

February 17, 2026

The National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra – Kurla Complex
Mumbai 400051

The Department of Corporate Services
BSE Limited,
P.J. Towers, Dalal Street
Mumbai 400001

Scrip Symbol: SANSERA

Scrip Code: 543358

Dear Sir/ Madam

Subject: Transcript of Earning group conference call

Please find attached transcript of Earning call held on February 10, 2026 on Unaudited Financial Results of the Company for the period Q3 & 9MFY26.

The above transcript will also be made available on the website of our Company at www.sansera.in.

We request you to take the same on your records.

Thanking you.

for Sansera Engineering Limited

Rajesh Kumar Modi
Company Secretary and Compliance Officer

Encls: a/a

SANSERA ENGINEERING LIMITED

Reg Off: Plant 7, No. 143/A, Jigani Link Road, Bangalore-560 105, India, Tel: +91 80-27839081/82/83. Fax: +91 80-27839309
E-mail id: info@sansera.in Website: www.sansera.in CIN: L34103KA1981PLC004542



“Sansera Engineering Limited
Q3 FY '26 Earnings Conference Call”
February 10, 2026

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on February 10, 2026, will prevail.”



**MANAGEMENT: MR. B.R. PREETHAM – EXECUTIVE DIRECTOR AND
GROUP CHIEF EXECUTIVE OFFICER – SANSERA
ENGINEERING LIMITED
MR. VIKAS GOEL – CHIEF FINANCIAL OFFICER –
SANSERA ENGINEERING LIMITED
MR. RAHUL KALE – CHIEF OPERATING OFFICER --
SANSERA ENGINEERING LIMITED
MR. HARI KRISHNAN – CHIEF EXECUTIVE OFFICER,
ADS DIVISION – SANSERA ENGINEERING LIMITED
MR. PRAVEEN CHAUHAN – HEAD CORPORATE
STRATEGY – SANSERA ENGINEERING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Sansera Engineering Limited Q3 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

This conference may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I would now like to hand the conference over to Mr. B.R. Preetham, the Executive Director and Group CEO. Thank you, and over to you, sir.

B. R. Preetham: Thank you. Good morning, and welcome, everyone. Sorry for making you to join so early in the day. Thanks for joining this call. On this call, I'm joined by our CFO, Vikas; our CEO, ADS division, Hari Krishnan; Head of Corporate Strategy, Mr. Praveen Chauhan; our COO, Rahul Kale; and our Investor Relations Advisors, SGA. The results and the presentations were uploaded on the stock exchange and the company website. I hope everybody has had a chance to look at them.

I'm delighted to connect with you all from our newly inaugurated Pantnagar facility, a state-of-the-art plant dedicated to serving domestic 2-wheeler OEMs. We will be primarily producing crankshaft assemblies in this plant, which would help in increasing our content per vehicle for the ICE segment, which is having a very good current demand in this segment.

In the quarter gone by, Sansera reported its highest ever quarterly figures for sales of INR9,077 million as well as EBITDA of INR1,639 million. PAT after exceptional item of INR162 million pertaining to the revised Labour Code law stood at INR694 million. The performance reflects an improvement in EBITDA margins at 18.1%, whereas PAT margin remained healthy at 7.6%.

To highlight this momentum, let me outline a few revenue cuts that were achieved -- that we achieved our best-ever quarterly performance milestones during this quarter. Geographically, revenues from Europe grew by 27% year-on-year, while the sales from our other foreign countries more than doubled on a small base, together driving our best-ever international sales for Sansera.

Segment-wise, ADS revenue stood more than 4x on a year-on-year basis and more than 2x on a quarter-on-quarter basis. This is in line with our expectations and guidance and sets a new benchmark for us in the non-automotive performance. Following the interim U.S.-India trade deal and EU FTA, we expect a positive impact on both current exports and new opportunities.

From a domestic market perspective, the post-GST momentum in the auto segment remains strong, driven by new model launches. This is reflected in the solid auto sales figures for the month of January as well reported by the OEMs. Production schedules for us for the coming months indicate sustained robust trends.

Further, we see long-term benefits in Semi-con space with government's upcoming launch of India Semiconductor Mission 2.0, which is aimed at supporting equipment and material manufacturing, develop full-stack Indian IP and strengthening supply chains. And we are strongly present in the equipment space in this segment.

Zooming our performance for the quarter. Seasonally, this is a weak quarter for the auto segment due to annual maintenance-related shutdown and model change -- yearly model change. However, on a YoY Basis, we saw a strong growth of 13% in the auto ICE space, led by PVs, HCVs and motorcycle components. At the same time, Auto Tech-agnostic and xEV recorded about 26% year-on-year growth.

For the non-auto business, revenues more than doubled during this quarter. As of December 2025, our peak annual revenues for new business stood at INR24.1 billion. If we look at the cumulative unexecuted lifetime order book of backlog till FY '30, specifically for the ADS business, it stood at INR38.7 billion.

As we look forward from here, our pipeline remains robust and the outlook along with the market backdrop and the client sentiment continues to be upbeat. Based on our current order execution and customer schedules, we remain confident that we will close the year with teens to mid-teens top line growth while comfortably maintaining our current margin profile.

