

August 1, 2024

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400051

ISIN: INE526E01018

Company Symbol: SHRIPISTON

Subject: Transcripts of “Earnings Conference Call” - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”)

Dear Sir/Madam,

With reference to the captioned matter and in furtherance to our earlier intimation letters dated 22.7.2024, 27.7.2024 & 29.7.2024 regarding the schedule, press release, investor presentation, and Audio Recordings of the Earnings Conference Call with Analysts/Investors and in compliance with Regulation 30(6) read with Schedule III and other applicable provisions of the SEBI Listing Regulations, 2015, enclosed please find the transcripts of the “Earnings Conference Call” on Un-audited Financial Results for the Quarter ended on June 30, 2024, held on Monday, July 29, 2024, at 4:00 P.M. (IST).

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, 2015.

Thanking you.

For **Shriram Pistons & Rings Limited**

Yours faithfully,

(Pankaj Gupta)
Company Secretary & Compliance Officer
Membership No.: F4647



SHRIRAM PISTONS & RINGS LTD.

“Shriram Pistons & Rings Limited
Q1FY25 Earnings Conference Call”

July 29, 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 – DEPUTY EXECUTIVE DIRECTOR,
HEAD LEGAL AND COMPANY SECRETARY**



Moderator: Ladies and gentlemen, good day and welcome to the Shriram Pistons & Rings Limited Q1FY25 Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this call is being recorded.

Today, from the management, 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 – Deputy Executive Director, Head (Legal) and Company Secretary.

Before we begin, 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 the business risk that could cause future results, performance, or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

I now hand the conference over to Mr. Krishnakumar for his opening remarks, post which we will open the floor for an interactive question and answer session. Thank you, and over to you, sir.

Krishnakumar Srinivasan: Thank you, Deepika. Good afternoon, everyone. On behalf of the Company, I would like to express our sincere gratitude to each one of you joining our Q1FY25 Earnings Call today. Our investor presentation and press release have been uploaded on the Company's website and the stock exchanges, and we hope you all have had the opportunity to go through the same.

We have started the Financial Year 2025 on a very positive note as we deliver a strong consolidated financial performance both in terms of the top line and profitability in this quarter. Our revenue from operations witnessed a 17% year-on-year increase and profit after tax grew by 15% year-on-year. Owing to improvements in operational efficiencies and productivities across various business functions, we have been able to maintain our margins in this quarter.

Same has been the case with our standalone business also, considering that it's a cyclically lean quarter for the auto industry. On a weighted average basis, the industry reported a 3% growth in sales volume in Q1FY25 as compared to Q1FY24, whereas our growth was around 7% on the standalone basis. Thus, we have continued to outgrow the end markets.

This was mainly supported by the positive consumer sentiments in the two-wheeler and the three-wheeler sales, which increased by 20.4% and 14.3% respectively. However, the passenger vehicles and commercial vehicles saw an average growth during this period. This



growth is normally very typical in the first quarter of any financial year for the passenger vehicle segment.

We are now taking various strategic initiatives to expand our product portfolio into ICE agnostic products and alternate fuel solutions like hybrid, hydrogen, CNG, Flex, H-CNG, etc. to ensure that we continue to grow in the long-term and also continue to de-risk our business model, which includes the diversification into EV mobility solutions and high precision injection molded parts through our recent acquisitions.

I would also like to share that both SPR Takahata and SPR EMFI have been very successful in winning new businesses and are taking good strides in their respective businesses. I am also happy to state that our ICE products also continue to grow with all the various different alternate solutions that we have provided to our customers and also for various applications into hybrid vehicles.

As you are aware, we are in the process of building a state-of-the-art manufacturing facility for SPR EMFI in Coimbatore near to our existing facility. We are also happy to inform that we have started construction of the new plant near Coimbatore. We are also in the process of acquiring a land-parcel adjacent to our SPR Takahata factory in Neemrana. Both these strategic CAPEX will help us to maintain our growth trajectory in the years to come. You might already be aware that our existing facility in Pithampur has already started operations last year itself and we are progressing well to grow the business there.

