Sterling Tools

Operator: Ladies and gentlemen, good day and welcome to Sterling Tools Limited Q2 and H1 FY27 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 of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Atul Aggarwal. Thank you, and over to you, Mr. Aggarwal.

Atul Aggarwal: Thank you. Good morning, everybody, and thank you for joining us on the call this morning. Welcome to Sterling Tools Limited Q2 and H1 FY27 earnings call. I am joined today by Mr. Jaideep Wadhwa, Mr. Anish Agarwal, our newly appointed CFO, Mr. Amit Datta, and Strategic Growth Advisors, our investment and investor relations advisors.

Our earnings presentation has been uploaded on our website and the stock exchanges, and I hope everyone has had the opportunity to go through it.

I would like to begin with the industry overview.

The Indian automobile industry recorded its highest-ever second-quarter sales across major vehicle segments in Q2 FY27. Domestic sales grew approximately 18% year-on-year to 83.88 lakh units, supported by improved affordability following GST 2.0, healthy rural and urban demand, and vehicle replacement.

According to SIAM, the industry is expected to maintain positive growth momentum in H2 FY27, supported by festive demand, new launches, infrastructure spending, and fleet replacement.

However, inflation, potential interest rate increases, and geopolitical uncertainties remain important factors to watch.

Turning to our performance at a standalone level, we are pleased to report our highest-ever quarterly and half-yearly revenue, along with our highest-ever half-yearly EBITDA.

We have outperformed the broader automobile industry. While industry sales grew by approximately 18% in Q2 FY27, our standalone revenue increased by around 32% year-on-year.

For H1 FY27, against industry growth of approximately 20%, our standalone revenue grew by around 28%.

A key driver has been strong traction in the CV segment, particularly high volumes from a marquee customer. This reflects the benefits of our customer relationships and our continued efforts to diversify across vehicle segments.

Our H1 EBITDA increased by 17% year-on-year to 58.7 crores, whereas for Q2 FY27, EBITDA increased to 27.7 crores, reflecting growth of around 8% year-on-year.

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Profit after tax stood at 13.6 crores in Q2 FY27 compared to 19.8 crores in Q2 FY26, and at 30 crores in H1 FY27 compared to 30.8 crores in the same period of the previous year. However, it is important to note that Q2 FY26 and H1 FY26 contained an exceptional gain of 9.5 crores.

While revenue growth has been strong, profitability has faced near-term pressure. As discussed on our previous earnings calls, we exhausted most of our earlier low-cost inventory in Q1. At the same time, commodity and non-commodity input costs have increased significantly amid the ongoing West Asia conflict.

Our pricing arrangements with OEMs provide for pass-through of input cost increases. However, these recoveries typically come with a time lag, temporarily affecting margins. As the higher costs are progressively recovered, we expect margins to improve over the coming quarters, subject to input price movements and the broader operating environment.

We remain focused on strengthening our core fastener business through customer diversification, capacity expansion, and disciplined investment. Against our earlier capex plan of 80 crores for the fastener business, we have already incurred about 25 crores, and our total fastener capex plan will now be in the range of about 110 crores.

We are also increasing our overall FY27 capex to about 150 crores across all our businesses: fasteners, HVDC contactors, and MCUs.

Our fastener business continues to provide a strong foundation for the group, supported by healthy demand, expanding customer relationships, and a continued focus on operational execution.

Moving to SEML, Sterling E-Mobility Limited, revenue from this business stood at approximately 23 crores in Q2 FY27, taking H1 FY27 revenue to around 37 crores. This quarterly growth has primarily come from higher volumes and new customer additions. The business has made encouraging progress, particularly in the commercial vehicle and light commercial vehicle segments.

Our focus remains on higher-value applications and expanding our presence in commercial vehicles. The production lines for onboard chargers and multifunction units, scheduled for commissioning in Q2, have been commissioned as planned.

Our priorities remain increasing volumes, broadening the customer base, and strengthening our position in higher-value electric mobility solutions.

At STML, Sterling Tech-Mobility Limited, we have made steady progress in commercializing our high-voltage DC contactors and relays business. Commercial supplies, which were scheduled to begin in Q2 FY27, have now commenced. This marks an important milestone as we move from development toward commercial execution.

