“Sansera Engineering Limited

Q2 FY '27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Sansera Engineering Limited Q2 FY27 Earnings Conference Call. This conference call 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.

As a reminder, all participant lines will be on 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 0 on your touch-tone phone. Please note that this conference is being recorded.

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

B. R. Preetham: Thank you, and good morning, everyone. I would like to take this opportunity to wish everyone a very happy and prosperous Diwali. Joining me on this call today are my colleagues, our CFO, Mr. Vikas Goel, our CEO of ADS division, Mr. Hari Krishnan, our CEO of our automotive division, Mr. Rahul Kale, and head of our corporate strategy, Mr. Praveen Chauhan, along with SGA, our investor relation advisors.

Our results and the investor presentations are available on the stock exchanges and on our website, and I trust you have had a chance to review them. I am pleased to report another strong quarter for Sansera, with the highest ever quarterly revenue of INR10,915 million, up 32% year-on-year. EBITDA stood at INR2,112 million, registering a year-on-year growth of 48%, while PAT stood at INR1,086 million with a Y-o-Y growth of 52%.

EBITDA and PAT margin for the quarter were recorded at 19.4% and 10% respectively. For H1 FY 2027, revenue was INR21,127 million, up 33% year-on-year, with EBITDA of INR4,073 million and PAT of INR1,960 million. We delivered this performance against a tougher cost backdrop. The renewed conflict in West Asia led to an increase in cost across several categories, including cutting tools, freight, and logistics.

Additionally, the revision in minimum wages in Karnataka added to the cost pressures, further impacting our margins. Even so, we held our margins, strong revenue growth, and a rising contribution from the ADS business and the benefits of operating leverage allowed us to absorb these cost pressures and protect our profitability. What is most encouraging is that our growth continues to be broad-based, with healthy performance across most of our businesses.

This is a clear sign of how far we have come in building Sansera into a diversified company with multiple growth engines, and our non-automotive business has been a center to this transformation. Auto ICE now accounts for about 65% of our sales on a much larger base, broadly in line with the target we set ourselves at the time of our IPO.

We are now very close to realizing that vision and an important milestone in Sansera's journey that sets us up well for the next phase of sustainable growth. Importantly, we have achieved this while our core Auto ICE business continues to grow at a healthy pace, with sustained momentum. The change in mix is driven by the faster growth of our newer businesses, not by any slowdown in our core automotive operations.

This balanced portfolio makes us more resilient, broadens our access to growth opportunities, and positions Sansera to deliver sustainable growth over the long term. We see this as the beginning, not the end of our diversification journey. We will continue to add new sectors, new customers, deepen our wallet share with existing ones, and move up the value chain. Let me now take you through the performance of our individual businesses.

Let me begin with our core Auto ICE, which recorded a quarterly sales of INR6,697 million, up 18% year-on-year. The growth was broad-based, with passenger vehicles, two-wheeler motorcycles, scooters each posting their highest ever quarterly sales. Our Auto-Tech Agnostic and xEV business also delivered their best-ever quarter in terms of sales and combined sales of INR1,363 million.

Adding to our growth pipeline, commercial production at the Sansera-Nichidai JV is expected to commence towards the end of H2 FY 2027. October marked a milestone for the industry, with domestic passenger vehicle wholesale crossing 5 lakh units in a single month for the very first time. Elevated order backlogs and lean dealer inventories, with demand still running ahead of the supply, give us good visibility into quarter three FY 2027. We are also seeing strong demand for premium technologically advanced vehicles.

Together with rising EV adoption, these trends are steadily increasing the engineered content per vehicle. Export demand remains strong as global customers continue to diversify their supply chain. Indian manufacturers with proven quality standards, process design capabilities, and manufacturing scale, with manufacturing scale are increasingly preferred, giving us room to deepen our customer relationships and expand our wallet share.

At the same time, OEMs with a manufacturing base in India are seeing strong export demand, which is a clear tailwind for auto components suppliers like Sansera. Overall, with festive momentum carrying into the second half, our automotive business is well-placed to benefit from the healthy domestic demand, rising technology adoption, and diversification of global supply chains.

Our order book as on September 30, 2026, which is the peak annual revenues of the sale of new businesses, excluding ADS, stands at INR22,410 million. Moving to our non-automotive business, ADS continued to be a key growth driver within the segment. Revenue for Q2 FY 2027 stood at INR1,643 million, taking half-yearly revenue to INR3,097 million. This reflects growing scale of the business and the rising opportunities across industries.

During the quarter, the non-automotive segment posted its record sales for the quarter, crossing INR2,000 million mark and contributing 20.9% of total sales. At quarter end, our cumulative

unexecuted lifetime order book backlog for ADS business executable over next five years stood at INR58.7 billion, giving us strong revenue visibility.

