



“Samvardhana Motherson International Limited

Q1 FY '26 Results Conference Call”

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Management:

Mr. Vivek Chaand Sehgal,
Chairman

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Mr. Pankaj Mital,
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Mr. Rajat Jain,
Chief Operating Officer, Vision Systems Business Division

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '26 Results Conference Call, hosted by Samvardhana Mother'son International Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. VC Sehgal from Mother'son. Thank you, and over to you, Mr. Sehgal.

Vivek Chaand Sehgal: Thank you very much. Good evening, ladies and gentleman. Thank you for joining the SAMIL results conference call. I am pleased to announce that the Board has approved the results for the first quarter of financial year 2026.

I'm pleased to share that Mother'son has delivered a resilient and disciplined performance in the first quarter of financial year '26 with our highest ever quarterly revenues. Despite persistent industry headwinds and tariff-induced volatility, our teams have executed with agility and precision in driving operational efficiencies, reinforcing customer trust across our global operations.

We have taken several steps to mitigate the impact on our business, and Vaaman will talk more about them. In these volatile times, uncertainty often breaths opportunity. With our strong balance sheet and disciplined financial approach, we are well positioned to seize the growth opportunities as they arise.

As we move forward, we remain committed to sustainable growth, innovation and value creation for all shareholders. We appreciate your continued support and confidence in Mother'son's journey. For in-depth details on the results, I would like to hand it over to Vaaman and the team to provide a walk-through and business insights. Over to you, Vaaman.

Laksh Vaaman Sehgal: Thank you, Papa. Good evening, ladies and gentlemen, and thank you for joining the earnings call for Q1 of FY 2026. The company has delivered a resilient performance with robust revenues of INR 30,200 crores and EBITDA of INR 2,466 crores, whilst navigating a challenging business environment. We reported a normalized PAT of INR 667 crores.

This performance has to be viewed in a backdrop of dynamic production environment heightened with tariff-induced uncertainty. As a part of our conservative accounting policies, we booked the associated costs upfront and continue to engage actively with our customers on sharing this pain.

On a year-on-year basis, the global light vehicle industry grew by 1.7% with the growth primarily coming out of emerging markets of India and China, while the developed markets such as Europe and North America degrew by 4%.

On the commercial vehicle side, whilst there were signs of softening, cyclical reduction is now visible in North America, having degrown about 29% on a year-on-year basis. More information on this is on Slide 7. Against this industry performance, Motherson delivered a 5% growth on a year-on-year basis, which is contributed by our resilient and well-diversified organic business and well-executed mergers and acquisitions.

On the profitability side, the business environment of late has become very complex with evolving trade policies, ongoing geopolitical conflict and volatility in forex. All these are putting pressure on the supply chain. Further, there are persisting structural issues in the developed markets. The cumulative effect of all of these factors have resulted in a transitory impact on our profitability this quarter. We are taking concrete steps, and I would like to provide a brief walk-through on some of them.

First, to address the structural issues and beat with the market, we have launched a series of transformative measures in Central and West Europe aimed at delivering cost savings of EUR 50 million over the next few years. As a first step of this transformative road map and alignment with the works council and representative authorities in the different jurisdictions, we have booked provisions amounting to approximately INR 136 crores as exceptional items in this quarter.

The actual cash out will happen over the course of the next 3 quarters. This will have a payback of less than a year. Secondly, in relation to the evolving trade policies, I would like to highlight that Motherson is well positioned to navigate this landscape. We have a globally local strategy and hence, a significant level of our production is the local -- is in the local country of consumption.

As a result of this, majority of our sales to the customer in the U.S. are USMCA compliant. For the noncompliant piece, we are engaged in fruitful discussions with our customers to pass on some of these tariff-related impacts, albeit with a lead lag effect.

In light of the recent shift of tariff policies towards India, we do not foresee any material impact on us as our export content to the U.S. is less than \$10 million for Q1, with most being on ex work incoterms. Please look at Slide 6 for more information on this.

Thirdly, we are setting up a number of greenfields to cater to the growth coming out of emerging markets and non-auto segments. As these begin to come on stream, there is a certain amount of start-up costs that is being incurred upfront. As some of these greenfields ramp up during the later part of the year, we should see a positive impact on the bottom line. There's more information on this on Slide 11.

And lastly, as the year progresses, some of the recently acquired assets will be better integrated and will begin to contribute meaningfully. While the operating environment presents its challenges, we remain firmly on our organic growth trajectory, underpinned by a capex spend of approximately INR 1,200 crores -- around INR 1,200 crores during the quarter. Having successfully operationalized 3 greenfield units and 11 additional facilities progressing through various stages of completion -- this is shown on Slide 11. These strategic investments enhance our position to capitalize on growth in the emerging markets.

