Sundram Fasteners Limited

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November 10, 2023

National Stock Exchange of India Limited By NEAPS
Symbol - SUNDRMFAST
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block, Bandra-Kurla Complex
Bandra (East), Mumbai - 400 051

BSE Limited By Listing Centre
Scrip Code - 500403
Phi Roze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015-Transcript of Analysts/Investors Meet held on November 8, 2023

Further to our letter dated November 8, 2023 on the subject, please find attached the transcript of the Analysts / Investors meet held on **November 8, 2023 (Wednesday)** for your information and records.

The transcript is also available on the Company's website at https://www.sundram.com/recentupdate.php

Please take the above information on record.

Thanking you,

Yours truly,
For SUNDRAM FASTENERS LIMITED

GOPALAKRISHNAN ANAND BABU

Digitally signed by GOPALAKRISHNAN ANAND BABU
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G Anand Babu
Senior Manager – Finance & Company Secretary

“Sundram Fasteners Limited
Q2 FY2024 Earnings Conference Call”

November 08, 2023

ANALYST: **MR. MUKESH SARAF – AVENDUS SPARK**

MANAGEMENT: **MR. R. DILIP KUMAR – CHIEF FINANCIAL OFFICER – SUNDRAM FASTENERS LIMITED**
MR. C. RAJAGOPALAN– EXECUTIVE VICE PRESIDENT MARKETING - SUNDRAM FASTENERS LIMITED
MR. R GANESH – SENIOR GENERAL MANAGER FINANCE - SUNDRAM FASTENERS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Sundram Fasteners Q2 FY2024 Earnings Conference Call hosted by Avendus Spark. This conference call may contain forward-looking statements about the companies which are based on beliefs, opinions and expectations of the company as on the date of this call. The statements are not 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mukesh Saraf from Avendus Spark. Thank you and over to you Sir!

Mukesh Saraf: Thank you Yusuf. Good morning Mukesh Saraf here from Avendus Spark. I appreciate everybody logging in. I am pleased to be hosting Sundram Fasteners on the call today. The company is represented Mr. R Dilip Kumar – CFO, Mr. C Rajagopalan – Executive Vice President Marketing and Mr. R Ganesh – SGM Finance. We will start with very brief opening remarks from Mr. Dilip and then follow it up with the Q&A. Over to you Sir!

R Dilip Kumar: Good morning. Welcome all to the post results conference call. Just by way of protocol if there are any media personnel or journalists if you want to quote me after this conference call please do check with me before putting out any statement in the media because the context in which I may say some of these things will be very different as compared to how it appears in the media thank you.

Now first and foremost happy to announce that we have recorded consolidated revenues of 1,421 Crores at a net profit of 133 Crores for the Q2. We have also declared a dividend of 268%. If I come to the standalone financials for Q2 the revenue from operations was at 1,234 Crores as against 1,218 Crores during the same period last year. The domestic sales for the quarter was at 861 Crores compared to 802 Crores and we have had 7% growth in the domestic coming from both OEM segment as well as aftermarket. We have grown in line with the industry in most of the segments be it commercial vehicles or passenger vehicles or two wheelers engine segment. The tractor segment has underperformed due to unseasonal rains and uneven distribution of rains, so our sales have got affected to that extent in the tractor segment, barring that we have recorded about 7% growth. If I look at export sales for the quarter we have recorded 337 Crores compared to 377 Crores for the corresponding period and exports have moderated and we all know the reasons due to the ongoing strike though they have reached a settlement things are improving but the demand had got affected and also some of the schedules for our products with our key customers they were facing demand challenges in the market so our exports have got affected both in

Q1 and Q2, but having said that as always the Q3 outlook looks better and Q4 looks even quite strong so I am quite optimistic about the coming quarters as far as exports are concerned. Rupee has been fairly stable compared to last year moved from Rs.81 to about 83 it has been hovering around this level, so unlike last year where the rupee depreciated sharply from Rs.75 to 81 in the first half we have not had the benefit of that in this quarter and the gross margins have improved and thanks to raw material prices softened. I expect the gross margins to remain at this level or even improve in the coming quarters because steel prices have softened both internationally and domestically and there have been favorable market settlements between OEMs and steel mills and we expect that trend to continue. Coming to other variable cost elements all of them have been stable including the freight costs, our subcontracting stores, tools, etc. The power costs have marginally gone up and as you know in Tamil Nadu the maximum demand charges get revised on annual basis every year so that is how it would be in the coming years as well so once a year it is reset. So contribution for us has improved from about 24.6% to about 25.5% almost 1% improvement in contribution. Our fixed costs have largely remained stable, the employee cost being the largest component and all other elements of fixed costs have remained fairly stable and thanks to some of the strong performance of our subsidiaries. This has also had impact in some of our fixed costs indirectly.

