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Creating Possibilities

August 06, 2024

To,

National Stock Exchange of India Limited	BSE Limited
Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai -400 051	Corporate Relationship Department, 2nd Floor, New Trading Wing, Rotunda Building, P.J. Towers, Dalal Street, Mumbai – 400 001
Symbol: SJS	**Scrip Code: 543387**

ISIN: INE284S01014

Dear Sir/Madam,

Subject: Transcripts of Analysts/Investor Meet/ Earnings Call of the Company pertaining to Q1 of FY 2024-25

Please find enclosed the transcripts of the Analysts/Investor Meet/ Earnings Call of Q1 FY 2024-25 held on August 02, 2024.

You are requested to kindly take the same on record.

Thanking you.
Yours faithfully,
For **S.J.S. Enterprises Limited**

THABRAZ HUSHAIN WAJID AHMED
Digitally signed by THABRAZ HUSHAIN WAJID AHMED
Date: 2024.08.06 17:26:19 +05'30'

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Thabraz Hushain W.
Company Secretary and Compliance Officer
Membership No.: A51119

Encl: As above

"SJS Enterprises Limited
Q1 FY2025 Earnings Conference Call"
August 02, 2024

MANAGEMENT: **MR. K. A. JOSEPH – MANAGING DIRECTOR AND CO-FOUNDER**
MR. SANJAY THAPAR – CEO & EXECUTIVE DIRECTOR
MR. MAHENDRA NAREDI – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. RONAK MEHTA – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to SJS Enterprises Limited Q1 FY2025 Earnings Conference Call hosted by JM Financial. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ronak Mehta. Thank you, and over to you, Mr. Mehta.

Ronak Mehta Yes. Thanks, Laiba. Good morning, everyone. On behalf of JM Financial Institution Securities, I welcome you all to Q1FY2025 Earnings Call of SJS Enterprises. From the management team, we have with us today, Mr. K. A. Joseph, Managing Director and Co-Founder; Mr. Sanjay Thapar, CEO and Executive Director; Mr. Mahendra Naredi, Chief Financial Officer. So, as we do always, we'll start the call with a brief opening remarks from the management team followed by a Q&A session. So, with that, over to you, Mr. Joseph. Thank you.

K. A. Joseph: Yes. Thank you for the introduction, Ronak. Hello, and good morning, everyone. I trust you would have had a chance to look at our investor presentation and the results published yesterday, while Sanjay and Mahendra will take you all through the presentation later. The first quarter of FY2025 started with an optimistic note with overall demand in most of the vehicle segments, growing on both Y-o-Y and also in a sequential basis.

The growth was primarily driven by strong economic activity and continuous support from the government. Despite geopolitical tensions, supply chain challenges, evolving customer preferences and inflationary pressures, India has continued to demonstrate strong growth. I'm also pleased to announce that SJS Enterprises has appointed a new group COO, Mr. Mahender Singh with over 25 years of experience in the automotive industry. Mr. Singh's extensive background in operations will be a key in managing and expanding our multi-location operations. This position will increase our management bandwidth and drive operational excellence as we continue to scale.

Now coming to some key updates. During the quarter, we continue to achieve strong financial performance and growth trajectory. The increase is largely attributed to the strategic Walter Pack acquisition and also the growth in Automotive and Consumer Durables segments. For the 19th consecutive quarter, SJS has delivered a better-than-industry growth, primarily driven by Walter Pack acquisition, premiumization trends and innovation.

SJS has delivered a strong growth of 60.9% in revenue on a Y-o-Y basis. The EBITDA margins reached 26.6%, a slight increase from 26.1% in Q1 of FY2024. This has been achieved on account of the Walter Pack addition and SJS's stand-alone business. Furthermore, I'm excited to announce the addition of Dixon Technologies as a new client which will open avenue of growth in the coming quarters.

Our plans for new product launches and capacity expansion at Exotech facility in Pune are progressing as planned, setting the stage for future growth. Moving forward, we remain focused on delivering quality products to our customers, driven by premiumization and the adoption of advanced technologies and building long-term relationships with all our stakeholders.

We continue to focus on gaining momentum in the plastics and cover glass business, maximizing operational efficiencies while also looking into new prospects and markets for growth. With that said, I would now like to hand over the call to Sanjay to take you all through some of the business and the industry highlights for the quarter. Thank you all, and over to you, Sanjay.

Sanjay Thapar: Thank you, Joe, and a very good morning, everyone. Talking about the quarter 1 by, Q1 FY2025 was marked by yet another quarter of better than industry growth by SJS. Our consolidated revenue growth of 60.9% Y-o-Y to Rs. 1,886.2 million compared to the 17.0% Y-o-Y growth in the automotive, both two-wheeler and passenger vehicle industry production volumes.

So, this growth was primarily attributable to the successful integration of Walter Pack India alongside strong performance in our passenger vehicle, consumer and export businesses. During the quarter, automotive business has grown well for us, both for the domestic market and the export markets with a 66.6% and a 13.0% Y-o-Y growth, respectively.

On the back of robust margin performance delivery by all businesses, I'm delighted to share that the consolidated EBITDA margin for the quarter improved 33 basis points on a Q-o-Q basis and 51 bps Y-o-Y to 26.6%. During Q1 FY2025, the company generated strong cash flows of Rs.397.2 million and our overall cash and cash equivalents at the end of the quarter stood at Rs.766.6 million and net cash at Rs.233.7 million.

In terms of production volumes, the industry, two-wheeler plus passenger vehicle markets grew by 17.0% Y-o-Y in Q1 FY2025, whereas SJS two-wheeler and four-wheeler delivered a growth of 43.1%, which was 2.5x the industry growth. This performance was mainly driven by the passenger vehicle segment despite the industry growth in this segment being only 5.8% Y-o-Y basis for this quarter.

