Endurance Technologies Limited
Q4 FY24 Earnings Conference Call
May 17, 2024

Management: **Mr. Anurang Jain – Managing Director, Endurance Technologies Limited**
Mr. Ramesh Gehaney – Director and Chief Operating Officer, Endurance Technologies Limited
Mr. Massimo Venuti – Director and Chief Executive Officer – Endurance Overseas, Endurance Technologies Limited
Mr. Satrajit Ray – Director and Group Chief Financial Officer, Endurance Technologies Limited
Mr. R.S. Raja Gopal Sastry – Group Chief Financial Officer Designate, Endurance Technologies Limited
Mr. Rajendra Abhange – Chief Operating Officer Designate, Endurance Technologies Limited
Mr. Raj Mundra – Treasurer & Head Investor Relations, Endurance Technologies Limited

Moderator: **Mr. Nishit Jalan – Axis Capital Limited**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Endurance Technologies Q4 FY24 Earnings Conference Call hosted by Axis Capital Limited.

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

I now hand the conference over to Mr. Nishit Jalan from Axis Capital Limited. Thank you and over to you, Sir.

Nishit Jalan: Thank you so much. Good morning, everyone. Welcome to Q4 FY24 Post Results Conference Call of Endurance. We are pleased to host the entire Management Team of Endurance; we have with us, Mr. Anurang Jain – Managing Director, Mr. Ramesh Gehaney – Director and COO, Mr. Massimo Venuti – Director & CEO, Endurance Overseas, Mr. Satrajit Ray – Director and Group CFO, Mr. Raja Gopal Sastry – Group CFO (Designate), Mr. Rajendra, Abhange – COO (Designate), and Mr. Raj Mundra, Treasurer and Head Investor Relations.

I will now hand over the call to Mr. Jain for his opening remarks, post which we can have Q&A. Over to you, Mr. Jain.

Anurang Jain: Thanks a lot, and good morning to everybody.

I would like to share details of how we have done in the Q4 FY24 and in the financial year FY24.

a. In India in the Q4 FY24, as per SIAM data, the two wheeler industry sales grew by 25.87% compared to the previous financial year. Scooters grew by 21.82% and Motorcycles grew by 28.21%. The automotive industry in India had a growth of 20.5%.
b. In Europe in Q4 FY24, there was an increase of 4.4% in the European Union automotive sales.

On the financials, I will brief you on the Q4 FY24 and then the financial year FY24.

1. In Q4, our consolidated Total Income grew by 20.2% and was Rs. 27,113.14 million as compared to Rs. 22,551.54 million in Q4 of the previous financial year. Consolidated EBITDA grew by 35.8% and was Rs. 4,159.36 million as compared to Rs. 3,062.1 million in Q4 FY23. Consolidated EBITDA margin was at 15.3%. The Net Profit grew by 54% and was Rs. 2,101.54 million at 7.8% margin. This includes the Maharashtra state mega project incentive in Q4 FY24 Rs.203.34 million.

2. In Q4, our standalone Total Income grew by 26.1% and was Rs. 20,931.19 million as compared to Rs. 16,595.76 million in Q4 FY23. Standalone EBITDA grew by 51.5% and was Rs. 3,118.02 million as compared to Rs. 2,058.34 million in Q4 FY23. The EBITDA margin was at 14.9%. Standalone Net Profits grew by 74.4% and was Rs. 1,823.13 million at 8.7%. This includes the Maharashtra state mega project incentive in Q4 FY24 Rs.203.34 million.

3. In FY24, our consolidated Total Income grew by 16.7% and was Rs.1,03,264.86 million as compared to Rs. 88,494.73 million in FY23. This was the first time that Endurance Technologies crossed the 100,000 million mark. Consolidated EBITDA grew by 30.7% and was Rs. 14,135.99 million as compared to 10,816.93 million in FY23. Consolidated EBITDA margin was at 13.7%. The Net Profit grew by 41.9% and was Rs. 6,804.88 million at 6.6%. This includes the Maharashtra state mega project incentive of Rs.792.35 million.

4. In FY24, our standalone Total Income grew by 16.6% and was Rs. 79,204.71 million as compared to Rs. 67,957.07 million in FY23. Standalone EBITDA grew by 30.8% and was Rs. 10,557.83 million as compared to Rs. 8,074.34 million in FY23 with the EBITDA margin at 13.3%. Standalone Net Profit grew by 43.7% and was Rs. 5,877.93 million at 7.4%. This includes the Maharashtra state mega project incentive of Rs.792.35 million.

