STERLING TOOLS LIMITED
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By NEAPS	**By Listing Centre**
National Stock Exchange of India Limited "Exchange Plaza", Bandra–Kurla Complex, Bandra (E) Mumbai-400051	General Manager **BSE Limited** 1st Floor, P. J. Towers Dalal Street Mumbai – 400001
Security Code No.: STERTOOLS	**Security Code No.: 530759**

Date: 21st May 2025

Sub: Transcript of Analyst/ Investor Conference Call

Dear Sir/ Madam,

Pursuant to regulation 30 (6) and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that a Conference Call for the analyst and investors to discuss the financial and operational performance of the Company for the Fourth Quarter and financial year ended 31st March 2025 was held on 14th May 2025 at 11:00 a.m.

Following Management Attendees attended on behalf of the Company: -

1. Mr. Atul Aggarwal- Managing Director
2. Mr. Jaideep Wadhwa- Director
3. Mr. Anish Agarwal- Director
4. Mr. Pankaj Gupta- Group CFO

We further Confirmed that no unpublished price sensitive information was shared/discussed in the meeting / call.

Please find attached herewith the transcript of the aforesaid call. The same is being placed on the website of the Company i. e. www.stlfasteners.com.

This is for your information and records.

Sincerely,

For **STERLING TOOLS LIMITED**

STERLING TOOLS LIMITED
NEW DELHI

PANKAJ GUPTA

Digitally signed by PANKAJ GUPTA
Date: 2025.05.21 10:48:34 +05'30'

Pankaj Gupta
Chief Financial Officer

Encl: As above

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"Sterling Tools Limited
Q4 & FY '25 Earnings Conference Call"
May 14, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th May 2025 will prevail."

MANAGEMENT: **MR. ATUL AGGARWAL – MANAGING DIRECTOR – STERLING TOOLS LIMITED**

MR. JAIDEEP WADHWA – DIRECTOR – STERLING TOOLS LIMITED

MR. ANISH AGARWAL — DIRECTOR – STERLING TOOLS LIMITED

MR. PANKAJ GUPTA – GROUP CHIEF FINANCIAL OFFICER – STERLING TOOLS LIMITED

STRATEGIC GROWTH ADVISORS – INVESTOR RELATIONS ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to Sterling Tools Limited Q4 and FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pankaj Gupta, Group CFO, Sterling Tools Limited. Thank you, and over to you, Mr. Gupta.

Pankaj Gupta: Thank you. Good morning, everyone. On behalf of STL Group, I extend a very warm welcome to all of you for our quarter 4 FY '25 earnings call. I'm joined today by Mr. Atul Aggarwal, our Managing Director; Mr. Jaideep Wadhwa, Director; Mr. Anish Agarwal, Director; and SGA, our Investor Relations Advisors. Our results and the investor presentation have been uploaded in the stock exchange and also available on our website. Hope you had a chance to review it.

I request Mr. Aggarwal to present his opening remarks, please.

Atul Aggarwal: Thank you, Pankaj. Good morning, everybody, and thank you for joining our call today. I'm going to just digress a bit and talk about the business differently. Just some highlights, we achieved INR1,000 crores revenue for the first time in the history of Sterling Tools in FY '25, and we look forward to meeting greater milestones in the years to come.

Our consolidated revenue increased by 10.6% to INR1,038 crores in FY '25, driven by strong growth in our subsidiary, SGEM, and a stable performance in our standalone business, which recorded a 6.2% year-on-year growth and a 10.5% year-on-year PAT growth. Adjusted EBITDA on a consolidated basis rose by 13.8% to INR132.4 crores with margins expanding to 12.8%.

Sterling Tools is well-positioned to outperform the broader industry, backed by a diversified product mix, deep OEM relationships, and focus on operational efficiencies and innovation. Just some highlights for FY '25. I've talked about the revenue numbers. We spent about INR59 crores in capex in FY '25. Investments were primarily in the SGEM facility upgradation and capacity enhancements, and additionally, investments for our new product segments. Net debt position, the company remains surplus. We have a INR12 crores surplus cash. In other words, we're pretty much net debt-free.

Margins primarily improved on account of higher sales volume for both fasteners and EV components, and we had a better product mix optimization. Some of the positive factors we had this year, ICRA upgraded long-term rating from AA- stable to AA- positive. We had major expansion and upgrade of labs at SGEM with Dyno installed at our facility. Major infrastructure upgrade and capacity expansion at SGEM Factory, and we have developed it as an EV campus. SAP got implemented at SGEM as well and is live.

Some of the things which impacted on a one-time basis in FY '25. We have substantial one-time expenses for future product expansion. As you have seen, we have announced 3 different products in the last 12 months, namely magnetics with the Korean company, for Hyundai Kia, Relay business with the Chinese company, Kunshan Guoli coming up in Bangalore. And you saw the announcement for magnet-free/ rare earth-free motors going forward. So we have done that business development which required some external relationships and partnerships to execute and crystallize. So we had to carry substantial one-time charges in FY '25 to see that happen.

