



“Sandhar Technologies Limited  
Q1 FY2022 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2022 Earnings conference call of Sandhar Technologies Limited, hosted by Axis Capital Limited. 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 your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhil Kale from Axis Capital Limited. Thank you and over to you, Sir!

**Nikhil Kale:** Thank you, Rutuja. Good morning everyone and welcome to the results conference call of Sandhar Technologies. From the management team today we have with us Mr. Jayant Davar – Co-Chairman and Managing Director, Mr. Yashpal Jain – The CFO, Mr. Narendra Dogra and other members from the Finance Team. I will now hand over the call to Mr. Davar for his opening remarks post which we can have the Q&A. Over to you Sir!

**Jayant Davar:** Good morning everyone. Thanks for joining this meeting. As we sit today of course there are still concerns about where the COVID waves are going but thankfully when we compare ourselves to the Rest of the World, I do believe that India is in a position lag some states which seems to be on an improvement trend and I think many of you who sits in Maharashtra with new announcements it just seems that normalization is getting back to as close as it was at one point of time.

Coming back to Sandhar and our results so far, first was there is some good news and the good news is that quarter-on-quarter and I must qualify this with the fact that the last quarter we were closed for almost 40% of the time and we were operational 60% so, end of April to beginning of June we were kind of closed, so there were no operations; however, having said that we have registered a growth of about 217% over the quarter of last year where the industry on an overall basis has grown by 138%.

I think we have outperformed the industry per se if you look at our EBITDA numbers they are at 32.68% which is up 371%, cash profit is up 576% and of course there is cash EPS as well. So, overall keeping the fact that we could not operate for over 40% of the time we seem to have done well. We obviously also tested our breakeven and that was a good fundamental thing for us to actually judge in practical where we being profitable in this period of time as well. So that is where we are.

In terms of what our outlet looks like I believe that we are looking at growth of something like 30% for this year over last year in terms of revenue and of course much higher numbers in terms of EBITDA and profit after tax. We expect this growth of CAGR to continue not only for this particular year but with the readiness that we have and what we hear and see in the industries along with the orders that we procure, we do believe that a 30% CAGR growth is definitely achievable not only in this year but subsequent years as well over the next three years to four years.

So, I am going to leave it there and then take question-and-answers so that I can be specific about what everybody wants to know. Nikhil is that okay?

**Nikhil Kale:** Sure, we can.

**Jayant Davar:** We will take question-and-answers that will cover most of the stuff.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

**Abhishek Jain:** Good morning Sir and first of all congratulations for decent set of numbers in this tough time. Sir, my first question is little bit about the gross margin that have improved quarter-on-quarter basis despite higher RM cost environment. So, what is the reason for expansion of this gross margins and will these margin will be sustainable ahead?

**Jayant Davar:** Abhishek thank you for that question. I do believe that while you have all seen the rice in commodity prices throughout the system in terms of the actual affect that has come to us is less than Rs.1 Crores. We have been able to manage this in terms of bringing in a lot of frugality in design concepts in the way we have approached and the way we have bought and hedged our raw materials. We do believe that there will be a definite benefit as soon as these commodity prices start to slow down or reverse in the next quarters where we will get benefit which will be several times of what we have been impacted with even in this and therefore gross margins is definitely sustainable, but ever doable.

**Abhishek Jain:** So, within this quarter gross margin has improved to the 44%, so going ahead that like 44% to 49%?

**Jayant Davar:** I would expect that Abhishek to be like a benchmark for us now and obviously our efforts will be to improve that on a continuous basis with some of the measures that we have taken which should improve the overall scenario.

**Abhishek Jain:** So, in these conditions while we are looking at 200 BPS to 300 BPS expansions in the gross margin. What is your guidance for that EBITDA margin for the coming quarters?

**Jayant Davar:** Well, EBITDA margin if I compare it, if you remember we have got a company that was doing 9% - 9.5% of margins throughout. We do believe that the margins that we had in the last quarter not this quarter but the quarter before that and the one before that which were over where we had expanded by almost 200 basis points that is sustainable for us in the long run. So, our efforts will be to retain margins of somewhere between 11% and 12.5% in terms of EBITDA margins.

