Endurance Technologies Limited

Q2 FY24 Earnings Conference Call

November 09, 2023

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. Raj Mundra – Treasurer & Head Investor Relations, Endurance Technologies Limited

Moderator: **Mr. Rakesh Jain – Axis Capital Limited**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY24 Earnings Conference Call of Endurance Technologies Limited, 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 conference is being recorded.

I now hand the conference over to Mr. Rakesh Jain from Axis Capital Limited. Thank you and over to you, Mr. Jain.

Rakesh Jain: Good morning, everyone. Welcome to the Q2 FY24 Post-Result Conference Call of Endurance Technologies.

From the management team, we have with us Mr. Anurang Jain - Managing Director, Mr. Ramesh Gehaney - Director and COO, Mr. Massimo Venuti - Director and CEO, Endurance Overseas, Mr. Satrajit Ray - Director and Group CFO and Mr. Raj Mundra - Treasurer and Head-Investor Relations.

I will now request Mr. Jain to begin with his opening remarks, post which we will have the Q&A session. Over to you, Sir.

Anurang Jain: Thank you, Rakesh, and good morning to everyone.

I would like to share details of how we have done in Q2 FY24.

a. In India, in Q2 FY24, as per the SIAM data, the two-wheeler industry sales de-grew by 2.44% compared to Q2 FY23. Scooters grew by 1.13% and motorcycles de-grew by 4.1%. The automotive industry in India had a de-growth of 0.2%.
b. In our overseas operations in Q2 FY24, the EU and UK markets saw an increase of 16.2% in the volume of passenger car sales, though the production of passenger cars growth was only at 3.7% in Germany. Our European sales in value grew by 10.1% in Euro terms.

I will now brief you on the financials of Q2 FY24

1. During Q2 FY24, as compared to Q2 FY23, our consolidated Total Income grew by 8.1% from Rs. 23,690.60 million to Rs. 25,605.46 million. Consolidated EBITDA grew by 19.2% from Rs. 2,800.20 million to Rs. 3,338.44 million. Consolidated EBITDA margin was at 13%.
   The profit after tax grew by 17.5% from Rs. 1,314.94 million in Q2 FY23 to Rs. 1,545.55 million in Q2 FY24 and PAT margin was at 6%. This included the income of Maharashtra PSI scheme incentive of Rs. 248.79 million.

The consolidated financials included Endurance Overseas total income of Rs. 5,650.69 million. EBITDA was at Rs. 835.19 million which was at 14.8% and PAT was at Rs. 229.38 million at 4.1%.

The consolidated financials also includes the Maxwell Total Income of Rs. 171.27 million, EBITDA loss of Rs. 43.28 million which was at 25.3% and the profit after tax loss of Rs. 64.2 million which was at 37.48%. At Maxwell, Endurance team is fully focused on lowering the bought out component cost and the fixed and variable costs along with the increase in Total Income to be profitable from FY25 onwards and we hope to be profitable in the Q4 FY24.

There was no consolidated net debt and the company had a positive net cash of Rs. 4,561.62 million.

2. In Q2 FY24 in comparison to Q2 FY23, our standalone total income grew by 3.8% from Rs. 19,113 million to Rs. 19,842.97 million. Standalone EBITDA grew by 8.7% from Rs. 2,377.4 million to Rs. 2,584.35 million with an EBITDA margin of 13%. Standalone profit after tax grew by 8.6% from Rs. 1,312.7 million to Rs. 1,425.4 million and the PAT margin was at 7.2%. This included the income of Maharashtra PSI scheme incentive of Rs. 248.79 million.
3. I would like to inform you that the Indian OEMs two-wheeler sales were at 24.5 million in FY19. In FY23, the two-wheeler sales were at 19.5 million and in FY24 we are expecting that the two-wheeler sales number will reach 20.5 to 21 million. We expect the consumer sentiment to improve in the long run with stabilisation on the geopolitical front, economic well-being percolating down to the rural areas and with high increase in sales of premium bikes and EV scooters and EV three-wheelers. The detailed financials are available with the stock exchanges and on the Endurance website.