The EBITDA for the quarter has increased from 193 Crores to 205 Crores with almost 1% increase in EBITDA margins from 15.6% to 16.5%. The finance cost for the quarter and after taking into account exchange differences was 3.9 Crores compared to 4.3 Crores for the corresponding period. I am happy to report that the company has a strong balance sheet and debt-to-equity ratio is at 0.11 historically high. The PBT for the quarter came at 158 Crores as against 149 Crores and the net profit at 118 Crores compared to 111 Crores. The consolidated financials for the quarter like I said earlier was 1421 Crores as against 1401 Crores for the quarter and the net profit was at 133 compared to 116.

Now if I look at the half year standalone the revenue from operations was at 2,450 Crores compared to 2,427 Crores with profit after tax at 230 Crores compared to 241 Crores during the previous period and as sales improved in Q3 and Q4 we hope to improve that number and surpass last year’s profit after tax. The consolidated financials for half year was at 2,832 Crores as against 2,811 Crores with profit after tax at 262 Crores compared to 250 Crores. Like I mentioned two of our overseas subsidiaries both Chinese subsidiary and UK subsidiary have done very well for us and is reflecting in the sales numbers as well as in the overall profits of the subsidiaries. Now like I said the RM prices are stable and we expect EBITDA to improve going forward and the freight prices have dropped substantially compared to last year. The power has only increased marginally. The fixed costs are under control and our depreciation charge is in line with our capital expenditure and we are set to incur about 300 to 350 Crores this year. The major EV project which we had announced is on stream is going well. The expansion of our facilities for this production is happening on stream and we are incurring expenditure and the wind energy piece where we had done a Brownfield expansion is on course and we expect additional revenues to come in from Q4 and we are also incurring other additional expenditure for expansion of two-piece nuts and for export customers so we expect the margin expansion to happen in the coming quarters but as of this year I do not see any significant change in our product mix. It is likely to continue as in last year but going forward we will see from segment perspective more of export revenues and more of non-auto such as wind energy accounting for major portion of our revenues. Coming quarters we are quite optimistic especially Q4 and with this I will close my opening remarks. We are happy to take the questions.

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

Dhaval Shah: Good morning Sir. Sir couple of questions from my side, Sir first thing on the wind project side the Brownfield expansion in the last concall you mentioned that by Q3 we should start seeing the revenues flowing in is there some delay because you just mentioned about Q4 for the starting of the project that is one and the second question is for the current reported quarter revenue we were expecting a bit better revenue compared to what we reported and you mentioned you have grown in line with the industry in PV, CV but could you quantify because overall PV, CV industry has grown better than the growth rate of our topline so some clarity on there and yes these are my two questions and then I will have a third one after this?

R Dilip Kumar: So as far as wind energy is concerned the expansion is on course and we had mentioned Q3 and the optimum utilization of the capacity, the full revenue we expect that will happen in Q4 but in Q3 onwards we will see incremental revenues flowing into our P&L and the benefit of the expansion we will see in Q4 so that was just to clarify that was the position. As far as the growth in the industry and your expectation and of how the industry has performed in line with that how we have performed. I will request our marketing head, Mr. Rajagopalan to take that question.