To conclude, our fastener business remains at the core of Sterling Tools' growth strategy. Long-standing customer relationships, opportunities across vehicle segments, customer diversification, and planned capacity investments position us to pursue the next phase of growth.

While near-term input cost pressures have affected profitability, we remain focused on execution, disciplined capex allocation, and strengthening our competitiveness across our businesses. Our

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priority is to build a more resilient business and deliver sustainable long-term value for our stakeholders.

Before we move to the question-and-answer session, I would like to introduce our newly appointed CFO, Mr. Amit Datta. Mr. Datta brings nearly three decades of experience across finance, taxation, audit, corporate reporting, and financial control. He has held senior positions at organizations including Spark Minda and One97 Communications, and spent over 14 years with Pricewaterhouse, including international experience in the UK. His experience in manufacturing finance, regulatory compliance, fundraising, and corporate governance will be valuable as we continue to strengthen our financial and operational capabilities. We warmly welcome him to Sterling Tools, and now invite Amit to introduce himself.

Amit Datta – CFO: Thank you, Atul, and good morning, everyone. I am delighted to join Sterling Tools Limited at an important stage in its growth journey. The company has built a strong foundation in the fastener business while steadily expanding into electric mobility and newer technology-led opportunities. At Sterling Tools, I look forward to working closely with the management team to strengthen financial discipline, support business growth, and maintain strong standards of governance and reporting. I look forward to interacting with all of you and contributing to the company's continuous progress and continued growth. Thank you. With that, we will be happy to take your questions.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Operator: The first question is from the line of Dev, who is an individual investor. Please go ahead.

Dev – Individual Investor: Thank you for the opportunity. Can you confirm the growth in the SEML and STML businesses compared with Q1 of this year?

Atul Aggarwal: Could you repeat that question? I cannot hear you.

Dev – Individual Investor: Can you confirm the growth in the SEML and STML businesses compared with Q1 of this year?

Atul Aggarwal: I am sorry, I am not able to understand your question. I can hear you, but I am not able to understand your question. Would you mind repeating that again? My apologies.

Dev – Individual Investor: I will try this. I was checking on the SEML and STML business streams. What is the growth in Q2 versus Q1 of this year?

Atul Aggarwal: Jaideep, do you want to take that SEML question?

Jaideep Wadhwa: It is 26%.

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Dev – Individual Investor: It is 26%. And this is largely the SEML business, correct? And what about STML?

Atul Aggarwal: This number is Q2 over Q1. Am I right, Jaideep?

Jaideep Wadhwa: Correct. That is correct, Atul.

Atul Aggarwal: Yes.

Dev – Individual Investor: Okay.

Management: In STML, it just started its operations in Q2, where the total turnover is mainly in Q2.

Dev – Individual Investor: What is the loss per quarter that you are incurring in both of these businesses as of now, and are they largely fixed costs or operational in nature?

Atul Aggarwal: I think the losses in both businesses, particularly SEML, are substantially operational in nature. Fixed costs always have an element in that as well. However, we need to increase the revenue. Once we reach revenue of 150 crores or more, we will probably reach the break-even point by that time.

Jaideep Wadhwa: Sorry, Dev, my apologies. I gave you the volume growth number, which is not representative because we are moving from lower-value two-wheeler and three-wheeler businesses to the much higher-value HCV segment. The growth is about 80%.

Dev – Individual Investor: The growth is 80%. Okay. And what is the total value of revenue in the SEML business today?

Jaideep Wadhwa: For the first half, as Atul mentioned, it is 37 crores.

Dev – Individual Investor: Okay, and we are expecting the business to become profitable above 150 crores, correct?

Atul Aggarwal: Correct. That is correct.

Dev – Individual Investor: What challenges do you see in the SEML business in terms of scaling? That is my last question.

Jaideep Wadhwa: In the SEML business?

Dev – Individual Investor: Yes.

