



Sharda Motor Industries Ltd.

SMIL: LISTING/25-26/3005/01

May 30, 2025

BSE Limited

Department of Corporate Services

Pheroze Jeejeebhoy Towers

Dalal Street, Mumbai - 400 001

(SCRIP CODE - 535602)

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor

Plot No. C/1, G Block

Bandra - Kurla Complex, Mumbai - 400 051

(Symbol - SHARDAMOTR) (Series - EQ)

Sub: Submission of Transcript of Conference Call held to discuss the Operational & financial performance for quarter ended March 31, 2025

Ref: Regulation 30 read with Part A to Schedule III of SEBI (Listing Obligations and Disclosure Requirement), Regulations, 2015

Dear Sir / Madam,

In pursuant to the applicable provisions of the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 and in furtherance to our letter no. **SMIL: LISTING/25-26/2105/01** dated May 21, 2025 with respect to the convening of Investors / Analyst conference call "Earning Call" on **Monday, May 26, 2025 at 16.00 Hours (IST)** onwards, for discussing the financial performance of the Company for fourth quarter ended March 31, 2025 for the financial year 2024-25, in this regard please find enclosed herewith the transcript of the earning call.

Further the same is also being available on the website of the Company at www.shardamotor.com.

This is for your information and record.

Thanking You,

Your's Faithfully

Iti Goyal
Asst. Company Secretary &
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Encl. as above

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CIN NO-L74899DL1986PLC023202



“Sharda Motor Industries Limited's Q4 FY'25 and Full Year FY'25 Conference Call”

May 26, 2025



MANAGEMENT: **MR. AASHIM RELAN - CHIEF EXECUTIVE OFFICER,**
SHARDA MOTOR INDUSTRIES LIMITED
MR. G. D. TAKKAR - GROUP CHIEF FINANCIAL
OFFICER, SHARDA MOTOR INDUSTRIES LIMITED
MODERATOR: **MR. MIHIR VORA - EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY'25 and Full Year FY'25 Sharda Motor Industries Limited Conference Call hosted by Equirus Securities.

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 this conference call, please signal in 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. Mihir Vora from Equirus Securities. Thank you and over to you, Mr. Vora.

Mihir Vora: Thank you, sir. Hi, good afternoon, everyone. On behalf of Equirus Securities, I welcome you all to the Q4 FY'25 post results conference call of Sharda Motor. From the Management side, have Mr. Aashim Relan – CEO and Mr. G. D. Takkar – Group CFO.

So without further ado, I now hand over the floor to Mr. G. D. Takkar for his opening remarks. Over to you, sir.

G. D. Takkar: Thank you very much, Mihir. Good afternoon, everyone. I extend a warm welcome to all the participants on this call. I am joined by our Group CEO, Mr. Aashim Relan.

I trust you have had the opportunity to review our earnings results and investor presentation, which are available on our stock exchange as well as on the company's website.

Before going into the company's financials, I would like to give you a brief overview of the Indian automotive industry's performance in Q4 & FY'25. The sector exhibited steady growth across various segments, reflecting resilience amidst evolving market dynamics. In Q4 FY'25 passenger vehicle production grew by over 5% YoY reaching Rs. 14.11 lakh units.

For the full year, PV production crossed 50 lakh units, up 3.3% from FY'24. Various factors including robust demand, new launches and effective marketing strategies of OEMs have contributed towards this performance.

The commercial vehicle segment saw a 3.3% decline in production in FY'25 to 10.32 lakh units, though Q4 showed a modest 3.1% YoY recovery. We hope FY'26 will bring stronger growth, supported by infra-led CAPEX, replacement demand, scrappage incentives, and steady rural activity aided by normal monsoon.

Two-wheeler production in Q4 FY'25 reached 58.47 lakh units, a 5.8% YoY increase, with FY'25 full year production up 11.3% to over 238 lakh units. Rural demand now outpaces urban with growing interest in high capacity models and upcoming CNG and EV launches expected to support future growth, though rising costs and liquidity issues may weigh on recovery.

The three-wheeler segment continued its upward trend with Q4 FY'25 production up 9.5% YoY to 2.6 lakh units and FY'25 full year reaching a record 10.5 lakh units up 5.4% YoY. Tractor production rose 6.4% YoY, FY'25 to 10.08 lakh units and Q4 production grew by 11.7% to 2.4 lakh units. The outlook for FY'26 appears positive, supported by rural development.

Moderator:

Participants, please stay connected while we rejoin the management back to the call. Ladies and gentlemen, thank you for your patience. We have the line for the management reconnected. GD sir, please go ahead.