C Rajagopalan: Good morning to you all and as Mr. Dilip said the domestic industry has grown like each segment of the industry has grown in a different manner like commercial vehicle, passenger vehicle and then the engines, non-auto and the tractor while all the other segments have grown in the range of 7, 8% there is almost stagnant or small degrowth in the tractor segment for reasons what Mr. Dilip has already mentioned, so the weighted average of the industry or the pack we call is somewhere around 5 to 6% and we are well ahead of that is what comes out from whatever the results we have achieved but then the inventory corrections also have taken place in some portion of the key customers because they have overstocked and that correction plus some kind of a very what you call moderate growth what has happened was not exactly like it was not in line with what we expected but nevertheless we have crossed that and the bottomline is now the well stocked situation among the dealers of either the commercial vehicle and passenger vehicle is getting depleted considerably both now and the upcoming festival times and we hope the Q3 and definitely Q4 is going to be giving us a better kind of outlook compared to what was Q1 and Q2 so the whole year definitely we are looking at marching past ahead of the industry, this is what I would like to say as far as the domestic industry is concerned and I think the question is for the domestic or if it is for export.

Dhaval Shah: Export front how are the inventory levels at your customer end and what sort of outlook would you like to share in terms of growth for next two quarters?

C Rajagopalan: In the case of international business there was a big kind of container shortage and then the container cost shot over the roof in the last year as you all know then that has eased out considerably and as Mr. Dilip mentioned the freight cost also have come down this is one good news and the other coin of this particular thing is that the overseas customers there are two segments of overseas customers one is OEM other one is the supply chain aggregators what supply chain management companies so they kind of were little cautious and then maybe they were ordering more than what they need because of the container shortage now that has eased out now the container availability is there but then they overbought I would say the supply chain management companies who eventually give it to the original OEMs so they are going through this inventory correction and then the good news is that inventory correction is also kind of I would say happened more or less and then the second half it will again get back to the normalcy. As far as the OEM is concerned as Mr. Dilip said of course semiconductor shortage we are not fully out of it but then the OEMs have figured out the ways and means to overcome the shortage but then this unfortunate strike happened which has put the kind of thing sentiments backward and the production has dropped considerably even on daily basis so these things also now with the settlement happening now we are looking at Q3 and Q4. Definitely Q4 we are looking at things to get back on the rails in the international market as well.

R Dilip Kumar: One third of our revenues come from exports there the markets had underperformed so that is where the growth had not come on overall basis.

Dhaval Shah: We did 340 Crores export this quarter so you mean we should be at least growing 10% plus quarter-on-quarter over next two quarters given all the negatives are behind?

R Dilip Kumar: Yes that is the broad expectation at this point of time if not in Q3 definitely in Q4.

Dhaval Shah: Sir coming on the on the wind side can we expect around 30-40 Crores incremental revenue in the third quarter?

R Dilip Kumar: If not I think that number we can see in Q4 but definitely around 15-20 Crores of additional revenue is coming in Q3.

Dhaval Shah: Got it. Thank you Sir. I will come back in the queue.

Moderator: Thank you. Next question is from the line of Ankit Merchant from SBI Life please proceed.

Ankit Merchant: Yes hello thank you for the opportunity so just carrying the questions more from the domestic sales perspective so tractor as per you would have degrown by almost 2 to 5% and for the industry it has grown by almost 5 to 6% so is it in line with the industry and for the full year how much growth can we or degrowth can we expect in this segment?

C Rajagopalan: Tractor segment would remain flat at the last year level is what the expectation is or marginally could be 1%, 2% more if things favorable for the industry, so tractor had a very dream growth in the last two, three years all of you know so now I think it is kind of stabilizing around 1 million around that level so this year is going to be flat is what we currently feel.

Ankit Merchant: Sure Sir and on the aftermarket front can you give us some colour how did the aftermarket perform in Q2?

C Rajagopalan: The entire distributor and the dealer community kind of the inventory correction is happening like what I mentioned in the exports so that is also now I would say is easing out a bit and of course the festival time what happens is sometimes the aftermarket remains a bit dull because the focus is on the other festivities and things like that but then now with all the festivals coming over in November I am sure next four months will put us back on track and whatever sluggishness was there in the past few months and then some cyclone, flood and Manipur issues, so I think it is all getting either sorted out or it is getting reconciled and getting back to their rhythm of buying and selling so I am sure the next five months are going to be making us get things back on track.

Ankit Merchant: Sure Sir and another question was related to the wind segment so some of our peers have highlighted that wind as a segment is seeing some issues or headwinds so are we also facing similar issues or our order book strength continues to be there just trying to get more colour on this segment as such?