With our 9-month ADS revenue crossing INR2,150 million, we are on track with respect to ADS -- our ADS target for the FY '26. Lastly, as we mentioned in our previous earnings calls that we are also exploring new geographies in East of Asia, especially Japan to engage with a new set of customers, primarily in the auto space. Towards this, we have recently signed a joint venture agreement with Nichidai Corporation of Japan. Our JV partner's expertise in manufacturing of tools, dies and precision components in cold and warm forged categories. And these are manufactured across operations in Japan and Thailand.

With the range of tech-agnostic components under this JV, we will be -- we are well aligned with our diversification strategy. Sansera will be investing INR500 million towards this JV for a stake of 60% over a couple of years. With this, I would like to hand over the call to our CFO, Mr. Vikas Goel.

Vikas Goel:

Thank you, Preetham. Good morning, everyone. Let me take you through our consolidated financial performance for the third quarter of FY '26. Our revenue from operations increased by 25% on a year-on-year basis and stood at INR9,077 million, marking it the highest ever revenue by the company.

Due to a positive product shift, we have witnessed margin expansion during this quarter, leading to a 60 basis points increase in the operating margins. This is after making a provision for the development cost, which is a onetime expense of about INR100 million during this quarter. EBITDA for the quarter stood at INR1,639 million with a margin of 18.1% as against 17.5% in Q3 FY '25.

Our employee expenses were INR1,213 million and other expenses amounted to INR798 million, recording a year-on-year growth of 9% and 18%, respectively, which reflects a healthy

operating leverage on this new scale. Finance costs for the quarter stood at INR79 million, which is significantly lower, owing to the reduction of debt that we have done over the last 1 year.

We recorded a onetime impact of revised Labour Code as an exceptional item amounting to INR162 million for the quarter. Profit After Tax stood at INR694 million with an increase of 24.2% on a year-on-year basis at a margin of 7.6%. This is after a onetime exceptional cost pertaining to revised Labour Code amounting to INR162 million. Excluding this, our PAT number stood at INR857 million with a year-on-year growth of 53%.

Coming to the 9-month performance, we reported revenue from operations of INR24,992 million, a year-on-year increase of 12% from INR22,351 million. EBITDA for the period stood at INR4,391 million, reflecting a year-on-year growth of 13%, with a marginal improvement in margins compared to last year. Profit After Tax for the period was INR2,038 million, registering a strong 29% year-on-year increase with margin expanding from 7.1% in last year to 8.2% in the third quarter of this year (wrongly said, the number is for 9MFY26).

With this, we conclude our opening remarks and open the floor for questions and comments. Thank you.

Moderator: Thank you. Our first question comes from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

Mukesh Saraf: Congrats on a good set of numbers, especially the ADS division. My first question is on this new plant in Pantnagar. Could you kind of give some more sense around this, especially you're talking about the content per vehicle increase. So we know that you're quite strong in terms of wallet share on the connecting rod and the other parts. But is this -- or could you give some sense on how we are on wallet shares on crankshafts and crankshaft assemblies and hence, how this new plant can kind of help us probably increase content? Or is it, say, a new customer? Some more sense around this will help?

B. R. Preetham: Yes. Thanks, Mukesh. Yes. See, we already have quite a big plant in Pantnagar, which caters to primarily to the 2-wheeler sector where we have both machining and forging components. But as you are aware that Bangalore, our Karnataka plants are almost full, except that now we have bought a new place in Bidadi, it will take some time for us to develop. And all the growth now needs to be focused on this.

So with that intent, we have bought this second plant in Pantnagar, which we bought it about a year back. So we had to do up the plant to bring it up to our required standards, which we have done over the last 8, 9 months. Now we have put up -- to begin with, there are 2 manufacturing sheds here, approximately about 2 lakh square feet.

One of them, we have started activating it, and then we have put up a couple of crankshaft lines. And here, the intent is that we are now going to build this with significantly high amount of automation with IoT and all the data capturing and analytics and all these things. So the first 2 lines have been put. And also, this would be predominantly operated by women employees. As we speak today, we are about close to 60% of the employees who have been employed here are women. But over the time, we want to take it to 100%.

This plant primarily is for focusing on our domestic 2-wheeler segment. So we will consolidate our operations here. So having said that, there is a lot of opportunity now we see where companies are looking at more and more outsourcing. There are quite a few of leading 2-wheeler OEMs who still manufacture crankshaft assemblies in-house. So I would say more than -- still more than 60% of Indian automotive 2-wheeler industry still manufactures these crankshaft assemblies in-house.

There is an interest shown by all of them to gradually outsource these components. So we also stand a good chance to participate in this drive. So keeping all this in view, so we have put up this place, and we expect that over the next couple of years, we should be fully utilizing this space.

Mukesh Saraf: Okay. Great. Great. That makes sense. Any number that you have in mind, sir, what kind of revenues, say, once the second shed also is operational, this plant can generate over, say, next 3 years or so?

B. R. Preetham: No, I think, see, potentially, the kind of square foot that we have put, if it is fully occupied, this can actually generate close to about INR500 crores per annum. I mean that depends again on what kind of product mix we are going to put and what kind of the thing, but that is what is the intent.

Mukesh Saraf: Understood. And second question is on the tech-agnostic and the xEV order book. It's around that INR430 crores mark. Notice that this number has been around the same, say, over the last 3, 4 years in terms of the outstanding order book there. While I know that this is going to get executed over the next 3 years, I mean, the order book staying the same probably will result in the growth tapering off, say, second year, third year from now. So how are we looking at this order book? Is it largely export driven and hence, now these trade deals can help in shoring up that order book there? Some color there will help.

