Date: 20th August 2024

National Stock Exchange of India Limited,	BSE Limited,
Exchange Plaza, 5th Floor, Plot No. C-1, G Block, Bandra- Kurla Complex, Bandra (East),Mumbai – 400051, Maharashtra, India	Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai – 400001, Maharashtra, India
NSE Scrip Code – SKFINDIA	**BSE Scrip Code -500472**

Subject: **Transcript of Analyst/Institutional Investor meeting held on 14th August 2024**

Reference: **Our intimations dated 31st July 2024.**

Pursuant to Clause 15(b) of Schedule III, Part A, Para A read with Regulation 30 (2), Regulation 30 (6) & Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) ("SEBI LODR"), please find enclosed herewith the transcript of Analyst / Institutional Investor meeting held on Wednesday, 14th August 2024 at 11:30 a.m. (IST). The same will soon be uploaded on the website of the company for convenience of the shareholders.

We request you to take the above information on record and disseminate the same on your respective websites.

Thanking you,

Yours faithfully,
For SKF India Limited

RANJAN KUMAR

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Ranjan Kumar
Company Secretary & Compliance Officer

"SKF India Limited
Q1 FY24-25 Earnings Conference Call"
August 14, 2024

MANAGEMENT: **MR. ASHISH PRUTHI – HEAD, MARKETING AND COMMUNICATIONS, INDUSTRIAL REGION INDIA & SOUTHEAST ASIA – SKF INDIA LIMITED**
MR. MUKUND VASUDEVAN – MANAGING DIRECTOR – SKF INDIA LIMITED
MR. ASHISH SARAF – CHIEF FINANCIAL OFFICER -- SKF INDIA LIMITED

Moderator: Ladies and gentlemen, good morning, and welcome to the SKF India Limited Q1 FY 2024-'25 Earnings Conference Call. For the smooth conduct of the meeting all participants are in a listen-only mode, a brief question and answer session will follow the formal presentation. Should you need assistance during the conference call, please press star then zero on your touchtone phone. As a reminder, this conference is being recorded.

As a reminder, this conference is being recorded. I would now like to hand over the conference to Ashish Pruthi from SKF India Limited. Thank you, and over to you, sir.

Ashish Pruthi: Thank you. Good morning, everyone. Thank you for joining us today. Today with us, we have SKF India's Managing Director, Mr. Mukund Vasudevan and our CFO, Mr. Ashish Saraf. Before I turn the call over to the management, I would like to remind you that in this call, some of the remarks contain forward-looking statements, which are subject to risks and uncertainties and actual results may differ materially.

Such statements are based on management's beliefs as well as assumptions made by and on the information currently available to the management. The audience is cautioned not to place undue reliance on these forward-looking statements and making any investment decisions. The purpose of today's call is to purely educate and bring awareness about the company's fundamental business and the financial quarter under review.

I'm sure you've been through the results and seen those of Q1 FY 2024-'25. We can now open the call for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mukesh Saraf at Avendus Spark.

Mukesh Saraf: My first question is on the revenue mix. So could you kind of give us some details on the different segments like the Auto, Industrial, Exports and probably within that, some of the subsegments as well.

Mukund Vasudevan: All right. I'll let Ashish Saraf, my CFO, answer that in terms of so that he can share precise numbers.

Ashish Saraf: Sure. So if you look at this quarter's revenue, right, we reported net sales of around INR11.8 billion, right, all of which around 50% was Industrial business and around 41% was Automotive, and the balance 8% to 9% was Exports. So that's the overall split. In terms of key segments, which delivered growth in this quarter, the key segments which delivered strong growth within heavy industries and metals within the industrial business and 2-wheelers, cars and tractor business within the Automotive business.

Mukesh Saraf: So would you be able to kind of provide some breakup, like, say, within Auto, how much is 2-wheelers, 4-wheelers and say, within Industrial, how much is the heavy industrials, metals, wind, rail, some of these key end markets?

Ashish Saraf: Sure. So 2-wheelers, out of the total 100%, right? I'm giving you the share of the -- so 2-wheeler is around 13% of our business. And heavy is around 5%. Overall aftermarket, both Industrial and Automotive is around 35%.

Mukesh Saraf: How much would rail and wind be, sir?

Ashish Saraf: Yes. So rail is around 7% and wind is around 3% of the overall business.

Mukesh Saraf: You said 3%?

Ashish Saraf: Yes. That's right.

Mukesh Saraf: Okay. Sir, and 4 wheelers, say, within Autos, like 2-wheeler you mentioned is 13%, 4-wheeler should be, I mean passenger cars?