C Rajagopalan: I think I would be repeating the same thing like one of our major customers is also having a major inventory correction happening this year but of course it does not mean that it has dried up but there is some kind of the order inflow, the surge what we expected is not happening but it does not mean that the industry is going through a problem but industry is probably correcting the inventory which is good for the customers as well as for us as well to keep the line lean and mean and looking forward of course the calendar year 2024 the wind customers major customers are projecting quite bullish. Their order books both domestic customer as well as the international customer very, very healthy order book is there so their projections are extremely good for calendar year 2024 and as Mr. Dilip said our expansion plans are also going to give revenues in a significant manner so these two things are going to help the company look wind industry in a very, very optimistic and positive manner.

Ankit Merchant: Sure Sir and on the export front so we had a guidance of around 180 to 190 million so will we continue to maintain that guidance or are we revising it downwards now?

R Dilip Kumar: We will be revising it down Sir so we were hoping in fact to be much on higher side almost $200 so right now taking into account the sluggish nature of performance of Q1 and Q2 and somewhat outlook improving in Q3 and Q4 we may not be at those levels but maybe about 10% lower.

Ankit Merchant: Sure Sir and just one last question related to EV so have we seen any further order or order wins in the current quarter and also if you could highlight when are the EV orders starting in FY2025 what are the guidelines as such?

R Dilip Kumar: As far as EV is concerned there are three parts to it the business development efforts are underway and we may close certain bids in the coming quarters and as far as the project is concerned it is on stream like I said in my opening remarks and the commercial production is related to start in H2 of next financial year.

Ankit Merchant: On the order wins our order book is still at nearly about 4,000 Crores?

R Dilip Kumar: Yes that has not changed.

Ankit Merchant: Sure okay Sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Prolin from Goldfish Capital. Please go ahead.

Prolin: So a couple of questions if I look at your standalone as well as consolidated numbers from June 2022 quarter onwards our topline has been in the range of 1,400 Crores or thereabout

1,415 Crores for around six quarters now same is the case for standalone numbers as well where our topline has been in the range of 1,200 odd Crores and if I go back further right in some sense Sundram Fasteners started as a fastener company and then they moved to other segments as well so we have been constantly adding lots of new products to our kitty right and I am talking about the core business for the time being let us exclude the wind and EV out of this discussion so is it fair that we should be comparing our growth to the industry growth and is there not a scope to significantly grow ahead of industry because of kind of products that we have been adding to our traditional customer base right so how should one look at this topline number both in standalone as well as consolidated basis for the next six quarters given this context right it has been quite flat to be very honest?

R Dilip Kumar: You are right about your observation and if I take you back to one year even earlier let us say FY2021 we came out of pandemic and prior to that we were at 4000 Crores then all companies had a big fall in the next couple of years so from there we have caught up and moved to about 5000 Crores last year and I think from our perspective that is very high base so growing at 20% or 15% on top of that year-on-year would be a challenge so we have to be realistic from that perspective, but having said that if industry grows significantly I am talking about the automobile industry, the OEMs we have explained this in one-to-one chats also if that performance is 10 or 12% you would definitely be much higher than that and if the two wheeler industry where the growth is happening very well or strongly our presence is limited in the two wheeler segment so we have to see the growth X after moving the performance of two wheelers but in the context of the consolidated performance two of our overseas subsidiaries both UK and China have activated themselves very well. In UK for instance the demand for trucks is at all time high, replacement trucks and also the last mile connectivity requirements because people are doing more online shopping and also the replacement demand so all of that is driving the truck business and our UK subsidy is performing well and we expect this momentum to continue not only in terms of turnover also in terms of profitability and profits on all three parameters it will do well. In China the construction segment has been hampered, things have slowed up but I think the automobile sector is reasonably doing well in fact even electric vehicles within that segment so our foundry which we had set up a few years back is reaching a good degree of capacity utilization and feeding into our machining division so we are seeing good growth and we are also well capacitized in China for at least next two years. There might not be significant capital expenditure so we are quite positive about both the performance of overseas subsidies growing at a much higher rate, so as far as the domestic which I already explained to you the contingent upon the performance of the industry.

Prolin: Sure Sir can I just double click on that it will be contingent on the performance of the industry so does it mean that the product that we have and with the customers we are well penetrated and beyond that point to increase our market share in that customer or to add some new products with the same customer is going to be difficult is my conclusion right on that part?.

