“Samvardhana Motherson International Limited (SAMIL)

Q3 FY25 Results Conference Call”

February 14, 2025

## 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 Q3 FY'25 Results Conference Call hosted by 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 this 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. V. C. 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 of SAMIL. I am pleased to announce that the Board has approved the results for the Quarter 3 of Financial Year 2025.

Some of the key highlights are our diversified and resilient business model continues to deliver steady performance in a challenging business environment. We are getting continued support from our customers in navigating through these short-to-medium-term challenges.

I am pleased to announce that our leverage ratio has improved to 0.9. This will be the lowest level in the last 10 years, highlighting our robust balance sheet, which will support future growth opportunities.

Our first plant for the consumer electronic business has operationalised during the quarter. We are expecting a sharp ramp-up during the ensuing quarters, which will further strengthen our non-automotive play. We continue to invest in opportunities that could support our future growth albeit with careful consideration.

I would like to now hand over to Vaaman and the team to provide a walkthrough and business highlights and insights for the quarter. Over to you, Vaaman.

**Laksh Vaaman Sehgal:** Thank you, Papa. Good evening, ladies and gentlemen. SAMIL reported robust quarterly revenues of Rs. 27,666 crores, reflecting an 8% year-on-year growth. EBITDA stood at Rs. 2,776 crores, up 13%, and PAT reached Rs. 879 crores, marking a solid 20% increase on normalised level and 62% on reported basis.

On the revenue side, the business continues to grow at a faster rate than the market. The auto industry de-grew by 1.2% on a year-over-year basis and excluding China, it de-grew by negative 4.8%. Against this, SAMIL registered a 7.5% growth.

On profitability, we have delivered a robust performance with 10% EBITDA margin driven by our focus on operational and cost control measures.

SAMIL continues to demonstrate resilience and stability, underscoring the strength of our well-diversified business model. This steady performance is particularly notable given the weak production environment.

The industry remains in a transitional phase as global OEMs continue to navigate the shift to clean mobility and evolving consumer demand trends. This is further exacerbated with shifting geopolitical landscape and trade dynamics.

The shift of production to EV and hybrid platforms continues at varying growth rates across different regions, which we have shown on slide 7. While premium OEMs are recalibrating their strategies to introduce new models across platforms and segments, the mass market manufacturers are expanding their offerings with a slew of new launches across multiple powertrains. I would like to iterate that SAMIL is a powertrain neutral company with more than 95% of our product portfolio being engine agnostic.

Just to give a sense on the broader business environment, interest rates stayed mostly steady. Commodities like copper experienced price volatility and energy price in Europe are on a worrying upward trend. There are indications of supply chain stabilisation and logistics cost decrease supported by port decongestion on key trade routes. This development should help us to release working capital by the end of the year. You can see more on this on Slide 5.

We have had many inquiries about trade tariffs and rollbacks, and we would like to provide you with an update. While different countries are working through the trade agreements, the implications in the global auto industry are yet to be fully understood.

Motherson has a globally local strategy with a manufacturing plant in close vicinity to our customers. All material flows like commodities are typically pass through and so they are customer nominated parts. Any change in tariff from these parts would have a pass-through effect. For the remaining procurement, we work actively to localise and hence the implications, if any, for Motherson will be very limited. Further, as tariffs is an industry-wide issue, these would ultimately be repriced by the customers.

In the medium term, for a global player like us, we would be better placed to optimise our production in more favorable jurisdictions and thereby provide a faster and unique solution to the customers. However, it's early days and we continue to evaluate how the trade dynamic shapes up in the future and will work with our customers to find mutually beneficial solutions.

Moving back to the results, during the quarter, we have operationalised two green fields, notably one in the consumer electronics that my father spoke about before and one in precision metals and modules. Further, an additional six are expected to come on stream in the ensuing couple of quarters. More on this in slide 14.

Motherson has achieved a new milestone in the non-automotive play with the start-up production consumer electronics plant. While the first batch of delivery is entered in November, we have significantly ramped up serial production in January and this will start reflecting in the emerging business from next quarter onwards.

The Elastomer Division has also made significant in-road overseas with the start of construction with first greenfield outside of India. This will serve as a near-shore production base to European OEMs and open doors for new opportunities in and around the region.

We have further extended our collaboration with Honda-San with the acquisition of Atsumitec, a global metal and machining specialist having a footprint in 7 countries and a revenue of US$412 million and a healthy margin profile of about 8% basis FY2024 numbers. The interesting piece of this asset is that all core high value-add capabilities such as heat treatment, carburising, precision machining are all in-house available.

With Atsumitec, we get access to manufacturing footprint in new countries like Vietnam and Indonesia, further increasing our exposure to emerging markets and related growth opportunities. Atsumitec's capabilities are complementary to our capability set. The country resides in India and Mexico, and hence we now have a global potential to pivot and serve more customers across industries as we start to unlock some of these synergies.