Overall, SJS consolidated sales saw a substantial Y-o-Y increase of 60.9%. Organic growth from SJS and Exotech was 21.1%, due to growth across automotive, consumer and export businesses. Our strategy to diversify across various product categories and multiple industry segments, coupled with a broad customer base has effectively helped us derisk this business and reduce dependence on any specific segment.

During the quarter, our export revenue grew by 13% Y-o-Y to Rs.142 million. The growth was primarily driven by the passenger vehicles segment and the consumer durables segments. We continue to expand our share of wallet by winning new businesses from key customers like Stellantis, Mahindra, Tata, TVS, Honda, Yamaha, Continental, Bajaj Auto, Royal Enfield, Foxconn, Syrma, amongst others.

We've also added Dixon as a new customer, and this will open significant new opportunities for us in the consumer durables segment. Before I hand over to Mahendra, I would like to give a quick update on our ESG and CSR initiatives. At SJS, our commitment to environment, social and governance responsibilities is integral to our business strategy. Our sustainability initiatives focus on reducing our environmental footprint, promoting social welfare and ensuring ethical governance practices.

As a part of our efforts to lower carbon emissions, we are expanding use of renewable energy sources, we are making investments across our group to increase our captive solar capacity from 4 megawatts to 10 megawatts for the FY2024-2025. Furthermore, our Effluent Treatment Plant and Sewage Treatment Plant have enabled us to recycle significant amounts of wastewater.

We prioritize investments in advanced technologies and initiatives focused on promoting eco-friendliness, optimizing natural resource use and improving energy efficiency. By prioritizing sustainability, we have minimized the environmental impact through operational efficiencies.

SJS continues its commitment to foster a diverse range of CSR initiatives. Our focus areas encompass education, skill development, hygiene and health, and various community improvement projects aim to create a lasting social impact. You can also visit our ESG profile, which is placed on our corporate website now. The profile highlights the ESG initiatives that can be easily accessed by all our stakeholders.

I would now like to hand over the call to Mahendra, our CFO, to update you on the financial performance of the company before I talk about the future growth outlook. Over to you, Mahendra.

Mahendra Naredi: Thank you, Mr. Thapar. Good morning, everyone. Let's delve into the financial snapshots. Slide 11 to 14 provide a concise overview focusing on the consolidated picture of SJS. In Q1, our consolidated revenue reached Rs. 1,886.2 million, showcasing growth of 60.9% Y-o-Y basis. This robust performance is attributed to the Walter Pack India addition and a strong contribution from passenger vehicle and consumer segment.

Moving to EBITDA. We achieved Rs.505 million, representing a Y-o-Y growth of 60.8%, with a margin of 26.6%, thereby incremental 33 bps Q-o-Q and 51 bps Y-o-Y. Our consolidated PAT for the quarter stood at Rs.282.4 million, demonstrating a robust Y-o-Y growth of 56.6% with PAT margin standing at 15.0%, improving by 42 bps Q-o-Q primarily due to higher EBITDA margins.

Our consolidated ROCE during the quarter stand at 23.3% and ROE at 19.1%. During the quarter, the company achieved robust free cash flow of Rs.397.2 million and our cash and cash equivalents reached to Rs.766.6 million with net cash position of Rs.233.7 million.

With the addition of Walter Pack products in our portfolio, we have increased range of new generation products that contribute 25% of our consolidated revenue during Q1FY2025. Walter Pack India acquisition has effectively balanced our portfolio across two-wheelers, passenger vehicle and the consumer segments in the right manner.

During Q1 FY2025, export witnessed growth of 13.0% Y-o-Y to Rs.142 million. Q1 FY2025 exports constitute 7.5% of total consolidated sales. As you know, both Exotech and Walter Pack are primarily domestic business, and hence, export as a percentage of consolidated sales is at 7.5%, while exports are 13.5% of SJS external results.

I would now like to hand back the call to Mr. Thapar to discuss about our future plans and growth outlook.

Sanjay Thapar: Thank you, Mahendra. Moving to our outlook for future growth. We are confident that we will continue to outperform the industry growth by over 1.5x leveraging our presence in multiple industry segments, our global footprint, extensive product portfolio, very strong customer relationships and inorganic growth strategies.

Our potential content per vehicle for PV has over the last 2-3 years, increased by over 4x. As a one-stop solution provider for aesthetic products, our focus has been to introduce new products and technologies that meet the futuristic needs of our customers and increase our addressable market. Execution of our organic and inorganic strategies will help us achieve a high rate of business growth in technologies that are complementary or an extension of our existing businesses.

A key inorganic strategy is to enter new geographies to accelerate our business penetration with key and new customers and significantly enhance cross-selling opportunities for an extensive product portfolio. With our focus on premiumization, we believe we will continue to surpass the industry performance in the future as well.

With that said, I come to an end of my quarterly updates. Thank you, and we are now open to answer questions, if any.

Moderator: The first question is from the line of Amit Hiranandani from SMIFS Limited.

Amit Hiranandani: Congratulations to the team for the strong operational performance and many congratulations for adding Dixon to our clients list. Sir, my first question is basically, what products we will supply to this Dixon customer and when we can expect the revenue to start flowing in? And how large this customer can be mid to long?

Sanjay Thapar: So, Dixon, as you know, is the integrated manufacturer of electronics and has many verticals. So currently, what we are addressing is their consumer durables segment and their telecom segment. So, we've won businesses and these businesses have started in a small manner. We hope that this will scale up very rapidly. Volumes are very large. So, we are very excited with this collaboration with Dixon. And I think we still don't have the number that what can we reach. But all I can say is that this is a very large business, which we hopefully should grow in the coming quarters and years.