G. D. Takkar:

Yes, sorry for this inconvenience. I will now shift the focus to the operational and financial performance of the company. On a consolidated basis, we reported revenues of Rs. 749.85 crores in Q4 FY'25, a YOY growth of 6.6%. For the full year FY'25, our revenues stood at Rs. 2,836.57 crores, YOY growth of 1%. Our gross profit for the quarter came in at Rs. 191.18 crores, reflecting growth of over 4% over Q4 FY'24. And for the full year, gross profit stood at Rs. 740.32 crores, reflecting 11% increase year-on-year. Yearly growth of over 11% in gross profit, which is actually the better indicator of our growth performance, outperformed the industry growth. EBITDA for Q4 FY'25 stood at Rs. 100.79 crores, showing 1.4% growth compared to the one in the same quarter last year, with an EBITDA margin of 13.4%.

On a full year basis, EBITDA was Rs. 396.37 crores, up 9.7% over FY'24 with a margin of 14% in FY'25 versus 12.9% in FY'24. Profit before tax for the quarter stood at Rs. 110.63 crores after accounting for our share in profit from joint ventures and associates. For FY'25, our PBT stood at Rs. 419.97 crores on similar basis. Our profit after tax was Rs. 83.94 crores for Q4 FY'25 and Rs. 314.92 crores on full year basis.

During FY'25, we achieved several key milestones on the organizational and business development front. After successfully setting up global business vertical in FY'24, we have initiated the establishment of the lightweighting vertical in FY'25. We have also secured significant new orders for our these newly established verticals besides growing business and existing verticals. Some of these orders as you know we have already announced in last couple of calls with you and a few more have been added in the new investor presentation which is already with you.

On shareholder front, we had successfully carried out buyback program during FY'25, which you are aware of. In the recently concluded board meeting on 24th of May, the Board has approved the issue of bonus shares in the ratio of 1 is to 1, in addition to dividend of Rs. 32.5 per share. All these steps are towards our commitment of rewarding shareholders of the company.

With this, we can open the floor for Q&A. Thank you.

- Moderator:** Thank you very much. We will now begin with the question-and-answer session. First question is from line of Amit Hiranandani from PhillipCapital. Please go ahead.
- Amit Hiranandani:** Yes, thanks for the opportunity. Sir. I wanted to understand the reason for increasing the working capital requirements for this fiscal?
- Aashim Relan:** Hello, good evening. This is Aashim, this side. So I think mostly working capital requirement is fluctuating. Maybe the reclassification and current assets could be what you are looking at. And GD san, you can just touch upon that.
- G. D. Takkar:** Yes, thank you very much. So broadly, the working capital continues to remain around the same level from last year. The only difference is our treasury investments, which were classified as non-current based on their duration last year, have been classified now as current assets and therefore this difference. Barring this, these are broadly in line with last year.
- Amit Hiranandani:** Okay, and sir if you can update us on the TREM-V final date of implementation, please, any update on this one?
- Aashim Relan:** Sure, so I will take that question. TREM-V till now remains to be notified by the government for 1st April 2026. However, there is always a possibility of time adjustment, but it's difficult to guide because the government has not made any changes so far. So as we get the updates we will keep sharing but given that the government has so far kept the date as April 2026, we will go with that. Our customers seem to be well prepared. However, I think they are also in a very similar position and working along with the government to get some clarity on that.
- Amit Hiranandani:** Have you received any kind of an order for this TREM-V?
- Aashim Relan:** Yes, so we have received almost all orders that we had to in terms of the target for TREM-V. However, there is an ongoing conversation between the tractor industry and the government, which we are not privy to. And we will go as per whatever our customers finally share with us in terms of development and business award. That is at a very mature stage, I would say. However, it remains to be seen how this goes with the government and the tractor companies.
- Amit Hiranandani:** Right. Sir, lastly on the CAPEX outlook and where we are likely to spend the same for next two years, if you can guide, please?
- Aashim Relan:** Sure. So roughly, I think last year we did a net CAPEX of 50, gross CAPEX of 75. This year we would probably do around 75 in CAPEX and probably the year after that also we would be at 75 because we have a good amount of capacity coming in into lightweighting as well as our customers are moving in the west of India. So we are adding some capacity there as well.
- Amit Hiranandani:** Alright, sir, I will come back in the queue. Thank you so much.