As of now, we remain in line with our capex guidance of about INR 6,000 crores plus/minus 10%. However, we will recalibrate this as the year progresses in line with the changing production environment. Our leverage in the quarter saw a slight uptick with a net effective debt-to-EBITDA ratio at 1.1x. This is shown on Slide 12. This is primarily contributed by the expanding working capital owing to the high amount of uncertainty in the supply chain and further due to the sharp volatility in foreign exchange, there is a translation impact on the debt of about INR 600 crores.

While we remain well within our comfort zone, our business divisions are actively implementing targeted initiatives to optimize working capital. Combined with ongoing operational measures, these actions will support our deleveraging efforts as we progress through the current fiscal year. While the current environment presents short-term challenges, we remain focused on supporting our customers with upcoming model launches and addressing supply chain constraints. Periods of uncertainty often create new opportunities. And with our strong balance sheet, we are well positioned to pursue and capitalize on them.

I would like to conclude my remarks by reemphasizing that this is a work in progress quarter and all the steps that we are taking to mitigate the prevailing headwinds and breathe with the market. The business teams continue to work hard and burn the midnight oil. I have the team with me, and I'm happy to open the floor for your questions. Operator, please.

Moderator: Thank you very much. Our first question comes from the line of Aditya Jhawar from Investec. Please go ahead.

Aditya Jhawar: So just one question on the U.S. tariff. So we clearly understand that on the auto business, the impact would be very negligible. But on the consumer business, if you can help us understand, how should we think about it considering so many news flows about implication on tariff. That is question number one.

Question number two is that with regard to the similar line of thoughts, how much capex we have incurred so far? And how should we think about the revenue ramp-up in terms of the next couple of years?

- Vivek Chaand Sehgal:** Thanks, Kunal, Vaaman, will you take this?
- Laksh Vaaman Sehgal:** Yes, I can take some of it and Kunal can maybe add on the capex side. Currently, there's no impact on the consumer electronics business. The business is pulling as per the demand of the customer, and it's exempt from the U.S. tariff. So we don't see any implication on that. Of course, the larger facility is to come on stream only by middle of next year.
- So there's still a lot of time for that to happen. But the customer has not shown any indication of any slowdown in -- or change in demand. And we are continuing to set up those facilities for the envisaged requirement, which is only growing. It's not going the other way. Kunal, can you give a number for the capex?
- Kunal Malani:** Yes. So Aditya, if I understood you right, our capex for the quarter is INR 1,200 crores, which is as per what is there in the presentation. For the year, we are still guiding towards the INR 6,000 crores plus/minus 10%. Among the greenfields that are there, there are 2 which have been a little bit postponed by a few quarters, one in aerospace and one in the elastomers one, but that is about the change out of the INR 6,000-odd crores, pretty much 50%, 50% between growth and regular capex.
- So right now, I think with what we know, this is what we think we may likely end up in. In case, as Vaaman mentioned in his earlier comments that in case if the production environment looks different, then we will obviously recalibrate to meet the production requirement needs.
- Aditya Jhawar:** It's very helpful, Kunal and Vaaman. My question, Kunal, was pertinent to the consumer business that how much capex we have incurred till date? And how should we think about revenue scalability, if a broad sense you can give?
- Kunal Malani:** Pretty much half of what we had anticipated has already been spent about. Obviously, the largest piece will come with the larger facility, which will come in Q2 of next year. So nothing has changed as per what is the original plan. We remain exactly as per what was the original plan.
- Aditya Jhawar:** Sure. My final question is on the recent partnership that we have signed in Taiwan. So clearly, sunshade and roof system and encouraging, I mean, space -- we expected to see good growth. So what is the thought process in terms of which are the markets that we are targeting, how much capex we plan to incur in this line of business? And what kind of profitability we should expect in this? Yes. That's it from me.
- Vivek Chaand Sehgal:** Go ahead, Kunal.
- Kunal Malani:** So look, I think a very exciting product. More so as you think about premiumization that is taking place in India and the globe. As you know, we do cater to the global OEMs and in the luxury segment where this becomes a pretty used product, so to say. And as part of

Yachiyo, there is a fair amount of in-sourcing opportunities that also exist, especially on the sunroof side.

