



“Studds Accessories Limited
Q2 & H1FY26 Earnings Conference Call”

November 27, 2025

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges and the Company website on 27th November 2025 will prevail.”



IIFL CAPITAL

C H O R U S C A L L

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Moderator: Ladies and gentlemen, good day and welcome to the Studds Accessories Limited Q2 FY26 Earnings Conference Call. 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 the star key followed by zero.

Please note this conference is being recorded. I now hand the conference over to Mr. Joseph George from IIFL Capital. Thank you, and over to you, sir.

Joseph George: Thank you, Steve. Good afternoon, everyone. On behalf of IIFL Capital, I welcome you all to the Q2 FY26 Results Conference Call of Studds Accessories Limited. I also welcome the management team of Studds Accessories. We have with us Mr. Sidharth Khurana, Managing Director, Manish Mehta, Chief Financial Officer and other members of the senior management team. Now I will hand over the call to the management to take it forward. Over to you, Sidharth.

Sidharth Khurana: Thank you, Joseph. Good afternoon, everyone, and thank you for joining Studds Accessories Limited Q2 and H1 FY26 Earnings Conference Call. I hope you had a chance to go through our financial results and investor presentation, which are available on the company's website and on the stock exchanges.

I am joined today by Mr. Manish Mehta, CFO and Mr. Bharat Goyal, VP Finance and Investor Relations and SGA, our Investor Relations Advisors. We truly appreciate your time and interest in joining us today to discuss our performance for the quarter ended September 30, 2025. First and foremost, I would like to sincerely thank of our investors for the overwhelming response and the trust they have shown in Studds Accessories Limited.

We were successfully listed on both the NSE and BSE on 7th November 2025, following an IPO of INR455 crores via offer for sale. This marks our first earnings call post-listing. I would like to take this opportunity to speak not only about our quarterly performance but also about our journey, our operating philosophy and the business fundamentals that define who we are. It is important for us that you understand Studds from how we started to how we evolved into the world's largest helmet manufacturer by volume. Our story began five decades ago as a modest partnership firm in a garage built around a simple but profound belief.

Road safety is not optional, but essential, and every rider deserves access to a high-quality reliable helmet. At that time, the Indian two-wheeler market was still developing, and safety awareness was limited. Helmets were viewed more as a formality than as a life-saving product.

But even in those early days, we believed that India would eventually become a market where global quality protective gear would be respected and demanded. This belief guided our approach to design, manufacturing, and materials even when the industry itself had not yet matured. Studds, our flagship brand established in 1975, has been nurtured for nearly five decades and today stands as one of India's most widely recognised helmet brands serving millions of riders across the mass and mid-market segments.

This journey progressed further in 1983 with the incorporation of Studds Accessories Limited, marking a shift from an entrepreneurial venture to a professionally governed manufacturing

organization and laying the foundation for structured growth, technological investment and strong quality systems ahead of the industry norms. Through the 1980s and the 1990s, we continued to reinvest in our manufacturing processes, equipment and people, deepening our understanding of materials, safety standards, consumer needs, mold making, finishing process and supply chain complexity. With every iteration, we enhanced our products and operations, gradually building a reputation for reliable, high-quality helmets at affordable price points.

As India's two-wheeler population expanded and helmet usage gradually gained momentum, Studds emerged as a trusted and recognizable brand among daily commuters. As our journey unfolded, our vision expanded beyond serving the mass market. We wanted to build a multi-brand portfolio that addressed diverse riders' needs across all price points.

As the market evolved and premiumization trends accelerated globally, we identified a clear gap in India for high specification, international quality helmets that could compete with global brands. To address this gap, we launched SMK in 2016, a premium brand designed to meet and exceed European and international standards. SMK was not just a branding exercise.

It represented our growing design and engineering capabilities, gave us a platform to showcase technology-rich features, superior materials and advanced aesthetics, and over the years has grown rapidly, gaining traction within India's premium helmet market as well as multiple international markets. This further elevated the overall brand equity of Studds. Across these two brands, we built a wide and deep design portfolio.

Today, we offer more than 240 helmet styles and designs covering full-face, modular, open-face, flip-up and flip-off models, off-road and adventure helmets, along with a widening range of riding accessories. This broad spectrum is the result of decades of product development experience, deep consumer insights, and our ability to respond quickly to evolving design trends. This extensive design library translates into a significantly large product catalog of more than 19,000 SKUs.

Such scale and variety give us strong market coverage across user segments, geographies and riding behaviors, while enabling quick refresh cycles. We refresh our product portfolio every year, launching around 7 to 8 new models, along with multiple graphic variants. Our development cycle is structured and efficient, with an ideation to production timeline of approximately 9 months for Studds helmets and 14 months for SMK helmets.

Alongside this range, our pricing architecture reflects our broader consumer coverage. Studds helmets priced between INR875 to INR4,000 address the mid and mass market, with key export markets including Philippines, Indonesia, Africa, Latin America and Central America. SMK helmets ranging from INR3,000 to INR12,800 target the premium segment with a strong presence across Europe, ASEAN countries, North and South America and Africa.

Our OEM journey began in 2006, and we now supply leading two-wheeler manufacturers, including Honda, Hero, Royal Enfield and Yamaha. Complementing this is our strong presence across e-commerce marketplaces, our own websites, CPCs, CSDs and our EBO network, which acts as a brand experience center.

