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BSE Limited

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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 Friday, July 25, 2025.

30/07/2025

Dear Sirs,

With reference to our letter dated July 25, 2025, please find enclosed the transcript of the Analyst/Investor meet held on Friday, July 25, 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 India Limited

SCHAEFFLER

“Schaeffler India Limited Q2 CY '25 Earnings Conference Call”

July 25, 2025

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

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

MS. GAURI KANIKAR – INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to Schaeffler India Limited Q2 CY '25 Earnings Conference Call.

As a reminder, all participants' 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. Thank you, and over to you, ma'am.

Gauri Kanikar: Thank you. Good evening, everyone, and welcome to Schaeffler India Limited's Earnings Conference Call for the second quarter and six months ended 30th June 2025.

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 floor for questions.

With this, I now hand over to Mr. Kadam. Over to you, Sir.

Harsha Kadam: Hello. Good evening. Harsha Kadam here.

Hardevi Vazirani: I am Hardevi Vazirani.

Harsha Kadam: So, let me start by taking you through the presentation. And as usual, I always begin my presentation by sharing recognitions that we have got from our prestigious customers.

And in the last quarter, I am happy and proud to share that we have received four recognitions and awards from our customers and three coming from agencies for the various corporate social responsibility initiatives that we run.

So, to start with from the customers, two awards that came in from the Toyota Group - Toyota Kirloskar Auto Parts and the Toyota Industries Engine India. One award was in the area of "Zero Defect Supplies" in the quarter. And the second award was, again, in the supply of "100% Delivery" without missing a single day". Now, both the awards mean prestigious coming from the biggest brand, Toyota.

We also got an award from one of our customers, OEM customers, but the award was given for our "Vehicle Lifetime Solutions" business, which is traditionally the aftermarket business in the automotive space. And the award was from Honda Limited. That said, we also got an award from one of our industrial customers in the Railway sector that is from Alstom.

So, as you can see, all the marquee brands have recognized us in that quarter, clearly pointing to our commitment, our sustained commitment that we keep with our customers being at the center

of what we do, keeping a clear focus on the quality of the products that we deliver and ensuring that we stay close with our customers and ensure we give them timely deliveries on time.

Apart from these four awards, we also have received two awards for one of the “Prestigious Water Conservation Projects” that we are very proud of in the quarter that we received these awards coming from the project name being “Jal Samruddhi”, which is a water conservation initiative. And we were recognized both by Association Chamber of Industry and Commerce and also at CSR Universe Climate Action and Sustainability Awards, we were recognized for the “Jal Samruddhi” project as such.

The third award in our Corporate Social Responsibility drive was an award that we received from Tamil Nadu. And this is in the area of “Diversity and Inclusion”, which we have always felt is one of the high focus areas as an organization and as a nation and for empowering women to take up vocational pursuits in terms of upskilling them and handholding them to establish themselves in the society in a dignified manner.

Now that said, we were recognized for the initiatives that we have strived to focus on women empowerment.

With that, I move on to Slide #4 to throw some light on the economic indicators as such:

As you can see from the slide, the economic performance in terms of the GDP for the second quarter is still an estimated number. We are awaiting the official numbers to come in. But the estimates are close to around 6.5%, which is what we believe, which has been a drop from the preceding quarter.

But again, if one were to look at how the sectoral performances and other indices have evolved, look at the automotive production in the country for the quarter. More or less, it has remained stagnant at the same level as the first quarter of the year.

Talk about the index of industrial production:

Well, since we have the data for April and May, June has yet to roll in, but you do see that there has been a kind of slowdown in some of the industrial sectors.

While on the optimistic front, you do see that the consumer price index or inflation, which stood at 2.7% for the first time since 2019 has come down to the lowest level. And this is a heartening indicator that hopefully, this is going to propel consumption within the country and positive sentiments to that effect.

I move to Slide #5 to throw some light on the core sector performances:

And what you see is we talk about cement production. As you can see, the clear focus on the infrastructure sector in the country, even by the Government of India, clearly defining that cement production and steel production definitely are doing better in the second quarter as well.

And on the mining side, it is still a lot of room to improve. Unlike the first quarter, we have not seen a significant increase in terms of coal production, yes.

On the Power Generation

definitely, we have seen an uptick again, clearly pointing to definitely some improvement in the industrial manufacturing sector's performance as such. That said, we are seeing positive signs in many of the sectors.