   There was no net debt and there was a consolidated positive cash available which has crossed the Rs.5 billion mark and it stood at Rs.5.044 billion. The detailed financials are available with the stock exchanges and on the Endurance website.

I would now like to share certain key points for the financial year FY24.

1. In FY24, 77% of our consolidated Total Income, including Other Income came from Indian operations and 23% came from European operations. In India in FY24, Rs. 11,980 million new business was won from OEMs other than Bajaj Auto, which included Royal Enfield, TVS, Hero MotoCorp, Tata Motors, HMSI, Jaguar Land Rover, Hyundai, Mahindra, Tata Punch Powertrain, and Suzuki. This business win of Rs. 11,980 million constitutes Rs. 8,248 million of new business and Rs. 3,732 million of replacement business. This Rs. 11,980 million of business will reach peak sales in FY27.

2. The total four-wheeler business win in FY24 is Rs. 2,810 million, which is 23% of our total order wins in FY24. These orders are mainly from Tata Punch Powertrain, Tata Motors, Mahindra, Jaguar Land Rover, and Hyundai.

   I would also like to mention that we are in discussion for Rs. 18,440 million worth of request for quotes from OEMs.

3. Since FY20 in India, Rs. 40,857 million of business has been won, out of which Rs. 29,306 million is new business and Rs. 11,551 million is replacement business. Out of Rs. 29,306 million new business, Rs. 26,900 million is expected to reach peak sales in FY27 and is mainly for suspension, castings, and brakes. TVS business win has been Rs. 5,320 million till date and it is growing. The business win is largely for brakes, aluminum alloy wheels, and suspension. The Rs. 5,320 million sales will reach peak in FY26.

4. The total business win for electric vehicles till date is Rs. 7,145 million. These orders are mainly from HMSI Ather Energy, Bajaj Auto, Hero Electric, Greaves Electric (Ampere), Tata Motors, Bounce and Aptiv. This is apart from the Rs. 3,785 million business won by our subsidiary company, Maxwell.

   Some of the significant new business won this year are as follows:

- We have won Rs.719 million of new business from TVS in FY24 which included Rs.309 million of inverted front forks and rear mono shocks suspension business and also Rs.404 million of the TVS Rider and HLX bikes front fork and rear shocks business for which SOP is planned in August 2024.
- We have also won Rs. 1,750 million of new business from Hero MotoCorp in FY24, which includes inverted front fork new business win of Rs.240 million where SOP is planned in June 2024. The brake assembly new business of Rs.263 million - this SOP has already started in April 2024. Also, the front and rear shock absorber business of Rs. 1,247 million - this business has also started.
- We have won Suzuki new scooter front fork for business of Rs.253 million. This is an addition to the Rs. 1,400 million for business already won in the previous year. The SOP of both will be in Q3 FY25.
- We have won HMSI brake assembly new business of Rs.294 million and the SOP is planned in Q3 FY25.
- We have won Royal Enfield's alloy wheel new business of Rs.961 million - SOP has started.
- We have also won Tata Punch Powertrain four-wheeler aluminum casting new business of Rs. 1,026 million. For Rs.582 million, SOP has already started in the first project and for Rs.444 million second project, SOP is expected in Q3 FY25.

5. The new 35-dia air suspension inverted front forks for supply to KTM Austria will start by Q3 FY25, with the help of KTM technology, from our Waluj, Aurangabad plant. The value of the business will be Rs.400 million per annum and products will be exported to KTM Austria.

6. We have also won Rs.876 million per annum business from Hyundai for aluminum castings for which SOP is expected in Q3 FY27.

7. HMSI has awarded us two new businesses in Q4 FY24 - for 100cc motorcycle front fork/rear shock absorber of Rs.343 million per annum, for which SOP is in February 2025, and for their first EV Scooter front fork/ rear shock absorber, for which SOP is also in Q4 FY25.

9. For EV Scooters, we are ramping up our sales to 240,000 sets per annum of aluminum castings, which are required for electric vehicle battery packs and motor housings. The total value will be Rs. 1,000 million per annum, which has already started and will reach peak sales value in Q3 FY25.

   For EV three wheelers, we have won new business for case transmission and battery housing castings of Rs.200 million per annum which will peak in FY26.