Operationally, in our stand-alone business, you see our margins at 14.7% this year over 14.9% last year. But just I want to highlight the operating EBITDA on a like-to-like comparison is better than 14.9% of FY '24. It's probably 15% plus in FY '25. Revenue split is approximately 63% fasteners and 37% EV components.

In the electric vehicle EV segment, we're going to do a lot of customer and product diversification, where Jaideep and Anish will talk more about that. Focus still remains in our EV business on 3-wheelers, light commercial vehicles, 2-wheelers, heavy commercial segments. And we will try and introduce some products for the passenger vehicle segment itself. New products like onboard chargers, DC/DC converters, magnet-free motors will be introduced in early FY '26.

In the Power Transmission segment, 100% subsidiary of Sterling Tech Mobility Limited, was crystallized to address this market segment. Hopefully, that business should be in operation sometime third quarter FY '26. The facility is being set up with an investment of INR50 crores and in technical collaboration with China's Kunshan GuoLi New Energy Company Limited. Revenue target is about INR200 crores by 2030 for this one particular product segment.

We are looking at balanced growth across fasteners, power electronics, power transmission, and magnetics. And we also want to look at high customer stickiness due to long product validation time. I just want to mention one thing here. When I look at the journey of Sterling Tools from a fastener maker and bulk of our future investments coming in non-fastener businesses, new age businesses where a lot of the components are for the EV industry, Power Transmission segment as well, going forward. All of these components have traditionally been imported till now, bulk of them are imported even today.

So we are trying to identify product lines where there's import substitution, Make in India initiative, and more importantly, where we have the first-mover advantage. So a lot of the revenues will kick in over time. The investments will start firing in already. But you will see the results incrementally in the years going forward.

So we are here for the long haul. We are looking at building a portfolio and revenue growth, which is sustainable and has a strong presence with our customers, creating high customer stickiness along with that. A lot of these products, it could be the magnetics or it could be even the DC/DC converters or latching relays, et cetera. They all require long testing and validation times with our customers.

So the revenue increase may seem slow in the beginning. But once the testing validation is done, the volume growth ramps up quickly. And more importantly, it creates a lot of customer stickiness and also a version at the customer's end to add a competition product. So, somehow the first-mover advantage is critical in these new product lines.

We are strengthening our tech center team in Bangalore to address products across different product segments, including our self-developed MCU and other power electronic products. Long-term priorities are to have 50% revenue coming in from non-fastener businesses. In our fastener business, we are focusing to increase our revenue in 2 segment areas of passenger vehicles, where we've got SOP starting with Hyundai this year. And also, we want to increase our intensity where we are covering our commercial vehicle segment business.

Like I said earlier, we want to be an early entrant, provide a first-mover advantage, and hopefully create stickiness and more customer commitment for our product lines. Thank you very much. And I'm going to hand you over to Pankaj to talk numbers in more detail. Thank you.

Pankaj Gupta: Thank you, sir. I'll share the financial highlights for quarter 4 FY '25, starting with the stand-alone financial highlights for the quarter 4. Total income stood at INR165 crores in quarter 4. EBITDA for the quarter was INR24.9 crores with EBITDA margin of 15.1% in quarter. Profit after tax was INR11.3 crores in this quarter.

For the full year, stand-alone, total income grew by 6%, reaching to INR652 crores against INR614 crores last year. EBITDA increased by 5%, reaching to INR94.8 crores as compared to INR90.5 crores in FY '24 and EBITDA margin stood at 14.5%. Profit after tax witnessed a growth of 10.5%, reaching to INR42.9 crores in FY '25 compared to INR38.8 crores in FY '24.

Coming to the consolidated financials for quarter 4. Total income slightly degrew by to INR205 (wrongly said kindly read it as 206 crores) in the quarter 4 as compared to INR270 crores last year, mainly because of the lower revenue from our subsidiary company, SGEM. And our adjusted EBITDA margin, which is excluding ESOPs, improved to 12.9% blended as compared to 12.5% last year.

The consolidated performance for the full year, our income grew by 11%, reaching to INR1,038 crores, which is what Mr. Atul said, we crossed INR1,000 crores first time as compared to INR938 crores last year.

Adjusted EBITDA, again, excluding ESOP, increased by 13.8%, reaching to INR132 crores in FY '25 compared to INR116 crores in FY '24. And our adjusted EBITDA margin stood at 12.8% as compared to 12.4% last year. Profit after tax witnessed a growth of 5%, we achieved INR58.3 crores in FY '25 as compared to INR55.4 crores in FY '24.

Thank you, everyone. We can now start with question-and-answer session, please.

Moderator: Thank you. The first question comes from the line of Himanshu Upadhyay with BugleRock PMS. Please go ahead.

Himanshu Upadhyay: I had a question on Sterling, the standalone business, okay? Because and the question is, till last quarter, we were growing at 8% to 9%, okay? And we were expecting similar growth for the year. But suddenly, we find this quarter, the business degrew by 1%. So, can you elaborate what happened in Q4 for the standalone business and why this degrowth happened?

