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June 5, 2024

BSE Limited
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MUMBAI – 400001, India

Scrip Code: 517334

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G-Block
Bandra-Kurla Complex, Bandra (E)
MUMBAI – 400051, India

Symbol: MOTHERSON

Ref. **: <u>Transcript of Investor Call</u>**

Dear Sir(s)/ Madam(s)

This is with reference to our letter dated May 29, 2024 informing about the audio recording of conference call with Investors on the financial results for the quarter and financial year ended on March 31, 2024.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the aforesaid conference call.

The above information is also available on the website of the Company: www.motherson.com

Thanking you,

Yours truly,
For Samvardhana Motherson International Limited
(formerly Motherson Sumi Systems Limited)

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“Samvardhana Motherson International Limited (SAMIL)
Formerly Motherson Sumi Systems Limited

Q4 FY24 Earnings Conference Call”

May 29, 2024

Management:

Mr. Vivek Chaand Sehgal,
Chairman

Mr. Laksh Vaaman Sehgal,
Director

Mr. Pankaj Mital,
COO and Whole Time Director, SAMIL

Mr. Kunal Malani,
CFO, SAMIL

Mr. Rajat Jain,
COO, Vision Systems Business Division

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY'24 Results Conference Call of Samvardhana Motherson International Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vivek Chaand Sehgal. Thank you, and over to you, Mr. Sehgal.

Vivek Chaand Sehgal: Thank you. Good evening, ladies, and gentlemen. Thank you for joining the results conference call for SAMIL. I'm pleased to announce the Board has approved the results for the full financial year 2024. SAMIL has delivered its best ever performance, in which all key parameters registered a high double-digit growth.

The leverage ratio has been reduced to 1.4x from 1.7x and debt has been reduced despite huge, large M&A payouts and growth capex during this FY. We are trusted by our customers and the automotive booked business is of nearly 84 billion and gives you long-term visibility. We are setting up 18 Greenfield plants and 6 new Greenfields announced in this quarter, 13 of them in India, four in China and one in Poland.

I will now hand over to Vaaman to provide further business insights. Then the team is here to answer your question.

Laksh Vaaman Sehgal: Thank you, Papa. Good evening, ladies and gentlemen, and welcome to the SAMIL'S Earnings Call for the Full Year 2024. The company reported full year revenues of approx. INR98,700 crores, up 25%; EBITDA of over INR9,300 crores, up 46%; and PAT of over INR2,700 crores, up 82% compared to FY'23.

All business divisions have done exceptionally well on a full year basis, along with the fact that Emerging Businesses segment for the first time has reached a revenue of approximately $1 billion with strong profitability. It has been the highest margins amongst all our divisions. The full year results, however, are to be viewed against the backdrop of macro factors stabilizing, although at elevated levels. I'm referring to Slide 5 in our presentation. The manpower inflation continues to pose challenges for us, and further commodities are showing an upward trend with copper already sitting at the 10,000 mark and aluminium at 2,500.

I would like to clarify a majority of our commodities are with pass-through effect, although with a lag to the customer. Further, the volatility in the Middle East will continue to mount pressure on the logistics supply chain for us.

While the global light vehicle production grew by approximately 8% to 91 million in FY'24, the growth is visible across the board in all key geographies.

Europe and North America, however, are still 10% to 15% lower than pre-COVID levels and emerging markets continue to drive volume growth. The automotive mega trends of premiumization and SUVs are playing out as we have stated to you before in our key geographies and our businesses continue to benefit from content increases on the back of these trends.

As the auto industry transitions to low and zero emission vehicles, the shift is happening at varied pace across geographies as OEMs adapt and evolve their strategies. The growth in EVs and Hybrids is lower than anticipated a year ago especially in developed markets. (please refer to slide #7 in the presentation). I would like to highlight that Motherson's Portfolio is power-train agnostic and poised to gain from industry trends and content.

