



**SINTERCOM**  
India Ltd.

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

**Sintercom India Limited**  
**H2 & FY20 Results Conference Call**  
**July 07, 2020**

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**Moderator:** I am Rahman, moderator for this conference. Welcome to the conference call of Sintercom India Limited arranged by Concept Investor Relations to discuss its H2 & FY20 results. We have with us today Mr. Hari Nair - Chairman, Mr. Jignesh Raval - Managing Director and Mr. Pankaj Bhatawadekar - Chief Financial Officer. At this moment, all participants are in the listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press '\*' and '1' on your telephone keypad. Please note, this conference is being recorded. I now hand the conference over to Mr. Jignesh Raval, Managing Director, Sintercom India Limited. Thank you and over to you, sir.

**Jignesh Raval:** Thank you and good evening to all the participants on this call. I would like to take you through how Sintercom has performed in the last 6 months (H2) and for the FY2019-20. As we have mentioned in our previous call in November 2019, FY19-20 has been a challenging year for the auto sector. Past 12 months have been quite turbulent due to the various factors affecting the overall demand in the sector. At the beginning of the financial year, we expected it to be a year of transition from BS-IV to BS-VI bringing in a significant opportunity for many in the industry; however, the year turned out to be disappointed for the industry due to several issues including the issues pertaining to NBFC liquidity crunch, weak consumer sentiment and regulatory changes.

The retail demand in auto industry deteriorated and worse significantly during the latter part of the year. COVID further significantly impacted the auto industry during last 2 months of the financial year. As a part, as per the report of SIAM, the passenger vehicle sales dropped by 17% during FY19-20. The sales mix during the previous year has exhibited a significant shift of customer demand from a diesel engine to petrol engine. As has been announced by Maruti, the production of diesel engine was stopped in Q3 FY19-20 which had been our high-runner revenue contributor in the past. In addition, as you all know, due to the BS-IV inventory being carried over and due to the slowdown in the auto share, the BS-VI program were delayed by OEMs due to which our sale has been deferred for various new program use in the BS-VI application.

I would like to brief you on the performance of the company for H2FY19-20. During H2FY20, as compared to the previous year of H2 FY18-19, our sales declined by 39% from Rs. 404 million to Rs.248 million. Our EBITDA for H2 FY19-20 declined from Rs.89 million to Rs.40 million for the same period previous year.

Now, let me take you through the financial performance of the company for the year ended March 2020. Revenue from the operations of the year ended 31<sup>st</sup> March 2020 declined to Rs.535 million against Rs.827 million in the year ago period, down by 35%. This dip in the topline is mainly due to the lower demand in the auto sector and changes in the power train mix as highlighted above combined with the delay in production of BS-VI vehicle. Further, the supply chain was also affected due to the pandemic towards the end of the financial year. EBITDA for FY19-20 stood up to Rs.72 million as against Rs.186 million for the previous period, down by 61% year over year.

The company reported a net loss of Rs.28.50 million during the year FY19-20 mainly due to the lower volume. The loss was offset partially due to our immediate reduction in variable costs related to the lower production volume. These actions include reduction in the production shift, plant production shutdown for certain lines. In addition, we also took action to reduce our fixed cost structure in the area of management and employee cost. The plant capacity utilization was 30% during the year as against utilization of 48% during the previous year. Despite these near term setbacks, costs preliminary by industry driven micro factors, we continue to well position for future growth as industry recovers.

Let me start giving you update on the status of the new product and the new business. SOP for Maruti rotor sensor has started in February 20 and likely to go up further during the year as we have substituted the current import at Maruti. We have step up to supply full assembly to Bajaj for a gear assembly from January 2020 instead of supplying the individual gear component for the major engines. Further, various other components like bearing cap for petrol and diesel engine for Mahindra, sprocket for Schaeffler which is for Hyundai and Kia and synchro for Fiat etc. which are mainly for the BS-VI application are ready for start of commercial production at the end of the customer. The production for several of these components has started since June 2020. We expect significant ramp up from September 2020.

Now, let me give you the update on the recent awards of the new business. Since beginning of this year, we have been awarded a new business in the range of Rs.200 million in annual revenue. I take a pride in informing that we have been awarded below business, Dana Graziano for the Sinter synchro rings. This is strategically important for us as it makes our entry into off highway segment and open up the big opportunity in the near future. PSA for a mass balancer can now be confirmed as awarded. This began our journey with the PSA Group and play an important role as this supply is for their global engine for Euro 6 and Euro 7 and open opportunity for us to access the European market. Saleri Italo Group has awarded a pulley for Volkswagen MQB India 2.0 platform. This gives us access to the Volkswagen Group which could include the future potential export opportunity. Also, we see plenty of opportunity for us in a non-PV segment and we will continue to create our presence in this sector as we stand firm in our long-term strategy to diversify into a non-PV segment to an off-road, commercial and consumer good segment along with the export market.