Atul Aggarwal: So good question. Let me just say a few factors. One, the auto industry, if you know, is slowing down, relatively slowing down. Passenger vehicle industry grew marginally last year in FY '25. Commercial vehicles were negative. The only substantial growth in FY'25 came in the 2-wheeler business.

So typically, 2-wheeler intensity of sales is first half of the year or first 9 months of the year, starting April onwards till maybe November, December. And last quarter is normally muted for 2-wheelers. Last quarter is normally strong for commercial vehicles and for passenger vehicles. And the last quarter at the OEM level was not very good from a production perspective. I think that there's a lot of public data. I'm sure we can pull out something to tell you what happened last quarter. That's one.

Secondly, we have taken -- like I said, last quarter is also a quarter where we take a lot of one-time provisions, rationalize things. Secondly, thing which impacted the revenue numbers was the fact that there has been a steel price reduction, where indications are that the steel mills have done some understanding with the OEMs, and the OEMs have communicated to us as to what reductions they are looking at. The numbers are -- they have already -- discussions have already started.

So, we have taken provisions for steel price reductions, and those provisions are in multi-crores, which we have adjusted against the top line revenue number. So, I think these are the 2 big factors impacting revenue growth in the last quarter.

Himanshu Upadhyay: And one more thing. I'm looking at Slide 14 and 12. And if you try to understand the expense that degrew, it is reduced from INR27 crores to INR14 crores...

Jaideep Wadhwa: You got cut off in the middle if you want to start that question again.

Himanshu Upadhyay: Okay. So, I am talking about expenses side for SGEM. And this is Slide 14 and 12, I'm trying to compare, okay? So, the cost of goods sold has reduced from INR27 crores to INR14 crores. What is the potential for further reduction in the cost? And what is the monthly run rate of production currently at SGEM now, as Ola is no longer manufacturing, is not the customer. What type of cost will be incurring?

Jaideep Wadhwa: So, I think a big reason for the drop in cost that -- I mean, if you're asking about the cost of goods sold, right?

Himanshu Upadhyay: Not the cost of goods sold, the other expenses. I'm saying...

Jaideep Wadhwa: Other expenses?

Himanshu Upadhyay: Yes. For Q4, which is INR88 crores (wrongly said kindly read it as 88.9 crores) minus INR74 crores, okay, Slide 12 and Slide 14. So, you have total expense of INR89 crores, which has reduced to INR74.5 crores on stand-alone. It was INR97 crores to INR70 crores.

Jaideep Wadhwa: So, I think a couple of things which will come in there that you asked a question about Ola. So, Ola has decided to make the motor control units and motors, the integrated unit in-house for their Gen 3 platform.

However, for the Gen 2 platform, we will continue to supply to them. Gen 2 production in the last few months has been quite low at Ola due to operational issues, at least the communication that they have given to us is that they will see a ramp-up in Gen 2 volumes going forward, though it will be a small portion of their overall sales.

In terms of the overall run rate that we are looking at, depending on month-to-month, we are hoping to do anywhere between 15,000 and 20,000 units a month, depending on the month. Some months could be lower. We are also -- but there is a difference in that as we make units for commercial vehicles, et cetera, the production volumes on those are much lower.

And in terms of the expenses, our other expenses, I think it's about -- Yes, we have an average of about INR6 crores to INR7 crores per month. One of the factors that drives other expenses is that it includes a royalty. And if sales go down, then obviously, the royalty also goes down correspondingly.

Himanshu Upadhyay: Okay. But the monthly expense for the plant is around INR6 crores?

Jaideep Wadhwa: Yes, INR7 crores or so.

Himanshu Upadhyay: But let me look at the Q4...

Jaideep Wadhwa: look at our royalty expenses as those are based on revenue numbers. So as revenues go down, those go down dramatically. As revenues move, these move dramatically.

Himanshu Upadhyay: I get that point. But sorry to belabor this point more because Q4, if we take console, the total expense was INR89 crores, okay?

Jaideep Wadhwa: We couldn't hear you.

Himanshu Upadhyay: No, I'm saying the Slide 12 says the total expense on consol is INR89 crores. And for the stand-alone, which is Slide 14, it is INR74.5 crores. SGEM cost is around INR14 crores-INR15 crores for the quarter. So last (inaudible) cost would be around INR4 crores or INR5 crores.

Jaideep Wadhwa: So let me do this, if I can. Let me get back to you on one-on-one on this. I'm not sure I've understood the exact question, but what we'll do is that I will send you a message and clarify your details, clarify your query. I'd like to just walk through each one of the constituents of other expenses and be able to answer that.

Atul Aggarwal: Karan, you can help us set up a call independently with Jaideep on this.

Moderator: Next question comes from the line of Apoorva with Whitestone Financial Advisors.

Apoorva: So, my first question is regarding the recent partnership, which we have done with the Advanced Electric Machines, right? So, if you can throw some light like what is the revenue potential we are targeting in the next few years? Â And like if you can share the royalty, how much you would be sharing with them?

