26th November, 2018

To,
NSE Limited,
Exchange Plaza,
Plot No. C/1, G-Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051

Symbol: SINTERCOM

Sub: Transcript of the H1FY19 Results Conference Call

Dear Sir/ Madam,

We enclose herewith a transcript of the H1FY19 Results Conference Call held with Analyst / Investors on 14th November, 2018.

Kindly take the same on record.

Yours Faithfully,

For Sintercom India Limited

ANUJA
SANJAY JOSHI

Digitally signed by ANUJA SANJAY JOSHI
DN: c=IN, o=Personal, cn=ANUJA SANJAY JOSHI, serialNumber=15ba3189ba7f33e09a919fc100dfe5aa006390af784d684b7e9839c5f2bd4218, postalCode=440025, 2.5.4.20=3312acc25cd888613d312df07b3332a24141fc47ff26450ec52d55df14187c7d, st=Maharashtra
Date: 2018.11.26 16:58:20 +05'30'

SINTERCOM INDIA LTD.

Anuja Joshi
Company Secretary & Compliance Officer

Enclosed: As mentioned above

SINTERCOM INDIA LIMITED

"Sintercom India Limited H1FY19 Results Conference Call"

November 14th, 2018

Management: Mr. Jignesh Raval, Managing Director
Mr. Pankaj Bhatawadekar, Chief Financial Officer

Moderator: Good afternoon, Ladies and Gentlemen. I am Lizann, the moderator for this conference. Welcome to Conference call of Sintercom India Limited arranged by Concept Investor Relations to discuss its H1FY19 Results. We have with us today 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, you may 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 all for your time today and good afternoon everyone. Before talking about the financial performance in H1FY19 I would like to share a small brief about our company. Sintercom was incorporated in 2007 and we are based out of Pune. Our company started its commercial production in 2010 and we are into manufacturing of sintered metal component to various leading auto OEMs. We have a joint venture with MIBA Sinter Holding, GmbH from Austria and BRN Industries Limited, Mauritius. MIBA has over five decades of experience in the sintered industry and have the global presence. We got listed on NSE emerge platform in month of February 2018. We specialize in manufacturing medium to high density sintered components for auto engines, power trains and exhaust system. Sintercom's broad product portfolio includes powertrain which always include the engine and transmission, the body chassis and EV segment. Our clientele includes the top Indian OEMs like Maruti Suzuki, Mahindra, Fiat, Bajaj and Hyundai.

Now, let me take you through the financial performance in first half of FY19 (H1FY19). Revenue from operations for H1FY19 stood at Rs. 42.31 crore, a growth of 17% y-o-y. The top line growth was mainly driven by increase in volume and the various new programs getting into serial production by our customer for example launch of Marazzo by Mahindra and Mahindra. The EBITDA for H1FY19 stood at Rs. 9.62 crore, up 13.3% y-o-y. There is a 75 basis points drop in the margin as raw material cost has increased marginally on account of increase in the global metal prices. We do have quarterly pass on arrangement with our customer. However, there is always a lag of one quarter so the impact of the increase in this quarter will be received in the next quarter. Further, there has been a slight increase in our Gas and logistic cost during the last quarter due to the increase in the diesel cost. However, PAT reported a healthy increase of 47% at Rs. 3.4 crore for H1FY19 mainly helped by increase in the top line and other incomes. Interest cost also witnessed marginal drop of around 4%. H1FY19 PAT margin stood at robust 8.05% as compared to 6.41% in H1FY18. Earnings per share of H1FY19 stood at Rs. 1.41 as compared to Rs. 1.21 for H1FY18. During the year, we have received a business nomination from Suzuki Motor Corporation Gujarat, Ina Bearings which is a part of a Schaeffler Group. Also, we have started development of zero backlash gear for Fiat India which will be on Jeep Compass vehicle. We can proudly say that we are the first sintered player in India to develop the Zero-backlash gear. This is useful for BS VI application. Majority of the CAPEX which we had planned from IPO processed has been installed and in operation as on date. This will help us to boost our revenue from H2FY19 that is all from my side, now I open the floor for question. I and Pankaj will be happy to answer them.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question and answer session. Anyone wishing to ask a question may please press * and 1 on your touchtone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and Gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Raghavendra Kedia from MH Capital. Please go ahead.