So I think from a potential perspective, it is fairly high considering the amount of content that we provide on the luxury interior space where products of this nature is applicable. And from a, let's say, the joint venture itself caters to India as well as to all our in-sourcing requirements. So initially, I think the start will be small to get to understand the business and the dynamics associated with it. But then the ramp-up can be fairly, fairly quickly given the large in-sourcing opportunity itself that this particular product offers us.

Laksh Vaaman Sehgal: And just if I can add to what Kunal is saying, the capex is fairly, fairly low in this product because most of the stuff is anyway our capability on injection molding and smaller parts, which are sourced. So the capex is not very huge for this product. It's actually a very high ROCE business. So we are quite excited with some wonderful partners in Macauto, and that should scale pretty quickly.

Aditya Jhawar: That's very good to know. All the best.

Vivek Chaand Sehgal: Thanks. We already have the orders. I just wanted to add.

Moderator: Next question comes from the line of Kapil Singh from Nomura.

Kapil Singh: Sir, we have mentioned the certain challenges as far as EBITDA impact is concerned on Slide 10. Is it possible to elaborate a little bit on each of the 4 points, like structural issues, what are we facing as a company and how we are tackling this?

And on the tariff as well, what percentage of the revenues are non-USMCA? And are there any tariff-related costs which we have booked? Are these going to be only for this quarter? How much are they? Any color can be given. That would be my first question.

Vivek Chaand Sehgal: Kunal?

Laksh Vaaman Sehgal: I can start, and maybe Kunal, you can add on to that. I think even on our last couple of calls, we were quite vocal about how there is a change that's happening in Europe with, of course, the customers still figuring out their production for EVs and hybrids and mixes over there. And of course, the large number of acquisitions that Motherson has done in the region, we are looking at consolidating our footprint there and of course, also breathing with the market and figuring out good ways to make sure that we are ahead of the curve for the demand that we see that's coming up.

So that has only been heightened by some of the macroeconomic issues that are playing out over there. But we are quite firm because we have the orders, we have the order book, which, of course, we tell you also every 6 months. And our order book remains strong, but there is a transitionary impact as these different models and the customers are figuring out their production volumes. And we see an opportunity with the acquisitions that we

have done to increase the order book and consolidate our footprint. And the timing is just right.

Most of these things, as I spoke about in my opening remarks, will pay back in -- within the year and of course, will play out in the next couple of quarters. And this is a necessary step to secure our operations in the region. And as you know, the pass-through of some of these costs has been discussed with the customer. There is a time lag that this takes, but this was all discussed as we had acquired these assets and prepared a plan at that time itself to put some of these restructurings in place.

So we are quite confident again that in the quarter 3 and quarter 4, you should see the impact of this play out and lead to a much better result in the region. Of course, we are hoping that the demand only improves from here, and there's no further impact. But we are quite confident and on track as per our plans to put these restructurings in place and make this region that much stronger and deliver better profitability.

On the tariff, as we said, I think our group is always focused on sourcing locally, producing locally, supplying locally. So we do not have a very large number of business that is really being exported to the U.S. from outside of U.S. That's a big strength of Motherson, and that has played out really good for us.

As you can see that the number was a fractional number compared to what we do and also perhaps mostly just some customer-directed kind of stuff that happens. We structurally are in a very good place to supply U.S. from U.S. and the impact for us has been minimal.

Kunal Malani:

Yes. And if I could just add a few bits on it. Look, I think you've seen us invest a fair amount on the greenfields, including what you saw in the consumer electronics space, which we have kick started from November onwards. As the ramp-up happens, I think the profitability will be more visible. Right now, it is still in the ramping up phase, and hence, you do have some amount of start-up costs that exist.

We bought Atsumitec at the end of last quarter. So this quarter, we have assimilated, it's early days, but that integration benefits are yet to flow in. And hence, these are, again, pieces that will play out as we go through the rest of the year. On an aggregate basis, we do believe that at a reported level, this will probably be the lower end of our quarter. So the next few quarters, and right till the end of the year should be looking better than where this quarter is right now.

And that confidence is coming from all the stuff that Vaaman spoke about in terms of the transformative measures that we are taking in Europe, together with the passing off some of the tariff issues that we have for which the costs are embedded into our P&L right now, which will all get transferred to the customer or claim from the customer.

And then the ramp-ups of the greenfield and the integration of the M&As that we have done. I mean just to highlight, our non-automotive business has grown at around about 40% on a year-on-year basis, which again adds to the diversity, resilience as well as potential growth as the profitability of those kicks in during the latter part of the year.

Kapil Singh: Thanks, sir. Just on the divisions, modules and Polymer products and also emerging businesses, we see that the margins have come down. Anything additional you want to highlight there? Are there any nonrecurring items here which you would like to quantify?