**Abhishek Jain:** Okay, despite hiccups aluminium dicarbon business also from the industry growth in this quarter. So, what are the key reasons for the outperformance?

- Jayant Davar:** Well, I am very happy to announce that the aluminium business has been growing and the margins there have been improving on account of you are aware that we work with aluminium in our overseas operations where we do extremely precision and high engineering level of componentry where the margins are definitely higher than our peers, we have been able to bring those technologies into India and based on that we have received new orders from TVS. We have received orders and we have started supplying, so that is a big thing that has happened this quarter and supplies to Honda Motorcycle have started in our aluminium domain and this is a business which is growing and we do have this to be at continual growth arena which has taken up from the investments that we have done in the past so, this will continue to grow.
- Abhishek Jain:** Okay, so this quarter despite flat revenues quarter-on-quarter in the subsidiaries margin has gone down by the 100 BPS. So, what is the reason? Is it because of the new plant in Romania, because what I am looking?
- Jayant Davar:** Are you talking about joint venture, or which one are you taking?
- Abhishek Jain:** I am talking about the subsidiaries in Barcelona?
- Jayant Davar:** In subsidiaries if you see our margin is actually gone up Abhishek. Our margin has actually gone up and we do believe that going forward this will be even growing further. Our EBITDA margin if you look at the scenario budgeted numbers are almost 70 basis points higher than what we have in the last year and there our EBITDA margins are over 13% now.
- Abhishek Jain:** Yes, that is 13% but last quarter it was 13.6% and Q3 FY2021 it was around 14.3%?
- Jayant Davar:** That is right. Again, in the overseas market because we are on mature commodity levels and commodity prices, and you know that commodity business with aluminium, there our costing happens with the customers once in six months. In India we have it once in three months there we have it once in six months, so the impact of that comes a little later. But if you look at it from a perspective of our operations our actual other costs are actually going down as a percentage of our operations. So, we will definitely get this lag, a lag sometimes in the overseas like I said even our payment terms there in many cases are 180 days. So, the payment cycle and the lag cycle is what is pulling it down at this point of time.
- Abhishek Jain:** Sir my last question is related with this cabin fabrication business which has been sharp degrowth in quarter-on-quarter basis despite that you have won a Southern business. So, how is the revenue guidance given you won the many new business last year?
- Jayant Davar:** You are talking about the fabrication business. What are saying there? Repeat your question again Abhishek, sorry?
- Abhishek Jain:** During this quarter revenue performance from cabin fabrication business was quite big but you have won many new business in this space so, just wanted to know how is the revenue guidance for FY2022 against FY2021?

- Jayant Davar:** We are looking at a growth of anywhere between 15% and 20% growth in the cabin fabrication business for the entire year and with an improvement of over a 100 basis points in terms of EBITDA margins.
- Abhishek Jain:** What is the current EBITDA margin in the cabin and fabrication?
- Jayant Davar:** In the cabin and fabrication last year we did a margin of 6.7%, we are looking at growing at by a 100 basis points to 150 basis points.
- Abhishek Jain:** Is there any other headroom for the margin expansion in this business with the benefit of the operating leverage.
- Jayant Davar:** Yes there is operating leverage coming in, there are orders that we have taken which we have shared with you those will become active right now. But what has happened is because of the first quarter taking away some of the sheen this again is the business where we will ideally want to operate levels of 10% and 11% EBITDA margins. We should go back that as soon as we have a stable year. But in this year definitely a 100 basis points to 130 basis points improvement over last year EBITDA margins is definitely on the card.
- Abhishek Jain:** Thanks Sir, I will come back in the question queue again. Thank you, Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Nikhil Kale from Axis Capital. Please go ahead.
- Nikhil Kale:** Sir, I had couple of questions, first was on the demand situation so, I think what we are seeing is PV demand has been relatively shrunk over whereas on the two-wheeler side there has been some weakness there. So, just wanted to get your view on this, what are you hearing from customers, how are they looking at over the near-term and maybe heading into the festive season, how about they thinking about the demand, what is the order on which?
- Jayant Davar:** The information that is kind of mix, Nikhil, while the orders now starting from the month of August onwards seem quite strong. Now, whether this is demand which has been facilitated on account of the festival season that is only a couple of months away and people want to build stocks but there is a mixed bag there. Let us look at the two-wheeler industry the exports are definitely in area which is of commendable rather this time. They seem to be going up and not only for one but typically for all except Enfield. I think exports for everybody has grown and will continue to grow. The order book that we have now for the next three months seems quite strong and we typically have our understanding only for the next three months. They seem kind of strong at this point of time whether it be the TVS or whether it be Bajaj or whether it be Hero or whether it be Honda. We now started considering Honda, because it is becoming one of our big customer players. Honda has grown we have seen by almost by 20%, some of the others have also grown both TVS, Bajaj, Enfield has been slow, Hero has been a little slow but Hero the activity that I see or the information that I get from the market today, the next three months look

