

Schaeffler India Limited · Pune · Maharashtra

BSE Limited

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Company Code: SCHAEFFLER

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcripts of Analyst/Investor Meet held on Friday, February 28, 2025.

06/03/2025

Dear Sirs,

With reference to our letter dated February 28, 2025, please find enclosed the transcript of the Analyst/Investor meet held on Friday, February 28, 2025, for your information and records.

Phone: +912068198464

The same is available on the Company's website - Earnings Conference Call | Schaeffler India

Kindly take the same on your records.

Thanking you.

Yours faithfully,
For **Schaeffler India Limited**

Ashish Tiwari,
VP - Legal & Company Secretary

Encl.: As above

SCHAEFFLER

“Schaeffler India Limited Q4 CY'24 Earnings Conference Call”

February 28, 2025

**MANAGEMENT: MR. HARSHA KADAM – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER**

**MS. HARDEVI VAZIRANI – DIRECTOR, FINANCE AND
CHIEF FINANCIAL OFFICER**

MS. GAURI KANIKAR – HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Schaeffler India Limited Q4 CY '24 Earnings Conference Call.

As a reminder, all participant lines will be in 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 touch tone phone. Please note that this conference is being recorded.

I now hand the confidence of Ms. Gauri Kanikar. Thank you. And over to you, ma'am.

Gauri Kanikar: Thank you. Good morning, everyone, and welcome to Schaeffler India Limited's earnings conference for fourth quarter and full year ended 31st December 2024.

We have with us from the management today, Mr. Harsha Kadam – our Managing Director and Chief Executive Officer; and Ms. Hardevi Vazirani – our Director, Finance and Chief Financial Officer.

As always, Mr. Kadam will first take us through a short presentation on the results, after which we will open the for questions.

Thank you and over to you, Mr. Kadam.

Harsha Kadam: Hello. Good morning, and a warm welcome to all the investing partners to this earnings call of Q4 and the 12 months 2024.

Let me take this opportunity to thank you briefly through the presentation. But before that, I would like to say that Q4 was quite a volatile quarter for us in terms of the business environment with a lot of uncertainties. Q4 was a challenging quarter in terms of the business environment and yet I am happy to share the results that we have been able to get through. But before that, let me start my presentation by moving to Slide #2, where I love to begin my presentations with recognitions from the most important stakeholders for us, the customers.

What you see on the slide is three awards that we won in the quarter, Q4, from our customers. The first one from Daimler India Limited and this was for the resilient supply chain that we were able to maintain in the quarter and for the entire year. And particularly, the supply transmission products to the customers. And the customer recognized us for being consistent on our deliveries.

The second award coming in from the industrial space is from Nord Drivesystems. Here we had a project to digitally connect with the customer through electronic data interface to convert all transactions from a manual mode to a digital mode. And this was implemented over the year and which the customer has recognized us for the valuable contribution that this is a true value add in our business transaction.

The third is also again from industrial space, an award given to us by Voith Turbo Private Limited for excellence in new product development, which we were actively engaged with in developing some new products for them, which the customer recognized.

Now, these awards are the testimony to our concerted effort keeping the customer at the center of everything we do. And we will continue to build on this in the coming years as well.

With that, I move to Slide #3, which briefly, I would be covering three broad areas, the economy and the industry. I would also touch upon the business highlights for Q4 and the 12 months period, plus the financial performance for Q4 and the 12 months period.

Moving on to Slide #4. What you see on the slide is the economic performance in the country. The Q4 estimates that are coming out is the India GDP growth rate would be in the range of about 6.8%. This is coming on the back of good manufacturing output in the last quarter, that has started to show signs of a rebound, particularly driven by healthy run coming from the metal industry sector, metal products, and the rebound coming from, also riding on the back of the festival season, demand of consumer goods which is showing a good trend in the right direction. Which is also reflecting, as we can see from the index of industrial production, you see an uptick in the last quarter going up to 4%. And this is, again, coming on the back of good movement that we have seen in the power generation as well as in the raw material sectors of industry.

The automotive sector, which in the third quarter had a degrowth, bounced back. And as you can see over the preceding quarter, grew 4%, kicking the annual growth rate for almost 3% at an annualized level. One cause of concern, obviously, in the country, has always been the food inflation. And as you can see, the consumer price index too crept up to 5.6% in the last quarter, while the Reserve Bank of India has been trying to get its hands around and contain it within the manageable levels, this is an area of concern.

We move forward to the next slide, Slide #5, where I will talk a little bit about the core sectoral performance. What you see here is the growth of each of the core industrial sectors, starting with cement production in the country. If you look at the last quarter, you will find the dark green bar, which is for the Year 2024, clearly shows an uptick over the previous year same period. And overall, the cement production in the country has demonstrated growth of about 4.5% over the preceding year.