With reference to the recently announced Union Budget, I would like to highlight that the Government's proposal of exempting customs duty on import of critical minerals like Lithium and Cobalt and the extension of concessional duties on lithium-ion cells will further boost the demand for EV. In addition to this, the Government's push on manufacturing infrastructure development would only propel overall economic growth, which would further help in continuing the automobile sector's growth trajectory.

While the outlook on the industry remains optimistic, backed by above-normal monsoon and the upcoming festive season, we believe we have the right business strategies in place to secure the enterprises' long-term success. We expect all our segments, including exports and aftermarket, to continue to remain firm in quarters to come. We will leverage our deep-rooted industry experience and the positioning as the leading manufacturer and exporter of pistons, piston rings, piston pins and engine valves in India to navigate the evolving market landscape and remain focused on maintaining a sustainable growth trajectory.

While we continue to have a good business scenario, I would also like to inform all of you that our focus on sustainability and all sub-parts of ESG requirements will continue. We have made very good progress year-on-year on all these initiatives. By end March '25, we expect 35% of our power requirements at Ghaziabad to be met with solar, 5% at Pathredi and almost 40% in our new Pithampur plant.



I am also happy to state that other initiatives like zero liquid discharge, 100% water positive, heat recovery projects and other Scope-I initiatives are progressing very well.

Now, I will just quickly take you through the key financial highlights for the quarter beginning with our consolidated performance.

Our company registered a growth of 17.4% on a year-on-year basis to report Rs. 8,634 million in total income during the quarter as compared to Rs. 7,355 million in Q1FY24.

Our EBITDA expanded by 16.1% year-on-year to Rs. 1,918 million in Q1FY25. The EBITDA margins stood at 22.2% as compared to 22.5% in the corresponding quarter.

Our profit after tax, for the quarter increased by 15.5% on a year-on-year basis to Rs. 1,172 million during Q1FY25 from Rs. 1,015 million in Q1FY24. The PAT margin stood at 13.6% as compared to 13.8% in the same quarter of the previous fiscal.

On a standalone basis, we achieved a 7.3% year-on-year growth in total income to register Rs. 7,855 million in Q1FY25 as compared to Rs 7,322 million in Q1FY24.

EBITDA expanded to Rs. 1,807 million in this quarter registering a growth of 8.9% on a year-on-year basis from Rs. 1,659 million reported in Q1FY24. EBITDA margins improved by 35 basis points from 22.7% in Q1FY24 to 23.0% in Q1FY25.

Our PAT for Q1FY25 stood at Rs. 1,143 million, which grew by 10.5% on a year-on-year basis as compared to Rs. 1,034 million in Q1FY24. Our PAT margin also expanded from 14.1% in Q1FY24 to 14.6% in Q1FY25, witnessing an improvement of almost 43 basis points.

I am sure we will continue to have this run in the coming quarters, and we look forward to growing our business and margins in the quarters to come this year.

Thank you very much. That's all from my side at this stage. I 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 Jaimin Desai from Emkay Global. Please go ahead.

Jaimin Desai: So, my first question pertains to the subsidiaries. We have seen very healthy growth in revenues as well as margins even on Q-o-Q basis. Could you point out reasons for the same? Any order wins in EMFI or any other possible factors that you would like to call out?

Krishnakumar Srinivasan: Yes, thank you, Mr. Desai. First and foremost, you are right in your observation that our subsidiaries have done well in this quarter, and I must highlight here that we have been winning new businesses both at SPR Takahata and SPR EMFI. And in SPR Takahata, we have ensured that the new businesses that we have won are also productionized soon and in SPR EMFI also we have been able to do that. As a result of which, thanks to the localization



initiatives given by the government, SPR EMFI has been able to win some good businesses and we have been able to also deliver on those starting in this quarter. So, we hope to continue.

We don't normally give the names of our customers to whom we have won the new businesses because there are still a lot of validations and other things going on and our supplies have just started. So, we do not want, to at this stage give the details of that, but at the right time we will open up with the names of some of the customers, but I can tell you that we have got really good customers in our pipeline.

Jaimin Desai: That is very encouraging to hear. Just any color possible in terms of the end use segments, not specific to customer names?