On the balance sheet side, Effective net debt for the quarter is approximately Rs. 10,500 crores versus Rs 11,500 crores in September 2024. Basis this, the net leverage ratio is now under 1 at 0.9x. You can see more on this on Slide 11.

We continue on our deal leveraging trajectory with a much stronger balance sheet geared to go after large opportunities. During the quarter, we also fully utilised the QIP proceeds to pay down debt. The full impact of the interest cost reduction should be visible from Q4 onwards.

To greet with the changing market dynamics, we have further recalibrated our Capex estimates for FY '25. We are now estimating to have a reduced spend of about 4,500 crores plus minus 5% versus the earlier guidance that we gave you of 5,000 crores plus minus 5%. The Capex spend for growth primarily in emerging markets remains intact on a full-year basis. You can see more on this on Slide 13.

Finally, I would like to report that the consolidated ROCE based on the nine month FY '25 numbers has improved to 18% from 17.3% as reported in the last quarter. As we move towards the end of the year, the teams are working relentlessly on core operations and working to delever some of the working capital by the year-end. This should further enable improvements in our ROCE.

Thus, in a weak production environment, we have been able to deliver a steady and resilient performance. We are engaged with our customers for sharing some of the pressures related to changing business dynamics. While the environment is what it is, volatility also creates opportunities for Motherson to thrive. It gives us the opportunity to address issues in the supply chain and pain points of our customers and be a sustainable solution provider across our industries.

The M&A pipeline is running hot with deals in various stages across automotive and non-automotive businesses.

With this, I conclude my remarks. And I have Pankaj Mital sir, Rajat Jain and Kunal Malani on the call, and we would be happy to take your questions that you may have. Thank you, and over to you, operator.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press star and 1 to ask a question. The first question is from the line of Aditya Jhawar from Investec. Please go ahead.

**Aditya Jhawar:** Hi. Thanks for the opportunity and congratulations on good numbers, resilient numbers in a tough environment. My first question is on our emerging business. It would be great if you can give a breakup of revenue of the emerging business as we had given in Q1 presentation.

**Laksh Vaaman Sehgal:** Kunal, you want to take that?

**Kunal Malani:** Yes, Aditya, we give that in every yearly basis, so you will see that next quarter.

**Aditya Jhawar:** Okay. And you know, Kunal, on the consumer business, how should we expect a ramp up over the next one to two years? Any broad numbers you can share with us?

**Kunal Malani:** Broad numbers? As we have again said, it's a fairly confidential piece. But needless to say, I think the ramp up is extremely significant. It will be a Burj Khalifa kind of a ride out.

**Aditya Jhawar:** Okay. That's good to know. And any update on the JV investment? So, our JV partner was supposed to infuse equity with 10% stake and scaling up to 49%. Any update on that, Kunal?

**Laksh Vaaman Sehgal:** Kunal, I can take that. I think they have just received the approval for the equity investment and they are just in the final stages of getting their internal approvals for the same. And hopefully by next quarter, we would be able to give you more color on that. But it seems that they have got all the approvals to be able to go and make the equity investment.

**Aditya Jhawar:** Perfect, perfect. My final question is on the wiring harness business. It's a pretty impressive margin expansion despite, you know, weaker revenue print. So, if you can help us understand that what drove this expansion and should we expect this margin as more of sustainable going ahead.

**Vivek Chaand Sehgal:** Pankaj, do you want to take this?

**Pankaj Mital:** All right. Basically, we have been working through all the regions to optimise and to improve and the focus has been on human resources, as you know, Motherson does have its own resources and its capital, so we have been improving on that. Plus while markets have been choppy and markets have been down in some of the regions, we did get, we mentioned about two years ago that we have received additional orders which have started to kick in and therefore we could balance the portfolio and keep our facilities optimised.

So, that's the main reason as to how we continue on this path. Really we can't predict how the markets continue to behave as we are quite well diversified in different markets. As you know, the commercial vehicle markets have been at a low number in Europe. We do believe that in the coming quarters, in the next coming year, they are inching upwards, hopefully. U.S. markets have been quite stable and China is still a little bit lower and still surviving on exports also from China.

**Aditya Jhawar:** Okay. Sorry, just to summarise, I mean, you mentioned that there was a favorable product mix, as well as geographic mix, along with cost saving. Is that right, Pankaj?

**Pankaj Mital:** Yes, basically, it's been, the teams have been working hard since everything went up literally after COVID and it's a human resource content business. We have been improving our facilities, improving our productivities and efficiencies. And we have also in-sourced multiple products, which also supports the customers. So, we do share the benefits with the customers also when we in-source and those benefits are there reflected within us as well.

**Aditya Jhawar:** Perfect, perfect. That's it from my side. All the best.

**Moderator:** Thank you very much. Participants, you may press star and one to ask a question. Next question is from the line of Kapil Singh from Nomura. Please go ahead.

