



Samvardhana MotherSON International Limited

(formerly MotherSON Sumi Systems Limited)

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June 2, 2022

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MUMBAI – 400001, India

Scrip Code : MOTHERSUMI

Scrip Code : 517334

Ref. : Transcript of the Investor Call

Dear Sir/ Madam

This is with reference to our letter dated May 18, 2022, intimating about the conference call with Analysts/ Investors held on May 26, 2022, please find attached the transcript of the aforesaid conference call.

The above information will also be available on the website of the Company www.motherSON.com .

The above is for your information and records.

Thanking you,

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

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“Samvardhana Motherhood International Limited (SAMIL)
[Formerly Motherhood Sumi Systems Limited.]
and
Motherhood Sumi Wiring India Limited (MSWIL)
Q4 FY22 Results Conference Call”

May 26, 2022



MANAGEMENT:

Management Participants

- Mr. Vivek Chaand Sehgal, Chairman
- Mr. Laksh Vaaman Sehgal, Director

Samvardhana Motherhood International Limited (formerly Motherhood Sumi Systems Limited.)

- Mr. Pankaj Mital, Chief Operating Officer
- Mr. Kunal Malani, Chief Financial Officer
- Mr. Char Zawadzinski, Chief Executive Officer (SMP)
- Mr. Rajat Jain, Chief Operating Officer (SMR)

Motherhood Sumi Wiring India Limited

- Mr. Anurag Gahlot, Chief Operating Officer
- Mr. G. N. Gauba, Chief Financial Officer

Moderator: Ladies and gentlemen, good day and welcome to the Q4FY22 Results Conference Call of Samvardhana MotherSON International Limited and MotherSON Sumi Wiring India 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Vivek Chaand Sehgal. Thank you and over to you sir.

Vivek Chaand Sehgal: Thank you. Good afternoon. Good evening, ladies and gentlemen. I am pleased to announce the Results. I think you must have already got a copy.

We did Rs. 16911 crores of revenues in SAMIL Quarter 4. The EBITDA is about Rs. 1287 crores and quarter PAT is about Rs. 122 crores.

Please take this under the circumstances of very tough quarter, rising costs everywhere and yet the Company has been able to mitigate the challenges. An amazing job has been done by the people in containing the costs and also getting price increases.

One particular thing that you must note is that this is a work in progress kind of a quarter, because tremendous amount of costs almost on a weekly basis have gone up for some reason or the other depending upon the geography that you are looking at and that, of course, is a big challenge for us, but also the segregation of two companies the legal costs now that the thing outside have been written-off in this quarter. So, those are the one-time expenditures. But it also tells you about the kind of opportunities that we are having. The more the headwinds, the more the opportunities to acquire companies and in the acquisition because we do it along with the customer, we also get the opportunity to reset the pricing and things like that. So, I call it a work in progress kind of a year very challenging year. We have come back really hard, and we are confident that the coming quarters is going to be better, but I think you would have a lot of questions. So, we will go ahead with that. I think the MSWIL which is MSSL MotherSON Sumi Wiring India Limited has also come up with very impressive colorful results with that because India is doing very well with revenues about Rs. 1662 crores which is up almost 14% and the EBITDA is up almost 31% quarter on quarter. So, I think we can easily say that India is kind of a shining point in the whole group along with Americas and some other countries. So, happy to answer your questions and give it back to you.

Thanks. Thank you very much.

Moderator: Thank you very much. The first question is from the line of Kapil Singh from Nomura. Please go ahead.

- Kapil Singh:** Good evening. My question is related to SMP and SMR margin. What we notice is that you have called out on slide number 15. The impact that has come from high labor costs and high energy prices and inflationary costs, but the impact is much larger in case of an SMP than in case of SMR. So, if you could give some more color as to how much is the energy cost that that is there for SMP and SMR and how much cost inflation we have seen and what are the kinds of conversations we are having with customers in these unprecedented cost inflation time to pass on these costs because what I understand historically these things have not been passed.
- Vivek Chaand Sehgal:** Thanks Kapil. You are right. It is more pronounced in SMP because SMP has more plants in Germany and the affected areas, while SMR is that much more in the non-affected area, and while I am not going to get into it politically, whether it's correct or wrong, but Hungary continues to take precedence, they are continuing with their contract, while the whole EU is trying to get away from the Russian gas and diesel, and all those particular things are known to you. So, yes, SMP has to bear the brunt of it more than SMR. But look, these are things that have been taken over by Vaaman, so Vaaman can you please take this particular thing up and how you are trying to mitigate it.
- Laksh Vaaman Sehgal:** Yes, sir. Sir I think like I said, most of SMP plants in the Europe region are quite focused on the on the German side. So, that is why you are seeing more impact of the energy costs over there and definitely these costs are being transparently shared with our customers and we are asking them for support during these tough times because these are all costs that are really out of our control, including not just the energy costs, but also the raw material and consequent raw material prices that, for example, they are getting from our suppliers, etc. So, these are all being shared, and we are working on a good plan to work with the customers as to how these can be mitigated moving forward.
- Kapil Singh:** Vaaman any indication or any thoughts you have on how much time it can take to progress on. Do you think it can happen in a quarter, or it could take six-nine months or a year for it to get fully passed on?
- Laksh Vaaman Sehgal:** There is no standard. Some customers have already got into these discussions where they are wanting to compensate, but again, there is a discussion going on from when it happened, and how much of the burden they shared, etc. So, I think all those kinds of things are happening and different customers are in different process, different times of this process, depending on how much information etc. They are asking depending on their contracts, their launches, because everything is contract specific. So, like I said, we are already engaged with all of them, speaking with them, and they are in different levels of how much information exchange is currently happening.
- Vivek Chaand Sehgal:** Actually, Vaaman is leading it personally. That is how important this is for us. So, it is being taken with all the top people going and sorting out the particular issues.