Raghavendra Kedia: My question to the management team is in regard to the measure they have taken in terms of improving the PAT margin and going forward we will see this the PAT increasing on a q-o-q basis in terms of the forecast and also if you can give some color on the growth in terms of the volume for the next year ahead.

Jignesh Raval: See, if you look at the trend of Sintercom. I will give you just a little brief on PAT margin. If you look at FY2016-17 where average conversion was around Rs. 480 per kg in 2016-17; in FY2017-18 our per kg conversion has raised from Rs. 480 to Rs. 500 and now we are at Rs. 535. Moving forward, more and more complex products are required in the Indian market because of the BS VI coming into the regulation from April'20. So, we see there is a big potential for us to play in this market with a more complex product and that way our PAT will make improvement which you see on quarterly basis. And, obvious the top volume, volume also plays a major role here as you see auto sector has overall grown by 7% in FY2018-19 compared to last year, obviously last month is only a drop which we have seen in October but that is a temporary. We see the production has not been reduced by any OEM; so, the production rate is still going on very well as per their plan.

Moderator: Thank you. The next question is from the line of Sunny Agarwal from PNB Investments. Please go ahead.

Sunny Agarwal: Sir, just would like to understand as duly to the fact with the India moving to the BS VI norm from April'20**.** There will be requirement of lighter component and increase in fuel efficiency so how big opportunity do you see for Sintercom going forward? If you can quantify that either in terms of kg or in terms of value and how Sintercom plays to encash on that opportunity.

Jignesh Raval: I will give you the obvious. You may have seen our presentation which is there on the NSE website and also on our website. Where, in one of the slides, we talk about the global benchmark data with respect to kg per vehicle listed product and these are mainly towards the passenger vehicle. So, the global benchmark data is ranging from 18 kg to 12kg; whereas in India today if you ask me it is somewhere around 5.5 to 6 kg. So, obvious there is a big potential, when Europe went from, in 2013-14 when they went from Euro 4 or Euro 3 to Euro 6 in a phase wise manner they have added almost 3 to 4 kg additional component per vehicle. And, obviously the engine size talk because in average engine size in Europe is around 1.8 liter to 2 liters whereas in India we have grown up to 1.2 to 1.3 liter today. But, obviously moving forward when the engine size will become obvious the per kg opportunity will obviously increase. Based on that one only we went with IPO and we have installed capacity where today this year my installed capacity is around 3600 tons. But, today based on my order book I should be roughly around 1800 to 2000 tons. So, obviously looking at opportunity, we are ready for that.

Sunny Agarwal: Okay. And, by what time we expect this capacity to be utilized fully 3600 tons?

Jignesh Raval: We always look at, when I reach to a level of 75% utilization obviously we will place a new order we are expecting next year, end of next year we should be almost reaching around 65% to 70% based on today's book and business.

Sunny Agarwal: So, by FY20 we will be around 65 to 70% of the capacity utilization?

Pankaj Bhatawadekar: So, our next round of investment should be sometime around FY20-21 for less capacity we should be probably reaching 75% so we will have to go for investment that time, this is based on the current order book what we have in our hands.

Sunny Agarwal: Okay. Sir, if can quickly update us on new product development and new client addition what is the trend over there and that is all from my end, thank you.

