



April 12, 2024

Listing Department

**National Stock Exchange of India Limited**

Exchange Plaza, 5<sup>th</sup> Floor

Plot No. C/1, G Block,

Bandra Kurla Complex, Bandra (East),

**Mumbai – 400 051**

**ISIN No. INE526E01018**

**Company Symbol: SHRIPISTON**

**Sub: Transcript of the “Maiden Investor Call” - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”)**

Dear Madam/Sir,

With reference to the captioned matter and in furtherance to our earlier intimation letters dated April 1, 2024 and April 6, 2024 regarding the schedule, investor presentation and Audio Recordings of “Maiden Investor Call” of Shriram Pistons & Rings Limited (Company) and in compliance with Regulation 30(6) read with Schedule III and other applicable provisions of the SEBI Listing Regulations, please find enclosed the transcript of the Maiden Investor Call held on Friday, April 5, 2024.

The above information is also available on the website of the Company and can be accessed at <https://shrirampistons.com>.

Kindly take the above information on record and treat this as compliance with SEBI Listing Regulations.

Thanking you.

Yours faithfully,

For Shriram Pistons & Rings Limited

**(Pankaj Gupta)**

Company Secretary & Compliance Officer

Membership No.: F4647



**SHRIRAM PISTONS & RINGS LTD.**

**“Shriram Pistons & Rings Limited  
Maiden Investor Call”**

**April 05, 2024**



**SHRIRAM PISTONS & RINGS LTD.**

**MANAGEMENT: MR. KRISHNAKUMAR SRINIVASAN – MANAGING  
DIRECTOR AND CHIEF EXECUTIVE OFFICER  
MR. PREM RATHI – EXECUTIVE DIRECTOR AND CHIEF  
FINANCIAL OFFICER  
MR. PANKAJ GUPTA – HEAD LEGAL AND COMPANY  
SECRETARY**

**IR PARTNER: MR. RIDDHANT KAPUR – ERNST & YOUNG LLP**



**Moderator:** Ladies and gentlemen, good day and welcome to the Maiden Investor Call of Shriram Pistons & Rings Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Riddhant Kapur from Ernst & Young LLP. Thank you and over to you Mr. Kapoor.

**Riddhant Kapur:** Thank you Michelle. A very good afternoon, everyone and thank you for joining in on the maiden Investor Call of Shriram Pistons & Rings Limited. I am Riddhant Kapur from Ernst & Young LLP, and we are the Investor Relations partners for Shriram Pistons & Rings.

To give you all an overview of the company and its performance, we have with us Mr. Krishnakumar Srinivasan, Managing Director and Chief Executive Officer, Mr. Prem Rathi, Executive Director and Chief Financial Officer and Mr. Pankaj Gupta, Head Legal and Company Secretary. The company's investor presentation has already been uploaded on the Stock Exchange as well as on the company's website and we hope you all have had an opportunity to go through the same. Before we begin, I would like to draw out the fact that for the purpose of today's call, we shall be referring to the released financial results for the quarter ended 31st December 2023.

We would humbly request you all to stick to these financials and refrain from asking any questions related to the full year performance. Also, let me remind you that this discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It may be viewed in conjunction with our business risks that could cause future results, performance or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

Now, I would like to hand over the call to Mr. Krishnakumar for his opening remarks, post which we will open the floor for an interactive Q&A session. Thank you and over to you sir.

**Krishnakumar Srinivasan:** Thank you Riddhant. Thank you and good afternoon everyone. On behalf of the company, I would like to express our sincere gratitude to each one of you joining our Maiden Investor Call today. Being it our first interaction with the investor and analyst community at large, I would like to take some time to establish who we are and what we do for those who might be new to our company.

The company was incorporated in 1963 in the name of Shama Pistons & Rings Limited and was taken over by our founder Dr. Charat Ram in 1972 and renamed to Shriram Pistons & Rings Limited or SPRL as we call it today. Dr. Charat Ram played a significant role in shaping the Indian industry, was a pillar and the face of the Indian industry for a long time. He made history by bringing the Honda Genset and Honda cars to India under joint ventures and also built SPRL into the leading manufacturer of pistons, piston rings, piston pins and engine valves.

This success is attributed to our rich heritage spanning over five decades marked by numerous achievements including technology collaborations with international leaders and establishment

of our advanced technology center. Before delving into these aspects, let me provide an overview of our business model.

We manufacture pistons, piston pins, piston rings and engine valves for almost all the leading OEMs and aftermarket distribution in India as well as for exports.

Our products are marketed and distributed under our well-known renowned brands SPR and Usha. Both the brands are very well recognized both domestically and globally. We manufacture our products in four facilities, two located in Uttar Pradesh in Ghaziabad and Bulandshahr, one in Rajasthan in Pathreri and one in Madhya Pradesh in Pithampur.

Our manufacturing lines are fungible which means that we can produce the respective products on ear-marked lines based on changes in demand for a specific segment of the auto industry. This gives us the added advantage to be able to cater to demand effectively and optimize our operations. Please also note that our Madhya Pradesh unit comes under our wholly owned subsidiary SPR Engenious Limited, we call it SEL.

Apart from these, under SEL we also have two more facilities which I will be talking about later.

To cater to our major OEM customers and to ensure that we meet the just-in-time demands of our customers efficiently, we have set up five assembly units in Haryana, Uttar Pradesh, Maharashtra, Tamil Nadu, and Gujarat where most of the OEMs have their manufacturing setups. As a company, innovation is in our DNA, and we have always focused on improving our products and being able to provide complete and comprehensive solutions for the high technology new generation engines.

We accomplished this feat via our ultra-modern state-of-art technology center established in 2014 which serves as a comprehensive product development facility. Our technology center holds recognition from the Department of Scientific and Industrial Research, Government of India. Within this facility, we have also developed solutions for green hydrogen, flex fuel and natural gas engines positioning us well to adapt to evolving industry trends. At this facility, we even do engine testing for our customers.

Our access to cutting-edge technology is complemented by four long-standing technology collaborations with prominent global leaders in the automotive components sector. Our longest-standing partnership dates back to 1972 with the Kolbenschmidt Group, focusing on piston manufacturing.

Additionally, since 1989, we have maintained a partnership with Honda Foundry Japan for pistons specific to Honda requirements globally. Our collaboration with Riken Corporation from Japan, established in 1978, pertains to rings production. And the one with Fuji Japan, established in 1993, revolves around engine valve technology.

These strategic partnerships over decades, combined with our extensive manufacturing acumen and expertise, have really propelled us to our current position of prominence.



Now moving to the segments we cater to. A large chunk, approximately 81%, of our standalone revenue in FY23, was from the domestic market, including business from OEMs and aftermarkets, where we cater to a diverse range of product segments like commercial vehicles, passenger vehicles, tractors, two- and three-wheelers, off-highway vehicles, industrial engines, railway engines, and for various defence applications.

We have a solid market presence across all these product segments and have enduring relationships with all the prominent players of these segments. Our list of marquee clientele includes the giants of the auto industry, namely Tata, Maruti Suzuki, Mahindra, Bajaj, Hero, Eicher, John Deere, Escorts, Kubota, Cummins, Honda, TVS, Ashok Leyland, Bharat Benz, Hyundai, Renault, Nissan, ITL, TAFE, and CNH, among others.