Strengthening our presence in export markets and our success in the domestic OEM market, we began manufacturing for renowned global brands such as Daytona for the US market and O'Neal for Australia, US and Europe, significantly broadening our OEM export credentials. Our domestic footprint spans traditional distributors, exclusive brand outlets, large format retail chains, OEM partnerships, institutional suppliers, government channels and a rapidly growing online ecosystem covering e-commerce and quick commerce platforms. Beyond helmets, we are continuously expanding into adjacent categories.

We commenced bicycle helmet manufacturing in 2019, marking an expansion beyond motorised two-wheelers. Our portfolio now includes riding gear, luggage, motorcycle apparel, eyewear and a range of protective accessories, categories that complement our core and offer strong long-term potential. Given this breadth, we cater to diverse rider segments from first-time commuter riders seeking affordability and dependability to enthusiasts who look for performance, high-spec materials, aerodynamic shapes, integrated Bluetooth features and international safety certifications.

I will talk a little bit about our manufacturing footprint and vertical integration. A key enabler of this expanding product portfolio is our in-house manufacturing capability. Over the years, we expanded our footprint in a calibrated manner.

In 2009, we set up our first manufacturing facility, and from 2010, we expanded aggressively and we setting up three more manufacturing facilities, including in-house EPS and in-house green printing capabilities in Facility 4. All four facilities are currently functional. Also, to meet future demand, our fifth manufacturing facility is under construction and is expected to start production in quarter one of financial year 27.

Vertical integration remains one of our greatest strengths. We invested early in developing in-house capabilities because safety products demand precision, repeatability and stringent quality control. Our ecosystem includes EPS manufacturing, an in-house mold making shop for developing and refining new designs, decal manufacturing, robotic and automated painting lines, hard coating units, metallizing facilities, fabric stitching units and conveyerised assembly lines.

These capabilities are complemented by our in-house element testing lab, certified by the Vehicle Certification Agency, allowing extensive testing for global standards. We remain fully compliant with safety-sensitive certifications, including ISO, ISI, DOT, ECE 22.06 and the IEC. This integrated approach provides multiple advantages, tighter cost control, strong quality assurance, quicker turnaround on new models and the ability to respond to regulatory changes without external dependence.

This strong in-house and vertically integrated setup is supported by our innovation engines, a 75-member in-house design and development team that continuously tracks global design trends, enhances fitness and comfort and integrates advanced technologies into our helmets. Their capabilities are strengthened by collaborations with leading European design firms. The European partner focuses on conceptualizing helmet platforms and specializes in full-face and flip-up designs with integrated Bluetooth.

Further to strengthen our technological capabilities and meet new-age customer demand, we set up an in-house electronics lab in 2021. Combined these capabilities ensure that our products remain globally competitive in styling, ergonomics and technology.

About market opportunity, industry tailwinds continue to strengthen the long-term opportunity. Despite India being the world's largest two-wheeler market, helmet penetration still remains far below global levels. Globally, the average number of helmets per two-wheeler is 1.52, whereas in India it stands at 0.6, indicating substantial long-term headroom for growth. Growing disposable incomes, rising safety regulations, design awareness, and shorter replacement cycles of three to five years are accelerating demand for both mass and premium helmets.

Now I'll move on to our performance. In October, we entered into a strategic engagement with Decathlon, adding a marquee global brand to our customer portfolio. Under this engagement, we will fulfill Decathlon's India requirements for bicycle helmets initially.

This engagement highlights our robust manufacturing capabilities, adherence to global quality standards and our increasing recognition as a trusted manufacturing partner for leading international brands. We are currently investing in the required modes and commercial production is expected to commence by the end of Q4, financial year '26. In parallel, the board has approved initiatives to strengthen our international presence and enhance brand visibility.

As part of this, we are in the process of establishing a new warehouse in Spain. This facility will act as a strategic logistics base for Europe and is expected to meaningfully improve regional distribution capabilities, service levels and delivery timelines, support deeper market access and facilitate the launch of additional product categories across our export markets. Additionally, we have recently set up a dedicated IT office in Gurugram.

This initiative will enable us to tap into a wider talent pool, enhance our digital capabilities and further advance technology-driven initiatives across product development, operations and customer engagement. Strategic priorities and future roadmap. Looking ahead, our strategic direction is anchored around four broad pillars.

First, deepening our global presence by expanding our network, improving service levels and strengthening collaborations with international distributors supported by regional subsidiaries. Second, strengthening our premium product portfolio. SMK remains a core growth driver, and we are developing premium helmets under the Studds brand to cater to rising aspirations.

Third, growing our niche segment of motorcycle accessories, riding gear, luggage, motorcycle apparel, eyewear and protective accessories, categories that complement our core and offer higher margin potential.

Fourth, driving digital transformation by strengthening our e-commerce platform, enhancing digital marketing and exploring opportunities for a dedicated mobile application to improve direct customer engagement. Looking ahead, we remain confident in our long-term growth trajectory and have articulated a revenue aspiration of more than INR1,000 crores by financial year 30.

This growth is expected to be driven by multiple structural levers, including an increasing contribution from premium and higher value products, continued organic growth in the domestic two-wheeler market and the benefits of capacity expansion through Facility 5, which will support higher volumes and operating leverage.

In addition, growing global exports, supported by deeper penetration in existing markets and expansion into newer geographies, are expected to further diversify and strengthen our revenue base. Collectively, these drivers position us well to deliver sustained, profitable growth over the medium to long term.

From the financial standpoint, our model is built on measured growth, operational discipline and capital efficiency. Our vertically integrated structure allows us to capture value across the production chain, enhancing margins and ensuring consistency. In closing, I want to emphasize that Studds is the result of decades of perseverance, engineering focus and a commitment to protecting riders.