Let me now take you through the sectors in automotive performance. And I am on Slide 6. Here, again, what you see is, when you look at the sectors, the two wheelers also have been kind of moderate in its performance in the second quarter, which is not a surprising thing because that is a business cycle that the sector follows annually.

And when one looks at the passenger car, and this is where it got a little challenging, considering the fact that in Q2, the numbers began to gradually go down. And in the month of June, we had lower numbers than compared to June of last year in terms of vehicle production.

While this was the situation on production, it also stemmed from the fact that the domestic sales of cars and passenger vehicles in the country have been lower, whereas the exports went up double the digit in the country. So, based on the SIAM reports, clearly, the data shows that the export demand in terms for the passenger vehicle segment has been much better than the domestic demand in the country.

Talking of commercial vehicles, again, Q2 has been a little subdued compared to Q1. However, the numbers have been marginally better than the same period last year where we are seeing a very strong and positive traction is on the agricultural tractors. And as you can see, for the 3 consecutive months of April, May, June, we have seen increase month-over-month as well as the same period last year. So, we have a mixed performance coming from the Automotive sector as well as the Industrial sector from an economic growth standpoint.

I move to Slide #8. How did we perform in the quarter. I think we had a pretty good performance in terms of sales revenue. We were able to generate revenue of INR. 2,282 crores in the quarter, which was a clear 8.2% better than the preceding quarter and a 10.1% better performance than the same quarter last year, resulting in a strong EBITDA as well with INR. 449 crores being generated as EBITDA and taking the EBITDA percentage to 19.7% from the preceding level of 19.3%, culminating into the profit after tax to 13%, which definitely was better than the 12.6% in the preceding quarter, bringing in INR. 296 crores into the wallet.

Our best performance has been in free cash flow generation. In the quarter, we were able to generate a free cash flow, INR. 287 crores, unlike the preceding quarter with INR. 237 crores compared to the same period last year where we were in a negative cash flow situation.

All in all, I must say it has been a reasonably good performance considering the challenging ecosystem that is prevalent in today's market. We have been able to navigate through these challenges, also very clearly managing our CAPEX investments as well, which have clearly

enabled us to deliver the numbers that you see. I will throw a little more light on the details as I move forward.

What keeps us going is the new business wins. And what you see here is, again, within the quarter, we have been able to secure some long-lasting businesses, particularly when you look at the automotive technologies with some of our key marquee customers, we have been able to have strong business wins, many places as a single source with hydraulic lash adjusters, as well as on the clutches, heavy-duty clutches.

On Vehicle Lifetime Solutions as well, some of the recent products that we launched like wipers and particularly oils as well, we have seen tremendous upswing in demand, and we have been able to capitalize on the sales there as well.

On the Bearing and Industrial Solutions side of the business, here again, some of the cement, the raw material sectors, we have been able to have some big business wins. And in addition to that, we also had business wins in our Lifetime Solutions product, which is primarily in the diagnostics area as well as condition monitoring area of the application.

So, our continuous focus and striving to keep the pipeline of new businesses coming into the system continues. And this is a key focus area for us to deliver the sustained growth going forward.

That said, I now move to an important milestone that we as an organization crossed. I am on Slide #10. In the month of May, we had the Executive Board of Schaeffler AG coming to Bangalore and we had the privilege of using their gracious presence to inaugurate the fifth manufacturing facility in Schaeffler India Limited, new plant for our clutch applications and some of the drivetrain, powertrain applications that we would be manufacturing in this plant. The first hall to that effect with 16,500 square meter of floor space was inaugurated officially and the machines were rolled into production.

So, this important milestone is a testimony of our commitment to continue to invest and grow in India. And this is the one step in the direction. Just to share with you that this same plant also has additional land space to further expand to 3x the size what it is today now that we have started off.

With this, I move to Slide #11. Another important milestone that we crossed was with the launch of the Tata Harrier, we have started our series supplies of the e-axles to the Harrier platform, and we are proud to be associated with this platform. And we have also had a formal inauguration of the partial production line that we have set up at our plant in Talegaon.

Now obviously, this is modular being a drivetrain architecture. So, we have started off by investing in phases. Step -1 of the investment is what you see in the picture and where we are going to carry out the end of the line testing as well as marking the traceability of the products. And now we are moving, as I speak, we are moving into Phase - 2 of the expansion, which would bring in more localization on the production line here.

