



“Sundram Fasteners Q3 FY-26 Earnings Conference Call”

January 29, 2026



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



Moderator: Ladies and gentlemen, good day and welcome to Sundaram Fasteners Q3 FY26 Earnings Conference Call.

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 this 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, Shubham. Good morning, everyone. Mukesh Saraf here from Avendus Spark. I appreciate everybody logging into this 3Q FY26 Earnings Call of Sundaram Fasteners.

From the Management Team, I am pleased to host Mr. R. Dilip Kumar – Chief Financial Officer, Mr. S. Bharathan – Executive Vice President (Marketing), and Mr. R. Ganesh – Vice President (Finance and Projects).

I now hand over the call to Mr. Dilip Kumar for his opening remarks, post which we will begin the Q&A. Over to you, sir.

R. Dilip Kumar: Thank you, Mukesh. Good morning to all. Welcome to a discussion on the 9-month and Q3 Results of Sundaram Fasteners.

So, we have had a reasonably good quarter. The domestic performance has been very strong. We have registered 18% growth in the domestic segment in both our OE and aftermarket business put together.

The exports have moderated a bit as expected because of the tariff pressures.

The overall revenue for the quarter has come in at Rs. 1,359 crores and the raw material costs have been stable and our gross margins are up compared to the earlier quarters. But after adjusting for inventory movements, it's slightly lower. But at the RMC stage, the gross margin is about 60%. We have had a reasonably good control over both variable costs and fixed costs. The only element which as expected is the tariff and the full brunt of the tariff has started impacting and some of our products are at 25%, some of them are 50% depending on the iron and steel content and that has had an impact at the contribution stage. Our fixed costs have remained stable, have been consistent across the quarters.

The borrowings have come down because of better working capital management, lower inventory, relatively lower inventory and the depreciation impact has slightly come down because of lesser capitalization. You may have noticed that like all companies which have



provided for the labour code impact, we have also taken an exceptional hit of Rs. 11 crores and the profit before tax, before the exceptional item was Rs. 174 crores compared to Rs. 186 crores the previous quarter. The difference of Rs. 8 to 12 crores, which primarily arises out of tariffs and after adjusting for the one-time impact, we have reported Rs. 162 crores of PBT and after tax, Rs. 122 crores compared to Rs. 120 crores in the comparable quarter. But like I said, while it appears to be a flat number, but one should see it in the context of PBT before exceptional item where the growth has been from Rs. 153 crores in corresponding quarter to Rs. 173 crores.

The 9-month number somewhat mirrors the quarterly performance with strong domestic performance and moderating exports. Our contribution has been better for the 9-month period, about almost 1% higher than for the quarter and the EBITDA is at 17.3% for the 9-month period. Directionally, in the earlier calls, we discussed whether we would touch 18% but I think we are on that way, that journey and after adjusting for exceptional item and the taxes, we have reported a Rs. 401 crores profit after tax for the 9-month period compared to Rs. 382 crores. These are some of the highlights of our performance and we are happy to take any questions which you may have.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. The first question comes from the line of Varun Arora from Emkay Global Financial Services. Please go ahead.

Varun Arora:

Good morning, sir. Congratulations for your numbers on the domestic front. That's pretty solid numbers. Sir, on the export front, I wanted to understand, with the tariff-related issues and the demand, what is our strategy now to work on the exports because we are now seeing exports as a percent of revenue coming to 23%. I think one time we were at a good 30%-33%. So, I just wanted the management's understanding on how it will try to mitigate this environment.

Management:

On the exports front, as you rightly said, North America is in a bit of a strain now. And even the indications going forward are that there will be a gradual quarter-over-quarter improvement. But that said, from our perspective, we are trying to also expand and de-risk the portfolio. And we are in touch and working with a lot of customers in Europe, like Poland, Romania, Sweden. We have got good RFQs and we are working. Some are in the final stages of conclusion; some are early yet. And even with the existing customers, we are trying to expand and work on areas like UK, where there would not be much of a demand contraction on account of the tariffs. So, this is a broad approach that we have taken and we are trying to see hope there because we have got a lot of enquiries from customers.

Varun Arora:

Right, sir. That's happy to hear. Secondly, if you can throw some traction on whatever the new projects are we looking at, any kind of new product addition or any kind of new end user industry we are targeting, any kind of that perspective you can give.