Regarding our export activities which contribute 19% of the standalone revenue in FY23, we hold a leading position as exporters of our products with a presence in over 45 countries spanning five continents.

We maintain enduring supply agreements with our key customers who are prominent OEMs on a global scale with Volkswagen, Jaguar, Land Rover, BMW, Honda, Fiat, Fuso, Caterpillar, Wabco, Renault, Agco, Suzuki, Kubota, Cummins, Yanmar, and Perkins are some of the leading global OEMs that are our key customers and have been there for a long time.

Now that we have established ourselves as a leading manufacturer of pistons, rings, pins, and engine valves globally, you may think if we are doing anything to augment our growth further, and I am happy to share that we definitely are. We are diversifying our product portfolio and moving into newer segments which would ensure that we continue growing in the long term and continue to de-risk our business model.

Through our wholly owned subsidiary SPR Engenious Limited, SEL, we have recently made two acquisitions. The first one is the acquisition of a 66% stake in EMF Innovations Private Limited. We call it as EMFi. EMFi is a young technology company operating in the electric vehicle space, EV space. We leverage Singapore's strong power electronics research base and India's extensive manufacturing ecosystem to deliver cost-effective and reliable electric motors and controllers for green mobility applications.

Through our R&D and manufacturing facility in Coimbatore, Tamil Nadu, we manufacture electric motors and controllers which have applications across passenger vehicles, two and three wheelers, commercial vehicles like buses and trucks, and also for various other applications. Through this acquisition, we have marked our foray into the EV component segment. We will be among the top few companies supplying electric motors and controllers together, sized for specific applications for our customers.

We have capabilities and capacities to manufacture motors and controllers for applications ranging right from 250 watts to 300 kilowatts across all segments. We are in the process of building a state-of-the-art manufacturing facility near to our existing facility in Coimbatore. Moreover, to further augment our technical capabilities, we also have technical collaboration



agreements with GLE Motors and Lingbo Controllers, helping us in developing certain India-related applications and in line with the Government of India drive towards Atma Nirbharta.

Another acquisition that we have done recently is a 62% stake in Takahata Precision India Private Limited, we call it as TPI, in October 2023 for high-precision plastic injection molded parts for automotive applications. TPI has technical collaboration with Takahata Japan, which is a leading high-precision injection molded parts manufacturing company globally.

TPI has a state-of-the-art manufacturing facility in Neemrana, Rajasthan, which enables TPI to conduct end-to-end operations, right from design to manufacturing to inspection, all under one roof. These acquisitions of EMFI and Takahata mark our foray into ICE agnostic products.

As an outcome of all our efforts over the years to ensure that we provide only the best quality products to our customers, the company has received several awards from various industry bodies.

The Sword of Honour from the British Safety Council, the Gold Award in Exports from the Federation of Indian Exports Organisation (FIEO), the Lakshman Rao Kirloskar Award for Best Foundry of the Year by the Institute of Indian Foundrymen and various other awards from CII, ACMA, Engineering Export Promotion Council and others.

Other than this, we have also received several awards from OEMs from across different segments like passenger vehicles, two and three wheelers, commercial vehicles and other areas. In 2022, we were amongst the top companies to have received the Golden Peacock Award for Excellence in Corporate Governance from IOD in a function held in London.

Also in 2022, we challenged the TPM award again for the third time and ensured that we cleared the TPM certification, which was won by us from Japan Institute of Plant Maintenance, JIPM.

At the heart of our organisation lies the conviction that our team is our greatest strength. Anchored by a robust leadership team, we benefit from seasoned professionals, some of whom have been with us for over 30 years, fostering a deep-rooted commitment to our mission and values.

We have implemented a meticulous system to identify and nurture the top talent, ensuring a continuous influx of skilled individuals who align with our vision. Moreover, our investment in cultivating a strong leadership pipeline ensures a sustainable succession plan and fosters innovation. Providing invaluable oversight and guidance, our expert board of directors enrich our strategic decisions, propelling us towards excellence and enduring success with speed.

We are also committed to being a responsible corporate citizen and have embedded sustainability in every realm of our value chain. We have achieved several milestones in our ESG journey, like three of our plants having the status of zero liquid discharge and state-of-the-art ETP and STP. Further, we have achieved a 20% reduction in scope II emissions, a 20% increase in the mix of renewable energy, solar power and wind power, and a 30% increase in the use of recycled material.



We are also very active in CSR and run various campaigns which have positively impacted more than 90,000 beneficiaries collectively. In terms of governance, we are stringent and have strong corporate governance frameworks in place, duly demonstrated by the Golden Peacock Award that I stated earlier. That is more or less all about our business.

I hope you all have a better understanding about it than before joining this call.

Now allow me to spend some time on taking you through the industry and where it is headed. India's auto components sector plays a pivotal role in driving the growth of the automotive industry, both domestically and globally.

With a rich ecosystem of manufacturers, suppliers and innovators, India has emerged as a key player in the global automotive supply chain as global OEMs seek to de-risk their supply chain. According to the industry reports, the Indian auto components industry is expected to grow at a 15% CAGR to reach approximately \$200 billion by 2026. The engine components, the segment we operate in, will continue to hold a major chunk in this in the future as well.

Our country boasts a robust network of auto components manufacturers renowned for their quality, reliability and cost-effectiveness. From pistons, engine valves, to electronic components and safety systems, Indian companies produce a diverse range of components that are integral to vehicles. The push of the government, like tightening norms to get the industry in sync with global standards and their focus on schemes like Make in India, bodes well for our industry.

I would also like to draw attention to the electric vehicles industry since we have marked our foray to EV as well. The EV industry is experiencing a transformative shift driven by the urgent need to mitigate air pollution and embrace sustainable mobility solutions. With a growing emphasis on clean energy, the adoption of electric vehicles has emerged as a key priority for policymakers, industry stakeholders and consumers alike.

We anticipate a continued rise in the penetration of electric vehicles supported by the ambitious targets set by the government. Proactive measures including incentives, subsidies and investments in charging infrastructure are being undertaken to expedite the EV adoption, fostering an ecosystem conducive to widespread integration. While we project a long-term growth in the EV sector, there are certain challenges which would impede vertical growth.

These challenges encompass high battery costs and addressing of the power infrastructure limitations. Moreover, from a sustainability standpoint, the impact on the environment has to be understood from a well-to-wheel perspective. The significant surge in demand, especially with a fleet of over 150 million vehicle park across categories, underscores the necessity for substantial power generation infrastructural development from sustainable sources, a process that will unfold gradually in line with the government push.

Additionally, I would also like to highlight that the emergence of EV imports from China and the adoption for Indian applications poses unique considerations as the Indian market demands larger vehicles tailored to accommodate families. Recognizing this, our investment in EMFi reflects our commitment to developing customized solutions ground-up aligned with India's demographic realities.



Amidst these developments, the conventional Internal Combustion Engine and the industrial engines in its various forms are looking towards greener solutions like Hybrid, CNG, LNG, hydrogen-powered vehicles, H-CNG, where hydrogen is blended with CNG, and other flex fuels.

