



“Sandhar Technologies Limited  
Q4 FY2021 Results Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Sandhar Technologies Limited Q4 FY2021 Results Call 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 telephone. 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 Aman. Good morning everyone and welcome to the Q4 FY2021 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 – 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 Q&A. Over to you Sir!

**Jayant Davar:** Good morning everyone and I hope that everybody is safe and the families are safe. I know many of us had lost our loved ones and let me begin by conveying my sincere condolences to all and our families have the courage to bear the losses that we have all borne. We as a company have ended the year on a good note I would say on a regular run and we are hoping now that although there are current slow down with lockdowns these are only a bump in the road towards the recovery. Delhi, I understand is now limping back to normal. Mumbai as a city cases have gone down and things are getting back into being normalized to a certain extent across the many parts of the country which are still reeling under the shock but we all have our fingers crossed that things go by quickly.

In terms of Sandhar Technology I know several of you know the company, but for many who don't we are a company in the area of manufacture of auto components. We operate 41 plants, 43 actually if you look at the entities, manufacturing a wide array of auto components for the Indian market largely and we also have plants overseas in Spain, in Poland, in Mexico and now there is a new one that is coming up in Romania. So that is the introduction. I do not know Nikhil if a copy of the results have been passed on to everyone or do you want me or do you want Yashapl ji to give you an idea of Quarter 4 results first.

**Nikhil Kale:** I think everyone would have access to the results I think we can move on to question and answers.

**Jayant Davar:** Alright let us go to the question and answer.

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

**Abhishek Jain:** Thanks for taking my question and congrats on strong set of performance of quarter four. Sir in FY2021 we have seen significant improvement in margin from Barcelona subsidiary and in addition we have won several new orders including one of large orders from Romania, so just wanted to understand what is sort of the revenue and margin guided for the subsidiary next year?

**Jayant Davar:** Well thank you Abhishek for that question. I see that you started on the international subsidiaries sector which is perfectly alright. The margins you see when we bought over Barcelona in 2006 the margins were very very low and we continuously have them had go forward. This is the scalable business with us growing more relationship with the customer so if you look at this year the margins actually are now at a stage where they are higher than the Indian businesses, our Indian portion of the business going forward I think they will be maintained and improved as Romania comes into the picture and as the overall business there grows while you are aware that the United States or North America and Europe themselves are still not at their best levels, however with our strategy of wallet share increase that business is growing up and as the business grows up, the margins continue to be better and we do see that although there is a commodity increase that happened, it has not affected us or impacted us in any manner in fact if it was not for the lag the margins could have been even better but that's both in overseas operations as well as Indian.

**Abhishek Jain:** My second question is related with the cabin and fabrication business, you have shown a very strong growth around cabin and fabrication business where you have shown a strong growth of around 14% in FY2021 despite washout in first quarter and also won several new orders, but however margin has been always a challenging factor for this business so please throw some light on FY2022 margin and the new guidance for this business, how operating this will benefits margin?

**Jayant Davar:** So you know this is new business for us this is a business that we go into by acquiring a small company in Bengaluru in 2012. Since then we did another acquisition and this business then only started out the first year revenue was about 35 odd Crores. We have closed this year at about 288 Crores and what has happened is because while we did acquire and put money there were several new units that had to be set up so we put up a new unit in Jaipur, we put up a new unit in Chennai to feed the customers because the business as you seen in the last let us say eight years or nine years has grown almost 10 times. As we have grown we have also had investments growing so some of the capital expenditure in balance sheet and profit and loss account does spill over into the revenue expenditure and therefore you have seen the margins have been comparatively lower to what they were. However now that we stabilized the margins have started to go up and we do expect that in a couple of years we will be operating at probably the same level of margins that we have for the other business which is kind of stabilized at about 12 to 12.5%.