- Management:** Yes, I think with respect to the new projects and new products, as part of our non-auto diversification... As part of our diversification into non-auto, we are expanding on the wind energy partners. With respect to the wind energy where we have had the first phase of expansion and moved the numbers from Rs. 200 odd crores to Rs. 350 crores on an annualized basis. With the further expansion of the wind energy business, we are looking to take it up to close to Rs. 500 crores on an annualized basis. And it has grown about 30% from the current level. So that is one expansion and the activities are on course. The second one is with respect to our aerospace partners where we have been hovering around on a monthly basis about Rs. 2.5 crores to Rs. 3 crores. We have seen a jump of it touching close to Rs. 5 crores which is witnessing a 50% to 60% growth. So that is another area where we are seeing traction. And on the railway fasteners where we have been working through our dealer distributor network, we see a lot of opportunities coming up on account of all this Vande Bharat and modernization of track. So those are the lines which we are pushing as part of our growth strategy.
- Varun Arora:** Sure, sir. This is helpful. My last question is, sir, on the EV related orders that we have received from North America, any kind of status check if you can provide on the timeline on the ramp up, what do you expect on that front?
- Management:** With respect to the EV project, as expected or required from the customer, we have had the capacities in place. And during the last quarter or so, some amount of pull has been there. But predominantly, it is on the ICE segment. Out of the project that we have worked out which comprises both EV, PHEV and ICE, we are seeing some amount of trickle happening on the ICE segment with EV expected to pick up probably in the second half of next year. That is the broad indication that we have. But while the project is already completed, we are also working with putting for alternative use while we are working closely with the customer in terms of servicing their ICE requirements. But we are also working with alternate customers for better capacity utilization because the equipment are interchangeable between ICE, PHEV and EV.
- Varun Arora:** Sure, sir. Understood. Thank you so much for that and all the best.
- Moderator:** Thank you. The next question comes from the line of Varun Arora from Emkay Global Financial Services. Please go ahead.
- Varun Arora:** Sir, just a clarification on what you said on EV. So, you are suggesting that EV will start to pick up in the second half of FY27. Is my assumption right or wrong?
- Management:** Yes. But it may not be in line with the original project or assumption. But we will see a trickle with respect to EV.
- Management:** Yes, we are expecting a trickle in the second half of last year because the programs by and large have been postponed. So, it would start with a trickle and then maybe mature later.



- Varun Arora:** So, I have three questions. I will just give it to you. So, what sort of growth you are targeting in FY27 in terms of revenue? And what's the planned CAPEX in FY27? And on the margin front, so you are pretty range-bound in terms of margin. By what timeline we can see you to break this range and inching towards the 19% to 20% of margin?
- R. Dilip Kumar:** On the margins front, we have already moved from the 16% odd to (+17%). And like I said in my opening remarks, the direction is going towards 18%. That's the broad guidance I can give you at this point. And like we have said many times in the past calls, the margins which were hovering between 19% to 20% got impacted by the steep rise in RM prices. When they have moderated, they have not moderated to the extent you would have wanted. Like I said, we are in the direction of 18%. That's our intermediate target. We look forward to achieve that and we had dropped to below 17% and we were more closer to 16% than 17%. That has improved. And once the export business recovers, you will see us achieving that 18% or crossing that 18%. As far as capital expenditure is concerned, roughly, we would have about Rs. 250 crores of capital expenditure in any year. And some of it, about 30% of it could be replacement CAPEX. And we may look to add new lines wherever our capacity utilization has already touched 70% to 75%. That's the broad guidance on capital expenditure. On the growth, we would aim, endeavor to achieve a two-digit growth. And our business plans are based on market feedback and discussion with customers. While it's likely premature, maybe the next call, I will be able to give you a better indication. But I would think optimistically that we will not look at anything lower than 10%.
- Moderator:** Thank you. The next question comes from the line of Aditya from Happy to Invest. Please go ahead.
- Aditya:** Thank you. So, my question is a non-auto segment is like we are aggressively our goal to 50% of total revenue, which target. So, is the margin profile of the wind and aerospace segment currently higher than traditional automotive business? So, how are you planning to take it forward in the 12 to 18 months and what is the total revenue coming from the non-auto segment in the end of Quarter 3?
- R. Dilip Kumar:** Non-auto currently, non-auto which comprises of aerospace. The aerospace, right way and wind energy, tractors, aftermarket segments comprise 38% roughly of our revenues today from about 30% or it has moved to 30%. That is because of the drop in export revenues. And the aerospace division and wind energy businesses, which since wind energy has scaled up nicely and considerably and they have been quite profitable in terms of operations as well as returns. And the aftermarket has been growing at a steady pace. And this year we have had very strong performance in the tractor segment. These will continue to do well because our wind energy is poised for next round of expansion. And aerospace today is less than Rs. 100 crores. So, on that low base, we will continue to see robust growth in the coming quarters also. I hope I have answered your question.