Jaideep Wadhwa: As of today, I think a lot of the hard work has already been done in developing the new product portfolio. For us now, it is about ramping up volumes from our new production line. Our revenue expectation for the fourth quarter is based on the fact that most of the programs we are working on will go live in the fourth quarter. I will explain why. We installed our machines, as Atul mentioned, in the second quarter. In the third quarter, we are going to carry out the final validation of these products with our customers, and from the fourth quarter, we will start supplying. Therefore, starting from the fourth quarter of this year and for most of next year, we already have

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confirmed business from several of our customers. As long as we are able to meet their production targets, we do not see much of a challenge, except for operational and supply chain challenges, in meeting the numbers.

Dev – Individual Investor: Thank you. One last follow-up. When Mr. Atul mentioned approximately 150 crores and above as the level at which we become profitable, are we talking about annual numbers?

Atul Aggarwal: Yes.

Dev – Individual Investor: Okay. And we expect to do that by Q2 of next year?

Atul Aggarwal: We expect to outperform that number in FY28.

Dev – Individual Investor: Okay, good. Thank you.

Operator: Thank you. A reminder to all the participants that you may press '*' and '1' to ask a question. The next question is from the line of Mihir from Antique Securities. Please go ahead.

Mihir – Antique Securities: Good morning, sir. Congratulations on a good set of numbers. I wanted to ask about our revenue growth of 32.4% in Q2, while EBITDA grew only 8.2%. Is this because higher input costs are still affecting our margins, or how much improvement can we expect in H2?

Atul Aggarwal: It is a good question. You are 100% right that EBITDA has not grown at the same level as revenue. As I said in my call and in previous engagements as well, input price increases have been dramatic this year. This has been an exceptional year in manufacturing, in which we have seen input costs go up for some commodities by as much as 300%, and for others by 30%, 40%, or 50%. The inflationary impact has been substantial.

We are increasing our revenue; that is one way of addressing it. Secondly, we are negotiating with our customers for price increases, not only on account of steel, which has been a normal practice for years, but also because the exceptional item this year is inflation-related cost increases. We are negotiating with our customers. Some increases have come through, while some are still under negotiation, and some of them will probably come with retrospective effect. However, this is a long negotiation process. It does not happen overnight because these are longstanding relationships.

We do expect to receive substantial compensation going forward with retrospective effect. However, having said that, there will be pressure on maintaining our EBITDA margin this year because of exceptional inflation and steel price increases.

Mihir – Antique Securities: Understood, sir. So, by H2, there would be a price pass-through?

Atul Aggarwal: Yes.

Mihir – Antique Securities: Okay.

Atul Aggarwal: This is a mutual negotiation that we undertake, and it takes some time.

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Mihir – Antique Securities: Understood. Another question I had was regarding commercial vehicles. They have been a key growth driver this year. Is the growth coming mainly from higher volumes with existing customers, or are new customers also contributing equally?

Atul Aggarwal: No, these are all incumbent customers. There have not really been any new customers or new operators in that segment. They are existing customers such as Tata, Leyland, Volvo, Mahindra, Daimler Benz, and Mahindra Swaraj Mazda, which was an earlier customer. It is across the board. It is not the startups; the existing operators have ramped up dramatically.

Mihir – Antique Securities: So that means existing customers are mainly driving this growth.

Atul Aggarwal: Correct.

Mihir – Antique Securities: Understood. Thank you. That is all from my side.

Operator: Thank you. A reminder to all participants that you may press '*' and '1' to ask a question. The next question comes from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi – Counter Cyclical Investments: Thank you for the opportunity. I wanted to understand the margins of our fastener business. Can we expect to move to the 14%–15% range over the next one or two quarters? In Q1, you mentioned that we had the benefit of low-cost inventory, so how should we look at the margins of this business going forward?

Atul Aggarwal: Madhur, on the fastener business, we have been hovering between 15% and 16% EBITDA. As I said a little while ago, we hope to maintain that, but this year is an exceptional year. There has been tremendous pressure, not only on account of steel price increases, but also because of the inflationary impact on every input in our manufacturing processes: power, diesel, carbide tooling, steel, and people costs. These costs have gone up dramatically because of the increase in minimum wages.