R Dilip Kumar: No that would not be correct I would request CR to answer that question.

C Rajagopalan: See we have a very, very clear scientific approach. We have our own methodology of analyzing so what we try to do is like we always look at the pockets where our presence is not very strong. We are almost the single source or the large supplier to many customers and we also find certain pockets where there is a scope to improve, there is a headroom so those kind of areas we work and we had special capacity in that particular area like what Mr. Dilip said in his opening remark two piece nuts, assembly wheel nuts so where we find that there is an opportunity to grow so the improving market share like what you mentioned exactly we are working on that, we are adding capacities though those products are already available we are supplying let us say X we try to make 1.5x or 2x kind of a thing that would aid us into exceeding the customer growth projections and also we are constantly working with localization efforts of the various customers and the government's recent notification on quality control order has also kind of made the OEMs look at localizing some of the parts which are currently being imported to do localization though the localization was always being pursued by us that acceleration is happening on the ground. I am sure all these things would help us to improve the content like vehicle. We gauge ourselves like in every segment what is the content per vehicle kind of thing, so the content per vehicle will definitely improve because of our looking at areas where the nook and corner where we can increase the share of business and also the localization efforts but of course the localization takes its own bit of time in terms of validation and all that, with keeping that in mind once we start the process eventually it will result in what you said and what you are looking at in terms of improving the gap between our growth and the customer growth, our growth being on the top.

Prolin: Sure Sir is it fair to then assume that this whole six quarter of 1200 Crores kind of a range in domestic business there let us say the delta of our growth versus industry growth was maybe 1.2, 1.3 in the next six quarters because of the things that you have mentioned right localization, some of the new products that you are adding and your focus on content per vehicle is it fair to assume that industry growth plus 1.4, 1.5 that kind of a number the delta is it fair to assume that kind of a growth for the next six quarters in the domestic business without adding anything from wind and the EV part?

R Dilip Kumar: That would be a fair estimate.

C Rajagopalan: Without putting any numerals the more the merrier we are working on that.

Prolin: Because you understand my point for a company with a stature of Sundram to have a stagnant topline for the last six quarters is something which is very difficult for us to digest given we have been talking about lots of this new products that we have been adding and our focus already on content per vehicle so let us hope that performance improves and on the exports part Sir you mentioned that maybe you would not do $200 million that will be cut by 10% so somewhere close to $180 million is what you are targeting but I would have thought that what might happen is that because of those strike now that it has been ending a lot of orders will bunch up in Q3-Q4 and the year might not be lost but why is that not the case?

R Dilip Kumar: Just to answer your question again on domestic going back to that question it would not be fair to say we have not grown I just want to set that right. What we are saying is that the growth has happened compared to FY2021 to FY2022, FY2023. Now if you see last six quarters as in your own example the growth has happened in FY2023 compared to FY2022. Now if you see the first two quarters there again the domestic growth of our retail and our OE business has grown by 7% it is not that growth is not happened it has not been let us say 14% or 15% but it is in line with industry. Now going to exports we had said initially our business plan was $200 million or even slightly higher but the unexpected issues of US potential recession, high interest rates, many things and some of our customers not doing well or the products in which we were participating the models were not moving, so therefore the schedules were cancelled, so many things have happened there which were beyond control, but having said that we are not dependent on single customer or a product so efforts are underway and I think these two quarters we have kind of moderated in export performance but you will see much improved in outcome in Q3 and Q4.

Prolin: Sure so at least our run rate will reach to that 200 number is that a fair point?

R Dilip Kumar: I think that run rate should come to that level in Q4 probably.

Prolin: Alright and one last question from my end you mentioned that there are a lot of EV pipeline orders that you are working with so if I understand correctly right now your EV order book stands at somewhere close to $488 million and this will start at the end of FY2025 or early FY2026 and when we look at this pipeline is it fair to assume that maybe over two to three period this pipeline can double in terms of order book?

R Dilip Kumar: Just to clarify this the revenue should start kicking in from H2 of next financial year and in terms of 2x of the current levels yes there are immense possibilities it is quite possible yes.

Prolin: DilipJi thanks a lot and I will come back in the queue if I have more questions. All the best.

