SCHAEFFLER

Schaeffler India Limited · Pune · Maharashtra

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03/05/2022

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**Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcripts of Analyst/Investor Meet held on April 27, 2022.**

Dear Sirs,

With reference to our letter dated April 27, 2022 on the subject, please find enclosed the transcript of the Analyst/Investor meet held on April 27, 2022, for your information and records. The same is available on the Company's website - Concall Transcripts | Schaeffler India

Kindly take the same on your records.

Thanking you.

Yours faithfully,
For **Schaeffler India Limited**

ASHISH TIWARI
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**Ashish Tiwari,**
VP - Legal & Company Secretary

Encl.: As above

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“Schaeffler India Limited Q1 CY2022 Earnings Conference Call”

April 27, 2022

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| **MANAGEMENT:** | **MR. HARSHA KADAM – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, SCHAEFFLER INDIA LIMITED** |
| | **MR. SATISH PATEL – DIRECTOR FINANCE & CHIEF FINANCIAL OFFICER, SCHAEFFLER INDIA LIMITED** |

**Moderator**: Ladies and gentlemen good day and welcome to Schaeffler India Limited's Q1 CY2022 Earnings Conference Call. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Gauri Kanikar from Schaeffler India Limited. Thank you and over to you, Madam!

**Gauri Kanikar**: Thank you. Good morning everyone, thank you for joining us today. We have with us from the management Mr. Harsha Kadam – our Managing Director & Chief Executive Officer, and Mr. Satish Patel – our Director-Finance & Chief Financial Officer. Mr. Kadam will first take us through a short presentation on the results after which we open the floor for questions. Thank you and over to you Mr. Kadam.

**Harsha Kadam**: Good morning. This is Harsha Kadam here.

**Satish Patel**: Good morning. Satish Patel here.

**Harsha Kadam**: A very warm welcome to the Schaeffler India Limited's earnings conference call for the first quarter ended March 31, 2022. Our investor presentation is already uploaded on the stock exchanges and the website for your ready reference. So that I take you through the presentation, I am currently on the first slide, and I would like to move to the next slide talk a little bit about the economy and the industry then the business highlights for the first quarter 2022 and the financial highlights for the first quarter 2022.

Moving on, I would like to talk a little on the economy and the industry and for the calendar year 2021 the GDP growth is expected to be in the range of 8% however this needs to be seen with all the challenges that we are now looking at the global events. The inflationary pressures that are coming in as well in the country and also the supply chain getting disrupted due to various global events across the globe. Looking at the Index of Industrial Production, it has registered a growth of 13.7% for the period from April 2021 to Jan 2022 as compared to a de-growth of 12% over the same period last year due to the limited impact of the third wave of the pandemic that we all went through.

The escalations of the geopolitical conflict and the accompanying sanctions also have had major impact on the global economic activities not to mention of course the inflation and supply chain pressures, which are rising amidst the heightened volatility. Overall, headwinds on these fronts including the uncertainty above the pandemic's trajectory is leading to a muted economic environment. However, what we see in India with the government's push towards infrastructure and some of these key sectors is expected to boost the core sector performance.

I would like to move now to the next slide which will talk a little bit about the core sector performance. Cement as a sector which is weighing in about 5.4% in the core sector index has grown by about 9.6% when compared to the same period last year. The steel sector with a weight of about 17.9% to the index has grown marginally by over 4% as compared to the same period last year. Coal production in the country is up by about 7.5% and the energy generation in India is up about 2.4% as compared to the corresponding period of the previous year.

Now the core sector performance improved on a year-on-year basis because of the low base effect and high contributions from steel, cement, and the natural gas sector, however, the risk of weakness remains on account of the surging commodity prices and elevated freight cost.

Talking about the automotive sector performance I move to the next slide and here what you see is the two-wheeler segment which continues to be impacted as we entered into 2022. The production for the month of Jan and the February was just about 3 million with a de-growth of close to 21% when compared to the same period last year. This was mainly due to the stress in demand from the rural side as well as on the semi-urban economies as well.

Talking of commercial vehicles, we have seen a very strong uptick in the demand there in the production numbers as well and we see commercial vehicles continue on the growth trajectory obviously on account of the government's consistent effort in terms of structural and infrastructural reforms, which is definitely pushing up the demand in the fleet utilization levels as well. Now this segment has registered a robust growth of 24% with close to 1,75,000 units being manufactured within the first two months of the year. While passenger vehicles as you can see grew marginally with just about 3%, but we continue to see the production ramp up being affected due to the existing semiconductor and the chip shortages which are still prevalent in the auto industry as such.

Talk of tractors and we see that the agricultural tractors, the production numbers are significantly down when compared to the same period last year. The delayed monsoons impacting cash flows, and also the stress on the rural economy coupled with a higher base effect of the previous year are some of the major attributable reasons that we see. So, with all this let me now take you through how the quarter went by for us.