The well-diversified business model with 3CX10 as a strategy enables us to mitigate regional risks and capitalise on various new opportunities while ensuring stability and resilience. As an example while some pockets were impacted in FY24, we gained in others, such as growth coming out of emerging markets for auto and non-auto, Trends of premiumisation playing out in developed markets. (For more details on this you can refer to slide #11 & 12). As the auto industry transitions to low and zero-emission vehicles, the shift is happening at varied spaces across geographies as OEMs adapt and evolve their strategies.

The growth in EVs and Hybrids is lower than anticipated than a year ago, especially in developed markets. Please refer to Slide 7 in the presentation. I would also like to highlight that Motherson' s portfolio is powertrain agnostic and poised to gain for industry trends and content.

The well diversified business model with a 3CX10 strategy has enabled us to mitigate the regional risk and capitalizing various new opportunities while ensuring stability and resilience. As an example, while some pockets were impacted in FY'24, we gained in other such as growth coming out of emerging markets for auto and nonauto, trends of premiumization playing out in developed markets. For more detail in this, you can refer to Slide 11 and 12.

I would like to highlight that the full impact of closed acquisitions that have come in will impact -- this customer and component mix will further get diversified as these get fully embedded in our results. The company is well positioned to benefit from tailwinds in emerging markets. This year alone, we are adding 6 Greenfields across India, China, and Poland. More information on this is on Slide 16.

This is over and above the 12 that we have already announced earlier. We will be investing INR2,000 crores on new Greenfields in FY'25. 70% of this capex will be towards nonautomotive Greenfields. Overall, we are likely to invest in capex about INR5,000 crores plus or minus 10% in FY'25.

On the inorganic front, SAMIL has closed all announced acquisitions. I would like to highlight that FY'24 numbers only factors 6 months of Dr. Schneider and 8 months of SAS. The impact of other key acquisitions, such as Yachiyo, AD Industries and Lumen would only be visible for FY -- from '25 quarter 1 onwards.

If acquisitions closed during the year, annualized along with Yachiyo, AD Industries and Lumen. The reported revenues would be approximately INR1,13,000 crores versus the current reported revenue of approximately INR98,700 crores for FY'24. Another important milestone will be crossed for us with the sales crossing the 1 lakh mark.

While we are investing for future growth, we're also very much disciplined in our approach. The leverage ratio, as guided to all of you by Kunal, has improved to 1.4x from 1.7x with a reduction in gross debt of about INR1,800 crores compared to December 2023. It is important to note that we are back at FY'23 levels on leverage despite the large M&A payouts and growth capex done for the future in the current fiscal.

We are quite comfortable with our liquidity position with undrawn committed lines and cash of approximately INR15,000 crores as of 31st of March '24, which gives us significant firepower to pursue more growth opportunities while maintaining financial prudence.

The company's disciplined approach has resulted in positive rating actions with Moody's Ba1 rating under review for upgrade and Fitch upgrading senior secured bonds to BBB- investment grade. It is a testament to our commitment towards ensuring sustainable growth and delivering long-term value for all our stakeholders.

We are extremely grateful to our customers. Their trust is reflected in the automotive booked business of close to almost $84 billion, which is up from USD 77 billion reported in September 2023. Please note that this automotive booked business does not include the Yachiyo as yet. Nonautomotive booked business will further add to this number. The full year results demonstrate SAMIL as a robust platform for growth underscored by clearly laid-out plans, that is our 5-year strategic plans that guide our direction. We are in the -- as we're in the fourth year for our Vision 2025, I would like to provide an update on the various metrics.

One, the pro forma gross revenue is estimated at approximately INR1,72,000 crores or $24 billion on a constant currency basis. Please refer to Slide 27. Two, the company remains focused on ROCE and absolute profitability, and I'm happy to report that the ROCE has improved to 17% in FY'24 compared to 11% in FY'23. Please refer to Slide 18.

And finally, the nonautomotive business incubated as a part of Vision 2025 strategy has started to shape up with a potential to grow exponentially from here with changing times and alternative supply chains being set up. Among a few lesser-known facts post the acquisition of AD Industries, our Aerospace division is now one of the key suppliers of structural and engine components to Airbus and Boeing.