- Kapil Singh:** That's very important information. We look forward to the update on the same. Yes, the second question was on the standalone business for MSS. We have reported Rs. 1611 crores of revenue and 18.2% margin. I just wanting to understand what are the one offs here. Are they both in top line as well as EBITDA or just the EBITDA? If you can just explain the adjustment and what is the underlying margin, which we should work with on a normalized basis?
- Kunal Malani:** Kapil on the standalone side, as you reflect on the 18.2, it is partly on account of the improved performance of all the India businesses as Mr. Sehgal was mentioning India has been a shining spot and all our businesses in India have seemed to have done better than the previous quarter. The one off that you are seeing if you see the slide 13 it has a note talking about 65 crores of pretax income, which is one off which is in relation to the nine-month rental and management fees that MSWIL has paid to SAMIL for the nine-month period which has been accrued in this quarter as this is the first quarter which has given effect to the demerger.
- Kapil Singh:** Accounted for which line item.
- Kunal Malani:** If you see Slide #13 the note on Slide #13.
- Kapil Singh:** No, I understand that, but I am saying is it in revenue it is in other operating income, where do we account for that Rs. 55 crores.
- Kunal Malani:** It is an operating income.
- Kapil Singh:** Okay other operating income that we are seeing increasing to Rs. 122 crores. Okay. Right. So, the underlying margins, to understand the underlying margins here, we need to adjust the Rs. 55 crores. Is that the right way?
- Kunal Malani:** At an EBITDA level that is true at a post-tax level, it is 48.9.
- Moderator:** Thank you. The next question is from the line of Raghunandhan NL from Emkay Global. Please go ahead.
- Raghunandhan NL:** On Motherson Wiring my first question on the EV wiring harness, can you give some color and update on how many customers does the company has, and to which all segments it is supplying as of now, what has been the increase in content per vehicle in EVs versus IC if you can share and also is there a risk to this increase in content because of technologies like Flex PCB?
- Vivek Chaand Sehgal:** So, you specify you are talking about SAMIL, or you are talking about.
- Raghunandhan NL:** Motherson Wiring.
- Pankaj Mital** Just to brief you, if you are talking only about India markets, we are doing both India and outside India. India market as we had explained in the last call, so we are doing all segments. We are

doing two wheelers. We do also passenger cars, and were needed for the commercial vehicles as well over the machines, etc. So, that is what we do and in terms of content in the EV side much more depends on the vehicle and as you know the penetration at the moment in India is not so high. So, we all know that it is there, and it is going to grow over a period of time.

Raghunandhan NL: So, can you give any sense on how much could be the increase in the content in EVs versus ICE I mean, people are talking about technologies, like Flex PCBs, which might restrict the increase in content, your thoughts on that.

Vivek Chaand Sehgal: So, I think what is important for you to understand is that new technologies, because they cannot solve the kind of challenges that can automotive it. Flex PCB and all that thing makes a lot of sense when you talk about electronics, but in car, you do not have that kind of need for flexing and all that and the amperage, you are talking amperage are 100 amps, 200 amps, flex does not work there. So, think about it. But if you are talking about the use of flex, you are sure to go, but will it be replacing wiring harness? My experience of 47 years tells me that no, it won't, because you need amperage, and you need the conductors to carry that kind of current not.

Pankaj Mital And you may be talking about some of the technologies which some companies or the companies which are doing very well on the electric side globally are tending to use, but then I think your question was related to India market. So, it is not in use in India at the moment.

Raghunandhan NL: Thank you, sir and any sense on that content per vehicle, sir, if possible, just a broad range.

Pankaj Mital Generally, what happens is that the vehicles continue to use the, let's say, low voltage cables, which continues so if we take ballpark 70-75% or in some cases even more which continues in the vehicle and that content goes up because the features are much more in heavy vehicle. The only thing which gets changed is the engine wiring harness. Harness which the engine doesn't remain and instead of that, high voltage in the motor related all those the stuff comes in. So, that depends on the content, I mean, if you take charging cables, charging connectors also into the whole system, vehicle by vehicle, it varies and then it can be even more than the overall lower digit. I mean, how much is the value add? So, there are a lot of things which go into the whole system and that will be vehicle maker by vehicle maker in that sense, but so, it is up to us. How do we want to take that into consideration?