Krishnakumar Srinivasan: Yes, as far as the end use is concerned and as far as SPR EMFI is concerned, we have won businesses for two-wheeler applications as well as four-wheeler applications. In the four-wheeler applications, we have won businesses for both passenger cars as well as commercial vehicles.

Now as far as SPR Takahata is concerned, we have been able to win businesses for various applications. We have won businesses for some of the new programs including some electric vehicles' requirements from a plastic injection molding standpoint, we have been able to win businesses with some of our tier 1 customers who then supply to the end markets for electric vehicles.

Jaimin Desai: And sir, in your prepared remarks, you mentioned about looking for land in Neemrana adjacent to the existing facility. So, what would be your outlook in terms of CAPEX for this year and next year?

Krishnakumar Srinivasan: Well, as far as SPR Takahata is concerned, it was very necessary for us, looking at some of the new businesses that we are winning and some of the pipelines that we have in terms of finalization with our customers. We felt that we would be falling short of brick-and-mortar space, and it was very necessary for us to first find land. And luckily for us, the adjacent land which was presently being owned by somebody was already given back to the industrial body and we were able to clinch it and we have been able to strike the deal. So, we are just closing that, and we should be able to start some kind of an operation soon. But as of now, immediately our priority is to ensure that our capacity is completely taken care of, existing capacities that we have, and we are in a good way to fill that capacity.

Jaimin Desai: Sir, finally from my side, anything on M&A that you would like to highlight, kind of candidates we are still looking for and financial parameters, etc. that we look at, anything that you would like to highlight?

Krishnakumar Srinivasan: We would like to highlight that, our focus on M&A is very, very strong and we are continuing to look at various options. We are in the midst of doing a couple of due diligence and other things. So, we will continue our drive for that, but we don't want to compromise and just go



behind any businesses. We want to ensure that the business that we go behind is, number one, accretive to our EBITDA requirements and EBITDA standards and at the same time, we want to ensure that we are able to look at future technology businesses and technologies that will be looked at by the overall business fraternity and our customers.

Moderator: Thank you. The next question is from the line of Akshay Sam, Sam Capital. Please go ahead.

Akshay Sam: My first question is regarding flex fuel applications. For example, Bajaj launched recently a Freedom bike, which is CNG powered. So, is my understanding correct? If it gains more popularity, the value of products supplied by us for more flex fuel products will go up because it's more complicated?

Krishnakumar Srinivasan: Yes, you are right. First and foremost, I am happy to state that we are the only source as far as the pistons and engine valves are concerned for the CNG applications for Freedom 125 to Bajaj. And we are working on a number of initiatives with other OEMs also with regards to applications in CNG bikes as well as CNG other two-wheelers.

So, we feel that from an Indian perspective, the other flex fuels have to gain a lot of market share and it will continue to grow and we feel that our presence there is going to really help us in growing the volumes.

One of the reasons why we feel this is primarily because from a technology standpoint, we have a very good advantage, thanks to our R&D center, and our capabilities of doing our own in-house testing in the various test benches that we have in our plant. In fact, we are also doing testing for some of our customers in advance so that we are able to fast-forward some of these projects. So, that way, I think we are well positioned. Thank you.

Akshay Sam: Sir, my second question is regarding our two new subsidiaries, SPR EMFI and SPR Takahata. So, SPR Takahata, obviously, we have room for expansion. Is it more related to more applications that will go forward as far as building our customers? I just wanted to know what is our right to win in this business because obviously we are not the first company supplying the motors and controllers and we are a bit, I won't say late to the party, but we are not the first in the EV business?

Krishnakumar Srinivasan: Let me address this one by one. As far as Takahata is concerned, there is room for expansion as you rightly said, but room for expansion not only in products which are agnostic to ICE engines, but completely in different arenas. So, for example, into seat belt applications, into steering column applications and so many other applications, various precision parts which are required for these applications.

We are also addressing a lot of new customers who are coming into the fray. Thanks to the non-Japanese customers that we are able to bring on the table with the strength of SPRL. So, all that is really helping Takahata to grow the business and we will continue to do that as far as SPR Takahata is concerned.