The Health and Medical facility is also well on track to receive certification and will start supplying to the new set of customers in the current financial year. Given our manufacturing DNA and operational expertise, new customers have approached us to provide solutions in new segments, as a result of which we are further investing and diversifying into consumer electronics. I would like to congratulate the team on delivering stellar results as we push on to reach our Vision 2025 targets. The team and I are happy to answer all your questions. Thank you very much for patient listening.

Operator, could you please assemble the questions?

Moderator: Our first question is from the line of Kapil Singh from Nomura.

Kapil Singh: Congratulations on a very strong quarter. Just one clarification on -- there is some onetime items here that are mentioned for Q4 EBITDA. If you could just help us understand, there is INR197 crores contributed by customers towards forex and also INR69 crores of forex gain. So, I just want to understand these are accounted for in which line item and which business division it represents? And this is for which period? And also, if you can give some colour, is there is -- is this for the full year FY'24? Or there can be more such claims which we may realize...

Vivek Chaand Sehgal: Kunal, can you take this?

Kunal Malani: Yes. So, Kapil, the INR197 crores is in reference to compensation that we have received for the losses that we suffered in Argentina. If you remember, last time or last quarter, we had highlighted some of the challenges we have in Argentina given how the forex devaluation happened in that part of the world, which we had said that we will be working with the customers to share, which is part of the compensation that we have received. This has been embedded as revenues because it's come as a compensation not netted off against cost.

The cost of this is still residing in finance costs, given that how the hyperinflation accounting -- but at the EBITDA level, this has come as compensation for what you have seen in the finance cost. Hence, we have classified that as one-off from an EBITDA perspective. We are not seeing that same thing plays out at PAT level because there it gets netted off against the forex losses that we have in the financial cost. Hope that answers...

Kapil Singh: Can I just ask, for the -- this is for the Q4 FY'24, is this reflecting in the profit after tax? I believe you're referring to the full year.

Kunal Malani: Yes, I'm referring to full year, absolutely, right. So, if you're referring to the Q4 data -- in the Q4 data, there are other elements also in there which includes INR69 crores of forex gains as well that are sitting in there. So that's the INR266 crores number that is based. The size is INR197 crores, there is a forex gain, which is again netted off against the forex losses given the hyperinflation accounting is residing in the interest costs.

Kapil Singh: And this INR197 crores in Q4 is -- and INR69 crores, both of these are in revenue or where are they accounted for?

Kunal Malani: So, your INR197 crores is accounted for in revenue, INR69 crores would be in other expenses, netted off against other expenses.

Kapil Singh: Okay. Okay. And this is for which business -- okay, you mentioned that it is for covering the losses, understood. And which period does this cover up for? This is mostly in FY'24?

Kunal Malani: That's right.

Kapil Singh: Okay. Are we having more claims? Or FY'24 claims are settled?

Kunal Malani: This one, we are not adding more claims on. Obviously, the hyperinflation scenario and Argentina continues to evolve. Same is true for Turkey as well. And as it plays out, we will work with the customers to see how we are able to get their support.

Kapil Singh: Sure. And could you also talk about there is a INR231 crores deferred tax asset -- could you just talk us through that? What has caused that? And what could be the effective tax rate for next year considering this?

Kunal Malani: Look, the deferred tax assets as the performance of different parts of the group has improved as well as some of the international reorganisation that you're aware that we have done has resulted in our ability to claim some of the past tax losses. And hence we put INR 231-odd crores as deferred tax in this quarter, incrementally over normalised levels, if I had to put it. On a more normalised level, I would think the ETR would be somewhere in the 25%, 26%, 27% level, somewhere in that level.

Kapil Singh: Okay. And sir, just lastly, I wanted to check, we are putting in a lot of capex for next year with these Greenfields. Any indication on the potential revenue that these facilities can generate at full utilisation? And also, if you could give some colour on the Consumer Electronics capex? What is the capex there? And how much is the capacity put up or what is the end product?