- Abhishek Jain:** What is the current capacity addition of this business?
- Jayant Davar:** While it is difficult for us to give you exactly, but in terms of large infrastructure I can easily say that another 40 to 45% business can be added on to the same platform it is an incremental capital expenditure.
- Abhishek Jain:** Sir in aluminum and die casting business your run rate is close to 125 Crores per quarter and we have seen a significant growth in last three quarters so just wanted to understand what is the current capacity utilization in aluminum die casting and how is the revenue mix in two-wheeler, four-wheeler and non-auto segment?
- Jayant Davar:** So let me talk about the aluminum business where the aluminum business is concerned this is a business that is growing very, very rapidly for us and this is a business where we believe that the growth for example if I was to give you this is again comparatively a new business with some new investments in the last two years. While our existing business were with let us say TVS Motor Company, Royal Enfield but from last year onwards new business has started to come in at a very, very high rate of growth. So if I was to give you examples this year we will be adding the new cylinder block, we will adding hubs and a large part of this is coming through a new customer which is Honda Motorcycle so we are aware that Honda Motorcycle was a small business for us now this is becoming a large scale business for us through aluminum, through sheet metal and as well as our automotive businesses. So as you go forward you will see that Hondo Motorcycles is one of the mainstays as we have in terms of Hero or TVS or Enfield. That's of course diverging from the topic, but continuously whether it is the frame, starter housing, brackets, we got businesses from Value, we got business from Denso, we have businesses from Continental. We have all new customers and we do expect that the rate of growth of this business is going to be much higher compared to probably the other businesses which are more mature. Does that answer your question or do you want more specific detail?
- Abhishek Jain:** Just one small query. I was trying to understand what is the current capacity utilization and what is the mix from this business in auto and non-auto side?
- Jayant Davar:** Most of it I would say is auto, non-auto is extremely small the customers that I have told you are all auto customers there are some customers for medical devices or whatever, but I would say more than 90% business is auto and will continue to be auto.
- Abhishek Jain:** How is the revenue mix in two-wheeler versus four-wheeler in aluminum die casting?
- Jayant Davar:** In aluminum die casting again it is following, if you look at how this has broken up I would say today almost 80% is two wheelers and 20% is four wheeler, I do not know how it will stand in a few years, but I think for the next year because the two-wheeler growth that is

coming in very, very quickly for us as an added wallet share I think that will stay the same or in fact even grow.

**Abhishek Jain:** Okay. Sir in four-wheeler segment the company's run rate growth is quite impressive and quarterly run rate was around 140 Crores so what are the key factors which are driving four-wheeler at most and what is the outlook and who are the key customers, which will provide an incremental revenue.

**Jayant Davar:** So if you look at it while four wheeler customers, four-wheeler for us is spread into two different categories. One is Sandhar Technologies Limited as an entity and one is a joint ventures. So as we look at it from a perspective most of our joint ventures only feed into the four-wheeler space so whether it is our AVN panels, whether it is our shark fin antennas, whether it is our sensor businesses, whether it is our sun visor businesses or DOT businesses they are all and completely four-wheeler kind of businesses, but if you look at our own entity, our own entity has been gradually growing into this particular area whether they be in the area of our locks which is growing, whether it be our mirrors which are growing, whether it is our sheet metal parts which are growing and like I said there are several new commodity items which have been added on to our platform which continue to grow. So four wheeler has been growing you are absolutely correct in our segment wise revenue 22% of our business came in from four wheeler last year I would expect this number to gradually, but incrementally keep growing as it goes forward. The margins here are also slightly better than the two-wheeler business and if you look at the rate of growth, if you are looking at a rate of growth let us say for next year anywhere between 30 to 40% or 35 or 40% depending on how COVID plays out then I would imagine that this growth will always be higher than the overall growth.