And we believe that these engines, along with EV, are poised to coexist to meet the inherent demand of the growing market.

Now, I will just quickly take you through the key standalone SPRL financial highlights. I would like to highlight that we will only be discussing about the released financials and will not be giving any guidance on future performance on this call.

In the last few years, we have worked with a huge amount of focus on increasing the productivity in all our business functions, improving the quality of our products, while also working and improving efficiencies in terms of the speed and execution of our operations. All these factors have enabled us to achieve positive results in the last few years that are sustainable and give us the confidence to continue to perform well in the future as well. Let me give you some highlights on the historical financial performance so far.

You can also refer to all our financial performance results in the presentations that are uploaded already on our website. Revenue from operations have grown from INR 16,068 million in FY20 to INR 26,050 million in FY23, a CAGR of 17.5%. During the same period, EBITDA grew at a strong CAGR of 36.2% from INR 2,018 million in FY20 to INR 5,097 million in FY23 and EBITDA margins expanded from 12.4% in FY20 to 19.2% in FY23.

Our PAT for FY20 was at INR 730 million and for FY23 was at INR 2,956 million, a robust CAGR of 59.4%. Our PAT margin has also expanded significantly from 4.5% in FY20 to 11.1% in FY23.

Now moving on to the highlights for the 9M FY24 as compared to 9M FY23. Our revenue grew by 13.8% to reach INR 21,724 million from INR 19,083 million in the corresponding period of the previous fiscal.

Profitability has recorded a strong growth in the 9M period this year. EBITDA was up by 46.2% YoY was at INR 5,208 million as compared to INR 3,563 million in the 9M FY23. Our EBITDA margin expanded by 495 basis points to 23.3% in the 9M FY24 which stood at 18.4% in the 9M FY23. Our PAT recorded a robust growth of 60.7% reaching INR 3,262 million in the 9M FY24 as against INR 2,030 million in the 9M FY23.

Our PAT margin stood at 14.6% as against 10.5% in the 9M FY23 an expansion of 438 basis points. Our ROE and ROCE as at the end of FY23 stood at 19.3% and 23.8% respectively. Our Debt to Equity remains low at 0.24 times as at the end of FY23. The company is generating positive cash from operations to a tune of INR3,992 million as at the end of FY23. We also maintain a robust credit profile with a credit rating of AA Stable from India Ratings & Research.

We have always been focused to creating value for our shareholders and have been doing so for various years by giving out dividend and bonuses regularly. In this financial year, we have done





a bonus issue of shares in June 2023 in the ratio of 1:1. To stress on the fact that we care about all our stakeholders and shareholders, let me give you a quick fact.

If we account for all the bonus issues since 1991, a shareholder holding one equity share of our company in 1991 would now have 96 equity shares due to the bonuses we have given so far to all our shareholders. Till date for FY24, we have announced an interim dividend of INR5 per equity share.

Now, to conclude, I would like to state that we have the right business strategies in place to ensure a long-term success and growth of the franchise. Central to our approach are meticulously crafted growth strategies that align with our objectives and market demands. Recognizing the importance of diversification risk mitigation, we strategically engage in mergers and acquisitions to expand our portfolio and safeguard against market volatility like our acquisitions of EMFi and Takahata.

By continuously refining our strategies, we strategically navigate the business landscape poised for sustainable growth and resilience. As we chart our path forward, our primary focus remains on sustaining the growth momentum, not only in terms of the top line but also bolstering the bottom line. Amidst our pursuit of growth and success, we persistently uphold the principles of integrity, conducting every aspect of our business with an ethical resolve.

With this, I would like to come to the end of my talk, and I would request the moderator to open the floor for questions.

**Moderator:** Thank you, we will now begin the question-and-answer session. The first question is from the line of Sunil M. Kothari from Unique PMS. Please go ahead.

**Sunil Kothari:** Thanks for the opportunity, sir. Congratulations for such a wonderful journey during the last so many years and starting investor relations and communication. Commendable job you have done. My first question is on the way you have taken efforts during the last 10 years of so many collaborations, technical capabilities, challenges from ICE to EV and all these things happened global level. And you also mentioned during your talk that the change in supply realignment, supply chain realignment is also a big opportunity. So, if you can talk a little bit more about this supply chain realignment in terms of acceptance of global players from the Indian players like you, a component supplier. So that will be really very helpful.

**Krishnakumar Srinivasan:** Thanks, Sunilji. Yes, of course. When I say supply chain realignment, it is basically many of the global suppliers are looking for competitive solutions from, I would say low-cost countries.

And we have been pitching ourselves with the kind of technology backing that we have from all our suppliers, from all our partners. We have all the possibilities of meeting the global demands. And that is the reason why we have been able to now export to over 45 countries globally.

And you already heard about all the big names that are already there as our customers and the kind of portfolio that we are already supplying to them. So basically, it is a matter by which most of the customers globally are looking for good solutions and good partners who will partner with



them and service the last ICE engine that is made globally. And we have committed ourselves to that journey.

**Sunil Kothari:** So, now it is a little speedier acceptance of companies like Shriram Pistons and Indian component manufacturers at a global level because of all these challenges from China and second, of their cost, which is changing. The global players have taken more resources towards EV research and EV development. Some of the reasons should be like this or anything else you can add to our understanding?

**Krishnakumar Srinivasan:** No, we have been, I think the major reason for us to get business is the technology leadership that we have. Unless you have the right technology leadership, you will not be in a position to, be able to supply it globally. So that is the first important reason.

The second important part is we have been supplying to global customers for the last now many years, over 15 to 17 years, even before the China issue and China plus one strategy came into place. So we have been always, tied up with most of our partners and we have been doing quite well with them. And there are some customers with whom we are tied up for the last over three decades globally.

So, it is the combination of partnership and a combination of really ensuring that we are able to give just-in-time supplies to all our customers globally. And we do a number of things to make this happen. So that is the reason why we have such a strong partnership with customers abroad.

**Sunil Kothari:** And the last question is, you have done a commendable job in terms of distributing very good and reasonable high dividend, bonuses. You have created shareholders value. What do you want, in your opinion, or what's your thought process by starting now this investor communication and relationship? What is your thought process? How will it add value to all the stakeholders' wealth?

**Krishnakumar Srinivasan:** So, as I, as you would have known that we had earlier hardly less than 3,000 investors, primarily because the float was very low. And subsequently, now over the last, over six months now, we have seen that the float has increased due to various reasons. And we do have a lot of our investors asking inputs from us.

So it has become necessary for us to communicate with all the investors and ensure that everybody is on the same page. And that is the reason why we have started the investor calls. And we'll continue to do so. And we expect to, on a timely basis, give inputs to all our investors in terms of the performance of the company as well as in terms of some of the important strategic directions the company is taking from time-to-time.

**Sunil Kothari:** Great, sir. Thanks a lot. And congratulations again for the good work you are doing. Thanks a lot.

**Krishnakumar Srinivasan:** Thanks a lot, Sunil Ji.

**Moderator:** Thank you. The next question is from the line of Dhruv Agarwal from Niveshaay Investment Advisors. Please go ahead.