What began as a small partnership firm in a garage has grown into a global manufacturer of safety products, but our core values, quality, reliability and customer centricity remain unchanged. As India adopts higher safety norms, as consumers upgrade to premium protective gear and as global markets increasingly recognize Indian manufacturing capabilities, we believe Studds is uniquely positioned to play a leadership role in the next phase of industry growth.

Now, let me take you through the company's consolidated financial performance. Quarter 2 financial year 26. Our two-wheeler helmet and boxes volumes stood at 2.07 million. EPS production stood at 2.04 million and water transfer decals at 0.36 million. Consolidated revenue stood at INR154.4 crores, which grew by 6.5% year on year. EBITDA for the quarter stood at INR29.9 crores, increased by 12% year on year. EBITDA margin stood at 19.3% as compared to 18.4% in quarter 2 financial year '25, which is an increase of 95 bps over last year.

PAT for quarter 2 financial year 26 stood at INR20.6 crores as compared to INR17.5 crores in Q2 financial year '25, which is a growth of 17.9% year on year. PAT margin stood at 13.4% as compared to 12.1% in quarter 2 of financial year '25, which is an increase of 129 bps. Capacity utilization for two-wheeler helmet and boxes, EPS and water decals stood at 92%, 91% and 72% respectively for Q2 financial year '26.

I will also talk about the half-year performance, H1 financial year '26. Our two-wheeler helmet and boxes volume stood at INR3.89 million, EPS at INR3.76 million and water transfer decals at INR0.64 million. Consolidated revenue stood at INR303.7 crores, which is a growth of 6.4% year on year. EBITDA stood at INR60.2 crores, increased by 17.9% year on year. EBITDA margin stood at 19.8% as compared to 17.9% in H1 financial year '25, which is also an increase of 193 bps.

PAT for H1 financial year '26 stood at INR40.9 crores as compared to INR33.2 crores in H1 financial year '25, which is a growth of 22.9% year on year. PAT margin stood at 13.5% as compared to 11.7% in H1 financial year '25, which is also an increase of 181 bps. Capacity

utilization for two-wheeler helmets and boxes, EPS and water decals stood at 86%, 84% and 64% respectively for H1 financial year '26.

With this, I open the floor for questions and answers. Operator, over to you. Thank you.

Moderator: The first question comes from the line of Garvit Goyal with Nvest Analytics Advisory. Please go ahead.

Garvit Goyal: Good afternoon, sir, and congratulations for the listing. My first question is from your opening remarks. We spoke about three or four strategies that we will be looking for, including the global partnership premium helmets, maybe focusing more on the motorcycles and the e-commerce platform, right?

So I just wanted to understand, despite these four pointers and the strategy ahead, going ahead, why we are giving the conservative guidance for about 2030 that is INR1000 here. So that's my first question.

Sidharth Khurana: I think if you look at the CAGR until 2030 on a INR1,000 crores plus kind of a guidance, the CAGR is about 15 to 16% CAGR, right? Whereas the global market has historically over the last five years grown by about 6%. So we're discussing global market share growth.

Now, expectations are that global market might increase more than this, but it's not only the market of motorcycles. You have to look at also regulatory changes across the world, which happens? I would say that, yes, we have taken a conservative view. Could be better, but I think we prefer to give guidance, which is quite doable. That's how I'll put it.

Garvit Goyal: And, sir, what is the outlook for this year?

Sidharth Khurana: In terms of which numbers?

Garvit Goyal: Top line and bottom line, top line and margin.

Sidharth Khurana: So top line, we expect a growth of about 10% to 11% over last year, Y-o-Y. And on the margin side, we expect a growth of about 22% on the bottom line.

Garvit Goyal: So you're speaking about the PAT, right?

Sidharth Khurana: Yes, the PAT. So I would give a range we are between 20% to 22% absolute...

Garvit Goyal: Got it. And, sir, the newer thing, there was some announcement, some proposal regarding the mandate of the helmet for two wheelers. So what is the current update on this side, sir?

Sidharth Khurana: So it was a draft regulation, wherein at the moment in nine states, the rule is implemented that with every motorcycle sold, the two-wheeler manufacturer gives one helmet to the motorcycle to consumer. So there was a draft regulation of June 2025, which said instead of one helmet, you have to now give two helmets with the motorcycle sale.

But as of now, there is no update because there were two aspects to this draft regulation. One was two helmets being given to the motorcycle, and the other was ABS becoming mandatory. So as per the draft regulation, the date was 1st of January 2026. There is no update on that draft regulation. So, we don't know right now when that will be implemented.

Moderator: The next question comes from the line of Shubhankar Gupta with Equitree Capital. Please go ahead.

Shubhankar Gupta: Yes. Actually, the first question is on the lines of distribution. So as of what we could see from your DRHP, I think 55% to 60% of distribution happens via dealers, right, around 360, the count. And around 15% use OEMs and 15% on export, right? That is the product numbers. So just within this, I wanted to understand by like OEMs, like are you distributing, giving them the helmets directly? And then these OEMs further give the two-wheeler to the dealer. And then you're also supplying to the dealer, right? So how does this exactly work is my first question?

Sidharth Khurana: I'll just explain on this. So our dealers and motorcycle dealers are different. So, there is a distribution network, which is for helmets and accessories. And there is a retail network, which is for the two-wheeler sales. So, when we say our distributor network is split of sales is 57% from the distributors, which are the helmet distributors. That 15%, which is the OEM sales, which is slightly higher now, is that we supply to the two-wheeler manufacturer and they give it to their dealer. But in one case, we also directly supply to their dealer also. But that's a different distribution network altogether.

