

August 15, 2024

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

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

Scrip Symbol: SANSERA

Scrip Code: 543358

Dear Sir/ Madam

Subject: Transcript of Earning group conference call

Please find attached transcript of Earning group conference call held on August 09, 2024 on Unaudited Financial Results for the quarter ended June 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
Company Secretary and Compliance Officer

Encls: a/a

SANSERA ENGINEERING LIMITED



“Sansera Engineering Limited Q1 FY25 Earnings Conference Call”

August 09, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 9th August 2024 will prevail

MANAGEMENT: MR. B R PREETHAM – EXECUTIVE DIRECTOR & CEO
MR. VIKAS GOEL – CFO
MR. PRAVEEN CHAUHAN – HEAD (CORPORATE STRATEGY)

MODERATOR: MR. VARUN BAXI – NIRMAL BANG INSTITUTIONAL EQUITIES

Moderator: Ladies and gentlemen, good morning, and welcome to the Sansera Engineering Limited Q1 FY '25 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited.

This conference call may contain forward-looking statements about the Company, which are based on 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 “*” and then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Varun Baxi from Nirmal Bang Securities. Thank you, and over to you, sir.

Varun Baxi: Thank you, Neha. Good morning. On behalf of Nirmal Bang Institutional Equities, I welcome you all to the 1Q FY '25 Results Call of Sansera Engineering.

We have with us the management team represented by Mr. Preetham – Executive Director and CEO; Mr. Vikas Goel – CFO; and Mr. Praveen Chauhan – Head of Corporate Strategy. We also have with us the SGA team.

I now hand over the call to Management Team for their “Opening Remarks”. Over to you, sir.

B R Preetham: Thank you, Varun. Thank you for hosting this call. And good morning and welcome, everyone, and thanks for joining this call.

On this call, I am joined by our CFO – Mr. Vikas Goel and our Head of Corporate Strategy, Mr. Praveen Chauhan, along with our investor relations advisor SGA Team. The Results and the Presentations were uploaded on the Stock Exchange and the Company’s website, and I hope everybody has had a chance to look at them.

It gives me pleasure to update you that the fiscal year has gotten off to a reasonably good strong start in line with our expectations. During Q1 FY '25, we have reported revenues of Rs. 7,439 million and an EBITDA of Rs. 1,275 million with sustained margins. Our domestic and international businesses have continued to grow at a healthy double digit.

On our domestic side, we saw a healthy upsurge in demand, especially on the 2-wheeler side. In terms of our international business, the growth has been fueled by multiple levers, including client additions, valid share expansion and some of the orders moving to commercial production. If we take a closer look at the domestic markets, notable growth in 2-wheeler segment has been driven by driving rural economy and its positive monsoon effects.

On the PV side, SUVs continue to do well. However, demand for small cars is on the lower side. The industry is also seeing heightened levels of inventory.

As I touch upon our performance across sectors during this quarter:

I think it is important to appreciate that in all the sectors that we serve, Sansera's precision engineering prowess is a common thread that ties all our offerings together and helps us to stay ahead in the industry. With this backdrop, we have met with success in our emerging sectors, mainly non-auto, tech agnostic and xEV. Together, these segments have expanded by 34% on a year-on-year basis during this quarter. We have registered a top line of Rs. 712 million in auto tech-agnostic products with a year-on-year growth of 68%. Our xEV business grew by 29% on a year-on-year basis to Rs. 421 million despite the fact that one of key customers in the 2-wheeler segment, we have reduced considerable business.

As a general phenomenon, EV OEMs today are facing a lot of pressure on the cost side, and as a result, we are very optimistic of our export potential on this segment. Non-auto side, which is another part of our emerging new age business grew by 16% as compared to Q1 FY '24. All non-auto subsegments with the exception of Agri saw a strong double-digit growth.

The Aerospace and Defense segment delivered a top line of Rs. 256 million, with a 28% year-on-year growth despite some delays in our orders from a key customer. To broaden our clientele in this space, we have added customers like Saab and Triumph Aerospace. We are looking at about 40% to 50% CAGR growth in this sector for the next 2 to 3 years. For the off-road segment, where our end market is North America, we have clocked revenue of Rs. 302 million during this quarter. We are working very closely with our customers to increase wallet share in this segment. Agriculture sales during the quarter stood at Rs. 161 million. Amongst our other non-auto customers, we are seeing a lot of traction in industrial and marine engines as well. We expect this to become a meaningful contributor to our non-auto category in the years to come.