kind of solid. Where cars are concerned or PVs concerned as you have put it they have been impacted by the semiconductor shortage and that is not abating as of now from the dealers again it is a mixed bag, you seen cars or some Toyota and Honda is not doing that well, but Maruti has started to pickup, Honda has started to pick up, Mahindra & Mahindra seem to be doing well. So, it is going to be a mix and match for us to be able to see how things are. Tractors seem to, while they have done well the projections that I see are a growth of something like 4% to 5% only in this year as compared to what was anticipated that one point of time. Overall, I think it is mixed bag obviously compared to last year there will be growth, but at one point the industry was talking about growth of close to 25% I think that number is abating to 15% - 16%. We on the other hand are quite confident like I said in the beginning of doing over 30% growth over last year.

**Nikhil Kale:** Thank you. Sir, in that 30% number, I think you also talked about a similar CAGR going forward. So, I think in the past you have talked about significant order wins if you could just help us better understanding if you can give some numbers around the same especially on HMSI what kind of orders you have won and what kind of revenues are you looking at over this year and next year?

**Jayant Davar:** Nikhil, thank you. Three areas that we opened up with Honda Motorcycle, one is the area of die-casting as I have spoken to earlier, this is significant business and I do see this business itself within the next one year to go up to the level of maybe Rs.100 Crores, so which is significant. We are looking at the same level of business with sheet metal again the orders that have been received only in the last week and we expect supplies to begin somewhere in the month of September. We are also very close to signing off with exports going up the design and quality of their higher end motorcycles need a different ball game in terms of their proprietary products which in our case are locks and so on and so forth so, we expect that business. Between these three businesses there will be significant businesses and add to our revenue I would expect Honda Motorcycle to be at least a 10% business overall.

**Nikhil Kale:** Over what timeframe Sir, in the next couple of years?

**Jayant Davar:** No, obviously we are taking off now there are some models which launch off only in the beginning of next calendar year. So, in the next year yes, that is the number that we will probably have in place in the next two years we will definitely have them at 10% of our revenue pie.

**Nikhil Kale:** Okay, great to hear that. Sir I think in the presentation also you have set of outlined what are the position of the products that you are doing for the EV OEMs. So, if you can maybe just talk about that what are the current products that you are supplying what OEMs you are working with and also discussions, I think you have highlighted over large. So, if you can just highlight the opportunities that you have in terms of kit value that you supply?

**Jayant Davar:** I have even in the last meeting I have said that we are very active with the EV industry and both for product lines that have been there for the previous generation of vehicles as well as the new

aspects which are now erupting. If you look at what we have done, we have done a revenue of close to Rs.12 Crores in this quarter for the EV industry obviously and then I have also mentioned that this is typically we worked only for 60% and 40% we were kind of closed down. So, it is easy for us to capitulate for the entire year, but if you were looking at what kind of componentry it is been done both from our Indian operations as well as from overseas operations. Supplies have already started to Ather, to Ampere, to Micelio or to Kabira, Electrix, TVS, for let us say ignition switching systems who can strike a latch system, mirrors, wheel assemblies, from our international scenarios we are supplying to Joyson and Autoliv and PRW which are seatbelt retractor components, wiper system components, electronic circuit housings and covers for Lear, for TRW, for Continental, for Bosch. So, this is something which is already active as we speak. Today, what we are looking now to do where we have received the orders already, but supplies have to begin and initiate these are for companies like Simple Strom Motors, NDS, BGauze, Graviton, Kusalva. Again, the battery locking systems, for mirror systems, door handles, latch systems, ignition systems and so on. We have signed these binding NDAs for detailed technical discussions which are happening with Okinawa, Polarity, Hero Electric, Ola, Ozotech. So, there is a lot of work that is going on and we do believe that electric vehicles as and when they shape up in taking up a substantial percentage of the markets we will be amongst the top players supplying to them. Going forward most of our joint ventures we are aware are doing a lot of work in electronification this is whether it is supply of relays or whether it is rear view cameras or ECUs or sensors, sharks fin antenna, feeder cables, these are to Honda, to Mahindra, to SML Isuzu, to Hyundai and again these continue with, even electronification is happening even for consumer demands so some portion has started going to a little non-auto stuffs and that is again building up as we speak.