Amit Hiranandani: And from when the revenue will start flowing in?

Sanjay Thapar: As I said, we've already started supplies to them for some parts for the telecom segment. We will soon start supply to the consumer durables segment businesses as well, and we hope to engage with them in a more meaningful manner to take this forward in the future.

Amit Hiranandani: Sure, sir. Sir, 2 bookkeeping questions, what will be the annual total capital expenditure for FY2025 and FY2026, including any planned expansion? And secondly, could you provide the revenue and EBITDA figures for Exotech and WPI separately, please?

Mahendra Naredi: Yes, Amit. So, the capex side, we announced, and we told in the last meeting as well, we have a plan for expansion for our subsidiary, especially Exotech. The investment would be in the range of Rs.80 crores. And we also continue to expand our glass business where we were going to incur around Rs.40 crores. And apart from that, there will be maintenance Capex to the tune of, let's say, around Rs.15 crores per annum. So that will be going to happen in the current and the next year. So roughly, you can consider on a broad level around Rs.170 crores to Rs.180 crores.

Amit Hiranandani: And sir, numbers for Exotech and WPI?

Mahendra Naredi: In terms of margin, please see us from a consol perspective rather than seeing the subsidiary. So, we delivered a consol number, and I think we're always guiding on the same, rather focusing on the individual company, let us focus on the consol SJS.

Sanjay Thapar: I mean, as we've said earlier, we have a strategy of cross-selling products. So, we've taken a decision whether to sell these products to SJS or to Exotech. So that gives us that leverage in terms of a competitive advantage. So, we've said this before. So please look at this as an integrated business moving forward where we are focused on growth and expansion of margins or maintenance of margins.

Amit Hiranandani: Sure, sir. Sir, one observation is that basically on a Q-o-Q basis, Exotech and WPI combined revenues increased by about 9%, but the EBITDA margin has declined by approximately 125 basis points. So, what factors contributed to this decline?

Sanjay Thapar: So, as I said in my earlier calls, we are winning a lot of new businesses, both at Walter Pack and Exotech. So, there are some new technologies started. We started some painting business in Exotech. We started some new generation technologies at Walter Pack. And what I've maintained is that when you ramp up any new product, there could be a temporary blip of a very small number in terms of EBITDA margins.

So, we are not worried about that. So, any time if we start a new project, we do a lot of trials. For those parts, we don't go to the customer, you bear the material cost, you bear the manufacturing costs for those parts. So, this is just a temporary blip. But on the long term, as I said, on a consolidated basis, we are still guiding that we'll maintain EBITDA margin of 25% for our group companies.

Moderator: The next question is from the line of Yash Agarwal from IIFL Securities.

Yash Agarwal: Congratulations on a great set of numbers. Sir, my question on the margin dent in case of the subsidiaries is already answered. I just wanted to know if you could provide the breakup of revenue across segments in the stand-alone business between two-wheelers, PVs, consumer durables?

Mahendra Naredi: So yes, we have informed in our presentation. If you have read the investor presentation, we have given the segment-wise turnover.

Yash Agarwal: That's split across the consolidated numbers. So, I just wanted a split on the stand-alone basis.

Sanjay Thapar: So stand-alone broadly for the quarter, normally, we try and avoid giving you guidance on specific numbers across segments because it's a very sensitive matter. But any other questions you have on this topic I mean, largely of broadly answering you, two-wheelers are roughly about 50% of our sales of our stand-alone business.

Moderator: The next question is from the line of Hitesh Goel from Riddhish Abode Advisors LLP.

Hitesh Goel: No, I said if you look at in the Walter Pack side, right, I mean, if you look at your key customers, the ramp-up has been slow because of the election, this quarter has been slow, right? Despite that, you've reported a good sales, right? So, going forward, can you give us a sense, in terms of ramp-up of programs.

Sanjay Thapar: You're talking specifically for Walter Pack?

Hitesh Goel: Yes, Walter Pack. Yes.

Sanjay Thapar: So, Walter Pack, we continue winning the large businesses. So, it's a new business that we acquired, now close to 1 year since we acquired the business. So here we are doing businesses across customers. So, outlook is very strong. And at the moment, a lot of development that will be happening. There's a lead time here because tooling takes about 8 to 9 months to develop tooling and validate parts. So that's typically when these programs start. So, we have new programs that are starting from October this year to next year June. So, there are a whole lot of programs that we've already been on.

Hitesh Goel: My question was actually more guided towards 1 vehicle, which your customer is go to launch, right? I don't want to name the customer, but a key vehicle which one big customer in Walter Pack is going to launch. I think you have a decent content there, right, so is it right that the coming quarter we'll see that benefit? I mean the second quarter, third quarter, we will see?

Sanjay Thapar: Yes, yes, absolutely. So, while we are secretive about it. But yes, there's a big launch, a very significant launch from a customer happening, which should happen soon.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate Advisors Private Limited.

Abhishek Jain: Sir, in this quarter, on a stand-alone business, we have seen a significant expansion of the operating margin. It is around 250 bps. So will this margin will sustain?

Sanjay Thapar: So, as I say, I answered this partly earlier. So, look at us on a consolidated entity because we today have brought in that flexibility in the company to address the needs of our customers across our various new companies. So SJS margin, Walter Pack margin and Exotech margin are all completely interlinked. But yes, our business at SJS continues to grow strongly and the margins are sustainable.

So, if you look at our history, we've been close to about 30% EBITDA margin of SJS for the last many, many years. So that continues to remain that way.

Moderator: The next question is from the line of Aabhash Poddar from Aionios Alpha Investment Management.