ADS remains a powerful growth engine for Sansera, backed by robust industry demand and a healthy order book. In aerospace, global OEMs increasingly see India as a strategic sourcing hub, opening the door for us to move up in the higher value chain, more complex components and sub-assemblies. In semiconductor, we are expanding our product portfolio and exploring new avenues for customer diversification as well. In defense, our dedicated facility is expected to begin operations towards the end of Q3 FY 2027, further strengthening our ability to capture emerging opportunities.

With the new SKUs coming on stream in the ADS business in H2 FY 2027, we expect a strong growth catalyst that should accelerate our momentum through the second half. These initiatives remain central to building a larger, more diversified, and higher value ADS business in the years ahead. Looking ahead, we remain confident in our growth outlook, supported by healthy demand across our automotive and non-automotive businesses, rising premiumization, electrification, and a favorable realignment of global supply chains. With our strong engineering capabilities, longstanding customer relationships, and continued investments in capacity and technology, we are well-positioned to capitalize on these opportunities and sustain our growth momentum in the years ahead. With this,

I would now like to hand over to our CFO, Mr. Vikas Goel, to take this presentation forward. Vikas.

Vikas Goel: Thank you, Preetham, and good morning, everyone. Let me walk you through our second quarter numbers. Three themes stand out as we look at this quarter. Profits grew faster than the revenue, margins expanded despite cost headwinds, and our balance sheet continues to fund growth, backed by a strong order book. Our revenue grew 32% year-on-year to record INR10,915 million, with growth across all our businesses.

Gross margin expanded by 180 basis points to 43% on a favorable product mix. Employee costs rose 25% to INR1,469 million, slower than the revenue, and include a provision of INR167 million for the Karnataka minimum wage revision. We continue to monitor the Labour Codes for any further impact, and we will keep you updated on this. Other expenses rose 41% to INR1,114 million on higher scale and freight costs.

EBITDA crossed INR2,000 million mark for the first time at INR2,112 million, up 48%. The margin expanded by about 200 basis points year-on-year and 15 basis points sequentially to 19.4% on our richer mix and operating leverage. Other income was INR116 million versus INR116 million last year.

Depreciation rose 20% to INR602 million, and finance cost to INR146 million from INR81 million, reflecting our expanded asset base and higher borrowing cost for capex and working capital. Profit after tax rose 52% to INR1,086 million, a margin of 10%. Let me briefly cover the half-yearly numbers. For the first half, revenue grew 33% to INR21,127 million, and EBITDA grew 48% to INR4,073 million, with margin up 200 basis points to 19.3%.

Reported profit after tax grew 46% to INR1,960 million, a 9.3% margin, excluding the Q1 litigation settlement of INR169 million. Or INR127 million post-tax normalized. The normalized PAT was INR2,087 million. Moving to balance sheet and cash flow and net debt. In H1, we generated operating cash flow of INR2,073 million.

Against this, an investment was made of about INR3,260 million in the Capex for automotive and ADS business. INR300 million was invested in our joint venture with Nichidai. Together, these investments exceeded operating cash flow by about INR1,487 million, contributing to increase in the net debt. Working capital rose to INR8,544 million at the end of September from INR7,359 million in March, mainly due to higher revenue share from ADS business, meaning inventory support and further increased volumes. This represents about 19.6% of the annualized Q2 revenue.

Net debt rose by about INR2,000 million to INR2,612 million at the end of September from INR604 million in March, as we invested in growth. Leverage remains conservative at about 0.3 x of the annualized EBITDA for H1, with ample headroom to fund our plans. This investment is backed by strong order wins. Our ADS backlog rose from INR58.7 billion from INR44.4 billion in June, including a large multi-year semiconductor order.

Separately, our non-ADS business order book measured at peak annual sales rose to INR22.4 billion from INR18.5 billion. To deliver these orders, we have raised FY27 Capex projection to INR8,000 million, fased with the customer validations, while keeping firm discipline on working capital, cash and leverage. In closing, with momentum across all our businesses and a strong balance, we are well-positioned for the next phase of profitable growth.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Siddhartha Bera from Nomura. Please proceed.

Siddhartha Bera: Yes, thanks for the opportunity, sir, and congrats on a great set of numbers. Sir, first question is on your order book. We have seen a very strong increase here in the quarter. Can you sort of give some more color on which all segments these are into and if we have also added any new customer in this? Yes, I'll then add more questions.

B. R. Preetham: No, I think, see, in terms of- thank you, Sid. This has been a steady inflow. See, in automotive, we really can't time whether all our orders will be quarterly. It would purely be based on the customer programs, I think, and quarter two has been reasonably good for us. We have really not added any big customers, but the order book is non-new customers because auto, more or less, we serve all customers across the geographies.

So here, our order book is equally probably divided between domestic and exports, and also, it is more skewed towards the passenger vehicle segment. We see that more and more opportunities are now getting presented across the geographies in the passenger vehicle segment, and especially coming out of North America and European region. So, in the quarters to come, we expect that this order book will further grow substantially.

Siddhartha Bera: Sir, I was actually referring to the ADS order book, which saw a big increase. Any color there?