Raghunandhan NL: And Pankaj sir. My second question was, could the company be able to sustain market share in India considering competition like Yazaki and Aptiv who are trying to gain share in changing power train environment.

Pankaj Mital: We have been there in India for a very long time and as all the players have been in India for a long time, and your company has never focused on market share and that is the reason why it is one of the most preferred suppliers to its customers. Because rather than focusing on market share, and looking at what others are trying to do, we try to focus on creating value for them jointly working together with them. So, even when somebody tries to do price cutting, or

anything of that sort, we never worried about it and we always continued, and that is how we have been a long-term partner with all our customers and continue to grow with them and remain a trusted player and we believe we will continue to do so in the future.

Vivek Chaand Sehgal: Also, I think they are very respected names that he is taking, so we are not trying to beat them, or they are trying to beat us.

Raghunandhan NL: What do you think I mean, why they have not been successful and eroding our market share.

Vivek Chaand Sehgal: If that is what you think that we are fighting on sentiment. There is a total amount of commitment in the components that we are supplying. There is a total support that is necessary for the same. For them, the markets outside India are very big market. So, obviously, they have not really focused so much on the India side. So, then you should think about the localization, the capability to set up components the capability to set up special wiring, I can go on and I can tell you the market commitment that Sumitomo and MotherSON have given, in fact, this whole particular segregation of the company has been done so that we can take care of the needs of India. So, I do not subscribe to this that I have to compete with them. I have to keep competing with MotherSON. If I can beat MotherSON, then I am sure I am going to be in business and we all can watch that happening.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: First couple of clarifications with respect to the console numbers which we have declared. So, what is the difference between the SEBI reported number and PPT reported numbers which are on the last page. May be Kunal can share, threw some light on that?

Kunal Malani: Jinesh the SEBI reported numbers as for the accounting standard, where we have continued and discontinued operations, so, it is references against continued operations for the past year. For the current quarter obviously, the merger has been given affected as well. So, when you look at the other one, the performer one that is where the merger and the demerger has been affected for all the four quarters. So, it is for reference to draw like comparison, but the main presentation is SEBI reported numbers.

Jinesh Gandhi: Okay, so, for the fourth quarter both the numbers should be similar if not the same.

Kunal Malani: From which quarter?

Jinesh Gandhi: The current quarter fourth quarter, which we have reported, the SEBI reported as well as our pro forma numbers should be same, right?

Kunal Malani: That is right other than there are one off expenses so the Rs. 65 crores that Kapil has just asked the question the Rs. 65 crores should have in the pro forma would have been spread on all the

four quarters. In the SEBI reported one, it is accrued in the same quarter. So, that is the difference between when you see in pro forma level and here.

Jinesh Gandhi: Got it and secondly, request was primarily remember, you had shared broad business segment wise revenue and EBITDA in our Motherson 2.0 PPT. So, if you can share it on ongoing basis, just request on that.

Kunal Malani: We will share that in due course as well. Going forward that will be the new reporting construct that we will go from next quarter onwards.

Jinesh Gandhi: Great that will be very useful. A few questions on India Wiring Business numbers which you have reported. So, just one clarification, the copper price increase there a reset every six months right.

G N Gauba Every quarter, the quarter need not be necessarily the calendar quarter it could be any three months.

Jinesh Gandhi: Okay, got it and usually what would be copper as a percentage of our revenue, a foreign cost whatever it is relevant.

G N Gauba It will vary between Passenger cars. Commercial vehicle and motorcycles may be higher but ballpark you can take depending upon the price between 18 to 22% of the raw material cost something like that, but I will have to come back based on the current number copper price and all that.

Jinesh Gandhi: Okay 18 to 20% of the total iron cost, got it.

G N Gauba These are range, but it can vary depending upon the product mix as I said. EV, it will become even higher.

Jinesh Gandhi: What is the import content because I believe we have started sharing the JPY-INR numbers we used to share earlier also. So, what is the import content in that business?

G N Gauba We will have to full annual report coming out soon. So, you will have all the data there on foreign exchange exposure and all that.

Jinesh Gandhi: And my last question before I fall back in queue. So, just a clarification on what Pankaj mentioned we are present in two wheelers, PVs and CVs that is on electric side, or this is in general, and electric will be the presence will be different as of now.

Pankaj Mital: The question was an electric so, of course, we are there on the low voltage cables, but also on the electric.