Aabhash Poddar: Just wanted to understand in the presentation, we said that two-wheeler industry has grown by 21%, whereas our growth is around 12-odd percent. This seems slower than the industry standard. So, anything to call out here because last year, obviously, we've been better than the industry. So, is it just a timely phenomenon or is there anything else

Sanjay Thapar: Your voice there's a little bit of echo. So, I can't hear you so well. So, could you just repeat the first part of your question? You're talking about the two-wheeler industry?

Aabhash Poddar: Yes, I'm talking about the two-wheeler industry growth. I'm saying in the presentation, you said that the industry growth is 20% and our growth is 12% odd. So just trying to understand, is there anything to call out here since our growth is not higher than the industry?

Sanjay Thapar: No, nothing really. So, this is just a seasonality that you have when a model gets launched. So sometimes the customer is scale down the existing products. So, we've already won, there's a very strong order intake for the new models that have already awarded to us. The customer will launch it. So, nothing very significant. It varies quarter to quarter. But overall, our two-wheelers industry growth has been quite significant. From the last year, you see we've grown very strongly.

And our numbers, so close to about the industry grew at about 10%, and we grew our two-wheeler business about 20% broadly. So that was the growth last year. So, we doubled the industry growth FY2023 to 2024. And FY2025 of this quarter, as I said, we've got multiple new businesses across all our key customers. We don't supply to Hero. But our growth with Bajaj, Royal Enfield, Honda, TVS, all have been very strong in terms of new or successor models that are coming in. So, they will get launched and I think that will normalize during the course of the year.

Aabhash Poddar: So just to clarify, if I were to extend this for the entire year for FY2025, you would be confident of the fact that you will grow 1.5x of the industry growth for two-wheeler as well for FY2025? Would that be a fair assumption?

Sanjay Thapar: So, in my previous commentary, I have said that as a company we'll grow 1.5x the growth rate of the industry, that is two-wheeler and four-wheeler combined. Separately, the two-wheeler industry growth will be more in line with the organic growth of the industry. And we will outperform the automotive industry because we've added a lot of new-generation products, which are very high-value premium products that are being launched. So, on a blended basis, we'll outperform the industry volumes by 1.5x in terms of our sale revenue, which we have delivered. two-wheeler will continue to be organic rate of growth, as I said earlier, of the industry.

Aabhash Poddar: And just lastly, if you could just update on the cover glass, where are we now, how close are we to delivering and any guidance on revenue that you would have for the cover glass opportunity? That's it from my side.

Sanjay Thapar: Yes. So, cover glass continues to be work in progress. So, we've got ISO certification. There's a requirement, it's a very critical part. So, there are standards that we need to meet. So, our company has been awarded the ISO certification that has been extended to cover glass. We are continuing to engage with customers. And as I said in the last quarter, we expect to get our first purchase order for this business within this quarter, and we will start supplying in a phased manner. So, I everything is going as per plan.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate Advisors Private Limited.

Abhishek Jain: Sir, in stand-alone business, this quarter growth was around 6% Y-o-Y. So, what is your growth target for the stand-alone business? And what would be the main driver for the near term and the longer term?

Sanjay Thapar: Abhishek, your voice is echoing a little bit. But what I understand is that you want to know what is our growth target for the organic stand-alone business, right?

Abhishek Jain: Yes, yes.

Sanjay Thapar: So, as I said, we will maintain to grow 1.5x the industry growth rate, which is performing well, and we continue to win new businesses. Our export businesses are performing well. We are bidding for some very large businesses, which we hope to make some progress in the next few months. So, the outlook is very optimistic, but the guidance still remains at 1.5x the industry growth rate.

Abhishek Jain: Okay. And how much the current contribution from the consumer durables, sir, in revenue?

Sanjay Thapar: For stand-alone or consolidated?

Abhishek Jain: On consolidated basis.

Sanjay Thapar: So, the consumer goods has contributed 21% in the total revenue.

Abhishek Jain: And how the mix will change in the coming days?

Sanjay Thapar: So, as we said, you've already done a large amount of rebalancing, thanks to the strategic acquisition that we've done, both of Exotech and Walter Pack, which includes the four-wheeler revenue. So, they are equally balanced. So, I would imagine this trend will continue because even the export market growth that we see, will happen more in the four-wheeler segment and the consumer segment.

So, two-wheeler is largely the India play, which will continue to grow organically. In terms of product mix, I would imagine that we are already equal weight in terms of two-wheeler and four-wheeler. And consumer is about 22% and there are a whole lot of other segments that we are working on to expand the marketing.

Abhishek Jain: Okay, sir. And my last question, your guidance on the consolidated margin that is around 25%. But in this quarter, you have already done a 26.0%, despite that lower margins from subsidiary side. And most probably that the subsidiary margin will start to improve from here on with the ramp-up of the new business. So can we expect another 100 bps, 150 bps of the margin expansion and it will stand around 26.5% or 27.0% in the coming days.

Sanjay Thapar: So, as I've said in my earlier calls, we are not so worried about EBITDA margin because we have demonstrated a resilient quality that we have to maintain margins at 25.0%. I am now looking at a new orbit of growth for the company in terms of new technologies, new products. So, growth is the driver here. We will launch new technology products. In the short term, that could impact EBITDA margins because we will do a lot of development in our trials before we launch these products. What we got with power glass, of course, there will be extensive trials that are done across various stages. Now they cost money, which impact the P&L statement. So, EBITDA margin, my guidance remains at 25.0% considering all these factors.

Moderator: The next question is from the line of Yash from Stallion Asset.

Yash: Congratulations once again for a great quarter. I just wanted to understand on your passenger vehicle business, the industry is just grown about a 6.0%, but you've grown by 90% on a consolidated basis. So, what is driving this growth? I'm just trying to understand how you're able to outperform the industry by this margin.