I would like to share certain key points for H1 FY24:

1. 77% of our consolidated Total Income including Other Income came from Indian operations which included Maxwell and the balance 23% came from our European operations.
2. In India till date in FY24, Rs. 7,774 million of new business was won from OEMs other than Bajaj Auto which included Royal Enfield, TVS, Hero Motocorp, Tata Motors, HMSI, Jaguar Land Rover, Mahindra and Mahindra, Punch Powertrain and Suzuki. This business win for Rs. 7,774 million constitutes Rs. 4,663 million of new business (about 60%) and Rs. 3,110 million of replacement business.
3. This Rs. 7,774 million of business will reach its peak in FY26. The total four-wheeler business won till date in this year is Rs. 1,170 million. These orders are mainly from Punch Powertrain (which is a JV between TACO group and Stellantis), Tata Motors, Mahindra, Jaguar and Jaguar Land Rover. I would like to mention that we have Rs. 19,160 million worth of requests for quotes from OEMs. Since FY20, in India Rs. 36,640 million of business has been won other than Bajaj Auto out of which Rs. 25,710 million is new business and Rs. 10,930 million is replacement business.

   The Rs. 36,640 million new business will reach peak sales in the year FY25 and FY26 and is mainly for suspension, castings and braking systems.

4. TVS business win has been Rs. 5,278 million and is growing. The business win is for brake systems, aluminium castings, suspension and drive shaft. This Rs. 5,278 million sales will reach peak in the FY25.
5. The total business win for electric vehicles till date is Rs. 6,194 million in the standalone business. These orders are mainly from Ather Energy, Bajaj Auto, Hero Electric, Greaves Electric, Bounce and Aptiv.

   The new business won in Q2 FY24 is as follows.

   - TVS: We won Rs. 266 million inverted front fork and rear monoshock suspension business.
   - Ather: Brakes business for the new platform of Rs. 115 million.
   - Suzuki: New scooter front fork business for Rs. 253 million. This is in addition to the Rs. 1,400 million front fork business already won and the SOP will be in Q2 FY25.
   - HMSI: EV casting business win of Rs. 40 million at our Vallam plant. This is in addition to the front fork suspension business won for HMSI's first EV scooter earlier in this financial year.
6. The new 35 dia air suspension front forks for supply to KTM Austria will start by end of this year, with the help of KTM technology from Waluj, Aurangabad plant. The value of the business will be Rs. 400 million per annum and these parts will be exported to KTM Austria. The suspension business to both KTM India and Europe should touch Rs. 2,100 million in this financial year.
7. BMS assembly surface mounted technology line will start operations from February 2024 at our Waluj Aurangabad plant.
   The peak business value will be Rs. 1,200 million per annum for the Battery Management System as well as the ABS ECU which we should reach in FY25.
8. For EV scooters we are ramping up our volumes to 2,40,000 parts per annum for 8 parts of EV battery pack and motor housing aluminium castings. The total value, to start with, will be Rs. 1,000 million per annum. Sales have already started and will reach peak in FY25.
9. For our aluminium forging business we are increasing the capacity from 2,80,000 parts per annum to 6,00,000 parts per annum for an additional business value of Rs. 800 million, from our Waluj Aurangabad plant. This business has started and will reach peak value in FY25. We have added Jaguar Land Rover as a new client for EV passenger cars with an export business value of Rs. 240 million. Aluminium forging is becoming a new opportunity for growth for both the ICE and the EV vehicles.
10. At our Chakan plant, we are installing machines for structural aluminium casting like swing arms, subframes and structural fairings both for EV and ICE models which are going in for light weighting for Bajaj Auto, KTM, Piaggio and TVS. This business has already started and will peak in FY25.
11. Our customers recognise us as a trusted and capable partner in the value chain in terms of both technical and financial strengths.
    As I mentioned earlier the EV market continues to offer significant opportunity for growth to the auto component sector. Endurance has taken a major step forward to

harness this opportunity by executing a Share Subscription and Purchase Agreement for acquiring 100% of equity share capital of Maxwell Energy Systems in a phased manner. We have recently 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 Systems for two wheeler EVs and stationary storage applications. At Maxwell we have won BMS business of Rs. 1290 million in FY23 and Rs. 883 million till date in FY24 and have a pipeline of RFQs for Rs. 810 million.

Since FY22, Rs. 3,743 million business has been won by Maxwell which is expected to be fully realised in FY26. With the current order book, order pipeline and technical strengths between Endurance and Maxwell we are confident of achieving our goals in the advanced electronics space.