Steel production, which has a pretty heavy weightage in terms of the economic contribution at 17.9%, also grew at 6.6%, especially in the last quarters you would have seen, you can see a consistently strong better production numbers coming out in the steel sector.

Talk about coal, also we saw a strong uptick in the last quarter. And with coal adding to 10.3% weightage, grew about 7.4%. Truly enabling the industrial production what you saw earlier slide, helping it to get it up to about 4%.

Talk about energy, electricity generation in the country wherein the contribution weightage is about 20%. Here, again, we have seen better performances month after month compared to the same period last year, clearly indicating the manufacturing sector did pick up in the last quarter.

Now, that said, let me move to the next slide, Slide #6, which throws some light on the automotive sector. And what we are seeing here is the two-wheelers, the first chart, which grew

at 15.5%, a strong growth this year compared to last year. And what you see is a business cycle dip in the last quarter, which happens every year and that is the business cycle that the two-wheeler follows. Passenger vehicle, on the other hand, which had sluggishness in the third quarter of last year, picked up in the fourth quarter. And as you can see, registering a growth of almost 4.9% compared to the last year. Commercial vehicles still remain muted, as you can see, (-4.8%). While it picked up the last two months in the last quarter, but overall, at an annualized level, it is still below last year numbers. Tractors, on the other hand, did show some resilience and started to pick up, particularly in the last we have seen some strong demand coming back in the tractor segment, which helped us as at Schaeffler to also hold on. The revenue position is in a much better position than in the previous quarter.

I will move to the business highlights now, and I am on Slide #8. What do you see on the slide is, in Q4 we were able to bring in sales revenue of INR 2,082 crores into the company, which is a clear 12.2% better performance than the preceding quarter of last year Q4'2023. However, when compared to the third quarter of '24, we remain kind of flattish, just a 0.5% growth in terms of revenues.

Talk about the quality of earnings. Our EBITDA, we were able to marginally improve, picking it up to 18.8% from a level of 18.5% for all the preceding quarter, bringing in INR 390 crores into the system, resulting in a profit after tax of INR 249 crores, which was at 12%, marginally shaped better than the preceding quarter. When we look at the free cash flow, we had a good improvement in the free cash flow situation when compared to Q3'24, bringing in INR 163 crores into the system at an annualized level.

On the capex, we were judicious in our capex spending, which I will come to in the subsequent slides, fundamentally driven by the muted response of demand coming in from the export market. And we had to manage the working capital as well as the cash flow. So, we were very controlled in our investments in terms of capex.

As a motion technology company, our impetus has always been to focus on securing new business wins consistently to keep the pipeline of business running well. And I am happy to say that in Q4 as well we have won substantial businesses in the area of automotive applications, particularly transmission products such as clutch and hybrid applications, the planetary gear shafts. We have won quite a few significant wins, which is all going to culminate into business realization in the year '25 and '26.

On the Vehicle Lifetime Solutions, which is the automotive aftermarket part of the business, we will continue to build on the new products that we have launched, whether it is on the front-end auxiliary drives where we have launched the product and we have secured new business wins, or on the timing kits. Wipers too we have started to expand, and our lubrication or lubricant offerings continue to bode well in the market for us.

We are continuing to expand our portfolio and in line with the BS-VI products that we have launched. And now that all the vehicles come back to the garages and mechanics for service and

repair, so extension of the BS-VI products now into the aftermarket is another next step which we continue to sustain and build upon.

Coming into the Bearing and Industrial Solutions, too, we had substantial business win. In the Industrial Automation sector, the Off-Road sector, too, brought in quite good business in bearings, as well as some of the construction equipment industry and the Railway particularly wherein we were able to also offer our Arcanol brand of grease and lubricants that we have been supplying to the Indian market. One highlight has been business in the linear guides products in the Industrial Automation sector where we have gained a new business wins which will bode well for the growth of the industrial business in the country as well.

That said, I would move now to the third part of my presentation, which is on the financial performance for Q4 and 12 months' period. I am on Slide #11. And when one looks at the revenue from our own operation, compared to the previous year 2023, we were able to grow YoY at 12.2%, taking the 12 months revenue to INR 8,076 crores as against the INR 7,236 crores in 2023. However, if one were to look at the Q4 performance for the year 2024, compared to Q3 of the same period, we grew by over 0.5%, which I alluded to the challenging situation on the market front.