It has been an exceptional year, with most parameters going up. Therefore, there may be pressure on EBITDA margin this year. As I said, we are trying to negotiate with our customers for increases. We hope to get substantial compensation against that. It is difficult for me to say whether we will close the year at the same margin as last year. As time progresses, I will have a better estimate on that. However, we are under pressure on EBITDA margin. Having said that, pressure does not mean it will be dramatic. It will be marginal pressure in terms of the numbers.

Madhur Rathi – Counter Cyclical Investments: Would it be fair to assume that by Q4 we could move to the 15% levels, not on an annual basis but on a quarterly basis?

Atul Aggarwal: We are hoping for that. That is correct.

Madhur Rathi – Counter Cyclical Investments: Got it. I wanted to understand the competitive intensity because it seems that one of our competitors was acquired some time ago by an Italian company. Is the competitive intensity better, or is pricing better with OEMs? How should we understand this?

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Atul Aggarwal: Despite the acquisition of that competitor by an Italian company, we do not feel any pressure as a result of that. There is no pricing pressure and no volume pressure. In fact, our volume levels are up almost 28% on a half-yearly basis.

I think we are on a good wicket. Because of our quality, customer servicing, volume availability, and capacity availability, we are on a good wicket. We are also backed by four decades of relationships. Therefore, we do not feel any constraint in terms of growth, pricing, or margin pressure because of that.

Madhur Rathi – Counter Cyclical Investments: My question was more about whether the acquisition has benefited the whole industry. Has there been any pricing discipline after the acquisition by a large multinational company? From that perspective—

Atul Aggarwal: It is an exceptional year. As you know, volumes are up dramatically. I think it is too early to discuss that. You may want to ask that question to the Italian company and try to get its sense of what it sees. From our perspective, we feel we are in a good place.

Madhur Rathi – Counter Cyclical Investments: Got it. What are the prospects for exporting our fasteners, as well as moving into structural fasteners used in the EV industry? Is there a possibility for Sterling to move in that direction as well?

Atul Aggarwal: No, we are not looking at structural fasteners. Our near-term plan is to stay with automotive and the adjacencies of automotive. We have no plan to enter structural or construction businesses at all. We are trying to do some business with the railways, and we will pursue that business incrementally. Once we understand that business very well, we will probably take a more strategic view of it.

Madhur Rathi – Counter Cyclical Investments: Got it. One final question on the STML business. Now that we have commercialized our contactors and relays, how are our gross margins? Have we been able to reach the desired gross margin level for these products, and how should we look at the scale-up of this business going forward?

Atul Aggarwal: I think the gross margins will be in line with what we project next year. They are already in line as of Q2. However, once this business ramps up, which will be in the last quarter of this year, we will get more clarity on gross margins as well as EBITDA margins.

Madhur Rathi – Counter Cyclical Investments: Got it. That was all from my side. Thank you very much, and all the best.

Operator: Thank you. The next question is from the line of {? Ansh Khemka ?} from Capital One. Please go ahead.

{? Ansh Khemka ?} – Capital One: Good morning, sir. Am I audible?

Atul Aggarwal: Yes.

{? Ansh Khemka ?} – Capital One: Congratulations on a great set of numbers. I had a few questions regarding the capex. We had initially planned approximately 80 crores, and we ramped it up to 135

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crores. Could you lay out where we are seeing an opportunity and where this capex will be incurred?

Atul Aggarwal: Let me break up that capex for you. Our overall capex at the consolidated level will be about 150 crores. 20 crores will be incurred at SEML, and about 10 crores at STML.

For our standalone fastener business, the initial capex plan was 80 crores, which has been ramped up to maybe close to, more like 130 crores this year—sorry, 120 crores this year. As the business has been progressing and time has been progressing, and as we see the traction, we are building our capex with an eye to the future over the next 12 to 24 months, because there is a lag for that capex to happen and convert into possible revenues. Depending on the kind of equipment, that lag can be anywhere from 6 to 18 months. We are progressively bui-

Management: ...ing our capex plan, keeping in mind what we hope to do in FY28 and FY29. That is why the numbers have gone up substantially. We are planning our next 24 months proactively, based on the traction we have with our customers, based on revenue growth, based on our communications and commitments with certain customers, and lastly, keeping in mind the time lag we have to execute those commitments.