Kunal Malani: So, Kapil, the capex, we don't give revenue guidance, as you know. So, it will be incorrect for us, right, to talk about the Greenfields in particular. You can do potential assessment with some asset turnover effect that you want to have some sense of it. But we'll be spending around about INR2,000-odd crores across these 18-odd Greenfields, which will be coming up in different points in time. Typically, the Greenfields typically take anywhere between, let's say, 6 to 18 months for the ramp-up to happen depending upon what product line it is in. Vaaman, you want to add.

Laksh Vaaman Sehgal: Yes. Look, I think like as said, we are bound by confidentiality clauses to disclose too much around the sales and the capex of the individual things. But as you can see, the growth is quite visible in all the new business segment that we are reporting as an individual segment. We will take some cues from that. We expect it to grow rapidly from here on an exponential basis as these plants come into commission and these things get paid out, but we'll only be able to give you more information about that later in time as these things become that much more significant. But we are definitely putting the platform for the business to grow significantly.

Kapil Singh: Sure. Sir, I was not looking for a revenue guidance, but just maybe some more colour, particularly on the Consumer Electronics side because it's a new division. Anything you can share in terms of product at least?

Laksh Vaaman Sehgal: We had already shared in one of our last results, the joint venture that we have formed and how we are building on that. You could look at that for cues. But as of right now, we are not allowed to disclose anything more on it.

Moderator: Our next question is from the line of Jinesh Gandhi from Ambit Capital.

Jinesh Gandhi: Congrats on great set of results. A couple of clarification from my side. One is that this Slide 27, which you are referring to – we have 2 items, INR14,500 crores and INR14,000 crores. So that is the impact of – if we consolidate the – all the acquisitions for the full year, that's what it is?

Laksh Vaaman Sehgal: Yes. So, because we are always measuring ourselves as compared to what we set out for our plan in 2020 for Vision 2025. So, if we allow everything to move in, like, for example, forex rates, etcetera, we kind of fix them at that point in 2020, so that we can really have an apples-to-apples comparison on how we have done on delivery of our 5-year plan.

So, if you look at, of course, the FX rates of the – that we have set at that time and we set the vision because, of course, we are in multiple geographies, multiple different forexes plays out. It's out of our control whether something moves up or down, plus you take what is the full year run rate of these acquisitions that we have done, with that conversion rate of the FX, we are somewhere around the $24 billion mark.

Of course, the way the current forex is – the forex rates are, the number on like – on an accurate basis is slightly lower. But again, we are only measuring ourselves as we committed for our 2025 FY plan at that time in 2020. So, taking all of that and this has been consistent how we've done it for all our 5-year plan.

We are – wanting to show you that just in the – up to the fourth year, we're already at that $24 billion out of $36 billion. We still have a bit of runway to grow. But like I said, we are maintaining all financial prudence to make sure that we deliver the strongest results and preparing the company for long-term growth.

Jinesh Gandhi: Got it. And would it be possible to talk about what would have been EBITDA for the full year if we consolidate all the acquisitions for the full year as against INR9,300 crores

Laksh Vaaman Sehgal: It will be a little bit difficult to do that because, of course, some of these acquisitions that we have acquired have been distressed. And of course, with us coming in and doing a lot of the reorganization changes, it will not be reflective of what is really the current situation. I think some of the bigger ones that you are seeing, for example, SAS, all of that has already played out.

But you're going to have to give us a couple of quarters to see how the new ones are panning out. But of course, our endeavour is to do much better than what we have -- where we got these assets and that has been the track record and history of Motherson to be able to deliver on that. So, we are hoping that you will see that in the next quarter itself.

Jinesh Gandhi: Got it. And second clarification was regarding this one-off forex gains. So, the entire INR266 crores is residing in fourth quarter, INR197 crores is in revenue, INR69 crores is in netted off in other expenses. Is that correct?

Kunal Malani: That's right.

