it is -- like we have said earlier, this is definitely margin accretive compared to any of the domestic business that we have. It is in line with all our other export components that we do, probably slightly better. But just also one needs to understand that this would also come with a higher working capital cycle and a longer inventory period. So this would definitely be margin accretive, definitely being much better than our domestic margins.

Deep Shah: Sure. And the last question is about these other deals of INR50 crores that you've just mentioned, about INR55 crores for A220 program. Do we see a chance of that getting extended to, let's say, further families of the flights like for example, A320 etcetera in near future?

B. R. Preetham: Yes. So we, like, see, as we have capability expansion in this, we are already working with similar components with one more tierone . So we also see that once you get into a range of family of components, the opportunities to work with various other models would come up. So we are already pursuing such opportunities.

Moderator: As there are no further questions from the participants. I now hand the conference over to the management for closing comments.

B. R. Preetham: So thank you very much for all your patience hearing and participating in this. I conclude this call. If you have any further queries, you can contact SGA, our Investor Relation Advisors or directly, you can be in touch with us and we will give you further clarifications if you have. Thank you very much.

Praveen Chauhan: Thank you.

Vikas Goel: Thank you.

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