   Our customers recognize us as a trusted and capable partner in their value chain in terms of both technical and financial strengths.

10. The electronic vehicles market offers significant opportunity for growth in future to the auto component sector. As you know, Endurance has executed a Shared Subscription and Purchase

Agreement for acquiring 100% of equity share capital of Maxwell Energy in a phased manner. We have last year increased our equity stake to 56% in Maxwell as per our agreement. Maxwell is in the business of advanced electronics, particularly in the battery management system for two-wheeler EVs and for automotive and two-wheeler battery packs.

11. At Maxwell, we have won battery management system business of Rs.793 million in FY24 and have a pipeline of RFQs of more than Rs.1 billion. Till date, since FY22, Rs. 3,785 million business has been won by Maxwell. Despite the latest trends in the EV market, we believe that these orders will help us achieve sales in excess of Rs. 2,500 million in FY27.

    With the current order book, order pipeline and technical strengths of both Endurance and Maxwell, we are confident of achieving our goals in this advanced electronics space.

12. As the disc brake assembly business is growing with addition of customers like Bajaj, TVS, Royal Enfield, Yamaha, Hero MotoCorp, Ather as well as HMSI, our second plant at Waluj, Aurangabad had been set up for this increase in volumes.

    We have already started the disc brake assembly supplies to Hero MotoCorp from April 2024 and the supplies to HMSI will start from Q3 FY25.

    With this new plant, we have reached a run rate of 6.2 million numbers per annum of disc brake assembly volumes, and 8.1 million numbers per annum of brake disc volume.

    As you are aware, the supply of two wheeler ABS assemblies for Bajaj Auto and Royal Enfield have started. We have reached a run rate of 400,000 ABS assembly per annum. As you are aware, the competition is mainly from Bosch and Continental, which controls the major market share in the Indian ABS two-wheeler market of approximately 3.5 million per annum. We are now in the process of supplying our dual channel ABS from July 24, 2024. Today, we are doing only single channel and we have scaled up additional assembly lines by increasing the capacity by another 240,000 ABS assemblies per annum which has taken the total capacity to 640,000 ABS assembly per annum. We are further planning to increase this capacity to 1.2 million single and dual channel ABS assemblies per annum in the second half of FY26.

13. In March 23, we have started manufacturing the ABS valves, which is not only a technological component but has helped us to substantially lower our costs.

14. Due to increased orders in alloy wheels from Bajaj Auto, Yamaha India, TVS and now Royal Enfield, we have added a new plant in July22 at Chakan to help increase our supplies to 4.5 million wheels per annum. With the new order wins from Royal Enfield and TVS, we are now expanding to supply 5.5 million wheels per annum and the SOP has already started for April 24 for Royal Enfield, and TVS will start from the end of this Q1FY25.

15. As far as Europe is concerned, in FY24, we have won €30.8 million business, mainly from the Volkswagen Group including Porsche & Audi, and Mercedes Benz. In the last 24 months, out of €115 million orders, €61 million orders are for the growing battery EV business and €35 million are for hybrids. In 2023, battery EV penetration in Europe has been at 15% and hybrids at 33%. We are therefore well placed in terms of securing orders for this growing segment.

    I would also like to point out that Endurance, both in India and Europe, is actively pursuing its focus on gaining access to new technologies and focusing on new products, through organic and inorganic growth.

16. At Endurance, our future focus will be on the following projects for a better product mix and better profit margins.

    - Increase our four-wheeler share of consolidated business from 25% now to 45% by FY30. This increase is going to come from aluminum castings and aluminum forgings, as they are going to be increasingly used for light-weighting and also from proprietary products through acquisitions, joint ventures, and technology agreements.
    - Increase our share of business for the premium bikes 150cc and above for our brake assemblies, ABS, suspension as well as clutch assemblies with upgraded product technologies and process.
    - Increasing our business for electric vehicles with existing and new products.
    - Increase our embedded electronics business by becoming a significant player in the future for Battery Management Systems and electronic products required for EVs and other applications.
    - Focus on non-automotive business which has large opportunities, especially in aluminum castings. We are now in the process of setting up a new plant in the 11-acre land at AURIC, Aurangabad, 17 kilometers from the Aurangabad airport where the SOP will start in Q1 FY26. Here, our focus will be on four wheelers including four wheeler EV parts and non-automotive aluminum casting business. The total CAPEX is expected to be Rs. 4,009 million which should be spent in stages from now to March 2028, with the sales expectation of more than Rs. 5,000 million per annum.
    - Our focus also is to reach 10% of India sales in our aftermarket business in India by FY28. In FY24, our aftermarket sales grew by 6.92% from Rs. 4,310.9 million in FY23 to Rs. 4,609.36 million in FY24.