In the Auto ICE segment, we grew our revenues by 7.2% during the quarter, primarily on account of solid growth on the 2-wheeler side. We are seeing an increase in content per vehicle on this side as we are participating in key programs for premium motorcycles across our customers. Also, we are continuously working on adding new components and increasing the wallet share in this space.

In terms of order book, it stood at Rs. 16.9 billion as of June '24. Out of which, 63% of orders are from international business and the rest 37% are domestic orders. In order to cater this order book, we need to add capacities over the long run. Our current facilities are working between 65% and 70% utilization across our plants. And in our industry, peak utilization can reach up to around 80% in the best-case scenario as we run all 3 shifts and around 300 days a year. This effectively warrants further investment in growth to support our order book and expansion plans in the long term. We are looking at a CAPEX of approximately Rs. Rs. 4,500 million during FY '25. This is towards brownfield expansion projects for which we are looking at our existing facilities.

40% to 45% of our CAPEX is expected to go towards tech-agnostic and non-automotive segments. The new 4,000-ton press, which is being commissioned and which will be fully commissioned by the end of H1 will have a major step forward in expanding our product portfolio in higher capacity engines as well as aiding light weighting and aluminum components. In the future, we are also seeing an opportunity for chassis and suspension components on the aluminum side.

To further strengthen our offering in the aerospace field, the Board has also given clearance to add a special process facility to our existing machine facility. We expect to add this capacity by mid of FY '26 and subsequently fully utilized by FY '27.

Lastly, in terms of our new CAPEX, we have recently signed an MOU with the government of Karnataka to acquire 55 acres of land. Over the years, we will be looking at greenfield expansion in the area of our current expertise in this piece of land. We will take Board approvals for these CAPEX plans, and we will update you appropriately.

Now I hand over the call to our CFO, Mr. Vikas Goel.

Vikas Goel:

Thank you, Preetham. Good morning, everyone.

Let me give you a glimpse of the consolidated Financial Performance during the 1st Quarter of FY '25:

Our revenue from operations rose by 13% to Rs. 7,439 million in this quarter. This growth came from both domestic and international business, as explained by Preetham just now. We delivered our highest ever quarterly revenues on the domestic side in this quarter. We saw the gross margin expansion by approximately 2 percentage points, largely due to shift in the product mix, a favorable product mix.

During this quarter, the gross margin grew from 39.9% in Q1 of FY '24 to 41.8% in the Q1 of FY '25. We had an annual salary hikes, which kicks in every year in the 1st Quarter of the year. As a result, we see an increase in the employee expenses on both a year-on-year and quarter-on-quarter basis.

Other expenses are semi variable in nature and tend to increase to the extent of sales increase. Further, during the quarter, we faced some issues on the logistics side leading to higher spend on the international freight costs. We had touched upon this during our previous call as well, and it's now actually playing out.

The EBITDA for the quarter stood at Rs. 1,275 million versus Rs. 1,144 million in the same period of last year. EBITDA margins were stable at 17% levels.

With a continuous CAPEX and capacity building, the depreciation and amortization swelled up to Rs. 400 million for the quarter. We maintained PAT margin levels and closed the quarter with Rs. 501 million PAT.

With that, we would like to conclude our presentation and open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Sir, my first question is, if I just look at the continuous order book increases we have been seeing, probably compared to the last year, we did about close to Rs. 8.5 billion order, wherein this time in the 1st Quarter, the increases have been probably slightly softer than what we had for the entire year. So, how do we think in terms of the scale-up, depending upon how your discussions are playing out? Do you believe at an annual level, we will still be sort of having some of those numbers we have seen in the past? Or has there been any change given the global slowdown if you can share some thoughts there?

B R Preetham: Thank you, Siddhartha. We have a very strong order book and a strong visibility into a lot of projects that we are working on. Ours is not a quarter-to-quarter kind of order book acquisition. We work on long-term projects, both on customer addition as well as increasing product portfolios. And we are very, very confident that across all our segments, including aerospace, defense, our Swedish subsidiary and also our international business, we definitely would like to achieve a number which will be higher than the previous year's addition into the thing. There's a lot of visibility. We are working on a lot of projects. Of course, the timing of each of these varies because the customers take this in their own project timing. But I am very clear and we are quite confident that we will achieve numbers which will be higher, if not equal to the previous year's order booking.