Shubhankar Gupta: Okay. So in terms of it being different, they are giving it to the dealers who own the whole, let's say, the shop where their customers are going to buy from, right?

Sidharth Khurana: Yes. So that's the motorcycle dealerships.

Shubhankar Gupta: Motorcycle dealerships, correct. And the ones, the dealers which you are talking about, which comprise around 57%, where do they sell?

Sidharth Khurana: So in India, in fact, all over the world, right? Helmets, retail shops are separate than two-wheeler retail shops. Also in India, in any city, even if you see in Bombay, there are a lot of helmet retail shops which primarily retail helmets and accessories. So these 360 distributors, what we have, will sell to these shops, which are primarily helmet retail shops.

Shubhankar Gupta: Okay. Got it. Fair., that's helpful. Second is also, I just wanted some clarity on the ASP, the average selling price per helmet, right? You mentioned that we are in the range of around Rs 875 to 4,000. So when I just did some rough maths, around INR585 crores was the FY '25 sales, right? And that divided by around 7.4 million boiled down to roughly INR790 per helmet, right? Whereas the minimum range, which you were talking about, is around Rs 875 to Rs 4,000.

I just want to understand what exactly is our ASP, that's one? And second, when we benchmark this to the competitors or the larger players abroad, right, compared to, let's say, HJC or Shoei or Nolan Group, right, these international players, their sales per helmet is much, much larger, like 10x to 12x, 15x, right, differential. So why would that be? I just want to understand these two things, the process on ASP versus international brands.

Sidharth Khurana: Sure. I'll explain to you about the ASP. So the price range of Rs 875 to Rs 4,000 is the MRP. It's not our price. So our ASP, obviously there is a distributor and a dealer margin in between, right? So our ASP currently, as you said, is, close to INR800. And obviously then there is Studds and SMK mix in it. So the SMK ASP is about INR2,340. And the Studds ASP is about INR700. So that's the ASP mix. And the blended ASP for us would be close to INR800 as you calculated, right? So that's one.

Secondly, on the bit that you talked about, international ASPs and the competition, HJC and Shoei, right? So internationally, Shoei plays in the premium, super premium market, right, where your average retail price in Europe could be about EUR800 to EUR900. They will start from about EUR400, and they'll have a helmet up to EUR1,500, for example. This is the retail price again, I'm saying.

And we play in what I call the entry to the mid-market, right? So our helmets are priced in Europe from about EUR70 retail price, going up to about EUR300. So, we are completely playing in different markets. HJC is more in the mid-market. So they'll be slightly higher than us. And Shoei will be much higher than us because they're completely in a different bucket. And we don't intend to go into that bucket. We intend to play in the bucket that we are because that's where almost 85% of the market is globally. So that's where the volumes are going to come from.

Shubhankar Gupta: Okay, got it. That's helpful. I have one last question, if it's okay to ask.

Sidharth Khurana: Yes, sure.

Shubhankar Gupta: Yes, actually, the other bit of the question was on digital sales, right? You said that the fourth strong pillar of our growth will be strengthening the e-commerce for distribution, right? So as of what I could see, around 3% to 5% of the sales are currently coming through the digital channels, right? So going forward, what are the efforts that we are making to increase that bit? And what goodness are you expecting from the thing, let's say, over the next 3 to 5 years?

Sidharth Khurana: Okay, so I think on e-commerce, we have changed our strategy since last year a little bit. If you see our offline market share, it is close to 25%. Whereas online, our market share, as you said, is much lower. Of our sales, It was 4%, 5%. It's going down. So we have changed our strategy on the product mix that we are selling in Amazon. We are more focusing on products wherein we have more margins and we can advertise stronger.

Because if we start selling everything and advertise higher, so we are going to reduce our profit there to gain market share. So, the thought is we have a change in strategy and I can't exactly tell you what the strategy is there. But we have changed our strategy wherein we are getting more revenue or more margins, I would say, from online and we are increasing our spends online. Like this year, our advertising spend online would be almost 70% higher than last year.

Shubhankar Gupta: Got it. And have you hired a marketing manager or some expert to lead these initiatives?

Sidharth Khurana: Yes, we have a digital marketing head who is leading this, not only this, but he is also leading other digital things for us. So we are tracking it monthly, actually. And obviously, the effort is

that in offline, if you are 25%, online, you should have a higher market share, which for us is lower. So we are constantly monitoring and I am confident that going forward, you will see an improvement there.

Moderator: The next question comes from the line of Shivam Kabra with Carnelian Capital. Please go ahead.

Shivam Kabra: Good afternoon and congratulations on a successful listing. My question is, out of the revenue growth of 6% year-on-year basis, can you please elaborate on how much it grows from exports, OEMs, and distribution channels over year-on-year basis?

Sidharth Khurana: On year-on-year? Just give me one second. So, I think year-on-year export sales has grown by half-year to half-year, if I compare. So it is 120% of last year. And the domestic sale is 104% of last year.

Shivam Kabra: Okay. And sir, what is the reason of a slight margin dip quarter-on-quarter basis? Any idea?

Sidharth Khurana: So, Shivam, I think a lot of export sales, right, had happened at the far end of the quarter, which we could not recognize the revenue. So that was a substantial number, and that caused the margin to dip a little bit. So you would see that improvement maybe in the next quarter.

Shivam Kabra: Okay, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Omkar Bhambid with Fintoo Wealth Private Limited. Please go ahead.