**Moderator:** Thank you. Next question is from the line of Aryn Pirani from CLSA. Please go ahead.

**Aryn Pirani:** Actually I have two part question, actually my question was actually on your working capital and cash flow so if I see you have given detailed disclosure on inventory holding, receivables, and creditor days. So it appears that the increase in creditor days has been more than receivables and inventory, but I think in your cash flow working capital is negative so just wanted to clarify first of all you know why is that happening?

**Jayant Davar:** So let me just pass this on to Mr. Yashpal Jain who is our CFO and he would be able to give you a much better analysis of this than I can with your permission Yashpalji.

**Yashpal Jain:** So basically we had to say we had a policy for cash flow from operation. As you can see that we have achieved the highest ever turnover in Q4 right so what has is when we were having highest ever turnover in Q4 we require more of a receivables from the company at the same company (**inaudible**) 16:29 basically if you work out the average yes there was a

slight decrease in the inflow of operating cash flow because in the month of March we had a good billing which is converted into cash in the subsequent March, April, May this is our payment schedule, because what I think when we started moving from January to March values and turnover takes place in January, as per the payment terms, the payment are realized in first week of April or May, so we have already received that. Certainly, we had little switch in our way of funding also as you can see that our borrowing cost have been drastically come down so we are just seeing the product mix instead of going for some of the I mean the large share of vendor discounting we have moved on to working capital limit which was quite cheap to us. So that has also given raise to the ratio in keeping holding days of the creditors.

**Amyr Pirani:** Understood and second question which is slightly more larger question which I think you have answered to some extent is that this year we have seen almost all OEMs across the board having a lot of working capital and obviously part of it has to come from either tier 1, tier 2, tier 3 suppliers because as a system not everybody can have a working capital limit so going forward do you think that could balance out a bit I mean you could have slightly better like in FY2020 who had a release in working capital maybe that was also because FY2020 was a bad year of revenue. How should we look at it going forward?

**Yashpal Jain:** Well like as far as our working capital limits are concerned we do all the process as I told like our primary focus is that it should for be cost effective we have timely availability of funds for our receivables and for our current asset also as well as to pay our current liabilities also. So based on our monthly requirement, weekly requirement, we are regularly having a watch over it and we are planning according to that so going forward it depends how the bankers and lenders will be responding to us what proportion will be giving us capital and we will be receiving in that manner. Largely OEMs we have ahead of time.

**Amyr Pirani:** Understood, great thanks.

**Moderator:** Thank you. Next question is from the line of Sreeram Ramdas from Green Portfolio. Please go ahead.

**Sreeram Ramdas:** Thank you for taking my question. So I have a couple of question regarding ADC, the aluminum die casting segment and these electric vehicles and the upcoming hybrid vehicles, they are going for economical vehicle so they are trying to replace steel with aluminum, zinc or magnesium so this 40% in run rate growth I think you just specified in case these new types of vehicles maybe from TATA Motors or Honda and you know they are being used for having the battery so do you see any demand from this side and do you think we can produce ADC items which can be utilized for these types of vehicles.

**Jayant Davar:**

Thank you for the question you mentioned ADC segment growth and you mentioned EV growth. ADC of course is aluminum die casting of course is light weight products compared to let us say steel and compared to zinc, however there are certain areas where it is now moved even from aluminum to magnesium so you would be happy to know and I think this group will be happy to know that we were amongst first ones to move into magnesium two years ago and that portfolio is building, in fact this year we have also broken into the two-wheeler market with Enfield being our first customer for several items of magnesium that will roll out from our plants on to their platforms. So that's point one.