I would like to give you a quick highlight on this new business opportunity. Since Jan 2020, we have received request for quote of about Rs. 2 billion, which includes various new customers like Borg Warner PSA, Schaeffler, Tata Motors, INA Group as well as the Volkswagen etc. We at Sintercom are continued to focus to grow by increasing the sintered content opportunity across segment with the latest technology, increase our share of business with existing client, and targeting a potential export opportunity. COVID-19 pandemic is having negative consequence for the auto industry, while the first quarter of the financial year was affected by full or partial shutdown. The schedules for July are increasing. We will be monitoring the market development for the next few months closely and will remain flexible to adapt our cost base. During this pandemic period of a major industry shutdown, we have refocused our efforts to identify substantial cost competitive optimization opportunity which will serve us well and when the industry is likely to recover during the second half of the financial year.

With these opening remarks, I would like to invite questions from all of you. Hari, 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 Kunal Patel from Equilligence Capital Advisors. Please go ahead.

**Kunal Patel:** Sir, my first question is regarding your export opportunity. Sir, can you please talk a little more about what is the opportunity size that we are looking at and is there any conflict with you and MIBA in terms of this opportunity?

**Jignesh Raval:** Okay. As I mentioned to you that and we have announced that we have been awarded the business from PSA and this is really a joint efforts between Sintercom and MIBA and jointly we got this global program on which called as a Gen3 Engine for supplying the mass balancer. So MIBA will focus into the European market for this program and Sintercom will supply for the Indian market which eventually the PSA is going to export the engine to the Europe. We will supply to China and Brazil the same mass balancer for PSA plant there. So this is just a beginning, we started attacking the export market jointly with MIBA. Now, there are a couple of programs which are already in the pipeline as I mentioned that we have almost received the RFQ of Rs.2 billion and plenty of programs are under pipeline to get awarded to us for the export requirement.

**Kunal Patel:** Sir, this entire Rs.2 billion is for export or there is also domestic opportunity as well?

**Jignesh Raval:** Overall, if we look at, it is around Rs.800 million opportunity, all put together as a basket. Out of that, the Rs.200 what has been awarded to us which is for domestic, but the engines are for export. It is not for the domestic, but we will supply to the local. But the total basket we have been stocking about around Rs.800 million.

**Kunal Patel:** Okay. Sir, second question is regarding new business opportunities that you are talking, you said Rs.2 billion enquiries you have got, so, this is, I am just assuming this includes your export opportunities as well. So what is your total domestic size out of it?

**Management:** Kunal, out of this two billion, are you referring to the order book of the opportunities out of this two billion?

**Kunal Patel:** Yes.

**Jignesh Raval:** I will say it is around 40% for domestic and 60% is for the export market.

**Kunal Patel:** And margins are similar, in export and domestic?

**Jignesh Raval:** These are exactly the same product range which we were discussing in the past. These are power train structural products and this is our strategic product range what we have always explained to the market.

**Kunal Patel:** Sir, another question is regarding your opportunities in other sectors, non-PV sectors. So are we getting any traction from the consumer segment or medical devices, if you can just talk about that as well?

**Jignesh Raval:** Currently, I can say that the consumer product because China was a major supplier for the consumer product range in India and we have seen lot of RFQs are coming from that segment also to go for a localization.

**Kunal Patel:** Okay. And what is the total opportunity size that we can cater to?

**Jignesh Raval:** Kunal, it is very early sir in terms of total size because obvious would be our only on the medium to high density product. There are a lot of low-end products also required in the consumer good. So it is very difficult at this moment to quantify the overall size of the market, but yes, it is a big size. It is very difficult at this moment to give you the precise quantum of that.

**Kunal Patel:** Sir, our revenues have been delayed because of this BS-VI delay. So what was the total revenue we were expecting from BS-VI transition?

**Jignesh Raval:** So almost I can say, roughly in terms of because earlier planto launch the BS-VI from all OEMs was given by November 2019 and so from November to March is almost all the programs have been delayed. In terms of numbers, around I will say for this year because obvious the market numbers were lower, but at least Rs.15 crores worth of business which has been deferred because the BS-VI did not start.

**Kunal Patel:** Okay, understood. Just one book-keeping question. What are the volumes that we have done in last 6 months?

**Management:** So, in terms of tonnages for last 6 months, it is close to 470 tonnes.

**Kunal Patel:** 470 tonnes in last 6 months.

**Management:** Yeah, last 6 months. On an annual number, it is close to 1040 or so.

**Moderator:** Thank you. The next question is from the line of Naveen Ramachandran from Bellwether Capital. Please go ahead.