Siddhartha Bera: Great to hear that, sir. Sir, second question is If I look at now the revenue side, earlier last quarter, we had said that we probably will still look to grow at least 20% this year on the revenue side. Do we still sort of assume that holds even after 1st Quarter? Or do you believe there is some change to that?

B R Preetham: See, as of now, I do not want to jump into any immediate conclusion. See, if you look at our growth, while year-on-year, we have posted on a consol basis a growth of about 13%. But on a stand-alone basis, Sansera has grown by almost 16.8%, almost 17% on our product sales. We have had a degrowth of about 20% in our Swedish subsidiary and very flattish kind of performance from our Fitwel, our another domestic, they grew by about around 2%. But if you really look at Sansera as a stand-alone, we have grown by almost 17% in our product sales category. While I would be cautious to say that international business is looking in the second half of this year, especially the international business looks to be slightly worrisome. But overall basis, because of our increased productionization of all our new developments which have started giving us commercial revenue and also strong growth in 2-wheeler sector, which is where

we have significantly higher participation, I would still do not want to jump into any change in numbers, but we are quite cautious and we keep ourselves cautiously optimistic on this year's performance.

Moderator: The next question is from the line of Divyansh Gupta from Latent Advisors PMS. Please go ahead.

Divyansh Gupta: I just have one question with regard to MMRFIC. What's the value addition from Sansera side? Is it more to connect MMRFIC with, let's say, other customers? Or are we also going to get into the manufacturing of semiconductor parts?

B R Preetham: See, as far as their core competency is concerned, as we have previously told, they are into pure play electronics and software, they are into manufacturing and designing and manufacturing of radars, millimeter wave radars. So, as far as Sansera is concerned, we definitely would want to add value to their current capabilities. So, while the Radar has got all the electronic elements, Radars also would have mechanical elements like a seeker radar would have antennas with full chassis, the gimbals. All these things are part of our manufacturing process. So, at an appropriate time when this gets into full March production and MMRFIC now with the backing of Sansera are looking at full radar integration, which would involve mechanical elements as well. So, our interest and our contribution would be in this space. But along with this, going forward, we think that with our expertise, we will be able to give our customers full offering on both electronics and mechanical elements together.

But this is more strategic for Sansera because apart from what support that we give them in terms of manufacturing expertise, we also bring in a lot of management bandwidth and financial oversight so that they can participate in bigger projects and acquire such projects. So, after our investment in the MMRFIC, they've been able to set up a world-class cleanroom facility with a lot of manufacturing capabilities added into PCB manufacturing, very high-end cleanroom, where they have actually they have been able to attract a lot of interest, including defense and space sectors, we have been working on very, very interesting projects.

Moderator: The next question is from the line of Neel from Valuequest Investment Advisors. Please go ahead.

Neel: So, I had probably 2 questions. One was on the profitability front. So, we have this medium-term target of reaching 20% in kind of margins. So, if you just look at the historical numbers, we have not done that kind of margins earlier. So, 2, 3 years down the line, if we look at the key segments that we're indicating that we will grow fast, one is auto agnostic, where I think the margins are broadly similar range. Second would be aerospace. Now aerospace, again, 2, 3 years down the line, should not be more than 8%, 10% of the book. So, what are the levers that you're expecting which would help us in terms of margin? And secondly, on the aluminum forging side, so any indication you can give in terms of scale and profitability we can have in this particular business? And why are some of your competitors in the forging space are not willing to enter this aluminum forging segment yet? So, yes, your thoughts on this will be helpful.

B R Preetham:

Yes. Neel, I will take this call first and then maybe our CFO, Vikas, can add into this thing. So, of course, we clearly understand that while we have set ourselves target on working towards 20% margin expansion, we very clearly understand that these are not going to come very easy. We need to have a clearcut strategy. As an organization, we have had clear strategy in terms of product expansion, in terms of segment expansion, in terms of a lot of productivity improvement programs through which we will work towards achieving this target.

But as of now, if you really look at what are the key levers which are going to drive this, apart from what you said that focus on non-automotive segments, which includes higher value addition sectors like industrial segment and bigger engines, aerospace, and off-road vehicles, where our participation is increasing, but you should also note a point that our international business where our margin profiles are higher compared to our domestic, our order book consists of significantly higher international business share. So, as we keep moving more and more towards almost 63% of our order books are expected to come from our international business.