- Aditya:** And the second question is the content per vehicle. So we are shifting from SUV to traditional hatchback, which is a higher horsepower business. Am I understanding correctly? And as a more premium segment, so is it content per vehicle is increasing for our businesses?
- Management:** Can you repeat the question?
- Management:** He is asking content per vehicle between the SUV and this one, whether there is more or less content per vehicle.
- Management:** No, on the SUVs, it will be more than the small car or the lower category segment. In all segments, we see a movement toward the higher end and the premiumization. And so concomitant content per vehicle increase is there for all parts in our portfolio as well.
- Aditya:** Got it. Thanks.
- Moderator:** Thank you. The next question comes from the line of Amar Maurya from Lucky Investments. Please go ahead.
- Amar Maurya:** Thanks a lot for the opportunity. So, in terms of your domestic growth, what would be the mix between the fasteners versus non-fasteners increases and how the mix would be in the LCV and PV for the domestic market?
- Management:** I think in the domestic market, the pickup or growth, it centres around the cars, M&HCV segment for us and with strong presence in tractors. So those are the three segments which is driving the growth in domestic segment.
- Amar Maurya:** So basically, commercial vehicle and tractors are driving the growth, right?
- Management:** Yes, commercial vehicle, so it is all the three segments that is how I would put it. Between commercial M&HCV, LCV combined with cars and multi-utility vehicles and tractors. So, this is what is driving the growth of domestic segment. And with respect to fasteners as well as others, I think we have been witnessing growth across all our product segment in the domestic market.
- Amar Maurya:** And currently, what would be the mix of fasteners in the overall domestic revenue?
- Management:** In the overall domestic revenue, fasteners would be about 40% to 45%.
- Amar Maurya:** Perfect. Thank you, sir.
- Moderator:** Thank you. The next question comes from the line of Amar Ahil from Radian Capital. Please go ahead.



- Amar Ahil:** I am so sorry. I just, I might have missed out on CAPEX front. I just wanted to ask that you have done Rs. 217 crores of CAPEX for the nine-month period. So that starts contributing to the revenues. And second thing, what are the further CAPEX plans for the year-ending FY26 and any plans of CAPEX for FY27? That's it.
- R. Dilip Kumar:** As far as capital expenditure is concerned, we will probably finish the year FY26 with around Rs. 350 crores. And I expect our CAPEX to be around Rs. 250 crores next year. And the CAPEX will start contributing. And like I said, about 25% to 30% percent based on past experience is replaced in capital expenditure, which improves the productivity and replaces state-of-the-art machines. The remaining 60% to 65% would be adding directly to the revenue. And these investments are made with clear indications from customers. So, we have a kind of agreement with the customers, basis which we further make investments or expand our facility.
- Amar Ahil:** So, you mean that when the CAPEX is done, it will directly start contributing?
- R. Dilip Kumar:** Yes. So typically, the capital expenditure in auto, where some of the furnaces or machines have to be imported, and it typically takes 6 to 9 months' time. So, the number which you see as an expenditure would remain in capital as we progress for some time. And then, the volumes to mature or ramp up may take further time. But initially, in the first 6 months or so after the machines are installed, probably we will have a one-to-one kind of a growth.
- Amar Ahil:** And how much will that contribute to the revenue?
- R. Dilip Kumar:** Like I said, we are incurring about Rs. 300 crores. About Rs. 100 crores would be for replacement. A balance Rs. 200 crores would be for revenue. And like I said, a 1:1 is a safe bet to assume.
- Amar Ahil:** And what are your utilizations right now, sir?
- R. Dilip Kumar:** So, we have many businesses, and it varies from business to business, line to line, assembly to assembly. So, while it's difficult to put a number across the company, one number, but each unit will have its own capacity utilization and equipment effectiveness. So broadly, just to make it easy for you, I would say probably we are at 60% capacity utilization.
- Amar Ahil:** And the guidance for FY27 was the double-digit growth in revenue and 18% margin guidance, right, sir?
- R. Dilip Kumar:** Margin, definitely, yes. And like I said, slightly premature to discuss about the business, I mean, revenue guidance for next year. And I said, we will not look at anything lower than two-digit growth.
- Amar Ahil:** I am sorry, I missed out on the revenue guidance. Could you repeat it, sir?