**Naveen Ramachandran:** I just wanted to understand what is the content per vehicle for us currently and can we see a growth in next 2 years?

**Jignesh Raval:** See, currently if I add now, okay, we are in a phase of BS-VI now because last year was a combination of BS-IV, BS-VI, but with the BS-VI, we should be at around 6, 6.2 to 7 kg currently. And the way CAFE norm which is coming by 2023, comfortably I think so the Indian market will hit by 10 kg somewhere around 2023 because lot of new development for CAFE 2 which is started which is implementation is 2023. So within the BS-VI, there are two phases, CAFE norm 1 and CAFE 2.

**Naveen Ramachandran:** And in terms of, we have seen Maruti is shifting towards diesel to petrol, will that move have a significant impact for us in terms of revenue contribution for BS-VI?

**Jignesh Raval:** I think so. Obvious, diesel always bring a more value add being the size of the engine, but petrol also bring lot of sintered product called as a VVT, VCT. So we have seen now today that lot of VVT, VCT, RFQs are in a pipeline for Maruti being focused on the petrol side.

**Naveen Ramachandran:** And this Rs.200 million new order win which you had indicated, when it will start reflecting in our revenue?

**Jignesh Raval:** Now, we are in a phase of sample submission. Somewhere in the mid of 20s, the SOP should start. Mid of 2021, I'm sorry, not 20. But 2021 mid, somewhere in May-June-July timeframe, our SOP should start.

**Naveen Ramachandran:** Next financial year?

**Jignesh Raval:** Yes, next financial year.

**Naveen Ramachandran:** And in terms of like you talked about the CAFE norms, CAFE norms will focus more on petrol engine if I am not mistaken rather than diesel. So what kind of product opportunity will that provide for us in terms of...?

**Jignesh Raval:** You can see here. Now, we enter into a mass balancer, which is totally a new product range in our portfolio. Today in India, these mass balancers are used from the forging currently, like

Maruti is using but these are all forging. And for CAFE 2, the forging doesn't perform in terms of NVH and they have to move to sinter. So like that, there are lot of component which is required in the petrol engine, have to move with a sinter. As I mentioned VVT, VCT, mass balancer, bearing cap, rotor sensors and there are still gears, small gears are there in transmission also can move into the sinter.

**Naveen Ramachandran:** Sir, one more thing I wanted to clarify. Will the move towards automated transmission have any business opportunities for us because lot of media articles, I am reading isonce CAFÉ norm comes in, there will be a move towards automated transmissions?

**Jignesh Raval:** In automated transmission also, the sintered plays a pretty good role. Today in Europe, MIBA is a major supplier for triple-cone assembly of synchro sleeve which is used as an automated transmission. But if you look at typically in India, we call as a manual AMT, manual autotransmission which are very popular in India which Maruti has developed with Magneti Marelli, and we see that also can be accepted in CAFE norms. Today, only there is article published by Maruti on this transmission.

**Naveen Ramachandran:** In terms of significant investment happens from Maruti and because whatever we have seen is mainly diesel heavy engine portfolio like Mahindra and Tatas are making significant investment in BS-VI. But once the CAFÉ norm comes in, will Maruti's engine also **have** significant investment?

**Jignesh Raval:** This side, actually Maruti has launched E15 engine which is a diesel engine last year and they have now only stopped by March, I think January, February they stopped the production and they are going to relaunch that engine which is a diesel engine with a Euro 6. So I don't see that Maruti needs to go with a bigger investment, already engine is there and they are converting that engine into Euro6 or BS-VI.

**Moderator:** Thank you. The next question is from the line of Ashok Shah from LFC Securities. Please go ahead.

**Ashok Shah:** Sir, during the starting talk, you said about the total inquiry or the RFQ of 800 million. Is it true, if I understand, is it correct?

**Jignesh Raval:** I mentioned that we have received Rs.2 billion total RFQs. Total basket we have received is Rs.2 billion RFQs from various customers Rs.800 million is what we have received the basket from PSA, out of that Rs.200 million has been awarded to us and the balance is in a pipeline to get awarded.

**Ashok Shah:** So, in future we have to manufacture for the US \$800 million?

**Jignesh Raval:** No, this is I am talking about sir Indian rupees, per year volume.

**Ashok Shah:** Okay. So what is our capacity, at full capacity could be we achieve?

**Jignesh Raval:** I think so, the next year we should touch to around 2300 tonnes capacity looking at the current volume.