Jignesh Raval: Currently, in terms of new product development obvious as I mentioned in my speech we have just got award from Fiat which we are developing zero backlash gear, we have been awarded by Suzuki Moto Corporation Gujarat (SMG) where there plan obvious it is a publish already plan that this year they making 250,000 vehicles. Next year, that will become a half a million and then year after that it will become one and a half million and their target is to make a three million vehicle in next six year starting from today. So, that is one basket which is rapidly growing with us because we are almost single source lot of product with SMG. Parallelly, we are in discussion with the PSA group which is just putting up a plant in Hosur so that is a new customer which we are discussing and the product what they are talking about it is currently supply from our joint venture partner in China so it is a technology transfer product for us. So, these are the current pipelines. Obviously, every day you hear about MG Motors are coming, Kia Motor is also coming but till the discussions are going on nothing yet in our basket is concrete.

Moderator: Thank you. The next question is from the line of Shivang Unadkat from ITI Capital. Please go ahead.

Shivang Unadkat: Sir, one question that I had was regarding the export orders that you all are going with respect to your JV partner, so there was an intimation that there is some royalty that is paid to them at 3%, is this fixed or is this a variable royalty?

Pankaj Bhatawadekar: See, this royalty what we pay to our joint venture MIBA is only on the products what the technology has been transferred for and these products are only for the Indian OEM market, this product are not for exports. So, the royalty is not on any export orders and talking of our export orders we currently are focusing mainly on the domestic market since our demand what we see for the technology is from the Indian market. Initially, we used to do lot of export but because of the margins not being very good we have got rid of those products and now we are focusing only on very highest trends gears and technology products in India. Talking of this royalty, this is 3% on those products for a period of 5 years. So, once the 5 years finish the products can still be sold in the market but royalty will exhaust.

Shivang Unadkat: Okay. Is there any restriction on exports to any specific region because of our technology transfer agreement or there is no such restriction?

Pankaj Bhatawadekar: There is no objection or restriction. But, as a gentlemen commitment, it is that we will not be competing with MIBA directly or wherever they are supplying as a customer and it is vice versa. So, any requirement in Indian market for any special product it will be developed through Sintercom and locally supplied.

Jignesh Raval: Just to give you little background about this industry. Whatever products we are making these are all structural products, obviously your first prove yourself will be domestic footprint whether the product, the quality repeatability, everything. Now, we have a trend with us for 5 years that yes, more than 3 million vehicles are running on this road, 4 million motorcycles are running on this road with our gear. So, now we are looking at some export opportunity. We grabbed one opportunity from Eaton Brazil which we just started in small way but we are looking at some in China also; now, some customer base in China and US but nothing concrete yet in our hand.

Shivang Unadkat: Would it be possible to quantify the order book as on date?

Jignesh Raval: Quantify the?

Shivang Unadkat: Order book.

Pankaj Bhatawadekar: You are talking of the export order or the current order book?

Shivang Unadkat: Current order book overall the company has today.

Pankaj Bhatawadekar: See, as most of the component what we supply we are single source to this OEMs like Mahindra, Maruti, Bajaj. So, we always have an open order we get a firm schedule for one quarter and tentative schedule for next period, up to one year. So, it is difficult to quantify as a book work order because whatever Maruti is going to make diesel engine those orders are with us because we are single source. If, we do not supply they cannot make any vehicle same is the case with Mahindra or Bajaj or Fiat.

Shivang Unadkat: Okay, fair enough sir. And, what platforms of Maruti are we on right now?

Pankaj Bhatawadekar: Maruti we are across the board all platforms like Swift, Alto etc.

Jignesh Raval: You can see our presentation.

Pankaj Bhatawadekar: Almost, all platforms of Maruti we are there be it a diesel vehicle, be it a petrol we are almost their diesel I can specifically say the two gears we are purely single source on across all vehicles of Maruti and Fiat.

Shivang Unadkat: Sure. And, this Fiat Jeep order that is there so that is order with Fiat India is there any talks of global order with Fiat or anything or is that something you are looking?

Jignesh Raval: Basically, that engine globally Fiat makes around 1.5 million vehicles engines in Europe as well as in China. So, obviously that it is our object to get locally develop and start export those gears but that always happen once the validation is over then and then we can pursue it so currently yes opportunity is there but I cannot commit, comment on that at this moment unless the validation is over.