**Nikhil Kale:**

Then it is lastly coming back to the revenue growth expectation that you talked about you should have 30% kind of a CAGR. Now, I think in the past year talked about that the capex will be limited to depreciation and that you have sufficient capacity in play to maybe achieve 40% incremental revenue. But given that we are looking at such strong numbers maybe over the next two year to three years do you feel that what kind of capex would you be looking at if you could just maybe talk about specifically?

**Jayant Davar:**

Nikhil, I will reiterate again the same thing that our depreciation is to the levels of about Rs.90 Crores to Rs.100 Crores and that is the capex limits that we have put on ourselves for spending. However, having said that there are two elements which may not get covered in this which are over and above this it could be either inorganic growth and an inorganic growth could come in terms of some acquisitions or something like that or it could be absolutely new product business which is a new project. For example, if a company were to approach us and say well this is a new kind of componentry, a new genre of path and this what we are helping you do with technology available from somewhere under a cc that is inorganic or let me say that is more Brownfield than anything else those kind of investments we have not taken into consideration at all. But again why we have not taken and what is the reason for doing that is those lead to a separate business to trail on its on which will get merged in the future, but for all the businesses that we have spoken about the business that we are looking to do, we are very clear that we do not want to

expand over the level of depreciation that we have during the year. And this 30% growth that we spoke about is not taking inorganic platforms into it.

**Nikhil Kale:** Okay, then that is completely of the existing products that you have?

**Jayant Davar:** That is right, it is existing product lines, I would not say existing products, I am not saying for example if HMSI has given me business which is aluminium casting there could be expansion in terms of machines or so on and so forth, but they fall within this ambit of the depreciation front.

**Nikhil Kale:** Okay, got it. Thank you.

**Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

**Abhishek Jain:** Sir, what is the reason for the underperformance of your core business, locking and the vision system in first quarter and what would be the key growth drivers for these businesses in next nine months?

**Jayant Davar:** Well, what you are talking about is the automotive vertical, which is the vertical, which is the one that supplies the auxiliary materials, right that is what you are saying?

**Abhishek Jain:** Yes.

**Jayant Davar:** So, if I can give you what our guidance's going forward, we see this year to grow like I said at about 28% odd. The revenue is a little taxed in the last quarter largely because some customers were operational, some customers were not operational. So, while we did close down for a period of entire May and some last portion of April and beginning portion of June even then some customers like I said operating in certain states were doing better, Tamil Nadu for example did much better than somebody who was in Maharashtra in terms of output. So, there is a little disconnect there and obviously because we supply to specific customers in some sense in arena. So, we can look at an overall picture like I spoke in the beginning saying that we have grown at 271% over a 138% of the industry, but this 271% is kind of imbalance because some customers have probably done much more compared to some of the others. So, in this particular case automotive which is suppliers largely to the customers which were in Maharashtra for example whether it is Tata Motors or some of the others did feel a larger pinch compared to some of the others in other states.

**Abhishek Jain:** Sir Honda Cars which is one of the key customer of Sandhar, so just wanted to know that how much the revenue and margin you have guided in for FY2022? Has that FY2021 that was the weak numbers because of sharp fall in the Honda Cars volume? What is the outlook for this year?

**Jayant Davar:** Well again, the way I look at it is that HSCI division business as we call it or which is Honda business will in terms of revenue we should grow at about 35% odd and the margins are going to



be probably a little lower because of the tanks that the models that they have in stake are not the models which we have higher margin businesses. So, I would expect this particular year to continue with low margins in that particular business and the effect of everything changing happens in the new models which launch in the year 2022 calendar which will effectively go in the financial year 2023. So, Honda will continue to be on abated business even in this year even with the increased level.