Laksh Vaaman Sehgal: Kunal, just for the -- I can again start and Kunal, please support. I think again, on the modules and polymer side, this is where we are seeing the largest chunk of the breathing with the market and the largest amount of acquisitions that we've also done to consolidate our footprint in the region. Hence, you're seeing that impact has largest been taken over there. The other divisions are -- have a more spread out footprint across Europe. And Modules and Polymers will definitely bring the largest impact coming down the quarters for the transition that we are putting through.

Kapil Singh: And sir, on the Emerging Businesses division, if you could just highlight there, are we seeing the peak impact there in both of these divisions this quarter? And what was the reason for Emerging Businesses division margins to come up?

Laksh Vaaman Sehgal: Sure. I can again start and Kunal can support. As you can see, the growth over there has been tremendous and the largest amount of new facilities buildup is also happening in the emerging businesses, which is all incurring upfront costs for the large growth that we anticipate next year. So that is some impact is from there as well. As you can see, there's -- the volume has not -- has gone up significantly, and the EBITDA is just preparing for the large step-up that we will see again next year.

Kunal Malani: And if I can add, I think this is where you would see the consumer electronics piece, which is still in the ramp-up phase, and hence, the profit margins are obviously dilutive right now in nature. This is also where the Atsumitec business has got embedded, which is again margin dilutive right now. And as the integration of that asset happens, we should be able to see better profitability as we move ahead. And then this also has the aerospace business where this quarter is a seasonally weak quarter. And hence, again, as the rest of the year transpires, I think we should be able to see improved profitability on that account as well.

Kapil Singh: Understood, sir. So this could be the peak impact. Is that the way to understand?

Kunal Malani: That is the way we see it with what we know today, that is the way we see it. That's why I said from an ensuing perspective, we should be able to see better performance on a reported basis.

Moderator: Our next question comes from the line of Pramod Amthe from InCred Equities.

- Pramod Amthe:** So continuing on this module business, considering that it's the largest EBITDA contributor and the margins have slid from almost near 9% to around 6%. Considering the type of actions which you are taking now, do you see a visibility when it should come back to the 8% type of margins?
- Vivek Chaand Sehgal:** Vaaman?
- Laksh Vaaman Sehgal:** Yes, we don't guide on the exact number. But directionally, like we said, I think Q3 and Q4 should be much better. And Q2 always has the summer holidays, which is the largest revenue source for this division. As you know, August is all the shutdowns. So definitely, you should see the trend improve backward and go further from there in the second half of the year. Q3 and Q4 should show very strong performance.
- Pramod Amthe:** considering the amount of write-off or the provision which you have made, it looks like just 1% of your EBITDA for the full year. But how can it be so transformational that it can improve your EBITDA by almost around 200 basis points? Can you give more color what has actually happened, is it plant related or customer related?
- Laksh Vaaman Sehgal:** Yes. So it's not the only one that we have done. We had done it in past quarters as well, and we believe there is a significant amount of new launches, which are coming up towards the latter half of the year after which we should see significant reduction that we've already planned for in the past quarters for that to happen. So we're almost at the tail end of all the transformation that we need to do.
- As you know, we acquired these assets more than a year ago. Almost in the last 2 years. So we have been doing a lot of work to get it to stream. And it takes about as much time to integrate and to really show the results. So that's why we are quite confident that towards the latter half of the year, the trend should improve and the improvement should show on the bottom line, and we should be part of some of the key critical launches of the customer as well.
- Pramod Amthe:** Sure. And the second one is more a strategy -- sorry, shall I go ahead with the next question?
- Kunal Malani:** Yes, please.
- Pramod Amthe:** Yes. So second one is more in terms of strategy side. Considering that now tariffs are the reality and different countries have reacted in a different manner. Any major change the way you are looking at M&A strategy template or any tweaks you are making when you are looking at the new acquisitions in the global landscape?
- Vivek Chaand Sehgal:** Look, Motherson has always grown exponentially in time of crisis. So I don't think we're going to change that strategy. But I think one particular thing which is happening is the goodness of our thinking and the focus of being outside India being in the local country where we are producing, that has paid off very well.

We are laughing all the way to the bank actually. I think it's only to be extended to other businesses, other verticals also now, not just automotive, but I believe the other side also, we will have quite a chance to actually take advantage of that. Vaaman or Kunal, Pankaj, what would you think?