Obviously, our product has been very widely and rigorously tested across the length and breadth of the country. And I must say with a lot of pride that it has successfully passed all the rigorous tests that the customer put our product to, and we have come up successfully on top.

With that, I move to the next slide. I am on Slide #14, which talks about the revenue from operations.

What you see on Slide #14 is the Quarter 2 performance in terms of revenue, which I already mentioned. We were able to bring in a revenue of INR. 2,282 crores in the quarter. Clearly, that is 8.2% over the preceding quarter and 10.1% over the same quarter last year. And how has this come in? And I draw your attention to the revenue bridge below.

So, as you can see, out of this INR. 82.6 crores of revenue was generated from the automotive side of the business, and Vehicle Lifetime Solutions brought in about INR. 35 crores with the Industrial also bringing in INR. 22 crores. Our star performer has been the automotive and Intercompany Export business, which also came in at about INR. 70 crores into the system, all in all, raising the revenue in the quarter compared to last quarter by an additional INR. 2,000 crores coming into the system.

So, all in all, it was a broad-based growth within the domestic businesses and also quarter-on-quarter positive performance with the business growing up by 6%. So, if one were to look at how did, within the four divisions that we operate in, export obviously grew at a very strong and if one were to look at the 6-month period, our export business has grown 23% compared to the same period last year, Automotive Technologies at 13.5%, Vehicle Lifetime Solutions, too, coming back strongly at 12.3%, Bearing and Industrial at 7%, all of this contributing to a very strong performance in the second quarter.

That said, our business mix, which has been our biggest strength, continues to operate with Bearings and Industrial Solutions at about 40% and Automotive Technologies, 30% of the sales mix. The exports, which was languishing at 8%, 9% went up to about 16% and Vehicle Lifetime Solutions too going up to 13%.

Some light on our earnings quality. So, when one looks at the EBITDA performance here, we registered an EBITDA of 19.7%, bringing in INR. 449 crores in the quarter, which was a clear 10.3% improvement over the preceding quarter and a 16.6% improvement year-on-year.

Again, here, when one looks down at the EBITDA bridge as to where the quality improvement happened, we did definitely, one was the volume effect with the gross margin also bringing in INR. 128 crores, while we had some strain on the other income and expenses, all in all, yet posting a very positive EBITDA number with the improved quality of the earnings that has come. And this has resulted in a very strong profit after tax of INR. 296 crores in the quarter at 13%, again, 11.6% better over the preceding quarter and 17% better than the same period last year.

On the working capital. We have managed to sustain the same levels as the preceding quarter. We have been focusing on our CAPEX investments consistently, and we continue to focus on

our localization drive, and the focus continues to remain on utilizing or better utilization of the invested capacities and focus is more on efficiency improvements on the invested capacities. And that is something the export business is also enabling us to leverage the capacities that we have already in place in a much better fashion.

So, with that, if you look at the quarter in terms of CAPEX, our investments stood at INR. 100 crores as against the preceding quarter. We are still better at INR. 82 crores, which was in Q1. However, compared to last year, we have moderated a bit, but this is not to say that our CAPEX commitments are going to go down. It is just that we are aligning our spend, our investments in tune with how the market is shaping up. And this is where agility and also the prudent management of capital flow becomes super important.

That said, some light on the free cash flow, which I already talked about, one of the strongest quarter in terms of free cash flow generation at INR. 287 crores within the quarter has been clearly, the clear focus on generating cash from the market has been on high focus plus managing our working capital in a much better way.

I move to Slide #17, where the key performance indicators, a lot more in detail: I allude you to go through the numbers. As I have already covered each of them, I just wanted to share on the 6-month period 2025, revenue where we stand at INR. 4,392 crores at 6-month closing, which is a clear 12% growth over the same period last year. That said, the EBITDA margin of 19.5%, resulting in an EBIT of 15.9% and profit after tax of 12.8%.

I move to the next slide, which is Slide #18, and I wish to draw your attention to the KRSV Innovations Auto Solutions Limited, Koovers in short.

And Koovers too has posted some good revenue generation exactly in line with the plan that we have set for. We do have challenges on the gross margins here, and we are trying to work that out. We are trying to sort some things out.

So, as you can see, our revenue of INR 71 crores coming in the second quarter, exactly in line with the plan that we have laid out. Margins are still negative at 15% EBITDA and 16.8% EBIT. This is a key focus area for us. This is resulting into a consolidated Schaeffler India results of 18.7% EBITDA and a 15.1% EBIT margin.

