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Certified
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Creating Possibilities

February 07, 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 Q3 of FY 2023-24

Please find enclosed the transcripts of the Analysts/Investor Meet/ Earnings Call of Q3 FY 2023-24 held on February 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: 2024.02.07 10:11:56 +05'30'

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

Encl: As above

SJS Enterprises Limited
Q3 & 9M FY2024 Earnings Conference Call

February 02, 2024

ANALYST: **MR. JOSEPH GEORGE – IIFL SECURITIES**

MANAGEMENT: **MR. K.A. JOSEPH – MANAGING DIRECTOR & CO-FOUNDER**
MR. SANJAY THAPAR – CEO & EXECUTIVE DIRECTOR
MR. MAHENDRA NAREDI – CHIEF FINANCIAL OFFICER
MS. DEVANSHI DHRUVA – HEAD – INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to SJS Enterprises Limited Q3 FY2024 Earnings Conference Call, hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Joseph George from IIFL Securities Limited.

Joseph George: Thank you, Manisha. Good morning, everyone. On behalf of IIFL Securities, I welcome you all to the 3Q FY2024 Results Conference Call of SJS Enterprises. From SJS Enterprises, we have with us Mr. K. A. Joseph, MD; Mr. Sanjay Thapar, CEO and Executive Director; Mr. Mahendra Naredi, CFO; and Ms. Devanshi Dhruva, from Investor Relations. I will hand over the call to, Devanshi ma'am to take it forward. Thank you.

Devanshi Dhruva: Thank you, Joseph. Good morning, ladies and gentlemen, and thank you for being with us over the call today. We appreciate it. Moving on, this is how we intend to take today's conference call forward. I will pass on the dais to Mr. K. A. Joseph, our MD and Co-Founder, who will make his opening remarks. Then he will hand it over to Mr. Sanjay Thapar, our CEO and Executive Director, who will take you all through some of the slides of our presentation that has been uploaded on the stock exchange as well as on our website. Sanjay will take you all through the industry view, our business performance; and also give a strategic outlook for the future growth of the company at the end, and Mr. Mahendra Naredi, our CFO, will update you all on our financial highlights, post which we will open it up for Q&A. Thank you once again and I will now hand it over to Mr. Joseph to make his opening comments. Over to you, Mr. Joseph.

K. A. Joseph: Thank you for the introduction, Devanshi. Hello & 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, I would like to quickly share some updates with you all.

First of all, I would like to start with the good news. This quarter we have seen Walter Pack India margins recovering with gradual pickup in key OEM volumes, which had impacted Walter Pack's Q2 FY2024 performance. The EBITDA margins of Walter Pack India has improved significantly from 12.8% in Q2 to 20.4% in Q3 of FY2024. We are seeing the business slowly coming back to normalcy and we are expecting Q4 of FY2024 to be even better. Also please note that as mentioned earlier for the full year of FY2024 only 9 months financials of Walter Pack India will be consolidated with SJS numbers.

Secondly, as you all know in August of 2023 Everstone Capital sold 29.53% of the equity stake in the secondary market. After the stake sale transaction Everstone's equity holding in the company has been reduced to 4.63%. Consequently both the nominee directors have stepped down from our board. They have now applied for depromoterisation due to their lower shareholding and no board representation. However, on the work front nothing changes, it is business as usual for us.

Now coming to Q3 FY2024 updates: After five quarters of continuous muted performance of the two-wheeler industry production, this quarter two-wheeler volumes have picked up. We are excited and hoping that the two-wheeler industry volumes continue to grow in the same trajectory as it augurs well for our standalone SJS business which has almost 55% to 60% revenue exposure to the two-wheeler industry.

Walter Pack India and Exotech both our acquisitions are more passenger vehicle and consumer segment oriented than two-wheelers. This helps us to balance our portfolio among two-wheelers, passenger vehicles and the consumer segment perfectly. As well as it opens up a plethora of cross-selling opportunities among the three companies SJS, Exotech, and Walter Pack India.

As per our SJS Q3 FY2024 consolidated performance 37% of revenue contribution is from two-wheelers, 36% from passenger vehicles, and 27% from consumer business and others. I look forward to see how the SJS growth pans out in the future with all the synergies and cross-selling opportunities playing out along with our new product additions as well as acquisitions.

With that said, I would now like to hand over the call to Sanjay to take you all through some of the business and industry highlights for the quarter. Thank you and over to you, Sanjay.