**Dhruv Agarwal:** Yes, hi, sir. Congratulations on the very good set of numbers over the years, sir. So my first question would be that what would be the industry size of the EV segment that you have recently acquired, sir?

**Krishnakumar Srinivasan:** Yes, Dhruv Ji, you are asking about the EV segment market?

**Dhruv Agarwal:** Yes, sir. Yes, sir.

**Krishnakumar Srinivasan:** Let me highlight this. You know, the unique part about EMF Innovations is that we have done a ground-up activity to manufacture the markets required for the Indian requirements. So, we now manufacture products right from 250 watts right up to 300 kilowatts. As a result, what happens is we are in a position now to supply to all segments of the market. We supply to the two-wheelers, three-wheelers. We supply to passenger cars. We supply to, LCV, HCV applications and also to MCV applications today. And many of our products are under testing. It's under validation.

And a lot of activities are going on to grow the business there. So, the whole segment of the market that is available for electrification is also the market that is available for us to manufacture both electric motors and controllers. Now, the unique part is we will be probably one of the top few companies who will be manufacturing the controllers and the electric motors locally and supplying it, thereby meeting all the Atma Nirbharta and at the same time meeting the requirements of our customers.

**Dhruv Agarwal:** Understood, sir. Right. So what will be the industry size, sir, if you can quantify? And like out of that industry size, what would be your quantification or what would be your share in that?

**Krishnakumar Srinivasan:** Well, industry is evolving. So it will be very wrong to say the industry size is limited to this. I think the industry is evolving, as you know. And EV industry, the penetration today of EV is around 1% of the overall market. And we expect this penetration to keep on increasing. And as it keeps on increasing, our growth also in the EV side will keep on increasing. So I think that is the best that we can at this stage inform you.

**Dhruv Agarwal:** Right. And, sir, what would be the peak revenue from this recently acquired firm that you can add on to the firm, sir? Can you quantify that as well, sir, over the years, like in coming years, sir?

**Krishnakumar Srinivasan:** You mean the revenue of the EV segment?

**Dhruv Agarwal:** Yes, definitely. Yes, sir.

**Krishnakumar Srinivasan:** So, as you know, it's already there in the public domain. We have done a business of almost INR 23 crores last year. And we are growing. So, there are a lot of huge opportunities that we are working on. And looking at all the new FAME II requirements as well as the new requirements put forth by the government, we are probably one of the top few companies who are satisfying all those requirements in terms of localization as well as local homologations. So business is bound to grow.



**Dhruv Agarwal:** Right. Okay, sir. And, sir, like, where do you see your company, like, in, like, coming three years, where do you see your company there? In terms of sales and as well as EBITDA or profit, sir?

**Krishnakumar Srinivasan:** Well, as far as SPRL is concerned, we expect it to continue doing well. And there is no reason why we should look at anything lower. And we are also working on other segments like the EV segment and also the plastic injection molded segment. And hence, we think that we will continue our growth story in the auto industry.

**Dhruv Agarwal:** Very nice, sir. Okay. Thank you.

**Krishnakumar Srinivasan:** Thank you so much, Dhruv Ji.

**Moderator:** Thank you. The next question is from the line of Hrishit Urvish Jhaveri from Pi Square Investments. Please go ahead.

**Hrishit Urvish Jhaveri:** I just wanted to understand, sir, if we see the margins which you have presented, there has been exceptional expansion from around 12% to around 19%. And if we compare with the industry peers, we are obviously the leaders, but the growth here has been phenomenal. Can you highlight some major contributors here, sir?

**Krishnakumar Srinivasan:** Yes, sure. Basically, we have, as I said, we have been working on a number of areas, and it included improving on our capacity utilization, ensuring that we are able to work on multiple multimodal systems of power supplies in terms of using also the sustainable solutions, bringing in a lot of operational efficiencies and improving productivities, and also looking at our bleeders and ensuring that we are constantly working on improving the overall margin.

So multiple actions have been taking place right from supply chain to our markets, which have really helped us to grow our top line as well as the bottom line. And I think most of these – the good part is all of these actions are very sustainable, and we expect that it will really help us in the going years.

**Hrishit Urvish Jhaveri:** Yes, sir. And one more question, sir. What's our vision as a management for the next three to five years as a company? Where do we see ourselves in the next three to five years?

**Krishnakumar Srinivasan:** Well, looking at the growth rate or the CAGR that we have achieved so far, so my expectation is to improve further on the CAGR. So, there is no reason why we shouldn't be able to do that. And we are looking at various ways of improving our top line, bottom line as a group, because with multiple actions taking place on acquisitions, mergers, there is no limitation with the kind of money that we are generating.

So, it would be wrong to put a target. Our targets are very, very steep, and we expect that based on the market demand, we will continue to grow the business, and it is going to be a positive story.

**Hrishit Urvish Jhaveri:** Yes, sir. And this is the last question, yes. The recent acquisitions of EMFi and Takahata, are we expecting any new capex in the coming years in these acquisitions?



**Krishnakumar Srinivasan:** Well, we as management always believe that we have to continue to grow the business, grow the franchise, whether it is, you know, as I said in my talk, that we expect many of the technologies to coexist, which means the EV will coexist, the IC engines will coexist in various forms, whether it is in hybrid or in, flex fuels or in hydrogen blended CNG, etc.

So, there is going to be multiple areas on which we will continue to work to improve our technology and improve our offerings to our customers. So, it will become necessary for us to ensure that all our businesses, where necessary to put capex to grow the business. So, there will certainly be capex infusions that will happen, and it will continue to happen in all the businesses to grow the business.

**Hrishit Urvish Jhaveri:** That's correct, sir. But do we have any planned figure for FY '25, like, in terms of quantified number?

**Krishnakumar Srinivasan:** Yes, we do have, but we, that number is still getting, for the year '24-'25, we have a couple of new projects. See, what happens in a growing industry like electrification is there are new acquisitions of businesses that are happening almost on a daily basis. So this figure is continuing to grow, and we are improving our capacity. As I said, we have just taken a new piece of land in Coimbatore. We are building up a state-of-art, modern facility there, and we'll be putting in a lot of money there.

**Hrishit Urvish Jhaveri:** And, sir, just the last question to conclude, what would be our current utilization level around 70%-75% or more than that?

**Krishnakumar Srinivasan:** We continue to work with a very, tight way of managing our capacity utilization. So we are seeing, on an average, it is all 75-plus kind of a situation that we see in the businesses that we have invested so far.

**Hrishit Urvish Jhaveri:** Thank you, sir, and all the best.

**Krishnakumar Srinivasan:** Thank you so much. Thank you.

**Moderator:** Thank you. The next question is from the line of Navin Matta from Mahindra Manulife. Please go ahead.

**Navin Matta:** Hi, sir. Thanks for the opportunity. The question was on domestic revenue mix. Can you just kind of break that out into, how much is to the two-wheeler, four-wheeler segment?

**Krishnakumar Srinivasan:** Yes. So, as I said, if you go through our presentation, which is uploaded in our portal, you'll see that our more than slightly over 50% is coming from our OE segment, and we do have a good mix of aftermarket and exports. Now, what happens in aftermarket exports is also there is a bifurcation of two-wheelers and, the passenger car business.