Shivang Unadkat: Okay. Just one last question on the capacity utilization. So, right now what would be the capacity utilization approximately?

Jignesh Raval: I think so, this year we should be around what we are saying is around 55% to 56% for FY19 compare to our install capacity and next year we should touch around 75% on install capacity.

Moderator: Thank you. The next question is from the line of Umang Shah from Edelweiss. Please go ahead.

Umang Shah: One of my question of the order book, in order work you said that you have a quarterly and then full yearly estimated order book. We are just looking at the estimated order book so that we can get a fair view whether the tonnage that we will be operating like 55% to 56% of our total tonnage whether that is achievable, what would be the average selling price per kg or something like that? Even the estimates will work perfectly fine.

Pankaj Bhatawadekar: So Umang, as I mentioned this is the order book we are talking of the capacity utilization of 2000 tons is based on this order book. So, we have variety of programs and values so it is difficult to give a value of this but rough estimate current our conversion is roughly Rs. 500 to Rs. 530 per kg so based on that for 2000 tons we can get an estimate or roughly Rs. 100-110 crore for this year as order book based on this. And, as Mr. Raval has mentioned some time ago next year we are targeting capacity utilization around 70-75%. The same conversion you can get a fair value of the order book.

Umang Shah: Agreed. Sir, one more question, if you could even give out the percentage share of Maruti, Mahindra and Bajaj to our total revenue of H1FY19 that would be wonderful and also what is the change in sourcing so earlier if I am not wrong in FY18 we were around 92% sourcing from Maruti and 93% for Mahindra. Now, whether the mix has changed or we are still at the same level?

Jignesh Raval: FY18, Maruti was at somewhere around 48% was Maruti on FY18. And, this year now it become 45% Maruti for H1FY19. In Mahindra, it becomes 30%, 7% is Fiat, 11% Bajaj and balance 7-8% I have couple of customers, these are Tier I customers.

Umang Shah: Okay got it. Sir, Maruti we are increasing number of products with them but the revenue share has dropped so again the normal OEM hand twisting has been happening reduction in pricing for a supply.

Pankaj Bhatawadekar: If you see the other customers are growing so that is the reason my absolute number Maruti is still growing with me but because my other customer is growing like Fiat initially used to be 4-5% now it has come up to 7%. So, because of that change we see a slight percentage change in the Maruti mix. In terms of absolute value Maruti still remains our top most customer.

Umang Shah: The presentation for H1FY19 is out because I am a bit confused I could not see.

Pankaj Bhatawadekar: Presentation for H1FY19 is not yet out we will be doing it tomorrow.

Umang Shah: Alright, perfect. Then I can get the number of vehicles per client from there so that is why.

Moderator: Thank you. The next question is from the line of Ritwik Seth from Deep Finance. Please go ahead.

Ritwik Seth: Sir, firstly you said that the Zero-backlash gear is for Jeep right that has been awarded?

Jignesh Raval: Yes.

Ritwik Seth: From when do we expect to start production?

Jignesh Raval: We are expecting the validation and everything should be over by June 2019.

Ritwik Seth: Okay, so after that. And, typically how long does it take to test with the customer, then validating and then going into commercial production.

Jignesh Raval: That is what we are saying we are now submitting the sample in end of November. It will four months to five months validation and then finalization; because, this is only one-part validation it is not a vehicle validation because currently they are using the same part which is import part coming from Europe and they are localizing it. So, that is why June 2019 should be the SOP plan for this part, start of production.

Ritwik Seth: Okay. And, suppose you are doing validation part for the entire thing from scratch so how long does it take?

Jignesh Raval: That depends upon the OEM but normally from 18 months to 24 months. Like the product which this year we are developing or which are under development in my engineering these are all potentially SOPs are Jan 2020 for BS VI compliance.

Ritwik Seth: Okay. So that has been going on since last six months.

Jignesh Raval: Yes.

Ritwik Seth: Okay. And, if you can give the net debt figure as on September.

Pankaj Bhatawadekar: Can you please repeat I could not hear you?