Ashish Saraf: 4-wheeler is around 6% of our overall business. When I say 4-wheelers, again, I'm talking about passenger cars only.

Mukesh Saraf: Right. Understood Great. And the second question is on your localization strategy. I mean, we do understand that I think you should be around 60% localized in SKF India in terms of manufacturing in India itself. So what's the strategy there in terms of trying to localize or substitute some of the imports, especially in the industrial segment.

So this -- I want to also kind of juxtapose with the fact that the parent company in its recent commentary mentioned that they're going to be cutting back on capex globally. So how are they -- how is the parent company looking at the Indian operations with respect to adding more capacity locally here and probably even at some point in time looking to export from here or rather increasing export from here.

Mukund Vasudevan: Okay. I can take that question. So you're right, we are around 60% localized. The Automotive side of the business is a lot more localized. So it's almost 95% localized, and the Industrial is a little less. So the main focus of localization is on the Industrial business. And our aspiration there is to kind of take around 40%, 45% right now to 65% in the next 2 to 3 years. So that process of localization has already started. It is in -- will continue.

The global strategy on reducing capex is just prudent, but it doesn't mean the same brush applies to all regions, where it makes sense, both for -- to build competitive value chains, which is one of the stated strategies of even the parent company where it makes sense for local region for region growth, we are making investments, but we're just being prudent about it.

Mukesh Saraf: Sir, just one clarification there, when you mentioned localization here, do you talk only about this listed company, SKF India? Or do you talk about the other sister company here as well in India?

Mukund Vasudevan: So my answers right now are mainly around the listed company, right? So...

Moderator: The next question is from the line of Harshit Patel from Equirus Securities.

Harshit Patel: Sir, in the -- as per the annual report, we manufactured close to 59% of the products that we have sold last year. And this number increased from 49% in FY '23. Now given that margins on the manufactured goods are higher than the private products, ideally the company-driven margins should have increased in FY '24, I think which was not the case. So could you elaborate something on that, please?

Ashish Saraf: Sure. So if you look at financial year '23, right, we were significantly impacted by the global inflation, right, which kind of started somewhere in 2022 and kind of continue in the entire 2023 as well, right? So we took significant pricing actions in the market, right, where we were able to get better pricing from our customers in financial year '23 whereas in '24, the financial actions -- pricing actions have relatively stabilized, right?

So our margins on the traded products were relatively much higher in financial year '23 vis-à-vis financial year '24, right? That's where when you look at even though our manufacturing mix went up to almost 60% in financial year '24, our overall margins for financial year '24 was relatively pretty much in line with what we experienced last year. Hopefully that answers your question, right?

Harshit Patel: Yes, sir, that answers, sure. Sir, secondly, on our railways portfolio, out of our overall railways and metro sales, how much is imported? And how much is manufactured by the sister unlisted company? I believe we wouldn't have been manufacturing anything in the listed entity for this particular segment?

Ashish Saraf: For the railway segment, you are right. Railways is almost -- a significant portion of it is already ruralized in India, but is manufactured by the unlisted company and is subsequently sold to SKF India, which eventually move themselves into the end customer.

Harshit Patel: Sir, if you could broadly speak about the share between the imports vis-à-vis, the unlisted entity from where we source these railway products, then that will be...

Ashish Saraf: The majority of it is sourced from the unlisted company, right? Again, I don't have the exact number with me, but I would say almost 80% is sourced from the unlisted company, and the balance 20% is sourced from other SKF companies.

Harshit Patel: Understood, sir. Sir, just one clarification on the margins part. Is the understanding correct that trading margins will always make certain positive EBITDA on all the traded products, irrespective of whether manufacturing entity is making the loss or even very high profit. Would that understanding be correct?

Ashish Saraf: That is right. So for the traded products, SKF India acts a limited risk distributor, right, where the margins for the -- for SKF India is calculated under the transfer pricing guidelines, which is the net margin method, right, which ensures that SKF India kind of makes reasonable margin on the products that it is selling, even though the actual margins might be way higher or we might be selling at a loss as well.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

Mumuksh Mandlesha: Hi, sir, Mumuksh here. Thank you so much for the opportunity and congratulations to Mukund sir on your new role. Sir, just first on broader level, how are you seeing the demand side, particularly on Auto replacement and on the Industrial sides, whether railways will drives -- whether the demand augurs more bullish. Can you indicate how the demand trends are there, sir?

