



**SINTERCOM**  
India Ltd.

**Sintercom India Limited**  
**Q2 & H1 FY21 Earnings Conference Call**  
**20<sup>th</sup> November 2020**

**Management: Mr. Hari Nair – Chairman**  
**Mr. Jignesh Raval – Managing Director**  
**Mr. Pankaj Bhatawadekar – Chief Financial Officer**

**Sintercom India Limited**  
**Q2 & H1 FY21 Earnings Conference Call**  
**20 November 2020**

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**Moderator:** Good evening, ladies and gentlemen. I am Nirav, moderator for this conference. Welcome to the conference call of Sintercom India Limited arranged by Concept Investor Relations to discuss its Q2& H1 FY21 Results.

We have with us today Mr. Hari Nair – Chairman, Mr. Jignesh Raval – Managing Director and Mr. Pankaj Bhatawadekar – Chief Financial Officer. At the time you have questions, please press '\*' and '1' on your touchtone telephone. Please note this conference is being recorded. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone.

I would now like to hand the conference over to Mr. Jignesh Raval – Managing Director. Thank you and over to you, sir.

**Jignesh Raval:** Thank you and good evening to all the participants on this call. I take this opportunity to take you through the performance of Sintercom in these challenging times of the H1 FY21. To begin with, as mentioned in the previous call I would like to inform you all that we have now migrated to the main board of NSE with respect from 7<sup>th</sup> of October 2020. Now we will be able to interact more often with all of you to such quarterly conference call to keep you updated on the company performance.

As many of us were experiencing these six months has been one of the most challenging times we have seen in the recent past. We have started of the fiscal year with a total lockdown which continue well into the first quarter which has significant impact on the performance of the company for the quarter first. As per the SIAM report the passenger vehicle sales were down almost by 78% mainly due to the COVID crisis in India.

The crisis reflected across entire auto industry which reported decline of 79% in the first quarter. With a gradual relaxation of lockdown the second quarter started to see more recovery in the numbers. As per the SIAM report the passenger vehicle reported a growth of 17% over the previous year for the first quarter the overall auto industry reported a decline of approximately 7% Year-over-Year for July to September 2020.

Overall the auto sector registered a de-growth of approximately 43% with the PV segment registering a de-growth of about 34% and the commercial segment and the two-wheeler of about 56% and 34% respectively mainly due to the lockdown and COVID. The self recovery now

began driven by a preference over of personal vehicle ownership at mid COVID, good winter crop and hope of good summer crop due to the good monsoons. We have to also keep in mind the issue of intermittent lockdown which could happen if any eventuality of second or third waive coming back to India.

Since later part of quarter 2 we are seeing a good demand from OEMs. We are happy to inform you that the sales of quarter 3 are looking good. We have started receiving the schedules for the much awaited BS-6 component for various new platforms from OEMs. We have received a ramp up plans for quarter 3 from the customers for various programs which were ready and approved by OEMs but waiting for the SOPs. This will help us to recovers the sales of quarter 3.

Let me take you through the performance of the company for quarter ended September 2020. Our sales declined about 13% from Rs. 133.05 million to Rs. 115.59 million as compared to the previous year same quarter. Our EBITDA declined to Rs. 14.69 million from Rs. 29.57 million down by about 60%. The net loss of the company after the tax adjustment for the quarter stood at Rs. 7.79 million. Our focus on lowering fixed cost variable cost has helped us to contain the net loss for the quarter.

Let me talk about the half year's performance of the period ended September 2020. Our overall sales were down by 51% from Rs. 287.5 crores to Rs. 139.54 million for the half year ended September 2020. The company recorded a net loss of Rs. 56.96 million during the first half year ended September 2020. The lockdown in the quarter 1 has significantly impacted the performance of the company on the sales as well as on the profitability of the company.

In terms of our capacity utilization for first six months we were at 20% utilization levels. With the sales recovery visible in quarter 3 we expect the capacity utilization to reach to our pre-COVID levels. During the second quarter since August our sales had reached to approximately 60% of our pre-COVID levels.

The company has net debt to equity ratio of 0.46x as on September 30, 2020. The company has availed additional loans from lending institution under the COVID emergency credit line as announced by the Government of India of Rs. 40 million which has helped us to balance the liquidity of the company during these challenging times. Despite these near term setbacks of preliminaries by the industry is driven micro factor, we continue to be well positioned for the further growth as the industry recovers.

Since April 2020 we have quoted for the business worth of Rs. 2,100 million of which we have been awarded a business worth of Rs. 400 million till now. Further of the business awarded Rs. 400 million I can proudly say that 10% towards the export business and 35% of this business is towards totally new segments of industrial goods application namely oil and gas industry. It is encouraging to note that the request for quote are much higher than this and are currently

under our feasibility study. Of the quoted business the majority business quoted towards engine and transmission segment continuing to our strategy as mentioned in the previous call. We continue to work on a diversification of business segments into a non-automotive and export business. Of these quoted business we can say almost 25% of the business quoted is towards the segment and 15% towards mainly due to this strategic sourcing decision by global players. We are making a good progress in this area and seeing plenty of opportunities both in domestic and export market.

We at Sintercom continue to focus on technology driven products and mainly jointly with our JV partner. Focus on exploiting the additional export opportunity and bringing new technologies for the Indian markets.