Ritwik Seth: Net debt figure as on September?

Pankaj Bhatawadekar: As on September, our net debt was around Rs. 22 crores.

Ritwik Seth: And, any guidance on this like directionally or it should remain around this?

Pankaj Bhatawadekar: No, the long-term debts what we have is around Rs. 10 crore which will continue to repay, so we expect long terms debt to be repaid completely within two years.

Ritwik Seth: Okay. And, balance will be for the working capital?

Pankaj Bhatawadekar: Balance will be working capital, which at this point we do not see any reason to reduce it for this point but again depending on the two years capacity requirement and all, we will take a call on that.

Moderator: Thank you. The next question is a follow up question from the line of Umang Shah from Edelweiss. Please go ahead.

Umang Shah: Sir, if you could give on the absolute volume number for H1FY19 versus H1FY18.

Pankaj Bhatawadekar: In H1FY19 in terms of volume tonnage we were around 790 tons this year and against that previous H1FY18 was 720 tons.

Moderator: Thank you. The next question is from the line of Shivang Unadkat from ITI Capital. Please go ahead.

Shivang Unadkat: Just one more question on the balance sheet side. So, I think there is a large CWIP amount that is there on the balance sheet so is this pertaining to some new order or the IPO clippage that you had raised?

Pankaj Bhatawadekar: This machine what we mentioned that is operation now on 30th September that was under installation the main machine from the IPO process as of the closing date it was under installation which has been subsequently installed that is now in serial production.

Moderator: Thank you. The next question is from the line of Sunny Agarwal from PNB Investments. Please go ahead.

Sunny Agarwal: Sir, apart from auto I believe we have also, our focus is also on aerospace, defense, medical and consumer product. So, what is the plan there? And, are those segments in the focus as of now or those are not the focus area?

Jignesh Raval: See, this year as you see the commercial segment and off road equipment's are booming in India. So, FY19 and FY20 our major focus is to develop the commercial segment products and off road equipment, medical and aerospace is beyond FY20. Because, we are currently really totally booked on the new developments which are currently happening for this year and next year.

Sunny Agarwal: Okay, understood. And, sir if you can throw some light on competitive intensity in our business?

Jignesh Raval: As the overall volume is growing compared to last year versus this year and there are only three players in this segment. We ourselves, GKN Sinter and SFL so all suppliers are really booming in terms of capacity they are alike, they are utilizing maximum capacity because Maruti is really rocking, Hyundai is also rocking, Mahindra's new vehicle what Mahindra has launched it is really showing us big numbers. So, I don't see anybody have and obvious the OEMs are increasing so Tier I and what they buy also the smaller supplier base are also fully utilized currently.

Sunny Agarwal: Okay. Sir just a last question, I believe as of now our revenue mix on diesel and gasoline are around 55-45 as of FY18 and now gradually with the price difference of diesel and petrol reducing substantially going forward the market will get inclined more towards the gasoline side. So, how are we placed to tackle these constraints which is going to come for overall?

Jignesh Raval: As far as the transmission is concerned it is the OEM that normally use the common transmission between diesel and gasoline. They change some ratios, based on my book of business by FY20 our petrol should be around 55% to 60% and diesel will become 40% based on today's forecast. For us, these are all driven by OEMs because as I say my product goes, my transmission product has gone whether it is a petrol engine or diesel engine specially if I am supplying certain to diesel engine obvious but there are other product are already in pipeline on the gasoline segment. So, it is like Mahindra is coming in a very big way on gasoline right now. So, we do not see any impact on our performance.

Moderator: Thank you. Ladies and Gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Jignesh Raval: Thank you very much for attending our first ever call and we are happy with kind of response we got today. We will ensure that we will continue to outperform analyst's expectation and keep up the momentum. We or our IR agency – Concept would be happy to answer any further query. We would be facilitating a plant visit soon and would be happy to welcome you all. Thank you and have a nice day.

Moderator: Thank you very much. Ladies and Gentlemen on behalf of Sintercom India Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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