Sanjay Thapar: Thank you Joe. Hello and good morning everyone. I start with the Q3 highlights. I am very happy to inform you that it is the 17th consecutive quarter that SJS has again outperformed the automotive industry. Auto industry two-wheeler and passenger vehicle production volumes combined have grown by 16.3% in Q3. While our consolidated revenue that is SJS + Exotech + Walter Pack grew 51% Y-o-Y during the quarter backed primarily on back of Walter Pack addition and strong growth in the consumer segment as well as exports.

Strong 36.9% Y-o-Y growth in the automotive industry that is two-wheeler plus passenger vehicles combined as compared to 16.3% Y-o-Y industry growth has helped us navigate this quarter. Automotive business has grown well for us in both domestic markets at 37.2% year-on-year and the export markets at 32.1% year-on-year.

I am also delighted to share that the EBITDA margins improved quarter-on-quarter to 25.5% margin primarily on back of significant improvement in the Walter Pack EBITDA margin to 20.4% versus 12.8% in Q2 FY2024 as the key OEM volumes gradually picked up.

During Q3 FY2024 the Company generated strong cash flows of 512.7 million and our overall cash and cash equivalent stood at Rs.338.2 million. Our net debt has reduced by more than half in Q3 FY2024 to Rs.220.1 million from Rs.599.4 million in Q2 of FY2024. We are confident that by the end of the year FY2024, we will have negligible debt on our books.

In Q3, two-wheeler industry production volume grew 19% Y-o-Y while SJS consolidated two-wheeler sales grew by 21.6%. The Company witnessed PV growth of 56.7% year-on-year while the industry production volume grew by 5% during the same period. This was on account of Walter Pack acquisition and the increasing share of PV business in our automotive segment.

Overall consolidated SJS automotive sales grew 36.9% year-on-year while organic SJS plus Exotech automotive business growth stood at 16.4%.

Simultaneously, for 9M FY2024 automotive industry grew by 5.7% year-on-year while SJS consolidated automotive revenue grew by 27.2% year-on-year and organic growth was about 14.7% on a year-on-year basis.

We are seeing some improvements in the export markets as it witnessed a growth of 39.7% year-on-year for the quarter. New business wins are partially offset by slow paced recovery in certain pockets of the European market while all other regions have witnessed robust growth on a year-on-year basis.

Overall 9M FY2024 we saw robust growth of 48.9% in exports to Rs.350.4 million. Q3 FY2024 exports constituted ~7% of our total consolidated sales. Both Exotech and Walter Pack are primarily domestic businesses and hence exports as a percentage of consolidated sales is at ~7% while exports is ~12% of SJS standalone sales.

We continue to expand our share of wallet by winning new businesses from key customers like M&M, Tata Motors, Autoliv, Whirlpool, Ola, Royal Enfield, Honda Motorcycles and TVS among others.

I would like to share one more positive update with you all. SJS became the first printing company in India to be awarded the quality system certificate for new technology of optical cover glass. We believe this is a step towards achieving our strategic goals.

Before I hand over to Mahindra, I would like to give you a quick update on the ESG and CSR front.

- On the ESG front, we are increasingly moving towards higher usage of green energy and consuming more solar and wind power. At SJS, Bangalore almost our entire power consumption requirement is now provided through renewable energy. This will not only help us to reduce our carbon emissions, but we also anticipate some cost savings on power and fuel consumption going ahead.

- Next as a company we strongly believe in women empowerment and financial independence of women. This quarter we joined hands with Varchass National Seva Trust, a nonprofit organization to primarily support women empowerment. Our contribution will aid in supporting 150 underprivileged women by providing them with vocational training like tailoring, driving, hand embroidery, computer training, beautician skills, etc. These skill sets will help them improve their standard of living and be financially independent. I would now like to hand over the call to Mahendra, our CFO to update you all on the SJS financial performance before I talk about our future growth outlook. Over to you Mahendra.

Mahendra Naredi: Thank you Mr. Thapar. Good morning everyone. Let us delve into the financial snapshot.

Slide #12 and #13 provide a concise overview with slide #12 focusing on the organic performance of SJS and Exotech, and slide #13 presenting the consolidated picture including Walter Pack India.

Subsequently slide #14 and #15 explain our financial performance in detail.

In Q3 our consolidated revenue reached Rs.1,605.9 million showcasing growth of 51% Y-o-Y basis. This robust performance is attributed to the inclusion of Walter Pack India addition and strong contribution from the consumer segment and export. Organically our revenue grew by an impressive 21.8% Y-o-Y.