Sanjay Thapar: So basically, in the last part contributed by the Walter Pack acquisition that we did. So that is primarily a four-wheeler business and that has contributed to that large growth in the four-wheeler segment. But on a stand-alone basis, also, we have done some very good businesses in the PV segment. So SJS grew by close to about 40.0% with new business wins from our customers, new-generation products. For example, Tata now has now introduced a secret to lit steering wheel logo on their vehicles.

So, this is the first for the industry, which SJS launched. So that has contributed to our sales. Plus, Exotech has commenced mass production for their customers. So, Mahindra & Mahindra new models, the Black Edition there, XUV 3XO. So, all of these are very strong wins in our passenger vehicle market, and that's what I've been guiding that our product portfolio for four-wheelers is very robust and very high-value products.

So, the future growth of the company, four-wheeler market will play an important role in our growth. And even for the export market, so four-wheeler is the dominant market outside India. And our foray is in the export businesses also will help grow our four-wheeler revenue in product.

Yash: Right. And so, I mean, just sort of a best-case estimate, how do you think the industry will grow this year, if we just combine a two-wheeler, passenger vehicle and all the other segments? You think as can grow by 12%-15% in volumes this year?

Sanjay Thapar: No. So, you have a better estimate than me because you track all these companies. But the view that we have from our customers is that passenger vehicles, there was an issue of inventory line and dealer points close to about 55 days in the last quarter, which I believe is being rationalized now that we have the festive season coming, which would boost sales.

There is good rain, so that should improve demand in the rural sector. So, one would imagine that the industry would keep pace. My bet would be that two-wheeler, which has grown about 19%, our estimates are a little lower in terms of growth of two-wheeler market. But four-wheeler should catch up because they are at a low, has to be new launches. So, we will wait and watch and see.

But as I said, our strategy as a company, no matter which segment grows or not, we are diversified in the products that we get to the markets. And for us, the four-wheeler growth is primarily on account of premiumization and new product launches. And that is why the growth is, while we are pegged to the industry growth, that's it. But we outperform the industry growth in a significant manner because of this new generation product that we are doing.

Moderator: The next question is from the line of Pradyumna Choudhary from JM Financial.

Pradyumna Choudhary: Congratulations on a great set of numbers. So, I've got 3 questions. First is a follow-up to a previous participant's question. So, in the two-wheelers, we seem to have latched the industry growth. And you mentioned that that's largely to do with certain models being run down.

But given that some of our key customers in two-wheelers have reported very good Q1 growth. So, is that the only reason? Or is there somewhat maybe in some of the models we've lost some business. That's question one.

Question two is we recently got to see some of the planned EV model launches for one of our major passenger vehicle clients. So, one thing I noticed was they don't have a metallic logo for their EV portfolio rather they have plastic or glass logos, in which they lightened up. So, are we supplying such parts to them? And if not, do we see a risk to certain parts of the revenue as more and more models start coming in these new kind of logos?

And third is a more generic industry-level question. In terms of production schedules that are that being shared by the OEMs, how are you seeing the demand because July particularly seems to have been quite weak across the industry.

Sanjay Thapar: Okay. So let me take them one by one. So, your first question was two-wheeler growth, I mean, that I've already answered that question earlier from a participant. So, we continue to win large businesses. We have not lost the business in two-wheelers. So, everything is as per plan.

Now we don't supply to all the models. So, while the companies do report growth, for example, I don't supply to Hero Moto Corp. But I supply to some customers. Now depending on within these specific customers, I would not like to call out separate customers. But some models have not done so well in terms of demand in this quarter. In some models, there is a change that they are launching a new model.

So, we have businesses that are awarded to us and these will come into production maybe this month or next month. So, it's purely a product mix issue, nothing to do specifically with the industry or our trend, which I say that whatever the two-wheeler organic growth is, we hope to be by and large in line with that for a two-wheeler.

The second question you had was on EVs where you see that in some vehicles, you've seen that the content is a little different from the ICE engine. So, I repeat what I've been saying earlier. So when the competition intensity increases, which is low at the moment in electric two-wheelers, it will increase. So, the need for differentiation will be dominant.

So, the aesthetic, the feel of a product is the key factor for a person buying a vehicle today, performance is by and large in terms of what is the range of the battery, what is the performance overall, the right quality of the bike. So, most of these are pretty sorted. So, I would imagine that this would normalize and you would have more and more new generation requirements of increased aesthetics in these companies and that we will see on the volume increase.

So, at the moment, we already supply to Ola, we supply to Ather. What I said earlier in my call is that there's a transition that's happening from the conventional speedometers that you have in two-wheeler towards electric additional cluster. We are already working with Foxconn to supply that to a very major two-wheeler EV manufacturer.

So, we are ready with these technologies. And depending on the model that they launch and what the configurations that the stylist has for that particular model, that is defined the content really. But in the long term, I think the value increase on account of the digital cluster that we'll have will compensate for something else that you see is different from the ICE engine. But always, there will be logos that we need for differentiation. So, I hope I answered all your questions, there was a third point, which I have forgotten mostly.

Pradyumna Choudhary: The third was regarding the production that you're seeing from OEMs given July was particularly weaker across industry segments.

Sanjay Thapar: You're talking primarily with respect to two-wheelers?

Pradyumna Choudhary: No, across industry segments, two-wheelers and four-wheelers as well as consumers.

Sanjay Thapar: So, two-wheelers is okay. Though we see strong demand and strong part of outlook. Four-wheelers is still picking up. So, they are hoping that these new model launches and the effective season, things should improve. So many customers which reported a little subdued number for this first quarter still maintain that they will catch up the volumes that they're planning from September onwards. So that's the outlook broadly.

Moderator: Next question is from the line of Rakesh Jain: from Axis Asset Management Company.