Added to this, last year and this year, we have said that our subsidiary because of the reorganization of our business in with our key customer Volvo in Sweden, we are going through a lean patch there. So, we have worked, and we have acquired 2 key business wins for our Swedish subsidiary, which will enable us to go back to 12% to 13% EBITDA starting from next financial year. So, we have had 2 very clear-cut order wins on 2 engine programs, one of which is going to immediately start from week 36 of this calendar year and the second one is going to start towards the third quarter of this year. Both these programs, also some element of aid is also going to come from our customer so that we can have enough. This is due to a fact that one of their existing suppliers has gone out of business. So, they wanted us to immediately take up and start delivering these components as we were the second source for this. And of course, our aluminum forging business, which was on a learning curve, a lot of improvements on optimization of processes which includes productivity improvements, yield improvements, reduction of rejections, all this has happened. And we will continue to work towards achieving our optimum margins in this. So, these are key factors. Vikas will add points to what I said.

Vikas Goel:

I think, Preetham, you covered almost all key factors. One is the continuously improving product mix in favor of more profitable segments, whether it's in non-automotive exports or the other exports. Second is the improvement of profitability profile of Sweden, which you already covered. And also, the growth in the 2-wheeler sector, which is we are now facing, and we expect this growth along with the increased premiumization of the 2-wheeler sector, which comes at a relatively better margin. These factors aided with the operating leverage on better capacity utilization on various product lines will actually help us to achieve or get closer to the 20% goal of operating margin. Of course, there are other elements or other initiatives in terms of improving cost and efficiency, which are work in progress, and we are seeing good progress on each of those.

Neel:

And also, your thoughts on the aluminum forging side, the scale profitability that we can achieve over the next 2 to 3 years? And why is competition in domestic market still not entering this segment? Your thoughts on this.

B R Preetham: I am not sure I can answer on behalf of any others why they are not entering into this field. But as a sector, I don't think this is that much easy and straightforward that anybody with capital investment can get into this. There's a lot of technology and not only stand-alone technology, but a fully integrated technology like surface treatment is very, very important. Surface preparation is very important because most of these components apart from functional criticality also is aesthetically very important. So, it also calls for a lot of capital infusion. So, given the fact that space itself has started to evolve and taking up reasonable quantities, so I don't think the time probably is appropriate for a lot of people to enter it. But over time, I am sure that you will see many players looking at the thing because on a long run light weighting is going to be very, very important and key element in any technology of powertrain that is going to develop it.

So, we feel that across all the powertrain adoption, one common factor that would be there, it will be light weighting. So, that is the reason that we are focused significantly. In fact, we have started achieving. This year, we will be doing almost close to 1.5 million aluminum parts, which is quite a good progress given the fact that this has been only about 2.5, 3 years of this thing. As far as margins are concerned, clearly, in the past, also, we have stated that this is in line with our other domestic products on a designed margin criteria. But, of course, because we are on a learning curve, we are still headroom left to achieve these numbers.

Moderator: The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: Congratulation on a good set of numbers. Preetham, if you can give some color on our MMRFI Radar business from this year to next year and the year following. What kind of a growth path that we are seeing? And if you can give some broader picture on the number side also and how it will be the EBITDA margin. So, how do you really expect this business to play out for us, if you can give a little more color?

B R Preetham: Sir, we are working on, rather MMRFICs are working on multiple channels. As we had said, it is both for defense and surveillance and also in space. So, apart from automotive radar application that we are seeing a lot of interest. See, the first and foremost business is on a defense seeker radar program, which they have been working on from last 4 to 5 years, where they have made significant progress. All their modules, we understand that they have been certified now, and they are now looking at full integration and field testing. There is a lot of upside to this because currently, the end users seem to be importing all these things from outside India. And today, given the situation that the world is facing, a lot of demand for these are envisaged. So, definitely, the customers also put a lot of pressure on full integration and field testing of this because it involves a lot of government agencies, it takes its own course and time.

But upon the full implementation when this radar gets integrated because this is the only company as of now who have been certified whether whoever would be the integration partner, MMRFIC is set to benefit from the entire indigenization program. So, that is on part of seeker radar, which is going into defense program. But apart from this, they are working with other agencies to work with a lot of surveillance radar, which also include a possibility to develop and

demonstrate radars, which can work in the foliage to detect any intrusions and kind of stuff. Also, they are working on some space programs as well. So, we are looking at a very, very strong product portfolio development in the next coming years, which would also get translated into significantly higher revenue. I do not want to put any numbers as of now because these are quite high potential but might have some timeline constraints in putting up a number. But generally speaking, the average, the EBITDA numbers on this business would be upwards of 50%.