Moving to EBITDA, we achieved Rs.412.4 million, marking a Y-o-Y growth of 45.2% with a margin of 25.5%. The quarter-on-quarter improvement of 266 bps in Q3 EBITDA margins is notable, mainly driven by Walter Pack India significant jump from 12.8% in Q2 to 20.4% in Q3 FY2024. Additionally, Exotech recorded its highest ever EBITDA margin at 18.4% since acquisition in 2021, improving 224 bps quarter-on-quarter and 588 bps Y-o-Y attributed to enhanced growth margins.

Excluding Walter Pack India, organic EBITDA for SJS and Exotech stood at Rs.347 million boasting a healthy margin of 26.7% and a Y-o-Y growth of 22.2%. Our EBITDA margin has shown a positive trend improving by 53 bps Y-o-Y and 63 bps quarter-on-quarter primarily due to superior margin performance at Exotech.

Our consolidated PAT reached Rs.208.5 million demonstrating a robust Y-o-Y growth of 32.7% with PAT margin standing at 13%. Despite strong EBITDA growth PAT margin was slightly impacted by lower other income, increased interest cost, which is related to debt taken for the Walter Pack India acquisition and higher amortization cost on intangible assets amounting to Rs.21.5 million cost at each quarter which we have calculated after the Walter Pack India acquisition. Organically PAT growth stood at 28.8% to Rs.202.4 million with a healthy margin of 15.6%. This growth was driven by higher EBITDA offsetting the impact of lower other income and increased finance cost.

Our consolidated ROCE during the quarter stands at 18.8% and ROE, Return of Equity at 14.1%. ROCE was impacted due to Walter Pack India acquisition and this will gradually improve over a period of time, and with better utilization of new investment over next one to two years.

As Mr. Thapar mentioned earlier, our cash and cash equivalent were Rs.338.2 million at the end of December 2023. Post the Walter Pack India acquisition our net debt which had risen to Rs.599.4 million in Q2 FY2024 has been significantly reduced to Rs.220.1 million as of December 31, 2023. We are confident that by the conclusion of FY2024 we will attain significantly lower net debt level on our books.

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

Sanjay Thapar: Moving to the future growth outlook.

Keeping in mind the underlying industry performance for 9 months, wherein the auto industry production volumes grew 5.7% year-on-year, we have significantly outperformed the industry on both organic and inorganic fronts. We are confident that we will continue to outperform the industry growth by over 1.5 times on back of our presence in multiple industry segments, global footprint, large product portfolio, strong customer relationships, and inorganic performance.

We have been able to stay ahead of the curve versus our peers for quite some time now. Primary reason is our capability of introduction of new premium products and technologies. It continuously enables us to increase our addressable market significantly. We have strategically built a large product portfolio over the last few years anticipating the futuristic technology trends in the market. In this regard we have been working on the this journey of diversification and accelerating our efforts to increase our kit value in two-wheeler passenger vehicle and consumer businesses with the addition of new premium products through both organic and inorganic routes.

Inorganic root was the acquisition of chrome plating, IMD, IML, IMF parts via Exotech and Walter Pack India acquisitions.

On the organic front I had mentioned to you all of our plans to introduce optical cover glass at SJS. The addition of optical cover glass or plastic will be a complete game changer. It will also aid in reducing two-wheeler dependence even in our standalone SJS business. SJS standalone kit value in the passenger vehicle segment will increase over 10 times with the introduction of optical cover glass from being a 2D, 3D dial supplier to the PV segment to become a supplier of high value premium products.

Apart from this product we are working closely with some OEMs to introduce innovative premium products like IML wheel caps and complex IML, IMD parts for consumer companies.

It gives us great satisfaction to see our organic and inorganic strategy is playing out very well.

Our potential content per vehicle for PV over the last two years has increased by over four times and today we are one of the mainstream suppliers to the passenger vehicle segment as well.

Our outlook for the current year FY2024.

- We maintain a guidance to deliver consolidated annual revenue growth close to 45% year-on-year. Organic growth for FY2024 would be over 1.5 times of the industry growth close to about 20% year-on-year.

- Our consolidated PAT growth is also likely to be near 30% year-on-year. This 30% growth will exclude the higher amortization cost of Rs.21.5 million post tax each quarter on intangible assets and one-time acquisition costs of Rs.21.5 million incurred during Q2.

In the last 3 months we have not only seen Walter Pack India's key OEM volumes recovering gradually, but it has also won several new businesses that gives us confidence for a robust order book for FY2025. We have strong conviction that strategically Walter Pack India is the right acquisition for SJS and will help us drive both growth and profitability in the long run.