12. As our disc brake assembly business is growing with addition of Bajaj, TVS, Royal Enfield, Yamaha, Hero Motocorp, Ather and HMSI, our second plant at Waluj, Aurangabad has already been set up.
    We will also start disc brake assembly supplies to Hero Motocorp from March, 2024 and HMSI from November 2024. With this new plant our disc brake assembly capacity has increased to 6.2 million numbers and brake disc capacity to 8.1 million numbers. The supply of two wheeler ABS assemblies to Bajaj Auto and Royal Enfield has commenced.
13. We have reached a run rate of 400,000 ABS assemblies per annum. As you may be aware, competition is mainly from Bosch and Continental which control the major market share in the Indian ABS two-wheeler market. We are in the process of supplying a dual channel ABS from Q4 FY24 and we have scaled up additional assembly lines by increasing further by 2,40,000 ABS assemblies per annum which will take our capacity to 640,000 ABS assemblies per annum.
    We are further planning to increase the volumes to 1.2 million single and dual channel ABS assemblies per annum by the end of 2025. We have, in March, 2023, started manufacturing the ABS valves which is not only a technology component but is helping us in substantially lowering our costs by backward integration.
14. Due to increased orders from Bajaj, Yamaha India, TVS, Hero Electric and now Royal Enfield, we have added a new plant in July, 2022 at Chakan to help increase supplies to 4.5 million wheels per annum. With our new order wins from Royal Enfield and TVS we are now expanding to supply 5.5 million wheels per annum from April 2024 onwards.
15. As far as Europe is concerned, in FY24, we have won EUR 19.76 million business. EUR 104 million orders that we have won in the last 18 months are mainly from two leading German OEMs and from a French-Italian group which manufactures passenger cars and commercial vehicles.
    In the first nine months of 2023 the EU market has seen a battery EV penetration of 15% against 12% and 9% in the previous two years.

Out of EUR 104 million orders that we have won in the last 18 months, EUR 60 million orders are for the growing battery EV market.

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

16. In Q2 FY24 aftermarket sales grew by 20.3% from Rs. 1043.6 million in the Q2 FY23 to Rs. 1255.2 million in Q2 FY24. We are exporting aftermarket parts to 32 countries. Now we are adding Brazil, DR Congo and Cameroon as the new countries which will take it to 35 countries. Aftermarket sales growth is a large focus area for us and we are targeting a good growth in this financial year.
17. Export sales for India's standalone business grew by 12.6% from Rs. 400.1 million in Q2 FY23 to Rs. 450.6 million in Q2 FY24. The major sales growth came from machined casting sales to Ford Motors in UK and IVECO in Italy including Case New Holland and also from two-wheeler suspension exports for the KTM plants in Austria, China and Southeast Asia.

On the environment front, I would especially like to mention that Endurance is striving to being carbon neutral in its 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.

As mentioned earlier, the use of furnace oil has been completely stopped at Endurance. We have achieved a carbon-neutral percentage of 30% till date in FY24 and our aspiration is to reach greater than 50% in the next three years. This has increased from 24.6% which we achieved in FY23.

We are also focusing in lowering hazardous waste generation to achieve zero waste to landfill. At Endurance it will be a continuous endeavour to grow through organic and inorganic growth with a focus on technology upgradation, quality improvement, cost and environment, health and safety. We will do our best to fulfil 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 large new business wins in the last four years including for electric vehicles, both in India and Europe. With these opening remarks I would like to invite questions from all of you. Thank you.

Moderator: Thank you very much Sir. We will now begin the question-and-answer session.

Jinesh Gandhi: First question is on the order intake both for India and European EV business. We have seen some bit of sluggishness in order intake for EVs in India and Europe. Is there any seasonality involved over here as last year you had booked orders of about EUR 84 million in Europe and in H1 FY24 only EUR 20 million orders.

Anurang Jain: In India, we have won Rs. 6,194 million of EV business. But FAME II subsidy in India was largely removed from 1st July 2023 and this did impact the sales in the Indian EV market. Most of the EV OEM companies are working on seeing how they can value engineer their EV vehicles. And I think it is a question of time that volumes will get back on track.

You have various OEMs which are increasing EV sales for both scooters as well as three-wheelers. And we are part of their journey. So as far as the EV market is concerned, it is only a postponement of the sales.

Massimo Venuti: In Europe we won EUR 20 million orders in H1 FY24. 94% of this business is for electric vehicles. Some European countries have reduced the EV incentives starting from 1st September, 2023.

But if we see the registration data from January to September 2023 in the European market, the composition of BEV reached 14.8%. If we add 8.2% share of plug-in hybrid vehicles, then in the first nine months of 2023, the market share of electric was 23%. It is thus clear that OEMs are investing in this field.