**Abhishek Jain:** My next question is related with our JVs their number of products which are in high demand or that is produced by the JVs, however the company is not able to scale this business in last couple of years. So, what is the plan to scale JVs business and turn it profitable and how much loss can you expect this year from these JVs?

**Jayant Davar:** See, the JVs have started to ramp up but they are like little babies right now and any impact of a slowdown does impact them more. So, that the last quarter obviously they were affected much more than a stable business. Going forward, I do believe that out of the total number of JVs, three JVs will turn profitable this year and some of them will be in stabilization. So, our losses will definitely be lower than that of last year; however in terms of the entire JV bandwidth it will continue to be in loss.

**Abhishek Jain:** So, last year the JV loss was around Rs.11.2 Crores, so how much is that this year?

**Jayant Davar:** This year we are looking at that number to be lower than that.

**Abhishek Jain:** So, it would be around low single digit or in a mid single digit?

**Jayant Davar:** I would say it would be high single digit.

**Abhishek Jain:** Okay, Sir and in your sheet metal business you have added Honda Motors, so just wanted to know that who are your key clients in sheet metal business and what is your opportunity size?

**Jayant Davar:** Well, we are looking at sheet metal business to expand quite rapidly. This was the business in terms of, so I am not calculating cabins and fabrications and other business. This business was around Rs.200 Crores for us but with new orders from Honda and with TVS we are targeting Rs.500 Crores, revenue in the next two years.

**Abhishek Jain:** Who are the key clients right now apart from the Honda?

**Jayant Davar:** Right now, is Hero. Hero is the majority customer in our two-wheeler sheet metal business. We do a little bit of Enfield but both TVS and Honda are the new customers.

**Abhishek Jain:** What would be the incremental revenue from these two players in FY2022?

**Jayant Davar:** FY2022 is we are now, see supplies will start to begin so you are aware there are PPAPs and there are pilot lot supplies and so on and so forth. So, the impact on a large basis will come only

in the last quarter of this year, but I would expect that the next full year we will get the entire benefit from both Honda as well as from TVS. In the mean-time Hero is going to go up, so Hero has given us some new orders as well. So, that business in itself should also grow.

**Abhishek Jain:** You have won many new businesses from the Hyundai in different segments, so can you throw some light on it?

**Jayant Davar:** Well, I can throw light on the perspective of where the growth is going to be, so we have a lot of joint ventures and we see that this particular year on a JV front most of our JV's will have significant improvement on the volumes that are being looked at and Hyundai is one of the largest beneficiaries or we have the largest beneficiaries from the Hyundai our joint venture supply model. We see that like I said in some cases our growth is likely to be in more than 100%, the science of the business is still small, so on an overall basis for the entire organisation JVs while they will grow by about three times or what four times or what it was last year, the overall by in the revenues of Sandhar consolidated or put together will still be comparatively smaller.

**Abhishek Jain:** Thanks.

**Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

**Shashank Kanodia:** Good morning Sir, In the presentation you mentioned that you are strongly looking for organic growth opportunities, so just wanted to understand have you already identified any target and what are the characteristics that we look for it because we have done this in a capital way in the past?

**Jayant Davar:** You are talking about organic, right?

**Shashank Kanodia:** Yes.

**Jayant Davar:** Yes, so we are at this point of time evaluating several opportunities, some of which could be called very close to closure but unfortunately in this call, I am not at liberty to talk about them. I am suffice to say that we have our war chest ready, the targets have been identified but in my experience of inorganic growth especially in terms of acquisitions till the date we really takeover the plant, there has been opportunities in the past to where we have actually signed off and the deal has not gone through, through its effectiveness, so suffice to say that yes we are ready, we are evaluating, these are exciting products and the reason why we do acquisitions or any other kind of inorganic activity is largely to increase our wallet share to either our existing customers, so there could be products that we do not make today but they add to our wallet share once they come into our wallet then we can spread them around in all the customers that we have, in some cases new products means we add customers that we do not have today in which case not only then we continue to supply them with the acquired companies components but also add our own product line to those customers, so either it is component acquisition or it is customer acquisition

or it is new technology acquisition, so these are the frontals and basis on which these inorganic steps are typically taken.