And if I can throw some light on the revenue split, please refer to the revenue bridge below, and where did the revenues come from. And as you can see, the Bearings in Industrial Solutions was almost INR 99 crores into the system in terms of business, followed by the automotive sector which brought in about INR 85.8 crores into the system. And we also see the exports also came back. We saw upticks in the export in the last quarter which brought in close to INR 50 crores. Our Vehicle Lifetime Solutions saw some muted demand and we are seeing some shift of businesses from the pure aftermarket business towards the OES part of the business. And overall liquidity and cash flow situations in the market to add to some mutual demand in the Vehicle Lifetime Solutions.

So overall, at an annualized level, I refer to the table on the right side of the slide. As you can see, our Automotive Technologies part of the business, for a 12-month period, we were able to post a double-digit growth of 11.3%, while the Vehicle Lifetime Solutions grew at 3%, and the Bearings and Industrial Solutions we grew at about 14.3%. And exports, which were a challenge in the first two quarters of last year also came back in the last quarter, delivering almost a 23.5% growth over the preceding quarter of last year, and what you see at a 12-month period, 11% growth. We pride that we have a good balance of the business mix, and we will continue to hold that. As you can see, Bearings & Industrial Solutions at 44% and Automotive Technologies and the Vehicle Lifetime Solutions put together at about 43%, and exports which is hovering around 12% to 13%.

I now move to Slide # 12 and talk about the earnings quality. So, as I said earlier, in the Q4 we were able to deliver an EBITDA of 18.8%, which was certainly better than the preceding Q3 of the same year. Also, at an annualized level, we ended up the year by delivering an EBITDA of 18.5%, which was a shade below the EBITDA of last year. And if one were to look at the plus

and minus on the EBITDA bridge, the gross margin improvement brought in almost INR 78 crores into the system. While we had some employee costs which resulted in the new hiring with the capex plans that we have in line, as well as some of the expenses that we have incurred, we ended up bringing in INR 390 crores at level resulting in an 18.8% in the quarter. This resulted into a profit after tax at 12.1% at an annualized level, and in the Q4 at 12%, bringing in INR 249 crores in the last quarter.

I will move to Slide # 13 where the working capital, one of the areas where we had a high focus. And definitely when compared to 2023, the working capital has gone up in the range of 19.8% as against nine months period last year. We were able to improve that by getting it down by 0.8 percentage point to 19%. We still have some more work to do here on working capital management. And working capital management will remain a focus continuing into this year.

I did mention that we were judicious and prudent in our capex expansion in the quarter Q4. Fundamentally, this was coming on the back of reading the market demand and accordingly adjusting our sails, to stay the course of investment, but manage it with getting the timing right and the type of product mix right for the market demand. And hence, we were able to still sustain an investment of INR 55 crores in the Q4 of this year. Keeping the capex as a percentage of sales at 8.6%, which was a shade lower than 8.9% at nine months period which was already there as you can see.

Free cash flow, we were able to improve on our free cash flow position in the fourth quarter. And while we improved from a level of INR 100 crores to INR 160 crores in Q4, well, year-on-year we still remain at minus 8.3%. And we will continue to keep the focus on improving the cash flow going forward into this quarter as well.

I will move to Slide # 14 to draw some light on some of the key indicators. I did already talk about the revenue at a 12-month period year-on-year growth with INR 8,076 crores as a standalone entity of Schaeffler India. You will see that we have grown at 11.8%, yes, back into the double-digit growth rates. Also delivering on the EBITDA margin of 18.5%, and EBIT margin of 15.2%. And culminating into a profit after tax of 12.1%. And the rest of the CAPEX and the free cash flow I already touched upon. So, at an annualized level our capex investments stand at INR 691 crores and the free cash flow of INR 224 crores.

I will move to our consolidated financial results on Slide # 15 for Quarter 4. And what you see here on this slide is, for the quarter the standalone results of Schaeffler India Limited and the Q4 standalone results of KRSV Innovative Auto Solutions Private Limited, which is the Koovers e-commerce platform. And what you see here is core drop in revenue of INR 542 million or INR 52.4 crores in the quarter, which has been a substantial growth in terms of revenue compared to the earlier quarter, resulting in a 12-month revenue generation of INR 158 crores.

Talking about EBITDA, it still remains negative. And the subsequent financial parameters like EBIT and the earnings before taxes also remain negative. And we are staying the course in terms of expanding of a PAN-India footprint of our Koovers platform, plus also bringing in our more products onto the platform. The only way forward is to grow the revenues, which we stay

focused, and we continue to grow the revenues. And we will, in the near future, break even here as.