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- R. Dilip Kumar:** We will not be looking at any number which is lower than a double-digit growth. That's what I said. And slightly premature to give you a guidance. Maybe the next call, I will be able to indicate with certainty.
- Amar Ahil:** Fine. That is from my side, sir. Thank you so much.
- R. Dilip Kumar:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Mukesh Saraf from Avendus Spark. Please go ahead.
- Mukesh Saraf:** As the question queue builds, I just had some basic questions. First is, if you could just kind of give us the revenue mix that you usually give across different cuts. So once the OEM aftermarket exports and then within that domestic, if you could give the breakup of CV engines and all of that you usually give.
- Management:** Yes, I think with respect to the segment-wise revenue, exports today stand at about 25%, followed by 60% to 62% coming from OE and 12% to 13% from aftermarkets. That is on the segment. With respect to the domestic segment, whatever M&HCV, CV plus engines, that would constitute about 35%, followed by cars and MUV at 40% and the tractors between 10% to 12%. So, these are the major segment-wise split for domestic sales.
- Mukesh Saraf:** So the mix hasn't changed much as such. The fact that we are seeing an improvement in CVs, probably I was expecting some kind of a change there. What's the outlook for MHCVs, sir, domestically? And how should that kind of go for you guys?
- Management:** Mukesh, I think the mix from a business OE domestic, OE retail export perspective has changed a bit. But segment, as you pointed out, the mix has not changed much because all segments have grown. So that said, see next year, going forward, the rough indications coming for the commercial vehicle segment is roughly 8% to 10% growth over this year. And on the fast car segment also, it is around 8% to 10% and on the tractors, upwards of 10% is what is being indicated right now. We are yet to receive the full year projections from all the customers, but the overall sentiment is towards this.
- Mukesh Saraf:** Understood. And just again on the domestic business, I think last couple of quarters, you had kind of indicated that you are working on a lot of new RFQs, especially for the SUV segment and that something should materialize in the next few months, next couple of quarters or so is what you had indicated. Where do we stand in those new businesses? Obviously, just setting aside the industry growth, just trying to assess what we can do over and above the industry growth in terms of new business or wallet share, probably that we are looking at with certain OEMs.



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- Management:** Yes, see, it's always our endeavor to keep increasing our share within the pie irrespective of the external environment. As we said last time, those RFQs, some of them are matured and some are in the final stages of discussion and on the existing customers share with quite a few customers, we have increased share of business also, both on the commercial side as well as on the tractor side.
- Mukesh Saraf:** So, fair to assume, because there are some questions around next year growth. So, fair to assume we should be well ahead of the industry growth. So, if industry is going to grow 10%, how much would you want to say outgrow the underlying industry?
- Management:** See, if it is industry grows by 10%, I think we will be outperforming them from 10%, we will be at 12%.
- Mukesh Saraf:** Right. And a question on the subsidiary businesses. Any update there? The performance there has been just about average in line with previous quarters. We have not seen too much change. So, any update there?
- Management:** With respect to subsidiaries, I will address Cramlington. That mirrors more or less the European truck market where we have seen a de-growth in 2025 compared to '24. So, that mirrors the truck segment and the positive thing is the subsidiary is generating cash and managing the requirements on its own. With respect to China, I think we have seen some uptick in construction equipment segment and the CV. So, that is pushing up the revenue within the China market because almost 80% of the revenue is generated within China. So, the revival of construction and CV segment is helping in its momentum of growth. But the only point with respect to China, the price pressure on account of low capacity available, that is one area which we are working on. Otherwise, I think the business has done reasonably well given the market conditions there.
- Mukesh Saraf:** Right. And lastly, from my side, you did kind of mention that margins should be around that 18% mark, which is close to maybe more than 100 basis points improvement in the coming year. So, any specific triggers for this? Is there some new export business? Because export is probably a better margin business, especially with the way FOREX is moving or any higher value-add business that we are seeing coming through. Any kind of drivers for this? Because capacity utilization remains low, about 60% odd, so, just trying to understand what could be the drivers for this margin?
- R. Dilip Kumar:** There are three levers. One is the aerospace business, which is high margin business for us. While it is not a substantial part of the pie, it is definitely the trickles are making a small difference and pushes the margins from 17.3 to 17.4. We are happy to take that. The second is the wind energy business, where we have had a 30% growth and that is poised for further expansion. It is scaled up nicely and the operating leverage is kicking in there. And the third, like you rightly said, is the exports. We have had high margin businesses, which have moderated a bit. And like we also explained now, whether EV or ICE, we have the capacity to have some



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interest we had in Europe as well, not only depending on America. And I think we are no longer dependent on America as much as before. And so, as we settle, enter the contract, settle new businesses, enter new businesses with higher margins, and that also percolating down to much higher EBITDA.