**Shashank Kanodia:** Right but then what is the expected payback period that you are expecting or threshold that you normally work well acquiring a particular company?

**Jayant Davar:** Well now I think you know we are mature in the way we are, and we are very specific that anything that we do makes to have an asset turn of 2.5 times or 3 times, we are clear that our return on equity and return on capital employed should be between 20% to 25%, so these are fundamental Bible rules that we follow whenever we are going in for something.

**Shashank Kanodia:** The quantum can be what, something like 25% of current quantum something to the excess of 500 odd Crores or any colour on that front?

**Jayant Davar:** Like I said in terms of we are evaluating multiple such opportunities depending on which and what suffice to say that the numbers that you have mentioned is in pipeline either as one opportunity or a combination of a few.

**Shashank Kanodia:** Secondly, you have a habit of outperforming the user industries, so last year we just did 3%, 4% whereas the industry was declining to double digit, so this quarter somehow our growth has been below par especially with whatever OEMs have done right?

**Jayant Davar:** That is not true. I started this meeting by giving you that the industry has grown by 138%. Our revenue has grown by 217%. So, that is a misconception. If you want, I can give you breakups. The two-wheelers have grown by 117%, we have grown by 188%. In commercial vehicles the market has grown by 243%, we have grown by 467%. In the construction business, they have grown by 106%, we have grown by 318%, it is only in the four-wheeler segment where the segment has grown by 290 and we have grown by 252 but in overall picture we are grown by 217% with the industry growth of 138%. I hope that answers your question.

**Shashank Kanodia:** Right. In the four-wheeler segment anything which is negative for us in terms of...?

**Jayant Davar:** No, it is not negative, let me just say like you said question that I answered a little while ago was with Honda, Honda has not managed to grow and that has probably the reason why it has been a slow mover amongst the other PV growths and we are attached to them, so that has obviously affected us a bit.

**Shashank Kanodia:** Right, so then you mentioned that you are supposed to grow 30% directly for the next three years, so then in 2023 we are targeting revenues of something that 3000 Crores and a PAT of it is around 200 odd Crores?

**Jayant Davar:** I have given you a number. It is easy for you to calculate unfortunately I cannot give you numbers directly, but I am giving you an outlook and we are very confident about 30% CAGR over the next few years.

**Shashank Kanodia:** One last thing, at what stage are we with Ola and what components are we talking with them and how confident are we to really get the orders?

**Jayant Davar:** Well, we are industry leaders, you are aware in the two-wheeler segment so there is not a two-wheeler that we do not supply today and going forward obviously these are any new player has to have a pitch stop with us, so what we are talking with Ola is obviously ignition systems, you are aware we are the largest lock player in the world and largest mirror player and the latch systems the USB charges some die casting components, these are what are being discussed right now.

**Shashank Kanodia:** Sure Sir. Thank you so much and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Amar Kant Gaur from PhillipCapital. Please go ahead.

**Amar Kant Gaur:** Jayant Sir, thanks for taking my question. Congratulations on good numbers. What I wanted to know was regarding the shark fin antenna business, so there are couple of developments there with Minda has formed a JV with Infac which is probably supplier for Minda in Korea, do you see that as a threat to our business with Hyundai in India and if you could just discuss the overall business opportunity in this segment and what is our market share and how are we going to improve on it? That is my first question.

**Jayant Davar:** Let me just explain this to you. Our joint venture partner is Winnercom and Winnercom is the largest supplier of shark fin antenna, of the Korean world and also is now events into the Japanese car market in a big way, so as we see it today, we are currently the sole suppliers to all the new marbles that have been introduced by Hyundai over the last six months and continue to be the only supplier who have been shortlisted for all products that both Kia and Hyundai are planning to launch in the next twelve months. So, in fact which is the company that you are talking about has been in India in the past but suffice to say when I say that we are confident that Winnercom is with Hyundai and Kia in a big way established, we are the one who jointly developed the technologies for all these new ones and have been very well accepted in all the other OEMs who are under finalization stages of design with us for their models, so we continue to be the thought leaders here and therefore there are two other players from Japan who are importing right now. We are probably the once who are locally supplying and our customers seem to be very happy. I cannot tell you more about what the competition is doing but I can only tell you that we have all the new models that are in the pipeline for launching of both Hyundai and Kia and are also now talking of exports out of India to some of the European OEMs.