Bharat Sheth: And a second question. So, what is the potential if you can give rather than giving any number for say next 3 years, I mean the third year?

B R Preetham: I think that at the current level, I am not in a possession of the numbers that I can tell you. But over the course of time, probably we will come out with the appropriate set of numbers that we can give it because as you are aware that while we have invested and think there is still the entire operations and guidance has to be given by MMRFIC Board. So, we will come out with an appropriate time, we will come out and give you the numbers then.

Bharat Sheth: And second question is on, if I am not mistaken, in your opening remarks, you said that in 2-wheeler, we reduced supply to one of the customer. So, is that correct? And it is just that if you can give a little more color on it.

B R Preetham: No, because one of our customers whom we were supplying some quantity, I am talking about an EV customer, and they had a model change. And due to various factors, which includes commercial also, we could not participate in the newer program because of the commercial issues that we could not agree upon. So, due to this factor, compared to last year, 1st Quarter to this quarter, there has been a significant reduction in the revenue coming out of that customer. But despite that fact, our xEV component business has grown by almost 30% year-on-year. This is aided by our productionization of components to our North American global leading EV customers, which we see that there is a good traction going forward. And with the global cost pressures that are there now, the opportunity for engaging on a global level with the different EV platforms and customers, that potential has increased significantly.

Moderator: The next question is from the line of Vidrum Mehta ASK Investment Managers. Please go ahead.

Vidrum Mehta: So, my question is again on the revenue growth. So, our auto ICE segment grew 7% on Y-o-Y. I understand one of our customers reduced the business, but that was on the EV front, right? So, why are Auto ICE just grew 7% as against 2-wheeler industry, which reported around more than 14%, 15% growth in this quarter?

Vikas Goel: So, there are various elements to this growth as we see. One, of course, yes, the 2-wheeler segment, we also registered a fairly good growth in terms of revenue year-on-year, about 19% growth we registered on 2-wheeler sector. But then there are other slices in terms of passenger vehicle and commercial vehicle segment. So, we registered a degrowth in our Sweden business about 20%. So, that is also included in this Auto ICE combined growth of 7%. Secondly, one of our customers during Q1 of FY '24, we had actually supplied a higher share of business due to

some challenges that they were facing from other suppliers. Now this year, those supplies were normal. So, that is also reflecting as a flat or slightly negative and thus not capturing the growth. We also had, as Preetham was mentioning, some softness in the European side of passenger vehicles. Now all this is clubbed as Auto ICE. So, what 7% growth we are seeing is a combined result of all these pluses and minuses or flats.

Vidrum Mehta:

Secondly is on the number of LOIs or purchase order. So, that has come down from 408 to 346 on a Y-o-Y basis. But largely, the order book remains stable at Rs. 1,700-odd crores. So, is it fair to assume that the new orders which we have won are of higher ticket size or bigger ticket size? And can you throw some light in which segments or geographies we are receiving this bigger ticket size order?

B R Preetham:

The number of LOIs, I mean, you can't read too much into it. This is because we have shifted a portion at the beginning of the year into mass production. So, it's just a number that the LOI numbers to the peak revenue. What I want to tell you is that the order book addition into the future also looks quite strong. As I've said that during the second quarter, which probably at a later date when we do the second quarter announcement, we have added a good amount of business into our Swedish subsidiary into this new program, which I said that which would also help them to bridge the numbers and this one. And we have also started looking at good order inflows into our aerospace and defense sector where not only from aerospace and defense, but there is some new interesting segments that have emerged, where we have been able to start getting orders and interest, which is very, very close to what we do in our aerospace and defense. Of course, these are ultra-high-precision component machining into semiconductor machines manufacturing space, we have been able to acquire some good amount of orders into this space as well.

So, because it is now part of this Q2 order book buildup, you will come to see, but we are quite confident that across all the segments, including Auto ICE, where a lot of interest is now coming back into Auto ICE, which, of course, as you are aware that our connecting rod and Auto ICE business is a very well established and very optimized business where we tend to get good higher margin. So, that is also showing a lot of promise because a lot of customers in Western World who had put a freeze on Auto ICE development engine, ICE engine development, have actually started working on all these platforms, and we have been able to get a good amount of interest. So, overall, we think that this year, we will end up very strong order book growth like what we have been demonstrating over the last couple of years.