- Moderator:** Thank you. Next question is from the line of Rishabh Shah from BugleRock PMS. Please go ahead.
- Rishabh Shah:** Thanks for opportunity. So my question is, we had spoken about our efforts to grow exports into stamping and subcomponents for exhaust system. And the second opportunity we were exploring was emission systems for small gensets and other small engine applications. So can you tell what issues have we faced and why we did not, why it didn't scale up?
- Aashim Relan:** Sure, thanks for your question. Yes, so I think we have not faced any issues as such. In fact, our export business is set to scale up. We have received a substantial award, which we had announced previously, for emission components for commercial vehicles. And that will go into production in Q4 of this year. It is for the world's largest engine manufacturer, as well as a genset manufacturer. So it is a substantial order win and we do have a very good pipeline in terms of business development, which is in various stages. So there is no issue as such and we are very hopeful that this vertical will grow much faster than industry. And of course, there is a lead time. So maybe you're referring to the lead time that there is a lead time between the business development cycle starting, then the orders flowing into our revenues eventually as we were new to exports. So we had to set up a team and then establish new customers and so on.
- Rishabh Shah:** Thanks sir. We had talked about this in the Quarter 1 of the Financial Year '22. So it's been three years. That is why the question was what problems we faced by scaling up the exports?
- Aashim Relan:** So from a timing side, I guess it took more time. Quarter 1 of 22 was also COVID still happening, right? So I think the COVID settlement and getting into the business development cycle, that definitely took some time, higher than anticipated. And given how geopolitics environment has been, it has taken more time than anticipated. However, this is like an exponential kind of curve that you first need to establish customers. They give pilot orders and then after that it can grow fairly fast. So maybe on the timing front from 22 to now, probably this would be the reason. And as a lesson learned, definitely for us was to have a full team dedicated to this and to establish this as a separate vertical. And that's something we have done so that that team is fully focused into the export vertical. And we have also recruited some people in the US.
- Rishabh Shah:** Thank you. My second question is we had given a guidance of 80% revenue from off-highway, CV and LCV. Where are we on that journey, sir?
- Aashim Relan:** Sorry?
- Rishabh Shah:** We had given a guidance of 80% revenue from off-highway, CV and LCV. Where are we on that journey?
- Aashim Relan:** So we are roughly at now 50%, slightly under 50%. And with the successful export order which has come from commercial vehicles as well as the expansion in the tractor market and

adjacencies we should be at that 80% number currently will be under 50%, we are roughly 45% coming from commercial vehicles as well as the off highway segment and others and out of the balance 55% also roughly 9%-10% comes from our lightweighting vertical, which is power-train agnostic.

- Rishabh Shah:** Just could you tell me what was it 3 to 4 years back and how much it has changed right now?
- Aashim Relan:** Sure, I don't have the 3 to 4 years number off hand, but we can share that with you offline. And definitely the revenue stream has gone up from this.
- Rishabh Shah:** Okay, fine sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Abhishek Jain from AlfAccurate Advisors. Please go ahead.
- Abhishek Jain:** Thanks for opportunity and congratulations on decent set of numbers. So if we see the FY'25 numbers, the revenue growth is just 1%. So just wanted to understand what was the reason for the underperforming in FY'25 and going ahead as 55% revenue comes from the passenger vehicles and 40% from the CV where the commentary of the most of the OEMs are not very encouraging. In that case, what are the key triggers you have that you can outperform versus industry growth?
- Aashim Relan:** So the best way to look at our underlying growth is gross profit and not the sales number and that's because of the catalyst and that has a big impact due to catalyst prices and mix. So if you look at it, our gross profit growth year-on-year has been 11% versus the PV industry growth at roughly 3%-3.5% and actually LCVs have had a negative growth year-on-year. So if you look at it, it's roughly a flat year for the industry while we have grown at 11%. So it's a substantial outperformance and sales is not a good indicator to look at our numbers. But if you look at the gross profit numbers, you'll see a substantial outperformance of roughly 10%.
- Now coming to the PV industry, I think that's better for the OEMs to guide on because they definitely know more the customer So I will not get into that. For us how we are looking to outperform, this year if you look at it, we have won some new lightweighting programs So that will come in between Q3 and Q4 which we have shared in our investor presentation then our new plant the suspension plant which we had put Chakan Plant-3 that is coming into production. So that should really start getting into revenues. Then we also have won an order for temperature control pipes, which is an adjacency for the CV norms, which is now starting revenues in Q3 as well as our export business starts in Q4. And then of course, there is some PVs re-launches. So that's how we would outperform or hopeful to outperform more than industry, but specifically how each customer would do and so on, I think those customers will better be able to --.

