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February 15, 2023

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No.C/1, G-Block
Bandra-Kurla Complex
Bandra (E)
MUMBAI – 400051, India

Scrip Code : MOTHERSON

BSE Limited
1st Floor, New Trading Ring
Rotunda Building
P.J. Towers, Dalal Street
Fort
MUMBAI – 400001, India

Scrip Code : 517334

Ref. **:** **Transcript of Investor Call**

Dear Sir(s) / Madam(s),

This is with reference to our letter dated February 8, 2023 informing about the audio recording of conference call with Investors on the financial results for the third quarter and nine months ended December 31, 2022.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of aforesaid conference call.

The above information is also available on the website of the Company: www.motherson.com

Thanking you,

Yours truly,
For Samvardhana Motherson International Limited
(formerly Motherson Sumi Systems Limited)

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Alok Goel
Company Secretary

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“Samvardhana Motherson International Limited (SAMIL)

Q3 FY '23 Earnings Conference Call”

(Unedited Transcript of the conference call held on 8th February 2023)

February 08, 2023

Management:

Mr. Vivek Chaand Sehgal,
Chairman

Mr. Laksh Vaaman Sehgal,
Director

Mr. Pankaj Mital,
COO and Whole Time Director, SAMIL

Mr. Kunal Malani,
CFO, SAMIL

Mr. Char Zawadzinski,
CEO, Modules and Polymer Products Business Division

Mr. Rajat Jain,
COO, Vision Systems Business Division

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Results conference call of Samvardhana Motherson International Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. I now hand the conference over to Mr. Vivek Chaand Sehgal. Thank you, and over to you, sir.

Vivek Chaand Sehgal: Ladies and gentlemen, good evening, and thank you for joining us this evening. SAMIL Board has approved the third quarterly results and we are happy to report another improved performance. We crossed INR 20,000 crores in the quarter for the first time. Best ever quarterly results revenues yet, topping our earlier highest during quarter one and two.

We generated double-digit growth in EBITDA profit on Q-on-Q basis, nearly 5x bottom line on a year-on-year basis, enabled by improved performance by all divisions despite inflationary headwinds and localized challenges. We reduced the net debt. Net debt-to-EBITDA improved from 2 to 1.8.

There is still some pain in the system, but the worst seems to be behind us, where that's cautiously optimistic going ahead. These results demonstrate strong fundamentals of the company and continued focus on operational efficiency.

Our teams have worked very hard to deliver this result. And with further improvement expected in business environment, we are poised to deliver greater value to our stakeholders. We want you to thank our customers for their continued trust in Motherson.

As always, with me, I have Vaaman; and the management team comprising of Pankaj, Char, Rajat and Kunal.

With this, I would like to ask Vaaman to walk you through the results. Vaaman?

Laksh Vaaman Sehgal: Thanks, Papa. Good evening to everyone. The company has reported another set of record results with the highest ever quarterly revenue of over INR 20,000 crores. This is a 25% growth Y-on-Y and 11% growth on a Q-on-Q basis. All business divisions improved performance. Correspondingly, EBITDA grew to INR 1,680 crores, with a 13% growth sequentially and a 45% growth on a Y-on-Y basis. PAT was up 5x versus last year the same quarter and nearly 2x of the previous quarter. With chip shortage and supply chain improving in most parts of the world, production scheduling was much more stable and enabled recovery of volumes on a Y-o-Y basis, with industry volumes growing by 2% in light vehicles. All regions grew other than China. As you would expect, COVID-related issues caused China volumes to decline 6% Y-o-Y and 2% Q-on-Q.

On a quarterly basis, industry volume for light vehicles were flat in North America, India, and China, all showing decline ranging from 2% to 13%. We were, however, aided by growth coming back in Europe, which showed 15% growth. This highlights the benefits of a diversified business model. On commercial vehicles, there was a 6% decline on Y-on-Y basis, with China being the main contributor, though North America showed 3% growth. On a quarterly basis, China improved by 24%, although on a small base. Europe was also up by 18%, but North America was down by 6%, resulting at an aggregate industry volume growth of 5%. You can refer to Slide 5 for industry details.