Today we need support from the government because the price of EV car is higher compared to the internal combustion engine technologies. It is only a question of time before infrastructure is in place, EV costs are reduced and share of electric in total vehicles goes up further. In the recent past, we have not acquired much business in the internal combustion engine vehicles and bulk of our orders have been for EV and hybrid. Considering these orders, I am pretty sure of expanding Endurance revenues once the car production picks up.

The European economy has witnessed slow growth or recession. In the automotive market, we should note lower production numbers as compared to registration numbers, implying dealers stock reduction. If I analyse Q2 which normally has lower OEM production activity due to the summer period compared to Q1, we have a reduction of 10% in registration but 18.7% in production. And if I analyse the Q2 FY24 against Q2 FY23, despite an increase of 17.7% in terms of registrations in Germany, the production went up only 3.7%.

At present, passenger car market has been impacted by inflation and interest costs. 90% of the cars are financed with interest ranging from 10% to 15%. Due to this burden, people prefer to postpone the purchase of cars.

Jinesh Gandhi: And is this reflected in the production schedule that you get from customers for the next 12 months? Is it lower than what we have seen in the last 12 months?

Massimo Venuti: New car production data is adverse compared to new car registration. Moreover if you compare current period against the pre covid situation there would be 20-25% reduction in the market, whichever way you see. Volumes are not expected to revive unless interest rates fall.

Arvind Sharma: What is the outlook from a broader perspective for the second half, both for India two-wheelers, and European passenger cars? Massimo did allude to it in his comment just now.

Anurang Jain: The rural demand is going to improve. The sense we are getting from the customers is that, the volumes will increase for two-wheelers and three-wheelers. For three-wheelers, it has been a very good year for all the OEMs, including Bajaj Auto, and Piaggio. What we are seeing is also a huge increase on the high-end bike sales of 150cc or higher.

There are many new models which we have entered like Harley-Davidson, Triumph. We are seeing a big increase in EV scooters and EV three-wheelers.

We have also won a lot of new orders for EVs, which have been postponed because of the FAME II subsidy withdrawl. Here, I think in this quarter or next quarter volumes will start coming in and increasing.

Massimo Venuti: It's very difficult to speak about the future because at present the sentiment of the people is not very positive. And it reflects in the low GDP numbers, not only in Europe, but also in the United States.

Despite a YoY increase of 3.7% in terms of Germany car production in Q2 FY24 in Europe, we have been able to close with an increase of 10% in the turnover. This is due to the fact that we have started with a lot of new projects. We are optimistic that we can similarly manage the situation in the next two quarters.

Arvind Sharma: The second question would be the normal figures that you share on revenue and EBITDA for the European operations in Euro terms?

Massimo Venuti: In Q2 FY24, we saw EUR 62.8 million of turnover as compared to EUR 57 million of the previous financial year with an increase of 10.1%. In terms of EBITDA, we closed with EUR 9.3 million as compared to EUR 6.6 million of the previous financial year with an increase of 41.7%. The EBITDA margin for the second quarter reached 14.8% compared to 11.5% of the previous financial year. In terms of PAT, we closed with EUR 2.5 million, 4% margin as compared to EUR 1.7 million, 2.9% margin with an increase of about 53% compared to the previous financial year.

Arvind Sharma: For Triumph, Harley-Davidson, as well as the recently launched Himalayan by Royal Enfield, you shared the expected production numbers. Is it possible to share them now?

Anurang Jain: I will not share the expected production numbers. Our wallet share in Triumph is Rs.28,000; for Chetak and Harley it is Rs. 10,000 per vehicle.

Rohit Khatri: What is the difference between aluminium content in EV and ICE; we had mentioned that the weight is slightly lower and the value is expected to be around 5% lower. Has anything changed with respect to this?

Anurang Jain: No, and I think it remains the same. But the value add is higher in both.

Rohit Khatri: The publicly available reports talks about a substantial increase in aluminium content around 30% to 50% increase in EVs.

Anurang Jain: I would not say 30% to 50% increase, but OEMs are still looking at more aluminium parts. As I mentioned, instead of ICE parts such as crank cases and covers, cylinder heads, cylinder blocks, now what we see in EVs are battery housings upper and lower, case transmission left and right, motor housing. So we have a lot of castings in EV 2W, which are lower in weight, but the value add is higher. There were about 7 parts in ICE two-wheeler versus 9 parts in an electric two-wheeler. So instead of the crank cases, covers, cylinder blocks, cylinder heads, we have the battery housings, base MCU, terminal phase, terminal power and many other castings. In 3W, the value add is actually much higher and the weight is slightly higher because we have more castings. But it's not 30% to 50% higher weight, because in an EV, the castings have to be light weighted.