Vidrum Mehta:

Sir, lastly, just on the order book front. So, our EV share of order book has come down from 19% to 17% on a yearly basis, Y-o-Y basis. So, we keep on hearing, there is some slowdown in the adoption of EV globally, and is that the reason why order book is not moving, specifically EV order book? Some of your customers have postponed their EV launches by a year or 2, and that is what is reflected in our order book? Your sense on the overall EV order book or adoption of EV globally.

B R Preetham: No, I would say that, yes, there has been some concerns on the rate of adoption of EV and the expansion of EV in the western market, both in Europe as well as in U.S., we can see a slowdown in the sales as well as overall when companies had announced that their focus is largely on EV and no ICE focus. But that has definitely shifted now. There has been focus shifted towards ICE as well, which is in a way also good for us. But what you see is mostly because as we keep working with our existing and new customers to acquire more inroads into our EV components. But because we get a bigger pie from our ICE, that shift is what we are talking about. It is, as of now, we don't see any slowdown in the order inflows. But of course, the quantum or the quantities has probably slowed down a bit. But order book, I don't think there is any concern as of now.

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

Deep Shah: So, the question on your opening remarks where you had said you are going to set up a special machining facility for aerospace segment and SOP is expected by FY '26. So, basically, what I want to know is what does it change for us in terms of the growth and the profitability and what we do today? And the second question related to that is what is the CAPEX for that line, basically? That would be the first question.

B R Preetham: Yes. My opening remarks was that the Board has approved for us setting up of a special process facility for aerospace where we have machining facility now. See, we are dependent on outside vendors for doing all the special process like anodizing, sharpening, NDT testing, primer and plating, classification, chrome and zinc, nickel; all these are the processes which we get it done outside for the aerospace business; like for automotive, a lot of them, what is required is available inhouse. For aerospace because the quantum and the scale was lower, we had not put up any dedicated facility, which requires NADCAP approval as well. Now that we see a lot of potential new order inflows and higher value-added parts, so we have decided in order to accelerate this growth, what is required is apart from the capability of engineering with Sansera has demonstrated, we should have some in-house capability of special process, which will aid acquisition of higher value-added business because people are tentative if you do not have these in-house. So, we are setting up this. So, this would mean that in over 12 to 15 months, this facility will come up adjacent to our existing machining facility, and this would have an overall investment of about Rs. 30 crores.

Deep Shah: And the second question is on the Swedish operations. So, basically, you had highlighted that the margins can be reached to about 11% to 12% FY '26. Where are we in that journey as of today? So, last call, you had said FY '25 margins probably would be flattish as compared to FY '24. Please can you update on a 1Q performance?

B R Preetham: Yes, my colleague, Praveen, will take that call. Praveen?

Praveen Chauhan: Yes. So, on the Swedish operation, we have been able to acquire certain businesses as we have been talking for the last few quarters. This is big connecting rods, in fact, bigger connecting rods. Incidentally, these were being produced on a manual line. Now we are in the process of

automating that. That's one area of improvement that is going to happen. So, once we automate the line, the human resource requirement would be much lesser, and therefore it will be much more profitable. That's 1 part of it.

Second is what Preetham spoke about a new business acquisition where their customers' alternate supplier had been into a tough time and has stopped supplies or in the process of stopping supply. So, this business is coming out to be on a very good pricing and good profitable business. So, we expect both these put together when we come on stream and the lines become automated, which is closer towards the end of this year, the business will become much more profitable and the real effect of that will come in the next year. So, the top line as well as bottom line both will be positively impacted.

Deep Shah: So, basically, if I read it correctly, you are saying by end of FY '25, the margins profile should be touching double digits versus, let's say, about 6%, which we did last year?

Praveen Chauhan: It could be tending towards that, but the real impact will come only either in the last quarter of this year or maybe the early quarter, the 1st Quarter of next year.

Vikas Goel: So, Deep, by end of this financial year, we will have all the elements in place to deliver that EBITDA margin. We may not be able to report a higher margin in this year for Sweden.

Moderator: The next question is from the line of Aashish from InvesQ PMS. Please go ahead.

Aashish Uppanlawar: Sir, I am a bit new to your company. So, just trying to understand, I mean, I think 70-odd percent of your business comes from the domestic market. So, we have had a very good time in the last 2, 3 years where the domestic auto industry has done well. And I think some plateauing is happening now. So, in case there's a slowdown and basically growth doesn't come in the domestic market, how does your business perform in such a period? Any comments would be helpful to understand.