Moderator: Thank you. Next question is from the line of Mythili Balakrishnan from Alchemy. Please go ahead.

Mythili Balakrishnan: Thank you for taking my questions. Sorry to belabor the point but just to get an understanding of what you said when you talked about production growth of 5 to 6% for the industry and we are growing at 7% are you also factoring in any pass through which happens of raw material prices which have certainly deflated over this past year?

R Dilip Kumar: Yes and no because these things we are under the contractual obligations to pass it back to customers definitely with respect to domestic OEMs but there are no pass through arrangements as far as remaining one third of our business which is our export business and in the aftermarket price correction happens prospectively so it also happens with a lag so therefore my answer is yes and no.

Mythili Balakrishnan: Got it but if I look at the domestic production which you mentioned was 5 to 6% growth and our domestic sales which has grown 7% does that 7% have an element of deflation without which it would have been actually perhaps a 9, 10% is that the right way to read it?

R Dilip Kumar: No I do not think so. I think the benefit of lower RM is yet to be passed in the sense the settlements will get reached between steel mills and OEMs once that needs to be given effect it will happen. You may see some of that happening in Q3 or Q4 but it has not happened so far in Q1 or Q2.

Mythili Balakrishnan: Got it. Also wanted to check with you on the exports because I think there are now numerous data points floating around your target for say this year is it closer to $160 million or $180 million post this 10% cut?

R Dilip Kumar: It will be somewhere between that 160 to 180. At this point of time we are optimistic and if you would ask me this question about three weeks back I would have said probably 160 but today I am optimistic it will be somewhere between 160 to 180.

Mythili Balakrishnan: Got it. Also I just wanted to check with you on the EV order book and pipeline while there has been some talk about GM and Ford slowing down on their EV investment and wanted to get a sense from you is that the reason why this order book is not increasing further or are you seeing some pull back from the customers per se?

R Dilip Kumar: No, the EV and the market news about slowing down of GM and Ford they are not linked in our performance.

Mythili Balakrishnan: Could you sort of elaborate on that a little bit?

R Dilip Kumar: The GM business is where we are experiencing slowdown is not related to our EV products.

Mythili Balakrishnan: Some other EV products?

R Dilip Kumar: Yes some other.

Mythili Balakrishnan: Got it and on this EV order book would you be able to also help us understand if there are multiple customers here one or two customers this is a very concentrated kind of an order book?

R Dilip Kumar: Couple of customers at this point of time.

Mythili Balakrishnan: Got it and in terms of the capex just wanted to get a sense of you are spending 300 to 350 Crores this year right on consolidated basis?

R Dilip Kumar: This is on standalone and we do not expect that number to change significantly maybe another 20-25 Crores on consolidated basis.

Mythili Balakrishnan: Got it and this would be a similar number which we should expect for next couple of years?

R Dilip Kumar: Yes correct. We said we would spend about 1000 Cores for a three year period FY2023 to FY2025 so we are pretty much on target.

Mythili Balakrishnan: Correct but if I look at the Sri City type of a capex which has happened which was also substantial we have really not seen that ramping up so far I just wanted to get a sense of what is the status of that and that customer and like obviously we have had some delays but do you see that sort of changing over a period of time?

R Dilip Kumar: I am happy to inform you that ramping up has already started this year and things are going well at this point of time.

Mythili Balakrishnan: It is the same customer?

R Dilip Kumar: It is the same customer.

Mythili Balakrishnan: Same customer ramping up and if you could help us with usual data points of the mix between CV, PV etc.,?

R Ganesh: With respect to the domestic market our passenger car portfolio is about 40% and between CV, LCV and engines it would constitute about 35 to 40%, tractors we are in between 10 to 12% and two wheeler sub 5% that is the broad domestic market industry performance.

Mythili Balakrishnan: Got it and how much is OEM versus aftermarket for us?

R Ganesh: In terms of domestic because of the lower export sales we are average at about 70% and I think in that OEM would be somewhere between 58 to 60% and aftermarket 10 to 12%.

Mythili Balakrishnan: Got it and if you could also help us with the non-auto part of how much is it of sales right now?

R Ganesh: See non-auto in today's context we are at say 30% and with respect to auto we are at 70% while our aspiration is to be looking at 50% over a period of time in the non-auto segment.