We are confident in our ability to outperform the industry on back of various cross-selling opportunities that we see playing out between all our three businesses.

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: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ajox Frederick from Sundaram Mutual Fund. Please go ahead.

Ajox Frederick: Hi! Sir, thanks for the opportunity. I have one question on WPI. Sequentially the revenue has come off despite the client level models increasing in Tata. So, how should I read that.

Sanjay Thapar: As we said in the last quarter, there were some new launches that Walter Pack initiated. These volumes were increasing gradually because of launch issues at the customer end. So these have stabilized and for quarter three, typically the pace of growth has been gradual. So, we see that improvement happening, but the full improvement still has to play out. So the volumes will increase further, and I think Q4 would be closer to what is the normal run rate expected plus in addition we see very strong order intake. So there are some new programs that are starting up, which will lead to revenue growth at Walter Pack India in the next quarters.

Devanshi Dhruva: Also just to add to what Sanjay said. So, in Q2 if you will actually see out of the Rs 38-39 Crores of revenue in Walter Pack around Rs 11 Crores was tooling revenue, which we had mentioned. So the actual revenue is somewhere around Rs 28 Crores whereas this quarter we are somewhere close to Rs 33 Crores. So that way sequentially if you will see there has been a growth.

Ajox Frederick: On Exotech the margins have improved sequentially. So, what can be the steady state run rate margins for this business going forward one year, two years down the line?

Mahendra Naredi: The margins has improved mainly due to the operational efficiency and more of a lesser raw material consumptions and better product mix. So like your question, it is a sustainable basis, so it is depending on the product mix continuation, but we believe that our margins will be in a good trend and we will deliver better than what we have done in the last year.

Sanjay Thapar: So fundamentally, specifically answering that question 15% is what we have guided to that this should be sustainable margins and of course our effort is to increase that further as it has gone out in this quarter, but steady state margin should be in the region of 15%-16%.

Ajox Frederick: Understood, sir. That is from me and thanks for your input. Thank you, sir.

Moderator: Thank you very much. The next question is from the line of Amar from Lucky Investment. Please go ahead.

Amar: Sir, thanks a lot for the opportunity. First, in terms of the Walter Pack like the production related scale up and the descale of few models which we were expecting for the client specific issues. Is that behind now?

Sanjay Thapar: Yes, that is what I answered in Q2 there were some starting problems at the OEM which have been sorted out now. So, what I guided in the last quarterly call was that margin should come back to somewhere midway between what it finally should be and where we are. So we have demonstrated that robust growth in margins at Walter Pack India and moving forward it should normalize in Q4 and early Q1 FY2025. So those issues are behind us, there are some new model launches that are happening. So we have good traction and this will help improve revenues as well as margins in the next one or two quarters even further from what improvement you have seen in Q3.

Amar: Was there like some rejection related cost even in this quarter for Walter Pack, and if you can quantify that quantum, was that significant.

Sanjay Thapar: Typically whenever we introduce a new product, these are new technologies introduced for the first time in India. So there is a learning curve that is there, we do a lot of internal trials so lot of costs get built in without being billed to the customer. So, yes there are rejections in the startup phase for any project, but in a quarter or two they stabilize. So we expect that this should improve margins as I guided earlier in Q4 FY2024 and Q1 FY2025. So any time that you launch a new product there will be some teething costs, which get normalized over the next two or three months of launch.

Amar: Just one last. On a standalone Walter Pack basis, what would be the year-over-year growth we would be expecting in 2024 and in 2025, just on standalone Walter Pack.

Sanjay Thapar: We expect very robust growth, we will far outperform the industry. So that is what we have guided to. At the moment we will give you guidance on the next year for Walter Pack maybe closer towards the end of the year, but on the whole it looks very promising.

Amar: In 2024 let us say the 45% guidance. So what would be the growth penciling for Walter Pack.

Devanshi Dhruva: As it was mentioned even by Mahendra in his comments, he said that the organic growth that we will see is going to be somewhere around close to 20% and the balance would be coming from Walter Pack performance.

Amar: Okay good, Thank you.

Moderator: Thank you very much. The next question is from the line of Pratit Vajani from Union AMC. Please go ahead.

Pratit Vajani: Yes, sir. Thank you for the opportunity. My question is more regarding the optical cover glass opportunity, which you spoke about. So can you just elaborate a little bit more about it that you said the ASP is going to go up by 10x. So what is the opportunity size you are looking at and do we have orders on the same.