With that, I move to Slide #19. So, all in all, a good and strong performance, double-digit growth year-on-year. The momentum continues, and this is the fifth consecutive quarter where we have been able to sustain the growth. And quality of earnings, which remains a high focus area on efficiency and cost management, continues to remain. And we have improved levels of operating metrics, as I already shared. Working capital continues to be a high focus. Free cash flow definitely.

And with that, we will moderate and continue to be agile on our CAPEX investments as we move forward, monitoring the market situation as it evolves as it is a very volatile market situation out there. So, we are brought in a lot more agility in terms of our CAPEX investment.

With that, I come to the end of my presentation. Over to you, Gauri.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

Mukesh Saraf: My first question is regarding a recent commentary from the Schaeffler Group CEO, Mr. Klaus Rosenfeld. He mentioned that the CAPEX or rather the investment in India is expected to be upwards of €100 million a year. And obviously, we have been talking about reduction in CAPEX over the previous years, obviously, at say, INR. 500 crores, INR. 600 crores kind of an annual run rate. So, it seems to be much higher than that. So, could you kind of give some sense on are we looking to increase our CAPEX targets as the commentary suggested?

Hardevi Vazirani: Thank you for your question on CAPEX. Mr. Rosenfeld announced overall €500 million in next 5 years until 2030. So, averaging out to approximately €100 million starting from 2026 onwards for 5 years.

So, this year's CAPEX plan is intact, and it will move in the direction of leveraging on capital efficiency because we have made close to INR. 1,700 crores investment in last 3 years. So, this year, we are trying to look at the capital efficiency, and then we will again ramp up from next year onwards.

Mukesh Saraf: So, next year onwards, it can be in the INR. 1,000 crores a year kind of ballpark based on that €500 million number that you mentioned for 5-year period.

Harsha Kadam: Mr. Saraf, as I already mentioned, yes, we definitely want to continue to invest. However, it is very important that we closely monitor the market developments which we are doing, both on the domestic front and on the export side.

However, our commitment still remains. It is not that we are going to stop investments. It is just that we will have to play with the market. The way the market moves, we are also going to monitor and start investing because we already have the space, the machines that we need. So, that is something we will take a call, looking at which product lines need to be invested in, which needs to be localized. So, there are various parameters that we measure them. And accordingly, we will continue to invest.

Mukesh Saraf: And in terms of exports, we have seen a very strong quarter, again, good growth even on a sequential basis. Any kind of outlook or visibility that you can provide? Last time you had mentioned about the Asia Pacific markets doing better. And from there, we have further improved. So, any kind of visibility that you have on exports that you can help us understand here?

Hardevi Vazirani: So, at this point of time, as it looks based on the order book that we will be able to sustain the pattern that we have so far, at least this year. However, how the geopolitical situation and the market in Europe, Americas are working out to be, it will determine the next year. However, this year, the order book is secured.

- Harsha Kadam:** So, just to add to your comment on the exports to the Asia Pacific region, I am happy to say that our growth is definitely there in the Asia Pacific region. We have been considerably grown in the Asia Pacific region. And our dependency on the rest of the world, we have been kind of moderating it to bring in that balance. And I am happy to say that we have succeeded to a large extent in increasing our export business into the Asia Pacific.
- Mukesh Saraf:** Good to know that. And just last question from my side is when I look at the Bearings and Industrial Solutions business, especially in the non-mobility side, the other side, it seems to have kind of flattened out this quarter after like maybe 4 or 5 quarters of 20 plus percent growth. Anything that we should read into that? Or is this just a temporary kind of a blip?
- Harsha Kadam:** Yes, but when one looks at within the sector, specific sectors, we have been able to perform very good in some of the specific sectors. We have seen very strong growth in our, for example, the railways, if I were to look at Q2 performance, we have done pretty well in the railways.
- We have done well, obviously, in the wind energy sector. So, we have been able to consistently grow. We have also done good in the off-roads with a clear focus on the infrastructure and Agri industry. So, these sectors, we have been able to do.
- Yes, some of the moderation or the tepidness came in was more on the two-wheeler sector against that. Yes. And our distribution also did pretty well. I must say the distribution business did pretty well in the industrial distribution, I mean, when I talk about it. So, that too keep going pretty strongly. So, some sectors which are critical for us in terms of volume as well as on the margins, have helped us in this quarter.
- Moderator:** The next question is from the line of Raghunandan from Nuvama Research. Please go ahead.
- Raghunandan:** Congratulations on continuing double-digit growth and also inauguration of the new Shoolagiri plant. Sir, firstly, on the Vehicle Lifetime Solutions, you have continued to see strong double-digit growth. Can you elaborate on the efforts which are helping market share gains, better penetration and also on the new products?
- Harsha Kadam:** So, on the Vehicle Lifetime solutions, couple of pointers that I would like to give is, one, that our OES demand from the OEM customers definitely has also gone up. Obviously, clearly a clear indication that the aftermarket demand in the market has kind of picked up. That is from the market side.
- From our own effort side, some of the traded goods that we launched also we saw a strong uptick. In terms of the oils and lubricants, in terms of the wiper blades, we have seen strong uptick in demand. We were able to leverage that.
- Also, what we did was, with the sluggishness that we saw in the OEM side of the market, we were able to better leverage the production capacities to go ahead and leverage those available capacities to feed more into the aftermarket as well. And particularly, this is coming in our clutch portfolio, which we sell in the aftermarket. So, all in all, there were multiple reasons which we were able to manage very well in this quarter.