Rakesh Jain: Sorry, my line got disconnected. My question was, can you help us remind what are the priorities now given that you are doing a lot of stuff and there's a lot of inorganic additions, which we have done. And can you just help us prioritize what are the areas, which are more for near term? And what are some medium to long-term opportunities which we have in the kitty. I mean, new customer addition or the new content, where are you focusing more on the near term and more on the longer term? And I'll take up the second question after that.

Sanjay Thapar: Okay. So, in the short and the medium term, we see a very strong demand for our products, so capacity expansion at Exotech is on the anvil. We want to grow this very quickly. And the plans are highlighted on final stages of finalization. So, expanding capacity at Exotech and Walter Pack, that's one agenda or one focus area.

The second really is to get the cover glass business started. We have a good engagement with the customer. So, getting the business and setting up a new plant for cover glass is on the anvil. So that is again something that we will do over the next 1 to 2 years, and we will start supplies in a paced manner.

The third thing, in terms of the market releases that we have now, a very strong product portfolio. And we are knocking hard on the doors of these global OEMs to crack large global businesses. So that is the third focus area that I have. And as I said, we are very competitive. We benchmarked ourselves globally. We have a strong customer connect. We have an impeccable delivery rating and the respect of our quality. So, we will tick all the boxes in terms of the global businesses.

Now that we have COVID behind us and then the semiconductor chip shortage behind us, the buyers of these global companies are now looking at launching new models. There were some supply chains constraints that they faced because of some shipping embargo and some unrest that you see. So, the war still continues, but I think it's more getting back to normal.

So, we are very focused on driving export growth, and that's an area where I think we are making good progress. And hopefully, we'll give you some good news in the next quarter.

Rakesh Jain: The second question is how should we look at your business mix? I'm not saying over a 1 year, in the next 3 years with consumer durables, addition of this large client and the opportunities you are seeing over there. And anything if you can guide on what new segments you can look at beyond the consumer durable?

Sanjay Thapar: Yes. So, as I said, the global automotive market is a very interesting area for us because parts are very light and easy to ship. I already shipped parts to more than 22 countries and we have a connect with all the marquee global names. So that is something that we want to drive fast.

So, if we look for a three-year perspective for my business. So that's an area that I think will grow. With these technologies that we have, both in terms of the acquisition of Walter Pack, we see a large opportunity in the consumer businesses using the Walter Pack technology that we have now acquired. So, we need to grow the Walter Pack business, both in India and globally. So that's, again, a strong runway for growth.

The third area that we see is the technologies like medical devices, which have been on our radar. So, we've started work with a few companies. We now need to scale that up and take them to the global majors. So that's a new category of products that we will work on. But then with the portfolio of technologies that we have now with us and our capability for doing ab initio design and styling, partnering with OEMs. So, I think that could be another growth driver in the future.

So largely, growth will come from four-wheelers, as I said, in the next 2 to 3 years. Exports will grow to be a larger part of our turnover. So today, 7.5% of consolidated revenue is exports. My target is to go to almost about 14.0%, 15.0% in the next 3 years. So that is an area that is very exciting for us, and that's what we want to continue to drive.

Moderator: The next question is from the line of Amit Hiranandani from SMIFS Limited.

Amit Hiranandani: Sir, how is the export situation progressing? And have we begun executing orders for the Exotech export orders, the Whirlpool customer?

Sanjay Thapar: Yes. We've started the supplies of two-wheeler part to Whirlpool. That's one part of your question. What was the other question, Amit?

Amit Hiranandani: In general, the export situation.

Sanjay Thapar: In general, Exports is coming back for us. So, this quarter, export revenue on a Y-o-Y basis for this quarter grew by about 13.0%. And overall, we are quite bullish on exports, as I said. But most of the export businesses, there's a lead time from you get awarded to that converting into sales. So, I think the big impact would be felt from next year onwards.

Amit Hiranandani: So, the double-digit growth will continue in exports, right, for FY2025?

Sanjay Thapar: Yes, barring some unforeseen circumstances in the global economic scenario. So, people obviously are closely watching what's happening in the U.S., what will happen with the war that's ongoing in the Middle East. So, there are some issues.

But overall, the body language of the customers that we see is that it's more of business as usual, and they are looking at launching new models, which is an opportunity for us to get into new exports. Because typically, a customer has to onboard a new supplier based on the new programs that they've done. In some cases, if they have a great problem with the incumbent supplier, they may resource it, but largely the growth is driven by new products and volumes which from award will start takes about 6 months to 9 months depending on the specific program and investment.

Amit Hiranandani: All right. Sir, my second question is basically on the cover glass products or the revenue potential for this over the next 3 years. And secondly, the debt status presently and the likely we are going to repay it completely or not?

Sanjay Thapar: The cover glass or, as I said, 1 day or in India, we will have a large display or a digital display. So that is changing across for customers. So even the Maruti Suzuki, which was typically focused on low-cost vehicles is now moving in that direction. So, I think it is basically driven by the end consumer. They would like to have a display and they would like to have a rear view camera, infotainment all bundled together in a large display screen, which requires a TFT and a cover glass.

So, I think we are in the absolute right spot. How large the market will be is still to be assessed. But one could imagine that all the people will start with the high-end glass first, when Mahindra would be first with the XUV700, then Honda will follow in their models.

And now I think almost all the customers are asked by the end consumer to introduce larger glass displays. So, the pace of growth of this business will depend largely on the take for the vehicle configuration that the OEMs have. So, the average price, price will vary from the type of display that you have.

So typically, a large display to a small display, the price point would be from Rs.500 to Rs.5,000. So that's the broad range that we have. And maybe 5.0% of the cost will start looking at the 10.0% and 15.0% and 20.0%. So, it's a long-term game. But the lasting technology that will be there for many years. And so hard to put a number today because it's dependent most on what does the OEM do.