- Moderator:** Thank you. The next question is from the line of Joseph George from IIFL. Please go ahead.
- Joseph George:** I have a few questions on some of the numbers that were discussed in some time back which is firstly the Rs. 65 crores payment to Motherson Sumi, or rather SAMIL? So, what I want to understand is this as you mentioned that this is pertaining to three quarters. So, does it mean that going forward? We should think of a quarterly run rate of say about 22 crores or there about 7-8 more it can go up or down, but is that a number that we should think of going forward?
- Vivek Chaand Sehgal:** Yep, ballpark that would be right the number would obviously have variations to it. But yes, ballpark that should be.
- Joseph George:** Understood and which line item of the SAMIL reported format is this reflected in MSWILs results just to understand the corresponding line items.
- G N Gauba:** On the MSWIL side and it is also tried to clarify on footnote that the management fee goes before EBITDA as an expenditure as other expenditure and when we are talking about the renters of the factory premises which are taken on lease from SAMIL that will that gets accounted for under Ind AS 116 or whatever is the relevant standard, which means that the operating lease gets converted into interest and depreciation.
- Joseph George:** Understood and so the last question that I had was when I look at MSWIL presentation I am looking at slide number 7, where I noticed that compared to the reported number you have made an adjustment of Rs. 24 crores on EBITDA and Rs. 74 crores on the PBT line. Can you explain what is this 24 and 74 respectively?
- G N Gauba:** 24 is in respect of the management fee for the 9 months, previous 9 months which has been as an expenditure in the last quarter because as Kunal explained in another question, that in the last quarter, we have booked the entire management fee on both sides and when we talk about PBT, the difference is on account of factory leased premises being accounted for interest and depreciation, amortization as per the standard.
- Joseph George:** Understood and the last clarification that I need is this adjustment has been made for the entire amount or two thirds because one-third of the amount would be pertaining to the fourth quarter. So, have you adjusted for the entire 9 months number or only for two-thirds?
- G N Gauba:** No, we have adjusted 9 months prior period and the current cost remains as part of the normal cost because this is the fourth quarter, not the third quarter.
- Moderator:** Thank you. The next question is from the line of Saurabh from Ambit. Please go ahead.
- Saurabh:** I just needed one clarification. So, if it is possible to be please share the gross block figure for both FY21 and FY22 in regards both the entity SAMIL and MSWIL?

- Kunal Malani** It will come out in due course as the annual reports are sent out as well.
- Saurabh:** I just need the gross blog headline number that is it. Is that handy right now.
- Kunal Malani** Unfortunately, not right now. This we can connect it offline.
- Saurabh:** No worries. Thank you.
- Moderator:** The next question is from the line of Amyn Pirani from JP Morgan. Please go ahead.
- Amyn Pirani:** So, before that question, I had a clarification. So, when I looked at 9-month MSWIL and full year MSWIL for FY22 for revenue and raw materials, these are like to like right, there is no adjustment that I need to look at.
- G N Gauba** That is correct.
- Amyn Pirani:** So, if I look at full year or rather 9 months to full year, your gross margin is broadly flattish at a time when obviously raw materials have gone up quite a lot. So, is it because you have been able to get the correction from customers at a faster rate or have you done any specific cost cutting some efficiency that your end. Can you help us understand actually this is a very, very flat gross good outcome in such an environment?
- G N Gauba** I think Amyn, you are absolutely right, our teams are working very hard, and you have to give due credit to them because there have been all adverse situations both not just on the raw material prices, but as well on the shipping cost or freight costs or the transport cost. So, people have found the ways so that these costs can be contained.
- Amyn Pirani:** Okay and going forward, I mean, obviously, this year's production growth should be higher. What is the kind of commodity cost pressures that you are seeing going forward and, broadly, should we expect margins to move higher from here into the next year?
- G N Gauba** Well, first of all, we do not give guidance for the short term neither on the EBITDA margin. So, you can either get unnecessarily trapped into some questions and what is important is for us to work in partnership with customers, as we have said that the environment still remains volatile. There are supply chain challenges which the OEMs have, we also have some time from the component suppliers. So, we continue to do our best and work with customers as well as with the suppliers so that we perform in the given circumstances, and I am sure the teams will continue to perform better.
- Moderator:** The next question is from the line of Arvind Sharma from Citi. Please go ahead.
- Arvind Sharma:** Sir two questions, one on the other income on the SAMIL side seems to be very high. So, what is the reason for that?