    With three more countries added to our network, we are now exporting our aftermarket parts to 34 countries. After-market sales growth is a large focus area for us, and we are targeting a good growth in this financial year.

17. In FY24, the export sales for India standalone business grew by 4.43% from Rs. 2,116.23 million in FY23 to Rs. 2,210.06 million in FY24. The sales growth came from two-wheeler suspension exports for KTM plants at Austria, China, and Southeast Asia, and from the aftermarket export sales.

On the environment front, I would especially like to mention that Endurance is striving to be in carbon neutral plants by effective use of solar power and wind power, creating carbon sinks by driving tree plantations and thereby creating dense forests and driving use of natural gas and LPG in place of electric power and furnace oil. The use of furnace oil has been completely stopped at Endurance. We have achieved now a carbon-neutral percentage of 35% till date in FY24 and the aspiration is to reach a carbon-neutral percentage of more than 50% by FY30. This has increased from a carbon-neutral percentage of 22.6% achieved in FY23. We are also focusing in lowering hazardous waste generation and to achieve zero waste to landfill.

At Endurance, it will be a continuous endeavor to grow through organic and inorganic growth with focus on technology upgradation, quality improvement, cost as well as our focus on environmental, health and safety. We will do our best to fulfill our stakeholder expectations by following our five values of Customer Centricity, Integrity, Transparency, Teamwork, and Innovation.

We at Endurance have a very positive outlook based on our new large business wins in the last four years, including for electric vehicles both in India and Europe.

With these opening remarks, I would now like to invite questions from all of you. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

Jinesh Gandhi: The India business margin has seen a very sharp improvement. What are the drivers for the margins and are these sustainable margins?

Anurang Jain: India margins have been helped by the increase in our volumes and improvement in the product mix. At the same time, there has been an approximate Rs 200 million positive impact, both on the client as well as on the vendor side, because we have got one-time gain of Rs.200 million. This is in addition to Rs. 203 million PSI incentives. But, largely improvement has been because of the good volumes and the product mix improving every quarter.

Jinesh Gandhi: In the European business, new order wins have slowed down considerably in the last nine months. Is this largely a reflection of slowing EV sales in EU or there's something else which we are seeing there?

Massimo Venuti: In the previous financial year, we won 31-million-euro business, which has been lower as compared to the previous year. But, considering the situation in the market, it is very important to note that we acquired business for the strategic projects of Mercedes and Volkswagen. Total wins reached 251 million euros in the last five years. We are optimistic for the future and we expect increase of volumes in the next financial year, considering business acquired in the last few years.

Jinesh Gandhi: In European business, margins are flat on year-on-year basis despite sharp decline in energy costs. What led to offsetting of this benefit of lower energy cost on margin front?

Massimo Venuti: In the last quarter of the previous financial year, we closed with 17.8% EBITDA, which is same as the current financial year. In the previous financial year, we received grants from the government for the 45%

of the energy cost increase and we also received additional compensation from the customer for the impact of energy cost. If we compare the profitability of the quarter compared to the previous financial year, we are growing more or less 2% points in EBITDA on a normalized basis. From the operating point of view, we are better compared to previous year. In fact, if you analyze our profit & loss, you will see a reduction in the material cost of 12% compared to the previous year, more or less with the same turnover, and increase in other expenses of 26%. The material cost is due to the fact that we are producing a lot of machined parts hence, the RMC cost is lower and profitability is higher. In the Other Expenses, the increase over the previous financial year is linked to the increase of energy cost (net of grants), since in the previous financial year we had benefit from the government and the customers. The profitability in this quarter was very good compared to the previous financial year. For FY24, EBITDA margin was 16.1% as compared to 14.5% in FY23. Despite the energy gross cost reduction, we still continue to pay more or less three times compared to the pre-COVID situation and this has affected our EBITDA more or less 1.8%. And so, if I do have a statement of the EBITDA with pre-covid energy cost levels, we would have more or less 18% of EBITDA.