Now coming to SPR EMFI, you are absolutely right. We were not the first to come into this business, but the strategy that we adopted of doing a ground-up engineering on this and be able to develop products locally and develop engineering solutions for our customers on a totality basis which is including the motors and controllers together, we are probably one of the top companies in the country today to be able to address that.

So, many of the other competitors they supply motors separately and controllers come from some other party, as a result of which the tuning and other things becomes a problem and we do have a lot of failures reported in the end markets, whereas here we are able to get everything time tested in our internal R&D and we are able to give them full solutions with regards to all the performance curves, stock characteristics and everything, thereby giving a lot of strength to the customers and being ground-up localized in the country, I think we are also very well-positioned with regards to our commercial strategy.

Moderator: Thank you very much. Now, the next question is from the line of Rajit Aggarwal from Atharva Investment Managers. Please go ahead.

Rajit Aggarwal: I am a shareholder of the company as well and I have known this company for more than 15 years. Now, over the 15 years, the company has gained a lot of respect across segments.

Having said that, there was an announcement, and I am going to ask a couple of quick questions regarding that. Regarding the facility of Rs. 15 crores being extended to the MD CEO, now this question is to Mr. Gupta. There is a clause in Companies Act, Section 186 and Clause 7, which says no loan shall be given under this section at a rate of interest lower than the prevailing yield of one-year, three-year, five-year or ten-year government security closest to the tenor of the loan. So, is that not applicable in this case?

Pankaj Gupta: No, in fact we reviewed this in detail, and this is not applicable, and we complied the law as loan to directors. We've come out with the scheme, and we complied the law not only at Board level but at audit committee level also.

Rajit Aggarwal: So, this would be applicable to all the directors in that case?

Pankaj Gupta: No, this is the special scheme only applicable to MD and CEO.

Rajit Aggarwal: And there were no observations from the Independent Directors on this?

Pankaj Gupta: In fact, Independent Directors reviewed the scheme at audit committee and even at the Board level and they approved this.

Rajit Aggarwal: Thanks for the clarification, sir, and one last question. There was a mention of listing on BSE sometime back. I think the process was initiated. Is that process still on? Are there any timelines around it?



- Pankaj Gupta:** So, before answering this question, I would like to just explain that the scheme what the Board and Audit Committee approved, was basically based on the performance. So, the past performance of last many years basically. So, basis that the four years, the Board approved this. So, it's a kind of advance basically what Board approved and it's a kind of repayable advance, retention.
- Rajit Aggarwal:** That's fair enough, sir. So, I didn't want to follow up with that question, but the fact that you are calling it as an advance, I mean advance would ideally, theoretically speaking would be against rendering of some services or goods, but there is no additional service or goods which is being rendered against this additional advance, right?
- Pankaj Gupta:** It's normal services and basically the growth part what he will look after to the company.
- Rajit Aggarwal:** Okay. Just wanted the clarifications. As I said, I have followed your company, worked with your company and your management. So, no further questions on that, sir.
- Pankaj Gupta:** Coming to your second question, the BSE listing part, so this is to inform you that we already submitted our application with the Bombay Stock Exchange. So, now they are in the process of reviewing the same. So, we are waiting for their revert.
- Rajit Aggarwal:** Usually it would take a quarter, two quarters. I am not aware of that process. I am just, just to know it could take up to six months or up to one year.
- Pankaj Gupta:** No, I don't think it will take that much time and what we got to know from our consultants who are helping us in this process, it may take a span of almost two to three months.
- Moderator:** Thank you very much. The next question is from the line of Sanjay Kular, ACME Private Limited. Please go ahead.
- Sanjay Kular:** Sir, what is the quantum of sales do we expect from the subsidiaries in the year one, year two, year three? Since we already we started winning the businesses. So, would you like to say some quantum of sales at this point in time, sir?
- Krishnakumar Srinivasan:** Yes, basically we have already reported the sales of our subsidiaries. So, I expect that we will continue to only further grow. As far as the percentage of business is concerned, we are anywhere between 12% to 14%, and we expect this growth story to continue with all the new projects that I just highlighted to a question from another participant where I talked about the new businesses that we have won both at SPR Takahata and SPR EMFI.
- So, we will continue to grow the business but while we do this, our growth story in SPR is also continuing and I think it's a good competition between all the companies to ensure that they are able to really deliver good results on a totality basis. So, I think this story is going to continue.