Point two is were EVs and other power train makers are concerned that will be hydrogen or whatever you would be happy to know that Sandhar has been a supplier to almost everyone who has been producing these vehicles in the country, plan to produce it in the future on a small scale, large scale or even in a established form. You may also be aware that we have been supplying this through our international operation probably the best known people around the world. So that's point one. Even in India all motor cycle like I said are all vehicles that are being produced carry our parts. While you do not directly do power train parts but all the other parts that we do or let us say all the parts that we do which so far as the power train is concerned we will continue in the same commitment and manner as they have for the main OEMs. So if you were name all the EV players that exist today or coming up in the next few months or years we are already supplying to them so that should kind of suffice you from that perspective. However, from a company's perspective is this a large play we like I said are already in that to our fullest extent. However in terms of significance of these revenues we still are at a stage where we believe that even by the end of this decade which is by 2030 almost 80% of the vehicles in India will continue to be IC engines, two or three may be. One is that the efficiency, the efficacy, the pollution norms within the IC vehicles have improved and continued to improve so that is point one. Point two is the 20% which will go into alternate power train they may not all be EV like I said there could be electric vehicles which could constitute half of that portion or there could be hydrogen fuels or several other fuels that are being discussed as we speak today. So as a company I am happy to say we are fully entrenched in this but for the company this alternate power train will still be a small part of the revenue so let us say what we manufacture today is almost 98% or 99% meant for IC vehicles this growing to 20:30 that number will change according to the Indian scenario. The Indian scenario is 80:20 at that point of time we will possibly be 80:20 as well. Does that answer your question?

**Sreeram Ramdas:**

Yes absolutely that was quite elaborate. Thank you for that. Like you said so your transitioning as it comes whenever real transition happens in the market you will transition the company accordingly towards ICV.

**Jayant Davar:** Well our transition happens very, it is an evolution that happens automatically you see all the parts that we manufacture go in to electric vehicles, go into IC vehicles go into every kind of vehicles right because we do not make any engine parts. So to that end, yes, but one thing that is going to add to our kitty that we have gotten in a big way to auto electronics and in some of the alternate fuel vehicles, the electronics portion is higher so to that end our joint ventures will definitely benefit as we go forward in terms of battery management system and so on and so forth.

**Sreeram Ramdas:** You mentioned emission control components, so about that it is part of the assembly segment right?

**Jayant Davar:** What did I say, I said we don't make any engine parts, we don't make any...

**Sreeram Ramdas:** Emission control I mean the emission control that we develop for let us say Hero Motorcorp in 2020.

**Jayant Davar:** Yes there are evaporators and stuff, so those are something which are generic which will continue to grow at this point of time like I said. We think we will start stabilizing probably five to seven years from now where they will stabilize, but my overarching opinion at this point of time is even by 2030 the volume of vehicles from the Indian sector 80% still be IC and you have to remember that between today and 2030 the number of vehicles will almost be three times so if the number of vehicles are going to be three times and there is only 20% which will be alternate power trains, the number of IC engines continue to grow.

**Sreeram Ramdas:** Okay that was the main questions I had I will come back in the queue if I have more. Thank you very much.

**Moderator:** Thank you. Next question is from the line of Nikhil Kale from Axis Capital. Please go ahead.

**Nikhil Kale:** My question was more on the one side and what we are hearing from the OEMs. So obviously May will be kind of a washout with many of the OEMs kind of shutting down the facilities, but like recently Hero has announced they are starting all their plants so for the coming couple of quarters what are the OEMs talking about in terms of production schedules.

**Jayant Davar:** Well Nikhil there are two aspects to this one is bullishness that the OEMs are talking about they are saying that May has been shut and April was not working throughout the likelihood of big demand is going to spillover and it will come into effect as soon these lockdowns are over. Some people are saying that there is a reiteration of the fact that would the second wave have been made people more insecure the run on individually owned vehicles is