Sanjay Thapar: Optical cover glass is a very high value part and that is there I said if you talk of standalone SJS, this is going to increase our content per four-wheeler by almost 10x, that is for standalone SJS. We are in the process of proof of concept and validation and when you introduce a new product, there are lot of audits that are done by the companies - our customers. So we see strong traction. At the moment we are in the process of this auditing phase where our processes are being verified, and we hope that in the next quarter or two quarters we should be able to have orders for this. So typically what happens is the customer audits you, validates everything, and that is when they start awarding business. At the moment what we have is proof of concepts which we have given to customers, they have evaluated it, they are happy with it. So on the whole looks very positive.

Pratit Vajani: Sir this product would be the dashboard kind of glass is it.

Sanjay Thapar: Yes, so this is a display that is there in the center stack. So if you have seen the XUV 700 for example from Mahindra. So you have a huge display screen in the center, which has navigation and your audio controls. So this is the center stack display screen and the cover glass is the protective glass that covers the TFT screen that comes in the center. So our scope is to supply the cover glass which will protect this TFT screen in the center. So depending on the premiumization or the premium content in the vehicle or which model you talk of, so these could be extremely large parts which are quite expensive.

Pratit Vajani: Also sir regarding the issue with the OEM, which we called out last quarter. So now this quarter you said that, that is largely behind. But are we getting new orders for the same OEM where they have a model launch already done and couple of launches are pending for this year. So do we have any visibility on that front?

Sanjay Thapar: Yes, we have very good traction as I said. So there are a lot of new models that we working on. So these are exciting times for us as we look at these new models being launched. So, we have very good traction with the customer for these new models as well.

Pratit Vajani: Just last question from my end. What are your thoughts on the overall export side. Are we seeing any delays in the orders or anything of that sort on the exports from that should be my last question? Thank you.

Sanjay Thapar: Exports have done very well for us, so Devanshi if you could share some numbers please.

Devanshi Dhruva: Yes, so exports for us has grown by almost around 40% this quarter and we believe by the end of the year we would be back to our FY2022 levels of exports. So on a standalone basis because if you will see our all three businesses it is SJS standalone business that has exports and that is about 12% of our standalone business. On a consolidated level yes both Exotech and Walter Pack are largely domestic business, in fact Exotech had won the Whirlpool business of Chrome Plating Badges, and that has also started for us since last quarter. So we are trying to see how more cross-selling opportunities can play out for us with the existing SJS base as well as now the other two companies also and how we can increase our exports going ahead.

Pratit Vajani: Thank you so much.

Moderator: Thank you very much. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Good afternoon sir. First of all congrats for a good set of numbers. Just wanted to know that from the ramp-up perspective from your key customers as and when that happens particularly on the Walter Pack side. When you say that it will come back to the normalized level. How do you define the normalized level, what does it mean from the capacity utilization perspective.

Sanjay Thapar: Normal margins that we had guided for Walter Pack basis.

Rajesh Kothari: On the revenue front, not on the margin front, I am saying revenue front is the customers impacted in 2Q and now we are seeing third quarter was still kind of a more like a ramp up mode, but at the fourth quarter where do you see the normalization. So what does it mean from the capacity realization perspective and what does it mean from the revenue potential perspective.

Sanjay Thapar: Mahendra could you answer on the capacity utilization, I will come to the revenue one.

Mahendra Naredi: Regarding capacity when we acquired this company they were operating in the range of 65% to 70%. During the year we have also invested in this company and capacity was expanded. On a yearly basis this company can achieve around Rs.250 Crores on current capacity. So let us say currently for the quarter three they were somewhere 70%-75%, but that can grow eventually in quarter 4 and the quarter further.

Sanjay Thapar: And coming to your revenue or where we see growth. So we see very strong growth Devanshi already answered that question. That overall we expect 45% year-on-year growth over last year and organic growth out of that should be close to about 20%.

Rajesh Kothari: When you see next year when you say 20% organic growth. These on a pro forma basis you are saying or on the reported basis you are saying because Walter Pack was there only from July. So is it on reported basis you are saying 20% growth for the next year or you are saying on a pro forma basis you saying 20%.

Devanshi Dhruva: Just to correct you, when you said organic growth around 20% that was for the full year FY2024 that was the question that was asked earlier.

Rajesh Kothari: No that I understood, I am saying FY2025 when you say FY2025 you are expecting 20% kind of a growth, correct, because we are expecting organic growth to be expedite at 20% to 25% CAGR correct. So I am saying FY2025 when you say 20% growth does it mean pro forma basis 20% growth or is it a reported basis 20% growth.