- Abhishek Jain:** So how much incremental revenue will come from the new products and the new business in FY'26? If you can throw some more light on the new business win and increase in the content per vehicle because of the change in the norms and all these things?
- Aashim Relan:** So this year there are no change in norms barring CEV norms are coming and in the CEV norms we have added a product which is temperature control pipes and the balance what I've shared is lightweighting, which is separate content and exports. So there is no content per car change per se in FY'26 at our core domestic business, but definitely lightweighting adds some content in the new orders as a specific number on an annual basis that's something very difficult to guide.
- Abhishek Jain:** Okay, and if can throw some more light on the new business win?
- Aashim Relan:** Sorry, if you can just repeat that?
- Abhishek Jain:** If you can throw some more light on the new business win?
- Aashim Relan:** Yes, so that is already shared in our presentation. The presentation that we have shared, we have outlined all the new business wins which are from the new verticals and that is available on the presentation.
- Abhishek Jain:** Okay. And sir how was the segment wise product linked in FY'25? Like that suspension control arms, emission control, suspension control arms, all these? Just wanted to understand the segment wise thing?
- Aashim Relan:** Sure. So roughly 88% came from emissions, 9% to 10% came from lightweighting and the balance 1%-2% is others.
- Abhishek Jain:** And going ahead, which could be the main growth number of the company? Now the 88% comes from the emission. So in FY'26, there won't be any change in the content per vehicle because of the low norms change will take place. But in FY'27, because of the change in the norms of the many segments, how do you see the growth going ahead in this particular sector?
- Aashim Relan:** Yes, so already guided for FY'26, I think one very important thing is not to just look at our growth based on norms anymore, right? And for FY'26 already just mentioned the light weighting programs, new suspension plant, temperature control pipes, export business starting and so on. From FY'27 onwards, or a longer term outlook that definitely our lightweighting vertical will scale up and that's with a combination of market share gain within the existing control arm business plus some customer wins as well as we are working hard organically with R&D as well as through JV to add content that we can offer between this segment as that's a very large segment. Then of course the exports growth currently exports roughly 2% of our sales and that is definitely going to go up and, then the emission domestic market, as we mentioned, that is TREM-5, as well as temperature control pipes, as well as BS7 coming in. And that would

increase the addressable market that we have within emissions. And then we are also actively participating in the localization efforts to look at M&A and where we can have some power train agnostic components coming in as well as entry into some exponential growth synergistic markets.

Abhishek Jain: Okay, sir. And my last question on the inorganic opportunity. Are you looking for any inorganic opportunities in the near to medium term to scale your business?

Aashim Relan: Yes, we are looking at it, right? And we have a significant cash surplus, though when we look at inorganic, I would just like to take it in 2-3 things, which is technical agreements, joint ventures and acquisitions. We have a separate team who is working on that. And for an acquisition per se, we would have, But for the other two, definitely is something that we could do sooner. And we're looking at power train agnostic components, as well as anything that would give us an entry into some of the exponential growth synergistic markets that we trying to get.

Abhishek Jain: Okay, thanks. That is all from my side.

Aashim Relan: Thank you. Thank you so much.

Moderator: Thank you. Next question is from the line of Ankur Poddar from Swan Investments LLC. Please go ahead.

Ankur Poddar: Thank you for taking my questions, sir, and congratulations for a decent set of numbers. Sir, my first question is regarding the follow-up of the last candidate's question. Sir, when you say that we should look on the basis of gross profit growth, sir, the new business which you are giving guidance about, lightweighting, business plus new substantial plant, temperature control components or exports that will drive our growth for the next Financial Year. So if I am in the next financial year, what kind of growth should I look? Should I look topline growth, or should I look at gross profit growth?

Aashim Relan: Sure, so I would advise for the time being to look at the gross-profit indicator like we have been sharing. However, we are working out on an alternative reporting mechanism so that there is more clarity given now that the mix will also include components coming in from a lightweighting exports, adjacencies and so on. So we are working on that and maybe over the next quarters, we will also share a further accurate mechanism of looking at it.

Ankur Poddar: Okay, sir. As the new business will also have a similar or a better gross profit? If you can throw some light on that, give some indication?

Aashim Relan: Sure, so I will not talk about gross profit for the new business in terms of just comparing it. So maybe, better way to look at it is would it have a similar ROCE or would it have a similar EBITDA, right? And it is too early to tell right now and because there are 3-4 distinct businesses

that are coming in, I think each will have a different profile. So as these businesses start maturing and contributing more to the revenues, we keep sharing indicative profiles for them. We are of course very, very conscious of capital allocation and we are striving to have businesses on high ROCE and that is definitely one parameter. But as they mature, we will keep sharing because within these businesses also, there are different profiles.

Ankur Poddar:

Okay, my second question is regarding the export. We got US \$7 million on an annual basis, which we will start from next year, I suppose. And the lifetime order is US \$40 million. So, sir, any incremental order wins you are seeing in your near-term vision that would be a significant which you can share? And what kind of opportunity for the same product line you are seeing going forward in the near term? What is our strategy? How do we plan to scale the export vertical?

Aashim Relan:

Sure. So of course, in terms of near-term wins, we have a good pipeline and we keep sharing as we make the wins. So we will keep the disclosure more on when we get the business in hand rather than talking about projections, but we do have a good pipeline. Now in terms of our strategy, if you look at it, we have a separate vertical that is focused on growing the export business. We see a very big opportunity on it, just the component business that we have won the CV emission component business. It's a starting point. It's a very large market. In fact, we estimate our addressable market in Europe and US is about 1.1 billion just for these kind of components. It's a very very large market. What we have received is let's say a starting point and we are very hopeful to scale up with it. Our strategy for growing this is one, to have a dedicated team who works on it, who is engaged separately with a different profile of customers, and to focus on parts where we have a lot of strength within our domestic business or there are a lot of synergies. So we are focusing only on areas where we have a strong competitive advantage. That's why we have segregated it just to focus on CV emission components, tractor emission and muffler systems, genset emission and muffler systems, heat shields and temperature control pipes when it comes to exports. And we have a very good R&D available for similar products. And we are backward integrated as of now also on our domestic business. So we are playing on our strength of backward integration, a very core understanding of these products because most of them we do, do domestically. And we are very hopeful that all this put together would work out very well for the export segment.