**Kapil Singh:** Good evening, sir. Congratulations for a very resilient performance. My question is on emerging businesses. You know, we started this consumer electronics plant, but emerging business revenue has seen a bit of a dip in December quarter. Also, the margins are holding pretty steady. Usually when we start the new plants, sometimes there is an impact coming on account of that also. So, if you could help us understand seasonality of revenues and also if there should be some impact on margins for to start off with itself, we are making good margins in the Consumer Electronics division and by when do we expect to hit optimal performance in that division?

**Vivek Chaand Sehgal:** Kunal, will you take this please?

**Kunal Malani:** Yes, sure. So, Kapil, I think on the emerging market side, you are right, there has been a slight decline on the revenue front when you look at it from a quarter-on-quarter basis. As you can see, most of our emerging markets on the automotive side, sorry, most of our emerging market businesses are in the Indian automotive side. And that piece of the puzzle has shown a decline in both commercial vehicles, particularly in commercial vehicles and businesses associated with it, like heavy equipment, machinery, etc. I think that part of the business has been on a decline in India and that's how that impact is visible.

Having said so, areas like aerospace continues to grow. Areas like our IT business continue to grow. And consumer electronics become the cherry on the top in some way. It's coming, however, for only a month in this three-year period. So, as we look forward, I think the ramp-up is going to be steep. So, you should be able to see that the emerging markets portfolio as a whole will continue to be showing the maximum growth among the portfolio set that we have.

On top of it, Atsumitec is also going to get added to this portfolio. That's a sizable piece where our corresponding assets are again residing in India and Mexico. And then the idea is to synergise between India, Mexico, and the 9 facilities that Atsumitec has and thereby grow both not only automotive business, but their capability sets are equally good for the non-automotive part. And the aim will be to use that capability set and grow both the auto and non-automotive part. So, I can only say look out for the emerging market segment as we move to the ensuing quarters.

**Kapil Singh:** Yes, no thanks for that answer. I also wanted some color on Consumer Electronics division. How much time does it take before it hits an optimal profitability profile for the first plant?

**Kunal Malani:** It's been two months of production. I think where things stand, things look reasonably more stable than frankly what we anticipated. So, I think things are looking good. Much depends now on the customer also and how quickly he or she wants to ramp up production.

We are ready our new facility. The second facility will also come up by quarter 2 of next year and then the larger one will come in in beginning of FY '27. So, putting all of it together, as I said, I think the ramp-up is going to be steep, obviously subject to customers' support coming around the way.

**Kapil Singh:** Sure, sir. And one question I had on your interest cost, if you could give some color here. You know, it's been still a bit on the higher side. Are there any one-time elements here? And how do you think about on a normalised run rate at current level of debt?

**Kunal Malani:** Yes, so I think when you look at debt, some of the pieces which are over and above the debt piece which resides in the interest cost is one is Forex losses. This time on account of the volatility seen in variety of different currencies, there is roundabout I think 35 or 40 crores of Forex losses that reside into the interest cost bucket.

Secondly, you are aware that in September we had done cumulative convertible debentures. The accrual for that, while I don't think the company needs to ultimately pay for it, but from an accounting perspective, we are accruing that at 14% return, and that is adding another 30-odd crores into the interest cost bucket.

The third element is some of the debt that we had to pay down using the QIP proceeds that only happened in November. So, you are seeing around about 1.5 months of impact on some of those reductions. And hence you will be able to see the full quarter impact in quarter 4. So, I anticipate quarter 4 numbers to trend downwards by somewhere between 50 to 75 crores from here on.

The Forex piece is a little bit unknown. That is dependent now on how the currency plays out. But mind you, most of the Forex losses are also accounting entry because we do have corresponding hedges. So, there are MTMs and translation gains and losses which negate it. So, overall, our asset liability is relatively matched up. But then yes, from an accounting perspective, we do need to recognise mark-to-market pieces.

**Kapil Singh:** Thank you, sir. I wish you all the best. I will come back in the queue.

**Moderator:** Thank you. Next question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

**Gunjan Prithyani:** Yes, hi, thanks for taking my questions. Just following up on the emerging businesses, could you also give some color on the aerospace piece? Because there was a pretty healthy order book that you all had flagged earlier on that and you also flagged in this presentation about becoming a Tier-1 supplier for the commercial aircraft. So, if you can give some color on the where the revenue for this business stack-up, how should we think about the growth on the aerospace side?

**Vivek Chaand Sehgal:** Vaaman?

**Laksh Vaaman Sehgal:** Yes, look, you know, we have two facilities that are coming up and that they should be coming up in the first quarter of July 26 sort of a timeline. So, I think, again, we have a large order book there. I think in the next quarter, we can also disclose more on the order book over there, but that's seen very good gains and definitely a lot of the expansion is coming up at the two facilities that are coming up specifically for the aerospace expansion. Like I said, we will be able to give you some more on the order book on the next quarter.

**Gunjan Prithyani:** Sure. I am just trying to get the revenue, you know, sort of some color because I think this is pretty small piece if I look at F24, right? It was somewhere around I think 300, 350 crores. I am just trying to get some sense with the acquisition and this execution. How big can this be? Can this be like, you know, 3-4 times of where the FY24 revenues were?