Omkar Bhambid: Hi. Thank you for the opportunity. My question is on the volume size. Can you please share the breakup of units sold in the Studds, SMK, Daytona, and O'Neal?

Sidharth Khurana: Yes. Just give me a second. So, Omkar, I don't have the number mix. I have the revenue mix right now and the growth on the revenues, which I told to Shivam in the last, but we'll get back to you on the number mix. I don't have it readily available with me.

Omkar Bhambid: Okay, sir. I wanted to know what the competition intensity in the current market is as our immediate share is targeting 15% volume growth this year. So what is our target of volume growth this year?

Sidharth Khurana: So, our target volume growth this year would be about 7% to 8%, and the revenue growth would be more than 11%, because it's also a mix. I would say, a product mix play, right? If you export more, your ASPs go up. So, I would assume that our volume growth this year, full year, would be anywhere between 7% to 8%, and our revenue growth would be close to 11%.

Moderator: The next question comes from the line of Subhanu with 3Head Capital. Please go ahead.

Subhanu: Hello. Good afternoon, sir. I hope I am audible. Sir, can you tell me the volume growth this quarter, 2-wheeler helmets, EPS, and water decals?

Sidharth Khurana: This quarter's?

Subhanu: This quarter, year-on-year and volume growth.

Sidharth Khurana: Numbers. Just one second, I'll get back to you on the numbers. I don't have the numbers available right now on the volume.

Sidharth Khurana: The capacity utilization on half year was 86%, and on Q2 was only 91%. So there is an increase, but I don't have the exact numbers. I'll get back to you on the exact numbers.

Subhanu: Okay. So can you clarify one more time? What is our ASP this quarter for Studds and SMK?

Sidharth Khurana: So this quarter ASP, I don't have the first quarter ASP, which was Rs 2,340 for SMK, but we haven't changed any prices. So the ASP would not have moved because of any change in price.

Subhanu: And for Studds?

Sidharth Khurana: For Studds, it was about close to INR730.

Subhanu: Okay. My last question is, can you tell me what is our quarter export growth?

Sidharth Khurana: You mean Q2 or Q3, you are talking about?

Subhanu: Yes, Q2 or H1, H1, both export growth.

Sidharth Khurana: So, H1, the export growth was 20%.

Subhanu: 20% for H1. And Q2?

Sidharth Khurana: So Q2, the export growth was, so there was not, it was not growing. It has gone down. And the main reason is, as I said on the call earlier, there were a lot of orders that were executed in the back end of the quarter, which we could not recognize the revenue.

So overall, if I say the sales number, sales numbers have grown, but the revenue recognition, the balance sheet has gone down slightly. Q2 '26 versus Q2 '25 is 2.6% growth.

Subhanu: okay, 2.6%, Q2 to Q2 growth, year-on-year.

Sidharth Khurana: Yes.

Subhanu: Sir, what will our EBITDA margin target by '26?

Sidharth Khurana: EBITDA margin target by '26?, I'll tell you what the EBITDA margin was first in half year. So half year EBITDA margin is 19.8%. And we expect this to grow a little bit. It should be between 20% and 21%. Closer to 21%, that's my guidance on the full year number.

Moderator: Thank you. The next question comes from the line of Samraat Jadhav with Prosperity Wealth Adviser. Please go ahead.

- Samraat Jadhav:** Hi, good evening and congratulations for the listings. I have two questions. One is our gross margin basically expanded in Q2. What kind of operational efficiencies or any kind of price strategies have driven this improvement?
- Sidharth Khurana:** I think one, I will attribute it to two things. One is product mix, right? So the more you sell higher-end products, obviously, your COGS will go down. So your material consumption will go down. Even corresponding expenses will go down. So that's part one on operational efficiency. And second, I would say the raw material prices themselves have also gone down a little bit.
- Samraat Jadhav:** Okay.
- Sidharth Khurana:** Quarter-on-quarter, it's slightly better. So these are the two main reasons for improving operational efficiencies.
- Samraat Jadhav:** Great. My second question is from the capex expansion. So Phase 1, we had 1.5 million unit capacity for the 2-wheeler helmets. And I think the facility five, around Q1 '25 would be operationalized, right?
- Sidharth Khurana:** Q1 '26, yes. Sorry, Q1 '27.
- Samraat Jadhav:** Q1 '27. Right. Okay. And I think it's a INR150 crores estimated capex for Facility Five?
- Sidharth Khurana:** Correct. Across both the phases.
- Samraat Jadhav:** Great. So, what is the estimated timeline for Phase 2 and the expected ROI?
- Sidharth Khurana:** So, I think Phase 2 will take 15 months after Phase 1 goes into production. So if we are in Q1 financial year '27 as the start of Phase 1, I would assume either quarter two or quarter three of financial year '28, Phase 2 will start.
- Samraat Jadhav:** Okay, great. And expected ROI?
- Sidharth Khurana:** So, if you look at historical numbers, right, our asset turnover ratio has been close to 1.8 always. I don't expect that to change too much. So the total expected capex is INR150 crores. And we expect revenues anywhere between INR270 crores to INR280 crores coming from that plant.
- Samraat Jadhav:** Okay, great. Okay, that's all from my side. Thank you. And best of luck for the future.
- Sidharth Khurana:** Thank you. Thank you.
- Moderator:** Thank you. The next question is a follow-up question. It's from the line of Garvit Goyal with Nvest Analytics Advisory. Please go ahead.
- Garvit Goyal:** Hi. Thanks for the follow-up. Sir, I just wanted to understand more on the EBITDA margin. I have seen you for your last 4 years. There was a dip in FY '22. Can you tell us the reason, like why there was a dip, like it was a big dip from 23% to 12% and then gradually we improved.