Jinesh Gandhi: Got it. And lastly, from the capex perspective, for the full year, we are expecting to spend INR5,000 crores, including INR2,000 crores in Greenfields. So, would you be able to share, apart from this INR1,400 crores in the new business is 70% of INR2,000 crores, broader areas where we are investing, which businesses are we investing in?

Kunal Malani: I thought the information is already there on Slide 16.

Moderator: Our next question is from the line of Abhishek Jain from Alfaccurate Advisors Private Limited.

Abhishek Jain: Congrats for a strong set of numbers. Sir, in the Vision Systems growth Y-on-Y is 16% but EBITDA margin remain flat at 10.3%. So, what is the outlook ahead on the margin side and the top line growth?

Rajat Jain: So, Abhishek, as you know, SMR is a very diversified business working with most of the OEMs globally in all the geographies. So if you see the growth this year as well when we compare to the vehicle volume growth has been pretty good. So volume growth has been about 8% and what we had delivered about 16%. Of course, the growth is not the same in all the markets. China has seen a very different growth curve. And we are not so much present with the Chinese OEMs, and that's on purpose. So what you see is a reflection of our overall improvement that we've seen year-on-year.

Also a point that needs to be considered is last year and Q4, when you see, those were the one-off, which we had a write-back of litigation that we were having, which was about $10 million. So if you do a like-to-like comparison, then it shows a 9.7% EBITDA last year compared to a 10.3% this year. So that would actually show that the growth in profitability is higher than what we see actually in the reported results.

Abhishek Jain: So sir, in last year, in FY'24, there was also impact because of the labour strikes in the U.S. So most of this will not impact in this year. So most of the margin will improve further from 10.3% to 10.8% or 11%?

Rajat Jain: So as I said, I mean, this year, of course, had its own set of challenges. So there was Red Sea crisis. As you rightly said, there was also the strike effect in America. And while there was a catch-up in the later months, it did have an overhang. So clearly, as we go forward, we will overcome all these challenges. If you see the ROCE performance, I think the ROCE performance has been very good, and that is where we focus. And going forward, we are coming very close to the group objective of ROCE performance. So you would see better performance on ROCE going forward.

Abhishek Jain: Okay. And sir, in Wiring Harness business, there's a very strong growth of 19% Y-o-Y in FY'24. And further, there is an increase of the copper prices in this year. So what is the impact of the increase in the copper prices the top line and the EBITDA side? Positive or negative?

Pankaj Mital: So definitely, with copper prices rising, it will also – the revenue will grow up and copper is all passed through with a lag, but that's how it is and how the copper increases, get passed when it goes up or comes down.

Abhishek Jain: So is there any benefit of the increase in the copper prices in quarter 4 in the Wiring Harness business?

Pankaj Mital: Not significant because when it's rising, copper prices rise, there will always be a slight negative impact because the pass-through is at a later date. When copper prices decline, then they can be benefit for a certain period of time.

Abhishek Jain: So most probably, the next quarter number will be better than this quarter because I think we will be able to pass on the cost to clients, right, sir?

Pankaj Mital: I mean, there are lots of factors. As you know that our businesses are in multiple geography, multiple customers, and there are a lot of factors which impact the businesses. And as I said, when you look at only the impact of copper, at a certain point of time, depending on how the average copper price being during the quarter and at what price the price has been adjusted before the quarter with a particular customer because there are different pricing norms with the customers, starting from which month to which month. So it's an amalgamation of all of it together. That's how the results will look like on.

So I can't predict exactly how will the overall quarter look like, but always, as a team endeavour and Motherson has been to continuously keep improving things which are within our control and improve our operational performance and improve return on capital employed, that's what we focus on. Because our products are also getting more and more enriched. And – so just looking at margins is not the best thing for us and hence, the company always focused on ROCE.

Abhishek Jain: And my last question on the recent acquisitions of Yachiyo and others. So what would be the incremental revenue you will be able to get in the first quarter because of these acquisitions?