To summarize now, I am pleased to share that in spite of the headwinds that we faced we were able to consistently deliver our topline and the bottomline performance for this quarter as well. Our revenues for the quarter stood at INR 15,675 million, which is a 19% growth when compared to the same period last year and 2.9% when compared to the preceding quarter.

Now this was backed by the continuous business wins in the automotive technologies and also the industrial space. Some of the business wins, particularly in the clutch applications going into the commercial vehicles we have been able to leverage and start supplies in the quarter and that has helped to hold up the automotive technology's performances. Industrial business, although some of the segments we did see the growth momentum, but some sectors definitely were let down considering the fact the two-wheelers and off roads which we also sell products through the industrial business did not do well, that had an impact on the industrial business performance. Not to mention of course a couple of our customers also had challenges on their export business which dampened the demand in the first quarter resulting in almost a flat growth rate in the industrial business for us.

So having said that when one were to look at - where did the growth come from we did very well on our export business and the growth momentum continued in our export business in this quarter which has helped to post a pretty good topline performance as well. EBIT margins for the quarter was at 16.6% as compared to 13% for the first quarter of the previous year growing almost 360 bps on a year-on-year basis. Now we were able to deliver resilient margins during the quarter due to some of the continued focus on the counter measures that we had already deployed also coupled with our improved business mix with exports coming in stronger in the first quarter that helped us to post better EBIT margins than the preceding quarter as well.

Now our profit after tax margin for the quarter was at 13.2% as compared to 10.6% for the same period last year and for the quarter the profit after tax stood at INR 207 Crores. Coming to free cash flow for the quarter, it was down mainly due to an increase in the working capital and higher Capex spend. The free cash flow for the quarter was a negative INR 208 million compared to INR 2,842 million in the same period last year. We remain focused on our capital management strategy going forward for this year as well.

During the quarter Schaeffler India also was included in the Production Linked Incentive scheme and that has been one of the important milestones that we achieved in the quarter. We have been chosen under the Component Champion Incentive Scheme and the inclusion in this scheme will help us in the creation of economies of scale and the robust supply chains in the areas of advanced automotive technology products, helping us to gain a competitive edge and drive export capacity as well. So, we believe that the PLI scheme approval will be a catalyst for our mission of advancing conventional mobility as well as the e-mobility towards sustainable mobility solutions going forward. Now as you must know that during the year Schaeffler India also embarked on the structured journey of ESG and has already made significant progress in the reduction of the carbon footprint. We will continue to lead ahead in building a responsible organization for tomorrow and ultimately some of our customers, particularly John Deere, clearly appreciated the steps Schaeffler India Limited was taking in the direction of moving towards carbon neutrality and they awarded us with the sustainability award earlier this year. The award recognized us for the reduction in carbon footprint and also our commitment towards addressing other sustainability targets that we are clearly focusing on, and we will continue our efforts in the direction of sustainable manufacturing and sustainable business as well.

As we move ahead, we are cautious of the constantly changing external environment and with the rising inflation and uncertainty that is surrounding the environment due to the ongoing geopolitical developments both in the east and the west, we tread cautiously going forward as well in business.

I move to the next slide. Some of the new business wins that I talked about already I shared about that we have been nominated and we have started supplies on some of the clutch application business for the automotive technologies clearly addressing the BSVI requirement as well as moving forward the business wins that we have secured in the wheel bearing and the clutch applications.

Talking about the automotive aftermarket, we introduced another product in the quarter the wipers for the passenger vehicle segment and the business wins for the front-end auxiliary drive, the timing kit for passenger vehicle segments also was another product that we brought to the market. Talk about range extension and penetration, we will continue on this journey on the automotive aftermarket as well.

Coming into the industrial, we did gain some significant wins, particularly on our spherical roller bearings and cylindrical roller bearings and paper rollers in the off-road sector and a few on the industrial automation segment, the slewing ring business that we have secured as well as some in the raw material sector which are key to the industrial sectoral performance as such.

To talk in detail about our performance, I move to the next slide which will give us the business highlights for the first quarter. Coming into this slide - our Q1 performance - the automotive technologies contributed close to about 39% of our revenues as you can see on the pie chart and the industrial business had a contribution of about 37% leading the exports which inched up to 16% and the automotive aftermarket stayed at about 8%.

We talk of very good balance between the auto and the industrial and this is exactly what you see here coming out strongly for us, which weathers well for us in a very highly volatile market situation. Looking at the numbers what you see the first quarter we were able to post Rs.15,675 million which is 2.9% growth over the preceding quarter and a 19% growth over the same quarter last year. The contribution within the first quarter performance, clearly automotive technologies which grew almost 6.1% over the last year same quarter. Automotive aftermarket grew 15.5% over Q1 of 2021 and industrial performed 21.7%. Export as you can see was a phenomenal growth for us at about 61.4% better than the same quarter last year. Exports continues to hold up the numbers for us as well and when you look at the bridge, the contributions that are coming across the bridge below clearly explains the split between the business areas between Q1 2021 and the Q1 2022.