- Kunal Malani** That is largely on account of the dividends that we have received during the year.
- Arvind Sharma:** And would it be on an annual basis its high a bulk of it coming from MSWIL.
- Kunal Malani** No it does not come from MSWIL. I am presuming you are referring to 711 and on slide 13, you could also see in Quarter 4 we have received 264.
- G N Gauba** I mean, you have MSWIL balance sheet and P&L account there is no outflow of dividend, so the dividend is proposed, which will be paid in the financial year 2022 to 2023 to all the shareholders including public shareholder.
- Arvind Sharma:** Right sir that is why just wanted if you could because standalone other income is almost Rs. 384 crores on an annual basis it is up almost Rs. 711 crores versus Rs. 110 crores. Just want to understand what the main contributor with this sudden increase in other income is.
- Kunal Malani** That's because several companies have just been merged. That is why that and Rs. 264 crores are the dividend income received in Quarter 4 out of the Rs. 383 that you're referring to.
- Arvind Sharma:** Thank you so much. Second question, SMRPBV, you already took margin pressures due to escalating costs. Any idea by when could margins kind of go back to the levels we've seen earlier as in terms of costs? When you think I know it is difficult to fathom right now, but when you think.
- Vivek Chaand Sehgal:** Thank you so much for being so appreciated, that is difficult to fathom, but still, you want an answer from us, we will give it to you. I hope yesterday, but look, we have to work together with the customer, make them understand the whole thing and then do it. So, we cannot do it with a breakneck kind of this thing over there, we have to be cognizant of the fact that everybody is facing a challenge. So, definitely, we want that the rows and everything comes back to normal. We also want our life that novel and we do not want monkey pox to monkey around with our future coming up. So, looks this is horses even beggars would ride. But yes, we are all trying to work under the difficult circumstances. So, very difficult to give a clear answer to you. But I am appreciative that you understand that.
- Moderator:** The next question is from the line of Mumuksh Mandlesha from Emkay Global. Please go ahead.
- Mumuksh Mandlesha:** Sir few questions for Motherson Wiring, so in the revenue clarification there are item others in revenue. To which segment does it cater sir? So, in the Motherson wiring, there is an item does in revenue breakup. So, which segment does it cater sir?
- G N Gauba:** Yes, this could be to any of the segments which are otherwise described, because this is more to the Tier-2 as well as components to the industry. So, some part could relate to Passenger car some part to commercial vehicle.

- Mumuksh Mandlesha:** Sir globally Sumitomo has a strong presence in industrial wiring business. So, over the medium term, can MotherSON also diversifying into industrial wiring business or any other segment sir? Industrial wiring business sir.
- Vivek Chaand Sehgal:** What do you classify as industrial wiring.
- Mumuksh Mandlesha:** To non-autonomous like aerospace, railways like.
- Vivek Chaand Sehgal:** Sir, now, you want to know my strategy, but I can try and help you out there also, please wait till November this year, we will come up with our 2.5 or half yearly report on our industrial different segments. So, you will have to wait for that I cannot take the thunder away from. Please wait six months and we will have the half yearly five-year meeting, half year waypoint report, then you will understand where all we are getting into.
- Mumuksh Mandlesha:** Sure sir. The company is a leader in the wiring harness PV segment and the second largest in two-wheeler segment. Is it possible to share indicate market share in other segments like PVs, CVs and two-wheeler?
- Vivek Chaand Sehgal:** We do not believe in market share, but all I can tell you is that if you are in it, we are in it then you go for it. We do not wait for enough percentages, but we do not guide normally in this. I do not know why you want to know what our market share is. We do not believe in market share.
- Mumuksh Mandlesha:** Just in other segments where Company has presence.
- Vivek Chaand Sehgal:** Why do you want to know that? How does it help you?
- Mumuksh Mandlesha:** No, sorry. Okay.
- Vivek Chaand Sehgal:** We normally do not give it, so I am wondering why you want.
- Moderator:** Thank you. The next question is from the line of Vimal Gohil from Union AMC. Please go ahead.
- Vimal Gohil:** Sir my question is on the wiring business India. Sir If I look, if I were to look at its performance, clearly, you have outperformed the industry by a very healthy margin. Just wanted to understand the contours of the same, if you can just probably help us how much it come from content increase, how much it come from pricing increase? Clearly, because the margins also show that you have taken healthy pricing increases. So, if you need this help us maybe break that up or understand your revenue performance better. I have one more question on margin.
- G N Gauba** I am afraid we do not have such kind of working nor we try to do that because that will be something which will divert our attention to something which is more important from the more important work. So, as we said, our teams are very focused, we work very closely at our plants,

we focus on our plants our work and ensure that we meet the customer expectations, reduce the wastage is eliminate wastages. So, this is all about the focus and to get what price increase volume is not comparable, because the vehicles which are sold in this quarter would be entirely different than in the previous quarter or those things, it will be not giving us any results. It is better to focus on today and tomorrow, how we can further improve our performance. I am sorry, I do not know have answer to your analysis, but this is how we have been performing and historically we have been presenting the data, which you can see we would have done it.

Vivek Chaand Sehgal: And I can I support you with one line. We also do not have so many people bisecting and dissecting and all these particular things happening and that is how we save money, and we focus on people act positively to the production, the quality, and these kinds of things. So, we are not a research organization, we are a production company, we focus on what delivers value to the bottom line. So, I hope that could also help you.

Vimal Gohil: I understand that I just said that, in a declining environment, your Company is growing quite well. So, I was just trying to understand better on that.

Vivek Chaand Sehgal: We never waste a crisis, we always come out stronger. You should have seen the last year's first quarter results, we almost had tears in our eyes. But then the next quarter, we came back very strong and that is exactly what we do we go face the crisis, we use that to our advantage. But not doing just let's compare this also, let's compare that also, our people are very focused, they know exactly what to focus on and that is probably the reason why with God's grace Motherson results are that much better.