Laksh Vaaman Sehgal: So again, if you look at Slide 27, you can get a little bit more idea of that. There's a column which talks about the pro forma impact of closed M&A on net revenue, which is estimated, it's about INR14,500 crores.

Abhishek Jain: INR14,500 crores on an annual basis?

Laksh Vaaman Sehgal: That's correct.

Moderator: Our next question is from the line of Gunjan from Bank of America.

Gunjan: I just had a quick follow-up on the INR197 crores and INR69 crores one-off that we have in quarter 4. Is there a way that you can call out which segment is this coming through? And because the reason I ask is in most segments, the margin seems pretty much what you do in Q4 or it's been within the range, but in modules, the margin has seen pretty significant expansion. So is that's where it is getting reflected? Is that a fair reading?

Kunal Malani: No. It is getting Integrated Assemblies. It's disclosed in Integrated Assemblies also, I think, on Slide 22.

Gunjan: Okay. Okay, got it. Okay. And then anything in particular to call out in the Modules and Polymer business on the margin expansion? Or is there something we need to read from change in mix, and this is where the margins are sustainable now? Because it's typically been in the 7%, 8% range in this quarter has been quite meaningful improvement.

Laksh Vaaman Sehgal: Yes. Thanks for noticing that. Look, we've been making a concentrated effort to improve margins. But of course, the delivery of the company on ROCE as a whole, and margins play a part of it. So we have definitely been taking a lot of actions to improve it. Also, we have been speaking about a lot of the sharing of the costs which we got some support from the customers as well. We have to thank them because they have had the confidence in us and continue to award us some programs and share some of the costs which are out of our control, which has, again, been played out.

But definitely, we seem to – we would like to maintain these and grow from here as we move forward. It was on the lower side in the past, but a lot of efforts are being made to improve this aspect of that division and to catch up with the rest of the group. So it is a concentrated effort and hopefully, we'll maintain growth from here.

Gunjan: Okay, got it. And just following up on that, in the past, you all have spoken about these renegotiations and a lot of cost increases which have happened in the last 2 years. There were constant conversations with customers. So is that an exercise which is to a large extent behind now and it is more to do with what happens to commodities incrementally and we pass through that? So that onetime exercise is behind for now?

Laksh Vaaman Sehgal: Ma'am, I wish it was a onetime exercise, but there are new challenges that come out every quarter. There was a challenge of energy prices spiking in a couple of quarters, that has stabilized now. There are some – like now copper will be the automatic pass-through, but similar commodities and they spike up, those kind of conversations happen with the customers. So it is a constant thing that we keep talking to our customers. Obviously, also when there are programs that are done phenomenally well, the reverse conversations also happen.

So we want to focus on making sure that we can deliver the product in the most efficient manner. And whatever is an extra noise, which is not in our control, that's something that we sit together with the customer and make it in a fair equitable basis so that we support each other and continue to grow. But definitely, there's been a lot of work that has been done to make the operations more efficient. And as we – the macroeconomic indicators start to stabilize, that's when you start to see much better performance and there's no spikes that are moving up in them.

And I think that's the kind of level that we have reached with the macroeconomic environment as well. So like I said, I hope that this continues, and things are stable. As they are stable, we can continue to show improved performance as we put in our efforts. But there are volatile things that happen or certain changes that come in the environment. We have to deal with it as it comes in and, of course, sit with the customer at the end of the quarter and the year and try to get a fair outcome out of it.

Gunjan: Okay. Got it. And last question on the M&A. Clearly, you've been talking about more opportunities coming to the market. And now from a balance sheet perspective also, there is flexibility. Now if you were to sort of just give us a little bit of sense on what sort of inorganic acquisitions that we will be keen to pursue in terms of segments, in terms of – is there a new – so you did talk about consumer durable, but bulk of the acquisitions come through in other segment now? Any colour how should we think about that?

Vivek Chaand Sehgal: I think we've guided you in 2021 with a 5-year plan – It was in '19-'20. And we had set a target of $36 billion. That's the kind of range that we are talking about. We have enough to qualify the difference between $36 billion and today's target, whichever you take it. So please be sure that we will not let our egos take over. It has to be customer directed. Customer is very important for us. And we have the trust of the customer. So depending upon the volatility and the other factors which are there in the world today if you will look at the VUCA world.