**Laksh Vaaman Sehgal:** You mean, with the acquisition itself or with the growth? We have definitely very high targets for where we wanted to grow. Definitely at 10x is what we are targeting in the next few years. So, we want to do much better than that.

But also you have to understand that a lot also depends on how the customers pull because in this business there are only two major customers. The rest are obviously also there, but there are two very large ones. And you know what's all is happening with some of these customers with the supply chain issues. But, we believe again in the long-term prospects these customers will ramp up and I think we will see more of that coming this year.

That's why I was saying if you be patient, I think at the end of next quarter we will really be able to tell you how all of that is picking up. We are quite optimistic, and it seems like the worst is behind us. So, we should be ready for some high levels of growth in this business.

**Gunjan Prithyani:** Okay, got it.

**Kunal Malani:** Sorry, if I just might add, Gunjan, you are talking only 350, which are only part of ADI Industries. ADI Industries itself is €120-130 million business. So, if you add that, I think on a clocking basis, the business should be able to see very significant growth as we release the numbers in quarter 4.

**Gunjan Prithyani:** Okay, got it. The second question I had was on the Japan piece. Congratulations again. It looks like a pretty good acquisition. If you can share two things, one, when do we expect the payout and consolidation of this business on the timelines? And secondly, where would Japan, after this acquisition concludes, where would Japan stack up in terms of percentage contribution to our revenues? Because I think that's been a white space for us. If you can share how big Japan exposure will become with this acquisition.

**Vivek Chaand Sehgal:** Go ahead, Kunal.

**Kunal Malani:** So, Gunjan, I think with Atsumitec and Yachiyo businesses, I think together, it's not only by Japan, mind you, these are all global businesses to begin with. From a capability-side perspective, we have tapped into Honda-San obviously in a fairly big way, and we are very happy with the support that we are receiving from them. Atsumitec itself should get closed in March is what we anticipate right now. So, while you won't see much of the revenues kicking in in quarter 4, but quarter 1 onwards, you should start seeing pretty much the full of Atsumitec coming in.

I think the interesting piece is as some of these elements come together, there are multiple areas where we can leverage the Japanese presence, not only in cross-selling to other Japanese OEMs, but also supporting Honda-San and many of their other product lines across the globe.

At the same time, each of these businesses carries a fair amount of R&D engineering capabilities. The objective would be to not only utilise that in Japan and their existing ones, but to take them global as well. And not only in their product portfolio, some of their capability sets can actually be used across the board. For example, there is a great amount of automation that is embedded in many of their facilities. Frankly, we can learn a lot from that and start building that out in some of our other facilities as well.

That's been also the thought behind the joint venture that we created with Matsui, which is on industrial automation. And hence, the idea is to start leveraging the base of Japan, the engineering and manufacturing capabilities there, to not only do it for Japan and Japanese customers, but then to leverage this across the globe and then cross-sell to other customers, other product lines and so on.

**Gunjan Prithyani:** Okay, got it. This is pretty useful. Just the last question from my side on the SAS, the integrated assembly segment. You know, the margin, of course, there is improved a lot, but you also talk about, you know, how you are able to find avenues for growth from other segments as well. If you can sort of talk about how that business is growing, is it more to do with the in-sourcing that we had spoken about when the acquisition was done or is it some other cross-selling opportunities that you are seeing? So, some color on that, please.

**Laksh Vaaman Sehgal:** Yes, Kunal, if you let me, I can take that. The idea with integrated assembly was to really push on to become a Tier-0.5. So, you know, and we are pivoting ourselves to be an engineering, manufacturing and assembly specialist.

I think what we are also seeing is the customers are wanting more and more of the supply base to do the entire assembly of the car and the logistics operations. So, this fits in really well with that. I think, you know, we are targeting more and more businesses to move up the value chain, not just the cockpit business which we are doing. We want to do more and more modules, and I think we are getting good traction.

So, still early days, but I think we are in the right direction. All the things that Kunal also spoke about with more focus on industry automation, our businesses that we are growing in the logistics side across close connect with the customers and their wish to really push more of the assembly businesses over to their suppliers, I think this fits in really well.

So, again, this is an exciting area of growth. I think we are targeting to do a lot more than what it was originally doing and build capability there and hopefully there should be some good news of us being able to do that in the next upcoming quarters and winning businesses which will really be able to bring this division to its full color.

**Gunjan Prithyani:** Okay, got it. Thank you so much.

**Moderator:** Thank you. Next question is from the line of Amyn Pirani from JPMorgan. Please go ahead.

**Amyn Pirani:** Yes, hi. Thanks for the opportunity. My first question is on the announcement that you made for becoming a Tier-1 supplier for commercial aircrafts. Can you specify what components or parts you will be making for this?

**Vivek Chaand Sehgal:** Kunal.

**Laksh Vaaman Sehgal:** I think we have to come back. I don't think we are allowed to give you the exact components on that. But Amyn, as you know, we are focusing a lot on the structure side and being able to do more and more of those kind of parts. So, look, it's all part of the strategy once we entered this segment to increase the customer base and the ability of our products are being able to do.