{? Ansh Khemka ?} - Capital One: That is encouraging. What kind of capacity will we be adding for the fastener business? Of the additional 40 crores that we are adding, what kind of capacity will we be adding and what would be the—?

Management: I think, Ansh, it is a very complex question. It needs a long conversation because capacity itself is built across different areas. There is pure hard capacity on the shop floor, which will translate into numbers. Capex also means putting up infrastructure, which could include buildings, power backups, and so on. Therefore, not every dollar value or rupee value is converted into revenue immediately. It is a combination of capex that we undertake, which translates into a certain capacity increase.

For example, with approximately 120 crores of capex, I think we will probably increase our capacity by roughly 150 crores in value terms. It will probably give us another 150 crores of revenue.

{? Ansh Khemka ?} - Capital One: Understood. Our other expenses have also increased by approximately 10 crores in the current quarter. We were at around 60 78 crores in the same quarter last year, and now we have reached around 87 crores, compared with 77 crores last quarter. Is there any update on why this is happening? Is it mainly freight?

Management: [pause] Give me a second.

{? Ansh Khemka ?} - Capital One: Hello?

Management: Our other expenses have gone up because other expenses include consumables, tooling, and so on. I will give you a number: tungsten carbide prices have gone up by over 300% in the last 12 months. This is, first, due to inflationary pressures; second, there has also been 28% volume growth. If you look at absolute numbers, it will probably be deceiving, but if you look at other expenses on a standalone basis, they have gone up from 77 to 87, as you rightly said. On a percentage basis, however, they are stable.

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{? Ansh Khemka ?} - Capital One: So the variable component of the expenses is increasing in line with sales. Is that correct?

Management: I would not look at absolute numbers; I would look at percentages. The percentages are stable despite inflationary price increases in input costs. [hesitates] Despite the fact that there have been inflationary price increases in input costs.

{? Ansh Khemka ?} - Capital One: That is encouraging. Our debt has also gone up considerably in this quarter. Is this mainly because of the capex we are incurring, or is there anything else?

Management: I think the debt has gone up for two or three reasons. First, we have made a 40 crore investment in our subsidiaries this year, SEML and STML, which was announced in the results for the last quarter. Second, because our capex plan has increased to about 150 crores, we are funding it through a higher debt component. I think these are the two big reasons.

Lastly, since the balance sheet size is increasing and our revenue is up by approximately 30%, the absolute value of our working capital requirements has gone up. On top of that, we have taken a strategic view to add a higher level of inventory of virgin raw materials that we buy from steel mills. The market is so buoyant that steel mills are completely booked out, so we are carrying a higher level of inventory for our raw materials. It is a combination of all these factors.

{? Ansh Khemka ?} - Capital One: On the business side, how is the AEM, or advanced motor, ramp-up progressing? Are we in contact with the customers, and have we received any update from them?

Management: Naveen, do you want to take that?

Naveen: We have mentioned that we were looking at doing two POCs for the AEM product for two different product categories of vehicles. One POC has been delayed but is expected to be completed by the end of November. The second POC has been put on hold by the customer because of the inflationary pressure they were facing. They have put many of their advanced engineering projects on hold for the time being. We are hoping to see the first POC come through by the end of next month, which is November.

{? Ansh Khemka ?} - Capital One: By the end of November, as I understand it, we will be in the advanced stages of building the motor for them. At present, we are in touch and are trying to understand their requirements, correct?

Naveen: I think that would be a little more advanced than the actual status. A POC is basically to prove that the concept works. Thereafter, the customer has to determine how to incorporate it into its designs and so on. There is still a lot of time and effort required to take it from a POC to actual production.

{? Ansh Khemka ?} - Capital One: Understood.

Naveen: I am saying that there is a lot of engagement, but translating a brand-new concept or a new technology into revenue has a fairly long gestation period.

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{? Ansh Khemka ?} – Capital One: Understood. If I could ask one more question, have we taken on any new clients in the fasteners business? We had Tata earlier; have we signed any new customers?