Kunal Malani: No, agreed, sir, I don't think there is any change in strategy. In fact, in these volatile times, we are probably finding the best of opportunities. And with the balance sheet strength that we have of a leverage of 1.1x, there is enough headroom that is there for us to capture this opportunity.

So I think our diversified business model provides the resilience that we can capture these opportunities in not so good times. And that's exactly the position that we are in right now. So the pipeline remains strong, and hence, M&A is looking more imminent now considering the fogginess of the tariffs seems to be reducing. And hence, our ability to then consummate some of these transactions may improve as we look through ahead.

Moderator: Our next question comes from the line of Raghu Nandhan from Nuvama Research.

Raghu Nandhan: Sir, firstly, on revenue, what would be the contribution of acquisition revenues on Y-o-Y basis Atsumitec has been added. And I think AD Industries also was there on the first part of the quarter last year.

Vivek Chaand Sehgal: Kunal?

Kunal Malani: Yes, sure. So Atsumitec has added around about INR700-odd crores, give or take, in this quarter. So excluding Atsumitec, it is a 2% growth, if that's what you're looking at. Having said so, as we have communicated again and again, the ability of doing M&As come from the resilience of the business. So I've never understood this concept, again, as I said, of inorganic and organic from a growth perspective. But if it helps, that's what the numbers are.

Raghu Nandhan: And we know that inorganic has always been a part and will continue to be. Sir, secondly, on consumer electronics, last time you had indicated 15 million to 17 million units of capacity ramp-up by end of FY '26. Would we remain on track towards this capacity? And would it be possible to indicate what is the revenue potential of this 15 million to 17 million units?

Vivek Chaand Sehgal: Vaaman, would you take this?

Laksh Vaaman Sehgal: Yes.

Vivek Chaand Sehgal: We can't disclose.

Laksh Vaaman Sehgal: We can't really. We can't disclose more than that, but I can give you a directional sense. Of course, we are quite excited about the largest facility coming up in Motherson next year.

And the customers has not shown any signs of slowdown on pickup over there. In fact, only opportunities of further growth. So we still remain on track. And we believe that the revenue potential is really meaningful on this business and will scale quite fast. You have to be a little patient with us. Of course, we are building this very large facility. It is going to come on track next year.

But directionally, again, I can tell you that we are on track to spend the capex for it, and we are on track definitely also to achieve the sales that we envisaged from this business. It's only on the positive side. There's nothing that has changed over there. Please wait a couple more quarters, and you'll get a lot more color on that.

Raghu Nandhan: Sure, sir. We'll wait for that. Just a last question. 10 new plants have been added in FY '25, which is a big achievement and 8 more plants are coming up in FY '26. Growth capex was over INR 2,000 crores in FY '25 and '26 will be another INR 3,000 crores . If you can give some thought about how we need to look at the revenue potential of greenfields, which are getting commissioned last year and this year?

Vivek Chaand Sehgal: Kunal, can you take that?

Kunal Malani: Yes, sure, sir. So Raghu, I think very difficult to decipher it on a plant-by-plant level. And given these are across multiple different product groups or divisional, it makes it that much more difficult. But in general, if I were to put it, there is a portion which will be visible in account of stuff like consumer electronics, stuff like aerospace, etcetera.

And then there is a portion which is also being done on account of backward integration, which will be visible in margins, but may not come in revenues. So hence, don't necessarily link things to revenues because some of them is backward integration plays, which is expected to aid margin improvement and not necessarily revenue growth only.

Moderator: Our next question comes from the line of Jyoti Singh from Arihant Capital Markets Limited.

Jyoti Singh: Just one question on the module and polymer product that margin fell around 230 bps year-on-year. Is this purely cost driven? Or are you losing pricing power in certain contracts?

Vivek Chaand Sehgal: Kunal, I think -- go ahead, Vaaman.

Laksh Vaaman Sehgal: Yes. No, again, I don't see any losing of any of our contracts. In fact, we have a very strong order book in Europe. But the trajectory of the region as such is not showing intense amounts of growth, while Motherson is still maintaining our sales figures. And of course, with the acquisitions, we are increasing our order book. So we do not see any threat to our business. I think, of course, there is a consolidating landscape over there as the customer kind of figures out what is the key models that they want to launch.

EVs did not launch to their expectation in the last few years. And now they're coming up with a new range of EVs, which is very exciting and I think is more attuned to the market. And a lot of these launches are going to happen in the next couple of quarters. So I don't think we have a revenue challenge.