**Amar Kant Gaur:** That is great to hear Sir. If I can just add a little bit to my previous question, could you please discuss the kind of penetration we have for shark fin antenna in India currently and how do you see the developing and if you can throw some light on their market share and how do you want to gain share in this particular segment?

- Jayant Davar:** Well, I may not have all the numbers because it is a radically changing scenario from having what used to be regular manual antenna to what were called pole antennas to what are now called shark fin antenna and even within shark fin antennas there are different kind if antennas, there are antennas that only give you FM, which is frequency modulation for your radio, there are some which are now carrying data and then there are one which are also induced towards what is called ADS or Automatic Driving System. Now, Winnercom which is our partner and a company Winnercom Sandhar is the world leader in supplying these kinds of antennas. So, we are working each OEM today is working on the next generation, so a lot of them are now moving away. You are aware that the antennas that were used previously, you would typically pull them out or press a button and the antenna will come out then you have these little pole antennas which were fitted to the top of your car roof and now the shark fin as the name suggest there in the name of the shark fin, so shark fin is the latest technology and it would be some period of time for the entire industry to move over to that platform, I see they are not too far away perhaps only a couple of years and in that we need to be a market leader in India and that is the way we are going forward and the speed actually of changeover is happening faster than what we are project, so when we evaluated our business plan for this year post this the quarter one of the areas that is actually grown in numbers to our expectation is the shark fin antennas, not only that the budget that we had even before these top over, the antenna business is the one who has outperformed even in the quarter, so let me give you our budget was 6 Crores, we have actually done 6.53 Crores in this quarter.
- Amar Kant Gaur:** Why I was asking that question is Sir, was to just get a hang of what is the total business opportunity that we can address?
- Jayant Davar:** Well, that is easy to calculate if India is going to produce 4 million vehicles and the average price of an antenna is let us say a Rs.1000 that gives you the sizeable business. But I also must tell you something that I have not there are RS antennas which are now being put into motorcycles and that is an added thing that we are latching on to as we speak.
- Amar Kant Gaur:** Okay that is great, Sir. I had one more question to that, could you share what kind of utilization are you expecting during this quarter based on the client orders that you already have or the orders that you have received for the next couple of months from your clients?
- Jayant Davar:** That is a very difficult question because you would appreciate and understand that we are into hundreds of products and with part numbers and the sparing and depending on the model in play, depending on the vehicle OEM in play these could vary. But suffice to say if I was to look at overall picture and give you a bandwidth probably at somewhere around the range of 70% capacity utilization can be seen.
- Amar Kant Gaur:** That is it from me, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Nikhil Kale from Axis Capital. Please go ahead.

**Nikhil Kale:** Sir, just one question from my side which is more from medium-term to longer-term perspective. If I look at some of our peers in the two-wheeler business who have flexibility, who have a dominant share in certain of the components, they have now kind of actively started to look at diversifying into PV segments obviously we are already doing it through the JVs where almost all of them are kind of focused on the PV side. But even in the main business I think we have proven capabilities or on the lock side wherever is there we have been suppliers to Honda or even aluminium die-casting which I think is kind of emerging as a very good opportunity on the PV side. So, how are you looking at it from the main business in terms of opportunity on the PV side or initially does pricing and the profitability would not make sense, how are you looking?

**Jayant Davar:** Nikhil honestly, I have said it in the past, we are very clear about one fundamental thing that we do not actively chase four-wheeler business or two-wheeler business or commercial vehicle business or construction business or tractor business or anything like that. So, for us if I make a commodity, let us say a die casting part it really does not matter to me whether that fits into a piston of a motorcycle or a car or here or there, it fits in the block for example, I am just giving you an example. So, a lot of it depends on opportunities, it is quite possible that with Honda Motorcycle now coming in our share of two-wheelers output of the revenue might grow. Tomorrow in case we get substantial business from a car OEM it may grow, you are absolutely correct in what you are saying that we have proven our capability. So, on one end we supply to Hero, to an Enfield on the other end we supply to a Mercedes Benz and to an Audi and some of the others that I am not allowed to name, but you know where I am going. So, we have proven ourselves, so depending on the range and of the product that is put to us on the table, you would always see these movements that will go up and down. So, I am not actively chasing saying that I am only going to go for a four-wheeler business where the new ESL electric start locks that are coming in they are of the highest category that India has ever produced and we would not only be exporting them, we would be making them for the Indian market for high end car, so people are aware that we do all of that and everybody is aware. It is just a question of what fits in when and where.