Talking about on a quarter-on-quarter basis the growth momentum continued. In the automotive technologies and even the e-mobilities which contribute about 3% of our sales, while we continue to invest on the future mobility solutions and also augment our R&D competencies trying to bring in the Schaeffler knowledge and the group know-how into India. We see that the industrial business the growth remained flat for us during the quarter mainly due to the lower demand coming in from the wind business which I already talked about, the two-wheelers and the off-road segment, which actually pulled down the industrial part of the business.

So the first quarter seasonally weak for the automobile aftermarket business coming on the back of a high last quarter performance and this coupled with a higher base effect which was already there in Q4 as you know, however we are confident on gaining the traction here helped by our focused efforts and also the launch of the new products which we will continue to sustain plus the network expansion which we clearly have on our strategy plans and also work on improving the effectiveness of our distribution. And with that we move to the next slide talking about the earnings quality and the EBIT for the first quarter was INR 260.2 Crores bringing in an EBIT margin of 16.6% which was a 6.2% growth over the preceding quarter and 52.4% better than the same quarter last year.

Having talked about it, as you can see, the EBIT bridge below explains the split on where the margins came from and clearly the sales growth brought in the additional margins that we have had and other countermeasures that we have put in place and the sustained cost control measures which we continue to push for have helped us to get to an EBIT margin of 16.6% in the first quarter. Having said that the profit after tax was at 13.2% as you can see here which is clearly an 8.6% better than the preceding quarter and 48.4% better than the same quarter last year.

Having said that, let me move on now to talk a little bit about the working capital management and clearly what it tells here is the quarter had a tactical increase in our inventory levels obviously riding on the back of market slowdown, the demand going down, so inventory levels did go up, but this is definitely going to help us to also improve our service levels going forward throughout. This was one of the major reasons that the working capital being higher for the quarter at INR 11,413 million and at 19.9% of sales was definitely higher when compared to the preceding quarters of the last year as such.

Our Capex spending obviously in the Q1 was definitely stronger when compared to the last year Q1 as you can see, and we have inched up from 3.3% of sales last year to a 4.8% of sales in terms of our Capex investment which certainly is a clear direction that we are focusing in growing more and more our export business. We did have a small setback on the free cash flow though for the first quarter which is more to do with the timing issue and the working capitals that have increased as well. So, as you can see while the first quarter we posted a negative INR 208 million, but we are confident coming into the second quarter that this will get reversed as well.

Let me now move to the next slide which is going to throw some light on the key performance indicator and a quick snapshot on some of the performance for your reference as you can see. Revenue for the quarter stood at INR 15,675 million which is clearly a growth of 19% on a year-on-year basis and a 2.9% on quarter-on-quarter basis. Having said that, the EBITDA for the quarter was INR 3,107 million and the EBITDA margin for the quarter was at 19.8% compared to the 16.6% of Q12021 and a 19.4% of Q42021. The EBIT for the quarter was at INR 260 Crores and the EBIT margin stood at 16.6% for the quarter. So, the profit after tax for the quarter was at 13.2% and clearly we have been able to deliver reasonably good results in spite of the major headwinds that we face during the quarter.

So, moving on I would like to touch upon a little bit on our consistently improving disclosures and transparencies in terms of our annual reporting as well. We at Schaeffler India have started on the journey of Integrated Reporting in 2019 and this is our third edition, and we will continue on the path of building more comprehensive integrated reports in the coming years too. Now the report is guided by the IR framework issued by the erstwhile International Integrated Reporting Council, which is now the Value Reporting Foundation. Now to inform our stakeholders on all aspects of our business, we have introduced certain key elements of the IR framework in the report, and we will continue to add more such elements to reporting in our future edition. Now I would also like to inform you that the online report is now live on our website along with the PDF report which was earlier uploaded, and we are progressively moving in the direction of reporting and disclosing our sustained efforts towards addressing all the six capitals that are required to be reported as well.

Having said that, I now come to the last slide of my presentation and in summary, so as you can see, the quarter gone by a portfolio extension initiators and key businesses contributed positively during the quarter and our margins were backed by our constant focus on the deployed countermeasures and a balanced business mix as well. So, we are on track with our Capex strategy as we have already invested close to INR 75 Crores in the quarter and the focus will remain on delivering our financial and operating metrics as expected. I am also happy to share that we entered 2022 on a positive note and the first quarter has started off well for us, however, we are treading here cautiously as we move ahead given the current global events, the rising inflation, and the supply chain disruptions.

I come to the end of my presentation and with this I now open the floor for questions.