largely going to grow. There is another train of thought which is that in the rural areas now this COVID has spread and therefore the economy there could suffer and therefore demand could be lower. So there is a piece that needs to be balanced as to what the scenario is. As a company we believe that of course we have been washout in some respect but even so it is still much better than what it was in last May when we were absolutely zero. Today let us say we are working at about 40% capacity or our output will be about 40% compared to what it was in the last year and this quarter will probably run at about 50% or 55% of last quarter but last quarter if you actually come down to numbers then the last quarter we had almost 40 Crores of losses so this year in terms of financials if I were to link it up to our financial, we obviously will have a much better scenario that negative thing that comes up in the first quarter takes a period of time for it to be brought back to zero which will not be the case, however as an industry if you ask me the OEMs that you ask me it is a mixed batch some of them are very bullish on it, in fact most of them are bullish on it but there is cautious optimism is the word that I will use and that is the indication that we are getting. On one hand we are developing new parts at a speed that we have never done before and other hand in terms of volumes and how this deliveries will pan out we will have to wait and see. Nikhil I do not have a clear answer to this honestly because we are getting mixed signals as well.

**Nikhil Kale:** Great and then secondly on the JV performance obviously I mean the revenues have grown kind of the JVs ramping up if you could just give us some more color how is the performance shaping up at some of the larger JVs Jinyoung, Amkin, and Winnercom.

**Jayant Davar:** So you are aware that most of our JVs have a large dependence on Hyundai and KIA Motors and Hyundai and KIA Motors continue to grow and even at these periods they have not gone in for major lockdowns as some of the others are. So this particular year we expect that the joint venture revenues which of course is not a part of what you see in our results will almost kind of be triple of what it was in the year that we closed. The year we had closed we had losses and those losses of course come in to our main balance sheet and profit and loss. So we are hopeful that this particular year we will be able to stem those losses to a very, very minimal level compared to what we had. Last year also we had thought that the losses would be lower but the first quarter especially in the context of new plants and new joint ventures could not take that closure for three months, these were not matured businesses but this year we are very hopeful the plants that we have for the joint ventures like I said top our revenue of almost three times and losses going down to minimum. So whether it is Jinyoung, whether it is Amkin, whether it is Whetron, whether it is Kwangsung all our joint ventures are on the moving up.

**Nikhil Kale:** On the Amkin side I think we have achieved approval from all the OEMs but what is the status of the aftermarket I think we are expanding our distribution network there?

**Jayant Davar:** Yes we are expanding but at one point of time it was decided by us which is a couple of months ago that because the aftermarket with different lockdowns that are happening it is unfortunate that when you want to grow your aftermarket the availability of your dealer networks and so on and so forth need a lot of engagement with us. Like I said unfortunately that is kind of slow in this current lockdown period and so on and so forth different states closing at different times, Covid spreading though and the risk and debate on how that is. In the meantime what has happened is that we are probably the only ones who have approval from every OEM in the country, we are the only ones who have approval from Europe and US. So based on that our exports are kicking off, our OEMs businesses are growing by the month and we should be at breakeven very, very soon. So this year we are not looking at any losses coming out from the Amkin business and it is ramping up very, very quickly so today we will be happy to know most of this would that are rejection rate or are quality performance year is at a level of 00 with every OEMs. You can imagine that OEM quality levels are at 00, our products are extremely robust in every possible way and if we were to total up as to how the OEMs are doing these businesses in themselves are going to large enough for us to be able to move into the area of profit.

**Nikhil Kale:** This is lastly on the inorganic part I think few days back you have also had kind of put out a press release talking about considering the acquisition of a company called Winnnercom so if you could just throw some more light on the product profile, customer profile of this company.

**Jayant Davar:** This is a part of what you see, most of the inorganic stuff that we do is done at the basis of customer. In this particular case this was done at basis of Honda Motorcycle who wanted us to get in there. So we walked into that company, we ran it for about 20 days, unfortunately for Honda and unfortunately for us the company as it was disclosed later had liability much higher than what had been given on paper in the beginning so it became clear for us that taking this would become a liability going forward we did of course talk to them and say that we will only buy assets which has not gone through. In the meantime the good news is that Honda decided to give us that business pick up tooling from there and pass on the business to us for our new Hosur plant which is how it has happened so we will in fact get that business and perhaps more than that business without spending any acquisition cost so it will add to our top line and bottom lines with marginal investment compared to the total amount investment that would have gone in to buy that entire infrastructure and asset.