So, at this stage, it's very difficult to say how much one company will grow as a percentage to other and all is very difficult to say at this stage, but we will continue to maintain this and I think you will be able to also see that in our results in terms of the quantum of mix that we have from these newer businesses to the legacy business that we have. So, that's already in the public domain.

Now coming to your second part of the question, whether we will demerge, I think it's too early at this stage. We just started the overall acquisition story, and we don't have immediately any plans of demerger because we feel that we will need to grow these businesses and create more value and we will look at it at the right time.

Sanjay Kular: Sir, where do you see these two companies going in next five years, combined sales of these two companies? What's your vision like?

Krishnakumar Srinivasan: Well, we have some vision, but we don't really give these numbers in the public domain at this stage.

Moderator: Thank you very much. The next question is from Abhishek Shah from Ambit. Please go ahead.

Abhishek Shah: So, just in continuation of the previous question, just wanted to get a sense of how you are looking at FY25 on a consolidated basis? Any colour that you can share in terms of revenue growth, even relative to, the auto industry? And in terms of this 22% EBITDA margin, how should we think about that in terms of sustainability or expansion going forward?

Krishnakumar Srinivasan: So, one good thing that has happened is I think we have a very positive Union Budget, which will probably ensure that the growth story will continue. We see a good improvement in the numbers on the commercial vehicle side, tractor side and the two-wheelers continue to also have a fairly robust double-digit increase in their sales.

And as far as passenger car is concerned, we do see a small dip, but we hope that it is a very temporary dip, because this dip is normally seen in the first quarter. So, we are not getting too concerned about it and most of the OEMs also take a lot of shutdowns, to do their annual shutdown maintenance and other things. So, we do see the first quarter always on a slightly lower side.

So, now with the festival season coming in, we expect the numbers to really pick up and coupled with a good budget, we see both rural and urban demand picking up actually. So, we think that there will be a fairly good growth and we will continue to outgrow the end markets because our aim is always to outgrow the end markets and we have shown that also in the first quarter, even though it was a lean quarter, but we have outgrown the market. And that happens with a lot of penetration and other exercises that we do to maintain our market lead positions.

Now coming to your second part of the question, So, we had a 22% EBITDA levels and all the actions that we have done in the company has been always to make it highly sustainable kind



of action and we don't expect our actions to in any way not be sustainable. So, we are looking forward to these numbers or even bettering it.

Moderator: Thank you very much. The next question is from the line of Jaimin Desai, Emkay Global. Please go ahead.

Jaimin Desai: Sir, in terms of the Q1FY25 gross margins if I look at, there was good improvement on sequential basis. Any reason for the same?

Krishnakumar Srinivasan: You are talking about gross margins on a consolidated basis or standalone?

Jaimin Desai: Consolidated.

Krishnakumar Srinivasan: Consolidated has been fairly good primarily because of market mix. You know, our customer end-market mix has been quite good for us on an overall consolidated basis.

Jaimin Desai: And, sir, what is the outlook in terms of exports and aftermarket? Are we continuing to see good inquiries and orders related to the core products specially because of businesses moving from China and Europe and other parts of the world to India? Anything you would like to share on that front?

Krishnakumar Srinivasan: We would only like to state that the markets in Europe as well as in the U.S. and others have actually had a very big impact coming out of these geopolitical situations existing there. And the markets in Europe are down and we do see impacts of that in the overall off take. But thanks to our penetration into various countries, we have been able to actually do better than the first quarter of last year, even in our exports in this year. And we will continue to do that.

As far as fresh inquiries are concerned, we have a lot of inquiries on which we are working to see how we can convert it to business. You know, as you rightly said, businesses are getting transferred from other parts of the globe.

Moderator: Thank you very much. The next question is from the line of Prateek Bhandari, AART Ventures. Please go ahead.

Prateek Bhandari: Just wanted to understand as to what's the kind of CAPEX plans are we having for FY25?

Krishnakumar Srinivasan: You wanted the CAPEX plan?