Our 25% year-on-year growth highlights significant outperformance versus industry growth of 2%. Even without considering the revenues from erstwhile SAMIL, which were not there in the previous quarter, we grew by about 20% in this quarter versus Q3 FY '22. Continuing trends on premiumization, electrification, commodity costs and sharing of inflationary costs, etc, continue to add content and value to our products. This was further fuelled by a favourable forex impact. Even on a Q-on-Q basis, we grew by 11% versus a flat industry growth. You could refer to Slide 12 for more details on that.

We are very grateful to our customers for their continuous trust and support in Motherson. We continue to work with them on sharing of these inflationary cost structures, and we've embedded some of the success in this quarter and continue to work with them to close out the remaining in the coming quarter. Given the continued volatile sales of variables in this world, we expect that this conversation will be a regular feature for some time into the future.

On the capex side, we remain vigilant and in line with the guidance we gave last quarter of being at the lower to mid-end range of INR 2,500 crores plus/minus INR 250 crores, so somewhere between INR 2,250 and INR 2,500. The improved performance and focus on capex has decreased the leverage ratio to 1.8x versus 2x in the previous quarter. Net debt actually reduced by about EUR 50 million versus previous quarter. Although the forex changes had a negative impact of about INR 350 crores to INR 400 crores.

We continue to carry elevated working capital levels given its still early days to China removing the zero COVID policy and the geopolitical situation in new countries. However, we remain confident that by year-end, we should be able to normalize some portion of this working capital. This is also supported by improvement in global supply chain pressure index and some softening of commodity prices. You can see Slide 7 for more on this.

Given this backdrop as well as the declining energy costs versus previous quarter, we remain confident of delivering continuous improvement in the ongoing quarter as well. This will enable us to delever much more going ahead and aid our inorganic plans as well. We thus believe we have adapted ourselves well to the new realities and are cautiously optimistic on the way ahead.

With this, I conclude the overview and we'll now open it for question and answers. Moderator, can you support, please?

Moderator: The first question is from the line of Kapil Singh from Nomura.

Kapil Singh: My question is, firstly, on European operations. I just wanted to understand that, from a revenue run rate perspective, are we closer to the normalized run rate or there is still significant supply chain pressures and, therefore, we should expect further ramp up in production run rates? And also, on an inflation -- if you could just mention, do you see personal cost and other cost seeing significant cost inflation. So, does this quarter fully reflect most of it? Or should we expect more increases in these line items?

Vivek Chaand Sehgal: Vaaman?

Laksh Vaaman Sehgal: Sure. I think the production run rate that you talk about, we definitely had some instances starting up in post the December holidays, etcetera. But since there is more talking about the last quarter, we definitely do see an improved trend. However, it's hard to really comment with the ongoing macroeconomic situations in Europe. And you will understand more as we get closer to the summer and understand how things are flattening out. So definitely do see some catch-up towards that, for the missed run rate that we had in the previous quarters, but it's very much a watch closely kind of a situation.

On the inflation side, we believe most of it has already been taken in. Of course, a lot goes to be seeing how things pan out the rest of the year. But definitely it's an ongoing discussion with the customers to see what's going on. It is a volatile situation that is there. It can move in any direction. And I think that's when we are making sure that we have close communication with our customers to be ready for any eventuality. But like I said, we are cautiously optimistic, but definitely, it's not clear of the woods in terms of volatility yet.

Kapil Singh: I have 2 sorts of clarifications on the presentation. So, one was on Slide 16, you have mentioned Wiring Harness division where there is a INR 61 crores favourable outcome on tax rate litigation. If you adjust for that, actually, margins are a bit lower on a Q-o-Q basis despite better revenues. So, I wanted some colour on this.

And second is on the stand-alone results, we see that the other income has seen a significant increase on a quarter-on-quarter basis. So, it was INR 144 crores -- INR 248 crores from September to December quarter. So, if you could just throw some colour there.

Vivek Chaand Sehgal: Kunal?

Kunal Malani: Kapil, firstly, on the Wiring Harness side, you're right, you would have seen MSWIL results also yesterday, which had a slight decline. India in general has been, in Q3, lower than what was expected. You heard, I'm presuming, enough about the reasons behind it, the fact that production was missed, there were chip shortages still in India and so on and so forth.