- Raghunandan:** And you alluded to other expenses income during the opening remarks. Can you indicate on the other expenses side, it seems to be notably higher Y-o-Y. Was there any one-offs there? What was the reason for it? Would it also include the cost relating to the new plant? And also on the non-operating income, there also there is a strong growth, if you can highlight on that as well?
- Hardevi Vazirani:** So, on non-operating income side, we had supported the group companies in specific projects, which was charged out to them based on the transfer pricing policies of the group. So, income is mainly for the project-related support cost that was incurred by us, and it was then charged out to the group companies.
- On other expenses side, it is mainly there are certain onetime expenses related to the new plant, certain tooling, certain operating supplies, the filling, the coolants, etc., in the plant as well as certain onetime expenses for tooling for e-mobility, which we have been able to beautifully absorb because of the better gross margin.
- Raghunandan:** What would be the sustainable rate here for other expenses? I mean, going forward, what would be that onetime impact, which would not be there next quarter?
- Hardevi Vazirani:** I think we have been able to manage overall in the usual range that we show quarter-on-quarter, and we will be able to maintain that as we go forward in the year because these are the fixed costs and those will be absorbed with the double-digit growth. So, we don't foresee any further hiccups in the coming quarters.
- Raghunandan:** Got it, ma'am. So, also congrats on the commencement of series production of e-axle, which you commenced last quarter and now you have started the Phase-2 investment or CAPEX. Can you indicate how do you see the progress on ramp-up and considering that you have a lifetime order size of €300 million, what can be the annual revenue run rate for this particular project? And how do you see the domestic and exports shaping up?
- Harsha Kadam:** I sense there are two questions within that one question that you asked. So, let me take the first part first. So, to answer to €300 million, which we had projected and how is it going to ramp up? Well, as you know, it all depends on the vehicle that is launched already. And we are already seeing good response in terms of our series supply, which we have already started is an indication that the vehicle is doing well.
- However, for me to give you a number, it is pretty challenging now because we will have to wait and watch how the vehicle performs in the market. That's number one. But the other question I was unable to grasp, you referred to exports.
- Raghunandan:** Yes. I was trying to understand would there be an export opportunity also for this e-Axle component you would have?
- Harsha Kadam:** Sir, as of now, we haven't, we are clearly focusing on the Indian market because this is a market that is waking up. So, our entire focus is on how do we leverage and grow the e-mobility business in the Indian market space.