**Moderator**: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

**Shyam Sundar Sriram**: Hi! Sir, good morning. Thank you for taking a question and many congratulations on the very impressive results. My first question is on the export front, we had outlined INR 1,000 Crores Capex to be spent over three years, we are also hearing Schaeffler parents shifting some of the lines to India per se and even the last call you had spoken about that India could be a sole supplier for some of the product lines therein. I just wanted to get a sense from you how much of this INR 1000 Crores Capex is earmarked for export. So that would give us some directional trajectory in terms of where we are headed in terms of the export per se.

**Satish Patel**: As regards your question about how much of the total Capex earmarked for exports. Yes, we have announced that we would spend about INR 1,000 Crores in three years which is 2021 to 2024 on capex. Last year we spent INR 200 Crores, this year we are planning to spend over INR 400 Crores and over INR 400 Crores also would be spent next year that is 2023. Now as far as allocation of this Capex between different segments is concerned, for us it is very difficult to allot a figure to exports reason being quite a significant portion of this Capex is going for the plant expansion, infrastructure, construction of buildings, as well as acquisition of some land for our new plant, and these plants are going to house the products both for domestic as well as export requirements. Relocated lines from other parts of Schaeffler's world to India is the Capex in the nature of plant and machinery and there is additional investment for Capex towards exports for the new machineries and the equipments. So, it is very difficult to allot a number there, but yes we are increasing the share of the Capex spend on exports or towards exports, the reason being the growth in export is envisaged as part of our strategy what revenue that you see in the quarter in terms of exports is likely to sustain. Also, for the future we have relocation of the products and we have also increasing demand from the other parts of Schaeffler world. So therefore, this area is going to remain in focus and yes increasing Capex also would be for exports, but it would be very difficult to allot a particular figure for exports.

**Shyam Sundar Sriram**: If I were to put it slightly differently we are close to INR 250-odd Crores in this quarter which is an INR 1000 Crores annualized number per se. Are we seeing this to go towards an INR 1500-odd Crores in a three-year time frame is that something that is visible based on the opportunity that you are seeing from the Schaeffler parent level?

**Satish Patel**: Certainly, there will be growth in exports, so it would be difficult to say whether it would reach INR 1500, Crores but yes it would increase and it would increase at least in double digits going forward and that is actually going to build in terms of the overall export growth.

**Shyam Sundar Sriram**: One other question under the PLI scheme, how much investments are earmarked under PLI scheme and what categories does Schaeffler intend to expand its products under the PLI scheme if you can just spend a minute on that.

**Harsha Kadam**: See the PLI scheme obviously clearly as an auto component manufacturer, we are eligible and if you look at the framework, this is for all the new technologies that are emerging now that auto component manufacturers like us are eligible to compete with. So obviously when you look at all the applications it is talking about the electric vehicle technologies, components and subsystems going into these applications as well as even the new emerging technology of hydrogen fuel cells. So having said that it is a very broad area and as you know Schaeffler already has the capabilities to participate both in the electric vehicle technology space as well as in the fuel cell and hydrogen space. So, with that, we are clearly preparing our strategies as well to do to play the game here, we already have some actions on the ground, in the succeeding presentations as we come, as things began to evolve we will definitely start to share that with you all.

**Shyam Sundar Sriram**: So, the focus even from Schaeffler will be on the new age technologies and on the electrification and the hydrogen fuel related components.

**Harsha Kadam**: Yes.

**Shyam Sundar Sriram**: Just on the electrification bit, earlier we were slightly more hesitant to put up capacities in motor manufacturing or ECU's etc. given that India market is yet to evolve, we were largely doing those transmission gearboxes per se for that we have indigenous as well that and so is there any change in thought process there specifically from an EV standpoint, EV component standpoint that is from a Schaeffler perspective.

**Harsha Kadam**: Well, we follow the market is it not that is the right thing to do and as the market is evolving you do find definitely different subsets of technology that started to come in and clearly so we will be doing as well the course corrections if needed in terms of our strategy to bring out relevant products to address the relevant applications. A year back as you rightly know the fuel cell was not even talked about in India but now we begin to see a lot of action on the ground happening. So accordingly, we are an agile organization, and we will continue to watch the market developments and clearly keep shifting our strategies as well.

**Shyam Sundar Sriram**: So even the motors etc., which were erstwhile we were not thinking about that is also now under consideration given that there is an incentive on the PLI as well.

**Harsha Kadam**: Yes, we will look at whatever possible options are there that we can get into and competencies that we already have in Europe, so we will try to bring obviously the market also has to have a demand and we believe now with the PLI scheme coming in and with the measures that the government is putting in place to grow the electric vehicle technology in India and the early adopters we believe are the two and three-wheelers so we believe that yes there is enough and enough opportunity that is going to be there for us as well. So, we have started to now work around it to see what we can offer not just from a mechanical standpoint, but even from an analytical standpoint.

**Moderator**: Thank you. We will take the next question that is from the line of Vimal Gohil from Union AMC. Please go ahead.