Management: Ansh, we are already working with practically all the customers. There are no major customers left to be acquired in the fasteners space. All we need to do is increase new product development with them and increase our share of business spend with them.

In terms of new customer acquisition, we have practically all the customers in our portfolio. If you look at the investor deck, you will find that all the customers are onboarded with us. All customers with any material value of purchasing are already with us. There are others, such as the Volkswagen group, which are entirely import-based. In that sense, all the major OEMs are already in our portfolio.

{? Ansh Khemka ?} – Capital One: I think the assumption that this volume growth can be carried forward for the remaining part of the year and perhaps into next year as well is something that can be made on a relative basis at present, correct?

Management: What can be? What was the last part of your statement?

{? Ansh Khemka ?} – Capital One: Can we proceed with that assumption? Is that correct?

Management: Yes, I think that is what we are saying. The numbers I am trying to project are based on our confidence in our customers and where we are today.

{? Ansh Khemka ?} – Capital One: We should be able to surpass the standalone revenue we achieved last year by the end of this year, correct?

Management: Yes, definitely.

{? Ansh Khemka ?} – Capital One: Is an increase of 15% over that also a fair assumption?

Management: Definitely.

{? Ansh Khemka ?} – Capital One: Thank you. That is all from my side. All the best.

Management: Thank you.

Operator: Thank you. A reminder to all participants that you may press '*' and '1' to ask a question. The next question comes from the line of Yogesh Patel from Pranami Investment. Please go ahead.

Yogesh Patel – Pranami Investment: Good morning, everyone, and thank you, Ahmed. You rightly said that there was 28% volume growth and that there would be a cost increase. It is very difficult to calculate this on a per-piece basis, but in terms of volume or tonnage, the amount of value addition might be reduced because of inflation. Do you see any improvement in realization because of product mix or any kind of price pass-through, or do you see the—?

Management: We lost you in the middle. You will have to start the question again. We lost you in the middle.

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Yogesh Patel – Pranami Investment: You said there was 28% volume growth, correct? It is very difficult to calculate this on a per-piece basis. I am asking in terms of tonnage, or in terms of weight, and value addition perhaps on a per-kilogram or per-ton basis. So, the incremental growth or revenue generated in Q2 is a combination of new product mix and a lack of pricing being passed through to customers. I mean the impact of inflation plus product mix. Could you give us a rough indication of how much impact inflation has had on the fasteners business?

Management: Our 28% is pure volume growth in the first half. I think our value growth is also very similar. Mathematically, that already indicates that a large part of inflation has not been factored into the revenue right now. As I said, it is under negotiation. It is an ongoing process. The inflation-related price increases from customers are very nominal right now. Many of them are under negotiation, and they will probably translate into our P&L in Q3 and Q4.

Yogesh Patel – Pranami Investment: That means we will receive price recovery in Q3 and Q4, roughly.

Management: Correct. Some of those price increases will also have a retrospective effect.

Yogesh Patel – Pranami Investment: I mean, sorry, I did not understand. I am asking whether there is any better realization because of the product mix, improvement in product mix, or high-margin products. What could that percentage be in terms of volume, roughly?

Management: No, I think those are marginal numbers right now.

Yogesh Patel – Pranami Investment: Okay.

Management: It is not something that will make a dramatic quarter-on-quarter impact on our business. We look at the total basket over the year.

Yogesh Patel – Pranami Investment: If we are growing above the industry average, we are roughly gaining market share from other players, correct?

Management: Yes, we are.

Yogesh Patel – Pranami Investment: Okay.

Management: Yes, we are.

Yogesh Patel – Pranami Investment: Considering the capex in the fasteners business and the EV business, what is the potential revenue? I am not asking you to give a target, but could you give an aspirational figure for FY28 and FY29 from the EV and fasteners businesses? I mean, perhaps a hypothetical number.

Management: Our first target is to reach 1,000 crore of revenue in our fastener business as soon as possible. We are quite positive that if the current momentum continues, and given the kind of investments we are making in the business, we will probably have visibility on that in the very near future.