B R Preetham: Of course, thank you. We would definitely not be fully insulated by what happens in the industry. We are in the industry, we are integrated with our industry. And if there would be a slowdown like everyone else, we will also get impacted. But what works for us is about 32%, 33% of our revenue comes from our international business. Also, sector-wise, we have tried to diversify from automotive to other sectors, which includes non-automotive. And we have also added a lot of new customers, new programs, product expansion, all these things, we are quite confident that as we have stated earlier, whatever would be the industry growth, you can add that overall, we would grow by about 8% to 10% higher than the industry growth. So, this is where we are working towards insulating ourselves from. Of course, the inevitable slowdowns in certain sectors, certain geographies which will have an impact on the business, but we are trying to be minimizing that negative impact on to our business.

Aashish Uppanlawar: So, what I could understand is assuming that there is no growth, 0 growth on the industry side, still, we will be able to ensure about 8% to 10% growth on a rough basis?

- B R Preetham:** Yes, that is what you'll get.
- Aashish Uppanlawar:** And the international business plus the other components of the non-autos in domestics, figures would help to understand basically what kind of growth are we expecting just to make up the picture clear on the consolidated basis for us.
- B R Preetham:** See, generally, because our non-automotive business is on a lower base, the growth rate in non-automotive and xEV business and the tech-agnostic business is much faster. So, if you really look at the next 2 to 3 years, we are looking at a CAGR growth in this by about 40% to 50%. So, depending upon each of the sectors, it could be slightly different. But then overall, what we see is non-automotive, tech agnostic and xEV business, we hope to grow by about 40% to 50% on a year-on-year basis.
- Aashish Uppanlawar:** And internationally, you're saying that it's difficult to take a call given the scenario overall as to what the growth rates you would be looking at.
- B R Preetham:** If you see for us, the revenue growth from our international business in the 1st Quarter has been almost about 28% on Sansera stand-alone. So, we have actually grown faster than domestic even in this year in Sansera stand-alone. Because of our Swedish subsidiaries degrowth in the 1st Quarter, there has been some muted this thing. Otherwise, international revenue because we have added customers, we have added this thing and despite the fact that there could be a slight slowdown in the second half of the year on a general market industry, but because our new additions of businesses, we are still confident of delivering a strong growth in this segment as well.
- Aashish Uppanlawar:** Sir, if I could, basically on the margins, you are saying that still there is potential to improve that. You said that it will take some hard work on that. But you would probably expect margin improvement, right? I mean, on a consol basis overall? It was explained in the earlier part of the call.
- Vikas Goel:** Yes. What we said is there are structural elements and there are special efforts also, as you also mentioned. So, it's a combination of both of these things, which will help us to achieve higher margin.
- Aashish Uppanlawar:** Any conservative numbers on where they would trend maybe in the next 1 or 2 years?
- Vikas Goel:** So, it's a path, I may not be able to give you specific numbers at this point in time.
- Moderator:** The next question is from the line of Basudeb Banerjee from ICICI Securities Limited. Please go ahead.
- Basudeb Banerjee:** Just a couple of questions. One, as you used to highlight earlier, so what's the internal target of Aerospace revenue in FY '25 as of now? And what is the target of export business ex of Swedish business in rupees crores in FY '25?

B R Preetham: Basudeb, sorry, can you repeat this? I missed out this question, sorry.

Basudeb Banerjee: What is the internal target of Aerospace revenue in rupees crore in FY '25 and similarly for export business ex of Swedish business this year?

Vikas Goel: Aerospace revenue target for FY '25. Is that correct?

Basudeb Banerjee: Yes.

Vikas Goel: And the second part of the question?

Basudeb Banerjee: Is ex Swedish business, exports like exports out of India.

B R Preetham: Yes. Basu, as I said that our exports out of India grew by almost 27%, 28% this quarter. And we did well on both on xEV as well as on tech-agnostic in this segment. For this year, for Aerospace, we are looking at between 30% to 35% growth as it stands today. While initially the expectation was that we would grow between 40% and 50%, but because still we see that one of our customers are still not out of the woods fully. So, there have been some pushouts of the schedules. So, we are a bit cautious in saying what we will achieve, while we are working a lot on improving our defense revenues also. But as it stands today, I think that we should safely assume that we should do between 30% and 35% growth for aerospace this year.

Basudeb Banerjee: And what was the base of fiscal '24, absolute? 135?

B R Preetham: No, base of fiscal FY '24 for aerospace..

Vikas Goel: 110.