Hari Krishnan: Well, in the ADS segment, Sid, we have added a couple of new customers in the aerospace business, but in the semicon business, we still are with our only customer while we are making good progress towards adding the customer number two.

Siddhartha Bera: Got it, sir. On the Capex side, we did see quite a good increase in the current year. I mean, if you can break out of that, what amount is being invested in semicon and aerospace separately, and do we see this now run rate sustaining in the coming years?

B. R. Preetham: See, what has changed between normal Capex deployment and this thing, generally when we actually invest into automotive projects, these are long drawn-out projects and this thing. Currently, what has happened is some of these new sectors, including SEM and including a few other upcoming sectors for ADS, and also we spoke about something on energy and also on few of the xEV projects that we are doing for the thing.

The lead time for investment has come down because the programs are kick-starting much faster. So we had to up our forecast for the current year from around INR500 crores- INR800 crores to accommodate this sudden increase in the demand from all these sectors. I think 50% of that, close to about INR400 crores, would be invested into ADS. You also are aware of the fact that we have now finished our construction of the second bay in the existing plant, and the entire bay will be filled up with the machines for the current order book. So probably around 50% of that is going towards ADS.

Siddhartha Bera: Great, sir. Sir, last question is on the other cost side. I mean, if we see sequentially also, there has been a good increase in that line item as well. Do you have any color about why, and is it something lumpy there as well?

Vikas Goel: So, included in this cost, Sid, is basically the logistics cost and the tariff cost that we booked last quarter. Plus, there are inflationary impacts on freight and other elements as well, which are part of these costs.

Siddhartha Bera: Okay. Got it, sir. Got it. Thank you, sir. I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Mukesh Saraf from Avendus Spark. Please proceed.

Mukesh Saraf: Yes, good morning, sir, and congratulations for the great performance. My first question is again on the ADS order backlog. Just one point I wanted to understand is that, while the backlog has gone up significantly, you still continue to mention that it's executable over five years. Even when the backlog was, say, INR4,000-odd crores, it was executable over five years. Just trying to understand these new orders that you're getting, these would kind of have to start getting filled in, I mean, in terms of revenues immediately, and it's not really back-ended. So the annual revenue rate that we see over the next year or so, that kind of can go up significantly. Is that how we understand this?

Hari Krishnan: Yes, Mukesh. Just to clarify, this is what we have as a confirmed order to be executed over the next five years, not to say this is all we will reach in the next five years. You understand? The sense that…

Mukesh Saraf: Yes

Hari Krishnan: There is, in the next if you take the fifth year from now, whatever business I have booked for the next two and a half years will also be revenue. So that is a visibility which will keep getting updated as we go ahead.

Mukesh Saraf: Right.

B. R. Preetham: Generally, Mukesh, generally in this segment, we also get, unlike auto, we get a fairly decent spread across the next one, two, three, four years. So when we accumulate all those things, it comes to that number. So, which means that when I book a new order, it would also mean that next year and the year after and the year after, all the revenues will go up.

Mukesh Saraf: Right, right. Absolutely. Absolutely. That is what I was trying to understand. Makes sense, sir. Thank you. Coming to the order book, excluding ADS, versus June, we see that the domestic share has gone up from, say, 44% in June to now 49%. So this order book of, say, INR22.4 billion now, this has a lot of domestic, has a higher domestic share versus last quarter. In your comments, you were mentioning that, say, for PVs, it was more of exports that has driven it to, say, now INR9.6 billion. So, a further color on this will kind of help us understand, because domestic overall things have gone up, but I think some segments you mentioned exports were higher. It just helps there, sir.

B. R. Preetham: No, see, what has happened is some of these export customers, large export North American-based customer who would start some programs in India, some engine programs, we have received orders for those. When I meant that the customer base would be there, but there are programs which would be executed from India as well.

Mukesh Saraf: Okay.

B. R. Preetham: These also have added to the. That is why you see that domestic portion has gone up, but it is coming out of the export customer for us.

Mukesh Saraf: Okay.

B. R. Preetham: The engine would be built in India. One of the programs that we have received. Second thing is we have also added a new customer in tractor segment. That has also gone up. We have also won some nominations from our existing passenger vehicle customers for their new engine program. All these have added actually.

Mukesh Saraf: Right. Right. I think last few quarters you have also been mentioning about how some of the domestic OEMs are increasing outsourcing versus insourcing. We have not yet started seeing big order book from that kind of a phenomenon.

Hari Krishnan: We spoke, Mukesh, last time about this-

Mukesh Saraf: Yes

Hari Krishnan: Trend in the two-wheeler sector.

Mukesh Saraf: Yes.

Hari Krishnan: Well, we have been able to make a breakthrough with a pilot order with one of the OEMs. Once the execution is demonstrated, we are sure that this will gain momentum.

Mukesh Saraf: Got it. Got it. Great, sir. Makes sense. I'll get back in the queue. Thank you so much.