Amit Hiranandani: 25% of the consolidated revenue comes from the suspension business. So how do you intend to grow this piece of business in the mid to long run?

Anurang Jain: We have got a very large order from Suzuki for their scooters for front forks and rear shock absorbers, for supplies starting Q2 FY24, of Rs. 175 crores a year.

We are also increasing our inverted front fork volumes. This year we should reach about Rs. 210 crores. These volumes are increasing every year, both for India for KTM Bajaj, as well as for KTM Austria, and other countries in China and Southeast Asia.

Premium parts like inverted front forks are now being used in the higher-end Pulsar bikes. So we have value engineered that front fork, and the pricing is much better compared to a normal front fork.

We are finding that now the technology components are being used in the lower-end bikes, not just the high end vehicles like KTM, but also in the higher range of Pulsars. We are finding very high end business of inverted front forks and rear mono-shocks going up. There has been an upgradation of products across all the OEMs which will also increase our business because we already have about 40% to 42% of the Indian front fork market.

Amit Hiranandani: You have been landing new orders for the EV suspension as well. So, is the realization and margin profile higher in the EV side?

Anurang Jain: It is good. We are increasing the suspension business on the EVs. As the EV scooters and EV three-wheelers grow, you will see a lot of increase in suspension because we are on many major platforms for EVs.

Amit Hiranandani: Is Endurance paying any royalty to KTM for suspension know-how?

Anurang Jain: No.

Aashin: My first question is on the India business margin. How do you see margins going on from here onwards with and without incentives? Is it operating leverage or product mix which would drive improvement in margins in the standalone India business?

Anurang Jain: We always compare our performance with the previous year. If you look at the margins in the first six months, consolidated total income has increased by 12% to Rs. 50,271 million in H1 FY24. EBITDA has increased by 28.1% from Rs. 5,245 million to Rs. 6,717 million. The PBT has increased by 37%, which is Rs. 3,077 million to Rs. 4,215 million. And the profit after tax has increased from Rs. 2,349 million to Rs. 3,181 million, which is 35.4% increase. Our profits from 2016 are growing much higher than our sales.

The megaproject incentive was only Rs. 240 million in Q2 FY24, versus almost about Rs. 340 million in Q1 FY24.

If you see standalone business numbers without megaproject incentives, EBITDA margin percentage has gone up from 11.1% of Q2 FY23 to 11.9% of Q2 FY24, and PAT margin has gone up from 5.8% to 6.3%.

And if we look at numbers with megaproject incentive, the EBIDTA margins have gone up from 12.4% to 13% and PAT has gone up from 6.9% to 7.2%.

We have to see that how our major OEMs and the industry is doing. Q2 FY24 has been tough compared to Q1 FY24, because the two-wheeler industry, especially motorcycles has gone down. Three of our major OEMs have de-grown. You have EV coming in, then you have obstacles, so we are not able to meet our full volumes on EVs.

We have seen 3.8% YoY growth in standalone total income in Q2 FY24. This 3.8% growth is despite the lowering of metal prices, which led Rs. 57 crores impact on sales.

We are very highly focused on profitable growth. If you have to compare Q1 to Q2, you will see a lower growth this quarter, because our growth was very high in Q1, and mega project incentives were also higher.

QoQ variation could be on account of seasonality and incentive booking. YoY variation gives better understanding of changes in the business. I explained H1 figures this year versus last year, in order to compare how Endurance has done over last year.

In future, our focus will always be in growing the margins, like we have done in the first six months. We will keep growing. Of course, it depends upon how the volumes pan out for orders which we have won. But definitely we are improving from quarter-to-quarter.

Aashin: Regarding the profitability in the Europe business there was some drop in margins. Is it something related to seasonality, or is there something else to read into it?

Massimo Venuti: There is a reduction in profitability compared to the previous quarter due to the fact that we have had reduction of volume mainly linked to the lower OEM production in the summer period. Turnover in the Q2 FY24 was EUR 62.8 million compared to EUR 68.8 million in the previous quarter, with a reduction of 8.7 %. The EBITDA margin decreased to 14.8% compared to 16.1% mainly due to the reduction of volume in the turnover.