And now we are doing like 19% in the first half and you are speaking about again like 20%-21% kind of margin. So also, I want to understand how sustainable these margins are, which is currently maybe 20%-21%, but you are guiding for FY '26?

Sidharth Khurana:

Yes. So if you talk about financial year '22, as you said that financial year '21 was 21% plus of EBITDA, 22% plus, 22% and dip to 12%. So there were two years where the margins were subdued, which was financial year '22 and also, if you look at FY '23, it was subdued. So FY '22, the main reason was COVID, if you remember, April, May, June of 21. The second wave had hit and absolutely, there were no sales.

We also precautionary shut down plants for a few days. So the year before that, we were making about INR18 crores of PAT. So our PAT in 21 was INR74 crores. So it was almost like INR18 crores of PAT in Q1. So we incurred a loss of INR7 crores in Q1 of 22 and that is the reason in dip in margins.

From making profits year-on-year and quarter-on-quarter, there was no operations in factory for almost half of the quarter. So, we incurred a loss of close to INR7 crores that quarter and obviously then we had to pick it up from there in the next three quarters. So that was the reason in 22. Also in 23, the margins were subdued. They did not pick up that much.

And I think 23, if you remember, there was a shipping crisis post-COVID when all the raw materials had really gone expensive. So, if you see our COGS, our COGS in 21 used to be 44%, 45% and they went to 52% in 23. So that was one of the reasons and there was another reason which was a change of certification, a change of standard actually, in the European standard.

So we had to change some parts in our range to comply with the new standards. So these standards change every 15 to 20 years. The last change was close to 2,000. So we experienced it for the first time, and we took some time to revamp our range. So if you look at our exports also, the year before it was INR97 crores and it dropped to INR57 crores in that year, close to INR57 crores.

So these were the two reasons for Financial Year 23. And then after that, as you said, started picking up and now we are again to the level of financial year like 2019, 20, 21. If you look at, this was more the range that we were in. And I think I am more comfortable around this range and I would say it's more like a steady state margin for us.

Garvit Goyal:

So going back maybe to FY27 and onward, what you are saying is that our bottom line will be going at a pace in which our top line is going. Is that understanding, correct?

Sidharth Khurana:

Yes. So I don't think margin expansion in terms of percentage will happen a lot unless and until the export story completely plays out very, very well, more than our expectations. But I would more be comfortable on commenting on the current bottom line percentages, even going forward in Financial Year 28. There might be ups and downs, but this is more steady state as I said.

Garvit Goyal:

Up and down means I didn't understand it?

- Sidharth Khurana:** So you will also have years where the raw material price goes down further. So if you see raw material price go down further, your margins might expand slightly or they might reduce slightly. There will be a small range, but I don't expect the margins to drop to like 2022-23 levels.
- Garvit Goyal:** So what is the major raw material production?
- Sidharth Khurana:** So I think two factors. One is obviously exports. If the exports grow more than what we think, the margins will grow. And second is the raw material cost, how the raw material cost fluctuates. That might impact slightly, but I am not talking about big fluctuations.
- Garvit Goyal:** No, I'm asking what is the major raw material that we are using?
- Sidharth Khurana:** Major raw material. So major raw materials is plastics, paints, packaging, fabrics and foam.
- Garvit Goyal:** And can you tell us the ratio, like how much of it we are procuring from India and how much from outside India, maybe the imports?
- Sidharth Khurana:** So currently I think we are procuring close to 85% from India and 15% is import. But import is a strategic decision. It is not that we can't find that material in India. Sometimes, because of current geopolitical situations, you find China to be cheaper, so you would import certain raw materials. But there was a time when we used to import only about 4% raw material as well. So materials are available, but as of now, 85% is domestic.
- Garvit Goyal:** Okay. And lastly, I want to understand you're understanding with the brand. What I am understanding is we are not able to pass on the raw material prices. Is that understanding correct? And how it can improve going ahead?
- Sidharth Khurana:** No, I think we can pass on the raw material cost provided that fluctuation is not like 2022. So I'll give you an example. So in 2021, the ABS price, which is a plastic was about INR110 a kg. And because of this, after COVID, the shipping prices, it went up to almost like INR230 a kg. It doubled, more than doubled.
- That kind of fluctuation you cannot pass on because that's a momentary fluctuation. But overall, if you see, we try and pass on a little bit like last year, we increased our prices by almost 10%. And last year, we did not. So it also depends on how the raw material behaves. We'll pass it on. It's not that we will pass it on every year. So if the raw material is going up on a long-term basis, we have the power to pass it on.
- Garvit Goyal:** Got it. Means an annual hike will always be there or it depends upon the market and all?
- Sidharth Khurana:** I think it depends on the market. It depends on the cost of raw material as well. At the moment, the raw material cost is not going up. So we might not increase anytime soon. But if it goes up, we will increase. But I would say I cannot commit that it will go up every year, the sale cost, but product mix also as I said plays an important role. And I would more be, I think ready to commit that every two years, there can be a price increase.