**Vimal Gohil**: Thank you for the opportunity and congratulations on a great set of numbers. Just wanted to understand your margin performance better, our exports currently are at 16% odd and we have a target of taking it to 20% of our total mix and assuming that there will be some easing of raw material prices also going forward your auto aftermarket will also probably do well which I believe is a slightly higher margin business, would it be fair to say that there is still some upside left in your margins going forward.

**Satish Patel:** So Vimal, just to correct one portion of your question where you mentioned that there is a target to have 20% as exports we have not announced that we have a target of 20% our exports. So just we stand correct it. Yes exports would grow, but would it be 20% or would it stay at 15% or would it be in-between very difficult to sort of come to. So yes there would be growth in exports and margin level that we have attained, we have actually undertaken several counter measures and we use the word counter measures and not cost reduction measures because counter measures are on both sides, revenue optimization, improving the quality of revenue as well as cost optimization and across these counter measures, we have about 35% to 40% of measures which are sustainable and the reflection of those counter measures is also there in terms of the improvement in margin that you see in this quarter because the counter measures were rolled out over last two years, now full year's annualized impact is getting reflected in this quarter. So, this would be sustained, how much of the further mix improvement which is resulting out of the export growth as well as the mix within the domestic business improvement in that mix would contribute to margin, very difficult to assess, but yes, we have reached certain level of margins and we are trying our best to actually sustain the level of margins that we have realized.

**Moderator**: Thank you. It seems there is no response from the participants, we will move to our next question that is from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

**Sandeep Tulsiyan**: My first question is pertaining to the industrial segment. We did mention in the comments that wind segment is facing some challenges for exports, but when we look at the breakup for the industrial segment, the non-mobility piece has actually done very well, and we presume that wind should be a large portion of that. So, if you could clarify what was the actual growth within wind segment, which is roughly 10% of the sales and if that is not done well, what are the other segments and by what proportion they have contributed, if you can give some more color along with some color on the industrial mobility?

**Harsha Kadam**: Thanks Sandeep and I just want to make a small correction to what you have said, well it is not the entire wind sector that is down. I did say that yes a few of our customers have had some challenges on their export businesses which in the first quarter we saw the impact cascading down, this will get resolved we are hoping and once the problem issues get resolved on the export front surely I think this will be back on track. So that is the first thing, so it is only a few customers that we have encountered this challenge. Secondly, yes, wind was down, although it contributes roughly about 11% to our total sales, well in this quarter if one were to look at from the preceding quarter itself our business came down close to 14% and that is one of the reasons the impact on the industrial side on the overall Schaeffler India sales, wind is about 11% and that definitely pulled down the industrial part of the business. You said right that the other non-mobility sectors did well yes the other sectors like industrial automation, the raw materials, we definitely have some strong performance, they are coming in for the quarter definitely we saw some strong numbers coming in there.

**Satish Patel**: And just to add one point as far as our segmentation is concerned, in others segment we have in addition to wind, we have raw material business, business in industrial automation, as well as power transmission and the business in industrial automation did well, so there is significant growth in industrial automation as well as in the raw material business. So that does actually contribute to growth in the non-mobility space.

**Sandeep Tulsiyan**: Second question was pertaining to this CPV growth which we usually give an update on, you mentioned the last quarter it was around 40 euros per vehicle the target is to double this CPV growth if you can just update us where you are in that journey, how soon we intend to reach there and one related question within auto towards aftermarket is we have been introducing a lot of these products like in addition to true power lubricants and now the wipers within auto aftermarket what would be the split between traded versus manufactured products, if you could just highlight or is it entirely traded those are the two questions on automotive. Thank you.

**Harsha Kadam**: Let me first answer the question on the CPV. As I said earlier that yes we will continue to focus on increasing the content per vehicle and with all the new businesses that we are securing we are well on track to continue to grow that and certainly we have seen improvements coming into this year when compared to last year. Now if you were to ask me to give a number here well definitely we see improvements in some specific segments, we have seen very strong growth in the CPV, some of the segments for strategic reasons we are still having a flattish growth rate, but we are addressing that as well so it all boils down to some of the new business wins which as soon as the projects come to a realization, the CPV certainly is going to improve there as well. So, we are on course, and we will stay the course for the content per vehicle number.

**Satish Patel**: As regards the second part of the question out of aftermarket business, automotive aftermarket how much is manufactured how much is traded the answer is we have largely manufactured products in automotive aftermarket business. Automotive business is also largely nearly 100% local or manufactured and aftermarket business I would say over 90% is manufactured.

**Harsha Kadam**: Just to add to what Satish just said as you know the Schaeffler TruPower was launched end of 2020 and 2021 was the first year we really saw the traction in terms of the new products that we have started to launch. Our focus is to continue to add more products and grow the percentage of the Schaeffler TruPower business that we do with respect to the own manufactured, but today close to 90% and above continues to be our bread-and-butter products.

**Satish Patel**: And with the range extension this ratio would definitely slightly change yes the trading would increase.