Mahendra Naredi: That is more of a pro forma basis growth.

Rajesh Kothari: It means you are saying assuming Walter Pack is a part of full year for FY2024 then on that basis you can grow at 20% that is what you mean.

Mahendra Naredi: Yes that is absolutely right.

Rajesh Kothari: And this assumes two-wheeler and passenger vehicle industry growth of what 8% to 10%.

Mahendra Naredi: Yes, we believe that two-wheeler will grow in the range of 8% to 10% and the four-wheeler will grow in the range of 10% to 12%.

Rajesh Kothari: Okay so two-wheeler 8% to 10% and four-wheeler understood. So in terms of the value addition from the margins perspective as that revenue grows by 20%. Do you see potential of improvement in margins from where it stands in third quarter.

Mahendra Naredi: Well definitely the higher revenue and better operational efficiency will add into the EBITDA level. So, yes, we are very much confident and we will see the growth part.

Rajesh Kothari: Any Capex plan for 2025-2026.

Mahendra Naredi: So we already have explained in all quarters also. Our plans on yearly basis for all put together three company, we will do Capex of in the range of Rs.40 to Rs.45 Crores. Apart from that we are evaluating our expansion for Exotech and Walter Pack India. We have already acquired the land and evaluating on how we can plan for growth for both the company on same land so those plans are under evaluation and that will come maybe somewhere in calendar year 2024.

Rajesh Kothari: I see, great, perfect. Thank you sir, wish you all the best.

Moderator: Thank you very much. The next question is from the line of Amit Hiranandani from SMIFS Limited. Please go ahead.

Amit Hiranandani: Hi! Team, congrats for the good set of numbers and so my first question is basically on the bookkeeping question is basically what is the absolute gross debt number, including the working capital for Q2 and Q3.

Sanjay Thapar: Sorry, maybe you have to repeat your question once again.

Amit Hiranandani: What is the absolute gross debt number including the working capital loan for Q2 and Q3 FY2024.

Mahendra Naredi: Gross debt as the end of quarter three, our gross debt at quarter three was Rs.55.8 Crores and that in the last quarter was Rs.83.7 Crores.

Amit Hiranandani: So the debt has been repaid in Q3, but I can see interest cost is nearly the same Q-on-Q.

Mahendra Naredi: You are not able to see the interest cost reduction because actually there is a reduction into interest cost, but there was some processing cost we have incurred for the term loans and since we have repaid, all processing cost which was supposed to be deferred over the period of time that also been charged off in the quarter. So hence for this impact saving has been offset with the processing cost.

Amit Hiranandani: And any further plans for the Q4 debt repayment.

Mahendra Naredi: Yes, as and when we will make our cash generation. There are some loans like acquisition loans, there are some time bound loans which going to be repaid at a certain time and not before that, but some loan we will repay in quarter four and largely the loans we will repay in quarter one of 2025.

Amit Hiranandani: My second question is on the standalone business. So we are seeing the gross margin has come down year-on-year as well as quarter-on-quarter. Is this due to mix impact?

Mahendra Naredi: Yes, so on standalone you are absolutely right that is more of a mixed impact. If you recall by starting in the year we already have highlighted that there could be some margin impact in the current year because we are launching some new products here and that would be impacting the gross margin. So, yes, that was sales mix impact.

Sanjay Thapar: But just to supplement what Mahendra just said, we are not so worried about the gross margin because we have demonstrated considerable resilience in getting back to margins. So, the idea was what we guided in the beginning of the year as well that we are going to enter into new technologies which are going to serve our purpose better in the long run. Yes, in the short run there will be some startup cost some new technology introduction challenges that require higher RMC's, etc., but then we are not so concerned about this. On a steady state basis we see that this will continue to emerge as a very high margin business.

Amit Hiranandani: Yes, sir just last question, just if you can throw some guidance on the Capex for FY2024-2025 and I require basically the breakup of the Capex including your capacity expansion as well.

Mahendra Naredi: For the current year 2024, for the 9 month we already have done a Capex of around Rs.33 Crores which also includes the land we acquired for expansion. For the quarter four we are expecting that we will reach somewhere Rs 40 Crores in this year. So, this year would be Rs.40 Crores where we had captured the expansion, the land acquisition as well as the new Capex we have done for the Walter Pack. For the next year, largely we have already touched upon about the optical cover glass for which we need to go for a Capex. So next year, for this one plus maintenance Capex we believe that we will incur somewhere Rs.40 to Rs.45 Crores plus expansion of our Exotech and Walter Pack. The land has already been acquired, and we are evaluating our plans for the future. We would like to be frugal in our investment policy, so that plan we will explain more in detail sometime in quarter two or quarter three.