- Raghunandan:** And just the last question. The press release and your opening remarks, you indicated to efforts on localization and the efficiency measures. Can you indicate the current localization share? It was 76% last quarter. Would you be able to achieve 80% by end of '25 or in '26? And sorry, I am just adding the last question again on the Shoolagiri plant what would be the revenue potential for the series of investments you have done?
- Harsha Kadam:** We couldn't hear your last part of the question.
- Raghunandan:** I was just trying to understand for Shoolagiri plant, whatever investment has been made so far, how do you see the revenue potential for that?
- Harsha Kadam:** So, on the localization front, certainly with the good demand coming on the export side as well, we were consistently focusing on making the products here. So, yes, you are right, we were in the range of 75%- 76%. And I am happy to say that in the second quarter, the same number, we were able to take it up to 78% and above.
- So, currently, we are in that range of 78% - 79%. And we will continue to keep that focus because the localization is definitely one of the important prerequisites to compete in the Indian market, yes. So, that will continue to remain. And the second question was on...
- Hardevi Vazirani:** On the revenue increase.
- Raghunandan:** Revenue potential for the Shoolagiri plant, would you be able to, on the investments which have been done so far, what would be the kind of gross asset turnover you look forward to?
- Hardevi Vazirani:** I am afraid, I mean, we don't link necessarily every plant-wise revenue performance because there are interdependencies, there are processes which are done by one plant for the other plant. So, at this point of time, at least we will not be disclosing on the revenue potential for Shoolagiri.
- Raghunandan:** Fair point, ma'am. I will fall back to the queue.
- Moderator:** The next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.
- Harshit Patel:** Sir, my first question is on our Automotive Technologies segment. We have been consistently outgrowing the overall industry level volumes when it comes to PVs, CVs, tractors, etc. So, could you provide a broad breakup of the revenues into these 3 or 4 larger segments? So, has this mix changed significantly in the last 3 to 4 years? And how do you see this mix evolving over the medium term?
- Harsha Kadam:** Yes, Mr. Patel, thank you for your question. We normally track in terms of the portfolio of products that we play in. And all I can tell you is to give you a specific split, may not be appropriate, even some of the areas that talk about mobility have nondisclosures at the customer's end, which is binding us not to share specific details about what revenue we generate. So, much as we would love to, we are a little tied down because of the NDAs that the customers have insisted on signing.

- Harshit Patel:** No problem. Sir, secondly, you have previously mentioned that in the PVs, our content per vehicle has reached as much as €50 at present. So, how much this number would be for CVs as well as LCVs at present? And how has this number improved over the years with our newer product offerings and the business wins that we have been consistently generating?
- Harsha Kadam:** Yes. Just to throw some light, you talked about CVs and LCVs. So, let me just talk about that. Yes, our content per vehicle there was somewhere in the range of €50 to €60. Actually, we were lower. In commercial vehicles, we have started to increase our offerings there. LCVs in particular, we have been doing well. So, I must say we should definitely be in the range of €60 to €65 plus.
- Even on the passenger car, it is the same story. With hybridization coming in, definitely, our content per vehicle also has gone up there. What we do not have, not yet have started to measure is the content per vehicle on the electric vehicles, obviously, because we need that necessary volume to come out still. So, we have not started the measurements there as such.
- Moderator:** The next question is from the line of Balasubramanian from Arihant Capital. Please go ahead.
- Balasubramanian:** Sir, with gaining traction in EVs, how we are balancing R&D investments between ICE products and new EV technologies? And secondly, we are supplying components for hybrid platforms to Japanese OEMs. Are there any plans to expand localization for other global OEMs? And what is the CAPEX allocation for hybrid and EV components?
- Harsha Kadam:** So, there were 3 questions. So, the first one was about?
- Balasubramanian:** R&D investments between ICE products and new EV technologies.
- Harsha Kadam:** Thank you, Balasubramanian. So, India is a pretty different and challenging market with all the technologies coexisting today. You have the gasoline engine. You have the hybrids as well as the pure battery electric vehicles as well. So, that said, we have a pretty vast portfolio of products, which can cater to all the 3 application segments.
- Now that said, we continue to invest and we will continue to invest in the gasoline sector. Why am I saying that? Because in India, we definitely still see some CAGR growth happening year after year. And so it is pertinent that we continue to leverage the growth that we see in the gasoline segment, yes, to stay relevant in the market. So, we are investing there as well, whether it is to do with, I just said about the lash adjusters that we have won.
- So, we have invested in production lines for hydraulic lash adjusters and some of the other products. We have already started to also produce for the hybrid powertrains with the Japanese for the Japanese customers who are the prime movers in the hybrid powertrain technology in India.
- So, we have already got the businesses. We are producing these products from our Hosur plant, and we have started to give to them already. Talk about the electric e-axes as well. We have started to invest as well as produce here from Pune.

Now when it comes to the R&D, we already did have the R&D infrastructure in place for the gasoline engine portfolio, plus we have a strong support that comes from our headquarters in Germany when it comes to R&D. That said, even for the hybrid technology, definitely, that competence is now here in India as well as we get the ample support coming in from Germany.

For the e-mobility side, we were not having 2 years back any competency, but over the last 2 years, our consistent focus in terms of building those capabilities and competence, hiring the perfect, the right kind of talent to deliver those kinds of technologies in terms of R&D has been invested in India as well.