B. R. Preetham: Yes. See, there are two, this thing. Tech-agnostic mainly pertains to the aluminum forging kind of components that we had taken. And we have taken a pause in taking the newer orders because we've also establishing our technology there, and then we have also stabilizing what we had taken. We had taken a lot of components in the beginning of the year. So that is why you see that specifically, it is an intended pause that we have taken on the segment.

I hope by towards the end of this financial year, our learnings would have got stabilized and we would really look at go -- approach our customers with all the learnings that we have had and start looking at more opportunities, both in passenger vehicle and 2-wheeler space. So you are right, when you have seen that last 1- 1.5 years, we have not added too much of -- this was not -- this is not that there is no interest. There is a very clear decision that we had taken, which I had also communicated in my previous calls.

As far as the xEV components are concerned, definitely, there is a large scope going forward, both in hybrid space, we are working with multiple -- with our leading OEM, Japanese OEM who are the world leaders in this technology. We are there on Gen 4, Gen 4.5, Gen 5 programs.

We are also looking at building the similar capabilities with another Japanese OEM and also leading North American OEMs.

So I see that over next couple of quarters or over next 1 year, there's a lot of order buildup can happen in this category. Apart from that, we are also looking at through our JV, we will now focus on more of driveline and steering kind of components on to -- which also is common between -- which can be common between ICE and EV segment.

So I see a lot of -- at least in passenger vehicle kind of components, a lot of potential to expand in xEV. Of course, 2-wheelers depends on -- we are already there with all the major players, and then it also depends on how well the market expands in the xEV segment.

Moderator: The next question comes from the line of Arjun Khanna from Kotak Mutual Fund.

Arjun Khanna: Congratulations to the entire team for a great set of numbers. Sir, my first question is on the expansion of capex. We were planning a plant maybe in the U.S. based on post-tariff negotiations. Given that there is some clarity at this point in time, could you call out what kind of capex we envisage for a U.S. unit?

B. R. Preetham: Arjun, so thanks again. Yes, I mean, Arjun, this -- I think while the news has come and it's very positive, we expect that there will be momentum and traction that will build up in the decision-making process because while there were a lot of discussions that was happening, the decision-making was not happening.

So we expect that now while there are still -- because we really don't know yet whether our component falls under 0% or under 18%. I mean 0% would really be a huge potential. Of course, 18% is also not bad. So I expect that towards the end of this month or maybe middle of this next month, we may plan a visit to conclude what we are discussing with our customers and come up with it.

The numbers are quite huge in terms of what is the potential. But I really can't put a figure because I really don't know whether it will be 3 million or 8 million or 10 million connecting rod. So depending upon what numbers comes out only, I can -- we can really put the figures. But with the reduced tariff, I would -- only constraint now would be the RVCs. So we need to only look at that as to how the value -- the Residual Value Content. So that only would be the driving force in decision-making for them.

So that we'll have to work it out around what final tariff will come and then see whether we qualify to the current 65% norms that are there. And then later on, be also ready that if it has to go up to 70% or 75% in coming years. So with that in mind, we will distribute our value addition once the order gets finalized.

Arjun Khanna: Sure. Sir, just a continuation. In the second quarter call, we had said that the tariffs were causing some pressure on sales offtake, especially in U.S. and European markets and also impacting margins in some cases. Given that we have had a successful third quarter, given that now at least the tariff rate seems to have come off. So should we expect a significantly stronger uplift in margins and exports to these regions in the latter half of fourth quarter or first quarter FY '27?

B. R. Preetham: Except for 1 or 2 customers, we have had a decent third quarter in exports as well. If you see, we have had better quarters this year. So that is already there. Of course, there is some capacity utilization. Still, we are not at our optimum capacity utilization. See, all these things only make sense beyond a certain capacity utilization.

While my product margins may be very good to exports, but if I'm not using capacities, at least up to 70%, those gets diluted. So I expect that going forward in the fourth quarter onwards, definitely, there should be a larger momentum leading to better offtake. And having said that, one of our most premium customers who are the leading North American-based EV manufacturer, we are down by 50% on last year's numbers and down by almost 60% on our own projections.

So I expect that once that also comes in place because we've also adding a lot of business from them, including in energy sector, and we are looking at participation even in the other upcoming sector. So that is the reason that we are also very optimistic on the coming quarters in terms of both sales and margins from exports on our components.

Arjun Khanna: Perfect. Sir, the second question is on the ADS. So obviously, I think we've been talking of INR300 crores, and we are on track of meeting or beating that guidance. So congratulations. We have also given a stiff target for FY '27. Given you've mentioned in the press release that the capex of maybe INR250 crores for further expansions post that, we should probably be fully utilized by FY '27. So when do we expect the new capacities to come in?

B. R. Preetham: Arjun, I'll take this and then pass it on to Hari. Hari will expand on that. Yes, we have had a -- so this year, we had kept ourselves a target of between INR275 crores and INR300 crores. And I hope that we should cross INR300 crores comfortably this year. And in this first building, we had also said that we can go up to between INR600 crores and INR650 crores of revenue annually, which is what we are looking at for the next year between INR550 crores to INR600 crores is what we look at.

And then for which the entire facility is the thing. But we have also started construction. Hari will take you through what we are looking at beyond INR600 crores and what is the status of both our new plant as well as...

Hari Krishnan: Good morning. This is Hari here. And the -- as we have been updating the community, the current capex, what we have already committed and already installed is adequate for us to reach our FY '27 numbers, which, as Preetham just said, is between INR500 crores, INR550 crores to INR600 crores is our expectation and guidance.