Jaideep Wadhwa: So I don't think we will be sharing royalty information. That's something that I will say is company confidential. In terms of motor potential overall, if you -- the different -- we have to look at different estimates, but broadly speaking, we believe that even as of FY '25, the total market for motors is about INR2,000 crores okay? And the growth rate in the coming years is is likely to be exponential going forward.

Now I typically, a major Tier 1 would want to be able to target a 10% to 15% market share in a segment. but as this is not a mainstream technology, we believe that initially, the market share potential would be lower. We would see lower penetration.

This obviously could change dramatically depending on what happens with rare earth magnets out of China. But `as this is a very pioneering technology, we expect that this will slowly gain acceptance and get deployed in mainstream automobile industry over a period of time. So the market share expectations would be in the single digits.

Apoorva: Okay. Sir, so like these motors are like cheaper or expensive than the magnetic motors?

Jaideep Wadhwa: Okay. So the most important difference of -- yes, so let me answer that question directly, and then I'll give you this thing. So the BOM cost should be the same or lower. In a large electric motor, magnets constitute up to 30% of the cost of the motor. That is at the prices that prevailed before these trade tensions took hold, okay?

As what's going to happen on -- as you probably have heard, there have been very few shipments of magnets in the last few months after China put on restrictions on the export of magnets. So there may be increases in the cost of permanent magnets, which would obviously increase that percentage. The motors, the technology that we have been evaluating and working on for several years along with AEM does not use any magnets whatsoever.

But obviously, there are other parts of the construction, which are a little expensive. So net-net, we expect the BOM cost to be very similar to that of a permanent magnet motor, but we are able to remove the dependence on permanent magnets and what's going to -- and the vagaries of supply chain that permanent magnets have because of the 90% strangle hold that China has on that supply chain.

Apoorva: Okay. Sir, by when are we planning to start the manufacturing like in the next how many years?

Jaideep Wadhwa: So we will start with customer trials and validations nearly immediately. We were waiting to sign off this agreement, and we expect to do to start negotiating with customers on trials very soon. I don't know exactly when we would be able to be in production, but I would expect sometime next fiscal.

Apoorva: Okay. And how much time does this take customer validation?

Jaideep Wadhwa: Customer validation, as Atul mentioned even in his opening remarks, has anything to do with EVs, 3 to 6 months is a very -- I mean I would -- 3 is also low. I would say 6 months easily for just the validation. And there's obviously stuff that happens before on technical alignment and stuff that happens subsequently even after the trials on sign-offs and so on and so forth.

So from the time that you start working with the customer and start putting products on trial to the time you go to production could easily be a year.

Moderator: Next question comes from the line of Rohan Mehta with Nexus Capital.

Rohan Mehta: So sir, firstly, with Sterling Gtake now targeting 2-wheelers, 3-wheelers and commercial vehicle customers beyond Ola, how does your current the customer pipeline look like? And how are you looking at contribution from the 3-wheeler and EV segment in FY '26?

Jaideep Wadhwa: So we've talked about 3-wheeler and LCV quite extensively even in the past. I think the difference that I would say in the current -- in the last few months has been the inroads we have made into the heavy commercial vehicle or the HCVsegment. And sorry, could you repeat the second part of your question again?

Rohan Mehta: Sure, sir. So I just wanted to know how the customer pipeline is looking like and how we are looking at the contribution from 3-wheelers and CVs in FY '26?

Jaideep Wadhwa: Okay. So in terms of the customer pipeline, we have more than 30 customers that we are working with at current -- this is across all categories. And when I said 30 customers, these are customers with whom we have either got been awarded the contracts or where we have an advanced stage of testing. And there are many other customers, maybe an equivalent number of customer programs where we have some kind of initial dialogues.

In terms of what would be the split, I'm going to say -- and I may be off by a little bit, but I'm going to say it's going to be about 40% from 3-wheelers and commercial vehicles. 2-wheelers will at the end of the day, if you look at the total production of EVs in India, 2-wheelers will continue to dominate that overall penetration and therefore -- and we are strong in that segment, and we continue to want to sell in that segment to customers both in the -- especially in the high speed, but even sometimes in the low-speed segments.

Rohan Mehta: Right. That's helpful. So just a clarification here, the 40% you said is 3-wheelers and EVs put together, right?

Jaideep Wadhwa: Yes. Non-2-wheelers, what I...

Rohan Mehta: 2-wheelers, sure.

Jaideep Wadhwa: And that's very different from last year where it was over -- just over 90% on 2-wheeler and 10% on the balance. So you will see a significant change in the portfolio.

Rohan Mehta: Sure, sir. That's helpful, sir. And secondly, could you just provide some color on upcoming power electronics products and the expected contribution from HVDC contractor dealers?Â And so how much incremental revenue can we foresee from these initiatives in next 2 years, FY '26 and '27?

Jaideep Wadhwa: So what I will do is I'm going to just talk about the power electronics and then request Anish to give you an update on the relays and HVDC and magnetics.

