

Company Name: Sintercom India Limited**Operational Highlights:**

- Sintercom India was formed in 2007 by Mr. Jignesh Raval and pioneered sintering technology in Indian Market.
- The company supplies automotive components to various clients like Mahindra & Mahindra, Maruti Suzuki, Bajaj Auto, Fiat to name a few. The company supplies sintered high-strength components for powertrain and exhaust systems of the vehicles.
- It is a Joint Venture between BRN Industries and Miba Sinter Group since 2011. Miba Sinter Group is an Austrian company and is the second largest global manufacturer of sintered components. The JV includes technology transfer agreement which allows Sintercom to access latest sintering technology being used at Miba.
- Miba has 6 global plants and supplies automotive components to clients like BMW, Audi, etc. Miba further infused INR 222 Mn capital in March 2021 by means of equity and convertible debentures. Miba now has around 30.2% stake in the company in a fully diluted basis.
- There are 3 major segments in the business portfolio which are engine components, transmission components, and body/chassis & industrial goods.
- The revenue mix between these segments is 58% from engine, 39% from transmission and rest small portion from body/chassis & industrial goods.
- Company has recently ventured in the industrial goods segment under its diversification program and is seeing great opportunity for sintered components.
- Sintering is process of making automotive components using powder metal like iron and stainless steel.
- Sintered components have several advantages over traditional components which include high-strength and high-yield; low weight, which helps in overall weight reduction of engine making it more efficient; porous, which helps in noise reduction.
- Sintering technology can be used to manufacture products for various industries like consumer goods, defence/aerospace, medical equipments, etc. Company is trying to diversify its portfolio further and have taken steps by entering industrial goods, CV and off-road segments and wants to continue exploring more opportunities.
- It achieved revenue of INR 405 Mn in 9M-FY22 period which is a growth of approx. 38% Y-o-Y and there is a strong growth opportunity as pending programs due to COVID are getting in the SOP.

- The capacity utilization for overall 9M is around 30-35% but in Q3 the capacity utilization is around 50% and management sees it improving going forward.
- The company has started various new programs like oil and gas segment and PSA Aptec program which is a global client. Sintercom is also exploring more opportunities in industrial segments and various other industries.
- The company is also in R&D phase of EV segment and is in prototype phase for manufacturing components using SMC technology for an EV two-wheeler client.
- The management sees volumes improving henceforth, as the new projects which were delayed have entered in the SOP phase and more projects will enter soon.

Key Questions & Answers discussed during the Conference:

- **What are the projections for the revenue and capacity utilisation for FY23 & FY24?** We have already started seeing improvement in capacity utilisation. Two new programs 2.0L cam-to-cam scissor gear for FIAT and sprocket for Hyundai are getting in ramping up phase this quarter which will drive the capacity utilisation further. We expect to reach 70-75% capacity utilisation by end of FY23 and then PSA program will get in ramp up phase which will take volume further high in FY24.
- **What is the expected margin projection when 80% capacity utilisation is achieved after weighing in the inflation of the raw material?** We had 80% utilisation in FY-19 and we were at margins of 19-20%. We expect to achieve same margins as we have no effect of raw material inflation. We have a cost transfer arrangement with our clients and transfer the cost to them with just a lag of a quarter.
- **How are we planning to transition from IC based components to EV components?** We have identified the components we want to convert to sintered components in an EV and are trying to convert them using SMC technology application. The advantages of Sintered components like noise absorption, light-weight etc. which will be the value addition for EV OEMs for using our components.
- **What is the total market size of the sintered components? What is company's market share?** In Europe and Japan, approx. 12 kg sintered components are used per vehicle. In India, the average was 2-2.5kg/vehicle in 2011 and now it is 5-5.5 kg/v. As the size of engine in India is also increasing, expected average of engine in India is 1.6L which will make growth opportunity for sintered components to 9kg/v and with Café 2 Norms coming in India, we expect the volumes overall go up. Presently, if we only take PV, the market size is INR 1,800 Cr and the company's market share is 6-7%. The company is only in niche technology products used in engine and transmission which is why the market share is low. We focus on technology innovation and want to achieve 10% market share in future.
- **How lengthy is the process of acquiring a new client in the traditional segments and the new segments company is entering?** It takes roughly 6 months to onboard a client in Industrial segment and 6 -8 months in EV depending upon the clients' requirement. With OEM's efforts to diversify their raw material sources like China+1 strategy, we are seeing more opportunities in Indian and in global markets.