Prateek Bhandari: Yes.

Krishnakumar Srinivasan: We normally do not give the exact numbers of the CAPEX and all that. But we ensure that we are continuing to invest into our businesses as required in various segments of our businesses. So, as you might be aware already that we have put up a completely new plant for engine valves in Pithampur. We are now growing that business there in Pithampur.



We are also continuing to invest in some of the areas where we see the need in terms of de-bottlenecking the operations or even doing a lot of automation. So, there is a lot of CAPEX that has been spent on these areas. And as far as our subsidiaries are concerned with all the new businesses and the new lines that we are getting in, we need to continue to invest, and we are continuing to do that investment.

Prateek Bhandari: And you also mentioned that you are in the process of acquiring land parcel in Neemrana.

Krishnakumar Srinivasan: Yes.

Prateek Bhandari: So, have we done that completely or are we still in the process of the same?

Krishnakumar Srinivasan: Yes, we have already locked the land with the local authorities with RIICO, and we are in the process of paying the money and getting the land registered.

Prateek Bhandari: And this is for SPR Takahata, right?

Krishnakumar Srinivasan: Yes, that's right. That's for SPR Takahata. For SPR EMFI, I had told you last time that we have already acquired the land. Now I have said in this quarter that we have already started building the plant. So, you can see the speed at which we are going.

Prateek Bhandari: Right. And when we can expect the same to ramp up?

Krishnakumar Srinivasan: The plant expansion will be ready sometime by the last quarter of this year.

Prateek Bhandari: Last quarter of this year?

Krishnakumar Srinivasan: Yes.

Moderator: Thank you very much. The next question is from the line of Piyush from Acquaint. Please go ahead.

Piyush: Sir, wanted to know more on the non-automotive component supplies or industrial engine gensets etc. So, what proportion of your revenues does this business form? And do you see this alternative business growing at a faster pace relative to your auto business?

Krishnakumar Srinivasan: Yes, it's a very good question, and I would like to highlight here that we supply to various non-auto applications. So, we supply to gensets, railways, defense, snowmobile applications, lawnmowers, compressor applications, braking applications etc. So, if I really club all that, it's a fairly good size business which is already, de-risked completely and we expect this business to continue to grow and we are also on a lookout for further improving and increasing our share in these kind of businesses. So, we will continue to do that, and I think we are progressing quite well.

Piyush: Sir, roughly still would this still be closer to like say 15% of your business?



Krishnakumar Srinivasan: We normally do not give the percentages, Piyush, because that is a segmentation of the market and there are also lot of competitors listening to us. So, we have to be careful.

Moderator: Thank you very much. The next question is from the line of Akshay Sam, Sam Capital. Please go ahead.

Akshay Sam: Regarding SPR EMFI, you said in the last quarter of this year, the new plant will be operational, is that correct?

Krishnakumar Srinivasan: Yes, that's right.

Akshay Sam: When can we expect optimum utilization of the facility, I mean if you have a rough timeline, if possible?

Krishnakumar Srinivasan: So, we do have timelines. It's a very detailed timeline and we have quarter-on-quarter kind of with all the commitments given by customers. But all this depends also on the end market and as you know, the end markets are at this stage as far as EV is concerned, there is still some of the areas to be improved in terms of utilization as well as volumes. The volumes are still muted, and we expect the volumes to pick up. As and when they do that, I think we have been able to set up this facility with a fairly good optimum volume. And I think at fair utilization level we will still be able to do quite well there. And we have still a lot of space. It's an 8-acre land. We are presently building at half of that size and even less than that and we will be able to easily expand as and when the volumes pick up.

Akshay Sam: So, are there future plans to move into adjacent categories other than motors and controllers?

Krishnakumar Srinivasan: Well, at this stage, we are focusing on motors and controllers because I think this space is very big. Just to give you some numbers, while people don't realize it and there are still a lot of players and all that. But at the same time, we are talking about 20 million motors to be made for the two-wheeler applications, 4 million to 4.5 million motors and controllers to be made for the car applications and many more such for various other applications.