So power electronics, we are looking at essentially chargers, which could be both onboard and offboard and DC/DC converters. And this would be across an entire -- across all segments, okay? And so -- and one of the things that I think maybe Anish has explained earlier, and I'll make him elaborate on that earlier also that in DC/DC as well as in on chargers, magnetics is a significant part of the BOM.

So for us, these are not random partnerships or ventures. This is a clear strategy that we have to enter into the power electronics space and to backward integrate into the components that go into power electronics. Anish, if you could expand on that, please?

Anish Agarwal: Yes. On high-voltage DC contractors and relays, we have budgeted for INR10 crores this fiscal. And over the next 2 years, we hope we get to INR30 crores, to INR35 crores for next fiscal. So it's going to be a slow ramp-up. It depends on how the EV industry grows, but it's going to be INR10 crores for this fiscal and next year, it will be INR30 crores to INR35 crores.

On magnetics, we are still under negotiations with our Korean partner. Once we conclude the negotiation and finalize our budgets for next fiscal because that project will only kick off in January 2026 at the earliest we'll have more information to share then..

Moderator: Next question comes from the line of Manan Vandur with Wallfort PMS.

Manan Vandur: Sir, first question is which is the customer that we don't sell our MCU to?

Jaideep Wadhwa: Sorry, could you repeat that, please? Which customers we don't sell our MCU to?

Manan Vandur: Yes. Last quarter, I had asked which are the customers we sell to. So you said that we sell to everyone except one. So I would like to know which is that one customer you don't sell the MCU to?

Jaideep Wadhwa: On the LCV space.

Manan Vandur: Okay. On the LCV...

Jaideep Wadhwa: That was on the -- the question was on the LCV space. And if you want to know the answer, that's Tata Motors.

Manan Vandur: Okay. So for Tata Motors, we don't. And in generally, I would say like all like considering 2-wheelers, 3-wheelers, LCV, et cetera, then how many customers we don't sell to?

Jaideep Wadhwa: That would be a huge list. Look, I mean, we are seeing obviously a massive attrition in the EV space. But at a certain point, I think there were 200 companies that made 2-wheelers alone. There were probably more than 50 companies, maybe more than that, that made 3-wheelers.

There are a couple of hundred companies that make e-rickshaws that all have the ambition of moving into 3-wheelers. I don't know, maybe 10 companies that do LCVs, 3 or 4 companies that do HCVs, you know the PV landscape. That's -- I mean, easily, you're talking about 300, 400 companies. I mean -- and I keep telling you that we've got engagements, contracts with about 30 customers.

And by the way, just -- I mean, the list that I'm telling you is a list after much attrition. I mean there was just -- there was a mushrooming that happened. And obviously, as the industry grows, there will be consolidation and you will have fewer players survive. But we are probably in touch with 20% of the market, maybe 25% of the market, and we are doing active business with, say, 10%, something. I mean these are broad numbers. But directionally, they will be correct.

Manan Vandur: Understood.

Jaideep Wadhwa: And I'd just like to again clarify that your question and my answer on the last call was specifically about LCVs.

Manan Vandur: All right. Okay. Understood. And sir, now coming to a bit of numbers kind of a question. So could you please tell us how many MCUs did you sell in quarter 4 as compared to last year quarter 4?

Jaideep Wadhwa: We did -- probably we were down by -- I mean, year-over-year, we are probably down by about 60%.

Manan Vandur: Could you say it in unit terms, sir?

Jaideep Wadhwa: We did approximately about 100,000 and went down to about 40,000.

Manan Vandur: So 40,000 was this quarter as compared to last year, it was around 1 lakh?

Jaideep Wadhwa: Yes.

Manan Vandur: Okay. And sir, then my next question would be, the full year numbers, could you give also like last year full year numbers and this year full year numbers?

Jaideep Wadhwa: So look, when you talk of last year, it would be -- I won't -- I'll have to get back to you for FY '24. But for FY '25, we were close to about 5 lakh units.

Manan Vandur: Okay, close to 5 lakhs.

Jaideep Wadhwa: So you have to understand that there are differences in the -- I mean, we are doing different productions. I'll give you one data point that in the production that we do for some of our lower-cost MCUs, we have a tat time of, say, we can produce pretty much an MCU a minute. And the supply chain is set up, all the supply of components that is there supports that level of activity.

So the mechanical components, the electronic child parts, the PCB assembly, all of that is geared to that kind of a volume.

When you look at, say, a light commercial vehicle MCU, I'll say we can make 25 a day. If you look at a heavy commercial vehicle MCU, we can make 10 a day. So the product mix and even within 2-wheelers, there is a big difference between price. I think we had explained that to you in earlier calls also that the lowest MCUs will be about INR3,000 to INR4,000. The most expensive will be about INR12,000 in the 2-wheeler and 3-wheeler segment. So depending on the product mix, there's a lot of difference that takes place.

Manan Vandur: Right. Just 2 more questions, sir, then I'll be done. So the third question is that, so out of the numbers that you just told me as on quarter 4, we did 40,000 in FY '25. And last year, we did 1 lakh. And in FY '25, we did almost 5 lakh units. So out of this, could you tell us how much we supply to Ola?