With these opening remarks, I would like to invite questions from all. Hari Nair, our Chairman, myself and Pankaj, our CFO would be happy to answer them. Thank you.

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

The first question is from the line of Raj Oza, individual investor. Please go ahead.

**Raj Oza:** I would like to understand what are the cost cutting measures taken by you in order to cope up with the COVID situation during lockdown? So just wanted to understand what was your strategy? You have used to cut down the cost?

**Pankaj Bhatawadekar:** So in terms of cost cutting measures first and foremost we obviously took some major on the salary employee cost side where we had some salary reductions ranging from 10% to almost 40% depending on the gradation. So that is one of the areas and secondly obviously the other overheads related to the employee benefits on transportation and those related first we have worked out.

These are in addition to obviously the plant shift schedule, shutdown whatever we have done which also impact on the temporary workers which we have already taken care of and also we have worked with our tier 2 suppliers to take care of some of the cost reduction measures from them and some additional discounts on the pricing. So on a higher level these are some of the key areas which we have worked out. And with the reduction of volume would we could get the variable cost to get them control down.

**Raj Oza:** And my second question is, has there been any problem in receivables from OEM side?

**Pankaj Bhatawadekar:** No, we have not seen any problem in receivables from OEM side but we have seen some delays from our tier 1 customers. They had delayed by about 30 days, 40 days of payment cycle initially but I think now things are getting back in shape since October. With the volumes coming back I think now more or less we are seeing the things getting back in place.

**Raj Oza:** Sir, my third question is that auto sector scenario is looking good given the fact that OEMs are reporting good sales. So how do you see our order book coming forward?

**Pankaj Bhatawadekar:** So as Mr. Jignesh mentioned during the call in his opening remark we are seeing good schedules coming back for this quarter. In fact October was fantastic schedules we saw and same have been continue in November and we are also tracking the retail so we see a obviously good trend there. So we hope this sales sustain and whatever predictions at this initial stage we have received from the OEMs they are pretty confident of the demand they have.

So they are asking us not to reduce any production at our end and continue with the same pace and in fact they are predicting post the January they may have some additional volumes coming in. But the point here is maybe we have to be cautious and monitoring on the COVID second wave now the impact on the economy or the government measures. But if we keep that aside I think currently we see pretty good schedules coming back.

**Jignesh Raval:** Adding to Pankaj's comment if you look at overall inventory at a dealer side currently on the PV side it is around 20 days to 25 days inventory which is maintained and on an average if you look at the past trend they were maintaining at around 35 days to 40 days. So I do not see at least in this quarter there is any issue but we have to see now how post like Delhi is already started alarming and next 10 days, 20 days how other cities are getting into COVID situation. Now based on that the quarter 4 will be decided but currently it looks intact. We do not see any issues.

**Raj Oza:** Sir, my last question. Like have we added any new clients in H1?

**Jignesh Raval:** Yes, as I mentioned to you we have been awarded almost Rs. 400 million new business and we actually enter into oil and gas industry so it is a totally new segment, new client base we have added and then we have added **Dana** Corporation which is again an offroad equipment product because our major focus today if you look at it in the passenger vehicle and the two-wheelers where now we have gone into the off road as well as the commercial side also.

**Moderator:** Thank you very much. The next participant is Dhiral Shah from Phillip Capital. Please go ahead.

**Dhiral Shah:** Sir, my question is what is the pricing difference between our products and **forged ones**?

**Pankaj Bhatawadekar:** So the main difference I would say between forging and our products is we produce net shape parts part. So obviously our parts are lower than forging parts.

**Jignesh Raval:** It is ranging from depend upon the complexity of that. The customer ranging from 10%, 12% to 25% to 30% based on the complexity of the product.

**Dhiral Shah:** Sir, second thing you just talked about that you have entered into oil and gas also. So how is the opportunity in that segment?

**Jignesh Raval:**

Just give you a little brief on this one. Pre-COVID major oil and gas investment has come from China and now the Indian oil as well as the Hindustan they have decided to totally stop the Chinese equipments and currently basically they have invited two supplier based from US and they are setting up the plants here to supply and we got **Gilbarco** is one of the supplier who make the whole equipment and they have awarded us the major product which used in the fuel dispenser unit.

So we see it is a totally new opportunity and globally **Gilbarco** in a very big way these sinter products which they have awarded us. So obvious based on our performance with the first supplying to India they will look at us for the global opportunities.

**Moderator:**

Thank you. As there are no further questions, I will now hand the conference over to the management for closing comments.

**Pankaj Bhatawadekar:**

Thank you very much for attending our call today. We will ensure that we will continue to keep up this market expectations and to keep up the momentum especially during these challenging times and as we mentioned at the start of the call, we now will come up in front of you on a quarterly call basis and look forward for more interactions with all of you. We and our IR agency Concept will be happy to answer any of the questions offline. Thank you and have a nice evening and a nice weekend to all of you.

**Moderator:**

Thank you very much. On behalf of Sintercom India Limited, that concludes this conference.. If you need any further information or clarification, please mail at [gaurav.g@conceptpr.com](mailto:gaurav.g@conceptpr.com). Ladies and gentlemen, this concludes your conference for today. Thank you for using Chorus Conference Call Services. You may disconnect your lines now.