But I think there will be enough opportunity for us to make sure that we cross our target and as well be of huge, immense help to the people in those particular acquisitions and, of course, the customer. So we don't really get carried away by a particular size or quality of the assets. We believe that together with the customers, we have to work to make sure that this particular thing is achieved. And if the customer is happy, then definitely all our divisions, all our companies actually benefit because there's less stoppage of production and things like that. So it's a huge philosophy that we follow. This is the sixth 5-year plan. And very difficult to guide -- I can't tell you what is happening.

So all I can say is wherever the thing will be, it will be related to the customer. And the ability of Motherson is we are not Gods or anything like that. We work together to solve the problem of the three of us; the customer, the company and Motherson. So I hope that would answer it. But further than that, we can't give any colour or give, let's say, names or anything like that or the division where it will happen. But a lot of opportunities customers calling up all the time, telling us what to do. So we will keep evaluating that. And the results will come to you.

Moderator: The next question comes from the line of Amyn Pirani from JPMorgan.

Amyn Pirani: Two questions from my side. First of all, if I look at the list of your Greenfields, you are doing a few of them in China also. Historically, as well as today also you mentioned that you are not present in a big way with the local OEMs. Given that most of these Greenfields are still happening within the automotive segment, can you give some colour as to are we continuing to be with the global OEMs in China? Or is there some plan to increase engagement with the local OEMs who are gaining share?

Laksh Vaaman Sehgal: These two that you are seeing in China for Integrated Assemblies are for global OEMs, specific programs that we have won that we will deliver.

Pankaj Mital: And the other one is the Wiring Harness one where we work with our joint venture partner, and we support, as you know, on the commercial vehicle side. It's mostly Chinese truck makers and their joint ventures with global truck makers. So we do supply to all the joint ventures -- with the global truck makers like Daimler and so all those things we are doing. So for that purpose, it's there.

Laksh Vaaman Sehgal: And also, I mean, I think it's important for you to understand that we are not putting up capacities for Chinese customers or something like that. I think we have taken a view as a group that we will, in a calculated manner where we know that the customer is growing well, and we have a good probability of success, we are also catering to the local market. Of course, it's a small portion of our sales. But as the market will change and evolve, we will also change and evolve. When entered that market, the international OEMs dominated.

Now you've seen that some of the Chinese OEMs are setting up shop, outside as well. So why would we not offer our services that we know that we can give them a good solution and we can maintain our profitability and recover our investments. We will definitely look at those opportunities and treat them on a fair and equitable basis. It was just historically, when we acquired this company, we focused on it. But we are adapting to the market as the market needs.

Vivek Chaand Sehgal: And I think to add to what Vaaman has said, I personally feel, in my view, that the Chinese manufacturers, OEM suppliers, ancillaries and all that will have a very tough time when they go out of China. And that's where Motherson facilities will get a better opportunity to be more competitive because the playing rules will be in our favour. We're already there.

We already know the challenges and etcetera. I think the Chinese ancillary suppliers will have a tougher time. That's what I feel. Though they are very good, might subsidize and might do, whatever. But I think out of China, it's a level playing field, and we would be in an advantageous position. That's just my view.

Amyn Pirani: Understood. No, that's good to know because they are expanding in Europe where you obviously already have a very strong presence. So that's a very interesting point. Secondly, just a clarification, this INR5,000 crores NCD that you are planning to raise, is it mostly some debt in financing? Or are we looking at keeping some cash for some extra capex going forward or -- for M&A?

Kunal Malani: Look, it's an in-principle approval. As you know, the regulation requires us to take an in-principle approval. And last time, we have taken INR3,000 crores. We had issued INR1,500 crores. We've taken INR5,000 crores depending upon the need of the business, we will come back and announce what is the size. So -- this is an in-principle approval for INR5,000 crores.