**Nikhil Kale:** This would be aluminum die casting.

**Jayant Davar:** Yes aluminum die casting.

**Nikhil Kale:** Thank you.

- Moderator:** Thank you. We take the next question from the line of Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** Thanks sir providing opportunity again. Sir as we know that company has a very strong side of business in TVS and Hero for locking system but presence in scooter segment low so have you won any new orders from the OEMs.
- Jayant Davar:** Abhishek I am very happy to announce I do not know where you got this news this is probably a year-and-a-half ago at this point of time in the areas that we operate in we are the largest supplier into the scooter market whether it is locks, whether it is mirror, whether it is whatever for the scooter we are the largest player from being 0 at one point of time where we did not supply the scooters and only the motor cycles now we do to everyone all the new models are with us.
- Abhishek Jain:** Great Sir. Can you provide some incremental revenue opportunity from these new orders for FY2022?
- Jayant Davar:** I could have broken it up. I do not have a breakup here with me but whether it is for the scooter segment I could of course provide it you Abhishek subsequently in terms of which item for example let us say the new Jupiter is coming out, new Kingston is coming out all of these have our locks, our mirrors, our sheet metal parts, Hero use in some instances, not only are we present now in all these scooter segments, but our wallet share there is growing as well. In the addition of new parts that are coming in so I do not have that number with me right now in terms of breakup as to locks for scooter at how much and what the total thing is, I have an overall conceptual numbers here but we will be able to provide it, if you get back to me or contact me I will be very happy to send it you.
- Abhishek Jain:** Okay Sir, what is the reason for fast growth in the sheet metal business. In sheet metal business we have seen a very strong numbers in Q3 and Q4 both so what is the reason for the fast growth in the sheet metal business and what is the revenue mix for the sheet metal, four-wheeler, two-wheeler and CV?
- Jayant Davar:** Sheet metal business last year see when other sheet metal businesses for example even to some extent there is a lot of sheet metal business which is done by cabin and fabrication business, besides cabin we also do that, but we remove that aside if I have to only for what is supplied to manufacture for the two wheeler and four wheelers or two wheelers and three wheelers it was 232 Crores last year what has happened is this last year I have seen a lot of opportunity come to us in terms of new orders which have come in as a replacement for many companies in auto motor supply segment in different kind of stress. Whether it is Hero that has given us new businesses the swing arms for example have to come to us on a 40% basis which will be effective this year. You would see a very very fast growth in the

sheet metal business, the same has happened with TVS, the same is happening with Royal Enfield and the same is going to happen with Hondo Motorcycle. So this element is going to grow much, much faster than what we would have grown from an evolutionary incremental front. Like I said you know even in the business plan that we have named for that this current year, we are running on this current year we have not taken any incremental increase in the market of two wheelers that we do not know only astrologers can tell us what is going to happen there is a lot of buzz for us as a company the incremental wallet share growth will make certain that whether the industry grows or not grow we will continue to grow.

**Moderator:** Thank you. Next question is from the line of Basudeb Banerjee from Ambit Capital. Please go ahead.

**Basudeb Banerjee:** Thanks Sir. Just wanted to understand a few things. Can you highlight which are the e-scooter manufacturers whom you have already tied up in order to supply down the line with pricing scale area, e-two wheeler manufacturers.

**Jayant Davar:** EV?

**Basudeb Banerjee:** Yes, two wheeler EVs sir.

**Jayant Davar:** All of them whether it is an Ather which is, I mean you name any one we are doing, I do not think there is anyone we are not doing.

**Basudeb Banerjee:** Including the ones like Ola electric or Okinawa?

**Jayant Davar:** Yes everyone.

**Basudeb Banerjee:** From that perspective just wanted to understand the perceptual thing so for example today if high speed e two wheeler price is somewhere around on an average 1,20,000 ballpark one can assume price of battery within that will be roughly 50000 to 60000 somewhere around that 50000 roughly?