You're also seeing that two new facilities are coming up in the aerospace segment, which will again, together with the ADI Industries, increases our product portfolio with complete capability on the machining side. And that's something that we continue to grow with the customers and have success with that.

**Amyn Pirani:** So, no, that's actually this Tier-1 with this company is actually quite a big thing. So, yes, we will wait for more details on that when you can share. Secondly…

**Kunal Malani:** Amyn, you will hear more about it in the next few days.

**Amyn Pirani:** Okay. Look forward to it. Look forward to it. On the consumer electronics piece, just a clarification. So, you have already started ramping up one plant. I see in your presentation two more plants coming up next year. So, is this for the same product line and the same partner or are we something else, if you can just help us understand on that?

**Laksh Vaaman Sehgal:** Kunal, maybe I can start and you can add on. Look, plant that we are setting up is a very large plant. It is in Chennai, so the first plant was always the prototyping plant where we were doing much smaller volumes and kind of showing that we are capable to do it and build the competence from there, so that when the last plant comes along and the large volumes have been able to execute out of that plant, we are able to do that at a size and scale, which is demonstrated already. So that is the idea, I think we have been fairly successful at doing it at the smaller set up. Smaller setup is still quite large for us, but compared to the new plant that we are setting up, it is very small. So everything is kind of relative. I think it is moving at an exceptional pace and I think the teams have done a wonderful job to be able to deal with this new technology and it is only going to be supplementary or growth in which we are already doing a smaller way in a much larger way than the big plant will set up next year.

**Amyn Pirani:** In this last year, Atsumitec acquisitions, again seems to be a decently profitable business with good revenues. Historically, you have been almost exclusively powertrain agnostic. I think you started doing acquisitions when with this one, where you are getting into things which are related to more engine kind of components. So should we assume that going forward you are relatively more open to doing this, is there a slight change in thought process given there is so much uncertainties regarding ICE EV, how should we think about this?

**Vivek Chaand Sehgal:** I think this particular point is your point of view. How you think about. I think the change is not going to be as dramatic as what people are feeling at that from one day to another, the change will happen. So I think the objective is basically to take over these high capability companies and then over a period of 5 years, 10 years, you are then actually using that as a base of engineering and technology and capabilities, and then coming out how you are going to solve, what our company's objectives are. So it is not for one day to another, if you are thinking it is bad, then of course, we would be in trouble, but we know for a fact that it will not be from one day to another. We have a period of 10 years, 15 years to use that particular technology and then A, give that competence or a geographical spread to new customers because at the movement we are only tied up to one customer and give it to the other customers and also in the process come up with the future technologies where we want to be, which would be in the emerging businesses and all that. So there is a lot the basis which we are taking this particular companies over for.

**Kunal Malani:** And if I might add, look our strategy remains exactly the same. This is a customer led piece. Its not we decided to go to powertrain. The customer had requested much like every other asset that we look at. And it is the collaboration with them to find solution for them as well as to find solutions for ourselves in terms of our product lines and our capabilities getting an answer, the matching of the two that results finally in the acquisition.

**Amyn Pirani:** Understood. Thank you. Thank you for this, I will come back in the queue.

**Moderator:** Thank you. Next question is from Jinesh Gandhi from Ambit Capital. Please go ahead.

**Jinesh Gandhi:** Hi, sir. Couple of questions from my side, one is when you talk about consumer electronics CAPEX of Rs. 2,000 crores, it was for all the three phases put together, right?

**Kunal Malani:** Yes, the Rs. 2,600 crores is for all the three phases put together.

**Jinesh Gandhi:** Got it. And any sense on how much you have invested in first phase?

**Kunal Malani:** It is happening over a period of time. I don't know the exact numbers. To be frank, we can come back to you. It is roundabout. I am taking a broad guess, it should be somewhere in the Rs. 700-Rs. 800 crores level.

**Jinesh Gandhi:** Got it. And second, with respect to you said the revenues from acquisitions third quarter FY24, any sense on what will be the EBITDA contribution from those acquisitions?

**Kunal Malani:** I don't have that number with me right now. We don't have that number. We can get back to you separately.

**Jinesh Gandhi:** Sure. I will take that offline.

**Moderator:** Thank you. Next question is from the line of Pankaj from Affluent Assets. Please go ahead.

**Pankaj:** Thanks for taking my question. Am I audible?

**Vivek Chaand Sehgal:** Yes, go ahead.

**Pankaj:** Sir, as I understand the tariff I think which is being spoken about in the news these days is expected to impact the automobile industry, especially the European, Mexican and Canadian countries. So just wanted to understand what is our exposure to these countries and as you mentioned in your introductory message that most of the things will be passed on, the raw material and other things, so would these tariffs, if they go through from your side have any impact on our topline and bottom-line?