Jaideep Wadhwa: So I think we mentioned earlier also that Ola is -- I mean, listen, I think we've explained this in the past also that Ola is typically 60% to 70% of our total volumes.

Manan Vandur: Okay. So out of all of this, it would be almost 60% to 70%. Okay. And last question would be that when you are saying that we are increasing our non-2-wheelers from almost 7% to 40% in FY '26, does that mean that the non-2-wheeler MCUs must be having higher margin and higher selling price, right? Is that a general understanding correct?

Jaideep Wadhwa: Yes. I mean, the margin -- again, different customers, different programs, different specifications, margins may vary. But generally speaking, higher per unit cost is definitely true.

Manan Vandur: So when you're saying 40%, so it would be 3-wheelers and then LCV, HCVs, right? So if you could just give a ballpark number as to how much a 3-wheeler MCU would cost and how much an LCV or HCV MCU would cost? Could you please do that?

Jaideep Wadhwa: It varies. The 3-wheeler will range typically upward of INR10,000. And LCV at the bottom end would be anywhere between INR40,000 and INR60,000.

Manan Vandur: Okay. bottom end would be INR40,000 to INR60,000 and higher end would be?

Jaideep Wadhwa: No, sorry. I should have -- the bottom end would be INR40,000 the high-end would be INR60,000.

Manan Vandur: Okay, higher end would be INR60,000. And sir, the HCV side?

Jaideep Wadhwa: Again, really varies by specification, but we have some units that go into some buses that are INR4 lakh each.

Manan Vandur: INR4 lakh also, okay.

Jaideep Wadhwa: And these are multifunction units. I think we had spoken about this in the past that these are not only traction inverters. These also include auxiliary drives and DC/DCs. 4 lakhs, maybe a little bit more.

Manan Vandur: Right, right. So just summing up, no more questions more, just summing it up. So when we say that almost from 7% to 40%, we are going and we can see that normal 2-wheeler MCUs will cost around INR4,000 to INR12,000 ranging. But when we go to 3-wheelers and upwards, we can see that the range is much higher. So it shows a general understanding that the next year with having 40% in LCV and HCV and 3-wheelers, we might have much higher revenues than we had in FY '25.

Jaideep Wadhwa: No. That's not true.

Manan Vandur: That's not true? Considering the...unit wise

Jaideep Wadhwa: I mean, there's a number of questions. We are talking in percentages and absolutes, and you can't keep mixing them up and this thing. I do not expect our revenues in FY '26 to be anywhere close to the numbers that we had in FY '25. Okay? So I would not give -- I would not -- so putting 2 and 2 together and coming up with 22 there would not be okay, would not be appropriate.

Manan Vandur: Okay. Can you say that our numbers will not be as -- in terms of FY '25, what do you mean by that?

Jaideep Wadhwa: I mean they'll be lower.

Manan Vandur: Okay. Understood.

Jaideep Wadhwa: I think -- I mean, if I may say, we're going round and round. I cannot give you -- we do not -- we have not given and we do not give predictions for or any guidance for revenue numbers. That's something we've not done.

I will, however, say that we expect a down year in FY '26. We expect our revenue numbers to be down. as our biggest customerhas in-housed or in-sourced a significant portion of their volume, then obviously, we will see a drop. Our strategy to diversify the customers and the products is working. But it doesn't have immediate results, and there will be a down year in FY '26. And in fact, even at FY '27, we may not be back to FY '25 numbers.

Moderator: Next question comes from the line of Gopalakrishnan, an individual investor. Mr.Krishnan please go ahead with the question. We'll take the next. The next question comes from the line of Apoorva from Whitestone Financial Advisors.

Apoorva: Sir, I had one last question that Sterling Tools has an MOU with Yongin Electronics, right? And there we have mentioned that we have done the partnership, which covers the entire portfolio of magnetic components. So can you please specify what exactly we will be manufacturing in these magnetic components?

Anish Agarwal: We are putting 4 different lines for 4 different components within a subset of magnetics. So the first one is high-frequency transformers. The second one is EMI filters. The third one is common moat chokes and the fourth one is inductors. So we'll be putting 4 different lines, which cover all -- the whole segment of magnetics used in chargers, DC/DCs and any kind of power electronics that goes inside EVs or charging stations.

Apoorva: So these components would be used in the charging station as well and in the car as well?

Anish Agarwal: Yes. The voltages and the power ratings vary depending upon the platform.

Jaideep Wadhwa: Charger can be onboard, off-board or could be a DC fast charger. But in each case, you have to basically play with currents and voltages and that's what the magnetics enable us to do.

Moderator: Next question comes from the line of Ramesh P., an individual investor.

Ramesh P: Sir, in a past call, you say we have participated in a new model for ICE players. So any concrete development till date? Do we have any assignments from ICE players for the new model?

Jaideep Wadhwa: Are we talking about any particular product line? Are we talking power electronics or fasteners?

Ramesh P: I am particularly discussing about MCU.