Mumuksh Mandlesha: Will there be any incentive in FY25, like last quarter?

Satrajit Ray: We are looking at the incentive scheme against FY13 to FY19 capex. So, in the last year, we have booked close to Rs.79 crores as incentive. In FY25, under mega project incentive scheme of 2013 to 2019, we expect to book Rs. 30 crores approx.

Mumuksh Mandlesha: And will it spread equally across quarters?

Satrajit Ray: This incentive is paid by government based on our SGST paid sales in the state of Maharashtra. Therefore, this appetite is normally consumed over 1 or 2 quarters, so we don't expect it to go beyond second quarter. But also, there would be incentive under a new scheme for 2019 to 2024 capex, as and when we apply and get approval, but that is not within the purview of the discussion right now.

Mumuksh Mandlesha: The new capacity we've announced for the 4-wheeler and non-auto, at AURIC. What kind of order wins we have already won for the plant?

Anurang Jain: We started evaluating in the beginning of this calendar year. We cannot disclose the order wins at this stage. These are basically for 4-wheeler parts with an EV focus and a technology focus. This also has non-auto parts, could be for segments of 5G, 6G, ATVs, UTVs, and other industrial areas. These will have special processes. It will have automation, very good surface treatments and there will be self-sufficient cells with minimal handling. Largely, this project will be for exports. We already have order wins for this and that's the reason we have committed to this project, which will start production in Q1 FY26. Building construction has already started. Our strength is in aluminum die casting and machining and we are very well equipped with our own engineering skills, tool room and over 35 years of experience in this line to explore these new opportunities.

Mumuksh Mandlesha: On Capex - what kind of guidance is there for the FY25 and FY26?

Anurang Jain: We have done Capex of about Rs. 3,833 million in FY24, which was 81% for growth, which included building, plant machinery and dies. Rest was for quality, process efficiencies, routine and R&D Capex. Next year, the figure should be similar to about Rs. 4,000 million, unless there are other new opportunities.

Apart from the new plant also coming up at Auric, we have key investments in our growing business of brakes, alloy wheels, as well as suspensions.

Mumuksh Mandlesha: What is your revenue growth outlook for disc brake and alloy wheel for FY25?

Anurang Jain: We have capacity in alloy wheels of 5.5 million per annum and there is not only huge potential but large requests for increasing the alloy wheels' sales.

Brakes is our fastest growing segment. In-fact our Head for Brakes was telling me in April itself that we have crossed the planned run rate. We have a huge requirement to fulfill, we have taken a large number of orders. So brakes is really growing fast.

Pramod Amthe: Slide 8 of the presentation where you talk about EV order wins for India, they seem to have slowed down drastically in FY24. I can understand it is a function of the industrial activity also. So, what are your customers looking at and how are you planning to address this for the medium term?

Anurang Jain: We follow our customers and their requirements. We ensure that we are connected with all the OEMs, especially in the 2 and 3-wheeler space and also the 4-wheeler in terms of aluminum castings. According to our customers' business plans, we do our best to take orders. Definitely, the withdrawal of FAME II subsidy in India has affected a lot of 2-wheeler EV OEMs who were market leaders. Now we'll see how it plays out in the future. For all EV OEMs, we focus on bagging orders for our products, even where we are not present on their initial platforms. Lower orders is a function of how the industry is doing. But nowhere are we going to lose any opportunity on the EV front because that is a very large growth area for us. And also, our Maxwell business has a lot to do with EV.

Similarly, in Europe, we are highly focused and connected to all the OEMs. And we are really doing our best. We have taken good amount of orders. And of course, sometimes the LOIs show lower volumes. If the volumes increase, the value will increase. But we are not leaving any stone unturned to take orders.

Pramod Amthe: In standalone business if we adjust for incentives, still the gross margin expansion is pretty comfortable, and it seems the raw material has come down for the first time from that 66% to 63%. Do you feel structurally you are back in that zone or it's a one-off and hence you still have to work on it to get the gross margins back to the old days?

Anurang Jain: We are focusing on product technology and ensuring that the product mix is improving in all the areas, and we are looking at new areas, which has helped a lot and in turn it has paid off in Q4. We are 80% in India with two wheelers, which I would say in the last two quarters has done very well and continued to do well in April as well. The product mix and volumes will definitely help us in our EBITDA margins, but I also mentioned there was Rs. 200 million one-time gain, which has come both on the vendor and the client side, and that may or may not come in future. We will continue to do our best on the margins.