B R Preetham: 110.

Basudeb Banerjee: So, 30%, 35% over that. And similarly, what was the base of exports from India?

B R Preetham: Exports from India, one second. I will just give you. Exports from India last year for the full year was around

Praveen Chauhan: 25%.

B R Preetham: **yes around 25%**

Basudeb Banerjee: Yes. No, no, sir, I meant rupees crore FY '24.

B R Preetham: At about Rs. 665 crores.

Basudeb Banerjee: That does not include Swedish subsidiary?

- B R Preetham:** No, no, no, it does not include Swedish subsidiary. This is only from exports from India. Product sales, I am talking about product sales.
- Basudeb Banerjee:** Yes.
- B R Preetham:** Because revenue includes other things, but this is purely on product sales, 27.5% of our revenue from product sales came from export from India, which stood at about Rs. 665 crores.
- Basudeb Banerjee:** And lastly, sir, any progress in terms of technical partnership or JV or tie up with any global player to get access to newer markets, newer products, newer customers as such?
- B R Preetham:** We are always looking at and working on these elements. As of now, there is nothing to declare. But definitely, we are looking at various opportunities that are available, especially in Aerospace segment for this kind of opportunity. So, company is actively keeping ourselves active in this space, but there is nothing that I can talk about as of now.
- Moderator:** The next question is from the line of Himanshu Singh from IDBI Capital. Please go ahead.
- Himanshu Singh:** Sir, we said that our growth in the EV segment was around 30%. This was the high-growth segment, which we were expecting for like going ahead. So, what kind of growth we can assume for FY '25 and '26 given we have lost a big customer in the segment. So, will there still be a very high-growing segment or like because we have grown at 30% compared to 52% in FY '24, so the growth has come down. Any comments on that?
- B R Preetham:** No. This was towards the third quarter itself, we had said that one of the OEMs, we have come out of 2-wheeler in the OEM business, largely, not fully, but then largely. We have also started commercial production into our North America and where we expect that there is a strong growth prospect, commercialization has happened. But having said that, as you are also aware that there have been some headwinds in the EV sectors, every customer is finding it difficult to deliver growth in numbers. But as far as we are concerned, we are looking at almost Rs. 100 crores of revenue to come out of this customer in this financial year, which should aid our growth into this segment. And also going forward, we are also working with them and other customers to add more components and also add a few more customers into this segment. So, while the industry, we have been talking about there could be a slowdown on adoption. But we want to keep working towards improving our participation in this. So, our focus has been on working on xEV and tech-agnostic components, which goes into xEV as well.
- Himanshu Singh:** Sir, and on the non-auto side, off-road segment. So, how is the growth expected this year? So, we have seen some moderation in growth in the 1st Quarter. So, what is the kind of growth we can expect for the full year?
- B R Preetham:** Praveen, do you want to take it? Praveen?
- Praveen Chauhan:** Himanshu, can you repeat your question, please?

- Himanshu Singh:** Sure, sir. So, I am talking about the offroad segment, we have seen some moderation in the growth profile. We have grown by around 15% this quarter. The full year growth last year was almost 66%, 67%. So, what is the kind of growth we can expect for the full year in this segment?
- Vikas Goel:** So, Himanshu, we had a major upscale in terms of our new components addition, new products production last year. And this year, mostly it will be execution or normal consolidation of that. There will be moderate growth. There are other programs which are currently in discussions with this customer, which will probably play out in the coming years. But this year, you may consider this will be a normal growth, not a substantial growth that we witnessed during last financial year.
- Himanshu Singh:** So, around 14%, 15% is what we can expect?
- Praveen Chauhan:** Yes, it may be in that range.
- Moderator:** Ladies and gentlemen, we will treat this as the last question. I now hand the conference over to Mr. Varun Baxi for closing comments.
- Varun Baxi:** Thank you, Neha. On behalf of Nirmal Bang Institutional Equities, I thank everyone for attending this call. I also thank management of Sansera Engineering for giving us the opportunity to host the call. Thank you so much, sir.
- B R Preetham:** Thank you, everyone. With this, we conclude the call. And if you have any further queries, please contact SGA, our Investor Relation advisor or directly, you can reach out to us, and we will do our best to answer your query. Thank you again for all of you to be having participated and having patience to listen to us. Thank you very much.
- Vikas Goel:** Thank you.
- Praveen Chauhan:** Thank you.
- Moderator:** Thank you. On behalf of Nirmal Bang Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.