So, the mix keeps on changing a little bit. So, we don't really publish these numbers, but I can tell you for sure that no one segment of the market, whether it is two-wheeler, whether it is three-wheeler, or whether it is passenger car, is over maybe 17%, 18% of our overall business.



**Navin Matta:** Okay. That's good. And, sir, you mentioned about, the drivers for margin improvement. I was just trying to get a sense of, we've already hit about 23% margins in the third quarter. I'm just trying to understand, where do we see, do we see any upside to this or, do you think we would sustain?

**Krishnakumar Srinivasan:** Well, as you would have seen from the record of the last four years, we have always outperformed the market. So, we are hoping that we can do more. So, let's keep our fingers crossed.

**Navin Matta:** Okay. And, sir, can you talk about, you mentioned about EV orders. Can you speak about order wins or any major customers where you might have backed some orders?

**Krishnakumar Srinivasan:** Yes, we have bagged a number of orders. And since most of these orders are under validation phase, homologation phase, of course, CV supplies are also going on. So, it will be wrong on my part to give the names at this stage because most of the customers are wanting us to hold it confidential and we've signed non-disclosure / confidentiality agreements. So, we can't have the disclosures of those names at this stage.

**Navin Matta:** But can you highlight any kind of loss of order book that you might have or, you know, potentially you could win in the next 12 months or anything that you can kind of indicate?

**Krishnakumar Srinivasan:** We don't give those figures, but you can be rest assured that we will grow the business. We are not going to invest such a huge piece of money, for buying a new piece of land and building a new modern ultra-facility if we don't have business, right or business commitments.

**Navin Matta:** Sorry, sir, I missed out. What is the investment? I mean, what is the quantum of investment?

**Krishnakumar Srinivasan:** It's already there in the public domain. I think it's over INR 700 million.

**Navin Matta:** Okay. And just one last one, sir. How should we think about, your growth in, especially in the domestic OEMs? we have most of the ancillary companies highlighting that, whatever the market growth is, they would grow about, anywhere between 3%, 5%, 7% above that?

**Krishnakumar Srinivasan:** So, basically, Matta Ji, that we continue to, as I said, even the domestic business, we are continuing to outgrow the market. And this comes from various possibilities of penetrations into markets which we have not penetrated earlier, getting into new customers, and also trying to ensure that we completely support our existing customers on all their new programs. So, this will continue, this drive will continue to grow the business share.

**Moderator:** Thank you, sir. We'll take the next question from the line of Chirag Uttam Jain from Emkay Global. Please go ahead.

**Chirag Jain:** Good afternoon, sir. Thank you for the opportunity. Sir, can you share some thought process in terms of the new product categories or segments that you would like to enter, both organic and inorganic? I mean, you may not give specific categories, but the overall thought process as to what all segments would be relevant to us in the overall scheme of things?



**Krishnakumar Srinivasan:** Yes, Chirag Ji. So, certainly, you know, we are looking at various segments. And as I said, with all the work that we did over the last now in less than three years, we have closed two mergers and acquisitions. And if you see the product portfolio, we have tried to maintain it to be within the automotive realm because we are experts in that field and we know that we have a good reach with all our customers and we would prefer to be within this field.

So, with that in mind, I think our direction is more towards – since we are very well impregnated into the IC engine space, which includes also the hybrids and the non-EV applications like the flex fuels as well as others, we would like to certainly look at areas which are agnostic to the IC engines, which means any product or any portfolio – product portfolio which is not – which is going to be there both in IC engine as well as EV vehicles is an area that we would be looking at.

We have done some high degree of work on this, and we are continuously working to see how we can progress on this. For example, in Takahata, the products that we make goes into steering applications, it goes into seat belt applications, it goes into body parts, it goes into trim applications, it goes into rooftop applications. So, there are a number of applications that it is going into. So, similarly, we are looking for products which can go into multiple areas within the automotive realm.

**Chirag Jain:** Thank you, sir. One more question on the aftermarket side because that's a fairly big part of your revenue, almost 26% as you shared in the presentation. Any thoughts over here as to what kind of initiatives we are doing on the aftermarket business and in terms of the growth outlook for that piece in particular?

**Krishnakumar Srinivasan:** Yes. Aftermarket is all about reach. So, we have focused over the last many years now to ensure that we have all the right touch points across the country. I'm very happy to state that we have over 1,200 touch points across the country today and we have multiple distribution network only in India. And we are also supplying to over 45 countries which includes both for OEMs as well as for aftermarket applications, and we supply to many of them with our partners across various countries.

So, it's all about getting the reach and I think I'm very happy to state that we have a very, very good reach and we can use this network very usefully. And this network is also trained for doing a lot of service-related issues in case the issue comes up and this network will also be used for all our EV applications.

**Moderator:** Thank you, sir. We'll take the next question from the line of Piyush Parag from Nuvama Wealth and Investment Limited. Please go ahead.

**Piyush Parag:** Hi, sir. And congratulations for a very good presentation. So, a few questions I have First, if you can just throw some light on, customer concentration that you have for both of your domestic and, of course, maybe top three, top five customers, how they look?

The other questions would be like more how do you see this in any of your new businesses, either from the product or maybe from the customer? How do you target for, say, suppose FY '24 or maybe FY '25, and '26? How do you see this new business will contribute going forward?



And what is kind of the trend that you're seeing? So, if you can put some, some color on that? And for me, your capex, how do you look the capex to be? What is your growing capex? What is your maintenance capex? So, these are two questions from my side. Thank you, sir.

**Krishnakumar Srinivasan:** Yes, Piyushji, basically, as I said, we supply to almost all the OEMs in the country, and then at different segments, point in time, different customers become our top three, it moves up and down based on the segment of the industry that we work on. Sometimes a two-wheeler manufacturer become -- will come in the top three and sometimes he may drop from the top three. So, that's why we don't really spell out our top three customers.

But you can be rest assured, as I said, all the top names, which I read out in my message just now, are there in the top bracket, which includes Maruti Suzuki, Mahindra, Tata, Bajaj, Hero, Escorts and others and Cummins.

**Piyush Parag:** Yes. So, we just wanted to understand that a new business contribution would be how much? I mean, just what do you like target to have, like, for this year from the your promises, how would be your new business contribution? On something on that's, that you have?

**Krishnakumar Srinivasan:** Yes, Piyush Ji, you see, when the market is going at a CAGR of 3% to 5% and we are growing at a rate of around 15% or 14%, you can be rest assured that we are breaking into newer markets, newer segments of the business and trying to outgrow the business. So, we'll continue to invest in all the technologies and capacities always ahead of the market.

So, we believe in growing our business that way and ensuring that we have sustainable businesses from all our customers. So, we have continued to do that and we'll continue to do that.

**Piyush Parag:** Okay. That's great. And just some sense on the capex, how do you look at the capex?

**Krishnakumar Srinivasan:** As I said, you can see the capex figures that are already there in our, in the public domain. And we plan to invest similar numbers. There are also very specific areas where we want to, we have to, where we are trying to grow the business with new businesses coming in. And that's the, the INR 700 million that we talked about putting it in Coimbatore for growing our electric vehicle portfolio along with MOU that has been signed with the Tamil Nadu government with a new plant coming up in Coimbatore.