And the construction of the new facility adjacent to the current one is underway. Construction is going on in full swing. We expect that to be ready by June, July of this year in another 5 to 6 months' time. And that is about 80,000 square foot of manufacturing space.

And for the FY '27 revenues, what we are targeting, see, we'll also have to look at this in conjunction with the lifetime order what we are holding currently, which is about INR3,800 crores till FY '30, so which means there is going to be a steep ramp in revenues going forward from FY '28 till '30. So we are getting ready with the new facility. The equipment for that facility

based on current order wins is already on order. So the facility should start getting operational with a substantial footprint no later than August, September of this year.

Arjun Khanna: Sure. And in terms of new order wins, if you could just give some color in terms of each of these segments, have we had new clients and new order wins?

Hari Krishnan: Well, we've had new clients in the aerospace division. On the semiconductor division, while we have one very active client right now, a customer, discussions are, I would say, progressing well with other players in this space. And the conversion, in my opinion, will happen pretty soon.

B. R. Preetham: Arjun, having said that, this is the first year of execution for us in terms of semicon. So there has also been a lot of FAIs is converted to production and the requirements are pretty stiff. So we are taking -- we are just now establishing ourselves. We really did not go -- because the facility was also full, we could not actually take it and not satisfy the customer. I think towards the second half, we will focus more on marketing it properly and getting a few more clients into the...

Hari Krishnan: And I would say what we look at it internally, yes, it's always important to have new clients, but the existing customer is also looking at much, much bigger things from Sansera. So he is going to definitely keep us busy for the next 1 year, more the better. So if more discussions convert earlier, we are ready resources-wise to attend to them also.

B. R. Preetham: Yes. And also with this, the second phase also, we expect that in next 1, 1.5 years, we should be full with the second phase. So management actually have started -- we have started looking at additional space for aerospace in either Aeropark 1 or 2 or the new STTR, which has come for semiconductor where Foxconn and all the new facilities have come up in that region.

So we are looking at some more because long term, we would require some larger space for aerospace and defense, given the way the order buildup and the interest shown from both aerospace because the last year has been quite this thing dominated by semicon, but aerospace also, we see a lot stronger growth here.

Arjun Khanna: Sure. And the asset turn for this INR250 crores should be 1.5x to 2x?

B. R. Preetham: No. See, the first portion of our investment, which is like about INR350 crores, including our special process investment should give us about INR600 crores, INR650 crores, which is about 2x, okay But then going forward, the incremental investment in the second phase of this building should give us about 3x this thing. But then overall, if you see, it is better to take about 2x.

Moderator: The next question comes from the line of Siddhartha Bera from Nomura Holdings.

Siddhartha Bera: Congrats on a great set of numbers. Sir, first question is on this Europe and U.S. deals. You talked about good traction in the exports and potentially new opportunities as well. So can you just elaborate a bit on where do we see some of these areas given that exports currently, which I believe is mostly led by your aerospace? And how do we look at other opportunities and segments like PV, which has got impacted in the past?

B. R. Preetham: Yes. I think, Siddhartha, thank you. So see, there were -- we have seen significant increase in terms of the discussions, the RFQs, the interest. Everything was there in the last 6 to 9 months. There have been both from U.S. and from Europe, automotive customers have engaged with us in various platforms of their in looking at larger programs in terms of what we want to do on the connecting rod especially.

And we expect that with this trade deal out of the way now for both Europe and this thing, the decision-making will start happening. So our expectation -- see, the biggest challenge for us when these things happen, it is -- it gets stacked up. I mean, a couple of big orders, which means that we are talking about 3 million to 4 million from each customers. And then that has to end-to-end, Sansera is a fully integrated facility. So we need to create end-to-end capacities.

So we have already started looking at long-term capex that needs to be done, which is mainly on forging press. See, we are currently manufacturing close to about 110 million components every year. And this requires a lot of planning and capacity in terms of -- Rahul and his team have been now working on for the next 2 years and beyond, how do we have to add. So there's a lot of planning is going on in the forging capacity augmentation and the thing because that takes the longest lead time. I think that party has now just begun. So I think we have a lot of traction, and I think we are in a good space now.

Siddhartha Bera: Got it, sir. On this Nichidai JV, can you talk about the potential you see [inaudible]?

Hari Krishnan: Sorry. I'm sorry, you're breaking. Can you come again, please?

B. R. Preetham: Siddhartha, we couldn't hear you.

Siddhartha Bera: Just wanted to...

Moderator: Siddhartha, you're still not audible. Sorry to interrupt, Siddhartha. You're still not audible.

B. R. Preetham: We got the question. He probably meant that what is the potential of Nichidai and what kind of components. Hari will take that question.

Hari Krishnan: But I think I have heard it differently. Siddhartha, can you again -- sorry, can you repeat the question?

Siddhartha Bera: Yes, I can. Just one thing that about the Nichidai JV, how do we look about the potential in the next few years on the revenue side? And is the margin profile different, better than our current business?

Hari Krishnan: Okay. See, we have got into this joint venture mainly to get into 2 areas of forging where our presence has been practically not -- non-existent, which is cold and warm forging. So cold and warm forging automatically mean high-precision parts, near net shape parts. So the applications are varied, totally different segments.