Hari Krishnan: Thank you.

Moderator: Thank you. The next question is from the line of Chandramouli from Goldman Sachs. Please proceed.

Chandramouli: Hi, good morning and thank you for taking my questions. First question is just around the new SKUs that are getting into full production in the back half of this year on your ADS business. Just if you could give us a little more color on the nature of the parts and what the kit values might look like, what the complexity upgrade might be versus what you have been already making in the aerospace, defense, and semicon business as you head into the back half.

Hari Krishnan: Yes. See, Chandramouli, we definitely have added new parts. Complexity level in the semicon parts, we have actually got validation for two more super critical parts, which takes our bucket of the most critical parts to almost everything what is required. Secondly, if you take the other parts what we have won this year, they are in the area of avionics, very, very critical parts. The routine business wins cover what we are already doing. I would say that in semicon, the accuracy and the manufacturing precision of the parts continue to be very, very high, which makes us feel that we have something of a niche market. Even in the aerospace sector with the avionics parts, the new one coming in, I think these are really on the upper end of precision machining.

Chandramouli: Got it. That is helpful. Just related to this, to follow up on this question, you did mention that you are making good progress to potentially adding more customers on the semicon side. Just if you could just give us some clarity, I think at the SEMICON India event, there were a lot of big announcements made by global semicon players on how much they want to devote to expanding their supply chain into India.

Hari Krishnan: Yes.

Chandramouli: And it looks like some of the Japanese parts manufacturers also are now beginning to set up manufacturing bases in India, who could be your customers. I just want to understand if you could give us any clarity on what sort of timeframes you might have in mind for potentially closing new business wins with new customers here.

Hari Krishnan: Yes. I think the intent and the statement made at SEMICON India is very clearly visible at the ground level for us that there is renewed, continuous strong momentum on discussions with existing customers. As far as the new customers are concerned, we have been in conversation. I

would say conversations are progressing well, but we haven't yet reached the final point, which we are hopeful in Q3 we should be able to add a second customer in this space.

Chandramouli: Got it. That's helpful. My second question is just around the rotating parts and opportunities with the Rolls-Royce engine family over the next few years. I understand you might be doing validation batches right now, but you've charted out a capex plan for the next three to four years on the ADS business. I think you want to potentially support as much as INR3,000 crores of revenue in your capacity in that plan. But I just want to understand if there is opportunity on the Rolls-Royce side, would you have to do incremental capex? And in this INR3,000 crores plan, what is the rough incremental size of opportunity you might get if the Rolls-Royce business is something that you might win?

Hari Krishnan: I continue to maintain that the size of the opportunity is still not known because we are working on demonstrating our capability in multiple material classes. As far as the initial component we spoke about in the last call is concerned, we're making very good progress. The customer is happy with what we have achieved till date, and we hope to probably finish the development in this quarter, in Q3, and only then will the real opportunity. As I said, the opportunity may not come immediately in the component we are developing. It will open up Sansera to a lot of other precision components as far as the engine manufacturing space is concerned.

Chandramouli: Got it. That's helpful.

Hari Krishnan: Most importantly…

Chandramouli: Yes

Hari Krishnan: Most importantly, your point, the capex what we have factored in does not include the potential business from the engine manufacturer because we only do it only when we have a confirmed business. Right now, we are working on a development.

Chandramouli: Makes sense. Makes sense. That's helpful. Thank you very much and all the best.

Hari Krishnan: Thank you.

Moderator: Thank you. The next question is from the line of Pratik Jain from Solidarity Investment Managers. Please proceed.

Pratik Jain: Hey. Hi, sir. Thanks for the opportunity. Am I audible?

Hari Krishnan: Yes.

Moderator: Yes, sir.

Pratik Jain: Yes. My first question is, ADS has been on a non-linear growth trajectory for us, right? Very difficult to put numbers when you are growing at such a high pace. But if I have to ask you, so let's say by FY 2031, if you have to put three scenarios of bear, base, and bull, where do you see your revenue run rate going by FY 2031?

B. R. Preetham: You mean only for ADS or as a company?

Pratik Jain: Just for ADS. Just for ADS, sir.

B. R. Preetham: See, today, as Hari has been telling and all of us have been maintaining this, we have just started progressing. While our aerospace journey has been more than 10, 12 years, the semicon journey has been just about a year or so. There is a clear traction and momentum in this business. To gain this opportunity and trap this opportunity, we are also setting up another facility near to our facility. This is also, we have announced about 120,000 sq ft. Then we are separating out defense to add extra focus to it. With all these things, our intent is to keep growing at a healthy pace. I think that given an opportunity of this scale, I am sure that we should be targeting anywhere between 35% to 40% of our overall Sansera revenue target.

Today, if you see, our ADS business is about 15% of our business. Going forward, I think towards the end of this decade, maybe around 35%-40% is something that we would like to achieve. This is what we have set ourselves the target.