All that is the capex that we'll be putting in for growing the EV business, including the way that we'll be growing all our existing business. The existing business also we are continuing to put our money regularly and keeping investing to on newer technologies. For example, we have to continuously work on, newer technologies like the hydrogen pistons, piston for hydrogen applications, pistons with hydrogen blended CNG applications. All this undergoes, the piston undergoes a massive change with the change in the fuel and we have to continue to invest in these capex.

**Piyush Parag:** Okay. Thanks a lot, sir. Thanks a lot.

**Krishnakumar Srinivasan:** Thanks, Piyush. Thanks a lot.





**Krishnakumar Srinivasan:** Sure.

**Moderator:** Thank you. The next question is from the line of NGN Puranik from ENAM Asset Management. Please go ahead.

**NGN Puranik:** Thanks for a wonderful presentation. I have a question on your technology group because you seem to be making some complex engineering product. It's not easy for everyone to make this. And you have two collaborations, plus you have a robust R&D and you have done a couple of acquisitions. So all this brings a lot of process technology to the table.

So I want to understand what are these two technologies where the formal agreements you have are contributing to your process today, plus also your own R&D. If you can give a complete view of your technology focus and processes, that will be wonderful?

**Krishnakumar Srinivasan:** Surely. Surely. So basically, if you really see our technology agreements that we have, we have technology agreements with four of our partners. One is for manufacturing of pistons and piston-related technologies. And the second one is for manufacturing of piston rings and its technologies. And the third one is with Fuji Oozx for manufacturing of engine valves.

We also have the fourth technology agreement with Honda Foundry, which again requires a very unique piston manufacturing technology, which is applicable only for Honda cars across the globe. And we can, once we have started supplies to Honda, we can supply anywhere in the globe with that technology. So those are the technology partnerships that we have, which have ensured that we have grown our business with, especially on our legacy business with these partners.

Similarly, we plan to grow our business, the newly acquired business of Takahata. We plan to, that's why we have the Takahata Japan still holding around 38% of the ownership of the company, because we believe in partnership, and we believe in sitting on the same side of the table to work on strategies for the business. And that is how we have been able to ensure that we are able to get into newer businesses as far as Takahata is also concerned.

And the same way, even with EMF International, we have EMFi partners who are sitting in Singapore, working, sitting with us with a 32%, 34% stake, and continuing to grow the business is EMFi. So this is our strategy, ensure that we have the right technology partners, ensure that we are able to put in the capex and grow the business.

**NGN Puranik:** My question is when you have technology partnerships, they provide certain processes, and then you observe those processes. Do you see every year an incremental value add coming from these technology guys or they are there just for a decorative value?

**Krishnakumar Srinivasan:** No, no. They actually, when we sit with a technology partner, we actually, it actually gives us an example of what not we should do to be able to survive in India.

**NGN Puranik:** Excellent. That's a greater advice.



**Krishnakumar Srinivasan:** Let me give you an example. For example, if you see an electric motor, I know I used to live in China for almost five years. Okay. And if you see in China, most of the electric vehicles are single owner driven. You will hardly see a Chinese two-wheeler going with four people sitting on the motorcycle or on the vehicle. Now, if you bring the motor and controller from that Chinese manufacturer and try to put it in a vehicle here, you have seen the result what is happening.

Everything is burning and you are getting hundreds of heating issues and this and that, so many things happening, right. But whereas in what we have done is we have done grounds up. We have ensured that make the product which is ideal for Indian conditions. We have done engineering on it.

We have ensured that it is able to take the required torque and speed levels and able to require required kilowatt ratings to ensure that we give the best efficiency of the motor, thereby reducing the drain on the battery. We also, in some applications, we also have given motors coupled with a, step up transformer, step up gear boxes to ensure that we get very high efficiencies of the motors.

Now, these are the work that needs to be done locally because the engine conditions are very, very typical to India. These are not where you can just blindly bring a product or a process from abroad and fit it. But we know for sure that whatever has been tried, we don't want to go through the route where, we go through multiple iterations on issues which have been time tested elsewhere in the globe. So that, we spend more time in development as per the requirement of the country and not wasting our time on developments which should not be in the country.

**NGN Puranik:** So, they help you to localize technology or a design to the market condition here.

**Krishnakumar Srinivasan:** Exactly, exactly.

**NGN Puranik:** Thank you.

**Moderator:** Thank you, sir. We'll take the next question from the line of Ashish Uppanlawar from InvesQ. Please go ahead.

**Ashish Uppanlawar:** Yes, thank you so much for this. Sir, broadly from whatever we discussed now, it seems to be the strategy that the acquisitions would be there on the non-ICE side and we are trying to get more and more diversification on the plate. So, one would assume that further acquisitions would be in the pipeline.

So, if you could give us your thought process on to which areas you would be looking at? Because I think a couple of acquisitions are on a different wicket basically into injection moulding and into control systems, etc. So, what all would come under this and are we right in understanding that more acquisitions probably would come?

**Krishnakumar Srinivasan:** For sure. We are sitting on cash; we are ensuring that we are deploying our cash quite well and we will continue to invest into more mergers and acquisitions. But as I said, even the ones that we have done so far, they are all related to automotive applications. So, our strength is in the automotive area and we want to ensure that we continue to grow in that particular area.



Areas where we will continue to invest for our mergers and acquisitions will be any area which is agnostic to the ICE engine. That is what we have set ourselves a target. There could be small applications into the ICE engine along with the kind of products for other areas of the car that could also be a possible acquisition area. So, we are looking at all the possibilities, but primarily at areas which are agnostic to the ICE engines, to the powertrain.

**Ashish Uppanlawar:** Okay. And the two subsidiaries that you have, what is the contribution to consolidated revenues and profits right now? And how should we look at the Japanese acquisition that you have done to grow? What are the plans with that company?

**Krishnakumar Srinivasan:** What I would suggest is you can look at the nine-month results. All the figures are there. You can easily expand it for the overall the things as far as the domestic market is concerned.

**Ashish Uppanlawar:** I was inquiring about the Takahata. What is the growth plan maybe for the next couple of years for that company? How are you planning to expand the revenues for that company?

**Krishnakumar Srinivasan:** Yes. So, we will continue. The continuation of outgrowing the market is there for all our subsidiaries. They have targets which have been very clearly set for this year, which will ensure that we will outgrow the overall automotive market today. The market is growing at the range of around 5% to 6% CAGR. We want to outgrow this market.

So, we will continue to do that in Takahata also and we will continue to do that in EMFi, and we will continue to do that in SPRL and SEL. So, we have accordingly set targets for ourselves, and you will see it on a quarter-to-quarter basis how we perform.

**Ashish Uppanlawar:** Okay, sure. I have more questions, but the time permits now.

**Krishnakumar Srinivasan:** Yes. Thank you so much.

**Moderator:** Thank you, sir. We will take the next question from Rehan Lalji from Equitree Capital. Please go ahead.

**Rehan Lalji:** Hi. Thank you for taking my question. I do not know if I missed the same, but I just wanted to understand the segmental revenue distribution between your -- on your standalone front between piston pins and piston rings and engine valves if you have the data of the same?