So, the kind of continuous growth and investment that is required in this segment is quite huge. And our focus we want to keep, since we are the only company, which is giving motors and controllers together, manufacturing controllers right from the base level, I think we have to keep a lot of focus rather than trying to break this into other areas. So, we are focusing on maintaining this and ensuring that we are able to grow this business very well.

Moderator: Thank you so much. The next question is from the line of Pradeep Chaudhary from Saamarthya Capital. Please go ahead.

Pradeep Chaudhary: I want to ask regarding your aftermarket operations. What is our current market share and where do we see us in the next two to three years in the aftermarket?



Krishnakumar Srinivasan: Hi, Pradeep. Yes, aftermarket is a very important portion of our overall business, and it really helps us to penetrate the market and grow quite well even during lean periods as far as OEMs are concerned. So, it really helps us. We are looking at various additions of products also into this category and we are growing this business quite well. Even last year we did quite well in our aftermarket category, and we expect to continue this growth in this year.

Pradeep Chaudhary: Any color on the market shares currently?

Krishnakumar Srinivasan: We don't give that breakup.

Moderator: Thank you very much. The next question is from the line of Vamsi Adella, individual investor. Please go ahead.

Vamsi Adella: I have a question on the non-automotive segment. I believe that you make some components for the marine industry. How do you see that segment is doing and will grow with all the defense business coming from the government?

Krishnakumar Srinivasan: You are talking about the non-automotive businesses, right, Vamsiji?

Vamsi Adella: Yes. I mean, marine, like ship building.

Krishnakumar Srinivasan: We are actually into various applications, defense, marine, snowmobile applications, etc. So, initially, our focus on those areas was a little bit less, but over the last 1.5 to 2 years, we have actually been able to win good businesses. As a result, now that segment of the business, since we have just started that, that segment of the business is actually growing for us. So, we think that it's a good segment and we will continue to grow there.

Vamsi Adella: And will it be better margins, will it be better EBITDA?

Krishnakumar Srinivasan: It is comparable to the kind of business that we do elsewhere. So, that's what, it is certainly not destroying my EBITDA. It's always an EBITDA accretive.

Moderator: Thank you very much. Next question is from the line of Prateek Bhandari, AART Ventures. Please go ahead.

Prateek Bhandari: Just wanted to understand that you mentioned that in terms of our exports, we are facing some issues when it comes to the queries from Europe due to the geopolitical tensions. So, I wanted to understand as to which other parts of the world are we getting the enquiries from?

Krishnakumar Srinivasan: Well, I didn't say that we are having issues with the enquiries. I said that we are having more enquiries coming because of the geopolitical situation elsewhere in the globe and also because of the local supply issues there. So, we are actually having more enquiries and we are working on them.



Now, as far as parts of the globe are concerned, we are exporting to 45 countries. So, we have requirements from almost lot of companies abroad. And we also see this trend of many of the companies trying to vacate capacities. So, we are ready to take these capacities and these businesses and fill our capacities.

Prateek Bhandari: So, Europe stays the largest market in terms of our exports?

Krishnakumar Srinivasan: Well, if you include some of the markets of England and others, then that will be the largest market, yes.

Prateek Bhandari: And in terms of the non-automotive applications, you stated that we are catering to many industries as well. So, how much percentage of it flows to PSU and private, if you can give a bifurcation of the same?

Krishnakumar Srinivasan: Well, very difficult to give this bifurcation because there are also some supplies which happens through vendors because they do the cylinder head assemblies and things like that for some of these applications for defense. So, it's very difficult to say what kind of percentage, but it's a fair-sized business which has remained more or less steady for us for the last many years.

Moderator: Thank you very much. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: Sir, my only question is that in the piston rings and engine valves, what is our capacity utilization? That is first. And second, with the advent of now hybrid vehicles, so how we are really placed to address that market?

Krishnakumar Srinivasan: Yes, very good question again, Bharatji. But let me first answer your second question first, if you don't mind. As far as the hybrid business is concerned, many of the customers are today going in for hybrid solutions because number one, they are able to meet the Bharat Stage V requirements also using these hybrid engines. Now, with hybrid engines, most of our customers are under sizing the engine a little bit. And it could be a parallel hybrid, or it could be a series hybrid depending on various applications. The good part is that hybrid engine requires ICE engines, and it will continue to require it. And we are working with a number of customers and number of programs to be able to support them on that. And this will continue because I think the growth of hybrid vehicles in the country is going to grow and it is going to continue. So, this is going to be a good growth story for us in the future.