Vimal Gohil: Great, great. So, sir just one question on margin.

Vivek Chaand Sehgal: We do not guide on margins.

Vimal Gohil: No, I am not asking for guidance. I just wanted to understand your nature of your employee costs. Given the fact that this is a slightly more labor-intensive business as compared to the only other parts. So, would your employ costs remain fixed for a certain amount of time before you probably expand capacity? How should we understand your employee cost growth are going to be limited?

Vivek Chaand Sehgal: 60-70% of our workforce are ladies which tend to have a higher churn rate. So, that is probably one advantage point that we have. Maybe that helps you to understand our margin and sustainability of margin. Is that helped you.

Vimal Gohil: Got it. Thanks a lot. Thank you so much.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematix. Please go ahead.

- Ronak Sarda:** First question is on the consolidated leverage, when he has called out Rs. 2000 crores of working capital impact and on the leverage. So, how should we look at this number over the next say one year. So, OCF minus CAPEX, and plus any recovery on the organic side, how should fit this number trend over the next one or two years.
- Kunal Malani** Ronak the Rs. 2000 crores of working capital that we called out was largely to highlight the fact that, given the supply chain disruptions that we are seeing across the globe, we are required to keep a much higher level of inventory, we are also required to have multiple supplier bases in place just to make sure our supply chain is there to service the customers so, so that's why the working capital has got expanded. Now going forward as and the hope is as things normalize, this will also normalize and hence these should get released and at the same time, with better realizations and better path through some of the inflationary costs to our customers, hopefully, their improve performance would also mean that there is improved cash flow and that in turn would imply that the debt figure should be looking down going forward. In general, you know, there is no major CAPEX is that we have in play, there is no major Greenfield etc., our current order book, our current capital assets are sufficient to meet the requirements of the current order book and hence, in general subject to market conditions, we should still be on a deleveraging path and obviously subject to any new acquisitions that come into play.
- Ronak Sarda:** Couple of questions in the MotherSON Wiring part. Sir just if you can just help us understand on the yen exchange rate, so, are we already seeing benefits of the yen depreciation or are these are also on a three-to-six-month contract? How does this impact our financial?
- G N Gauba:** As far as copper and Japanese yen is concerned, that is a pass through for us. Okay, with the lag or whatever those terms are?
- Ronak Sarda:** Okay and sir any indication, I mean, MSWIL will continue to generate a very strong free cash flow. So, how do we intend to deploy cash? Given we have a pretty long-term agreement with SAMIL on the component supply. So, how do we intend to deploy this capital employer cash to keep generating 40% plus ROCE
- Vivek Chaand Sehgal** Return back to the shareholders please. Thank you. We need it.
- Ronak Sarda:** Perfect. Thanks.
- G N Gauba:** Ronak. That is one part. But the whole purpose of reorganization, just to add there has been that Sumitomo wants to focus on the domestic wiring business, because the domestic industry is also undergoing a change. So, you will see that the requirements come coming from the customers, we would be making necessary investment so that we go ahead of the time to service our customers, as has been the past track record and as Mr. Sehgal said.
- Vivek Chaand Sehgal:** Thanks Gauba, you are right. But I would just like to have fun because of this question. You know that they will have cash. So, why not? I said, look after to the shareholder and we look

after everybody, so why not you look after the shareholders also. But yes, I think to answer the question of the other gentleman who was trying to find out about our competitive landscape, probably Motherson Sumi Wiring Systems will invest a tremendous amount of money in the electrification needs, if there are any, but also for the hydrogen cars for the different wonderful cars that everybody wants to be seen made in India probably Motherson would be the one company which will be taking care of all the needs. So, definitely, that is the logic if you agree with it.

Ronak Sarda: Of course, what I wanted to understand sir when you say electrification hydrogen car, I mean, where specifically would be the investments go?

Vivek Chaand Sehgal: To make you see the wire will not be the normal wire. The components will not be the normal components. You need to make special investments in new technologies, new products, new materials, because you cannot use normal thing for this particular thing. You cannot charge it on a home charger. You need a special charger because the needs are very different. So, that is a more technological play. By I definitely we have it and we also are very capable to get more from Sumitomo.

Ronak Sarda: So, for the ice vehicles where a lot of child parts and components come from SAMIL for EVs and hydrogen MSWIL self-invest in those components is that the way to understand.

Vivek Chaand Sehgal: Sure, why not and that also if there is any need for them to have more help than Mother Company is always SAMIL is there.

Ronak Sarda: Okay, a couple of clarifications from finance. Sir on slide 13, SAMIL standalone EBITDA Quarter 4, which you have highlighted as Rs. 293 crores. I mean, if I look at the SEBI format, it's much lower at Rs. 215 or 216 odd crores. So, how do we go from that number to 293 if you can just help us with that.