Pramod Amthe: On the European side on the EV front, I think there has been a lot of recent noise about slowdown in the EV penetration. So, considering that, how are you looking at your order book wins to be consumed this year? Do you see any opportunity for M&A?

Massimo Venuti: In Europe, starting from September 2023, there has been significant reduction of registration of electrical vehicles due to the fact that a lot of countries stopped the incentive. Unfortunately, without the incentive, it's very difficult to sell an EV car with high prices as compare to the general market. And we await the new election in Europe to understand the situation better. As you know, a lot of OEMs officially stated that they will continue to invest in the internal combustion engine. At Endurance, we are in a strong position considering we have won orders and have already installed production capacity for the electric projects. This financial year, we are ready to reach approx. 50% of the total peak capacity of the business already acquired for the electrical vehicles.

In FY24, we booked capex of €62 million of investment in order to install this production capacity. In the coming year, we foresee an increase in ICE and hybrid vehicle sales. In the first month of this financial year, there was an increase of 2% in the diesel technology and 5% in the hybrid technology of gasoline. We can see growth in a range of products where we have production capacity. In our business, we also have 'take or pay' contract with some of our customers which means that we are protected from potential significant slowdown of volumes in some of the applications. In the near future, we hope that the government will invest in infrastructure, electric vehicle which will thereby continue to grow. Unfortunately, there are a lot of companies in bankruptcy due to the fact that the OEM's strategy in the last few years was to focus only on a few suppliers like us for the electric development. We are considering possible acquisition in order to grow.

Divay Agarwal: Congratulations on the great set of numbers. What is the trend in the aluminum prices and the outlook going ahead in the aluminum die casting?

Anurang Jain: In India, the aluminum alloy prices are not always dictated by London Metal Exchange (LME). It is dictated by the availability of scrap, which largely imported. We believe that due to increase in sea freights and also the crisis of Israel and Hamas, the rates keep fluctuating. The price trend appears to be downwards.

Divay Agarwal: What are the price outlook of aluminum right now and the outlook for the entire aluminum die casting segment for our Company.

Anurang Jain: Aluminum die casting is one of our strongest segment which started in 1985. We are very strong in terms of engineering, our tool room, our plants. That's why we are investing in Auric in Aurangabad to go into 4-wheeler EV and non-automotive businesses. I would say that as far as two wheelers, three wheelers or four wheelers customers are concerned, we are amongst the first or the second choice for getting new orders. So, the opportunity is huge.

Our focus is to do more machining, take orders with machining because value add is much better. We are also getting into structural castings like swing arms and subframes and structural fairings which are complex, which need technology and where pricing is better. We are getting into large motorbikes, key castings like crank cases. So, the outlook is very good, and we are growing. Die casting requires higher Capex and we are very mindful of the financials. So, we don't wish to lose any good opportunity, but sometimes we have to decline some of the opportunities where we feel that other opportunities are better. We are willing to spend more than the budget if required, if there's a great opportunity, organic or inorganic. Opportunities are huge, because we are one of the leaders in this industry. The growth potential is excellent and fortunately in the EV space because of light weighting, aluminum castings is a material where number of parts are increasing. In ICE vehicles, we have crank cases, covers, cylinder heads and cylinder blocks. In EV vehicle, we have case transmissions, battery housings, motor housings, and different types of plates, modules. So, the number of parts are more in EV and the opportunity is huge.

Divay Agarwal: On the US market how's the demand and supply situation there in terms of aluminum casting segment only?

Anurang Jain: From India we are not exporting anything to the US yet. But I will ask Mr. Venuti to answer regarding this question as far as Europe is concerned.

Massimo Venuti: At present, we are indirectly exporting to Mercedes and BMW. US market has seen an important reduction in the last 3-4 months. So, we are careful about potential growth in the United States. At the moment, we are following the growth of the European market in the electrification process, and this is the focus of the company.

Jinesh Gandhi: Some clarification on this Rs 200 million one-time gain which you're talking about. This is over and above the incentives of 200 million or is it one and the same?

Anurang Jain: Yes, it is separate from the incentive.