Mukund Vasudevan: So I can answer that. It's -- so let's start with the Automotive side. Overall, I think Automotive is a mixed bag, while the 2-wheeler and tractor segment is continuing to see some growth, especially 2-wheelers. The passenger vehicle and commercial vehicle has been relatively flat. Passenger vehicles, inside passenger vehicles, we are seeing a little bit of a shift towards larger vehicles, SUVs kind of things. Of course, though the volume is small, EVs is both in 2-wheelers and 4-wheelers is growing a bit -- is growing faster. So I'd say, demand-wise, mixed bag in Automotive.

Industrial, we are seeing all the infrastructure-led segment growing well, which are heavy metals, heavy being cement and a few others, metals and correspondingly aftermarket also, right? We are seeing decent demand from wind and railways, but we are trading very cautiously there mainly to preserve our margins because I expect -- price expectations there are quite low. So broadly, that's kind of where we see. But we are very diversified, as Ashish mentioned in terms of our split of segments. So we're able to play the economic cycles much better.

Mumuksh Mandlesha: Got it, sir. So I mean just on the wind and railway, just can you explain me more what kind of price challenge is there in this market with railways, sir?

Mukund Vasudevan: I think it's driven by -- in wind, the pricing of -- it starts with the end-to-end user pricing, which has been low. So since these are all driven by end user price options, reverse options. So we -- that trickles down to the OEMs who are supplying equipment to the EPCs who are building the wind farms. So the price pressure start from the -- all the way from the auction of setting up wind farms, all the way back to us as equipment -- as component suppliers to equipment to manufacturers. So that's the reason for the price pressures there. It's just very, very competitive, both for the OEM and for us.

So we selectively play there. We pick even within -- there's multiple bearings which go within a windmill, and we pick the ones where we clearly have an edge when we can get the price expectations of product -- a better product demand. On railways, it -- again, it varies. We have fairly high share in some of the high-speed trains, which are being introduced like Vande Bharat and things like that, metros.

On freight, it is a lot more competitive, and that goes largely with L1 auctions as is norm normally in any government projects. And there, we are facing increasing price pressures.

Mumuksh Mandlesha: Got it, sir. So would the segment would still be in positive growth side sir, railways and wind, sir?

Mukund Vasudevan: For us? Or are you saying overall?

Mumuksh Mandlesha: For you, sir?

Mukund Vasudevan: For us, I would say wind on the top line is actually down, and it's primarily because of conscious actions to back away from some projects. Railways is a little lumpy, but I don't know the exact growth in railways.

Ashish Saraf: So just to add to what Mukund said, for wind business, we had taken customer pruning actions, but mostly customer pruning actions for the wind business are completed, right, as we kind of close off Q2. So we kind of expect going forward that the wind business should start growing again. With respect to railways and defense business, again, because of elections, relatively, the growth in this quarter was flat, but we expect our railway business to grow a bit. As Mukund said, it's a lumpy business. It's a tender business.

So as NDA as kind of formed the government, again, we expect their policies with respect to transforming railways will continue in some of the flagship projects like Train 18 and others, freight corridor and all will continue to expand. And with that, we should be able to expand as well and see growth in the upcoming quarters.

Mumuksh Mandlesha: Got it, sir. And sir, in L1, what kind of guidance would you give, sir, with Auto industry, sir? Will it be closer to double digits, sir, which we have shown in the past, sir?

Ashish Saraf: So generally, as a practice, we do not provide any guidance or -- to the market. So we kind of leave it at that?

Mumuksh Mandlesha: Got it, sir. So sir, broadly, I mean, I was seeing some of the peers on the bid bearing side, they were doing very good double-digit growth. And we had -- I mean we also had a good growth in Q4 quarter, but in Q1, we saw a smaller growth. So is it more related alerted to the wind in railways where we have moved selectively going for the orders, sir?

Mukund Vasudevan: That would be right.

Mumuksh Mandlesha: Got it, sir. Sir, just on the previous quarter of Q2 FY '24 where we had a sudden dip in the margins and then we saw the recovery in the latest quarters. Just can you speak about what happened in the quarter sir?

Mukund Vasudevan: Sorry, I didn't understand the question. Can you repeat again?

Mumuksh Mandlesha: Yes. So on the Q2 FY '24 quarter, sir, the last year quarter, sir, there was sudden dip in the margins, almost like 500, 600 bps fall in the margins sir, which, I mean, got recovered in the corresponding quarters. I just want to understand what happened particularly in that quarter, sir?