**Vivek Chaand Sehgal:** I think the topline will increase, but there will be that lag period. So that could be 2 months that could be 3 months. But I don't think it is going to be a show stopper or something like that. But the topline will definitely go up because the tax rate gone up and carmakers are definitely going to increase the prices.

**Pankaj:** Sure. And second thing, sir, regarding this consumer electronics, as I understand is this the same EMS space which you are talking about or is it something different from that? And secondly, if this is the same EMS space, whether it is low margin, high value or high margin low value segment?

**Kunal Malani:** Very difficult to define, high value low value. It is all relative in nature. I don't know what reference you have. From our perspective, we are doing electronics manufacturing if that helps you, but I don't know how to define what is low value high value.

**Pankaj:** So would the margins from this segment be same as our 9%-10% margin or would it be higher than that?

**Kunal Malani:** We expect it to be margin accretive.

**Pankaj:** Thank you.

**Moderator:** Thank you. Next question is from the line of Raghunandan N from Nuvama Research. Please go ahead.

**Raghunandan N:** Congratulations, sir for strong results. Sir, firstly you highlighted about container prices which has come down by 15% between Q3 to Jan. This certainly indicates positive on working capital, but freight cost is generally 2% of our sales. Would this also be benefit be partly retained or fully passed on to the customer?

**Kunal Malani:** No, this will have a portion that we will retain. There is some portion which is a pass through, there is some portion which is retained. But I think the bigger impact more than the cost front is actually on the working capital side because once you have an ability to predict when the material is going to reach the shores that is what gives you the comfort on keeping lower levels of inventory and having a lower, let us say, BOQ, etc. So that is where I think we anticipate a lot more liquidation of inventory as we move to quarter 4 and even beyond.

**Raghunandan N:** Thanks for that. Sir, standalone business profitability is lower. Would this be partly because of front ending of certain costs for upcoming capacities, any one-off impact that you can highlight?

**Kunal Malani:** Look, I think a couple of things happened on the standalone side. You are aware that Euro depreciated against INR and hence obviously export revenues got hit. On top of it, European markets have generally been underperforming and hence in general the volume trajectory has been lower. So the operating leverage didn't play out and then the commercial vehicle market, which is again housed in standalone as well was underperforming in India including the high equipment and the heavy equipment side and that had a dent again on the overall revenues and hence the lower operating leverage.

**Raghunandan N:** So we would not be doing any capacities building for increase in supplies to Motherson guidance because they have lot of capacity additions happening over the next three quarters?

**Kunal Malani:** We are adding capacity on the Motherson, you are referring to the wiring portion of our business, I am assuming, or you referring to MSWIL?

**Vivek Chaand Sehgal:** Are you talking about the wiring harness or the wiring business?

**Raghunandan N:** So at our standalone, would the capacity needs to be increased to supply to Motherson wiring business?

**Kunal Malani:** Yes, new facilities are getting done for MSEW. There is one new facility that is coming up as well.

**Raghunandan N:** Understood, sir. One clarification, on consumer electronics, you alluded to that there is an approval for the JV partner to take an equity stake. What would be the range of stakes, sir? Would it be 40%-49%, which was announced earlier?

**Kunal Malani:** Contractually, it is 10%-49%, so we will wait to hear from the JV partner what they are comfortable with.

**Raghunandan N:** Understood, sir. On the CAPEX guidance, which was reduced Rs. 500 crore and this reduction is in global businesses to which segment should it relate to?

**Kunal Malani:** It is actually related to a variety of segments. Essentially, when you are seeing both either lower production levels as well as delays in SOP's. We are planning to recalibrate our CAPEX to meet those revised expectations of customers, so that is how the recalibration has been done. Some of it is getting postponed to a point when they will be starting the SOPs, some capacity additions have been delayed out till there is better clarity on how the volume trajectory is playing out.

**Raghunandan N:** And the region wise, it would mainly be in Europe?

**Kunal Malani:** To a large extent, I would say yes, and Americas as well to some extent.

**Raghunandan N:** Thank you very much. I will get back to the queue.

**Moderator:** Thank you. Participants, you may press * and 1 to ask the question. Next question is from the line of Laxmi Narayana from Tunga Investments. Please go ahead.

**Laxmi Narayana:** Thank you. if you just to take a look at your wiring harness business, what has been the India growth because I think last year around 36% of our wiring harness business comes from India. So just want to understand how that business, what is the composition of the business in the last 9 months in India business and how it has actually grown?

**Vivek Chaand Sehgal:** Are you talking about MSWIL or?

**Laxmi Narayana:** I am talking about the revenue growth last 9 months in your writing harness business, what is the India part of the business growth?

**Vivek Chaand Sehgal:** Wiring harness business is only for India. That is MSWIL. Wiring harness business is also international, which is in SAMIL which one are you wanted to know about?

**Laxmi Narayana:** There is a JV with this Kyungshin right? So that is part of this entity, correct?

**Vivek Chaand Sehgal:** SAMIL, yes.

**Kunal Malani:** I don't think we have exactly what the number of India is right now. We can come back to you.

**Laxmi Narayana:** Got it. And there is any increased EBITDA margin in the wiring harness business, what is the margin band you like to operate this business at?