So, at the moment, largely, they're imported. People are setting up capacities in-house to do the local bonding. They get the TFT screen and buy cover glass. So, localization efforts are on. And depending on the pace of localization that these OEMs demand, I think that will determine the sign of the market and how soon does it ramp up to be very significant.

Of course, the government policies of Make in India help because even we expect little in a tariff-restrictions or fully imported fully build displays. And that is the reason why OEMs are driven for the vehicle manufacturer to localize it in there, which is a good business for us.

Amit Hiranandani: And sir, we'll be supplying this as a Tier 2 supplier, right?

Sanjay Thapar: It will be part. Yes. Tier 2. Many times the OEM overseas is because this is a critical part. But yes, it will be a Tier 2 supplier to the instrument cluster manufacturers who will integrate this and make integrated at this pace.

Mahendra Naredi: And Amit, I'll give you debt question. The total debt for the Q1FY2025 is Rs.533 million. During this quarter, we have repaid Rs.150 million to the banker. And we have taken the loan for the acquisition of Walter Pack, and there is auditorium for period of 1 year. So that is going to be over now in Q2.

So, you will see that the reduction of this term loan of acquisition in this Q2. So net debt, total debt is Rs.533 million for the quarter end, and we have a cash and cash equivalent is Rs.767 million. So, our add on credits soon, our cash position is a net cash position of Rs.234 million.

Sanjay Thapar: So that is what we have guided the market too also. We generate a large amount of free cash, so we debt that into for the order back acquisition largely will be repaid in this quarter. So that's what we are on now.

Amit Hiranandani: Great, sir. Great. All the best, sir. All the best.

Moderator: The next question is from the line of Kaushik from AK Investment.

Kaushik: Great set of numbers, sir. And my question is related to guidance part. So, if I see the current run rate you are blocking suppose 750 to 800 outputs of revenue, so next year can we cross Rs.1,000 crores of revenue? That is my first question.

And based on the capacity, how you are building the company for the next 3 to 5 years? What is the vision do you have for this company? And how the mix would be changing? Because I see you have onboarded Dixon as a customer, right? So how the mix would be suppose, let's say, 3 to 5 years? How do you want the mix should be? Consumer heavy or it will be passenger heavy. What are your thoughts, sir?

Sanjay Thapar: So let me answer the last part of your question first. So, in the future, see its extremely optimistic or bright, we are marching to tune and creating capacities across all our businesses to cater to this increase demand. So, we see very strong growth.

Coming back to where will be we in terms of numbers. So, I would not like to give a guidance. I would say we will see a very strong growth, again, growing at close to 1.5x the industry growth rate. The opportunities or the segment. So, we focused strategically on derisking our business so that over dependence on any one segment reduces. So, we've done extremely well on this front.

So, FY 2019, 70% of my revenues came from two-wheelers. Today, two-wheelers are down to about to 32% of my business. So, we are predominantly have pivoted to become a four-wheeler supplier for the simple reason that we saw that the large opportunity outside India is primarily four-wheelers. India and maybe the ASEAN region are the only 2 regions outside China, where two-wheeler have a meaningful play and there's a limited content that you can offer to a two-wheeler.

So, I think we are absolutely right. The consumer businesses, I would certainly like to grow my medical device business, I would like to grow. So, I would imagine that we'll be 25% consumer close to about 30% two-wheeler and the rest would come from four-wheelers. And exports, as I said, my target is to be at 15% of export revenues on a consol basis in the next 3 years. So that's the outlook that what I see.

Our vision for the company is very simple. So, we created a skill set in the organization where we are truly an end-to-end design to delivery companies. We have our own styling studio. We have factories in and factories handling these multiple technologies. So, there is no stress on growth for any one segment. All these are centres of excellence.

So, I think we are very well structured, well positioned, and we are expanding capacity. And there is no reason why we should not be one of the predominant aesthetic suppliers in the world. The ambition really is to grow the export market. And I think we should be able to crack that. So I'm optimistic.

Kaushik: Yes. So, any company that you wish to aspire to become in this aesthetic segment, that is my question. And based on the assets, how much turnover can we make based on the current capacity? These are my last question, sir.

Sanjay Thapar: So two things. There is no role model that we have. We want to be a role model. That is our target. There are no company which does everything that I do, I traded that and now we get that global scale, I think we will be a company that other people want to be inspired to this, not the other way around. So that's the vision part of the question. And what else was the question.

Kaushik: Capacity? Based on the assets, how much turnover can you make? I mean how much based on the current capacity?

Sanjay Thapar: On the capacity front, SJS, we are currently have around 65%. So, you can work out what is the number we can achieve. Exotech, we almost achieved, which is running 95%, and that is how we are planning to have expanded and putting more capex in the next one. So maybe we are going to add more capacity out there.

Walter Pack is somewhere 75% kind of a current running at this level. So, there is an ample amount or ample growth we could be able to do. We have ample lines available and it's more of a construction and adding more machineries. So, there is a good amount of capacity available in the company.

Moderator: The next question is from the line of Pratit Vajani from Union Asset Management Company.

Pratit Vajani: Yes, sir, can you elaborate a little further on this Dixon opportunity considering that you have not been a part of the telecom space and even on the consumer side you are yet to fully ramp up on the IML, IMD parts, which you've acquired with WPI. So, what is the technology, which you are trying to foray into with Dixon. Can you please elaborate?

Sanjay Thapar: So we have multiple technologies, as you are aware. So, we have, at the moment, 2 business segments of Dixon are what we have won businesses with, one is the telecom segment. And the technologies are similar to the products that we already have. So we've made a lot of logos. We make a lot of overlays. We make a lot of other aesthetic parts. So these are these parts that we will supply to them.