And in transmission, we're talking about differential driveline. So we also really, really expect, and we are very confident the margin profile of the products what we are targeting in the JV will be better, will be better than what we currently have as a margin profile.

- Moderator:** Our next question comes from the line of Kashyap Javeri from Emkay Investment Managers.
- Kashyap Javeri:** Congratulations for such a great set of numbers. My compliments also to Vikasji and his team. The presentation this time gives disclosures which are probably at par or better than some of the best in the industry. So congratulations on that to Vikasji also.
- My question first is on the order flow. While in the earlier question, you mentioned about the semicon part. If you can throw some light on the passenger vehicle order flow also. I understand you give the numbers yearly, but if any orders have now gone into production from the order book? And what's the kind of order flow there?
- Second question is on the ADS division. Now that forms 24% of our overall order book. And in past, we have seen that at times, it can be significantly volatile also. So what are we doing to sort of stabilize that volatility in that segment? Also a connected question there. Recently, we heard about A220 doors or door frames being supplied by one of the Tier 1 suppliers, and we were supposed to be part of that. Is that now already part of the revenue flow? Is that been part of the production schedule now?
- B. R. Preetham:** Yes. Just your question on volatility was in aerospace, is it?
- Kashyap Javeri:** Yes. ADS.
- B. R. Preetham:** Okay. So let me first come to our international order wins on passenger vehicles. We have been quite active. As I said that last -- except for the ICE manufacturers where there was a pause in decision-making, but a lot of large potential opportunities are available. You would see in the next couple of quarters, provided the entire clarity on the FTA comes through, you will see a lot of conversion of these opportunities into orders.
- But of course, as we said that for all these things, there has to be backed up by a U.S. manufacturing facility. So that would come. Meanwhile, we have also been working with expanding our xEV plus non-automotive segments. So we have now got an entry into energy with this -- the largest EV producer of North America, they have also got energy segment they have got into, and we have got a very good first big order from them amounting to about INR70 crores per annum, which we will be executing it starting from next financial year itself.
- We are also working on a few other segments of connected this thing could be on humanoids, could be on other autonomous cars and all that. So that is something that we have focused upon, which will also be part of both Sansera as well as our upcoming JV because some of these components would go into our JV segment. In terms of aerospace...
- Kashyap Javeri:** But in PV ICE, the order flow is still sort of modest, right? I mean is that...
- B. R. Preetham:** That is exactly what I said that. That is because see in terms of PV ICE, both in Europe and in U.S., there has been a lot of discussion and interest, but the decisions have not happened because of the tariff issue that was there. I expect that in the next couple of quarters, this would come through.

- Kashyap Javeri:** Understood. Yes. On the ADS?
- B. R. Preetham:** See, the volatility in the aerospace was mainly because of Boeing, one incident, a couple of incidents of Boeing that was not very -- because the regulator came heavily on them and there was a lot of inspection and checks before the dispatches. So they went now.
- But they are now, I think, as we understand, they are almost normalized now, and there's a lot of demand and focus even on getting more and more supplies because -- not because of anything else, but because of availability of resources, especially trained manpower in India, where we also have challenges, but our challenges are probably much lesser compared to the other countries. So that we don't expect too much of volatility. In terms of -- what was the other question.
- Hari Krishnan:** The other one is on the...
- Kashyap Javeri:** On the A220.
- Hari Krishnan:** Yes. On the volatility, I want to add a couple of points. Even today, the 2 big aircraft manufacturers are booking orders more than what they're delivering. Their backlog is continuously increasing, and they expect this trend to continue for the next long, long time, I mean, for years to come. So barring something very untoward like something which is very catastrophic. God forbid, nothing happens like that. I think there is no much of volatility we see in this industry at all.
- And the last question on the company in the news recently, which delivered the first ship set of doors for the A220 aircraft. We are very much present in that. We had a large number of parts going into that first ship set. And also happy to inform you that our production has been ramped up, and we are now aligning our production to meet the requirement of our customer.
- Kashyap Javeri:** Sure. Just to squeeze in one small question here on the JV. This size is about INR200 crores market cap and about INR600 crores, INR700 crores kind of revenue. In the future, can it be like a meaningful part of Sansera as well as their own journey, given their size is too small, probably just a tech which is probably useful to us.
- Hari Krishnan:** You just said it. It is the tech. It is not the size. In fact, they have a combination of high technology, which we leverage into a low-cost manufacturing country like India. And also important to note that for some very critical components, they also have production lines established in their company as a backup to a few of the customers in Japan where they started developing and supplying the tooling. So it is a combination of tech and also high production volume ability for certain very key differentiating products.
- B. R. Preetham:** See, Sansera has a very strong mass manufacturing capability and well-established processes. So huge technology advantage. So we think that combining this, we can address a very large section of non-ICE components, which we were not there at all. So we really want to focus on this segment and take it. This opportunity can be as big as our current automotive business.
- Hari Krishnan:** The speed-to-market is going to be the differentiator, and that's where is the tech.