**Jayant Davar:** Well you see the kilowatt our rates for battery at one of point of time we were looking to go down much faster than they have so it is a kind of stabilized today. So if a battery today, if you have a battery which is 6 kilowatt and the cost of that is let us say \$200 or \$250 per kilowatt that gives you the number and you need at least 6 kilowatts to be able to have a sustainable vehicle which is fast enough, I am not talking of commuting but I am talking if you were to bring in the spirit of whether it is motorcycle or whether it is scooter that is what you require so to that end that is the break point so that works out to something around 60000 to 70000 rupees. For other scooters the kilowatt per hour utilization at a level of 2

kilowatt, 2.5 to 3 which then makes it anywhere around \$500, it typically gets you a scooter which is got at in the range of about 70000 to 80000 rupees and if you take it at 6 kilowatt per hour which then makes something like \$1200 which is 85000 rupees or 90000 rupees the value of that vehicle will go up to 135, 140, 150 so in terms of motor cycle comparison anything which is going to raise up to that motor cycle agenda will not be less than a 130000 to 150000 rupees.

**Basudeb Banerjee:** So which can only come down through localization if at all down the line?

**Jayant Davar:** Well you see battery prices are prices which are not about localization from an Indian concept I am talking about international pricing. So the international pricing at the same time the commodity prices for these battery elements is going up whether it is lithium or whether it is cobalt you know all of these special commodities are limited to certain countries so you have China which will come up with cobalt, you have Australia which will come up with lithium, all these because there is so much of demand for batteries that is happening around the world that the prices of these are now stabilized to a certain front and from now there is commodity play and if commodity prices go up these prices are likely to rise. So in India as well unless and until people starts seeing the benefits of electric vehicles compared to the price that we have to pay for that, it will be sometime before it becomes a standard thing or people get used to those prices.

**Basudeb Banerjee:** Sir what I was trying to understand Sir like if I look at the overall prices being anywhere between 80000 to 130000 and the key prices being 40000 to 60000 so is more of value addition from Sandhar per unit at current juncture at this product.

**Jayant Davar:** So for us whether it is an IC vehicle or whether it is an EV vehicle, our contribution or wallet share for the parts that we supply to these vehicles at this point remains the same. So if I was let us say to a typical TVS motor cycle we supply anywhere from a minimum of 25000 rupees worth to 100005 worth of materials that goes into any motor cycle right it could be any range depending on what parts were used from us.

**Basudeb Banerjee:** So you are seeing how the 10000 rupees agnostic of the power play.

**Jayant Davar:** Its agnostic of the power play, absolutely well said.

**Basudeb Banerjee:** Sure Sir, that is what whereas coming from the few players are saying that their supply for vehicle for e two wheelers can be as high as 40000 so with scaling up of price?

**Jayant Davar:** No I do not know where are you are hearing that unless it has to do directly with the battery or an element of a battery with battery management system so if that not be the case I feel

no individual supplier who will supply 30000 rupees of vehicle parts because that's not even the value addition that you OEM gets.

**Basudeb Banerjee:** Understood. Thanks sir.

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

**Amar Kant Gaur:** Thanks for taking my question Sir. My question is on the outlook for cabin and fabrication business, how is the demand you see and how is it holding up?

