Company Name: India Nippon Electricals Ltd.

Management Participants :

Mr. Ravinder Sharma – President

Ms. S. Logitha – Company Secretary and Compliance Officer

11th Annual Valorem Conference Highlights :

- The company remains confident of outpacing industry growth, driven by strong product portfolio, customer programs, and increasing focus on exports.
- Strategic focus is on the premium 2W segment (150cc+), which is growing at ~20%+, where the company has strong presence and higher value-added products.
- The company is shifting towards electronics and system-level integration (ECUs, controllers, sensors), moving from a product-based to a solutions-based approach.
- Increasing content per vehicle by offering integrated systems (e.g., ECU + ISG + controllers) is a key growth driver for both revenue and margins.
- Margin improvement strategy is driven by higher share of electronics, exports, and aftermarket, rather than competing on cost in commoditized products.
- The company is actively preparing for EV transition, developing products like DC-DC converters, sensors, and controllers, while continuing to benefit from the ICE runway.
- Capex of ~INR 150 crore in last 3 years towards capacity and technology. Export strategy is gaining traction, with a target mix of ~10–15% revenue from exports, supported by expansion into new geographies and applications (e.g., stationary engines, lawn equipment).
- Aftermarket business is scaling rapidly from a low base, with strong distribution expansion and partnerships, contributing to higher-margin revenue streams.
- The company maintains a debt-free balance sheet with ~INR 500 crore cash, which will be utilized for capex, technology investments, and potential technical tie-ups.
- Capacity utilization is ~80%, and the company continues to invest in automation, backward integration, and manufacturing efficiency to support growth and margin expansion.

Key Questions & Answers discussed during the Conference:

- **What are the key growth drivers going forward?** Growth is expected to be driven by the premium motorcycle segment, which is expanding at a faster pace, along with increasing electronics content per vehicle. In addition, exports, aftermarket expansion, and a shift towards system-level integration (rather than standalone components) will support growth.

- **How does the company plan to improve margins?** Margin improvement will primarily come from increasing the share of electronics products, which inherently have better margins. Additionally, growth in exports and aftermarket, along with backward integration, automation, and overhead control, will support profitability. We do not believe in competing purely on cost, but rather focus on value-based differentiation.

- **Is the company entering new segments?** Yes, we are actively expanding into sensors and controllers. These products have applications beyond two-wheelers, including four-wheelers and industrial use cases, enabling diversification.

- **What is the company's strategy regarding EVs?** EV penetration remains uncertain, with estimates changing over time. Our approach is to continue supporting the ICE segment, which still has a long runway, while simultaneously preparing for EVs by developing products such as controllers, sensors, and DC-DC converters. The focus is on preparedness rather than prediction.

- **What is the product roadmap?** We are focusing on products like ECUs, ISG systems, controllers, and sensors, with an increasing emphasis on integrated systems. New products are expected to be introduced in FY27, with meaningful scale and maturity expected from FY28 onwards.

- **What is the nature of technology partnerships?** We prefer technical agreements rather than joint ventures. These partnerships help reduce time-to-market and avoid reinventing technology. It is actively exploring global tie-ups for advanced technologies while maintaining independence.

- **How is the export business evolving?** Exports are gradually gaining traction, particularly in the US market for applications such as lawn mowers and stationary engines. While geopolitical and supply chain uncertainties caused temporary disruptions, order inflows have started improving again. The long-term outlook for exports remains positive.

- **Is customer concentration reducing?** Yes, the dependence on a single customer is gradually declining as we expand our presence across multiple OEMs and platforms.

- **What is the company's key competitive advantage?** Our strength lies in its technology capabilities and ability to demonstrate value to customers. Rather than competing on price, we focus on engineering-driven solutions that improve performance and efficiency, which helps in winning business.

- **What is the current capacity utilization and capex outlook?** Capacity utilization is currently around 80%, and the company continues to invest in capacity expansion, automation, and technology. The strategy is to invest ahead of demand to attract new business opportunities.

- **What is the growth outlook compared to the industry?** While the industry is expected to grow at around 10–11%, the company aims to grow significantly faster (around 16–17%), continuing its trend of outperforming the market.

- **Are there any raw material or supply chain concerns?** The company has seen volatility in certain inputs such as silver and electronic components. However, it manages this through supplier agreements, inventory strategies, and continuous monitoring of the supply chain.

- **How will the company utilize its cash reserves?** The company plans to use its cash (around INR 500 crore) for capex, technology investments, and potential technical collaborations. It does not intend to take on additional debt.

- **What is the strategy for aftermarket growth?** The aftermarket business has grown significantly and remains a key focus area. We are leveraging distribution partnerships and working towards building a stronger brand presence. Export aftermarket is still underpenetrated and offers further upside.