But if we analyse the year-to-date compared to the previous year, we are closing with 15.4% of EBITDA margin compared to 12.6%. The profitability of Endurance Overseas, in the year 2018, 2019 and 2020 pre-covid world, was higher in the backdrop of higher volumes in the market.

In 2018, the total market reached 13 million vehicles registration. We closed the previous financial year with 9.5 million. Probably, this year will see more or less the same and unfortunately, the EBITDA of auto ancillary suppliers are affected by this reduction of volume. But I believe that 15.4% of EBITDA is not so bad in our field. For sure, we are not facing the very high energy cost problem of the previous financial year. But compared to 2019-20 we are paying 3x gas and energy prices. And this means more or less 2% of EBITDA gets eroded.

Anurang Jain: Our consolidated financials includes Maxwell. Maxwell is a very strategic call we have taken to be a part of the EV journey. There will be some hurdles always along the way. But we are very confident that we are on the right path of the journey and confident that we will have positive results.

It's a product mix issue which will be resolved from Q4 FY24. We are very confident about Maxwell because of the technology, and the new order wins. EV is still a very emerging market in India. It will do well. We have to take some pain in the first couple of years but things will improve.

Shirish Guthe: We are seeing a lot of growth opportunities coming for other ancillaries from the aluminum casting exports and non-auto exports. Can you highlight any progress that we have made?

Anurang Jain: Endurance is a leader in Die Casting, not only because of capacity, capability, technology and process but with a lot of experience. We are getting a lot of opportunities both for exports as well as India. Right now our focus is on four-wheelers in a large way and on machined castings.

And we are looking at EV as well as structural casting opportunities because of light weighting. Exports of course is a major focus and we are working on how to increase the export business. But Europe has its challenges because the number of vehicles sold are 20% less compared to 2018.

Shirish Guthe: Are these export opportunities coming at better margins?

Anurang Jain: Yes definitely they are coming at better margins. The question is whether the volumes as per the LOI are sustained or not. So we did have an issue in this year where volumes were lesser than what OEMs had earlier estimated. The focus on 4W exports that we have in India is at good margins.

Our focus is on machined casting, structural casting and EV casting because there the margins are good and we have to focus where the margins are good.

Shirish Guthe: Can you share the break-up within casting? How much is four-wheeler and how do you see that playing out moving ahead?

Anurang Jain: We cannot share the break-up but four-wheeler margins in general are higher - commercial vehicles are the highest, then passenger cars followed by two and three wheelers.

Jinesh Gandhi: We talked about incentives for Q1 being Rs. 34 Cr. and that in Q2 it has come to Rs. 24Cr.

Satrajit Ray: It goes by how we apply and how government approves and pays us the incentive. We've been booking roughly around Rs. 58 crores every year for the last 2-3 years. So this year based on our

GST bearing sales in the state of Maharashtra, we booked Rs. 34 crores in Q1 FY24, leaving Rs. 24.8 crores to be booked in Q2 FY24.

This represents 90% apportioned yearly incentive. The balance amount of 10% is booked when amounts get cleared (likely during Q4). There is expectation of more incentive coming in under this scheme but that is not certain at this point in time.

Jinesh Gandhi: How big can PVs and non-autos be over the next 3 years for aluminum die casting business?

Anurang Jain: Growth will be high but where the growth will lead us to as a percentage cannot be defined. We are a technology leader in all the products we make for 2 and 3 wheelers, or even for 4 wheelers on castings, there is a lot of upgradation and engineering happening. We supply for non-auto applications also and are trying to see how to increase sales there.

Jinesh Gandhi: On the PV, I believe we have won some orders from Tata Motors on the aluminum die casting, so is the content materially higher vis-à-vis what we supply to Hyundai, Kia, and Mahindra & Mahindra?

Anurang Jain: Definitely the order wins are increasing for Hyundai, Kia, and Tata Motors, and now Mahindra. Mahindra is coming in a much bigger way.

We are going to start two oil sumps for them also. The point is that all OEMs should be able to generate the LOI volumes, because I give you my order figures that are based on the LOI quantities.

Jinesh Gandhi: We have focused on machined components, where are we in the journey today and where should we be in two to three years' time?

Anurang Jain: Machined castings, whether semi-finished or finished, is at 70% in India approximately. Our focus is to take it to 100%. We don't want to do raw castings, but there is some understanding with our old OEM customers. However, we are trying to change that in the future. So that 30% needs to be converted to machined casting.

Anurang Jain: Since there are no further questions, I just want to thank all the people who attended and joined the call. Thank you for the time. Thank you.