Jinesh Gandhi: With respect to Capex for European business, we were investing quite materially for the orders on hand. Given that some of these orders were for EVs and we are seeing some slowdown in the EV side, is there any change in our Capex plans for the European business? How much do we plan to invest over and above the €51 million which we invested in FY24? Also, can you share the revenue, EBITDA, PAT in euro terms for FY24 year?

Massimo Venuti: In FY24, we booked capex of €62 million, of which €8 million for Volkswagen, €33 million for Stellantis, and €10 million for Mercedes. For Stellantis, almost 100% of the investment is in hybrid segment. For Volkswagen and Mercedes, 100% for the electric project. Speaking about FY 25, the budget is to implement the total production capacity with an effort of approx. 40 million euro as gross amount.

In FY24, €263.3 million turnover as compare to €245.6 million with an increase of 7.2% as compare to FY23. EBITDA €42.3 million compared to €35.6 million, an increase of 18.9% compare to the previous financial year, EBITDA margin for FY24 16.1% as compared to 14.5% in FY23.PAT was €14 million with 5.3% margin in FY24 as compared to €12.1 million. with 4.9% margin in FY23. The increase of net profit was 15.4%.

Jinesh Gandhi: On the ABS side, we are expanding our capacity in a meaningful way, given the opportunity size. What are you seeing there on the ABS new order wins and the revenues?

Anurang Jain: We have a run rate of 400,000 per annum, which is the single channel ABS. We have added a capacity of 240,000 per annum further for the dual channel which is starting in July 24. It is starting from the 2 existing OEMs we are supplying to. We are engaged with other 2-wheeler OEMs also to get new orders and that's why our plan in the second half of FY26 is to reach 1.2 million of ABS. But definitely, we are going step by step, looking at how the market is also growing. And we are also hoping that ABSs are used in 125cc and lower cc bikes also in future.

Nishit Jalan: On the domestic 4-wheeler side, how much it would be contributing to your revenues? I would assume that Hyundai would be the largest customer here and what kind of components are you supplying?

Anurang Jain: In FY24, our 4W India business share was 6.5% and we are focusing on increasing it by FY30. Our India 4-wheeler business is mainly for aluminum die casting components to Hyundai, Kia, Mahindra, and Tata Motors, and of course some exports to Europe. Our focus is to capitalize opportunities in the aluminum casting space, even in the aluminum forging space, where we have won an order of Rs.250 million from Jaguar Land Rover, which we'll be starting in this financial year. We will also be looking at getting more OEMs on the aluminum forging and of course we are looking at proprietary products by way of acquisitions, or by way of Technology Agreements.

Nishit Jalan: What kind of capacity do you already have for aluminum castings? Is Aluminum forging is a new business area in India? So, any other domestic OEM also where you have started getting orders on the aluminum forging side?

Anurang Jain: Aluminum forging was a backward integration mainly for the KTM and Bajaj inverted front forks. But we found other opportunities with new customers and have won orders from customers like Jaguar Land Rover. We have also got orders from Harley-Davidson, and we are talking to other OEMs. We learn from Jaguar Land Rover that aluminum forgings will be a very important part in 4 wheelers.

We are looking at new opportunities now also in aluminum forgings. We have a technical collaboration with FGM in Italy, for both process as well as on the product technology areas. And we have a really good plant in Waluj, Aurangabad which we are planning to expand in the future.

Nishit Jalan: When we are winning orders for hybrid vehicles, what are the kind of components we will be supplying to those vehicles? Will it be too different from the components that we supply in ICE, or it is largely similar?

Massimo Venuti: In high pressure die-cast machines, we need important automation and machining investment compared to the previous technology, due to the fact that we have to respect quality requests which are very tough compared to the previous ICE powertrain, engine and transmission. The quality requirements of the customers in EV components are strict since electrical components are linked to the battery. And for this reason, the investment in terms of automation is higher compared to the past, manufacturing process is absolutely the same.

Nishit Jalan: Any plans to get into aluminum forgings in Europe as well or you will just focus on aluminum forgings in India?

Massimo Venuti: At present, we are producing only high-pressure die-casting components in Europe. We sell some gravity components, but we buy from the market. The strategy is to focus on high pressure die-casting of aluminum.

Divay Agarwal: What will be our final capacity in the aluminum die casting segment after the new plant in Aurangabad?

Anurang Jain: We had more than 100,000 metric tons per annum excluding alloy wheels.,900 metric tons per month is what we are putting up.

Moderator: Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us.