Ashish Saraf: So if I have understood your question clearly, you are asking that in this quarter, we had a slight drop in our margins compared to last quarter.

Mukund Vasudevan: No, no. He is saying Q2 FY '24, there was a dip and what was the dip due to and since then, we have recovered.

Ashish Saraf: So if you look at our -- again, I don't recollect exactly like this 2 quarters away. But if I look at my Q4 results for last year, right? Relatively, my sales for Q4, right, was -- you're talking about Q4 '24, this is Jan to March.

Mumuksh Mandlesha: Q2 FY '24, sir.

Ashish Saraf: Q2 FY '24, which is July to September quarter.

Mumuksh Mandlesha: Yes.

Ashish Saraf: Okay. So again, if you look at that quarter, year-on-year, there was relatively a dip in our overall sales, right? We didn't grow our business because we had some impacts coming in from the distribution business as well as we had some challenges in the Automotive business as well, right? So that kind of impacted our results because there was not a significant growth in that particular quarter. That's what I recollect, that kind of had an adverse effect.

Mumuksh Mandlesha: Was any impact of any trading mix particularly going up very high in that quarter or imports been higher?

Ashish Saraf: Asking specifically July to September and this is -- this earnings call is specifically for this quarter. What I would recommend is that if you have any specific questions to any of the previous quarters, if you can just send us an e-mail and I can revert back to you on that. I think that would be...

Mumuksh Mandlesha: Sure. Sir, can you share what was the trading mix for this quarter and for the previous quarter Q4 and Q1 quarter, last year?

Ashish Saraf: What was the trading mix, right? So this quarter, we had a good improvement in our manufacturing mix. Our manufacturing mix was around 64%, whereas traded product sale was 36%. So we are seeing improvements in our manufacturing mix if you compare year on...

Mumuksh Mandlesha: Okay. Sir, also, can you share -- you shared for the Q1, the segmental mix. Can you share also for the FY '24 for our calculation purpose?

Ashish Saraf: So if you look at financial year 24, our industrial mix was again -- Industrial was at 51%. Automotive was around 40%. And again, Exports was at around 8%, right? So again, some of the key segments within the Industrial business, distribution was almost 50%, which is 25% of the overall business.

And segments like general machinery was at 8%, rail and Defense was at 7% and heavy industries was at 5%. Similarly, in the 2-wheeler business, again, the after -- 2-wheeler -- sorry, in the automotive business, the aftermarket business was around 11%. And cars business was at around 5%, 2-wheeler was at 13% and trucks and tractors were at around 6%. So pretty much similar mix as to what you see for full year last year versus what you see in this quarter.

Mumuksh Mandlesha: And sir, on the drive and power train, what would be the mix, sir?

Ashish Saraf: Yes. So drives and power train was around 6%.

Mumuksh Mandlesha: Sir, on the capex guidance, for FY '25, what would be the guidance?

Ashish Saraf: So if you look at our financial year '24, we have increased our capex kind of spend around INR140 crores on capex. And for financial year '25 as well, we expect our capex to more or less remain in a similar way.

Mumuksh Mandlesha: And, sir, out of which you said INR30 crores is a maintenance capex, rest would be for the growth capex, sir?

Ashish Saraf: Yes, you are right. And then there are new investments on channels and things like that as well.

Mumuksh Mandlesha: Okay. I mean generally, where the capacity is seeing the increase -- which segments you're seeing the increase in capacity?

Mukund Vasudevan: I think it's pretty much across the board where we are -- I mean we're seeing it in Automotive. We are seeing it in some of the Industrial areas. We spoke about some of the areas like -- so I'd say a lot of the investment is going to -- some on pure because we are running out of capacity in the automotive side. Some of it is for new areas of expansion, especially in the aftermarket of industrial -- which is a widespread, everything from general machinery to some of the heavy industries.

Mumuksh Mandlesha: So when you say aftermarket expansion, it is more related to warehousing and those areas, sir?

Mukund Vasudevan: No. The bearing we manufacture goes into the aftermarket, meaning goes through distribution into a wide area of end users.

Moderator: The next question is from the line of Rajkumar Vaidyanathan, Individual Investor.

Rajkumar Vaidyanathan: Sir, I have one clarification and 2 questions. The first clarification is you mentioned that the sales growth for the current quarter is tepid due to lower contribution from rail segment, and you expect this segment to pick up in the subsequent quarter. So is that understanding correct, sir?