So, rightfully, today, I don't see any reason why in India, we cannot be able to develop many of the requirements in any of the three spaces that I already talked about.

Last but not least, we also now have the electronics and the capability to talk about the sensors, the controllers, and this is coming through the Vitesco portfolio of products, which is also available to us. Yes.

So, we do already have the competencies in India to do as the technology matures, and Germany definitely is way ahead of us in terms of the faster new technology adoption. We will bring the relevant competence development here in India as the need arises in India.

Balasubramanian: Sir, on that you can share details about CAPEX allocation for hybrid and EV components. I think you mentioned about €500 million over 5 years timeframe CAPEX. We are also supplying hybrid platforms to Japanese OEMs. And any further target to supply other global OEMs?

Harsha Kadam: We are working with many other customers here as well on e-mobility platforms. We have some breakthroughs and success. But the thing is, as I already mentioned earlier, that a lot of it is we are bound by the non-disclosure agreements with our customers. So, I am afraid at this point in time, we will not be able to reveal what these projects are.

We talked about the Tata Motors Harrier e-Axle because they have officially gone public on it, and we were given the permissions to talk about it, whereas for those projects which we are working on, I am afraid we are bound by the NDA.

Balasubramanian: Sir, industrial bearings majorly dominates for exports. So, is there any plan to diversify the export product portfolio, especially high-margin segments like automotive technologies?

Harsha Kadam: Sorry, I didn't understand your question.

Balasubramanian: Sir, I will make it simple. Is there any plan to diversify export product portfolios?

Harsha Kadam: We have been considering investing in India to manufacture products both for Indian requirements as well. So, when we talk of localization, the same capacities we utilize to also feed the rest of the market. As the demand comes in, we are able to leverage the capacities we have here in India based on the localization strategy that we have been pursuing in the past years.

So, that remains. And the main portfolio is bearings. So, there are more and more new bearings that get added to the portfolio of local production here in India. So, that we will continue to do.

Hardevi Vazirani: There is limited scope that the automotive manufacturers of the world, they usually prefer the locally produced parts in their respective countries. So, it has very limited chances, I would say, opportunities for us. And there are a few areas where we have plans to export, but it would not be as big as it is currently for industrial.

Harsha Kadam: Correct.

Moderator: The next question is from the line of Rishi Vora from Kotak Securities. Please go ahead.

Rishi Vora: Just first, one clarification on the CAPEX numbers, which has been guided by the parent. Does it also include the Vitesco India's CAPEX as well for the e-mobility solutions or the CAPEX number which the parent has stated is going to be done by Schaeffler India only?

Harsha Kadam: Well, this investment is for India, and we have been talking about these investments. As you know, since the last few years, we have been consistently investing and it is all about Schaeffler India Limited. Well, any investments that come out there as well, I am sure you will get to hear it.

Rishi Vora: So, this number is specific for Schaeffler India entity. Understood. And secondly, on the quarterly numbers, just on the Industrial segment, if you could give us some color on how the trends have been, especially across railways, wind and other raw materials related industries where we have seen growth and where the growth rates have been slightly moderate?

Harsha Kadam: Well, I did already touch upon the railway business, which has done pretty well in the quarter, correct, as well as the off-road and also the power transmission business, we have seen some strong uptick in terms of our sales because the demand was there as such.

As you know, the railways, what we see is the transformation happening in terms of moving away from the tendering process more to privatization of manufacturing coaches. So, that too is kind of helping us because we are able to compete with the technology and the quality that we offer when private players are coming into play. And that is enabling us to also do better in the railways as a sector.

Talk about wind, yes, in the second quarter, the wind production equipment of wind turbines in the country, definitely, there was an increase, but since we had to build up stocks, so we had already generated the sale in the first quarter of this year.

So, the second quarter, wind, obviously, you will not see it adding significantly to the same growth numbers in terms of the equipment production numbers of the wind because we had already supplied in the preceding quarter already the quantities that our customers needed. But all in all, we have seen good demand and good uptick come in. Some of the product portfolios within the automotive space as well, we have seen a good uptick.

So, unlike even though in this quarter, in the second quarter, we did see sluggish production numbers from the automotive passenger vehicle segment, particularly, but some of the product portfolios because of what we had already, these were new businesses that we had secured and they were ready to be start of production and supplies were already in place.