Kunal Malani So, you are referring to standalone right?

Ronak Sarda: SAMIL Standalone yes.

Kunal Malani So, where are you picking it up from the SEBI standalone numbers.

Ronak Sarda: Sir SEBI standalone numbers come to around 2016 crores if I can do revenue minus raw material, employee and other expenses.

Kunal Malani There is a dividend income of 264 which is excluded as highlighted which is not part of the EBITDA. Right and then is an interest income also which we do not consider as part of EBITDA, so that also needs to get excluded. I can share the calculation.

- Ronak Sarda:** And the final clarification, the erstwhile SAMIL entities right, the one which you highlight on a consolidated basis or the proportionate basis, those will not be part of the SAMIL standalone, they will still be assessed as separate entities, right or at some point and we intend to merge all of these companies as well.
- Kunal Malani** So, what business used to exist in the erstwhile SAMIL standalone is now part of SAML standalone. There are businesses which are 100% subsidiaries as well which remain out there are joint ventures with also a separate legal entities and entities remain out.
- Vivek Chaand Sehgal** Thanks for bringing up that because we have now simplified it, it's either this or it's that, or how that is working. So, the segregation has been completed.
- Moderator:** Thank you. The next question is from the line of Jay Kale from Elara Capital. Please go ahead.
- Jay Kale:** Yes, thanks for taking the question and good evening to team. Sir my first question is regarding the MSWIL, on the wiring harness side, you did mention that you are committed to investing in India and you have seen that, your competitors, maybe, in the current EV wiring harness, maybe the high voltage wires, a lot of components would be imported. So, how different are we versus the competition in terms of our localization content for the high voltage wires? We understand the connectors are one of the major components over there and would we be producing it in India and hence, our cost structures would be much better than competition and would it require a different kind of homologation. from the OEM?
- Vivek Chaand Sehgal:** Let me let me just help you out here, the customer is going to decide based on the economics, think about it, if you go and blindly go and copy the components since I am making it here, I think it is a big, big mistake, at the end of the day, you need the volume, otherwise, you are better off importing it. So, the tools by itself can cost you crores of rupees. So, it has to be a maker by decision that we have to do and that is the reason why at this moment, we are not really going for this because the volume for cars is very small. The other gentleman was also asking about electric cars and things like that. How many cars have been produced in India of electric vehicles? So, I think we just lose our balance and just want to go from like a pendulum from left to right from right to left, but there is make or buy up kind of scene which is there. So, these particular things will be answered maybe another two, three, four or five years and that's the reason why some Sumitomo and MotherSON together thought that it is better to segregate that and set up special plants depending upon what the need is. So, we do not really know what is going to be the real numbers that we are talking about. So, but if you have any of those numbers, you know that we would be very grateful if you can give it to us here.
- Jay Kale:** Sir my next question is regarding the SMP business. You know, we have kind of not segregating the startup costs, etc., because now it is a part of normal operations, but just an indication, how would we be in the journey of margin improvement for the Tuscaloosa as well as Kecksomet plant? Are they operating at optimal capacity utilization? For those plants are we the margins

kind of have trended towards the company average margins or they are still at the breakeven level? If you could just throw some directional light, I understand you might not be able to give exact numbers since I was a part of normal operation.

Laksh Vaaman Sehgal I can offer more details on that, but we classified them as normal plants now. So, we do not see them as startup plants anymore, but Char please guide on more we can do at this this plant.

Char Zawadzinski: Absolutely yes. In regard to SMP, Tuscaloosa, in Alabama, our operations in the United States, this is predominantly serving Daimler vehicles and SUVs that are producing here and we know business extremely well selling product line and our performance is very-very satisfactory in regard to have the top line and the bottom line at this facility. All past growing pains of Greenfield are along behind us, I think, we are improving continually our performance operational performance and efficiency. This is a good operating plant. In regard to cascade map again, very similar situation in Hungary. That facility is supplying again, our Premium vehicles for Daimler and Audi and again a very different story than it was two years ago, well operating organization and performing, I would say above the average for the SMP in regard to the financial indicators and, of course, we are facing in both locations, some pressures from inflation, but we are counter measuring that with effective negotiations with customer and price. Hope that addresses your question. Thank you.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: I have a question on SMRPBV and PKC product. Sir just wanted to understand what are the raw materials or the cost contract that we have are generally annual on nature and but obviously, with excessive momentum you may have been negotiations with the customer, right? That is the nature of contract team, SMRPBV and PKC.

Vivek Chaand Sehgal: I do not know where you are taking this up from but look, if the pressures are unprecedented, then definitely whatever we have to do we have to do. But again, I would let Vaaman answer this particular question because you are talking about SMRPBV or SMP and you are talking about PKC. So, PKC great Pankaj will take care of that, and great Vaaman will take care of SMP.

Pankaj Mital: So, on PKC generally, us like most of the contracts for copper would be six monthly or quarterly and similarly for some of the countries where there are currency risks for the same is for the currencies as well.