We've also won targeting businesses with their Consumer Appliance segment to their large contract manufacturers for some companies. And it is a traditional line of business that we have.

So, for refrigerators and washing machines, we have a whole set of products that we offer and that is what we'll be offering to Dixon as well. This is just starting. So I think start of a journey or relationship with Dixon, we hope to grow this business along with them.

Pratit Vajani: Okay. So sir, just to clarify, this would be the new generation products, which you highlight in your PPT?

Sanjay Thapar: New generation products, yes, it could be partly new generation, old generation, so business is business, right? So our business for new generation products was mostly in terms of the IML, IMD technologies that we have, and we have the cover glass and the IME technologies. So those potentials also could exist because these are all futuristic, human machine interface technologies. But that as I said, let's take it 1 step at a time. It's a good customer to have. We are starting with some products, and we hope to grow this because I think the ambition of Dixon and SJS are the same. So we want to grow this business and scale it up.

Moderator: The next question is from the line of Lokesh Manik from Vallum Capital.

Lokesh Manik: Yes. A couple of questions from my end. One was a few years back where we had aspirations to achieve exports 25% of our revenue and we're stuck in single digits since long time. So has there been a change in the strategy and focus where we are seeing good potential in the domestic market, so we would want to focus here versus exports? That's one. I know you're knocking on the doors of the global OEMs like you mentioned. That is one. And second was, by when do you expect the capex that has to be done to commence production that is for Exotech and for the cover glass? Those two are my questions.

Sanjay Thapar: Okay. So very quickly to answer your question on exports, and we said that to be 25%. So typically, the exports that we did was from SJS, and we were at 19% of SJS sales were exports when we went for the IPO in 2021 and that was that context. Since then, I think we had already acquired Exotech, which was 100% domestic business. We also acquired Walter Pack, which is 100% domestic business.

So with the denominator increasing, the percentage of export on the consolidate revenue came down, but our overall exports and SJS when we made that statement, it was that we were hoping that in the next 3 years in SJS we'll be 25% of our consolidated, which we will still reach based on the target of the product portfolio of products that we've added to our portfolio.

At the moment, the number that I'm talking about on a consolidated basis, where there is close to about Rs.170 crores, Rs.160 crores coming from Exotech and almost Rs.150 crores- Rs.160 crores, so almost Rs.300 crores of the revenue, it's purely domestic added to the denominator. So what I'm saying is that at the moment, 7.5% of my console revenue is exports, which I hope will grow in the next 3 years to be 15% of my consolidated revenue.

Lokesh Manik: What is your aspiration for the next 3 years in consolidated level? You said it was 13%, would I get that right?

Sanjay Thapar: Yes. So 13% to 15% is what I expect it to be. So that's what the new businesses that we are targeting. Of course, we will try to do more. I mean our target is really to take our products across the world.

Lokesh Manik: Sure. And on the capacity commencing production, like what year can be expected or quarter?

Sanjay Thapar: So for this capacity you're discussing more for what, cover glass or for Exotech?

Lokesh Manik: Both, both. Exotech and cover glass.

Sanjay Thapar: Okay. Cover glass, as I said, we hope that by the end of this quarter, we should have our first order. It will start in a phase manner, so supplies in a meaningful manner will start next year. And the full impact of the revenues would be felt the year after that. So FY2026 is when cover glass revenues would start to make a significant impact on our revenues. And Exotech, we expect by Q1 of next year, the capacity should be on-stream, and we should be able to augment and that should be our credit.

Lokesh Manik: So FY2026 both should be online and showing some revenue sort of 15% capacity. Is that fair enough understanding?

Sanjay Thapar: Absolutely. Yes.

Moderator: The next question is from the line of Sahil Rohit Sanghvi from Monarch Networth Capital.

Sahil Sanghvi: Excellent set of numbers, sir. Sir, any update on the inorganic side of the acquisitions? I mean, are we exploring couple of assets. What is the update on that?

Sanjay Thapar: Absolutely. So inorganic is an integral part of our strategy. So, as you would know by now, we are debt averse. So, we don't like taking debt. So, we just finished the acquisition of Walter Pack, and we will hopefully repay the debt that we took for this acquisition by the end of the quarter. I mean we are already generating a large amount of free cash, so we will shore up revenue and by the end of this financial year, we should again have corpus available with strong cash generation abilities.

So, I think sometime in next year is when we would like to do this. But as you know, inorganic acquisitions, we have marked in the business for acquiring companies just for the sake of acquiring. They have to have synergies; we should be able to get a good strategies fit and get it at a good price.

So, the strike rate of companies that we explore to trade is maybe about 10%. So, if I look at 10 companies, maybe I have zero in on one company. So, we are in the process, but as I said, we are in no hurry. We have close to one year by being able to let cash on the side to zero in on the right target.

Sahil Sanghvi: Right. No, that makes sense. I mean, we would appreciate you make justice to the acquisition like you did to Walter Pack and Exotech. And one last question is that sir, for Foxconn, what do we supply right now? I mean, apart from what we're trying to cover glass anything else, what do we do right now?

Sanjay Thapar: Yes, Foxconn, they make the display for a TV and we have some special technologies for the display and that is what we supply. So, it's a sort of a cover glass for a two-wheeler EV.

Moderator: Ladies and gentlemen, that was the last question for today's call. I now hand the conference over to the management for closing comments.

Mahendra Naredi: Thank you. I would like to thank everyone for joining on the call. I hope we have been able to respond to all your questions adequately. For any further information, we request you to please do get in touch with our Investor Relations team. So, stay safe, stay healthy, and thank you once again for joining with us.

Moderator: On behalf of JM Financial, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.