So, we have been able to post a much better number than the market growth because of our continued focus on not just acquiring new businesses, making sure that we realize those businesses.

Rishi Vora: And just last question on the e-axle business. Can you give us some color on what can be the potential content just from this product in the future? Not talking specifically about the current supplies to the customer, but in general, what can be the potential content for this product, e-axle?

Harsha Kadam: Just to seek clarification, when you say content, do you mean the content per vehicle? Or is it what goes...

Rishi Vora: Value of the component.

Harsha Kadam: Well, as I said earlier, these are things I am not at liberty to disclose now because of the NDAs we have in place.

Moderator: The next question is from the line of Mayank Bhandari from Asian Market Securities. Please go ahead.

Mayank Bhandari: Sir, just one clarification on the Shoolagiri CAPEX number that you have given of INR. 330 crores. So, this INR. 330 crores, how much was done in last year and how much we are doing this year?

Hardevi Vazirani: So, most of it was done last year. This year, it is close to INR. 40 crores - INR. 45 crores so far.

Harsha Kadam: Which is I think machinery, building.

Mayank Bhandari: How much of asset turnover we should expect from this number?

Hardevi Vazirani: This is a part that currently we cannot disclose.

Mayank Bhandari: And would you be able to share what is the overall capacity utilization or plants are operating at as of Q2?

Hardevi Vazirani: So, our capacity utilization is currently close to 85%. There are different capacity utilization at different plants, but all are above 80%.

Harsha Kadam: See, as I already mentioned, our localization rate has gone up, and we have been able to better leverage the capacities that are in the country, thereby taking the localization rate up to 78%, more than 78%. Clear indication that the capacity utilization in our plants is also at a high level.

As Hardevi mentioned, it is definitely better than 85%, and we have plants which are doing better than that as well.

Mayank Bhandari: And lastly, on this export mix, would you be able to give some data around or I mean, how much proportion you exporting to your own sister entities and how much directly to the customers?

Hardevi Vazirani: No, all of it is to our sister company.

Harsha Kadam: I think it should be clarified that whatever we say export is all exported to our sister companies across the world, right. That is how all multinationals work, and we too are no exception there.

Moderator: The last question for the day is from the line of Saif Sohrab Gujar from ICICI Prudential AMC. Please go ahead.

Saif Sohrab Gujar: Sir, just on the new Savli plant where a good portion of the investments had gone into over the last 2 years, right? So, out of the constructed halls, what sort of utilization has already happened in terms of the new lines? And what proportion of it would still be left for you to utilize in future? And just on the last part, you highlighted most of the plants are above 80% utilization. Is it true even for the new Savli plant?

Hardevi Vazirani: That is right.

Harsha Kadam: That is right.

Hardevi Vazirani: It is also true for Savli plant as well.

Harsha Kadam: It is true for Savli plant as well.

Saif Sohrab Gujar: And of the constructed area, what sort of lines' utilization would have already occurred, sir, in terms of the installed lines?

Hardevi Vazirani: You mean to say that, so, right now, we have built 2 halls there where we have generation C large-size bearings, wheel bearings and angular contact ball bearings. And most of the lines are actually about 90%.

Saif Sohrab Gujar: And second question, just a quick one on the localization, which is proposed for the domestic content requirement for the wind turbine components, right? Is there an implication for the domestic bearing industry in the sense that is there an imported bearing content which exists, or it is anyway largely localized and doesn't add much to the industry?

Harsha Kadam: Are you referring to the wind segment specifically?

Saif Sohrab Gujar: Yes, on the localization, the domestic content, which is proposed for the wind turbine components, right? So, are the wind bearings anyways localized? Or is there a good, imported bearing market, which can be replaced due to this?

Harsha Kadam: Surely, as I said earlier, our localization rate is still at 78%, although we have improved over the preceding quarter. So, there are products that we continue to import, not just in wind, for the other segments as well.

So, wind too has a few bearings that we do not make here, considering the limitations of the machines that we have. So, there are clear investment plans in that direction as well to bring in those sizes of bearings to be manufactured here in India, which we today are importing. So, we have a clear plan for the wind as well going forward.

And just to add, I think in the last year itself, more than 27 different types of bearings have been localized which we were hitherto importing these bearings, and now we have started to make them here. And some of it definitely is for the wind segment as well.

Moderator: Ladies and gentlemen, due to time constraints, which was the last question for the day. I now 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. Good evening and I wish you a good day. Thank you. We now end the call.

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 to improve readability)

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