Mukund Vasudevan: Not quite, right? Rail is one of the contributors, but there is also a little bit on the wind, which is due to customer pruning from last year. So that's part of the reason. So wind was a contributor also. Without the wind customer pruning, there would have been at least a 2.5% to 3% uptick in our growth. Also, there was some slowdown due to elections in the aftermarket and distribution and in some of the investments being made by the heavy industry. So I would say combination of this is the reason for slightly lower growth, but we're not worried.

Rajkumar Vaidyanathan: Okay. So you expect the growth to pick up in the coming quarters, right?

Mukund Vasudevan: Yes. That's our expectation.

Rajkumar Vaidyanathan: Yes. So the first question is just labeling on the previous point, pardon me, the previous questioner. So you mentioned that the localization is about approximately 60%. But if I see your income statement, the ratio of the cost from a value standpoint or the cost of material consumed vis-a-vis their stocking trade, if you see -- basically it is 40 versus 60. So I just want to know when these 2 will also converge to the percentages that we are talking about?

Ashish Saraf: So again, can you repeat because I can't hear you very clearly.

Mukund Vasudevan: I'm not sure the 2 are connected. I think the question was our localized content is around 60%, but our mix between stock and sales versus make to order, right, is more like stock and sell is more like 30%. Is that what you said?

Rajkumar Vaidyanathan: 40%. If you see this material consumed is INR302 crores and particularly the stocking trade is about INR495 crores. Or if you just take FY '23-'24, that's more appropriate, INR1,160 crores on material consumed vis-a-vis INR1,632 crores on stocking trade. So that's about 40% 60%. So I just -- my question is when, from a value standpoint, also this will converge from whatever percentages that you mentioned?

Ashish Saraf: I get your question now. So in a stable environment, yes, right, that this -- the spend on raw material and the spend on finished goods, right, should more or less align to the overall manufacturing mix and towards trading -- and the trading mix. However, we are not operating in a perfect world, right? The costs in European factories or factories in the developed markets are relatively higher, right?

So cost of procuring those products and selling in the Indian market will be relatively much higher. And the products which we are manufacturing or we have localized in the Indian market, considering that if your supplier -- if your sourcing is from the Indian market, it's relatively much more stable. So you will always see a bit of gap between the actual mix of manufacturing and trading versus the actual cost associated with the manufactured products and then the traded products.

Mukund Vasudevan: You're right. Theoretically, you're right, it should start converging as we localize more. It will never converge fully because we will always trade some products. It doesn't -- we don't have economies of scale to manufacture everything here locally. But as we localize more, this will converge more and more.

Rajkumar Vaidyanathan: Okay. Got it, sir. Sir, the second question is, I mean, just an extension of the first question only. So I just wonder if your margins -- manufacturing margins higher than your trading margins or it's the other way. I don't want the exact number just from a relationship...

Ashish Saraf: The manufacturing margins are higher than our trading margins, that's right.

Rajkumar Vaidyanathan: Okay. And just to label on the same point, if I compare your material cost from Q4 of FY '23-'24 vis-a-vis the current Q1, it has moved from 58.75 to almost 60 points. There's a 200 bps increase in material cost. So I just thought with the softness in steel and other commodities, we should have seen a better kind of...

Ashish Saraf: The costs have increased because our overall production has increased. Our manufacturing mix has gone up, right, from 58% quarter-over-quarter to 64%, right? So if you look at my overall mix has gone up by 6%, whereas the cost has gone up, as you said, by a couple of percentage points.

Rajkumar Vaidyanathan: Okay. Got it. Sir, the second question is, see, in the last quarter, there was a question asked about the transition of some business from Korea to India because your parent company has mentioned that they are going to shut down some plants in Korea and Germany and some of the business will move to plants in India, China and Mexico. So just wanted to know any color on that...

Ashish Saraf: Yes, you are right. There is a transition like there are some channels which are moving from Korea to India, which is registered, that's right.

Rajkumar Vaidyanathan: So any idea what is the value of those -- in terms of value, how much -- when will the...

Ashish Saraf: I don't have the values with me right now, but it's already baked in on our capex spend kind of communicated for the like -- in the previous question.

Rajkumar Vaidyanathan: Okay. And lastly, sir, what are the margin levers that are available to the company to go forward?

Mukund Vasudevan: So I think we have mentioned this before, obviously, localization is clearly one, which will improve -- continue to improve our margin. We continue to look at pricing where we believe our products justify a premium. There is pricing action being taken. Portfolio cleanup, where if there is unprofitable or low profitable customer, we either negotiate price increases with them or we drop it. We're not chasing growth for the sake of growth, we are chasing profitable growth. And last but not the least, continuous improvement in our manufacturing and procurement. All these are in place. And I think we'll continue to support our -- on margin improvement.