Amit Hiranandani: So FY2025 the total 45 Crores including the expansion right.

Mahendra Naredi: For the current financial year Rs.40 Crores you can say.

Devanshi Dhruva: FY2025 just to correct FY2025, 45 Crores is excluding that Exotech and Walter Pack expansion that plans we are still working on it and evaluating it.

Amit Hiranandani: Okay very clear. Just the last question, sir. On the export side it is still doing roughly Rs.12 Crores quarterly run rate. So are we facing any kind of problem despite having good orders in hand and we are adding new clients as well. Just need your color on the export side and Q4 outlook and visibility for FY2025 for exports, please.

Sanjay Thapar: No, so as I guided earlier during the year, so there was a hit that exports had taken last year because of these macroeconomic challenges. We had guided that in this year we will come back to near normalcy of where we were a year ago. So, we are on target there so we will be almost at this a little lower than the levels that we were the year before last, but moving ahead we see good traction. So for us, the automotive business, the appliance businesses both are looking good. There are some challenges still in Europe, but overall other geographies are doing well. So, we are quite optimistic that this will open the doors and the doors will open wider for us. Also, thanks to this new Walter Pack product portfolio that we have in our product mix and that should lead to larger revenues coming in from exports. The guidance of course is that maybe over the next two to three years almost export should increase from about 7% to close to about 10%-11% of our consolidated revenues.

Amit Hiranandani: Great sir, all the best. Thank you so much, sir.

Moderator: Thank you very much. The next question is from the line of Saurabh from Multi-Act Equity. Please go ahead.

Akshat: Hi! This is Akshat from Multi-Act. I had a question specifically related to Walter Pack. So just wanted to understand last quarter the loss of revenue was mainly on account of model change at one of our OEM. So there were three models which changed. Now if you track the volume data of those models they have been broadly back to the Q1 levels. So, they had gone down in Q2, but in Q3 they were back to Q1 levels. But our recovery does not seem to be matching those numbers. So is there are some particular trims where our components are higher and those trims are not there so much in these volumes or if you could just explain this divergence.

Sanjay Thapar: So your question is more in regard to the revenue.

Akshat: The revenue of Walter Pack not coming back to Q1 level despite the volumes of OEMs coming back.

Sanjay Thapar: No, so you need to account for the fact that last quarter there was a significant amount of tooling revenue that compensated sales.

Akshat: Comparing with Q1 not Q2. Q2 I understand, But in Q1.

Devanshi Dhruva: I just like to add to you out here. The question that you are saying is in Walter Pack the key OEMs that we are talking about whom we supply to. There if you will see the volumes in terms of the Q-o-Q growth that has not come back to Q1 levels. It was flattish in Q3 also for them.

Akshat: But just wanted to clarify our components last quarter we had talked about increasing in the wallet share and increasing in the size of the kit. So, this higher kit value is it there across all trims or it is more for the higher end of the model.

Sanjay Thapar: Across all trims, so fundamentally these two, three models where the new technology interiors came in where we have a very significant increase in the content per vehicle. So those are there for most of the trim levels.

Akshat: Now in later part of December or early January are the volumes back to Q1 levels or we are just still behind those numbers as of now.

Sanjay Thapar: Well so Q4 still has to play out, but we see robust orders not only for the existing models, but our content in those models has increased even further because of lot of new products that we won. So our content per vehicle for example is going to increase even further. So we will see robust growth coming in for Q4 as well.

Akshat: Okay. Thank you, sir.

Moderator: Thank you very much. The next question is from the line of Amar from Lucky Investment. Please go ahead.

Amar: Sir basically like given the numbers which we are talking, I believe third quarter is seasonally the best quarter even for your standalone and Exotech business. So I can understand that content per vehicle increasing in the Walter Pack, but given the guidance you are talking about, we are expecting a significant growth in the standalone and the Exotech business also in Q4. So what would be the reason for that.

Devanshi Dhruva: Just to correct you on one thing, usually Q3 is not generally our best quarter it is Q2 and Q4 which are usually better quarters for us because if you will see Q3 is generally the time when there is plant maintenance shutdowns and all those things also that happen and the festive period is just over, so usually the demand and the distribution channels gets filled in Q2 usually. This time it has happened that yes there has been a little spill over in Q3 otherwise generally Q2 and Q4 are generally better quarters for us than Q3.