Ankur Poddar:

Okay sir, in terms of our competitive intensity, so when we got this new business of \$7 million annual run rate, so are we replacing a Chinese supplier or supplier from emerging economies or are we replacing the traditional suppliers?

Aashim Relan:

Yes, so this business in particular is a new generation of engines and a new generation of emission norms and as a strategic move by a lot of US as well as European companies, but especially US companies is to diversify out of China, right? And to at least have two options available other than China and that for products which are emission linked generally only happens when there are new engines or emission norms changing. So luckily there is a lot of

change going on in emission norms globally and there is a lot of change that will come from 2026 to 2030. So a lot of new sourcing opportunities are out there and we are utilizing this trend which is called as China plus one and this existed way before, you know, the fourth April, it's just something that has come more to light after all these tariff news that are there and as well as these emission norms changing and replacing a lot of the supply chain which is concentrated mostly in China but there would be other parts also where this supply chain exists.

Ankur Poddar:

Sir, one more in the last call you have guided that or you shared some thought that there is some CEV-V norms which are expected from the quarter 2. So where are these in terms of, can you throw some light? Is this a delay in implementation of these norms as well?

G. D. Takkar:

No, these norms have come in and it's just that the inventory is there in Q1, Q2 with the construction equipment companies and they will clear that off. So, and that's why we have said that the real production will really start from Q3. So if you refer to the new presentation slide 18, the CEV adjacency business which is coming in, which are the temperature control pipes that is coming linked to these norms only. Now our strategy for this has a couple of parts to it. One that we are utilizing adjacencies, specifically temperature control pipes to establish business relations with customers. These are new customers to us. And generally, if you look at this industry, there are only mostly global players only who are there in India also. So they have a different supplier base. Most of them are in fact planning to import these products. So they were not interested in full systems. But we utilize the first phase of the implementation of the CEV norms to get into temperature control pipe. So that's one to get into the adjacency domestically. Second, by establishing this relationship, it substantially increases our odds to participate with them in the localization effort of the complete systems. And we are very hopeful that they'll begin that also once these norms settle in this year, and they'll begin the development cycle of that. So we are hopeful to get some of that business. And then third, these customers in fact are huge globally and they're huge buyers just of temperature control pipes, heat shields and so on. These guys buy it in very large quantities. So with these new customer relationships that are established as well as getting entry into the domestic site, we are very hopeful that this would open up the wallets and our business opportunities for them globally as well.

Moderator:

Thank you. Sorry to interrupt you, Ankur, I will request you to come back for a follow up question. Next question is from the line of Mihir Vora from Equirus Securities. Please go ahead.

Mihir Vora:

Yes, hi. So my question was on ERW tubes which you mentioned in the PPT as well that we have backward integrated. So just wanted to understand how much would this be as a percentage of our product cost and like would it be completely backward integrated right now or we are outsourcing it also.

Aashim Relan:

Yes, so regarding the pipes that we make, I don't have offhand what percentage of our product for the pipes be. As of now, we use it completely for captive consumption. We do have capacity to sell this outside. However, this is also one of our competitive advantages. So we do not want

to sell this, or at least in the similar profile outside. And that's not a focus area to sell pipes outside when it comes to the backward integrated stainless and ECMS pipes that we make. So it's completely for captive consumption, but definitely with some value add, we are looking at them for the export market and temperature control pipes, the base of that is these pipes as well.

Mihir Vora: Okay. And sir in terms of like cost saving, what would be like, can you quantify how much cost saving would it be, like when we are backward integrated versus if we procure it from outside?

Aashim Relan: Yes, I would not want to quantify it as a number because one it's not a steady number and second it would not be right to disclose such a number.

Mihir Vora: Right, okay. And sir you mentioned that because of the competitiveness of the industry we won't be looking at selling it to the outside players. But like with this value add you mentioned in terms of temperature control pipes, are there any other product lines also where with certain value add we can supply or use our extra capacities as such?

Aashim Relan: Yes, so these are very specific pipes, right? And there are other applications and that is always under consideration. It's not a core focus area right now. However, there are possibilities in the future to look at such applications, but the core application does come into temperature control pipes as well as general exhaust system pipes and temperature control pipes alone is a big market and it also has very few players globally that successfully do it.

Mihir Vora: Alright. Okay sir, that's all from my side.

Aashim Relan: Thank you.

Moderator: Thank you. Next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Thank you very much. Sir, very good commentary you are telling in this concall. What is our capex plan for next 2 to 3 years and whatever joint venture we are doing, what great growth we expect from company in next few years?