**Vivek Chaand Sehgal:** We don't give guidance on margins, but we believe in ROCE. I think, so really can't guide you on that.

**Laxmi Narayana:** On this particular wiring harness business, you also have anything which is made in India and exported outside and how much is that?

**Kunal Malani:** So there are multiple products that do get exported.

**Pankaj Mital:** We do export from India to some markets, but as you would have seen, the moment a market is maturing, we have been setting up the plants in most regions. So we used to export in ASEAN we now have a plant in Thailand, we manufacture there and support the ASEAN markets. We have plants in the Middle East from where we are supporting our various customers and we are also exporting from India. So the plants have been expanding and since earlier we had set up the plant in Mexico and then of course with acquisitions more and more plant got added in, so mostly we have been trying to be closer and being in the same region where the customers are or where we could do better logistics, but we keep many options for the customers as customers like us have the multitude of options to work with us.

**Laxmi Narayana:** Got it. Now also in your annual report, you had mentioned that there is a movement towards high voltage wiring harness especially in the EV. Just want to understand how that has actually picked up in the last 9 months sale, either in terms of sales or in terms of order book. Is it when you are getting a mix of high voltage wiring harness as well as regular one? Can you just throw some light on that?

**Pankaj Mital:** As Mr. Sehgal earlier mentioned that for India market there is another company called MSWIL which supports the customers in India both on the high voltage as well as low voltage harnesses both for EV cars or ICE cars, hybrid cars, all kinds of cars. As far as SAMIL's business is concerned, we also support our customers globally in whichever kind of vehicles they are making, so all the commercial vehicles which are coming up at the electric vehicles, we are supporting our customers both on the voltage as well as high voltage side in different regions.

As you would know the penetration of the electric trucks has been not so much at the moment. But we do support them, so we are working together with them, and we supply to them also other products which we are making and as they embark on the journey in the future with different power trains also, different configurations we are all working together with them to support them. And you did ask about our other joint venture, which is with Kyungshin. It also supports its customers, which is Hyundai and Kia. Both are the low voltages and high voltage side.

**Laxmi Narayana:** And what is the revenue that entity makes that Kyungshin joint venture? That is included as part of this revenue, which you actually put in your presentation, right?

**Vivek Chaand Sehgal:** Sorry, did you say potential joint venture?

**Laxmi Narayana:** No, the current joint venture with Kyungshin which you have for Hyundai that is part of the….?

**Vivek Chaand Sehgal:** It is 20 years old, by the way what do you want to do? You want to know the numbers of that?

**Laxmi Narayana:** My question is that is part of the wiring harness business, which you report in this entity that includes the revenues from that joint venture also, correct?

**Vivek Chaand Sehgal:** That is true.

**Laxmi Narayana:** And what is that revenue?

**Kunal Malani:** We will talk about this on an annual basis. So you will hear about this as we release our annual results.

**Laxmi Narayana:** Thank you.

**Moderator:** Thank you very much. Participants, you may press * and 1 to ask a question. Ladies and gentlemen, you may press * and 1 to ask a question. Next question is from the line of Kapil Singh from Nomura. Please go ahead.

**Kapil Singh:** Yes. Thanks for the opportunity again. Just one question I had on the Vision Systems business. We mentioned some effect of unfavorable platform and geographic mix. Could you elaborate a bit on this? And are you seeing we are at the peak of this effect, or this could increase a bit in 2025?

**Vivek Chaand Sehgal:** Rajat, you are there on the line?

**Rajat Jain:** Yes, I am one the line. So yes, look, I think we all know that the industry is going through a bit of flux on the new platforms and new model introductions. I think customers are trying to figure out what is the right time to make new launches. So you would see different OEMs having different plans on how they want to have this new model introduction strategy. So we are seeing a bit of delay somewhere and some margins are, maybe not at the volumes that were expected, but this should settle down. We do also see somewhere where the ramp ups are started and we also expect that in a few quarters the ramp up should get stronger in some customers and some geographies. So it is an evolving developing situation, I think we have to go through this. We are working very closely with our customers to support in these changes and we are going through this with them together for the next few quarters and then it will start to look much better.

**Kapil Singh:** And can you talk a little bit about increased traction in China as well in this division? What did you see happening over there?

**Rajat Jain:** Yes, we have good presence in China with most of the OEMs and there are some OEMs who are doing by themselves, but then there are other OEMs who are open to get into new technologies and buy high quality and high technology components. We are engaged with those sets of customers and they are also doing very well. So we are having good growth with those customers with the volumes growing in China. So yes, to some extent we do see the slowdown that we are facing in ramp ups and new model induction in Europe and US is offset partially with the higher volumes within China. So that is obviously with our diverse portfolio helping us to keep very similar levels in the current quarters and going forward.