So, as a consolidated picture, the Schaeffler India consolidated revenue for the quarter Q4 2024, we were able to deliver INR 2,136 crores, culminating in annualized revenue of INR 8,232 crores. An EBITDA of 17.9% and an EBIT margin of 14.5% at a consolidated level, resulting in an earnings before taxes at 15.5%.

I will move to Slide #16, and one of the announcements that we declared post the board meeting yesterday was the dividend payout to all our shareholders. I am happy to share that we have stayed our commitment and the course of announcing dividend payout ratio between 30% and 50%, and we have announced 45% payout resulting in INR 28 per equity share, compared to last year, which was at INR 26, has been an improvement in spite of the challenging market environment that we have had in terms of our revenue growth. We did get our actions around managing to deliver the bottom-line performance and hence we are proud and happy to share that we have announced INR 28 as per equity share this year.

With that, I come to my last slide on Slide #17. In summary, in spite of a challenging and uncertain year in the market environment, we were still able to deliver a double-digit growth rate, which was broad-based across businesses. Some of the business sectors bouncing back, we saw uptick in the export market. We have seen strong resurgence in the wind in the second half of the year. We have seen good uptick even from the automotive demand coming back. All this has helped us to shore up and ensure that we stay and deliver a double-digit growth rate.

On our sustained quality of earnings performance, clearly our commitment as always being on focusing on our operational cost management and overhead cost management, which we have continued to keep the focus, and we will continue to build on this as we move forward. Last but not the least, entering into 2025, we still see some challenges, but there is light at the end of the tunnel with the news or softening of the war in Europe. We are hoping that the market situation on the export front would also improve and bode well for Schaeffler India's performance. And we are rightfully on track to be the leading motion technology company, as we claim.

Thank you. Over to you, Gauri.

Moderator: Sir, should we begin the question-and-answer session?

Gauri Kanikar: Yes please.

Moderator: Thank you very. We will now begin the question-and-answer session. The first question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Hi, thank you very much for the opportunity. Sir firstly, could you give us an update on the e-axle project, have we started commercial production of this? And where are we in the localization journey of this particular solution?

Harsha Kadam: Yes. Thank you for the question. And yes, rightfully we have started to localize the axle production. We have started to bring in machines in a phased manner. And we are staying the course when it comes to our investment plans towards localizing the product here in India. What we are waiting for is our customers also to now launch the products so that we will begin to see traction in the marketplace. And we are hopeful very soon we are going to see the products operate on the roads.

Harshit Patel: Understood. Sure. Sir, secondly, you mentioned that you have been rationalizing the capex because of the slightly muted demand environment. So just wanted to check what are our capex plans for both CY'25 and CY'26? So, I understand that we have incurred quite a lot of heavy capex in the past four to five years, so will we maintain the same run rate or now there will be a moderation in the overall capex that we will do?

Hardevi Vazirani: So, we will be moderating it a little bit, but not so much that it will reduce significantly like to a 50% level or something. So, we are having average capex over last four years of INR 500 crores. It will be slightly lower than that like 10%, 20% lower than that per year. Now, the focus next two years is on capex efficiency that whatever we have invested, we want to realize to the full extent possible.

Harshit Patel: Understood, ma'am. Just lastly, if I can squeeze in one more question. Could you give us a broad mix of CY'24 revenues of bearings and industrial solutions segment in terms of two-wheelers, EVs, raw material sector, wind, railways, power transmission, as well as aftermarket?

Hardevi Vazirani: Okay. So, as I think it was published in the segmental report that our B&IS, Bearings and Industrial Solutions stands at close to, of the total domestic sales it is at 44%. Total revenue is 44%, but if we do not consider intercompany then it is 51%, that is Bearings and Industrial solutions. And if we talk about engine and transmission, then within the domestic sales that is 39% and Vehicle Lifetime is 10%.

Harsha Kadam: Understood, ma'am. But ma'am, what would be the contribution of segments like two-wheelers, EVs, raw material, wind, railways within the Bearings and Industrial Solutions? Because this segment is the amalgamation of so many end user industries, so if you could give us some flavor on this, that will be very helpful.

Hardevi Vazirani: Yes. So, the quarter-on-quarter the range differs, but overall range for Wind is 15% to 20%, Rail is between 5% to 10%, Industrial distribution between 30% to 35%, Two-wheeler and Off road between 20% to 25%.

Harshit Patel: Understood. Perfect. Thank you very much and all the best for the future. I will come back in the question queue.

Hardevi Vazirani: Thank you.

Moderator: Thank you. The next question is from the line of Krupa Shankar from Avendus Spark Institutional Equities. Please go ahead.