**Sandeep Tulsiyan**: Thank you so much for taking the questions.

**Moderator**: Thank you. The next question is from the line of Sachin Maniar from InCred Research. Please go ahead.

**Sachin Maniar**: Hi! Sir, good morning, thanks for my turn and congratulations for a good set of numbers. My first question is on the export front so can you broadly say how the composition in exports for auto and industrial market would be. I think so 80% goes into mobility but if you say how it divided your auto and industrial and how would be the end exposure to the Asia, Europe, and US on the exports front and if you can just highlight what would be the margin differential for exports versus company level margins that one exports.

**Satish Patel**: Exports largely for industrial business. So, our experts are as you know automotive business is highly localized and I think that is how the automobile model works actually yes. So automotive business is largely localized so our exports are largely for industrial business in fact over 90% would be industrial business only and in terms of geographical spread, it is more or less balanced now so we have a business of exports to Europe, North America and Asia Pacific and all these three would be more or less similar yes Europe would be highest and North America and Asia Pacific would be slightly lower than that in terms of the share of the pie. So that is how the whole structure is and we do have exports also to China a certain portion of exports to China there is more or less balanced across the continents.

**Sachin Maniar**: If you can highlight the margin differential for exports and company level margins if it is possible?

**Satish Patel**: Yes, I was about to come to that answering that question so I was thinking for a moment so we do not have a specific number to inform you about the exact margins for exports and let me also clarify in this regard that it is not that we do not wish to share, we are more than happy to share, but our whole segmentation works on broadly mobility and others and that is how we normally have the internal monitoring reporting system as well as overall business driving the business so we do not have a specific segment called exports and we do not have that sort of profitability to even internally monitor, but yes we have certain projects which are specific to exports the projects right from the feasibility till the final realization is monitored based on the target profitability as well as the target realization of that project and this happens for all across the segments. So yes there is a focus on earnings across segments, but there is no specific number that we have for exports that we can say.

**Sachin Maniar**: The second point is just few quarters back you are going to break up that 60% which you are bearing and 40% is non-bearing if you can see what because there is so many products introduced what would be the current breakup would be between bearings and non-bearings if you could throw what would be the INA and LuK revenues in CY2023 that would give some idea on it?

**Satish Patel**: As far as breakup is concerned that still remains more or less in that range 60%-40% only maybe that would have only couple of percentage change from 60%-40%. So, it is more or less in that range. Your second question is INA and LuK range how much is the overall revenue within the total pie, that is the second question? So, INA is LuK together I would say contribute about 50% of our total business, 50% FAG approximately. I do not have the figures in front of me, but yes it is almost 50%-50%.

**Sachin Maniar**: Finally on the Capex front, you have already explained. Just to put it how did they divide it between auto industrial in the term that parent has declared that 68% is power train specific and 32% is power agnostic how would it be for India and would your Capex is largely on power agnostic product and how power trains or power trains per se and if there is a risk that the electrification catch up is there a risk to the Capex what we are putting that is just a last question. Thanks.

**Satish Patel**: Yes, so as regards the investments or the Capex that we have earmark it is more or less balanced between industrial and automotive business. The investment that we have for this year and at least the next year is largely for the advanced technologies as well as conventional costs. So little more share of the Capex would be going to industrial business. However, the investments from next-to-next year onwards would be more oriented towards automotive business and coming there exactly about your question about the e-mobility or the non-conventional products there I would request Harsha to provide some sort of comments on that.

**Harsha Kadam:** On the business front today the e-mobility side roughly contributes 3% of our sales and I can say that looking at the market development on the electric vehicles when you stack up the numbers you will find the market too is around 2% in the passenger vehicle segment and clearly we are in line with or if not a little better than the market development as well in terms of the volume of business. Now look at the technology yes a lot of it is still the conventional products, but certainly we are working with our customers to bring out new technologies and new offerings in the electric vehicle space as well, we are looking at two-wheelers and three-wheelers which are the early adopters and certainly we see the potential there to start developing solutions as well as make investments look very promising there and that is exactly our focus area right now. While on the other hand, the passenger vehicles, the volumes still remain pretty low and nevertheless but definitely, we do have the competency and the technology to bring out solutions for the electric vehicle applications be it the passenger vehicles or otherwise within the Schaeffler portfolio. It is just a question of now adapting those technologies to Indian needs and that customization is something that we will continue to try.

**Satish Patel:** Also because of the PLI scheme, sorry, just to add one more, the mix of the Capex would change because we are also focusing on certain advancement of the Capex in that consign with the PLI.

**Sachin Maniar**: Sure thanks.

**Moderator**: Thank you. The next question is from the line of Ankit Merchant from Quest Investment. Please go ahead.

**Ankit Merchant**: My first question is related to the breakup in the automotive segment can you give a breakup of how much is two-wheeler, passenger vehicle and CV's.