Aashim Relan: Thank you. So first in terms of CAPEX, we will be in the range of about Rs. 75 crores for the next two years in terms of CAPEX. In terms of joint venture, we have one major joint venture, which is with Purem/ Eberspächer, which is focused on heavy commercial vehicles. Right now, it is a very small contributor and in fact, it was loss making for many years. We have turned it around together with their team and now it has stabilized. We are expecting some growth in that segment. However, it is not going to be a major contributor so far to overall consolidated PAT. Once we do have some significant development that we will share. But there is some good news that they are also looking at localizing or rather moving some international model to India. And if that happens, and that could happen soon, it would add to some revenues within that joint

venture over the years, but it is not yet firmed up. So once it's firmed up, I will then formally share that.

Ravi Naredi: Definitely. Sir, one more thing. One side you make buyback, another side you are issuing liberal bonus. So do not understand this logic of management.

Aashim Relan: Sure. I think all the, let's say actions are to benefit overall shareholders. And so buyback was last year and this year we are doing a bonus and giving a healthy dividend as well.

Ravi Naredi: Okay. Thank you.

Moderator: Thank you. Next question is from line of Nilesh Jain from Astute Investments. Please go ahead.

Nilesh Jain: Hi, thank you for the opportunity. Firstly, I wanted to understand on your PV side on the exhaust system, wherein obviously we have not been reporting on the value-added sales. Can you help me understand on the catalyst side, what exactly are we procuring for the OEMs and how big is that part of our overall procurement?

Aashim Relan: Sure. So the catalyst goes into mainly all the products, right. And there are different models with different customers. now within customers, even within the programs there are different models. So the catalyst is nothing but the precious metals and how it is put in a honeycomb. And there are probably a couple of suppliers for that in India, but all are international companies. So for some customers, we utilize the free of cost model where it comes to us, it goes into a part, but it is given free of cost, so it's neither in our revenues, neither is it in our cost. And for some customers, and within the customers also now some models, they request us to buy it, but they do not pay any profit or anything on it, it's simply inventory carrying costs, so it doesn't really add any value apart from inflating the cost as well as inflating the sales. Now as a policy, probably 2 years ago, we wanted to minimize the model where we have to buy the catalyst because there is not much that it adds to our value and then it causes these issues of not being able to look at sales as a growth indicator. So we did go on that journey in the RDE norms that came in 2023. We didn't take any business, maybe there was one business that we took with this model of buying catalyst and over time this would become a smaller and smaller part of our revenues. However, if a customer really requests that they would like to follow this for the ease of doing business or whatever other reason then we would not say no to them because it is basically a neutral to us this model.

Nilesh Jain: Okay, thank you. Second question is, obviously BS7 is going to implement in some time. What do you see the scope there and obviously we would have been developing product. So what is the increase in cost, we can expect from the BS6.2 after the RDE Norms which we had introduced?

Aashim Relan: Sure, so your question is around what is the likely content increase in BS7?

Nilesh Jain: BS7, yes.

Aashim Relan: Okay. So it's still too early to say exactly how it will go because it also depends on the decision that customers make on their engine side and engine maturity side as well. And different customers generally have different strategies. However, in Europe now we are seeing and we have looked at various models of Euro 7 now which are coming in. And there definitely there is a content increase. How substantial the content increase will depend on how the Indian OEMs eventually adapt to it. So maybe right now would not be the correct time to give a guidance on the content increase apart from that it will increase, right? Now the quantum will depend really on how it is adapted within India. And once we get more clarity on that I will share on the Euro 7 side. However, preparedness is very well ahead in BS7/Euro 7 because now that our focus is also on the export side, we get some earlier access to how the technology is evolving than we did before. So it is an exciting opportunity, but for India we will wait for clarity before we share some guidance.

Nilesh Jain: Okay, obviously, our third question is on the export side. We have been trying looking at the export markets and increase the exposure since last 2-3 years and you mentioned initially because we did not have a full-fledged team, so how do you see from three years now to till now, the changes which you have brought in, how do you see the turnaround time right now? Because you mentioned the lead time is higher, but obviously three years we would have put in a bid for many hours, how do you see the turnaround and how do you see this growing? Because currently based on the orders we have, it contributes around 6% of our revenues. How do you see this growing and scaling?