Krupa Shankar: Hi. Good morning and thank you for the opportunity. My first question would be on the export side. So, while you did mention that exports are looking up and you are seeing some momentum, I just wanted to get some sense on which are the geographies you are seeing the pick-up happening? And while you look at it from a run rate standpoint, it's around INR 250 crores. We had touched about INR 300 crores per quarter revenue from exports a couple of quarters back. So, are you seeing a steady run rate of touching INR 300 crores as the first milestone, wherein which you will probably mention that exports has come back to its normalcy level?

Hardevi Vazirani: Yes, if exports come back to normalcy, then we have capacity to cater the export market for INR 300 crores per quarter. And we are expecting that it is likely to return this year if the geopolitical situation is brought under control, and which is in the news also. So, INR 300 crores would be an achievable kind of target for us per quarter.

Harsha Kadam: And what you see is just a moderation or a course correction that was required because of the slowdown in demand from Europe, which is the main market for us. But however, that does not mean that we are going to keep the investments at these levels. We are hopeful and optimistic that with the changing geopolitical politics situation in Europe, the demand certainly would come back to the days of the last year, which we saw in '23 and very strong demand coming in at that time. And we hope that the demand comes back, and we will up accordingly.

Krupa Shankar: Got it. Would it be possible to share the contribution from each end market, for example, what would be exports in proportion to Europe, the US and other geographies? The top four, if you can share.

Harsha Kadam: I think normally our exports are to the US to Europe and to the eastern part of the world, the Southeast Asian market, and a little bit of it to China as well. I would say predominantly 80% would be in Europe, the rest is split against all the other countries.

Krupa Shankar: Understood. One more question from my side, something on the reporting side. In the segmental financials of consolidated numbers, there's been a new statement in the calendar year '23 numbers. Just wanted to get a sense, that restatement is not visible in the standalone financials. Is there any change with respect to reporting?

Hardevi Vazirani: No, so the consolidated financials of 2023 had Koovers only for the last quarter because we acquired it in September.

Krupa Shankar: Right. So, with respect to the reporting, if you can, if you see the CY '23 numbers, for the consolidated segmental it shows that Automotive Technologies has declined on a 10% in CY '24.

Hardevi Vazirani: Yes. So, we had announced, also there was a note in the financials that auto bearings have been regrouped from Automotive Technologies now to B&IS, the Bearings and Industrial Solutions.

Harsha Kadam: And internal regrouping.

- Hardevi Vazirani:** So, this was the internal regrouping which was done. So that change you will see in the consolidated as well as in the sandalwood.
- Krupa Shankar:** Right, I will take it offline then. After the reclassification it shows that the automotive declined 10% and bearings and industrial has grown by 40%, I will probably take it offline on this. Thank you for answering the questions.
- Hardevi Vazirani:** So, in Automotive Technologies there is a double-digit growth over last year as well as in Bearing and Industrial Solutions. You can connect with Gauri; she will give you the details.
- Moderator:** Thank you.
- Harsha Kadam:** Sorry, I want to make a small correction. I did mention our majority of the exports, 80% is to Europe, it is 60% and not 80%. I just want to stand corrected.
- Moderator:** Thank you. The next question is from the line of Pramod from Incred Equities. Please go ahead.
- Pramod:** Yes. Thanks. So, coming to the export side where you talked about Europe war should be a tailwind for you. How do you look at the currency depreciation which has happened? How does it compare you versus the peer set of the Schaeffler? And does it give you a more scope for growth in the coming years?
- Hardevi Vazirani:** Okay. So yes, when it comes to it, 60% of our business with Europe is in Indian rupees, so it does not impact us for this part of the world that is Europe, where the export as well as import both is in Indian rupees. When it comes to USA, we have only close to INR 100 crores worth..
- Harsha Kadam:** Less than INR 100 crores.
- Hardevi Vazirani:** Less than INR 100 crores, and I think appreciation or depreciation by 5%, 10% is not going to impact much.
- Harsha Kadam:** I would say the dollar strengthening is not making an impact on our export business.
- Pramod:** Sure. Thanks. And the second one is with regard to KRSV, how much timeline you think will be required to turn it around on EBITDA or accelerate the momentum? What are the key factors to look at for this business?
- Harsha Kadam:** Well, this is a new business for us, and we believe we will need at least another two, two and a half to three years for us to kind of bring this business to a substantial level of financial deliveries happening. And we have a clear strategy in place as to what needs to be done to get there. The time is required more from an execution point of view, because when we acquired the company, it had a very localized presence of Bangalore and Chennai, which we have now started to scale up across India, and that takes time.
- Pramod:** Sure. And sir the last question is with regard to the Auto Expo, where you had a detailed display of your products, especially new ones like e-axles. What's the clients' reactions where you found

more business opportunities for the next two years, three years' timeline? Any thoughts on the same?