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Talking about our SEML and STML businesses, SEML is rebuilding the business. We went through a big shock in FY26, and we are rebuilding our business during FY26 and FY27. We are quite hopeful that the business will turn around substantially this year by refocusing on the products we are developing and the customers we are serving. That will help us lay the foundation for the years ahead.

Similarly, for STML, I think the validation and testing periods are as long as 12 to 18 months. A lot of that work has already been completed, and we will see revenue ramp-up coming dramatically next year based on top of this year's numbers.

Yogesh Patel – Pranami Investment: But roughly what could the number be, sir? Just to understand the—?

Management: I do not want to put a number out there. Perhaps we can have this conversation when we conduct our FY27 investor call.

Yogesh Patel – Pranami Investment: I understand that. I just want to know the potential revenue and what is possible with this capacity.

Management: As I said, I do not want to do that right now. There is a lot of groundwork happening. Certain information may be confidential right now based on certain contracts we have with customers, particularly in the EV businesses. As I said, I would like to have that conversation during the FY27 investor call.

Yogesh Patel – Pranami Investment: Okay. Sir, last question—

Operator: Mr. Yogesh, due to lack of time, please rejoin the queue for more questions.

Yogesh Patel – Pranami Investment: Sure.

Operator: The next question is from the line of {? Ayush Abani ?} from {? Sai Advisors ?}. Please go ahead.

{? Ayush Abani ?} – {? Sai Advisors ?}: Hello, am I audible?

Management: Yes.

{? Ayush Abani ?} – {? Sai Advisors ?}: I wanted to ask about the onboard charger and multifunction unit production lines, which have been commissioned as planned. When do you expect these products to start contributing meaningfully to revenue, and how important could they become for SEML's growth?

Management: If you see, many of our customers' SOPs are starting in Q3 and Q4. In Q3 and Q4, you will see a substantial increase in revenue compared with Q1 and Q2. The businesses have been acquired, and customers have been acquired [cut off]

Management: and are being developed and tested. They are converting into revenue in Q3 and Q4, and FY28 will be a much bigger year on top of that. We have refocused significantly on these new product lines, and the unit prices of these product lines are much higher than those of the products

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we were supplying for the two-wheeler segment business. These businesses are primarily focused on commercial vehicles, light commercial vehicles, and public transport, which have a more sustainable growth path. You will see a significant amount of that revenue ramp-up coming in Q3, Q4, and FY28.

{? Ayush Abani ?} – {? Sai Advisors ?}: Understood. I also wanted to ask whether the capex amount is 135 crores or 150 crores.

Management: It is 150 crores for FY27 at the consolidated level.

{? Ayush Abani ?} – {? Sai Advisors ?}: Thank you very much.

Operator: Thank you. The next question comes from the line of Dev, who is an individual investor. Please go ahead.

Dev – Individual Investor: In the presentation on the e-mobility segment, you mentioned that we have 42 active programs and 23 business contracts. I wanted to understand how many of these contracts came in H1 of this year and how many contracts we have signed.

Management: Jaideep?

Jaideep Wadhwa: We have received five new contracts that are expected to enter production by the end of this year.

Dev – Individual Investor: This 23 includes the five, but production will happen this year and has not started yet, correct?

Jaideep Wadhwa: Not yet. We may have supplied quantities in the tens, but not [cut off]

Dev – Individual Investor: Okay.

Jaideep Wadhwa: Not the full production quantities.

Dev – Individual Investor: Are we also working with some of the larger commercial vehicle OEMs, such as Tata, Ashok Leyland, and Eicher, in the {? EV segment business ?}?

Jaideep Wadhwa: Yes.

Dev – Individual Investor: Have we signed any contracts with them yet, or are we still in the engagement stage?

Jaideep Wadhwa: Yes.

Dev – Individual Investor: Okay. Thank you.

Operator: Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of the question-and-answer session. I now hand the conference over to management for closing comments.

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Management: Thank you, everybody, for joining us today and giving us your time. This has helped us communicate our performance for the last six months and where we see the business going forward. We hope to engage with you again in future calls. If anybody has a request for additional information, please reach out to SGA, our investor relations advisors. They will organize a communication with us, and hopefully we will try to answer all your queries. Thank you very much.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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