Now, coming to the capacity utilization part, I must only say that we don't give the exact figures, but our capacity utilization is quite good, and we continue to maintain it at a high level. But at the same time, I must also say that we continue to also work continuously on automation and other things to de-bottleneck capacities at various places to be able to continue to grow our capacity.



Bharat Sheth: And sir, second question related to hybrid vehicle. So, is it fair understanding that it also provides us to improve our piston and ring business as well as motor and controller also?

Krishnakumar Srinivasan: Yes, that's right. This requires, this gives us opportunity to sell pistons, rings and engine valves, at the same time also look at the motors and controllers.

Bharat Sheth: To how much a value per content hybrid vehicle increases?

Krishnakumar Srinivasan: It increases quite well. I can't give you the numbers but yes, it's a straight increase of the motor and controller, but what happens is, the customers cannot straight away take the increase of both these ICE engines along with the motors and controllers as the end product cost goes up. So, they normally tend to resize the engine. So, for many places we are also seeing the possibility of customers under-sizing the engine as per the requirement and then supplementing it by the motor.

Moderator: Thank you very much. The next question is from the line of Avim Shah, individual investor. Please go ahead.

Avim Shah: Quick question. So, I think in your opening remarks you mentioned the new plant and all coming in. So, plus the new motors facility also coming up in a subsidiary. So, everything when coming in line, so broadly can we expect that the margin should also increase from the current levels?

Krishnakumar Srinivasan: Yes, Avimji, thanks for the question. See, what happens is most of these businesses are all the newer businesses and we expect, at every stage we want to ensure that our margins are accretive. But it is always important to see from a business perspective with regards to the overall projections and the future projections that we have. So, we don't normally give the margin projections, but I can only tell you that both our expectations from all our business and product lines are that they will not reduce our EBITDA margins and they will be EBITDA accretive. We don't compromise on that. We, in fact, many businesses we walk out if they are bleeders for us.

Avim Shah: But can our margins increase from these levels? Can our margins increase? Can we assume that the margins can increase from this quarter to, let's say, by the year end or something like that?

Krishnakumar Srinivasan: If you really analyze our results, you will realize that we are among the top performing companies as far as margins are concerned in the auto component segment. So, I don't think we can keep on increasing it, but yes, we continue to outgrow the markets and we ensure that we do amongst the best in the auto component space.

Avim Shah: And how much would be the contribution of our subsidiaries at this point of time?



Krishnakumar Srinivasan: We are varying between 10% to 14% depending on quarter-on-quarter, month-on-month, but it will continue to grow. But luckily for us, our existing business is also growing quite well. So, as a result, I think we will be able to maintain this, and it's not that we are going to end here, and we are going to continue to look at other M&A possibilities that is going to take place. So, this segment of the overall pie will keep increasing.

Moderator: Thank you very much. The last question is from the line of Mr. Manas, individual investor. Please go ahead.

Manas: Sir, on consolidated basis, there was around 17% growth Y-on-Y in sales. So, was that because of good end market mix or was there any other reason also?

Krishnakumar Srinivasan: It was a combination of end market mix as well as volume growth. So, in SPR Takahata we had volume growth. In SPR EMFI also new volume growth because of new businesses and in standalone SPR, we had both combination of volume and mix.

Moderator: Thank you very much. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Krishnakumar for closing comments.

Krishnakumar Srinivasan: Thank you, Deepika. Thank you everyone once again for joining our Earnings Call today. It has been really very good interacting with you and with the kind of questions that you have asked, it really shows the amount of engagement you have with our company. Your participation made the discussions very engaging. We are dedicated to our business plans and aim to keep achieving positive results. For any further questions or information, please do reach out to our Investor Relations team at EY. On behalf of the company, I would like to thank you all once again and highly appreciate your time and involvement. Take care and goodbye. Thank you very much.

Moderator: On behalf of Shriram Pistons & Rings Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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