Aashim Relan: Sure. Definitely one of the lessons that was learned is to have a full dedicated team and also to have people in the ground, in the key markets which we have done. And there is a lot of focus as well as investment in team, like the headcount that works now on global business or exports is much higher. So we are very hopeful to get many more business orders. And as we get them, I keep updating like we did for the previous one. And the previous order itself is very significant and with the successful implementation of this order alone, we could get a good business coming in to exports. So I think a couple of things are working to our advantage now when we look forward. One is definitely an augmented team that focuses on it. Second, the gestation period also brings us forward into the business development cycle. So whether it's two years, three years, whatever you want to put it. Third, we do have a substantial win now, right? Which is like the chicken and the egg. So we do have something that is coming in, right? And fourth, very, very importantly, which cannot be underestimated, is the changing emission norms globally, right? It is the biggest window for a company like us. If you see a company like us even on the domestic side, when emission norms changed to domestically, we did really well. Now we are seeing a global window open up if you map out from 2026 to 2030 for various changes coming globally. And that is an opening that is coming in terms of export opportunities because that is the time when OEMs look to resource. It is very, very difficult to get into an existing program because it's so sticky in the emission business because it's compliance driven and it has a huge

test cycle. But when that opens and that opens with a general principle globally, especially US customers which are doing to diversify out of China, at least to have a plan B for China, both put together definitely excite us, but we have to be humble and we have to show some more good business. So I am hopeful for that in the next couple of years as well.

Moderator: Thank you. Nilesh, I request to come back for a follow-up question. Next question is from the line of Sonal Gupta from HSBC Asset Management. Please go ahead.

Sonal Gupta: Yes, hi. Good evening, and thanks for taking my question. So Aashim, just on the TREM-V norms, because a lot of the, I mean, like whoever we have spoken to on the tractor OEM side seems to suggest that it's unlikely that it's happening in its current shape and form. And obviously the OEMs have been trying to have been negotiating with the government to try and get it postponed. So my question here was that if even if, like currently our share of business in the tractors is almost zero. So even if the norms are not implemented, let's say, in the worst-case scenario, do we still get an incremental share of business and it's still a growth driver for us?

Aashim Relan: Yes, so thanks for the question. So as you're discussing with the tractor OEMs, right, they are the best judge and the government is the best judge. So it remains to be ambiguous because there is no clarity and every couple of months there is some conversation either left or right. That's why it's very hard to really see where and how it settles. Now coming to tractors itself, it's a very small part of our revenues but whether or not the norms get implemented in April 26, we do have complete access to this technology, right? And we have had access to it for the last one year because with lot of these OEMs, we are also supporting them on the export programs. And their export programs require similar emission norms. So utilizing again our experience in this, all the technology that is built up, the global market is open as well. And that will definitely be a contributor to our sales from the global side.

Sonal Gupta: But currently, are we supplying for, I mean, it's a low single-digit number, right? Like tractors?

Aashim Relan: Yes, it's a very small percentage of our revenues currently, which is the export business that we are doing via the OEMs. So the OEMs export the tractors for the markets which require these regulations. They utilize our products there.

Sonal Gupta: Right, but I mean, like what I was trying to understand is that, I mean, incrementally, even if these norms don't come through, I mean, on the existing products, can you supply something? I mean, can you win a share of business, which might be with other suppliers currently?

Aashim Relan: Yes, so we could always do that, right? When you're looking at that, could we do something from a localization perspective? Definitely, we could do that. More importantly, lot of these same products are required globally also. So could we cross sell that? There is an opportunity there to cross sell it. Taking business away from a competitor is not definitely our focus. Our focus is more on to gaining new opportunities and new businesses, but could we gain some

market share vis-a-vis that these OEMs export more to these markets? Definitely. So when we look at the macro trend or will more tractors be exported out of India? I think that's a definitive and as more tractors get exported out of India, there would be the requirement of these products. And these products are anyways also required in the end markets by some manufacturers who are not making them in India and we are approaching them as well as we have full access to the technology as well as we have the products which we already sell to the domestic as per the exports.

Sonal Gupta:

Got it. And just on, I mean, like some numbers. So, there is an increase in depreciation this quarter and like on a full year basis, it's up 20% for Q4. So and then also you've seen, I mean, uptick in other expenses, so I don't know, whether how to read this, because, I mean, obviously, it seems that there is certain amount of margin contraction in this quarter, even though gross profits have grown at 4%, but EBITDA is growing at 1% and I mean PAT is obviously impacted by other things, but depreciation has also gone up. So if you could just talk about some of these things?

Aashim Relan:

Sure. So I will just take it into two things, I guess, your question. One is depreciation and second is other expenses. So depreciation is nothing but our new plant coming in for lightweighting and that's adding to the depreciation and the CAPEX cycle and that is only depreciation front. Other expenses, now other expenses include the cost of consultants, it includes even hire labor charges, it's a mix of various things. But for us, where the main drivers have been, that there are consultants now that we have in US specifically who are supporting us on the global business side. We are participating a lot on the M&A front, which we were not doing before. And the major driver of this has been also minimum wages, which get baked in some of them into the other expenses because other expenses includes the hire labor charges as well. Now looking at margins, I would say to avoid looking at margins on a Q-on-Q basis or a quarterly basis and look at the longer term trends and definitely on the longer terms the margins have been good if we look at it on the annualized basis FY'25 versus FY'24.

Sonal Gupta:

But sir just on this, would there be some startup cost related to these new plants? And that's why we're seeing a slightly higher and this will sort of normalize next year. I mean, what are we seeing in this quarter?