Rajkumar Vaidyanathan: Okay. So is it fair to say then going forward, the margin play will be more -- much better than your top line play?

Mukund Vasudevan: I don't think there is -- it's one or the other. I would say we have taken some of those tough pricing and customer portfolio cleanup actions. I would expect a little more focus on the top line and -- but maintaining or slightly improving margins.

Moderator: The next question is from the line of Raj Shah from Marcellus.

Raj Shah: First of all, I would like to thank you the management for this call, and I hope that this a regular practice. So my first question is actually a follow-up of the previous participant's question regarding this South Korea specialty being closed down and the transfer of those products to the India and China facility. So the question was, has this already started from this year? Or do you anticipate going forward this will happen?

Ashish Saraf: It has already started in a sense that we have already started the transition process, but the transition is not yet fully completed, it is in process, right?

Raj Shah: Got it. Another question was, see, I mean, as you mentioned that the manufacturing mix has increased, I'm talking from F '24 perspective. So if I see there is a fall in the traded goods being sold number and there is an increase in, say, our industrial revenues. So is there any specific, if you can mention increase in the industrial localization content for the year FY '24?

Ashish Saraf: I will not have specific data with respect to what is the local content increase for the manufacturing products -- for the industrial products. But overall, just kind of looking at what is my manufacturing mix and trading mix. So that has gone up, right. For financial year '24, it's at 60% overall manufacturing mix vis-a-vis last year of 55%. Specific to industrial, maybe you can send me a question, and I can get back to you.

Raj Shah: Last question was in the industrial demand. So sir, we are hearing a lot of companies doing excessive steel and cement sector. I just wanted to know your thoughts from the demand perspective in this other industries.

Mukund Vasudevan: Yes. I think the demand is strong, and we are also doing very well there, right? We're seeing almost 30% odd growth in the heavy metals section, which is driven by the infrastructure. So when we continue seeing that while a temporary blip might be there in terms of the elections, might have been there in the last quarter, I think we continue to see that continuing through to the next year.

Moderator: The next question is from the line of Mayank Bhandari from AMSEC.

Mayank Bhandari: Sir, my first question is on the annual report that you had recently published. Couple of things you highlighted like you have 60% share in the Vande Bharat train set and 100% share of business in the Drive Systems and 90% ballroom -- 90% for roll ball bearings. Just wanted to understand, have you already won those orders or you are yet to execute or you already executed these orders? Because – and the reason I'm asking is because in railways, your business seems to have declined and there seems to be good commentary in the annual report around the business?

Ashish Saraf: So on the railway business, if you look at [Train] 18, again, as we mentioned in the annual report, we kind of continue to have a good share of business and we continue to win orders in the in the Train 18 business. Overall railway business, where you see a competition in growth is whereas we are not growing freight business, right, which is where relatively our share is much lower compared to our competition, given the overall pricing pressures that we see in the overall trade.

Mukund Vasudevan: Yes, we executed the Vande Bharat.

Ashish Saraf: Yes, the Vande Bharat seems to be -- as already -- as I said, we already continue to have 50% share, and we continue to win orders from...

Mukund Vasudevan: Some of it has been executed. So what you're seeing there is a mix of what we have won, but what we have walked away from in freight.

Mayank Bhandari: Okay. And in the freight, you last time had mentioned that you had a double-digit market share. So how we see the market share now in the freight as you are telling that we are not being able to ramp up in the freight?

Mukund Vasudevan: So I don't think we have published that level of detail. But if you send a question separately, we can look at it. We can see what we can share with you.

Mayank Bhandari: Okay. Okay. And secondly, you had also mentioned that in the annual report capacity utilization for FY '24 was around 84% and with the kind of number you have given of INR16 crores bearings almost in FY '24. This number is it on the volume side? So I'm just wondering if you can give the breakdown of value versus volume growth in FY '24, we think that total number is 6% growth in FY '24.

Ashish Saraf: So your question is in terms of sales volume...

Mukund Vasudevan: Volume growth versus...

Ashish Saraf: As I said the manufacturing, this is again correlated to the overall manufacturing mix, right? My manufacturing mix for financial year '24 -- so 60% of my total net sales came in from all the bearings that we manufacture.

Mayank Bhandari: No, actually, I was trying to understand 6% growth of FY '24, what would be the volume growth and value growth breakup?

Ashish Saraf: I wouldn't have that number in terms of what would be the volume growth for the manufacturing products. We can come back to that...