**Harsha Kadam**: In terms of sales?

**Satish Patel:** In terms of revenue, I think he wants broadly vehicle segment split. I can share broadly say two-wheeler business is within our industrial business and if I look at the overall total revenue which includes automotive as well two-wheeler would be about 7%, but if I take only the industrial business where this sector is accounted, it is about double of that so 14% of that revenue and 7% of overall revenue.

**Ankit Merchant**: PV's and CV's?

**Satish Patel:** PVs would be just a moment if we can trace it out in a moment we can share otherwise I would request our investor relation officer to provide this information to you separately in later point of time.

**Ankit Merchant**: The second question is related to the EU free trade agreement which is going to get signed in couple of days so what are your thoughts and how could to Schaeffler benefit out there.

**Satish Patel:** Is this to do with the FTA with Australia.

**Ankit Merchant**: No, the Europe.

**Satish Patel:** It is still evolving and not so much progress I would say in fact we have also been waiting.

**Harsha Kadam**: We are eager as well because this would open up different channels of business and as well as it would ease a lot of constraints that we face today with the free trade at the moment, certainly we are eager because our traded part of the business is also substantially large so that is going to benefit as well and our exports definitely benefit us as well, both ways it works for us.

**Ankit Merchant**: In the Europe I think Europe contributes 40% of our exports so in that particular geography itself what are the current challenges that you are facing and how is this particular geography to get impacted for you.

**Satish Patel:** Our exports are likely to western part of Europe, Germany, and other western countries not so much in Eastern part of Europe so far we have not encountered any major…

**Harsha Kadam**: Only challenge that I would put on the table is the COVID as a result of which there is some impact was felt. Now with the geopolitical developments in that part of the world, definitely we see some impact, but the good thing is we do export to the other parts of the world as well and that is beginning to also look up for us, Asia Pacific also we find a lot of opportunities so while export to Europe I would not say it is muted but then we are watching it carefully with the situation that is developing there but I would say there are enough opportunities for us.

**Moderator**: Thank you. We have a next question from the line of Vimal Gohil from Union AMC. Please go ahead.

**Vimal Gohil**: Thank you for the opportunity once again Sir, my apologies, my line got disconnected before. Sir so basically my second question was you mentioned something on reallocation of some product lines from your parent entity I am not aware of the same could you please help me understand this better?

**Satish Patel:** So those were the industrial sort of business some of the relocation of some of the lines and those were mainly on the large size bearings as well as TRBs, Tarol bearings for railways then large size bearings for wind applications, tech bearings for machine tune applications and TRB's for heavy commercial vehicles.

**Vimal Gohil**: Predominantly the relocation that is being done is for bearings.

**Harsha Kadam**: Yes. That is most of the change that are happening and also catering to different sectors so to say industrial automation definitely is one of them, rail and wind is also on the agenda for us to bring in those product lines.

**Vimal Gohil**: So basically, this will incrementally contribute to our export business one of the drivers there.

**Harsha Kadam**: This is going to contribute mainly to that.

**Vimal Gohil**: Just wanted to get an update the company had signed MOU with the Tamil Nadu government on setting up a plant I am sure that the understanding that is there is that that plant will be for the PLI scheme just wanted to get an update on where are we, have we purchased the land or has the construction started when we can see the commissioning of that new plant.

**Satish Patel:** Yes, so we have signed the MOU and we are planning to acquire the land during this year, and we are expecting to actually or planning to commission the plant next year. So that is our plan and as regards your PLI there is no specific plan that we have assigned to PLI because one good thing for PLI is that you have to have certain threshold investments and sales realized and that investment can be in any of the plant so it has to be within the company so we have no doubt large amount of that investment would be towards that but there would be investments in other plants also which are going to be for the products which are actually going to be eligible for PLI.

**Vimal Gohil**: Got it Sir, rest of the questions have been answered. Thank you so much and all the very best for 2022. Thank you.

**Moderator**: Thank you. Our next question is from the line of Rishi Vora from Kotak Securities. Please go ahead.

**Rishi Vora**: Thank you for giving me the opportunity and congratulations on a good set of numbers. I have two questions one is you have highlighted that 60% of your revenues come from the bearing segment. If you could further dissect it on like how much comes from engine bearings, the transmission, chassis that would be helpful.

**Satish Patel:** That would be very difficult, we can provide you very approximate, but we do not want to go wrong there so I would suggest that this question also be answered separately by our head of investor relations to you. You will get a reply to that.

**Rishi Vora**: On the export bit, export part you said that almost most of it is industrial, so like what are the products which you export and like what is the end consumers who are your end consumers in that segment.

**Harsha Kadam**: I think Satish answered the question.

**Satish Patel**: Yes, I already actually answered previously the previous question was regards to products which I answered and just once again I repeat that. As far as products are concerned they are largely bearings, in the bearings space both small and large size bearings, medium sized bearing so we have CRBs, TRBs, DGBBs and Tarol bearings, then large size bearings up to 2000 mm then we have stacked bearings and certain small bearings for robotic applications as well as axle taper roller bearings for the machine tool applications. So those are the products that go for exports and largely bearings only.