So, while the capacity etcetera were there, but the production didn't really happen as much. So that is one of the large reasons why it looks the way it looks. On top of it, if you think about China, the -- as there was growth -- a little bit of growth, but it's still so significantly below previous levels. And the base is so small now in China that it continues to still make losses right now. So, this dropped the margin profile really in Wiring Harness.

If you look from another income perspective, the INR 61 crores that you are referring to, this is actually lying in that other income. And you are also aware that the rental income that SAMIL now charges MSWIL that is also lying in this other income. The large difference is on account of the INR 61 crores booked in other income, and that's why we've highlighted that specifically as well. Going forward, we aim to reclassify some of these things to make it a little bit more clearer. And hopefully, next quarter onwards, this will become much more elaborate for you to understand this better.

Moderator: The next question is from the line of Jay Kale from Elara Securities.

Jay Kale: My first question, sir, is you mentioned about the strong outperformance to the global industry via revenue growth. If you can just kind of break out down into how much of it is because of your content increase versus inflationary benefits as well as mix. Any flavour for that 11% outperformance, how much of that would be because of content increase?

Vivek Chaand Sehgal: Vaaman and Kunal?

Laksh Vaaman Sehgal: Yes, I can start, and Kunal can help. I don't think we've done the – to that minute details. You can imagine, there are numerous new programs running, and there are launches and the diversified customers. So, I think on an overall basis, we do feel that the diversification has helped where some customers would have obviously affected a bit more, some customers affected a bit less. And hence, we are not tracking exactly as the market, in fact, outperforming with the strong order book and the launch, and we had already shown how our content is increasing with the changes in the preference and CASE. So, I think all of that has helped. But to give you an exact breakdown, I think will be difficult.

Jay Kale: And also on the energy costs, you did called out in the last quarter as well that you are in talks, and in this quarter also in the presentation, you mentioned earlier in talks with customers who are getting a pass-through for the energy cost price. So just wanted to understand where are we on those stocks? What percent of customers would have given you that energy cost increase? Because if we see our energy costs as a percent of sales for SMRPBV, in this quarter, it has moved up on a quarter-on-quarter basis. So just wondering, going forward, are we expecting that in future quarters? And if at all, we get that compensation, would it be reduced from other expenses line item. Or it will be added to revenues as a compensation?

Laksh Vaaman Sehgal: Yes, I can start this, and others can support. Again, I think it was a conversation to have with the customers. The energy prices, specifically in Europe, has been quite volatile. Although I think we have seen the past peaks behind us, there was definitely more softening in December and Jan. We definitely did have those conversations with the customers. Again, it depends on the customer, depends on the program, depending on the location. As you can imagine, the energy prices have not stayed stable for all of Europe. Different countries have different impacts. And that's where the support has been spoken to with the customers. And again, it's completely varying depending on the location and the product. That was also only up to the point of December.

So, in January, again, we have seen some softening compared to where the levels were in December, but still elevated levels as compared to where it is normally. And those discussions, as we mentioned to you before, are a continued path where we will continue to talk to our customers, show them the impact and hopefully have some support if it is quite large this quarter as well. But the good news is that it's on a negative trend from the peaks that we saw but still at elevated levels.

For the accounting, I'll request Kunal to answer the question.

Kunal Malani: Yes. So, look, I think the number obviously elevated in quarter 3. The peaks we've seen in October, November. Since then, it's on a declining trajectory, though still continues to be volatile. Where we stand right now and whatever outlook that we have on the -- in the current environment, it does seem that energy prices would be lower in the ensuing quarter.

Jay Kale: So just to clear that, since energy prices are actually declining, you may not require those kind of price increases from your customers, which are, what, wanting maybe 3, 4, 5 months back since already it has started on the decline. That would be the understanding, right?

Kunal Malani: Let me just put it this way. This is not the only thing that is under discussion with customers. When you're discussing with them, then you're discussing as a comprehensive package across commodities, across inflationary pressures, across supply chain issues, across working capital issues and so on and so forth. So, it's not necessarily a like-to-like on a single aspect only. So, when it is -- it is really about sharing the pain. These are not factors that were built by anyone. And hence, it's the sharing of aggregate payment. That's how the customer discussions are.