**Jayant Davar:** Well honestly personally I am very bullish on this business, extremely, extremely bullish on this business and you would be happy to know we probably are the most diversified player in this field in the country and we thought we had almost everyone this particular year we also have the additions of Hyundai which we used to manufacture cabins for example from a Korean supplier based in their plant which has been outsourced to us same with Sunny, same with Cooper, same with so all these guys have now given the orders to us, so according to me this will continue to be very, very fast growing business for us not only from a perspective of acquisition of more customers but also from the growth in the construction sector in the country whether it is the government spend and you are aware that last year the points that were thrown by the government said they have to create more employment and to create flexibility and economic growth in the country this was one area which was a low hanging fruit. So a lot of new projects had been announced, there were lot of pending payments from the government several in the construction sector those have been now released and therefore you see a lot of enthusiasm in this market. Of course there has also been a change in the emission norms for these vehicles say from the 1<sup>st</sup> April I understand that the now the norms had changed from Europe 4 or Euro 5 or something to that extent of Euro 3 to Euro 4 and therefore there might be some resistance, but having said that this is unstoppable area so this according to me is an elephant walking it could walk slow, but you cannot stop. We are very, very bullish on this business.

**Amar Kant Gaur:** Thanks Sir. Followup on that is could you please quantify if you could the kind of order book that you had and what kind of capex would you expect in this particular business in FY2022.

**Jayant Davar:** Well we closed last year at 288 Crores of business this was higher than the previous year although it was done in a period of 8 months not even 9 months right compared to a full working year we had before, we were closed from April till July and we started operations only in August so we lost our four months and yet we had almost a 12 to 13% growth. This particular year although our expectations are the new business that we got in terms of pure orders are about 50 Crores and of course there is a growth in the industry having said that of

course there are lockdown so we will have to review the scenario, but suffice to say that irrespective of what it is, it is going to be significantly higher than what we had closed at. So the way we are looking at it like I said from previous year to this year there are two ways to calculate, one of course is temperate business which means that we do not know where this is going so we did some calculations on a pessimistic side, we believe that the business could be about 35% higher. If you were to go by a comparative chart and say well you know we did 645 Crores of consolidated sales in the last quarter you multiply that by 4 which will take you to 2600 which is more than 40% add to it the growth and the new business, the new business we have got for this year are in the region of about 280 to 300 Crores of confirmed orders, you could add that and then discount it, but like I say the important thing right now is for us to get clarity on how COVID is going to play out, what portion of this particular quarter is going to be affected and is there going to be a third wave or fourth wave or whatever is being said so those are answered, if you want to remove those answers then the way we are positioned today, the way we have the orders in hand whether it be in the fabrication business or whether it is in the business of aluminum or whether it is the advantage that we got on account of higher prices when the Indian market moved from Euro 4 to Euro 6 those advantages will continue to grow and that is the reason why we believe now we are at a more mature level of our EBTIDA or margin which are now at over 12.5%.

**Amar Kant Gaur:** Thanks Sir that's very helpful. The other question I have is on Honda cars, so their volumes domestically also even globally they have been pretty disappointing over the last year any signs that you are getting from them about any prospective new launches or how their India business is progressing now?

**Jayant Davar:** Well obviously I will not be able to give you details of their launches because it is confidential information that they will keep to themselves, suffice to say for me at this point of time is that they had plans to do close to about so last year they did about 80 or something odd thousand vehicles and this year they are initial plan was to do 135000 vehicles which has been moderated down to 116000 vehicles is the information that I have which would mean that the revenue of this will be that much higher. For us again because we have taken wallet share and added some new parts to it, the business for Honda cars for us will go up by over 40% to 45%

**Amar Kant Gaur:** Okay, thanks and all the best.

**oderator:** Thank you. Ladies and gentlemen, that will be last question for today, I now 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.

**Jayant Davar:** I just want to close by wishing you all a happy year especially where the circumstances are. I pray to God to keep you and your family safe and if we are safe and vaccinated then I think the only way for us is to be healthy not only in a health but also in the economy where the likely the spillover on to each one of their business and prosperity. So that's all I have to say. Thank you Nikhil and thank you Axis for organizing this to us.

**Nikhil Kale:** Thank you Sir. Thank you everyone.

**Moderator:** Thank you very much. Ladies and gentlemen on behalf of Axis Capital Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.