Harsha Kadam: Yes. I must say the portfolio of products that we have showcased at Bharat Mobility this year, derived tremendous positive response from a number of customers, specifically from our OEM customers. And I was there in the stall and I had a first-hand experience of our OEM customers walking into the stall and understanding and acknowledging our capability as a system level player, since we were able to showcase our capabilities in offering a co-axle, e-axle, three in one e-axles. Or at the same time, an off-axis e-axle solutions to the passenger vehicle segment. Apart from that, of course, we had a plethora of products, electronic products which were displayed there with the merger of Vitesco globally, we now have the capability to offer power electronics solutions, thermal management modules, battery management systems. With a lot of sensors and data acquisition diagnostic sensors that are there. So, this kind of opens up the game for us to play at a next higher level, which was very much visible and evident in the Bharat Mobility. I must say the response has been pretty good. We have started to get very positive responses from our customers as such, and there are a few project openings which we are beginning to explore post the Bharat Mobility already.

Pramod: Sure, sir. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Himanshu Singh from Baroda BNP Paribas Mutual Fund. Please go ahead.

Himanshu Singh: Yes. Hi. Thank you for the opportunity. And congratulations on the good set of numbers. Sir just wanted to understand on the aftermarket side. So, why did we see a decline? And how do you see the segment ramping up post your more focus on the BS-VI product portfolio?

Harsha Kadam: There are a couple of reasons for that. One obviously is this strong, we have seen a strong uptick coming from the OEM side of the business. So obviously the OEM market garners a lot of production capacity, that happened as well and gets a priority in terms of supply. This is something we want to redefine going forward, we are working on that. The second obviously is also, we see some shift in the market from the pure automotive aftermarket business to the OEM demands as well going up, is rightfully in the right direction. As more OEM vehicles come into the market, the OEM customers too are strengthening their service base in the market so that they stay closer to the customer, which I guess is the right thing to do and that's happened and beginning to happen as well.

Last but not the least, we saw a little bit of slackening of demand in the automotive aftermarket business fundamentally, coming on the back of liquidity crunch in the market in terms of cash being available. So, we saw some weak situation there and we are hoping to see it improve now. We are seeing some signs of positivity already beginning to happen. I would say these three would be the main reasons of why the aftermarket business had some challenges.

Himanshu Singh: Okay, sure. And sir, in terms of your Vitesco acquisition, so how does it impact our India business? And when should we start seeing, like are we going to see it getting merged within Schaeffler India or how is it like the business going to happen?

Harsha Kadam: As I said earlier in my earlier comment, the portfolio that comes from the Vitesco side is a complementing solution that we already have, because they bring in the electronics in the software side. And once we combine the mechanical and electromechanical system with the software and electronics, we are able to move up the value chain in terms of our offering of value to our customers, and which is something our customers also look out for to say, can we get a better value-add coming from technology players like Schaeffler. That said, the merger globally has been completed. Coming to the nitty-gritties, the functional integrations are well underway. We have started to leverage and complement our offerings already to the customers. I did talk about the customer response being very positive. And the customers do acknowledge the value enhancement that they see as a result of this merger. That said, as and when we graduate to the next level of engagement, the market will surely hear about it, will come to them.

Himanshu Singh: Okay. Sure sir. I will get back into queue. Thank you.

Moderator: Thank you. The next question is from the line of Sonal Gupta from HSBC Asset Management. India, please go ahead.

Sonal Gupta: Yes, hi. Good morning, sir, and thanks for taking my question and congrats on a good set of numbers. Sir, basically just wanted to understand, right, at a broader level, like for the full year we have done good growth, double digit growth in Automotive Technologies. So, if you could just sort of give us some idea of what have been the drivers because the industry volume growth has been relatively muted. So which categories, I mean, we did make a lot of investments in Hosur, so how are we ramping up there? And how do you see the prospects, assuming that even if the industry growth remains at similar levels next year, if you could give some sense of how the business is progressing?

Harsha Kadam: I suppose you are referring to the automotive space. And if I can break it up into the passenger vehicles segment wherein, we have made investments, and we will continue to make investments on the e-mobility side of the business. Since we are seeing the market gravitating towards electric vehicles already, and that's beginning to happen. So, we have rightfully made investments in the past, we will continue to do that going forward as well.