Towards the end of this year, probably we will come out with a proper vision statement, because about five years back when we did our IPO, we had said that Sansera would like to reach 60% on ICE, 20% on non-auto, and 20% on xEV and tech agnostic. That period would be over towards the end of this financial year, and we will set ourselves the new vision and new targets. I am sure we can give you more clarity on that during that time. Yes.

Pratik Jain: Very much clear, sir. Sir, just to follow up on this, that sometime back you had mentioned that on a company level, you aspire to get to INR8,000 crores of revenue by FY 2030. Do you see that number also going up?

B. R. Preetham: There is momentum. Yes, we continue to aspire to achieve that number, and we strongly believe that possibility is becoming more and more realistic as we cut through our segment and see what we can achieve in every segment. Definitely, a large momentum from ADS would help us to reach that faster. Keeping that in mind only, I said that whether it is eight, nine, 10, seven, whatever number that we are going to get in FY 2031, we should be around 35%-40% of that should come from ADS. This is the kind of momentum that we are working on. We see a lot of good momentum coming from all the sectors across the geography.

Hari Krishnan: We will be able to probably come close to freezing that number end of the year.

B. R. Preetham: Yes.

Hari Krishnan: When we make a renewed, the second vision statement for the next five years.

Pratik Jain: Very much clear, sir. Just lastly, sir, this new INR3,500 crores revenue potential capacity, when do you see this coming by?

Hari Krishnan: Which one?

B. R. Preetham: I think this is a combination of different things. I think what you need to understand is our current facility, whatever we have expanded in plant nine for ADS, would give us about INR1,500

crores. We said that we are going to create another, we have signed up for another place which can potentially add another INR1,000 crores-INR1,500 crores depending upon the configuration of the components and the thing. Another ADS facility, I mean, defense facility should also give us an opportunity to look at another INR400, INR500 crores.

As an infrastructure, we can look at catering to this kind of this one. The current aerospace facility will be fully operational by the third quarter with the expanded bay. The defense should be operational towards the end of the third quarter or from the fourth quarter. I would say the new facility, what we are planning, towards the end of the next calendar year.

Pratik Jain: Got it. Thank you, sir.

Moderator: Thank you. The next question is from the line of Mumuksh Mandlesha from Anand Rathi. Please go ahead.

Mumuksh Mandlesha: Yes. Thank you so much for the opportunity, and happy festive greetings-

Moderator: Sir, can you please speak a little loudly?

Mumuksh Mandlesha: Yes. Hi. Is it better now?

Hari Krishnan: Lot better.

Moderator: Yes, sir.

Mumuksh Mandlesha: Yes. Yes. Thank you. Thank you so much. Sir, firstly to Vikas sir, you mentioned about the minimum wages. Just want to understand, should this cost provision continue ahead, or there is some one-off in that, sir?

Vikas Goel: No, this is a change being introduced by the government of Karnataka. Of course, all state governments have revised the minimum wages level. But since a very large proportion of our workforce is in Karnataka, and the amount of increase suggested by the government is also very high. So this is not a one-off. This will continue, but we do not know the exact quantum because this is still provisional.

B. R. Preetham: This is, yes, some organizations have challenged it in the court. The final verdict is yet to come, but we thought it is correct for us to take since there is no stay. We have made a provision for the entire amount till the quarter ending, right from, I think the effective date is somewhere from mid-May.

Vikas Goel: Yes. And the expected amount is about INR5,500, approximately 30% increase in the base wages for those category of workers.

Mumuksh Mandlesha: Got it. And sir, also was there any impact of forex and U.S. tariff provision this quarter, sir?

Vikas Goel: No. Forex, when we say this is basically the standard we've translated at the actual levels, but no negative impact from that. The U.S. tariff also, since now it's being paid through a different mechanism by the customers, so we don't have any additional exposure on that.

Mumuksh Mandlesha: Got it, sir. The second question is on the defense plant, sir, which is starting from Q3. I just want to check any initially traction on that part. And with the new plant, will the initially the plant would be focusing on the current orders, and as when the new orders build up, that will also then execute from that plant, right, sir?

Hari Krishnan: I think what we have to understand is we already have an ongoing defense business, although it is small relative to aerospace and semicon. The idea was to give a strategic push to this business, both from the infrastructure and the business development point of view. That's why we thought we would move it to a different facility.

Now, we are already seeing a couple of reasonably big business wins just in the final stages. And in that division, we are contemplating and we are thinking about expanding our foray into metal forming, sheet metal forming, which is going to give us a lot more opportunities in defense and also enable us increase our sales or our ticket size for every RFQ in the aerospace division.

Because today, every package we get has got a significant number of parts which require sheet metal and then some assembly, which till today we have not been able to attempt because we did not have the facility. So, the sheet metal division is something which we are contemplating will come under our defense vertical.

Mumuksh Mandlesha: Got it. What will be the capex for this defense plant, sir?