- Kashyap Javeri:** Sorry, you were saying speed-to-market and then probably...
- Hari Krishnan:** We are developing such critical components with new technology, the speed-to-market, especially considering somebody has the technology, which is proven and they are a very, very well-known, respected name in the country with relationships with all the major OEMs, I think that's going to be a very key differentiator.
- Kashyap Javeri:** And again hearty congratulations on great set of numbers.
- Moderator:** The next question comes from the line of Yash Agarwal from Nirmal Bang Securities.
- Yash Agarwal:** Congratulation on the great set of results. My first question is on gross margin. As you have observed that the gross margin has declined 190 bps Y-o-Y and 100 bps Q-on-Q. Could you help us break down the key drivers of this contraction? And how should we think about margin trajectory in Q4 FY '26 and FY '27?
- Vikas Goel:** Thank you, Yash, for the question. As I explained during my opening remarks, so we had one exceptional or rather onetime adjustment this quarter where we basically provided for a development cost of about INR100 million which is not in the ordinary course. But since we have been developing a lot of components of late, we made this provision onetime, which is actually impacting the margin for this quarter and also on a year-to-date basis.
- So if you ignore that, our margins are more or less in line. Marginal variation, we will always see because of the product mix changes. But on an overall trajectory, gross margin, we expect to be stable in this territory.
- Yash Agarwal:** And my second question is on sales mix trend. The share of other foreign countries in the revenue mix has increased in recent quarters. So could you elaborate which geographies are driving this growth and whether this reflect any new customer wins?
- B. R. Preetham:** No, this is basically because our other countries, the semicon deliveries primarily happen to Malaysia. So that is where you would see all the semicon getting loaded on to the other countries. So that is why the significant increase has happened.
- Moderator:** The next question comes from the line of Divyansh Gupta from Latent PMS.
- Divyansh Gupta:** A couple of questions on the Aerospace and Defense segment. I understand that aerospace is right now, let's say, not fully utilized. But let's say, when we hit the revenue of INR600 crores, what would be the EBITDA margin for this business and similarly for defense? And also, what would be the working capital days requirement for this business? How does it differ from our current auto business?
- B. R. Preetham:** Yes. I mean, see, as we said that the first building would be fully utilized next year, but the second building would have started and we would have upfront invested. So there is always a catching up in terms of utilization that happens. But then a significant portion of our investment would start getting used in the next year.

So we should see -- we are definitely towards -- we had said that aerospace would give us about 25% to 30% margin. We think that once we fully utilize this, we would surpass that number of 30%. So it could be very close to 30% or 30% plus.

Divyansh Gupta:

Got it. And on the working capital?

Vikas Goel:

So the working capital in ADS business is approximately twice as high in terms of number of days as against the automotive business. So on an average, we have about 80 days of working capital cycle. In aerospace and defense -- sorry, ADS business, we should be seeing about 170, 180 days.

Divyansh Gupta:

Got it. Understood. And the second question was also on the ADS. So from INR600 crores to INR3,900 crores of business that we have in hand and taking out 2x over, as you had mentioned. So it implies about INR1,600 crores of capex that needs to be done. What would be the time line of it? Because I'm guessing you will establish the facility and some testing and acceptance pipeline?

Vikas Goel:

It's like this. Now INR3,800 crores is my order book.

B. R. Preetham:

Yes. First, it is not yearly INR3,800 crores. It is a cumulative unexecuted order book of INR3,800 crores for the -- till FY '30.

Hari Krishnan:

So I have to execute INR3,800 crores of backlog orders in the next 4 years approximately, okay, , cumulatively totally. So which means I expect in the last year FY '30 to be around INR1,300 crores, INR1,200 crores - INR1,300 crores.

So today, if I'm already I have a visibility for INR600 crores revenue, which I mentioned a little earlier, so my capex requirement for the differential INR650 crores, INR700 crores would be assuming 1:2 about INR300 crores to INR325 crores, which I would do again in a phased manner year-on-year ending definitely by FY '28, somewhere end of FY '28 because I'll have to start realizing it in FY '30.

B. R. Preetham:

Having said that, this is the current position. So any addition would attract additional. So we expect a lot of traction in ADS. And that is the reason that in my commentary, I said that we are looking at an additional new space to look at some 10 or 15 acres of land in either Phase 1, Phase 2 of Aeropark or STTR, which is very close to the Devanahalli Airport.

So we don't expect that this is to be stagnant. This is the current position of INR3,000 crores. We expect a lot of uplift in this order book also over the next couple of quarters and in next year.

Hari Krishnan:

Yes, in the sense that we are 100% looking at new order wins in the next 1 year, where we have to start execution before FY '30. So this is only a situation as on date.

Moderator:

The next question comes from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

Mumuksh Mandlesha:

Sir, congrats on the strong result and with over 80% margin and very good positive commentary across so many segments. Sir, firstly, I just want to understand on the capex side, what is the

capex plan for this year and maybe for next year, what are the plans? And also, sir, I just want to understand if we go ahead for the U.S. plant, what kind of capex requirement would be required for that plant.

B. R. Preetham: See, we had given about -- while in the beginning of the year, we had said that could be about INR450 crores is our -- this year's capex plan. We were willing to -- I mean, we were looking at anywhere between INR350 crores to INR375 crores. That's what more or less we will spend maybe towards -- close towards INR400 crores because we want to be aggressively.

Now we have started putting up a few more buildings, especially one forge shop in our existing facility in Pantnagar. There is another building that we are starting in one of the Bangalore auto plants. So all these things would mean that we see a larger momentum.

So we are a growing company, and we aspire to grow about 10%, at least faster than the market growth, so which means that the capex would also be happening. And this year, if I say that between INR375 crores and INR400 crores, a similar number could be for the next year as well.

Mumuksh Mandlesha: And so this would include the upcoming new ADS plant as well?