Talk about the internal combustion engine, which is the main stay of the portfolio of products that our customers bring to the market, we do see with a couple of regulatory changes that are going to come in with the new CAFE norms. We believe that engineering investments need to be done here to reengineer the products to meet the new emission regulations that would come in as a result of the new CAFÉ norm. Now, that said, we are also hearing on the tractor segment, the TREM norms to be coming out. So regulatory changes is definitely going to also give us opportunity to bring new products, which means we will have to continue investing in the IC engine portfolio as well, whether it is in the engine applications or in the transmission applications or in the chassis applications, we will continue to invest there.

So, although we have seen some sluggishness or no improvement in the commercial vehicle sector as such, we have continued to launch new products there as well, as a result of strong demand also coming in from new products such as the heavy duty clutches we have continued to make and are bringing more products into the commercial vehicle segment. And while the segment is still weak, but we believe that we should continue to invest in better technologies, products for this segment as well.

Tractors on the other hand, we are seeing some better upticks in the last quarters. And I guess it was only in the Q4 that we saw some drop in numbers. Fundamentally it's because of a business cycle that it follows. But however, here again with the new TREM norms that they have been talking about, we we believe that we have the opportunity, being a motion technology company, we have the opportunity here to reengineer our products to cater to the new regulatory needs from our customers' side. And that is something we will continue to work upon.

Sonal Gupta: Got it, sir. Sir just on the EV side, is that a meaningful portion for us right now? And I mean, other than the e-axle, are there any offerings that we have in this space?

Harsha Kadam: I would say, yes, it's not just about e-axle, the e-mobility would also mean, we are working with our customers on battery management systems, on thermal management modules, and various other products. We are already supplying to them a variety of sensors, whether it be the NOC sensor or the NOX sensors and so on. So, we are already there. So, we will continue to build on it. As I said, with the regulatory changes coming in on the ICE engine side, I believe that the need for more innovation is going to happen even on the e-mobility side as well, equally. So, the portfolio of products that we have today is scheduling both to the ICE engine as well as to the e-mobility. And definitely it's not just at a system level that we are operating at, we also work with our customers.

Sonal Gupta: Got it. And sir just on the two-wheeler side, right, like there was a press release recently and where we talked about, we are looking at more offerings again on the e-two-wheeler side and that two-wheelers and three wheelers is really the segment where we are seeing the EV penetration happening. So, I mean, like can you share something there in terms of how we are looking to capture some of the growth in the EV space in that segment of the market?

Harsha Kadam: Yes. As you know, the two-wheeler has been the fastest segment to adopt electric vehicle technology with almost close to 30% that is all going to be electrics already. Now that said, we definitely have the capability and competency now to offer the electric mobility technology to the two-wheeler segment as well. And we are already present by offering a number of electronic solutions and sensors, which I talked about earlier to the two-wheeler segment and two-wheeler customers. We are already doing that. However, we are also now getting up to penetrate the electric two-wheeler space with our system level offering capabilities that we already have. What we also see is many of the OEM brands prefer to launch, develop their own technologies in-house as well. So, in the midst of all this, we will definitely find space going forward with our differentiation and the value that we bring forward. And our efforts are continuously on the two-wheeler space as well.

Sonal Gupta: Got it, sir. And just lastly, could you share what's wind as a percentage of our overall revenue? I mean like how much is wind?

Hardevi Vazirani: So, within the Bearings and Industrial space, it is 15% to 20%.

Sonal Gupta: Okay. Got it, sure. Thank you. Thanks for taking the questions.

Moderator: Thank you. The next question is from the line of Ankur from HDFC Life. Please go ahead.

Ankur: Hi. Good morning, sir. Thanks, as always, for your time. Just on the industrial segment, if you could touch upon how are you seeing demand kind of shape up across all of your key verticals, wind, rail? And the context really is, are you seeing any there in any of these segments? I remember wind of course has started to do well for the last few quarters, yes, so that's my first question.

Harsha Kadam: First things first, we have seen our industrial business do very well in the last year. Almost all the industrial sectors have performed well for us compared to previous years, yes. Some of the strong performance obviously came in from the raw material sectors, as we call it, which is core processing or metal industries as such, and we are also seeing a good uptick coming from power transmission business. Our focus has been on the industrial distribution business. We have done some good work in the last year by launching new programs which are bringing in more organized and structured way of working with the distributors of our distributors. And of course, that's only going to enable us to become more efficient in our distribution business. And I am hopeful that coming into 2025 we will see a stronger performance in our distribution part of the business as well.