**Rishi Vora**: This large size bearings which we export from India are also completely manufactured in India or is there any traded component.

**Satish Patel:** Whatever we have exports here that is entirely manufactured in India only, yes, but we have certain components that would be imported where again we are working on localizing the component and we are even working for further localization. So, what we call as true localizations, localization of finished goods as well as depth of localization inclusive of the components.

**Rishi Vora**: And last bit on export front only, why are we not in the automotive segment is there any specific reason for that or maybe over timing we will focus on that segment?

**Satish Patel:** The point is that let me clarify once again that automotive space across the globe is a localized sort of a manufacturing. Whichever country you go, automotive production and auto component is largely localized because OEs expect just in time deliveries. OE expect best in class service level that can only be enjoyed by local manufacturing. So, this is a very common parlance across the globe and that is how it works also in auto component sector in India, and we have our automotive in both automotive OE we as well as automotive aftermarket largely localized. Yes there is some space in automotive aftermarket where we have imports because of the expansion of the product range because of the new product launches and the range expansion otherwise automotive is largely localized. A very, very small portion in our export is contributing from automotive space.

**Rishi Vora**: Understood thank you Sir and all the best.

**Moderator**: Thank you. Ladies and gentlemen due to paucity of time we will be able to take one last question that is from the line of Chaitanya Shah from Silverline Capital. Please go ahead.

**Chaitanya Shah**: Hi! Thanks for giving me the opportunity. Coming to export, I had a question generally from the entire Schaeffler group including the parent now more than 50% to 60% of the manufacturing capacity of the parent is in Europe. So internally is there any target of what can come to India or possibly are you guys working with a target of what portion of that can come to India and again with that because of the geopolitical situation there are a lot of talks of supply chain reconfiguration going on. So, I just want to understand where does India stand in terms of priority of setting up a significant manufacturing base for the parent outside of Europe?

**Satish Patel:** Whether you talk about exports or you talk about relocation, the whole phenomenon was basis competence. So, we in India amongst the entire Schaeffler group have competence for certain range of products, have established both cost and technical competence and therefore those products are localized, those products are also manufactured in other part of the world but are actually relocated to India because of this competence. Same thing is happening for certain other range of products also, it is not that India is getting all the products of Schaeffler and that is just not possible. So, we have competence established for certain range of products in some other part of the world and those countries have actually manufacturing and relocation there and thereby the overall cost and the competence is actually improved across the group. Now coming to this geopolitical conditions, as Harsha also mentioned before that we have our export spread across the globe it is not only for Europe, it is for Europe, for America and as well as for Asia Pacific and therefore this geopolitical condition is no doubt a risk, but that could not be a significant risk in terms of achieving what we have targeted for our exports as well as what Schaeffler has globally targeted for different relocations across the Schaeffler world.

**Chaitanya Shah**: And my last question is if you could elaborate a bit on some of the technologies in the EV space that you are working on if you could give some case studies it could either be at the parent level or at the Indian company level, if you could give some case studies on the kind of technology in the EV space that you are working on that would be great.

**Harsha Kadam**: There are quite a few areas that Schaeffler globally is working upon. If I get to start with the automotive side, well the electric vehicle technology wherein we are talking about manufacturing high power density motors for the e-axles so that is the competency that Schaeffler already has, and we have been already into series production of motors in Europe for the European market. Talking about controllers that go with those motors as well that is the competency we have brought in as well and moving forward we also made specific acquisitions and brought those competencies even on the industrial side with the high level of automation that is coming into the industrial applications, manufacturing areas. Robotics is one of the sectors that we see good demand growing in so strategic acquisitions towards products that go into robotic arms is also now within the Schaeffler's portfolios. Talking about planetary gearboxes that go into these robotic arms we now have the competence and the wherewithal to design and develop specific solutions there, talk about digitalization under industry 4.0 state of new products in terms of lubrication systems and condition monitoring both now have been brought into the market and we are now aggressively offering this to our customers both in India and outside India as well. So, there is every aspect of the business we see that Schaeffler has the capabilities and appropriate strategies, and strategically appropriate products are being brought out in those relevant areas I hope I have answered given you a flavor of that.

**Chaitanya Shah**: Yes, thank you so much.

**Moderator**: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Ms. Gauri Kanikar for closing comments.

**Gauri Kanikar**: Thank you everyone. Thank you for joining us today, we now conclude this call, if you have any further queries please do reach out to me on gauri.kanikar@schaeffler.com. Thank you and have a good day.

**Moderator**: Thank you very much. Ladies and gentlemen, on behalf of Schaeffler India Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines. Thank you.

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(This document has been edited for improving readability)

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