B. R. Preetham: ADS is part of our overall capex. This does not include anything currently on U.S. U.S., as I said, that it can only be -- visibility will only come once we have certain orders confirmed and if customer wants us to put up facilities there. If they want us to do it from here, if the tariff is 0, we would also be very happy to do it from here.

Mumuksh Mandlesha: Got it, sir. Sir, on the Sweden side, how was the performance this quarter and how that is going, sir?

B. R. Preetham: Sweden has grown very well. I think Sweden has grown year-on-year close to about 70%, 62.5% to be precise or no, about 70%, I think. Yes. And we expect the momentum to continue. Of course, the cost structures in Sweden are different. From the beginning, we have said that this is a very strategic investment for us.

One is for getting into large connecting rods. So we do connecting rods up to 19-liter engine there, starting from 9-liter up to 19 liter, including for marine segment, including for large earthmoving equipment, large trucks and all those things. So it's a segment which we were not present, and it has given up a lot of opportunity for us through Indian plants as well.

So we would like to continue to operate as long as this EBITDA margins are between 10% and 12%. That is what we have been aspiring and that is what we are doing. So it will continue to deliver that kind of percent thing. Next year, the growth will get stabilized. I think next year, we are looking at about 20% growth. Probably in the...

Vikas Goel: In the range of 20%.

B. R. Preetham: Yes, 20% in Sweden. Yes.

Mumuksh Mandlesha: Just possible to share what was the Q3 revenue and margin, sir, for this Sweden?

- Vikas Goel:** Q3 revenue was about INR736 million, I mean, converted to rupees and the margin was about 14%.
- Mumuksh Mandlesha:** Got it. And if possible, what was the Q2, sir, for Sweden?
- Vikas Goel:** Q2.
- B. R. Preetham:** I don't have the numbers as of now.
- Mumuksh Mandlesha:** No problem, sir.
- Vikas Goel:** Holiday season in Europe.
- B. R. Preetham:** Q2 would have been lower because Q2 was 1 month off there, 1 month off.
- Vikas Goel:** INR591 million and 16% margin.
- Mumuksh Mandlesha:** Got it. And congrats on the strong results.
- Moderator:** The next question comes from the line of Nikhil Rao from ithought PMS.
- Nikhil Rao:** A couple of questions from my side. On this JV with Nichidai, just wanted to understand the overall scope. Is it beyond automotive? Like are you planning to enter into any new industries through their filter business? Could you provide some insights on that?
- B. R. Preetham:** No, filters are not as part of the first phase of joint venture. We are focused on what we want to do, which is forge and machine category of components. Primarily, it would start with automotive, but there are opportunities in non-automotive. I said that there are opportunities in energy segment. There are opportunities in humanoids.
- We are looking at a lot of such things where cold and warm forged, high-precision components are required on a mass scale. So they have the technology. We will be coworking with them to get these orders executed.
- Nikhil Rao:** Okay. And my next question is on the commercial vehicle segment. So given that the industry looks like it's about to enter into an upcycle, are there any new order wins? Like have you seen any new orders coming in the past few months?
- B. R. Preetham:** See, we are not present very strongly in the Indian commercial vehicle industry. We only cater to a couple of players like Daimler and Volvo Eicher and Cummins. So on this, we are seeing good demand increase, but we are not with Tata Motors, we are not with Ashok Leyland, we are not much with Mahindra. So for us, domestic commercial vehicle industry is not a very big part of our business.
- Nikhil Rao:** Okay. And one last question. Is there any new development on the MMRFIC side?
- B. R. Preetham:** There's a lot of developments on MMRFIC, a lot of which I can't even say it, unfortunate, on the public forum. So if there is an opportunity for you to visit, so you would see what all things that

we are doing. On a public forum because a lot of that is connected to defense and it is connected to government organizations, both production and development, we are restricted to give too many details on these products.

Moderator: Are your questions answered, Nikhil? The next question comes from the line of Aashav Patel from Molecule Ventures PMS.

Aashav Patel: Congratulations to the entire team for a phenomenal set of numbers. So sir, my first question is regarding the qualitative aspects within semicon division. So we have seen excellent ramp-up in the numbers now. So how are we able to do it at this scale in this segment so fast? What sort of caliber do we have in this space? How do we compare with our domestic and global peers in this segment? And in terms of skill set and know-how value addition, et cetera, if you can throw some light on the qualitative aspects of the same?

Hari Krishnan: We have -- thank you for the question. We have demonstrated last quarter that we are up there with the best in the world as far as execution is concerned. This ramp-up, what we have demonstrated has been very well received and accepted by the customers. And I think it's all due to the excellent team. We are very, very focused engineering company. That is in the DNA. It only has to translate into different components because engineering is our core strength. And more complex the part, I think more welcome for us, the challenge.

So I think we are very well placed and the satisfaction level with the customer is pretty high. We are confident this will translate into more opportunities with existing customer and as I said earlier, with new customers also.

B. R. Preetham: In fact, to add to what Hari has said, Sansera has been restricted to about 1.5, 2 meters kind of components in the previous years. Now both in ADS as well as in -- I mean, both in aerospace and defense and also in semicon, we have developed and demonstrated and upped our capacities up to 4-meter components. So we can -- including the special process capabilities we have set up.

Of course, special process is yet to start. It is in the final stages of commissioning. It would be mainly for aerospace, not for semicon in to begin with. But then we have multiple different kinds of 5-axis machines, different capabilities. So the strength of Sansera is to identify exact kind of components, which are very, very complex in nature and identify and execute it in a best possible machine.