It's more of this consolidatory and transitional period where we are making sure that our footprint is absolutely well connected to the customers' needs and the acquisitions are well integrated, so that we have plants with high amounts of capability to deliver to their expectations and to the right level of manpower in those regions with the changed landscape that's over there. But I definitely don't think there is any revenue challenge in the region.

Kunal Malani:

Just to highlight the fact that, look, it's not a dip from 8.7% to 6.4% in this quarter. If you look at last quarter itself, it had dipped to 6.5%. So in fact, it is fairly stable from where things are in the last quarter. The reason why it had dipped is because of a substantial decline in the automotive production happening in Europe, which came as a surprise in quarter 4, for which the transformative measures have been undertaken and which will get executed, as Vaaman was mentioning, over the next few quarters. And then you will be able to see a ramp-up as one.

Two, as Vaaman mentioned, you will be able to see the ramp-up as the H2 new program launches occur, and that should be able to drive better utilization as well. And three, I think from the perspective of all the operational improvements that the team has been working on, those will start becoming more visible as with the new programs. And hence, those are expected to be at much better profit margins than where things are currently.

Jyoti Singh:

Understood. Sir, just one more question. On the pass-through side, like now companies are talking to pass through of the tariff thing to the customers. So are we thinking this will be easier for us to pass through price to the customer? And what's your view overall on the pass-through side?

Vivek Chaand Sehgal:

See, pass-through for us is already in our contract with the customer. And I don't think the customer -- the kind of products that we make is something which is available in the market, and we have a lot of competition and all that.

In fact, most of our competition is in deep trouble at the moment. You could just look at the market cap that those companies have, and you will understand the problems for them are even more severe. But for us, it's easier because we are in that mindset and we have the advantage of buying the assets at a very, very cheap pricing.

So I think the advantages are huge. And thanks to the team, the debt of the company is very low. Just the EBITDA is just what, 1.1 or something to that. So that particular advantage that we have is huge. And we don't really have a challenge the way you are thinking. Vaaman or Kunal? Okay, all right.

Laksh Vaaman Sehgal: Yes.

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

Gunjan P.: Just a few clarifications. The aerospace plant that you referred to greenfield plant has now been deferred. How should we be thinking about the revenue ramp-up from the aerospace then because the expectation was pretty high from that segment as well, right? So if you can talk a little bit on the aerospace business.

And secondly, on the consumer electronics, I just want to confirm that there is one greenfield plant which commissions in Q2, right? Is the revenue contribution is of meaningful nature that we should like think about for that business coming from this quarter itself?

Vivek Chaand Sehgal: Kunal? Vaaman, I don't know if Kunal is there. Kunal, Go ahead.

Kunal Malani: So Gunjan, on the aerospace side, this is alignment with how the build-out rates are being planned by the customers. So the delay is not on our account. It's just how the industry is shaping up. And this is in alignment with, again, the rest of the production plan associated with the programs that are there. So it is an outcome of how the customers are thinking about it.

So from our perspective, there is real no change. It is not that the orders are gone or it is not that the ramp-up is not planned. Yes, the ramp-up may get a little bit delayed, but it is not a problematic one from a size scale perspective. So overall, even in this year, you should be able to see a sharp ramp-up on the aerospace revenues, subject to any new surprises that hopefully doesn't come our way.

On the consumer electronics side, you're right, the new facility is supposed to kick start in this quarter, in fact, in the next few weeks. And it is in combination of these 2 facilities that we said we should be able to ramp up to somewhere between the 15 million to 17 million unit levels by the end of FY '26. That piece remains on track, obviously, subject to customers feeling comfortable. But from our perspective, we are ready for that.

Gunjan P.: Okay. Got it. So I'm just double-clicking on this emerging market business. If I just take the acquisition value out from the other -- from the emerging businesses, there's actually been a dip in the business. So I'm just trying to make sense has been -- what has been the drag because there's a INR 700 crores contribution, right? So on a Y-on-Y basis, it's close to about 6%, 7% decline in that business. Is that -- am I reading it right? Because there are also acquisitions which have added in the business?

Kunal Malani: So you're partly right that on a quarter-on-quarter, you would be seeing a slight degrowth, which is partly on account of the seasonality that we just mentioned around aerospace. It is also driven off the seasonality around some of the metal businesses that we have in the

commercial vehicle space, which has been a little bit on the softer side than what was there in Q4.

But overall, I think going ahead, we should not be seeing -- we should be able to see improvement on this going ahead. I believe that's the way we see it right now. But if you look from a year-on-year perspective, we are still growing with the same line.