**Kapil Singh:** Thanks, sir. And when you say adverse geographic mix, you basically what I am trying to understand is it that China mix will be a little bit adverse on profitability compared to the Europe and US markets?

**Rajat Jain:** Each OEM would be different, it would be very hard to say, so as you can imagine every model, every platform comes with different margin, different challenges and we keep improving with all of those platforms as we go along. So we work with the customers, we work internally. So yes, it is always a mix and yes, as we are going through this very volatile situation, you do see some impact and it can be favorable, it can be unfavorable and we keep changing, but on the whole, we look very strong in terms of order book and also the new months that are coming up. So as I said in the next few quarters, it should all start to settle and start to look better.

**Kapil Singh:** Thanks a lot. Look forward to that. Thank you so much.

**Moderator:** Thank you. Next question is from the line of Pankaj from Affluent Assets. Please go ahead.

**Pankaj:** Thanks for giving me an opportunity again. Sir, just wanted to understand the impact of this Russia-Ukraine war on our business, to ask you whether the war has impacted our business because there is chatter, there is noise that now things will be settled on and this work would be put to an end. So going forward, will this development help our business?

**Vivek Chaand Sehgal:** Vaaman, Kunal, can you take that?

**Laksh Vaaman Sehgal:** Look, from our side, we didn't have any facilities in the Ukraine or any of the affected areas. So from our side, we were relatively insulated. The customers are fairly moved those production from affected units to other European locations, so actually, we have not really seen too much impact on our business. Kunal, you can correct me if I am missing something, but from my side not really much of an impact.

**Pankaj:** My question was after the start of this war, the economy of Europe went to doldrums. Did it have any impact on our business and if it revives, what would be the developments for us?

**Laksh Vaaman Sehgal:** Look, I think two things, one, we have a very diversified business model. So not anyone country is able to really affect Motherson's business. Thanks to the diversification that we have been able to pull off with the businesses. You have seen that we have also made a pivot towards other growth areas in different industries and also sometimes when the periods of turmoil are there, we have the opportunities of growth. So back in 2020, we were probably one-third smaller than where we are today. So all these throw up opportunities for us to grow, so we don't really believe that it is all bad scenario. There have been real opportunities for Motherson to grow and get closer to the customer and look at new business opportunities in the periods of volatility and uncertainty.

**Kunal Malani:** And if I might add, we do have and we did have facilities in Russia which obviously cannot produce if the sanctions etc., taken out. It enables us to get back into that market. As one, two, as an immediate hit, obviously the whole energy crisis in Europe was a function of the Ukraine-Russia issue. Presumably if that gets resolved, at least some of the cost pressures on the energy may ease out as we move forward and these are at least two immediate impacts that may be positive for us as it moves. Besides as Vaaman was saying with turmoil there is always opportunities.

**Vivek Chaand Sehgal:** And also I think Europe is not in doldrum, they are in a bit of trouble, that is for sure, but Europe is still very strong and everything, it is in the slight weak side that is alright, it is part of life.

**Pankaj:** And, sir, if you can help me with any guidance for FY26, topline? Growth guidance?

**Vivek Chaand Sehgal:** I think I just give you one clear indication that we have a clear target till the end of this financial year that is March '25 the new this thing will come in the new five year plan that we will have and that is what we can tell you about 26, but yes, growth all over, we are sure this is going to be growing.

**Pankaj:** Thank you, sir. Thanks a lot.

**Moderator:** Thank you. A reminder to all the participants, you may press '*' and '1' to ask a question. Next question is from the line of Rishi Vora from Kodak Securities. Please go ahead.

**Rishi Vora:** Thank you for the opportunity. Just one clarification on the results, in our consolidated numbers, other operating revenue has seen a sharp jump, can you just give us some color on what has resulted in such a sharp jump?

**Kunal Malani:** So part of it is the income obviously coming on account of the parking of funds that we had done before paying off debt. So 1.5 months, those funds were invested in variety of different instruments. Some of that interest income is residing in there. That is one chunk of it. I think that would be the largest chunk of what those would be.

**Rishi Vora:** It is a part of other operating revenues, is it?

**Kunal Malani:** Sorry. You are talking about other operating revenue. Other operating revenue will have a cost of different things in it. There will be places like scrap sales that may have happened, to have caused it. There will be a whole host of different things residing in there.

**Rishi Vora:** Because sequentially, there was a jump of Rs. 250 crores, so just wanted to understand, is that something that you could highlight?

**Moderator:** Rishi, should you have any follow up?

**Rishi Vora:** No, thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, I now hand the conference over to Mr. V. C. Sehgal for closing comments.

**Vivek Chaand Sehgal:** Thank you very much. I am sorry. I have to catch a flight, so I have to get onto the telephone call. But I think the Board was very pleased that in such circumstances, the company has come up with the expectations much to the good surprise of the Board. And I think all the teams have done a phenomenal job in this particular endeavor. And we are hopeful that the opportunities are there, so just watch the space is that I can say the future is really bright. Thank you and wish you all a good weekend.

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