Moderator: Next question is from the line of Kumar Rakesh from BNP Paribas.

Kumar Rakesh: I have just one question around your customers. So, Volkswagen, which reported pretty really good numbers, talked about working capital pressure, which they saw especially towards the end of the December quarter and the last few days. And they talked about inventory being stuck of finished goods as well as on the supply side. Do you see some of that impacting your March quarter as some of your customers start rolling out their stuck inventory and possibly the production needed from our side may be lower?

Vivek Chaand Sehgal: Vaaman?

Laksh Vaaman Sehgal: Look, we did see -- again, I can't go into customer-wise specifics, and I'm not answering for Volkswagen, I'm just talking in general. We did see some delayed starts from customers. But again, we do hope that catches up. Usually, you do see more strengthening happening as people are coming out of the December holidays, January holidays. So, we definitely do see a better pickup in February and March. So, look, there's something general that we see. I think it might not have been extra special this year in particular. But like I said, some customers definitely did take some time to clear out some inventories.

But that was also because of building up some of the semiconductors, which still continue to play havoc in some programs. So, it could also be that -- we are making sure that the inventory levels are stocked to a good level for a more level production until the end of the year. So again, we are optimistic that it should be caught up. But yes, is there -- was there some effect to that, we definitely did see that in the Jan start. But hopefully, it should be caught up.

Kumar Rakesh: Got it. Just one clarification, sorry if you already answered that. How much would be energy as a percentage of share cost?

Kunal Malani: I think it will be ballpark somewhere in the 2.5% to 3.5% levels.

Moderator: The next question is from the line of Basudeb Banerjee from ICICI Securities.

Basudeb Banerjee: A couple of questions, sir. One, if I look at your SMP erstwhile SMP and Plastic business margin, which used to be in good pace, somewhere 8% plus. So now because of various cost inflation items, as Kunal mentioned, plus crude was also elevated at $100 per barrel plus, so it is now down to 5% to 7% level. So how much -- just to understand the crudedown to $80 and the polymers which you are using for the plastic product business, so is there any lag effect of input cost of polymers for that business? And with crude, that it should help the plastic business margin inch up? Or how to look at from that angle, sir?

Laksh Vaaman Sehgal: I can take that. Look, we are talking about highly engineered plastics. So, while there is a correlation, I don't think it's a direct correlation as you do see it. So even when the oil prices went significantly higher, even though our raw material costs did move up, it's not always in the same 1:1 level, as you can imagine. So definitely, as it's moving down, it eases some of the pressure on us, on our suppliers. But is it an exact reflection of it going down, not specifically because these are very specialized engineered plastics And anyway, we have clauses with the customers that if there is a significant improvement, I mean, there is a range in which we have to absorb it, or the customer absorbs it. But after that range, there is a discussion to be had with the customers.

So, like I said, I think most of these quarters, we are staying very, very close to the customer of being completely transparent, showing the things that are not in our control, trying to pass on the volatility as much as possible and getting good support from the customers as well where it is a reasonable impact. So definitely, like I said, it works both ways for us in our discussion with the customers. But should it help? Definitely. To what context? We'll see because it -- we will probably know only once we've seen the entire quarter go through.

Basudeb Banerjee: Sure. Second question is, which Kunal, as you mentioned, not only with respect to power cost inflation but freight inflation, wage inflation, working capital, everything combinedly on a holistic basis where you discuss with your customers in terms of price contracts. So, on that overall basis, any scope of price negotiation from annual contract basis currently as such?

Laksh Vaaman Sehgal: Okay. I can take this as well. Kunal, maybe you can support. Look, some of the things which are operational for us definitely have to be absorbed by us. We are obviously, making our own efforts to improve operational efficiencies where the costs are, out of the control and that have spiked for reasons. We definitely do have those conversations with the customers, including volume changes or shift cancellations or anything like that. Like I said, but for like small items, like logistics, etcetera, to some point, we have to absorb it up to a certain level, which is why you've seen the results where they were in the last few quarters in this tough environment. And as these things are easing and as we are getting support for items that are reasonable enough, I think we are doing better.