- Garvit Goyal:** And so can you also comment on the customer stickiness like what is the advantage that we are having against our peers, which has to even after we are doing the price hike, maybe two years, as you mentioned, even after that, the brand will continue to do business with us?
- Sidharth Khurana:** Sorry, can you say that again? I didn't understand.
- Garvit Goyal:** I'm just trying to understand, like what the competitive edge that we are having against our competitors is, like even if we are doing the price hike, maybe once in a year, maybe once in two years. So even in that case, will the customers be willing to work with us?
- Sidharth Khurana:** So I think the competitive edge, I will put on two, three things. First is obviously the brand recognition. The brand recognition for our brand, we understand, is much more than the competition, although it's now an oligopolistic market where you have three big players, but I think our brand recognition is higher.
- Second, just to tell you about the brand strength, we sell our material to the distributors with a credit of only seven days, whereas the other brands are selling anywhere from 30 to 60 days. That's the brand pool. So one is the brand recognition. Second is the product line and the price range that we cover. That is not available with the other brands.
- So we try and capture customers at every price point. And obviously it is a very discretionary kind of a product where if a person likes, for example, you have helmets at INR1,000, you have also helmets at INR3,000. Functionally, they perform the same thing. You might have small features in there. So there is a lot of discretionary power that the customer has. So if he likes the product, he pays much more.
- So it's not like an industrial product. That's, I think where the design of the helmet, the design and the fit of the helmet is very important. That if you stay ahead of the curve, ahead of your competition in producing better designs, more comfortable designs, the customer is able to reward you disproportionately.
- So that's, I think one more, I would say point where we have the edge over others. Exports also, I think we are almost more than double than the next competitor. So we have a larger distributor base. The presence is much wider. So to expand globally, we are just, I would say we are at the right platform.
- Garvit Goyal:** Got it, sir. I think that's it from my side and all the best for the future.
- Sidharth Khurana:** Sure. Thank you.
- Moderator:** Thank you. The next question is a follow-up question. It's from the line of Shubhankar Gupta with Equitree Capital. Please go ahead.
- Shubhankar Gupta:** Yes, hi. Actually, two lines of questioning. So first, in the domestic, in the source of distribution, so do you plan to keep it at similar levels of distributor versus OEMs. That is one. Like around 55%, 60% distributed currency and OEMs around 15%. So in the future, do you plan to change that? Any strategic decision with regards to that?

Sidharth Khurana: So we don't plan to change the strategy. Our distributor relationships are very, very old, some of them are as old as 40 years. I think as far as they have the reach, because they are almost catering to 20,000 retailers in India. As far as they have the reach, we should retain the same distributors. That's our philosophy.

So you would not see a big change in distributors, maybe one or two here and there in a year, but nothing more. And we don't intend to change it. That's one. Second, because we also think that if our product is better than other products in the market, it's also the pull that you have to create from the product, because the distributor's responsibility is to place the product at the retail.

But after that, the product has to sell. So changing distributors, I also see it more negatively than positively. Then secondly, on your question of OEM mix. Unless and until there are regulatory changes, I don't think we will see a major change. The current OEM last year, I think, was about 17% of our sales. Might go up a little bit. I see this going up a little bit, but it will never be like 40% of our sales.

Shubhankar Gupta: Got it. Well, that's fair. That's on the first bit. Second bit is on the exports. So I think a couple of questions which I wanted clarity on. First is on the impact of tariffs. I'm sure there would be some impact, so can you give clarity there? And similarly on exports, so why not some other players will be able to catch up? So what is our edge when it comes to the export market versus players in India, not talking of export globally, global players, which are more premium?

Sidhartha Khurana: Sure. So on the tariff bit, yes. So, we have had tariff impact recently in the U.S. where a couple of containers have been tariffed, and we see that. And we have increased our prices, although not to the extent of the tariff. Tariff is 50%. We have increased our prices like 15% in the U.S. So we expect that to hit us a little bit in the short term, but we are put on the strategy in the U.S. long term.

So we do not see this tariff thing playing out for a very long term. And in any case, right, if you look at China's tariff in U.S., which is our major competitor, it is also 55%. So, it's not very different. So we are almost in the same boat. So, if you look at our numbers, right, this is the first half-year that we have made profit out of the U.S. subsidiary. Till now it was in loss.

So there is a profit of \$21,000 in the subsidiary. So we have been able to gain momentum, but yes, tariff will cause a little bit of concern in the short term. But we are ready to stick to it. And as I said, right, we'll see because the scale is not very large. Our revenue expectations this year from the U.S. subsidiary is close to \$850,000. So even if there is a hit, it will not be very large for us in terms of bottom lines, on the consolidated side.

And I think on the second question about the competition landscape on the export side from India. So, if you look at the global market, right, global market has been growing at about 5% to 6% motorcycle helmet market. Whereas Indian exports over the last five years have grown by a CAGR of 21%.

It's not only us, it's everybody put together, right? So I think, one of the other manufacturers is also growing on exports. So it's not that we are going, they are not going, but maybe we are going faster, that's the only difference.

Shubhankar Gupta: And why would that be?

Sidhartha Khurana: We have more distributors. We are present in more countries. We have a wider product mix. I think our product lineup for SMK might be double in terms of models in the other two. So obviously you have a complete range which you can cater to and you have presence across markets. So you are growing faster.

Shubhankar Gupta: Got it. So I think what you initially said, right, like a helmet dealer is different from OEM and dealers. Similar this thing happens globally also, right?

Sidhartha Khurana: No. So this law of giving one helmet free with the motorcycle only exists in India and in some part Indonesia. But in other places, helmet sales happens from helmet retail channel, which is different from the two-wheeler retail channel.

Although two-wheeler dealerships do keep some helmets globally in Europe, US, Latin America, but the sales are very low because it's not obligatory for them to give it to the consumer. So I would say the export market plays out slightly differently than India.