Mythili Balakrishnan: Got it. See we were exploring some new segments in the non-auto piece, if you could sort of just help us understand are there pieces where you are seeing success in terms of adding new customers or getting RFPs etc.,?

R Ganesh: No with respect to non-auto our participation in the wind energy segment and our push on the industrial aftermarket and pursuing business in the tractor segment that efforts are on and we are seeing favorable results there.

Mythili Balakrishnan: There is no plan to go on the defence/aerospace kind of projects?

R Ganesh: With respect to aerospace we are already there and we do close to about 3 million where we are pushing with the customer, there unlike auto it is a long haul where we need to work with the customer already we are in the process of getting fair amount of approvals and recently we have got NADCAP certification for one of our process so that should set in lot of visibility for Sundram in the aerospace business.

Mythili Balakrishnan: Got it. That is all from my side. Thank you very much.

Moderator: Thank you. Next question is from the line of Jay Kale from Elara Capital, please proceed.

Jay Kale: Thanks for taking my question. Sir first question is regarding the opportunity of import substitution few years back we had a lot of benefit of import substitution especially in the passenger vehicle space and orders how are we placed going forward in the next two to three years is that largely played out or you have more scope of that playing out in the next couple of years?

C Rajagopalan: The localization as I said in my previous answer to some question it was kind of not happening in a big way but now the customers have started looking at localization seriously from many angles which is helping them on their cost down which is also in line with the government's Atmanirbhar kind of a push is happening indirectly with this QCO order and all that, but it also makes sense with the geopolitical situation for every customer to buy locally so all these things have really started helping the OEMs to look at the localization which has started and in fact good thing is some of the critical items also they have started localizing like earlier it used to be most of non-critical items but they have also started so-called critical items in the basket in the kitty of localization that is going to be helping us in terms of improving the topline as well as the contribution margin, so it is going to happen in the next two to three years it would be quite exciting as far as the localization is concerned, it takes such kind of a time to as I said to develop so many skews and then ramp up and ramp up, ramp down happening and all that.

Jay Kale: Is it more to do with your existing products gaining more share from the imports or it is also helping you in adding new products in somewhat related items?

C Rajagopalan: Actually it is not the same item. All the localizations are add-ons so there are going to be new items into the basket so far customers who are getting it as KDs and whatever they call it.

Jay Kale: Understood and second question in your fasteners portfolio could you share how much of your fasteners in a vehicle for example in terms of fasteners is it 30% going to engine and if yes then what is the BIW and chassis component of fasteners if you can throw some light is it as big as 20-30% or how should one look at the non-engine fasteners split?

C Rajagopalan: I think you have almost hit the bull's-eye like I would say when you say engine if I say power train which is engine and the transmission, engine and transmission will be close to maybe engine alone will be 30-35% and power train will be around 45% like that and then chassis items and BIW put together. I think the 50:50 you can take it in terms of volume and value.

Jay Kale: Just to understand correctly so 50% power train which includes engine and transmission and balance 50% BIW, chassis and the other segments is that correct?

C Rajagopalan: Yes you are right then when I say transmission if you include the wheel end kind of situation it will be around 50-55% and then the chassis parts again when you get into chassis part the portion could be lesser in the LCVs, it would be more in the heavy commercial vehicle and multi axle vehicles it depends upon the variants and the model whether it is light commercial whether it is medium commercial, whether it is heavy commercial it varies. In the heavy commercial the chassis portion could be slightly higher.

Jay Kale: Understood and this would be similar to exports also because in exports passenger vehicles it would be largely similar to exports as well as domestic this contribution?

C Rajagopalan: Whether it is domestic or export the percentage is what I talked about would remain the same almost, maybe in the case of exports the value portion of the power train could be slightly higher, I would say again getting into little more technicalities those are higher grade alloy material, the chassis portion could be slightly lower grade alloy material.

Jay Kale: Understood. Within your exports how should one think about how fasteners, warm forging, cold forging, etc., if I see your blended revenues probably fasteners is around 30-35% of your revenues would that be similar if I look just at your export revenues or fasteners would be a little lower of your export revenues?

R Dilip Kumar: Fastener portion of the exports is not as high as 30% probably around 15%.

Jay Kale: Understood great. Thanks and all the best.