And I think we should not take away from the operational teams that are working extremely hard to deliver on higher efficiencies in the business, removal of that and making sure that we can sustain and keep standing during these tough times and continue to support our customers with the highest quality and delivery even in such conditions. And I think that's what's appreciated by our customer. The rest, I think, again, it's a continuing dialogue that we have with the customers, and we can really have a very good relationship with them that we can discuss how to deal with some of these things in the next quarters as well.

Basudeb Banerjee: And last question from my side. If I look at on a sequential basis, euro terms, revenue was up some 3.5%. In Indian terms, it is higher because of currency movement. But even in the quarter with lesser working days, on a sequential basis, your revenue was up, that's quite commendable. Just wanted to understand the trajectory where SAMIL has been moving for the past few years where better mix, rising EV mix, etcetera, where value per car has been moving up compared to volume of car service. So how that has been moving because, even on a sequential basis, revenue increase quite incredible.

Laksh Vaaman Sehgal: Thank you very much for that. I think, again, it's commendable to the teams that are winning the new business orders, and we continue to invest in technologies that enable us to increase our value content. We had shown some of that in our Investor Day, how the future of our business is positively affected by changes in preferences of consumers, whether it be, again, some of the buzzwords that we talk about or general preferences in the sizes of cars that they want and the luxury segment also growing. And I think that's a combination of all of that and having a well-diversified business where we have the opportunity to have launches even in tough conditions because we are with all the customers and part of their new launches. And we always strive to increase the value of the new launches compared to the previous ones.

So again, whether it is materials, whether it's processes, whether it is adding more technology, adding more electronic content, adding more features, all of that really goes in. And that's the key reason why we are able to grow even in a depressed market.

Kunal Malani: If I might add to that, that's why we keep saying, please look at absolute EBITDA. So, your first question on interior polymer, 8%- 9% margin, etcetera, it will just be useful to look at absolute and hopefully, we will continue to do better every quarter.

Moderator: The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services Limited.

Jinesh Gandhi: My question pertains to the inflationary pressures on the commodity side. Have you started to see that moderating in our numbers now or that is yet to translate into our P&L?

Kunal Malani: Maybe I can help there. We haven't seen it as yet. It is in the process of softening. There is a lead lag effect that happens in there. So, like we were talking about energy last quarter, energy was still elevated. So, this is more in 1 quarter that this will be much more softer. Same supply chain has now started easing. We had anticipated we would be able to normalize our working capital in this quarter, but not much could have been done given just how the geopolitical situation continues and how the COVID-related issue in China continued. So that is also work in progress. And as the supply chain becomes much more stable, we intend to decrease the working capital going forward, which should again help in deleveraging in the ensuing quarters.

Jinesh Gandhi: But particularly on the input material, like copper on the wiring harness or polymer on modules and so on and so forth, have you seen stabilization at least, if not benefits?

Kunal Malani: Yes, that would be a better word. It remains volatile. So, copper in last quarter did show, in the latter part, a decline. Then in January, it started going up, then now it is again showing a bit of decline. So, it remains relatively volatile. But it's not showing a take-off or a fall down from a cliff construct. So, it is more stable and hence, with a lead lag effect, it should be more of a pass-through element at least up for us.

Jinesh Gandhi: And second question pertains to the order book, which has gone into execution over the last couple of years, which has come out of our order book per se at SMRPBV level. Would it be fair to say that the large part of ramp-up of those orders is still behind -- I mean it's still too happened because of the supply side issue. And as that happens, we should see a good evolution on the top line as well as profits for SMRPBV?

Laksh Vaaman Sehgal: Look, I can take that. Look, it's a continuous process. I think some of our large plants are already up. We are seeing, of course, the new orders also kicking in, which is a continual process. And I think that's also one of the reasons that you're seeing record revenues that have come in, in this quarter. So, is there still more growth to come? I definitely think so. And that's, again, due to the success of the group being diversified and us launching more programs and you're seeing the strong order book that exists of new programs that are going to come in the coming quarters. So, I definitely think that the best is yet to come.