Atul Aggarwal: MCU, okay. No, motor controllers are specifically for electric and hybrid vehicles. They're not for ICE engines.

Ramesh P: I know, but ICE is there also in the business of EV 2-wheelers. So I am asking specifically about EV 2-wheelers in particular.

Jaideep Wadhwa: Sorry, maybe your voice is cracking a little bit. did you ask the question about EV 3-wheelers? I'm sorry, I'm not sure I've understood your question, sir.

Ramesh P: Sir, I am particularly asking for an EV 2-wheeler.

Jaideep Wadhwa: Yes, I understood that. So you're asking about EV 2-wheelers. Yes, please go ahead.

Ramesh P: Yes. In the past, you say that we are participating in a new model for ICE players.

Jaideep Wadhwa: okay. I, I've understood your question. So what you're talking about is the incumbent players, the players that are currently selling the ICE models. We are continuing to engage with them. It's not -- and we are providing samples and so on. But no, we are not in production with anyone.

Moderator: Next question comes from the line of Radha with B&K Securities.

Radha: The presentation states the strategic way forward for the company. And you mentioned to the previous participant that all these partnerships are calculated steps taken by the company.

So with regards to this, I wanted to understand the potential of the company for the existing business plus new initiatives from your vision from a 5-year perspective, considering all the strategic initiatives that you have taken.

Atul Aggarwal: So like I said in my communication in the beginning, I think we expect a breakup of 50% revenue coming from our legacy business and 50% coming from new businesses by 2030.

So -- and I can't give you forward guidance in hard numbers, but all I want to emphasize again is the new products we have added in the past, in the last 3- 4 years, for example, motor control units, we've added magnetics and DC/DC contactors, relays. And going forward, we've added magnet-free motors, and you'll see some more products being added in this power electronics and power electrical vertical, which is what we want to focus on of our growth.

A lot of the revenue will start kicking in larger volumes FY '27, '28, '29, '30 onwards. So bulk of the growth will come in on a large basis in these new businesses. And I've said this in the last 1 year in all the investor calls, our legacy fastener business is very mature. It's already of a certain scale. We will grow. We will grow faster than the industry.

Our focus will be to keep our margins intact, look at more sophisticated products within our fastener business, increase our intensity within the commercial vehicle segment and also maybe grow in the passenger vehicle itself, which we are doing. Maruti traditionally has been our strongest customer in the PV business.

we've seen tremendous development work we've done in the Mahindra automotive division in the past years, now crystallizing into revenue and Mahindra will be another growth customer for us in the passenger vehicle segment. And finally, our SOPs with Hyundai, Kia start this financial year. So just to give you a broad idea, 50-50 split by 2030, but the bulk of the growth coming in from new businesses.

Radha: Okay. Sir, is it a fair understanding if I take in terms of the new businesses, can this new business be as big as your existing business in the next 5 years? And what would be your vision or target with respect to the ROCE that you want to achieve in 5 years?

Atul Aggarwal: Good question, Radha. I've said in my opening statement, 50-50. But yes, these new businesses at some stage will be larger than our legacy business. That's the whole idea of what we are trying to do. We are trying to build a future-proof organization, which is giving growth to us for the next 10 to 20 years and getting ready for the way the industry is changing.

And more importantly, what our strengths have been and vis-a-vis our customers, vis-a-vis our product lines and also understanding that for us to grow in the traditional businesses where the Tier 1 or the supply chains are already set up for the last 30 years, it will be difficult for us to add businesses in the ICE product category where the existing players are very strong.

And I don't think we add much value to our customers if we have started doing traditional businesses. That's why we're looking at businesses which are currently imported. We're looking at import substitution. We're looking at the Make India initiative as part of that and also giving us a first-mover advantage. So hopefully, in the next 5 years or so, we have a strong position in the automotive space in the new businesses.

Radha: And sir, your target ROCE in the next 5 years?

Atul Aggarwal: I think for the new businesses, I think we would be comfortable looking at anywhere 25% plus ROCE on the new businesses.

Moderator: Next question comes from the line of Vipul an individual investor.

Vipul: Yes. So congrats team on actually building some strategic alliances. My question was actually pertaining to, let us say, what is the industry trend with OEMs in terms of integration. For example, Ola you see, in this case, now they're building the products in-house. What is the industry trend? And what is our competitive advantage against these larger players or, let's say, our customers integrating and building in-house?

Atul Aggarwal: So Vipul, it's a good question. It's a question where the dynamics are changing every quarter. Inthe businesses we are addressing in the new product lines, they're all electric vehicles or hybrids. The market situations are changing very quickly.

In India, they're hugely impacted by government subsidy programs or incentive programs. There was a lot of momentum a year ago or a little longer than that, where there's a lot of subsidy on 2-wheelers, 3-wheelers, government withdrew that. That's why the e2-wheeler segment has not grown very fast. So there are multiple issues which impact that.

And finally, from a technology and supply chain perspective, the supply chain for EVs and hybrids is not there in India. It's being built as we speak, like we are building a lot of stuff, and so is a lot of other companies building supply chains for that.