Gunjan P.:

Yes, there's about 15% growth. Got that. Okay. The last question I have is on the debt, 2 quarters, again, working capital, I understand the environment is tough. But can you just talk a little bit more how do we see that reversal of working capital? What's really been the issue on that front?

Vivek Chaand Sehgal:

Kunal, go ahead.

Kunal Malani:

Yes. So well, the issue is twofold. One of it is driven off how the entire tariff structures played out. And hence, the lack of clarity meant you had to continue keeping some of the excess working capital, if I were to put it, just to manage the final outcomes that may have been whatever that it could have been.

And hence, from a conservative perspective, one went ahead with keeping an excess working capital. Two, there is a portion which was driven off the geopolitics. If you saw during the quarter, whether it was the Iran, Israel situation or the Gaza or Ukraine and Russia, et cetera, all of them had degrees of flares that occurred, which caused panic among the freights and the movement of goods.

And that meant, again, that to want to keep a higher level of safety pieces in place in order to make sure that production is not impacted by any of those. In fact, even the freight costs have been higher in this quarter given the volatility that existed on this account. And thirdly, I think there have been some regulatory payment term changes in some parts of the world, which has also impacted the working capital.

All of these, we believe, are transitory in nature again. With the tariff clarity, we should be able to directionally bring this down going ahead with the better -- hopefully, again, better clarity on both tariff and no new geopolitical concerns. Hopefully, the freight piece is stable, but yet to be seen. So subject to the freight piece being stable, we should be able to reduce further.

And on the working capital for payment term change, we will be working to realign the working capitals accordingly to meet the new payment norms in those parts of the world. So directionally, I think we should still be on a declining trajectory. Again, in September, just prewarning, September is our peak working capital month given that immediately after the summer shutdowns, you have to ramp up for increased production. So you may still see some higher working capital in September. But in H2, you should be able to see the decline again.

- Moderator:** Our next question comes from the line of Avish Bhansali from Chanakya Capital services Private Limited. Please go ahead.
- Avish Bhansali:** I just wanted to get a sense on how we are seeing the Chinese demand shaping up, especially on the Europe side as Europe is also going to ban the CO2 emitting vehicles from 2035 and also the Mercedes, which are one of our biggest customers also, they also were like not able to cope up with this. So any color on that?
- Vivek Chaand Sehgal:** Sorry, I don't understand your question.
- Avish Bhansali:** Yes. I just wanted to know what are your views on the Chinese competition, especially in the Europe market.
- Vivek Chaand Sehgal:** Chinese competition?
- Avish Bhansali:** Hello? Am I audible?
- Vivek Chaand Sehgal:** Yes, go ahead. Vaaman, Kunal, Pankaj, free for all of you. I don't think competition is too much. The real effect will come when they will start exporting the cars and making the cars in Europe. But you would not -- you think it's very easy because cars can be exported and every country can afford it. That's where the whole problem comes. But anyway, our view is that there's much, much, too much time for the Chinese cars to actually come and make a spread in the world.
- World makes at the moment 80 million, 85 million cars given on in a particular year. And the whole Chinese companies can't take care of that. So they are at best about 16 million, 17 million cars. So it's a bit overwhelm, but it's your view. What do you want to believe. But our view, it's not going to be happening in the next 5 years. Pankaj, Kunal, anybody who wants to add on?
- Laksh Vaaman Sehgal:** Yes, sure. Papa, I think what you said is correct. Pankaj, please go ahead. I'll add on after you.
- Pankaj Mital:** You go ahead, sir, first, please.
- Laksh Vaaman Sehgal:** So a lot of the -- I think people forget that Motherson itself has a deep presence in China. We have more than 30 facilities over there. And we are also supplying to the Chinese carmakers, and that will definitely help us as the Chinese carmakers if they are successful in building these factories outside of China. We have a lot of partnerships in China as well.
- So we are kind of well positioned more than anybody else because of our deep presence there, and we are already supplying to the local OEMs in a small way. But if that grows, we're already positioned to be able to take advantage of that. As you know, if the Chinese carmakers and they are setting up locations outside, they will need also local supply bases.

And again, us already being in there in China and being globally there with our facilities capable to supply to them. When the real growth does come, we do have a very good chance to grow with them in these markets. But then again, like Papa said, I think a lot of things have to happen before those numbers that they are producing outside of China and then shipping are meaningful. We are watchful, but completely prepared for that situation.

Moderator: Our next question comes from the line of Joseph George from IIFL.