**Ashok Shah:** And price wise, Indian rupees wise?

**Pankaj Bhatawadekar:** Indian rupees wise, Ashok sir, we won't be able to comment on any forward looking, but you can anyways you know the realization values. So based on the tonnage capacity utilization, you can always calculate.

**Ashok Shah:** But what is our capacity to...

**Pankaj Bhatawadekar:** Our installed capacity is about 3600 tonnes, of that this year we are close to 1000 tonnes and year after that, what we are projecting based on all these order books whatever we have is close to 2300 tonnes.

**Ashok Shah:** So we will be utilizing full capacity in next 1 year?

**Pankaj Bhatawadekar:** No.

**Jignesh Raval:** Ashok sir, as far as the current financial year is concerned, the first quarter as you know very well due to the COVID has gone. So this year, we are expecting somewhere the capacity utilization we should reach around 1300 tonnes for FY20-21. For FY21-22 based on today's forecast and today's prediction, we should be roughly touching to around 2300 tonnes where we have a capacity of 3600 tonnes.

**Ashok Shah:** So our plant can run at 85% capacity or it is a 100% capacity we can run?

**Jignesh Raval:** We normally consider 80% to 85% and then we add a capacity.

**Ashok Shah:** Okay. So maximum we can produce 3000 tonnes?

**Jignesh Raval:** Yeah, roughly around you can consider 3000 to 3200 tonnes. It is always based on a product mix you can play...

**Ashok Shah:** Product mix, it depends up on the product mix. I agree with you.

**Jignesh Raval:** Exactly.

**Moderator:** Thank you. The next question is from the line of Srinath V from Bellwether Capital. Please go ahead.

**Srinath V:** Sir, wanted to understand if the current BS-VI engines that are coming out for production, are the BS-IV engines retrofitted with filters or have OEMs started the new redesign BS-VI engines which would have a significantly higher portion of sintered products?

**Jignesh Raval:** As per my knowledge, sir, you cannot retrofit BS-IV to BS-VI by just putting up a filter. It is not possible. So all the engines which are currently rolling down at OEMs starting in May, these are all BS-VI engines, no more BS-IV.

**Srinath V:** Okay. And these engines are content of sintered products would be significantly higher than the BS-IV engines, right?

**Jignesh Raval:** Yes. Whatever the orders have been awarded to us, or the program has been awarded to us.

**Srinath V:** Okay. Just wanted to also find out what would be the CAFE norms impact on the two-wheeler space two years out as in what kind of products would we be looking at that particular category also two years out, sir, when CAFE is implemented?

**Jignesh Raval:** Sir, for two-wheeler, it is really a big question mark, frankly speaking, no doubt with bigger two wheeler size of 200 cc and more, obvious it will remain on the petrol engine. But for a smaller vehicle, I personally feel it will be more or less, EV will start penetrating those markets on the two wheelers. So obvious EV side, as we have already given in our previous presentation and that is what currently we are working with both the people but nothing has yet awarded to us. We have presented in auto expo also, this EV concept that inside the EV motors, there are normally produced by laminated sheet which can be converted into sintered rotors which is more efficient than the normal laminated sheet We call as SMC material, soft magnetic material.

**Srinath V:** Just also wanted to find out the Dana transaction, where would the part and what kind of vehicle would this be going into, sir?

**Jignesh Raval:** These are purely, off road equipment. As I mentioned clearly, this is totally a new segment we have entered and all put together, Dana Graziano is a producer for bigger transmission which is used by JCB, Caterpillar or including Mahindra also buy from them or Carraro. So these are big transmission which is used in the different segment including the tractor also.

**Moderator:** Thank you. The next question is from the line of Kiran Naik from Mody Fincap. Please go ahead.

**Kiran Naik:** Sir, my question is when will our company, Sintercom go to main board?

**Jignesh Raval:** As I mentioned, Kiran, we already got the approval from all our shareholders, but due to this pandemic, we were supposed to file to NSE in month of March, but it has been delayed. We are saying that we will be starting again the process and the target somewhere by September before that we want to go the main board.

**Moderator:** Thank you very much. That was the last question in queue. If you have any further questions, you may also write an e-mail to [gaurav.g@conceptpr.com](mailto:gaurav.g@conceptpr.com). I would now like to hand the conference back to the management team for any closing comments.

**Pankaj Bhatwadekar** Thank you very much for attending our con-call today and we are happy with the response we have got and the kind of questions we received. It is very encouraging for us. We will ensure that we will continue to keep up the market expectations and try to bring in latest technologies as we can in this field of sintered and keep up this momentum going especially during these challenging times. We and our IR agency, Concept would be happy to answer any questions further offline. Thank you and have a nice evening. Thank you.

**Moderator:** Thank you very much. With that, we conclude today's conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.