So we have wide varieties of machines, which can handle this. Very few of such facilities can be seen in India today, where -- 5-axis machines, everyone will have, but different configurations and to handle a job of about 4 meters, consistently producing mass production is our engineering skill.

Aashav Patel: Got it, sir. So a follow-up to that would be that within the surface treatment, which you mentioned, is that exclusively for aerospace? We are not targeting anything on the semicon side because what we see it is an industry phenomenon that even surface treatment is a crucial value addition in the value chain?

Hari Krishnan:

See, it's like this, that we initially set about investing in surface treatment for our aerospace requirements. Subsequently, when we started ramping up in the semicon space, there have been discussions. There is also a requirement for the semicon components that goes through a totally different level of surface treatment. The requirements are far more stringent.

But at this point of time, we are restricting ourselves to only the aerospace surface treatment, mainly for the reason that there are people in the vicinity who have created capacity and are creating capacity. And with this, we have enough conviction that our requirements can be met.

Aashav Patel:

Got it, sir. So sir, my second question is with regards to the -- our core ICE segment. So this quarter, we were able to grow by double digits after a gap of almost 4 quarters. So now that post COVID, we had an advantage of industry consolidation and taking away share from players who were financially burdened?

So now given that we have already caught the low-hanging fruit, so over next 2, 3 years, what do you aspire the growth rate which you aspire for ICE segment, specifically considering all the trade deals and everything?

B. R. Preetham:

See, domestic ICE would grow between high single-digit to low double-digit kind of growth. That is what is the expectation from the market given post the GST, which we think that for the next couple of years, at least will continue in that trend. In the export segment, just to give you some flavor on connecting rod, like see, connecting rod worldwide, approximately, this is the study that we had got it done for a few years back.

We are one of the largest players outside the OEMs in connecting rod, could be about top 5, top 7 players in the world. The overall volume of connecting rod post all the 25% electrification considered, 50% hybridization considered could be about 380 million connecting rods per annum ex China. And we are doing about 5% to 7% of share of business. So there's a huge upside potential that is available given the fact that a lot of European and U.S. companies wants to outsource all the newer programs.

And the forging as an industry in the West are not in -- people are not there. Financially, it is not that conducive for them to invest. So there is an opportunity for countries like India and specifically companies like Sansera, who has demonstrated consistently over the years to take these kind of opportunities forward.

So we expect in the next 3 years, especially in the export segment, we should see a very healthy 20%, 25% growth given everything to be normal. So that is what we aspire to do. Of course, it depends on how many order wins that we have. I feel that the potential is there. And if the environment will be conducive, we should be able to catch that upswing.

Aashav Patel:

So on a consol basis, the ICE segment would easily be able to grow beyond 15%, right, considering both domestic and export?

B. R. Preetham:

I think so. I think so. Yes.

Aashav Patel:

Okay. And sir, my next question is that -- so this quarter, we were able to see the potential of untapped operating leverage within our ecosystem for the first time as our margins improve from 17% to 18% because most of our investments, as you rightly explained in the past con calls is front-loaded and the ROCEs get impacted in the initial years and stuff.

So do you feel next year, given the ramp-up because most of this H1 was flat for the ICE business. So given the ramp-up in H2 and next year, FY '27 itself with support of ICE as well as ADS segment doubling down, we can see a case of 20% operating margin on a consol numbers?

B. R. Preetham:

Yes. Our target remains to be that we should be 20% EBITDA, 20% growth, 20% ROCE. That is what is the core objective with which the entire company is working on. Of course, with the added advantage of ADS doing well and also exports coming back, we should be able to improve our current margin profile.

I would not say that we will reach 20% next year. We will definitely do better than what we have done this year. In fact, this quarter, we have taken a couple of things which should have actually otherwise would have -- our margin should have been 18.25% because 0.15% was due to grossing up of revenue because a couple of our orders in the U.S. where we pay the duty and collected, our auditors were of the opinion that we should gross up the revenue that has optically impacted our margins.

And one time, we have done some correction for development components, which has also resulted in about 0.1% margin. So we have actually started realizing that this one. So if we continue to do similar numbers, please understand that we have also signed up a labor agreement, which will ensure our seamless continuity of all our plants, except one plant for the next 3 years.

But this is also comes with little cost because generally, when we sign the labor agreement, the first tier gets loaded upfront. So considering all these things, we would probably be better than this year in the thing. I don't want to -- at the current stage, I don't want to put what number we will have, but our margin profile will continue to be better than the current year.

Moderator:

Thank you. Ladies and gentlemen, due to time constraints, we would take that as the last question for today. I would now like to hand the conference over to the management for their closing remarks.

B. R. Preetham:

Thank you very much, and it was a pleasure interacting with all of you. We would continue to put our efforts to deliver like in the beginning of the year, we had said that we would like to end the year with mid-teens to high-teens. So our objective, while the first 2 quarters were very, very weak, but we have put all our efforts to make sure that we live up to what we have said. So we would still hope that we will end this year towards mid-teens and the next year would be much stronger.

Thank you for all for joining this call and patiently hearing what we had to say. Thank you very much. You're all welcome to visit our facilities to see further progress. You could contact either us directly or our investor relation partners, SGA. Thank you again.

Vikas Goel:

Thank you.

Hari Krishnan: Thank you.

Moderator: Thank you, gentlemen. Ladies and gentlemen, on behalf of Sansera Engineering Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.