Shubhankar Gupta: Okay, got it. But that distribution access to the distributors is again one of the modes, right? Variety plus access is something that you are saying.

Sidhartha Khurana: Yes, for us.

Shubhankar Gupta: Yes, got it, got it. Okay, that's helpful. Thank you.

Moderator: The next question comes from the line of Lakshminarayan with Tunga Investments. Please go ahead.

Lakshminarayan: Yes, I just want to understand your regional mix in terms of sales, excluding the OE sales. And second, what is the mix of revenues as well as volumes between urban cities and non-urban locations?

Sidhartha Khurana: Okay, so I think on the geography mix, our sales are more than 20% in all the four zones. If I divide India into North, East, West, South, you will not see our sales to be lower than 20% anywhere. So it's quite well distributed. I think one of the strengths that we have, that for example, one of the other bands is North-dominated. The other one is South-dominated. We are well covered PAN-India. On your question, the other question was about, sorry, can you say that again? The other question?

Lakshminarayan: Yes, urban cities. And if you look at the top 10 cities in India, what would be your revenue contribution from the top 10 cities?

Sidhartha Khurana: So it would be distorted because it's a distribution model, right? So I might tell you that my Lucknow dealer, or for example, a Kochi dealer, would be very high in number, but that doesn't

mean the retail is happening there. So because they would be distributing to the rural areas as well. If you need, I can send you that number. I don't have it right now available, but again, I'll say it will not be presenting the exact final retail sale.

Lakshminarayan: Got it, got it. And there has been, I think, possible price reduction among a lot of your raw materials like the ABS, etcetera, right? So now is that driven by some BIS standard removal for all this polystyrene, etcetera? That's what I'm told. Does it make us look for better margins in the next two quarters?

Sidhartha Khurana: You're completely right. The raw materials are going down right now, and we expect the margins to be slightly better. But again, with the current geopolitical situation, everything is very volatile. I would not be able to comment on a long-term basis, but yes, at the moment, as you said, the raw material trend is going down, and it's mainly, I think, a demand supply issue that styrene, which is very important for plastics, what we use, is on a downward trend.

And also, I think China and Taiwan are kind of under stress to sell their capacities. So we think that the price is currently, the trend is down, might stay down for a while.

Lakshminarayan: And in terms of price determination, it's like you said, it's oligopolistic, right? So what kind of, I mean, how the pricing happens, is it like you take the price lead, or somebody takes it, or I mean, how does it happen in general? How has it happened in the last few years, any price correction upwards or downwards?

Sidhartha Khurana: The last 20 years, I can say that we have been the leaders. We always initiate the price change. If we don't change, nobody changes. So that also tells you about the strength of the brand. And I think currently also the situation is the same, that if the competition they want to change prices, increase especially, decrease as they can do. But if they want to increase prices, they will typically wait for us to go in that direction.

Lakshminarayan: Got it. And I see in your presentation that you have put something on innovation. And there is also the, and I could see in pockets, there are these smart helmets coming up. Now, what is your proposition there? Are you seeing this trend going up in terms of smart helmets? And if so, what kind of price point do you have it?

Sidhartha Khurana: So I'm, to be honest, optimistic on smart helmets. On the domestic side, I'm not very sure because of the audibility rules in India for helmets. So there is an audibility test. Now, if you have a Bluetooth and you switch on Bluetooth, obviously the audibility level changes inside the helmet.

But that's something that's more regulatory, I would say. Globally, we see an uptick on the smart helmets, but there have been a lot of developments in terms of intercoms, Wi-Fi mesh, and cameras. But the real thing that has just picked up till now is pure Bluetooth, where people want to hear music, and they want to have a call.

The intercoms, I don't think, even sell 10% of the Bluetooth in terms of volume. So I think this is how the industry will move forward. In a few years, a major part of your sales will come either from people who want to fit an external Bluetooth into the helmet or they are buying already Bluetooth fitted helmet.

- Lakshminarayan:** And one last question is that you have multiple product lines within the helmet itself. Now, what kind of profitability model do you have to this reframe? What is your profitability block? Do you actually look at profitability by a type of broad SKUs like the flip-on ones or do you actually look at it from two different brands? You say that, look, I want to just make some gross margin or an EBITDA margin at these two large brand levels. What is your unit of profitability? How do you look at it?
- Sidhartha Khurana:** Yes, sure. I'll repeat it again. So we look at profitability channel-wise. So export channel has the highest profitability for us and followed by the domestic market and online, which is almost at similar profitability levels. And OEM is the lowest profitability channel for us.
- Lakshminarayan:** Okay, okay. And we also say that, look, I want to make X profitability in this particular stream of SKUs. Is that something that you look for or are you okay with the overall profitability by channel, and it doesn't matter which mix it comes in?
- Sidhartha Khurana:** No, we monitor the profitability product-wise, model-wise, not SKU-wise, I would say model-wise. But yes, in certain, for example, in OEM channel, you cannot, even if you try, you cannot get the profitability of an export channel. So although we try to maintain profitability product-wise, but channel is a better representation because there are restrictions across certain channels to increase profitability.
- Lakshminarayan:** Got it, got it. This is helpful. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Sidhartha for closing comments.
- Sidhartha Khurana:** Thank you all for joining us today. We hope we have addressed your questions and provided valuable insights into our performance and strategy. If you have any further queries or need additional information, please feel free to reach out to our team or our investor relations advisors at SGA. Thank you.
- Moderator:** Thank you. On behalf of IIFL Capital, that conclude this conference. Thank you for joining us and you may now disconnect your lines.