Aashim Relan:

There definitely is a startup cost also with new plants and there a lot of new avenues that we're getting into. there would be. if you look at the new avenues that we're getting into, whether it is global business, whether it's strengthening M&A, whether it is investing into lightweighting, these are of course temperature control pipes. These are of course going to have some degree of startup cost as well that could come in.

Sonal Gupta: Got it. Great. Thank you so much.

Moderator: Thank you. Next question is from the line of Karthik from Suyash Advisors. Please go ahead.

Karthik: Yes. Good evening, Aashim. Thanks for the opportunity. A couple of things. I will read out the questions and you can answer in order. One is in terms of your export orders, would you know the exact destination? And I am asking this in the context of all the tariff talks, currently floating around. So any clarity on that, whether these would be the customer paid duty basis or how exactly would that be? That's one. Second would be you said you are looking to shift one particular model to India. Would this be for the Indian market or for exports? Some clarity on that? Last question on control arms, is there visibility for you to improve your market share here from the current 1.5% in the near term? These are three questions. Thanks.

Aashim Relan: Sure. So just if you can repeat the first question.

Karthik: I was asking you about the export destination. You know before the orders that you got 7 million and the other one?

Aashim Relan: Okay, so the destination is US. There is some commonality we understand from the customer between the Europe and US production but this destination is to the US. Which form it will be done in? I think it's starting in Q4 and it's very early to tell or comment on that even I don't have clarity on that, whether duty your question was on duty or something like that right?

Karthik: Yes.

Aashim Relan: Yes, I think that is something which is not a conversation also right now with the customer. The customers also mature and taking a much longer-term view to first look at where this will stabilize right it's anyone's guess in one year where what tariffs etc. will be so they have committed no change to us as of now, and they don't expect any change also. So let's see. I think we don't know this duty structure and so on part, but the customer doesn't anticipate any change. And they have said, let's settle all this. Let's settle down the global thing every day. There is some new news. And then that discussion would begin. Your second question was around our JV the localization. An international customer is wanting to develop an engine from India and export it worldwide, right? So currently our partners do it for them at some part of the world. So they're exploring the potential to make it in India and then to have a localized supply chain because it gets attached to the engine. Still too early to say, but as we get some more clarity, we will share, but we're very hopeful for some conclusion there.

Karthik: If I may interject, would this be housed in the joint venture, the opportunity or would that be --

Aashim Relan: Yes, everything would be, that would be in the joint venture, yes. So if it happens, it would be joint venture. And then the last...

Karthik: On control arms?

Aashim Relan: Control arms, So, the light weighting, so definitely we do seem to increase further market share in control arms. You we are just getting going in lightweighting the way I would like to put it, right? We are also, like we have established for global business, we are establishing a vertical for lightweighting and our strategy there is one definitely to increase market share in control homes. However, the larger opportunity is to look to add content. Lightweighting is a very large segment, right it's honestly one of the largest segments right now out there and it is going through dramatic change. It is going through dramatic change, change that these parts have never gone through before. I think this is first time so many changes are happening to all the parts when it comes to what we put under lightweighting. So a lot of our focus is to now add content, right? How can we offer more than control arms? And there are a lot of new age technologies that have come about, right? There are plenty now to even talk about. So we are utilizing some organic R&D efforts plus looking at augmentation through joint ventures, and on how we can strengthen the technical side of it and add content as a result. And that could be even larger revenue driver than just simply getting market share within control arms. But market share within control arms is definitely also something that we focus on.

Karthik: And if I may just add, this addition of other opportunities through partnership route that you spoke about, would this be a next 12-month kind of initiative or would it be like say a 36 month kind of a thing that we should make in?

Aashim Relan: From a thinking perspective, it's a now, right? We have a separate team that works on M&A now, we never had that. It's the last 12 months only where we have a separate team. And we are very actively engaged with various partners. Now how it comes about, it's very hard to guide. It can be 12 months, it can be 5 months, it can be 24 months, because when it clicks, it also has to be under right terms and conditions. However, our eagerness and want is definitely to do this. And we see a very large opportunity and lot of players who are not in India for it, and very few players who have these new technology right now present in India. So we are excited about this opportunity, how it comes, that's something we will just have to see when it takes.

Karthik: Great, Thanks very much and very best wishes.

Aashim Relan: Thank you, thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as a last question. And now I hand the conference over to the management for closing comments.

G. D. Takkar: Thank you very much. We appreciate your participation in our earnings call today. We trust that we have addressed all your queries. Should you have any further questions, please feel free to reach out to our investor relation advisors, Ernst & Young. Thank you and have a pleasant evening. Thank you very much.



Sharda Motor Industries Limited
May 26, 2025

Moderator: Thank you very much. On behalf of Equirus Securities Limited that concludes this conference.
Thank you for joining us and you may now disconnect your lines. Thank you.