Amar: So, we are confident about basically the guidance which we are talking about even for the standalone and Exotech business, the kind of growth which we are seeing.

Devanshi Dhruva: Yes, that is right because we have won new business. As we had mentioned even last year as well as during this year quarters also, we had won quite a few new businesses that have started since Q3 onwards now. So Q3 and Q4 that is why we are seeing this kind of growth.

Amar: And how this visibility basically percolates in FY2025 what should be the 2025 standalone and Exotech growth, if you can.

Sanjay Thapar: So, we are not guiding to FY2025, but what we said is in my outlook what I just explained to you we hope to outperform the market by at least 1.5 to 2 times and we expect that the two-wheeler industry should grow by about 8% to 10%, the four-wheeler should grow at about 10% to 12%. This is the industry growth rate that we factored in and we should be close to about 1.5 to 2 times better than the industry.

Amar: So basically 20% kind okay got that. Thank you sir.

Moderator: Thank you very much. The next question is from the line of Vatsal Kothari from AlfAccurate Advisors. Please go ahead.

Vatsal Kothari: Good morning everyone. Thank you for the opportunity. My first question would be with regards to Walter Pack India. If you could just help with the segmental mix in terms of the auto segment and the CV, what would the revenue mix look like?

Devanshi Dhruva: Sorry, can you repeat your question.

Sanjay Thapar: Segment mix for Walter Pack.

Devanshi Dhruva: Segment mix, Walter Pack since it is largely a passenger vehicle and consumer appliances player. So there it is around 55%-56% of our revenues is from passenger vehicle and balance is from consumer appliances and some other segments. It is very negligible two-wheeler player.

Vatsal Kothari: My second question is with regards to the auto segment for Walter Pack. I think if I am not wrong the top two OEMs or the auto players contribute to about 60%-70% of your top line for Walter Pack alone. So, if you could just share what would that mix look like. Does the largest OEM still contribute to about 50% of the Walter Pack top line or how does it look like for this quarter.

Devanshi Dhruva: So the two large OEM, yes, they contribute somewhere around 65% to 70% of our revenue for this quarter specifically.

Vatsal Kothari: Understood and my last question would be so I heard that you guys have added more clients which will contribute to a robust order book growth going forward for the next one to two years. So, if you could just give some names in terms of the clients which you have added for perhaps Walter Pack and Exotech that would be great if you could just give some color on that.

Sanjay Thapar: Our clients are fairly wide-based, so we virtually do business with most of the companies in India. So, it is not so much as adding clients, as to winning new businesses from these clients. So just want to correct that, so we already supply to virtually every one. So the growth is more in terms of new businesses that we are acquiring both for electric vehicles or the variants that these companies are launching or the new generation vehicles that they are launching. So, we see very strong order coming in from new launches that are happening.

Devanshi Dhruva: Also when we had mentioned that we had added new customers and all that was more from the standalone SJS perspective where we had mentioned in our earlier calls that we had added a telecom player we had also added Atomberg, we had added Autoliv so all of them were also added in the last couple of quarters.

Vatsal Kothari: Got it. Thank you so much.

Moderator: Thank you very much. Due to time constraint, we will take the last question from the line of Aditya Zohar from AKJ Capital. Please go ahead.

Aditya Zohar: Thanks for the opportunity. Great set of numbers. Just to confirm on the guidance part. I was little unclear. On FY2024 this year we would do somewhere around 600 odd Crores of revenue and next year you are guiding about 720 to 740 is my numbers correct sir.

Devanshi Dhruva: I am sorry Aditya we will not be able to guide you in terms of numbers or anything. We have already guided in terms of our growth how we anticipate it.

Aditya Zohar: Ballpark numbers just, not exact numbers I am saying. So this year roughly 600, next year 700. So this is what our guidance stands for.

Mahendra Naredi: Already we have said that we will achieve 45% compared to the last year. So what you said for the financial year 2024 is 600, yes, more or less the number. For the next year we already given that we will outperform the market by 1.5x to 2x. So your numbers is pretty okay, but it could go higher also.

Devanshi Dhruva: And it all depends even on the industry growth as well that how the industry also plays out.

Aditya Zohar: Okay, sir. All the best. Thanks for that. Thank you.

Moderator: Thank you very much. Due to time constraint, we will take that as the last question. I now hand the conference over to Ms. Devanshi Dhruva for closing comments.

Devanshi Dhruva: Hi! Thank you everyone for joining us on this call. In case if anybody's questions have remained unanswered, you can please feel free to reach out to us and we will try and answer all those queries. Thank you so much.

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