Hari Krishnan: Defense plant is, today we are just moving the machines which are serving our defense operations to a new facility, plus the couple of new orders which we think are in the final stages. Those capex for that, if the business materializes, may be about INR15 crores-INR20 crores.

Mumuksh Mandlesha: Got it, sir. Just last final question, sir. On the Nichidai JV, just want to understand what product area we are working on it and any initial sign of traction there for the products?

Hari Krishnan: The target of establishing the JV was to broaden our foray into the non-ICE segment. In keeping with that philosophy, what we are targeting is steering driveline and related parts. There have been very, very interesting conversations with a lot of customers at various stages. But the key thing is for us to demonstrate our readiness with the machines being ready for operation, which is happening right now. As I think Preetham mentioned earlier, towards the end of the fourth quarter, we expect to start commercial production or sample production, and conversions will happen at that point of time once we have for the customer something which they can see.

B. R. Preetham: In fact, we would be commissioning about three forging press lines to begin with, which would cover a lot of category of components in the area in which Hari said. And there seems to be good amount of interest, both in domestic as well as export opportunity, and we are quite confident that along with our partners, Nichidai, we will be able to win healthy orders in this.

Mumuksh Mandlesha: Got it, sir. Thank you. Thank you so much for the opportunity.

Moderator: Thank you. The next question is from the line of Arjun Khanna from Kotak Mutual Fund. Please go ahead.

Arjun Khanna: Thank you for taking my question, and festive greetings to the entire team. The first question is, you talked of the defense piece and the growth. Is MMRFIC also part of these projections that we have, or this is over and above? Could you help us with, in terms of the capex outlay, et cetera, how do you see MMRFIC scale up?

B. R. Preetham: MMRFIC is not part of whatever expansion, I mean, the revenue growth that we are talking about. We have kept MMRFIC since it is not a subsidiary yet. It is just an associate company because our shareholding post the full CCPS conversion would be about 47%. But then, we as management are very well plugged in into the system in MMRFIC.

Our Chairman is also on the board of the MMRFIC overseeing the developments, and we are quite happy with the progress that is being made. A lot of technologies are being worked upon. As you are all aware, that area of defense takes some time for maturing. We don't have any significant capex requirements from MMRFIC. Whatever this INR800 crores worth of capex that we are speaking about, that only is covering Sansera, both automotive and non-automotive. MMRFIC is hardly anything in that.

I mean, there's nothing that we have planned for MMRFIC because it doesn't come yet on Sansera's this thing. Having said that, some of this anti-drone radars and even on EW radars, there is a lot of work that is being done. They have won few very interesting iDEX projects as well. As I say that we will not be able to discuss too many things out of MMRFIC on the open forum, because it also involves strategic security of the country. But as a management, we are very, very, very happy with the progress that is being made in the company. Of course, being overseen by two of our directors, including our Chairman on the board.

Arjun Khanna: Sure. Fair enough. Wishing you all the best on that bit. Sir, just on our capital allocation, we were looking at some point in time for acquisitions, et cetera, and maybe a plant outside India. Could you comment on both of them, please?

Hari Krishnan: Plant outside India today, I am sure you are aware that we have an operation in Sweden, Sansera Sweden.

Arjun Khanna: No, no, setting up incremental plants outside India.

Hari Krishnan: Correct. So incremental plant, what we have probably been talking about in the past is a potential opportunity to set up manufacturing in the U.S. Now, I think, considering the developments in the U.S. and the tariffs and the uncertainty for the last 14, 15 months, there has been a hold by the buyers in the respective companies with whom we were having very, very active discussions.

But also now, internally, the board is weighing the risks, the additional risks associated with operating or setting up a plant in the U.S., because they were mainly meant for connecting rods, which is our key product. But on the contrary, while we are really reevaluating this option, we are seeing increased momentum from the purchasing community, increasing their outsourcing from India, which is also benefiting us. In fact, if that were to happen fully, we would prefer that option rather than going and setting up in the U.S.

Arjun Khanna: Sure. Understood, sir.

B. R. Preetham: Inorganic opportunities, we continue to reevaluate a couple of opportunities. I mean, we didn't go through the last mile because we were not convinced that it's a right fit for us. While doing so, we keep ourselves engaged in potential opportunities, and as and when we feel that it is a right fit for Sansera, strategically and also technologically, we would definitely look at any of these, including some new opportunities with joint venture.

Arjun Khanna: Sure. Thank you, and wishing you all the best.

B. R. Preetham: Thank you, Arjun.

Moderator: Thank you. The next question is from the line of Gaurav Nagori from Avendus Spark. Please proceed.

Gaurav Nagori: Yes, thanks for the opportunity. Sir, in continuation to the previous participant question, which was more specific on the Nichidai Corporation JV, which has near net shape component manufacturing capabilities and which has a very high use case in the humanoid robots. The question is, have you initiated any discussion with any of the humanoid OEMs for these component development, or is it too early to assess this opportunity?