So, all in all, we are also seeing a good uptick coming from the construction equipment industry. Obviously, this is coming on the back of the infrastructure push by the Government of India, that is boding well for our business as well. The industrial automation or the machine tool industry too has seen some good performance last year. With the demand for some new products like linear guides going up, we are seeing some traction there as well. I was in the IMTEX, Bangalore recently and we saw very positive, everyone OEM was talking about doubling the production capacities in the next three to four years. So clearly the indications are, the industrial part of the economy is also doing pretty well at a pretty good growth rate. And I do not see any reason why we at Schaeffler, being a motion technology company, we play in almost every segment of the industry. We will be able to definitely ride the wave as it develops.

Ankur: Okay, that's helpful. And also specifically on rail, and if we have any gaps there where we were not qualified, any segments where we are now looking to kind of increase our market share, if you could help with that?

Harsha Kadam: So, if I were to look at railway, even railways too did pretty well last year, we performed very good I must say, in spite of some challenges on specific product portfolios where we see that we definitely did flip a bit on some of the product portfolios. Now what's happening is, the Indian Railways per se themselves are transforming in terms of technology, in terms of comfort, in

terms of reliability, in terms of performance. And that is helping us to bring more new products, and we are optimistic that even in the railways we will play a stronger game as we move into this year. We have already got some approvals for some of the new product. And our investment in terms of capacity build up for the new products is well on course as well. So, both from a capacity investment point of view as well as getting approvals from the customers, both are on track. And we are confident that in the railways segment as well we see an improved situation in 2024, will continue to see an improved situation going forward as well.

Ankur: Fair. And just the last question if I may. Given the outlook on largely the auto markets being flattish or maybe a slight single digit growth is what we are hearing from most OEMs as we head into this calendar fiscal. Possible for Schaeffler to get into a double-digit growth given your market share gains in products, how are you thinking in terms of growth for this year on the auto side?

Harsha Kadam: I did mention that one of our key focus has always been securing new products and new businesses, and that definitely is something that will help us to continue to stay ahead of the curve. And our vision has always continued to stay the double-digit growth rate curve, and we will continue to do that. So, one definite approach we adopted here is to secure new business which we shared with you on the earnings call. Apart from that, of course, as the changes come in in terms of technology, I spoke about it, whether it be electric mobility technology or whether it is regulatory changes driving us to reengineer our existing products to stay relevant in the game and how quickly can we get these products to the market. With both the capabilities and the strengths we have we, I believe, are positioned in a much better way to play the game better. And we will continue to work on this strength, we will continue to play to our strengths in this area.

Ankur: Okay, fair. All right, sir. Thank you and all the best.

Moderator: Thank you. The last question will be from the line of Salil Desai from Marcellus Investments Manager. Please go ahead.

Salil Desai: Yes. Thank you, sir. My question is on the on the capex moderation, you mentioned that you want to kind of be more efficient with the capex already done, and maybe from a demand outlook point of view also it isn't as great as it earlier was.

Moderator: Sir, we have lost the connection of the current participant. The next question is from the line of Samyuk from Marcellus Investments Manager. Please go ahead. Sir, I would request you to unmute your line and speak please.

Samyuk: Yes. So, my question was, so you earlier mentioned that you are moderating your capex so ahead due to the demand moderation on the domestic front or the export side, if you could give some color?

Hardevi Vazirani: No. So, on both sides we have registered double-digit growth, as you have seen. So, it is not that the demand is moderating. We are not focusing on capex and personnel efficiency because we

have set up the buildings in Hosur, in Savli, in Talegaon. Now it will be only filling up them with the machines which are required for production. So, in fact, whatever capex we had up close to INR 1,500 crores, over INR 300 crores was into buildings and infrastructure. So that investment will not happen, but rest of the investment close to INR 400 crores will continue to happen per year.

Samyuk: Got it. So, it would be mostly for the machinery and all?

Hardevi Vazirani: Yes, for capacity.

Samyuk: Capacity, got it. Thank you. That's it from my side.

Moderator: Thank you. The next follow-up question is from the line of Himanshu Singh from Baroda BNP Paribas Mutual Fund. Please go ahead.

Himanshu Singh: Yes, hi. Sir just one thing on the localization side, so where would we be on the localization front as of now? And like what are your targets in terms of localizing your product portfolio in India?

Hardevi Vazirani: So, as of December 2024, we were at 76% of localization. The value of our own production and the sales from own production has significantly increased. However, our top line growth is even more than the production growth, so we are at 76%. In the mid-term we are aiming for 80% localization.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Ms. Gauri Kanikar for closing comments.

Gauri Kanikar: Thank you everyone. Thank you for joining us today. If you have any further queries, please do reach out to me or drop me an e-mail at gauri.kanikar@schaeffler.com. We now close the call. Thank you and have a good day.

Moderator: Thank you. On behalf of Schaeffler India Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

(This document has been edited for improving readability)

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