**Krishnakumar Srinivasan:** Hi, Rehan. Basically, as I said, we sell assemblies. Most of the customers buy assemblies. They take the piston -- we assemble the piston, the piston pin, and the piston rings along with, in some cases, even with the conrods and give it. So, it is very difficult for us to bifurcate the revenue that way.

**Rehan Lalji:** Okay. So, you cannot even give any ballpark estimate of where you get your most revenue from?

**Krishnakumar Srinivasan:** Well, it is fairly, well broken down between all the segments of the product portfolio that we have today. So, even in SPRL, the pistons, the piston rings, engine valves, depending on the kind of product that we have, of course, there is a small variation in the overall turnover, but more or less it is well equated.



**Rehan Lalji:** Understood. And at your, I am talking about your standalone entity, what is the peak potential revenue you assume you can do from your current, I think, five manufacturing plants? What is the peak kind of number do you think you can do from the current five?

**Krishnakumar Srinivasan:** Again, that is a very typical crystal ball gazing that we will have to do, but for us, we have committed ourselves to service the last IC engine that will be there made globally. So, for us, the markets are global. We have outreach up to almost 45 countries today and there is no reason why we should not do more.

And as many of the customers, you know, today, the overall penetration of EVs in the market, though initially it was very buoyant, but people have now become more and more realistic to the numbers that are happening, including the hybridization that is happening globally, even including Europe and Japan, and any hybrid business also requires a lot of IC engines and we are working on programs with customers which are going to probably see the light of day in the 2030s. So there is no reason why we should, you know, in any way discount the legacy business. So we expect that we will grow in all segments of the business.

**Moderator:** Thank you, sir. We will take the next question from Shiva from Purnartha Investment Advisors. Please go ahead.

**Shiva:** Good evening, management. Thank you for the opportunity. My question is with respect to the gross margin. If I look at your gross margin for the last 10 years, in the initial first five years, it was at least 69%. And in the next half of the five years, it went down to 62-odd-percent. During this time, I understand the raw material has been fluctuating, but on a larger scale, it has been stagnant at this point. So, could you just tell us why this shift in the gross margin in the last 10 years?

**Krishnakumar Srinivasan:** Yes. Mr. Shiva, good question. And let me answer it this way that, what has happened is, as the BS6 came into picture, you know, from sometime in 2018-2019, we were among the top runners in terms of providing solutions to almost all the customers in India. And we took a tremendous lead in ensuring that we are able to supply the newer designs required for BS6 applications, and thereby changing completely some of our mix that we had.

And over the period of time, we have also continuously also worked on improving our bleeders and ensuring that we are able to improve the overall mix within the portfolio that we have. At the same time, we have seen that the customer mix, as well as the segment mix, in terms of the products, have continuously also been looked at to ensure that we are able to improve our gross margins.

So, I think we have worked on multiple areas. It's very difficult to pinpoint one area giving a certain percentage. It's a combination of various exercises that we have done over a period of time.

**Shiva:** So are you saying that it fell down, right, from 69-odd to more than 1,000 bps gone.

**Krishnakumar Srinivasan:** No, it also -- see, you will have to look at the material margins and other things also. So, basically, it's a combination of multiple activities.



**Shiva:** Okay. Thank you. And the second is with respect to your royalty expenses. If I see, so you have been ranging from 2.1% to 1.8% roughly. So my first part is, how are those royalty expenses calculated? Is it a percentage? Who are the players that we pay to? And the second part is, KS Kolben has said that he will exit our stock. So, is the partnership still hold and the royalty still hold? It's only the exit of stock? Or how does that change the royalty expenses?

**Krishnakumar Srinivasan:** Yes, again, a good question. Let me answer the second part first. As far as KS exiting our stocks are concerned, it was primarily done by their parent company called Rheinmetall. Because Rheinmetall took a strategic decision of moving more into, post the Ukraine war, they wanted to actually invest more into defence applications in Germany. So they wanted to actually move out of some of the other areas that they were in.

It is not only the Kolbenschmidt that they have hived off, but there are many other companies also that they have looked into. So, Kolbenschmidt that way came out of Rheinmetall. And that's the reason why Rheinmetall, which was a parent company holding the share, they decided to sell their shares. But as far as Kolbenschmidt is concerned, we continue to have a technical collaboration agreement. In fact, we renewed it just recently. And it's renewed for the next seven years.

So, there is no reason why we will get out of it. Because we have had a very longstanding partnership with Kolbenschmidt over the last five decades now and we are very, very close as partners. And as far as the royalty is concerned, most of the royalty that we pay is as per mostly international levels. And it is as per what is done by technology agreements all across the globe. So we are within those norms. Thank you.

**Moderator:** Thank you. We'll take the next question from NGN Puranik from Enam Asset Management. Please go ahead.

**NGN Puranik:** I have one question about how will you manage disruption in the IC engine space? And what are your plans for that? Are you technologically secured in terms of collaborations and all that? Or do you need to add more technology collaborators into the space? How do you -- how will you manage it? How will the revenue scenario look like in the next few years?

**Krishnakumar Srinivasan:** Yes. As far as the technology scenario is concerned, we started working on building our own technology center some way back in -- almost a decade back. And post that, we have trained our people and we have our own patents also. And we have done a lot of work wherein we can be sure that we can develop many of the parts ourselves. But at the same time, we are working with our technology partners to continue to develop newer solutions as is required by the industry.

Now, what is exactly -- what are the disruptions that are happening in the industry? I already talked about in my speech. The disruptions that are happening is that the IC engines is getting broken up into a number of other, fuel solutions, like going in for hydrogen applications -- hydrogen as a fuel application. Second is going for ethanol blending. We have moved up from 20%. We are working on products up to 85% blending.

Then it has gone into flex fuels. It has gone into LNG applications, CNG applications. It has gone into hydrogen blending with CNG. So there are a number of areas that we are working on.



And I'm very happy to state that we are absolutely leading most of these disruptions along with our customers. So we are working on a number of solutions with our customers and multiple things on the test bed.

Luckily, we have our own test benches. And in fact, many of our customers do their testing on our test bench. So, it is to world standards. So, we are well equipped to face this disruption.

**NGN Puranik:** So you will see -- you don't see any sudden shocks from the ICE, non-ICE space?

**Krishnakumar Srinivasan:** As I said, we are present in the ICE space as well as non-ICE space. We are also present in EV motors and controllers. So, there is no reason why we should be affected. We will continue to grow in both areas.

**NGN Puranik:** And that's a significant portion of your business, motors and controllers?

**Krishnakumar Srinivasan:** Yes, it is going to be.

**NGN Puranik:** Oh, so that will...

**Krishnakumar Srinivasan:** It's a 1% of the market. We'll also grow.

**Krishnakumar Srinivasan:** I think we have already crossed our time. But I think we'll take another five or seven minutes to try to answer as much as possible.

**Moderator:** Sure, sir. Thank you. We'll take the next question from Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Am I audible?