Moderator: The next follow-up question is from the line of Kapil Singh from Nomura.

Kapil Singh: Just one follow-up. Is it possible to comment on Yachiyo's performance for last year? Or is it possible to share numbers in that? But if not, at least qualitative comments on revenue and margin performance would be helpful.

Laksh Vaaman Sehgal: Look I think -- look, we would like to focus on what we have inherited, and we will again see what we do with that in the results. I mean you can look up whatever is there, public record that is there available in the public domain as they were a public company before we acquired it. So you can have a look at that.

But of course, there are some bits which have been kept by Honda San such as Goshi, which is a part of the products that they offered. So you really won't get a like-for-like information from there. I would suggest, please wait for a quarter. You will see the first quarter result of Yachiyo, and then we can answer a lot more questions and we have full grip over the entire business and the accounts.

Moderator: Our next question is from the line of Suhrid Deorah from Paladin Capital.

Suhrid Deorah: My apologies, I joined the call a little late. I have two questions. One is that from your vantage point currently, how do you see the business environment and the M&A environment?

Laksh Vaaman Sehgal: Look, from the business side, I think our strategy of 3CX10, no customer, no country, no component to be more than 10% of our business has really helped us through this volatile times. Different geographies go through different periods. We can get into it region-wise. But of course, great bright spot is in India. Record number of cars produced, and we hope that this will continue in the year. We know the European outlook; a lot of challenges have been there. So we are looking at consolidating more over there. We've done a ton of acquisitions.

And as you can see, the trucks are also going up and down depending on the geography that you are there. So again, I think what we do at Motherson is that we try to focus on where the bright spots are and continue to grow those operations. And breathe with the market where there are challenges and make sure that we are the last people standing over there, so that when the business comes back, we can grow. And that's the kind of thing that we have been doing.

With the acquisitions, we have further, obviously, cemented our closeness to the carmakers, to a lot of our customers and penetrate more and more, increase the content, have their trust and are being asked exclusively to go after these acquisitions, a record number of acquisitions for us. We are busy integrating them into the Motherson DNA. So the challenges still remain. We are -- we were just discussing, I don't know, if you were on the call or not, that on a like-to-like basis from where we set the plan for Vision 2025, we are going at $24 billion.

We still have $12 billion to go. So those are opportunities that we still are on the lookout for. But again, no gun to our head or something like that, that it has to be done at any cost. We will, as you have seen in this quarter's performance, maintained our leverage ratios, maintained our profitability, maintained all the growth targets, and continue to invest in Motherson for the long term, whatever that number will be at the end of this year.

But definitely, we see hope. There's a lot of trouble issues that are still out there in the world that the customers may need us to solve. And we will be opportunistic about it. So teams are not -- don't have any time to really be not focused. I think a lot of stuff still on our plate that we continue to solve as we move forward and hopefully, end the year and the 5-year plan very strong.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to Mr. Vivek Chaand Sehgal for closing comments.

Vivek Chaand Sehgal: Thank you very much for all the questions. I hope my team could answer them to your satisfaction. We are still a very OEM-focused company, and we have a lot of issues on what we can say, what we cannot say. But to the best of our ability, we try to explain things to you. But it's interesting to see that if you look at this last year, we have been telling you all that there are a lot of acquisitions happening. In fact, we've closed 18 acquisitions. A company which gets that kind of opportunity, definitely has the trust of the customer.

And even now, we are inundated by requests, not just from the OEMs, but even from the customers, from the component makers themselves which are asking us, "Can we be a part of SAMIL", the way we professionally manage all the acquisitions and all that. People have done 2 or 3 acquisitions and closed on 2 or 3 acquisitions as well. Motherson has a good record. We have not closed any acquisitions. We have not shifted. We have taken all the challenges head on. So I think the next year is going to be -- this current year is going to be a very fulfilling one because we have the trust of the customer, and please don't have doubts that we will not cross our targets.

With that, wish you all a very happy evening and business in the coming time. Thank you very much. Grateful.

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