Mukesh Saraf: Right. Now, this makes sense. Great, thank you. I think we have one question in the queue. Shivam, if you could just take that.

Moderator: Thank you. The next question comes from the line of Aditya from Happy to Invest. Please go ahead.

Aditya: Thanks for watching this again. My second question is about the CV facility plant. So, the capacity that I see, could you please share the current installed capacity of this plant in a tonnage or unit size and what is the current utilizing level are here? And on a margin profile, given that this facility is focused on a more specialized EV components and export markets. So, is the EBITDA margin profile of this specific plant is attractive to the blended company margin of 18%? If so, how many basis points can we expect more EBITDA margin from this plant?

Management: With respect to capacity utilization, I think already it was explained saying that we have each line of business and given the market condition, few of them would be operating at about (+70%) and wherever with respect to EV or powertrain components that might be operating, sub-50%. So, it is a little bad for us. And with respect to the margins, we had explained once the export business which has now moderated, if it comes back, whether it is in terms of ICE business or CAPV/EV, we should see an uptick in the overall EBITDA margin of Sundaram Fasteners.

Aditya: Got it. Thanks.

Moderator: Thank you. The next question comes from the line of Anuj Sehgal from Manas Capital. Please go ahead.

Anuj Sehgal: Hi. I just wanted to understand on the export side, can you give a breakup of the geographical mix both for this year, 9 months and how does it compare to last year, 9 months?

Management: I think with respect to the geographical presence with respect to export, while there has been some contraction in the North American market comprising of US, Mexico and Canada, which generally used to be at about 70% or so. Now, we are seeing that between 60% to 62%. So, that is on the North American market. And the presence in Europe, which used to be about 20%, now we are seeing that inching up to 25%. So, broadly, the shift is 3% to 5% drop in North America, followed by increase in Europe and the ASEAN region. That is the broad geographical segment with respect to exports.



- Anuj Sehgal:** Right. And then is the margin profile for the export business similar, whether it is to North America or to Europe or other regions?
- Management:** Yes, the margin profiles are comparable. It depends on the product group, which we are exporting. So, but it mirrors more or less whether it is to America or to Europe.
- Anuj Sehgal:** Thank you very much.
- Moderator:** Thank you. The next question comes from the line of Parikshit Gujarati from Nimesh. Please go ahead.
- Parikshit Gujarati:** I wanted to ask on the side of BIS, has the BIS been implemented by the government? So, the government was to implement the BIS norm for the fastener imports we are doing. So, I wanted to ask on that side.
- Management:** I think you are talking about the quality control order, QCO.
- Parikshit Gujarati:** Yes, BIS.
- Management:** Yes, while the government has been pushing, I think still some amount of imports are happening based on representation from the OEMs to the government. But nevertheless, we are also seeing some amount of business shifting on account of this QCO and these OEMs have started interacting with us for sourcing fasteners.
- Parikshit Gujarati:** And my second question was, how much revenue of Sundram Fasteners comes from the auto sector?
- Management:** Today, the automotive segment is close to about 62% with the non-auto comprising 38%.
- Parikshit Gujarati:** And my last question was, again on the BIS side only, that all the OEMs which are MNCs such as Kia, Hyundai and Maruti, like these OEMs, so they import an approximate of 1,100-1,200 source fasteners every year for their automobile segment. So, what is your view on that? Can this market come to India if the BIS norms are implemented as an import substitution thing?
- R. Dilip Kumar:** Well, it is potentially possible. And that is why the QCOs have been issued to encourage domestic sourcing. But many of them also may not justify investment or scaling up for market because they could be low volume and they could be for certain luxury segment. And the OEMs maybe also be reluctant because the suppliers are part of their global supply chain. So, there are many considerations in this and one could be the quality, other could be the low volume, third could be the rigorous testing requirements. So, yes, it is an opportunity which we are eyeing and as policy constraints are eased and government is also reviewing some of these imports at the HSN level. Each code that is coming from China with geography, it is getting imported to



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quantum and they are also contemplating many policy measures. And so, therefore, it is an opportunity but it will take some time.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to the management for closing comments. Thank you and over to you, sir.

R. Dilip Kumar: Nothing specific and like I said, we are looking forward to a reasonably good Q4. I think the January month has started well and we expect that the domestic market is robust and the export pipeline is also expected to improve this quarter. We hope to report good numbers as far as Q4 is concerned.

Moderator: Thank you. On behalf of Sundaram Fasteners, that concludes this conference. Thank you for joining us and you may now disconnect your line.