Moderator: Thank you. Next question is from the line of Mr. Mukesh Saraf please proceed.

Mukesh Saraf: So just before closing the call I just had a couple of questions. Firstly on the EV products I think we started with the differential gears and now the newer orders that we have won are more for the shafts so just trying to understand how is the product pipeline going to shape up over the next two, three years because I think in some of the earlier conversations you had mentioned that you want to finally build more and more products for the eAxle so if you could just highlight how is the product pipeline going to shape up over the next two three years for these EV specific products?

R Ganesh: With respect to this EV as you mentioned we have started off with bevel gears and pins we already supply radiator caps, we also make fasteners with respect to the power train components we have already started manufacturing various kinds of shafts which go into your eAxle and E drives and with respect to our other technologies in terms of powder metallurgy we have already started supplying some of the components like bushes which go into the EV application, we are working on the electric water and oil pump so that way in terms of all the technologies where we are present we are working on the EV side.

R Dilip Kumar: One more point Mr. Mukesh is that we may also not want to grow only the export business of EV segment alone ours would be a growth which would be all around which would focus on all our segments, for instance we are focusing on two-piece nut for our fasteners, we will grow our rocker arm assemblies and machined parts in our Autolec division or our powder metal parts or hard forging vertical, so I think even in the advanced countries it is not that they are all going to go and buy only electric vehicles, so we would not want to put all eggs in one basket, so our growth be it domestic or export will be all around in all our segments.

Mukesh Saraf: Sure understood. Sir I was also trying to just figure out new components but yes I think I understood that. Secondly Sir any update you could give on the PLI scheme what are your conversations with the ministry now looking like when can we start getting some benefits of that?

R Dilip Kumar: Like I said the PLI scheme we will not do any accrual accounting from accounting perspective but our products are still in the testing stage and we hope to give you some news in the coming quarters.

Mukesh Saraf: But the percentage will remain the same like you had mentioned between 8 to 12% so expected?

R Dilip Kumar: All our targets in terms of whatever they have set out in the PLI scheme be it the revenues or the investments we are well ahead and also the domestic value addition which is one of the key criteria is way above the requirement so we are quite confident but yes it has to pass through the testing agency.

Mukesh Saraf: Right got that and just the last question on your subsidiary business if I look at the subsidiaries together while your margins have improved revenue is still kind of flat Y-O-Y so how is the outlook for your subsidiary businesses Sir if you could just highlight a few top ones your Chinese one, the UK one and maybe Upasana how is the business there?

R Ganesh: See with respect to UK we see a strong pull from the customer and it shows the truck segment so we see good growth with respect to the UK facility. As regards to China while predominantly we serve the construction segment there because of the China's economy as well as the down in the real estate segment it is expected to pick up during the next year. With respect to the foundry and the machining division where we are operating we are seeing a strong pull from the CV and PV segment so that should help grow the business both in China as well as UK.

R Dilip Kumar: Mukesh we are quite confident of Chinese subsidies business in 2024. We expect significant growth in next 12 months, Q3 and Q4 of this year. I am quite sanguine about the outlook for Chinese subsidy and it will not only grow well but I think it is going to be highly profitable as well given the lot of work done in the area of raw materials we have done lot of improvements there in terms of alternate sourcing, alternate materials, etc. The prices also have fallen and our higher utilization of our foundry has helped to bring down the RMC significantly so you will see not only good growth but also profitable growth.

Mukesh Saraf: Great Sir that is good to hear Sir. I think we are more or less done Sir with the call maybe if you could give some closing remarks and then we can end it there.

R Dilip Kumar: The first two quarters we have already discussed the performance and the H1 and like we have discussed in the call we are quite confident of the performance in Q3 with the export sector especially outlook improving and after the monsoon we also expect the retail to do well, so on all three fronts, our three major segments OE, retail, and exports we are quite positive about the coming quarters and also with the wind energy segment getting boost up with all the additions we have made, the capital additions we have made in Q4, additional business coming in we expect to finish Q3 and Q4 strongly.

Mukesh Saraf: Great Sir. Thanks for the opportunity Sir.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to the management for closing comments. On behalf of Avendus Spark that concludes this conference. Thank you for joining us. You may not disconnect your lines.