**Moderator:** Yes.

**Deepak Poddar:** Thank you very much, sir, for this opportunity. Sir, just wanted -- just have a thought. We have a gross margin of 60%, right? And we have been vocal that we look to maintain or improve upon the CAGR we have been doing, which if I have to see last maybe two years, we are growing at about 25% CAGR.

If I have to assume a similar CAGR going forward with a gross margin of 60%, ideally your -- because of your leverage only, I feel that your EBITDA margin can see a substantial jump. So just wanted to have your thought on this.

**Krishnakumar Srinivasan:** Well, that's one of the scenarios.

**Deepak Poddar:** Yes. So ideally there -- so is there any aspiration in margins that from a current trajectory of maybe about 21%, we want to look at a trajectory maybe towards 25%, 24%, 25% over the next three to five years?

**Krishnakumar Srinivasan:** Well, our way of working is we try to outgrow the business, outgrow the markets, and do all the right things for the business. So when we are doing all the right things, I think the EBITDA and



the PAT and PBT are all the end results that will come. So we believe that the end results will be certainly coming in line with all the actions that we are taking. But we focus on the actions and doing all the right things for the business.

**Deepak Poddar:** Fair enough. Correct, correct. And my second question is on your capacity. You said we currently are running at about 75% capacity utilization. So about Coimbatore, I think new facility which we are working on, so how much capacity that will contribute and how much capacity increase will happen because of that investment?

**Krishnakumar Srinivasan:** Well, see, there again it is a combination of motors, controllers, and we are also going to make a combination of assemblies and other things. So, it is as per the requirements of the customers and, the numbers there -- one of the statements that I did earlier in my speech was also, we have to ensure that we are putting the capital ahead of the market because if we don't do that in a business like EV, then you will miss a very good potential possibility of supplying to major customers. And that's not something that we want to do.

Now, based on all the recent working that we have done and all the various areas that we are working with our customers, knowing that we are going to win those businesses, it is necessary for us to grow the capacity ahead of the market. And that's exactly what we are doing. And it will be very difficult for me to tell exact numbers because the lines are fairly fungible and even in our existing business lines are fungible. So, we can -- if one segment of the business goes down, we can always make the other segment of the business on those lines. So in the same way, we are also doing for the other products.

**Deepak Poddar:** Okay. But what's the optimum capacity utilization?

**Deepak Poddar:** Yes. So what's the maximum optimization -- optimized capacity utilization we can reach? I mean, is it 100%?

**Krishnakumar Srinivasan:** We are looking at more than 0.5 million.

**Deepak Poddar:** What, 0.5 million?

**Krishnakumar Srinivasan:** 0.5 million motors and controllers immediately.

**Deepak Poddar:** No, I was asking in terms of percentage. I mean 75%, which is your current utilization level. So is it possible to reach 100%?

**Krishnakumar Srinivasan:** Why not? Certainly. And not that the capacity is, by small additions of certain bottleneck areas and all that, we can further increase the capacity. So there is no big problem. We have enough piece of land. We have always believed in ensuring that we have good areas for growth, good physical land area available also for growing the business. And we have enough land in our Pithampur facility. If we have to put up another factory and put up few lines, we will certainly do that.

**Deepak Poddar:** Fair enough. All the very best to you, sir. That's it from my side. Thank you so much.

**Krishnakumar Srinivasan:** Thank you so much.



**Moderator:** Thank you. The next question is from the line of Chitresh Modi from Unicity Capital Management. Please go ahead.

**Chitresh Modi:** Yes. Hi. Thank you, sir, for the opportunity. Congratulations for a great set of numbers. But two questions. In your presentation, you did -- you have shown that the revenue mix from non-automotive applications is about 3%. And I do understand that you made some acquisitions. So going forward, I don't want any guidance, but what do you think this particular number should reach at? Would it be 5%, 10% kind of number? Or this is more like a steady state number that we are looking at?

**Krishnakumar Srinivasan:** No, the non-automotive that you see in the presentation is primarily for SPRL, which is a standalone business. That is the standalone business of our pistons, rings, and engine valves and others. Okay. So that non-automotive applications are primarily applications like compressors, applications like marine engines, applications like snowmobile applications, like skaters driving on the snow and all that. For all those applications, we supply the pistons globally. So those are the non-automotive applications that we are talking about in the presentation. But if I were to look at the consolidated non-automotive applications, I think it should be well crossing to the high 20s.

**Chitresh Modi:** Okay. All right. Okay. And, sir, second question was, obviously, like post-COVID, when I look at your operating profit margins, and you have shown a fantastic growth in that, like almost close to 500 or 600 basis points in the last three years. What do you think is the key attribute for such a great margin improvement? Would you say is it a newer technology, newer product, or you would say more it is because of the operational efficiency that the company has?

**Krishnakumar Srinivasan:** I think I answered this question earlier. The same question was asked earlier, and I have already answered it. But I said it's multiple activities across the entire supply chain, including improving capacities, improving efficiencies, improving productivity, etc,

**Moderator:** Thank you, sir. We'll take the next question from Senthil Manikandan K. from ithought PMS. Please go ahead.

**Senthil Manikandan K.:** Thanks for the opportunity. My first question is with respect to our core business. As the powertrain moves from ICE to hybrids and CNG or LNG, so what could be our content per vehicle? And with respect to as technology is getting upgraded, will we also see a higher realization per vehicle? That's my first question.

**Krishnakumar Srinivasan:** Yes, certainly we see a higher realization as the technology moves up. For example, the hydrogen piston requires multiple areas to be attacked, including hydrogen embrittlement and others. So there are a number of areas that we have to work on. And we expect higher realization as the technology moves up. So we have always ensured that we get that.

**Senthil Manikandan K.:** Can you please quantify it?

**Krishnakumar Srinivasan:** Quantification is a little difficult at this stage because many of these are under drawing board stage at this stage. So it will be very difficult to quantify at this stage. But you can be rest assured that it will only go on the positive direction and not go on the southward direction.





**Senthil Manikandan K.:** Second question is broadly on the capital allocation strategy. So the company will be placed in the cash flow generated from the core business to do an M&A on the emerging powertrain. So that could be broadly the capital allocation strategy going forward, right?

**Krishnakumar Srinivasan:** Well, it all depends on the kind of M&A targets that we have. And it could be a mix of many, many things. So we can't at this stage say that this is what is going to happen. It's going to be a combination of many, many things. So very difficult to answer it purely on one side.

**Senthil Manikandan K.:** Okay. Thanks, sir.

**Moderator:** Thank you, sir. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Krishnakumar for closing comments. Over to you, sir.

**Krishnakumar Srinivasan:** Yes, thank you once again. I would like to express once again my sincere gratitude to everyone who joined on our maiden investor call today and contributing to this really very engaging discussion. We remain committed to pursuing our business strategies and doing everything that is right and continuing to deliver positive results.

If you have any questions or require any additional information, please do not hesitate to reach out to our Investor Relations team. Once again, on behalf of the company, I would like to extend my heartfelt thanks for your time and participation. Please do take good care and thank you very much. Goodbye.

**Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Shriram Pistons & Rings Ltd., that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.

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