Mayank Bhandari: Okay. And just lastly, sir, in the annual report you mentioned that Indian ball bearing industry is expected to grow at almost 11% CAGR, '23 to '29. And global market is expected to grow at almost 4%. Our growth has been bit sluggish in the domestic market, where industry itself, we are forecasting to grow at double digit and we are growing in single digits. What is our road map of improving this growth in the domestic market?

Mukund Vasudevan: So I think globally, because of a lot of headwinds -- so I'll answer your first part first, right, globally, because of a lot of headwinds, we are not seeing that kind of growth, which was projected. The China economy is down, that itself is bringing down growth. EMEA is -- or Europe, Middle East, Africa is also down. Europe is also down significantly because of war and, to some extent, Middle East unrest is also causing a downturn. And then Americas is also a little bit of -- I mean it's not yet into recession, but it's -- the economy is quite soft. It's not -- it's in very low single-digit growth right now.

So I would say the previous statement of overall bearing growth of 4% globally is probably not quite what we are seeing. As far as India is concerned, I would say our strategy has always been profitable growth. We will continue to aspire to grow at 11% plus, right, but not at the expense of profitability. And what you're seeing -- what you're calling softness right now is kind of very prudent actions on our part on what to pursue and what not to pursue.

In terms of future, how we kind of want to get back to higher growth numbers, I think it's a strategy of what we have spoken about in the past. It's -- more localization will help us get more competitive. It's about going after the segments where we see growth. So very focused strategies around these high-growth segments.

Developing products for these high-growth segments like innovating with OEMs, whether it's Automotive or Industrial OEMs to deliver against -- to gain additional market share and continue to expand our overall solution to the customer, including services and associated bearing products with bearings. So all those are elements of our growth strategy. We continue to drive each one of these, both with our internal teams, but also with our channel partners, distributors.

Mayank Bhandari: So basically what you're saying that we are trying but to retain the market share, but it seems that the counter feed products or the unorganized sector seems to be growing faster in the ball bearing segment than the organized sector? Or is it the correct way to understand?

Mukund Vasudevan: I don't think the data is that clear on that. But our -- I would say this is an anecdotal or information, which we are hearing in the -- hearing through talking to various customers. There is some uptake in, I would not say fake bearings, but in terms of unbranded -- or unbranded bearings, but that is something we continue to watch out for. And I don't think it will be a big needle mover. Some segments in the market may go for either fake or unbranded, but we continue to watch those and see what we can do to kind of recover those customers or eliminate the fakes -- the source of the fakes.

Mayank Bhandari: Okay. And sir, lastly, you also mentioned that the renewable energy seems to be -- I mean, you're kind of integrating it into your factories, wind, solar and all, you're doing capex in the Pune factory for renewable energy. So is there any number you can give us in terms of what will be the cost savings going forward in terms of once the projects are completely executed.

Mukund Vasudevan: So I'd say the first step is just around sustainability. I think today, we are at around 45% is of what we -- energy we use is renewable. We're continuing to move that needle. That number has gone up by almost 10 percentage points over last year. So we continue to move that needle. In terms of cost savings, we'll have to come back to you with the exact numbers with how much cost savings we have seen so far, right. We'll come back to you with the numbers if you send us an e-mail.

Moderator: The next question is from the line of Krupashankar from Avendus Spark.

Krupashankar: I have a few questions. First one, on your commentary in annual report stating back by FY '30, would like to double your revenues. I just wanted to get a sense that are we looking for any specific sectors beyond the traditional core sectors, which we have been operating in India? And like we have said with respect to exports and new opportunities coming up, is there any further avenues where this growth can be higher over the next 4 to 5 years? Some comments on that.

Mukund Vasudevan: Okay. So I think there are always segments where we will see higher growth. So -- and we're continuing to look at those. So while I'll just point out a couple of examples. One is from the Automotive side, EVs are faster growth. We have bearings, which are both hybrid and ceramic range, which are more suited and we have higher market share internationally also.

So as the EV market grows, we expect to get more share and grow faster in those segments. That's one. We already mentioned the high-speed trains. Then there is also as India is investing more in things like semiconductors manufacturing and that will be part of our strategy up to 2030. We will -- we clearly have products which are much better suited for that manufacturing process also. Again, we can get better market share and we expect higher growth there.

Even within our traditional segments, if you subsegment even we have a larger category of general machinery, if you look at -- within general machinery, if you look at machine tools, for example, that requires high-speed and low friction bearings. That is an area of strength for us.