**Nikhil Kale:** Thank you.

**Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

**Abhishek Jain:** Sir, there are the few book-keeping questions. Sir, how is the product mix during this quarter in terms of the passenger vehicles, CVs and two-wheelers?

**Jayant Davar:** Well, two-wheelers as we said today is at 51%, four-wheelers is 29%, OHV and Tractors are 14% and others are at 6%.

**Abhishek Jain:** This is for the Q1?

- Jayant Davar:** Yes, this is for Q1. So, just like I said could be distorted. This may not be a stable thing because like I said some OEMs are closed, some not so depending on the areas but yes, definitely in any category our two-wheelers is typically more than 50% of our business the ranges are just the indication.
- Abhishek Jain:** Sir, what is the current gross and net debt of the company?
- Jayant Davar:** Well, I am going to call upon Mr. Jain to answer those specific questions?
- Yashpal Jain:** Currently, we are having a total gross debt of Rs.273 Crores at a consolidated level including our overseas operations.
- Abhishek Jain:** And net debt?
- Yashpal Jain:** Pardon?
- Abhishek Jain:** Net debt of the company?
- Yashpal Jain:** If you see the net debt of the company, at the gross debt that we are talking of, net remains the same. It is the borrowing expense is the same.
- Abhishek Jain:** Okay, just wanted to ask that how much cash in the balance sheet right now?
- Yashpal Jain:** We have generated positive cash flows in this quarter also, we have like if you say the cash profits there has been a cash profit of Rs.29 Crores in this quarter.
- Abhishek Jain:** Thanks Sir. That is all from my side.
- Jayant Davar:** Let me add to your question of debt, like Yashpal ji said, most of the debt is in the form of working capital for our overseas operations and this is because I spoke in the beginning that our payment terms there are 180 days. If you were to look at our debt their our debt is at 4% level is the cost of debt and a large part of the debt, in case you look at Indian operations and the working capital and whatever the number, Yashpal ji can you provide those numbers of long-term debt in India and short-term debt?
- Yashpal Jain:** So, in India we do not have any long-term debt, it is a working capital limits that we are enjoying it is Rs.81 Crores as of June 2021 and as far as overseas operations is concerned we are having a long-term debt of Rs.94 Crores in our Barcelona operations which takes care of our Romania expansion also. So, for term loans it is just Rs94 Crores out of Rs.273 Crores of debt, roughly you can say one-third, remaining is a working capital limit which keeps on fluctuating like in the month of March in India we were having a working capital limit of just Rs.43 Crores but since in quarter one due to current lockdown in many states some of the customer has rescheduled the deliveries due to which we have taken an inventory here I mean the inventory came into the stock. But which is already being liquidated in this current quarter so again our borrowing level

in India will be roughly around Rs.43 Crores to Rs.50 Crores in between that to working capital limit with no long-term loans unless there is a inorganic acquisition.

**Jayant Davar:** So, I hope that clears your question Abhishek?

**Abhishek Jain:** Yes, thanks for your detailing.

**Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Nikhil Kale, for closing comments.

**Nikhil Kale:** Thank you. On behalf of Axis Capital, I would like to thank the Sandhar management team and all the participants for joining the call today. Mr. Davar any closing comments from your side before we end the call.

**Jayant Davar:** Nikhil thanks you and thank Rutuja for putting this together. I am glad that we are able to give some clarifications on the questions that arrived. Suffice to say we are quite confident of this year and things going forward. Of course fingers crossed and may God bless everyone with good health and we do not get attacked by the third wave and fourth waves which cause havoc to life as well as to the economy. With that I would want to close and thank you once again for everything and of course thank my own team for being there in this meeting.

**Moderator:** Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.