To answer your question about what are the OEMs doing? Ola has in-housed or in-sourced the motor control unit. It is not a function. It's just -- if you look at other players, Bajaj or TVS Motors or Hero, this product line is still outsourced to partners outside. Ola was an extreme situation. And I think Ola as a company also has a very different DNA compared to the incumbent 2-wheeler, 3-wheeler makers.

I also believe that the volumes currently in the industry are very small. I think we are looking at a run rate of about 1.5 million, 2 million units in the e2-wheeler segment. The penetration in passenger e-vehicles is only 2%. Commercial vehicles is not even that. Even the bus segment, which is being electrified in public transport and urban centers, the penetration is also very I think about what 30-odd percent that. I'm not too sure.

Jaideep Wadhwa: No, no. 4%, 5%.

Atul Aggarwal: 4%, 5%. So I think the dynamics are changing regularly. But I also, like I said, I believe as and when the volumes build, and one should not think 12 months, 24 months, I'm thinking 5 years because when you look at our business, I'm looking at it -- my lens is looking at next 5 to 10 years where I want to be or where we want the business to be. There will be a lot of opportunities.

We may have lost ola's business. But our belief is as and when the volumes pick up, all these OEMs will need not single sourcing of products, even if it's in-sourced, they will need at least 2 or 3 sources of vendors going forward to run their production lines when the volumes reach 8 - 10 million units or 5 million units in let's say e2-wheeler space.

Currently, the penetration is only 100,000 units in passenger vehicles, which is nothing. If that reaches a penetration of 20%, you're looking at 1 -2 million units for passenger vehicles, the industry will grow dramatically. I think the dynamics, the technologies, the supply chain will stabilize and all the OEMs will need dual sourcing, minimum to support the lines and the markets and customers.

So like I said, it's a very dynamic situation, and we want to stay on top of it and at the same time, address the changes which happen on a daily basis. I hope I've answered your question, Vipul.

Vipul: Yes, yes. And we are looking forward to being invested in Sterling?

Jaideep Wadhwa: And I'll just add to what Atul spoke about. There is integration at the component level. We talk about motors and controllers, as Atul addressed what is happening there. There is integration of onboard chargers, BCDC, PDUs, there's integration of traction drives and auxiliary drives and so on. So there is a lot of integration that is happening.

Now therefore, our strategy, and we spoke about it definitely in the last couple of investor calls is that we are building a power electronics competence. So we are not restricting ourselves to 1 element like a motor control units. We are looking at the entire spectrum of power electronics to so that as customers move in different directions with different levels of integration, we are able to support them.

Will we get -- and Atul address this question in terms of investments and the sizes in the market sizes in India. In China, you have -- in the passenger vehicle space, you have 9in-1, 10-in-1 gearbox, which includes a gearbox, a motor control unit, a charger, a BMS, everything comes into 1 box.

Will we get there in India? We don't know. We think it's unlikely because the volumes are just not there. I mean, BYD makes more electric cars in China today than the total production of passenger vehicles in the country, right? So for BYD to consolidate everything into this 1 integrated unit, it's very viable and the investments can be paid off.

Can we do that in India? I don't know. Will there be no integration? I don't believe so, okay? So the answer for India, the India-specific solution is there's going to be some level of integration, but we don't know how much. And our strategy very clearly, as Atul articulated, is to be -- that we will play across the entire segment of power electronics and powertrain so that as customers in India choose different levels of integration, we are able to support them.

So our foray into motors has been something that we've been working on, and it's very important for us because we believe that there will be integration. We've talked about OBC, DC/DC, auxiliary drives. So these are all parts of the puzzle for us, and we are building that as a competence. We're not building that as a product competence, but as a technology competence.

Moderator: Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Atul Aggarwal for closing comments.

Atul Aggarwal: So thank you, everybody. I just want to add, I think we talked about that we have lost one of our key customers in SGEM, namely Ola because they've in-sourced the product. I just want to talk about the journey again.

I think last 4 years at SGEM have been very exciting. I think we've had a substantial ramp-up in volumes and revenue. And more importantly, we were able to build a footprint for ourselves as Sterling Tools in the EV space. I think we got recognized that we are one of the key players in the business. It has opened doors for us. That particular journey has opened doors for us at a lot of OEM customers in India.

And also importantly, we've been able to identify what are the customer needs, their challenges their pain points, and we've been able to pay back on that, we've been able to identify new product lines within China and Korea, especially keeping in mind that the Indian customer is very price sensitive. The volumes are not going to ramp up as fast. At the same time, Indian customer, Indian OEM wants all the choices to do what we need to do.

So we're building a product portfolio for the long term. Revenue ramp-up may be slow in the beginning, but we are very confident it will grow very substantially in the years to come. So long and short, we may have a temporary pain at SGEM in the short term. But I think that spurred us to do a lot more creative and aggressive stuff and adding new product lines and customers at the same time. So we are very focused. We are very positive of our business going forward, and we believe we are on the right track. Thank you.

Moderator: Thank you. On behalf of Sterling Tools Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.