Hari Krishnan: Well, to be honest, one of our customers is into humanoid manufacturing, and they are the pioneers. Discussions are going on with that customer, and I would say very, very active, interesting discussions are going on at this point of time.

B. R. Preetham: No, actually, what I would like to mention here is, it is not only opportunity for Nichidai joint venture, but we see a larger opportunity for Sansera, because there's a lot of aluminum forged and machine components there, very complex machining, and some of these components are way more complex than some of the components that we are already doing for automotive, including Class A components, which we felt was quite an intricate one. As we speak, we are engaged very actively on development of some very intricate components for them, and we feel that it would be definitely, in times to come, we would be engaged with the customer on few more components as well.

Gaurav Nagori: And then, I am assuming that the OEM would be more U.S. or Europe, not the Chinese one, the humanoid OEM.

B. R. Preetham: No, I think currently we are engaged with the North American customer.

Hari Krishnan: Not the Chinese.

B. R. Preetham: Not the Chinese.

Gaurav Nagori: Understood. Second question on the aerospace. What is the status of the engine blisk order that you received? Have you received the qualifications? Secondly, on the aerospace side, Safran has been one of the most aggressive in terms of procurement, so any traction with them in terms of engine parts or the landing gear parts?

Hari Krishnan: I have an update on both. On the engine blisk, I would say we have not received the validation, but the progress towards receiving the validation has pre-agreed milestones on which we have

ticked all the boxes till today. That means the entire process is being overseen by a customer. I would say more than satisfactory progress is happening, leading potentially to a conclusion on this development, as I said earlier, in Q3. On the Safran, yes, Safran, everybody is reading that they are becoming super aggressive, and I am happy to say we have already won in this quarter our first business from Safran.

Gaurav Nagori: That would be the engine part with Safran?

Hari Krishnan: No, it is what we have got from Safran is, yes, I mean, those are the engine parts, but not the component we spoke about. It is not the blisk.

Hari Krishnan: Not the rotating parts.

Gaurav Nagori: Okay. And one more question that, sir, if I can squeeze in on the semicon side, that we have seen a very significant leg up in the order inflows with one of your semicon clients, and what I believe is that you have fairly high wallet share with this semicon client. From here on, do you think the next leg up in the order book would come from addition of the other semicon clients than mining more wallet share with the existing one?

Hari Krishnan: It is our intention to both mine the existing one and equally be focused on diversifying our customer base by adding customer number two and three if possible. So efforts in all directions are progressing with the same focus. What we are seeing right now is a combination of both happening. In Q3, we should probably add a customer number two and also increase engagement with our existing customer, but a little more focused on going beyond just plain machining, getting into the next step, which would be a kind of an assembly. So, increasing your indispensability in the value chain, that is the focus.

B. R. Preetham: Gaurav, just to add to what Hari said, look, what has happened is when we started with customer number one in semicon, the complexity and the parts were not very great. Then we started doing quite complex parts. We have now probably reached most of their top 10 complex parts. We have been validated for that, and demonstrating it and producing it in volume definitely has given better confidence to them, and they and us are working together to look at how much.

As you said, we do not have a substantial wallet share with them. Probably we have just scratched the surface with what is the potential with them. Of course, in Indian context, we could have won a good amount of business from them, but what is the potential from them? I mean, there is a long way to go. Leveraging on the kind of components that we are doing for customer one, customer two and three also could be very interested, and we want to really work deeper with all of them. We hope that this journey would definitely continue to progress quite well.

Gaurav Nagori: Understood. Sir, would it be fair to say that you will be the single source vendor for these components with this semicon components

B. R. Preetham: No, before you finish the question, I believe…

Hari Krishnan: No, no component being developed for the semicon customer, either present or the aspiring one, we are going to be single source. It is not our decision also. It is a clear directive what we can see that we will be one of the three sources or two sources or four sources. We don't know.

Gaurav Nagori: No, in India, I mean, sir. In India, you would be the-

Hari Krishnan: In India also, we also know that they are working on developing the same components with players. I don't think we expect to be single source, even though we may be as on date for a few components, but that is not the final result. I don't think we'll be single source.

Gaurav Nagori: Understood. Thank you, sir, for the answers.

Moderator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the queue, please limit your questions to two per participant. Thank you. The next question is from the line of Mulesh Savla from Shah & Savla LLP. Please proceed.

Mulesh Savla: Thanks for taking my question. Heartiest congratulations on good set of numbers in a challenging situation. Most of my questions are answered, so I think I will leave it by that, and I wish you all a very happy Deepavali and a prosperous new year. Thank you.

Hari Krishnan: Thank you. Wishing you the same.

Mulesh Savla: Thank you so much.

Moderator: Thank you. The next question is from the line of Yash Agarwal from Nirmal Bang. Please go ahead.

Yash Agarwal: Hi, sir. Thank you for the opportunity. My first question is on Europe. Europe revenues fell 16% Q-on-Q, while Sansera Sweden fell 22% Q-on-Q, and Sansera Sweden also fell 16% Y-on-Y. Is this normal summer shutdown, or are we seeing any weakness in European truck volumes?