Chirag Shah: And for SMP sir.

Laksh Vaaman Sehgal: Are you talking about the raw materials passed through to the customers?

Chirag Shah: Yes.

- Laksh Vaaman Sehgal:** In SMP, again, there is no pass on to the customers. In the contract this all has to be discussed with them usually in the contracts, we do take some margin of movement of these. But if it is beyond a certain limit which is happening with the volatile movement of raw materials, it is a discussion to be had with the customer. So, like we have already said on the call, they are already having those talks with the customers and figuring out a way that we can minimize this noise that comes from this high volatility.
- Chirag Shah:** So, when you say contract, you are referring to the life of the contract or on an annual basis, you are going to have a discussion.
- Laksh Vaaman Sehgal:** Yes, it is on the annual basis.
- Chirag Shah:** So, I presume that we would have kind of in process of concluding some of them. So, frequently, the margin pressure should start subsidizing. That is the right way of looking at it as you conclude your discussion. So, the sequential pressure starts subsidizing?
- Laksh Vaaman Sehgal:** Yes, absolutely if the customers are going to give us that support and yes, it definitely will be better as we move forward.
- Chirag Shah:** And secondly, recently, VW CEO made a comment on easing of chip supply and ramping up the production at a faster pace, is that kind of indication has grown to you also as the key supplier and directionally it is possible to indicate what kind of ramp up, they are indicating.
- Vivek Chaand Sehgal:** **Can't answer** customer comment but in many interviews for the last six months, I have been saying that the chip situation is improving on a daily basis virtually and by September end according to me it would have eased considerably and if not because of the war situation or whatever the other things that are there maybe December might be showing you the betterment of the IC situation. Please do not ask us to comment on customer is saying and customers. We cannot tell you that.
- Vivek Chaand Sehgal:** He does not tell us he actually increases the order, and we know that he is solving the problem.
- Chirag Shah:** We are trying to understand what is the pace of increase that they are doing? I was trying to refer to that only.
- Vivek Chaand Sehgal:** Chirag that's a very good point that you are trying to raise. Actually, people are thinking that the world is doing nothing, but please believe me even plants which had been given up as bad have been raised, started, lot of things are happening, but the people are not talking about which plant what is happening and all that because the competitor gets that information that becomes at risk for tougher for obvious business reasons. They do not talk about it much, but believe me, we are seeing it every day, every month, there is an improvement. But as much as what the world needs is out there, that is for sure.

- Chirag Shah:** Sir just one clarification from Pankaj sir, but if I look at the number, if I look at PKC results, our revenue on YoY basis is slightly higher than what it was last year same time, but margins are on the lower side. Is it largely because of costs or still has to do with the industry dynamics in terms of demand being on the demand side?
- Pankaj Mital:** As you know Chirag that there have been high inflationary pressures, there have been huge increases in the RM cost as well as people related costs. So, that has been the impact. Also, there have been erratic production due to the shortage of materials. So, while the capacity is there still not 100% of the production could take place. So, it is a combination of all.
- Vivek Chaand Sehgal:** Is he asking for Europe or America.
- Pankaj Mital:** An overall.
- Vivek Chaand Sehgal:** Overall.
- Pankaj Mital:** So, it is a combination because.
- Vivek Chaand Sehgal:** I think you should give the example of Mexico where the very minimum cost has gone up to 22%.
- Pankaj Mital:** So, there have been unprecedented increases in Europe also, double digit increases in minimum wages in most of the countries and in Mexico has been very, very high. So, this is all compounded and you know, wiring is people related business.
- Vivek Chaand Sehgal:** So, it has always been mitigated that the customer also is facing the same problem. Customer is not that he is sitting pretty, and he has his own workforce, and he has to pay them nothing. I mean, here, the minimum wage has gone 22% in Mexico. So, even the car makers are affected, so there is no way that they can run away from it. So, it is a general increase that is going to be there. Inflation is at the highest everywhere and that is also because a lot of money has been given globally, in the COVID times to help the people and all that. So, a lot of reasons you cannot really pinpoint and say, this is the reason why that has happened to something.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now have the confidence over to Mr. Vivek Chaand Sehgal for closing comments.
- Vivek Chaand Sehgal:** Thank you all very much. I think what is important is to understand according to me, this is a work in progress quarter, you will see the positive effects of this coming in the next quarter and quarter after that and it will be going on for some time to come. I think it needs about 3, 6 months to a year to really settle down, but till that time, it is a challenging environment. But in MotherSON, we always say when a challenging environment is there that will be more acquisition opportunities are there. So, I hope all the wonderful companies that you admire are also falling

in MotherSON's lap. So, with those wishes, wish you all a very happy weekend coming up after tomorrow, and all the best, stay safe, stay healthy.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Samvardhana MotherSON International Limited and MotherSON Sumi Wiring India Limited we conclude this conference. Thank you all for joining you may now disconnect your lines.

Safe Harbour

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