- **What's the content per vehicle of components in the EV?** In EV, we have understood the max average is 6-6.5kg. There are various components in two types of motors and planetary gear box which can be converted into sintered components and we are working to do that. As more development starts in India, we are also well positioned to get opportunities from it.
- **What is the vehicle segment in which company is supplying components for its clients like Mahindra? Please explain sourcing patterns to different clients.** We are majorly supplying components for the passenger vehicles to Mahindra and our other clients. We are single source of components for sintered components for clients like Mahindra and Fiat. For Maruti, we have business share from its petroleum segment and diesel transmission which makes total to be around 65% components that we supply. Rest 35% are from our competitors.
- **Which are the competitors in the sintering industry?** GKN Sintermetals is one of the largest competitor. Along with them, Sundaram Fasteners have sintered division and off-late Motherson Sumi has also started developing this technology. Hitachi is also there but it only supplies to Honda and to some extent in Maruti.
- **How long does it take to switch between the suppliers of same components for the OEMs?** In the last 10 years, the OEMs have not generally shifted the suppliers of their components unless there is a quality issue with the supplier. When the supplier is changed, even if the components are of same dimension, they have to go through a validation process which can be anywhere from 4 to 6 months depending on OEM's cycles.
- **What is the company's strategy in terms of existing business and the new business going forward as EV and other developments happen in the industry?** Going forward, company is focused on diversifying its business. We have a target of reducing every customer share in revenue to max 30% and a segments share to max 50%. Industrial goods is an attractive segment and lot of components have already been identified and company will aggressively work and see if this a big opportunity. PSA program is another example of company's intention. They will help us enter global market and will open space for further growth.
- **What is the strategy to onboard more auto OEMs like Kia, Tata as clients? What is the driving factor for the vendor preference by the OEMs, is it the price or some value-added solution/technology?** We have started adding more clients like Hyundai, they take their sprockets from us through Schaffler. They wanted to localise their sprockets so they sourced from us and from April, we will be their 100% supplier. We have a trademark rolling gear technology which we have demonstrated on several occasions. We try to give some value-added solution to our client OEMs and try to compete on technology as we cannot afford to compete on price with big companies like Sundaram or GKN.
- **How does the company see two-wheeler as an opportunity because the volume of vehicles are high there? What are companies effort on EV two-wheeler market?** There is more transition in the two-wheeler segment in terms of IC and EV therefore we are a little conservative. We have around 18-20% revenue from two-wheeler segment and want to preserve our resources in converting IC two-wheeler components as there is gradual shift in EV there. We are developing components using SMC for electrification motors for an EV two-wheeler manufacturer and we are confident. When the results are out, we will be able to demonstrate to more EV manufacturers and can penetrate the market more.

- What is the cost benefit for the OEMs for using Sintered components in comparison to casted/forged components?** In the sintering process, there is no scrap that is wasted as we make complete shape with the mould and powder metal is used. Therefore, whatever benefit is achieved is passed on to the OEM so there is a cost benefit. Along with that, now OEMs have also started looking at more value-added solutions from the components than just price. With BS6 and very soon Café 2 Norms in India, OEMs are looking at weight reduction and other aspects as well. We recently converted Bearing Cap for an OEM at similar cost than casted components but we gave them weight reduction benefit while keeping the strength required for the application intact. Also, we gave them interlock which helps them in assembly of the vehicle. We have always tried to provide value added benefits with our technology to our clients.
- What the difference of cost of conversion from raw material to finished goods between sintering and casting/forging?** In 2012, Sintercom converted Mahindra's sprockets from casting to sintering and got a double-digit cost saving so there is benefit with sintering. The machining is very less in Sintering as compared to casting/forging and high yield is achieved. Also, there are several benefits like weight reduction which cannot be achieved by any other technology than sintering. Therefore, cost is not the only concern presently for OEMs like Mahindra is getting 9% weight reduction due to sintered components.
- How lengthy is the process of acquiring a new client in the traditional segments and the new segments company is entering?** It takes roughly 6 months to onboard a client in Industrial segment and 6 to 8 months in EV depending upon the clients' requirement. With company's trying to diversify their good sources like China+1 strategy, we are seeing more opportunities in Indian and in
- What is the understanding between Sintercom and Miba in terms of export business?** Miba, having its base in Europe, did local strategic tie-ups in North America, China, Brazil and in India with Sintercom. They wanted to supply locally to those local markets. In 2018, Sintercom demonstrated that in several programs, due to cost pressures, it could be beneficial for Miba to include others in global projects. PSA program was first program and has opened door for more opportunities.

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