Joseph George: I just have one question. In your presentation, you have mentioned that the total exports from India to the U.S. is about \$10 million or less than \$10 million. Would you be able to quantify what is the total exports into the U.S. for you? So manufactured parts outside the U.S. exported into the U.S. And here, I'm not talking about parts that are fitted into, for example, car manufactured by a European OEM who then sells the car in the U.S. I'm talking about your parts manufactured outside the U.S. and go into the U.S. as parts. Would you be able to please quantify that?

Vivek Chaand Sehgal: Kunal, we've done some work on that, but mostly, we have plants. We have more than 25 plants in the U.S. But maybe I think Pankaj, he wants to know about the maquiladora and all that. The wiring harness that we do in U.S., but in Mexico, but we supply to U.S. I think he wants to know about that.

Pankaj Mital: Yes. But in those cases, our products are USMCA compliant because if we are manufacturing in Mexico and even if there are some imported components, then they are added into the overall value addition requirements. And that's why we mentioned that most of the products are USMCA compliant. And wherever there are some customer specified materials, which are not USMCA compliant or otherwise, that's -- those are the items where the tariffs are being passed on to the customers.

Joseph George: Sure. So what I'm trying to understand is just like you have quoted the number for India to U.S., similarly, would you be able to quote a number for manufacturing outside the U.S. and exported to the U.S. in the form of parts, not fitted on cars?

Vivek Chaand Sehgal: No, no, no. That's exactly what I was asking that my team to help you with. The \$10 million is actually the thing which is not covered in the tariff this year. That's what -- Kunal, that wasn't it?

Kunal Malani: That's right. So the \$10 million, Joseph, is the approximate size of the parts that are flowing from India to U.S. For the other parts that you're mentioning or from movement of goods from other parts of the world to U.S., majority of them will be happening in Mexico, which will be compliant under the USMCA piece. Then there is a piece which is anyway getting manufactured in the U.S.

And hence, it is only a small delta that might be moving in terms of some of the customer-nominated parts that are moving from a part to the other, like if you're making an interior

in Alabama, some of the parts, the customer may have nominated to come from some European supplier, which will be coming in into the Europe. And hence, it's an automatic pass-through in that regard.

But obviously, the agreements have to happen for that to occur. So on our own account, there isn't much that moves from one part of the world to the other. And whatever that does in the U.S. would largely be under the USMCA compliance piece.

Vivek Chaand Sehgal: And that's the basic plan of Motherson. Motherson was never an export company. We never -- we would have taken the awards of highest export from India. We were not even mentioned. So that's the plan of Motherson is not to export.

Moderator: Our next question comes from the line of Kapil Singh from Nomura.

Kapil Singh: Just wanted to understand, you mentioned that a lot of companies are in trouble and some of your best acquisitions have happened around these times. But you also mentioned that probably things were more cyclical at those times, and you have mentioned some structural issues as well. In light of this, how you are thinking of acquisition opportunities right now would be very helpful to understand.

Vivek Chaand Sehgal: Sure. See, 47 acquisitions that we have done have been only at the customers' behest. So for us, every tumultuous time, the acquisition that is happening is because the customer wants it to happen, and that's why the whole particular thing is so exciting for us. So I think definitely, it is very clear that this whole promotion that has been created is very, very fertile time for us to do the acquisitions.

So please watch the space. We are going to do a lot of acquisitions. And our new target is already there, \$108 billion. That's 4x of the last target that we had. So we feel this is going to be a very exciting time, 5-year period for us. And of course, in -- Kunal, when are we having the investor conference in Bombay?

Kunal Malani: September 5th.

Vivek Chaand Sehgal: September 5th. So it's just a little time away, a month away. And you will understand why we are so excited about the whole thing. Do I answer your questions?

Kapil Singh: Thanks so much, sir. Looking forward.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. VC Sehgal for closing comments.

Vivek Chaand Sehgal: Yes. Thank you very much. Thank you for your questions. I know we try to give you as much clarity as we can. But these are exciting times. We feel that it's uncertain, but it makes sense for us because we know that we can deliver. We get some reference from the

customer from time to time, and the customer is telling us he is really in trouble, because a lot of these suppliers are in doledrums for whatever reasons they pursued.

As usual, in general, we are following the principle of 3CX10, which is no country, no customer, no component is more than 10% of our business. And we as you will see in the presentation, we are very much within our comfort zone. So I think I would recommend that you do attend the investor conference.

It's on the 5th of September. Kunal and his team are going to be inviting all of you. And we're doing it this time in Bombay. So please keep your directory. Thank you all very much, and wish you a good week ahead. Thank you. Vaaman, do you want to add anything?

Laksh Vaaman Sehgal: No. Nothing to add. Thank you.

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

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