B. R. Preetham: No, see, the second quarter in Europe is quite normal because they are almost closed for a month. Q-on-Q drop is very, very normal. We don't expect, I mean, while there is not too much on excitement in Europe, but we don't expect anything to be concerning in Europe.

Yash Agarwal: And sir, what is the outlook for Sansera Sweden plant utilization, like what it is right now? Where are you expecting it to go up in next quarter?

B. R. Preetham: See, our utilization is normal. We operate all seven days in the thing, and we are operating at around 80%-85% efficiency currently. We do not expect anything to significantly change. There has been pressure from the customer. Of course, there has been some failures from the competition, which is adding some volume into our kitty. As we speak, October was a very good month.

We see a very strong November as well. So the second half, we expect that it to be stronger. Unless otherwise there is very different scenario change in Europe, we expect very steady state in Sweden. We do not plan to do anything big in Sweden because the cost is not very favorable

for manufacturing. We would like to maintain whatever is our commitment to the customer and do some automation, increase our participation through engineering contribution there to ensure that we stay healthy at around 10%-12% EBITDA.

Hari Krishnan: Yes. We have one very large customer in Sansera Sweden and only one. So, the fortunes of Sansera Sweden are linked very closely to that customer. Basis what we have received from that customer for the H2, I think nothing will change. It will be a steady, smooth operation.

Yash Agarwal: Okay, sir. My second question is basically on the core operating margins. In Q1, if we adjust for the U.S. tariff provision, the margins were around 20.4%. In Q2, they fell around 100 basis points to 19.4%, with the ADS share increasing close to 15% of total sales. If the ADS business is margin accretive, where do we see margins stabilizing over the years when the ADS share increases to what you said, around 30%-40% in next four years?

B. R. Preetham: I think you need to add back the In the Q2, you need to add back the minimum wages that we have taken a hit on. When you are adding back the tariff in the Q1, it is only fair that you will have to add back the thing, which means that we have well passed the Q1 margins in Q2. With increased as we've also taken hit on commodities, we are yet to get any.

We are engaged with our customers in trying to get back some of these impacts. We are very hopeful that customers would definitely understand us and give us back. Of course, our increase in share of our exports in automotive as well as higher contribution from ADS has helped us to absorb some of these costs and still maintain the margins, as I spoke in my opening remarks in the speech.

We will continue to work through our system to improve our efficiencies, bring down our inventory, and also take advantage of the higher exports and higher growth in ADS. We hope that this margin profile will continue to be steady.

Yash Agarwal: Okay, sir. Just my last question on the finance expense. They've gone up quarter-on-quarter from last three quarters. Where do we see them stabilizing, or they will further go up? What will be their trajectory for rest of the year?

Vikas Goel: See, this is very closely linked to the growth in the business, the expansion of working capital, and the investments that we are making in capacity addition. There will be, as we scale the business up, there will be some more leverage. And the interest cost that you see is reflective of that activity. We do expect this may further increase slightly, but still it is in a very, very healthy level.

Yash Agarwal: Okay, sir. Just one last question. Like you said that revenues can moderate a bit in the second half due to higher base, and you guided for high 18%-20%. This means that H2 growth-

Moderator: Sorry to interrupt you, Mr. Agarwal, but that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

B. R. Preetham: Sorry, Yash. I would try and answer this question before I finish this call. We are looking at a quite a healthy H2. I mean, as we see, we definitely see that for the full year, we would be

anywhere between INR4,250 crores-INR4,300 crores of revenue. That is what is the kind of indications that we have. Of course, it is lot dependent on how the industry performs post the festive season and also what is the impact on the war. But as we see now, we will continue to be healthy even in the H2. Whether we will surpass the H1 revenue or not, again, depends on lot of these conditions. But the business outlook looks very positive. And with that, I would also like to conclude that we would continue to work on diversifying our sectors.

We are looking at adding few more sectors like medical equipment manufacturing. We want to add few more customers into our radius. Defense has to be focused portfolio for us going into the future. And very, very interesting, and where our engineering capabilities will also come into play would be humanoids, where we think both our Sansera as well as Nichidai can really play a big role.

We are quite focused on expanding our capabilities into these segments. Also, as we speak, auto opportunities from exports, especially from passenger vehicle segment and higher engine category segments, looks very, very promising. With all these things, we expect that Sansera would continue to meet the expectations of its investors and all the stakeholders and continue to deliver a good performance.

With this, I would like to thank all of you for a patient hearing and wish you all the very, very happy and prosperous Diwali and look forward for catching up with all of you. Any more questions or clarification, you can always get back to us directly or through our investment relationship advisors, SGA. Thank you all again, and happy Diwali.

Vikas Goel: Thank you.

Hari Krishnan: Thank you.

Moderator: Thank you very much. On behalf of Sansera Engineering Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you very much.