We will continue to look at that. So I'd say there's multiple areas where we can do better and where we have a product which is superior.

Krupashankar: Understood. And on the export side of things also, if you can throw some light on whether there are opportunities beyond the Korean transition, wherein Indian ecosystem can be -- the manufacturing system can be much more suited for export opportunities.

Mukund Vasudevan: Yes. So we're continuously looking at opportunities to export. We are -- I would say there's a substantial opportunity within the region itself, within the Southeast Asia, Australia, there's opportunities there where we can export. We are already exporting, but we'll continue to expand that. The other Americas, also we do export. But most of these we sell to our parent entity, whether it's Americas or Europe, we sell to our parent entity. And there, it's purely a -- in what way can we be the most competitive, that's the decision -- that's how the decision is made. So as we get more competitive, we hope that we can get more of that volume also, and we'll continue to work on that.

Krupashankar: One more thing on some of the initiatives, which SKF has taken in the past, for example, there were long-term contracts wherein SKF had entered with sale for supplying bearings with sensors and identifying measures. So I just wanted to get a sense as to what would be -- this has been -- this effort has been running for almost 4 to 5 years now. So just wanted to get a sense on what's the extent of contribution of specific such contracts? And has it helped in predominantly customer retention and in many cases, has that increased the wallet share per se?

Mukund Vasudevan: So there's many elements to services, right, and where you mentioned some of them like remote monitoring of our bearings, there is also what we -- that's what we call connected technologies. This is using IoT devices to measure bearing noise, vibration, et cetera. We also have a reman, which is remanufacturing of bearings, which we do for railways and for some other heavy segments, which is basically using remanufacturing of bearing either refinishing it or replacing some portions of it so that it becomes more sustainable and it's more cost competitive, so -- but -- and extends life. So there are different elements.

Today, we are at around 5% to 6% of our business is services. We are looking to expand that because we are profitable, quite profitable, and we see more demand for it. As customers want more uptime or less downtime, and they want a full solution from the bearing manufacturer. It's something we're looking to do to continue to expand. Specific to the example and sale, again, it's not something we share kind of share of wallet. But I would say every customer we get into, we are looking to kind of expand share of wallet. And where it makes -- where the customer is at gain from it. And we have delivered the value, which was expected. We do gain share.

Krupashankar: That's very helpful. Last one, what would be the proportion of CRB and SRBs as a part of our total industrial mix, if at all, we can share a direction or approximate number?

Mukund Vasudevan: Give us a second.

Ashish Saraf: So again CRB data, I don't have specifically, right? But CRB is around 25% of the products...

Krupashankar: Okay. So the reason why I'm asking, sir, is that there is a sort of significant portion of new capacities you have coming on both from next year onwards. Are you anticipating pricing pressure emerging because of dual capacity coming in the industry? Or is -- we have a fair set of customer for probably a time frame of customer servicing due to which we can retain share? Some thoughts on tax front as well.

Mukund Vasudevan: I didn't understand your question. Is your question, are we adding capacity just to satisfy demand?

Krupashankar: What I was trying to highlight here is that one of your peers is adding large capacities on CRB and SRB, and that is likely to be commissioned in the next year. Is it likely to drive pricing pressure in that particular category? And how is SKF looking to mitigate this transition or change in overall industry capacity?

Mukund Vasudevan: I would say, look, we're also trying to localize as quickly as we can, both on CRB and SRBs. Those are the 2 we mentioned or TRBs, right? You mentioned.

Ashish Saraf: Yes, CRB and SRB.

Krupashankar: SRB -- CRB and SRB, yes.

Mukund Vasudevan: CRB and SRB, right. We are looking to localize more content there or more manufacturing there. I would say, there are strengths we have, there are strengths some of our competitors have. And we will continue to kind of evolve our product strategy to make ourselves not just more competitive, but to add more value to our customers. And I don't expect too much pricing pressure there, especially in areas of our strength. But I think it's -- like any other market it's a dynamic game, they -- competitors will make their moves, we will make our moves. And -- but I don't expect that there'll be a drastic pricing pressure just because of this.

Krupashankar: Understood, sir. Thank you and all the best. One humble request, please do continue engaging with investors on a continuous basis rather than once a year, that's my humble request.

Mukund Vasudevan: I think we are out of time, moderator?

Moderator: Shall we go for the closing, sir?

Mukund Vasudevan: Yes, please. So any further questions, you can e-mail and then we can respond.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. We will now close the conference. On behalf of SKF India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.