Moderator: The next question is from the line of Jay Kale from Elara Securities.

Jay Kale: Just a follow-up on your M&A strategy as well as your M&A outlook. How are you seeing the environment currently in terms of target companies? Any flavour you can give on whether the opportunities intensity that you're looking at has increased? And within your different segments like polymer, vision systems and wiring harness, which are -- and of course, the other emerging segments of non-auto, which are the segments that you are most excited about, or most number of target companies you all would be recruiting at any indication around that? And also, there was this expectation that with the restructuring you all could also now look at global passenger vehicle wiring harness opportunities as Tier 1 suppliers. How are we -- how is it shaping up over there in terms of inorganic opportunity?

Vivek Chaand Sehgal: Wow. Vaaman, you want to go for this?

Laksh Vaaman Sehgal: Sure. Look, I think the strength of Motherson, as you can see, that we are significantly deleveraging ourselves and preparing ourselves for growth, we have a very clear target for 2025. That remains intact. In fact, independent teams are working, as we speak, on multiple opportunities. As you can imagine, in these environments, I think there are even more opportunities on the table. Very hard to say which one I'm most excited about. It's like asking someone who has multiple kids, which one is favourite out of all of them. We believe there's capability and opportunity in all the divisions and are also very confident that we'll find very good opportunity not just in the existing business but also in the new business.

You have to be a little bit patient with us. We are obviously signed NDAs, etcetera, for any valuation of any opportunity, not really able to disclose. Also, we are extremely picky because we do have to deliver a high ROCE to our shareholders. So out of 100 opportunities we see, we probably end up doing 1 or 2. So you can imagine how busy the teams are. They're working overtime. There's a lot of opportunity in the market. We are staying focused where our customers are telling us to look at, those are some of our priorities. Is there enough on the pipeline? Absolutely. I think there's more than we can all work on at the same time, so we are prioritizing.

But again, we'll come back to the market as soon as we have something. You're hearing some smaller bolt-on acquisitions that are happening. We just announced a partnership with Saddlesas you can see, our growth also depends on partnerships. So, all of those things are happening. I think, again, the next 2 years, with the strength of the balance sheet, the wonderful jobs the teams are doing and the customer support, I think you will see that we will have a lot more to come back and talk to you about in coming quarters about the question that you've asked.

As far as the wiring harness that you asked, look, that was always there. We do everything, discussions with our joint venture partners. And there is really no stop for us to go and look at anything as long as we have good communication with all our partners worldwide. So, nothing else is outside of the cards. And we believe in fostering long-term full of trust relationships. So again, anything that we will do would be in that philosophy.

Papa, you can add if I missed anything.

Vivek Chaand Sehgal: No. I think you're right. We have a lot of pain in the system and that move to customers are asking us to communicate to solve the problems. I think you will hear soon enough as they will happen. In the worst of the years, in the last 2.5 years, we've done 7 acquisitions. So, you can be rest assured, if things are getting better, then we will have that much more because we always like to be physically present at the place so that we can see the problems and understand it and then trying the right solution for that. So, because of COVID, we could not go to many of the places and things like that. So, you can be rest assured that we are very much looking forward to this opening up, and we will be in a position to give a good news soon.

Jay Kale: Great. Look forward to it. All the best.

Moderator: The next question is from the line of Suhrid Deorah from Paladin Capital.

Suhrid Deorah: So, I'm sorry, I joined the call late. I was wondering if you've talked about the booked business slide, not in the presentation for this quarter, it was there in the previous quarter, the waterfall, which shows your booked business change over time.

Vivek Chaand Sehgal: I think we say it every 6 months. So, Kunal, could you answer that, please?

Kunal Malani: Yes, that's right. Look, we will disclose it again at the end of next quarter. But needless to say, we continue to gain traction in the business, in all our businesses for that matter.

Moderator: Next question is from the line of Chirag Shah from Nuvama.

Chirag Shah: Sorry I joined a little bit late, so if that question has been asked. So first, a housekeeping question, Kunal. Is there anything lumpy or one-off in other expenses in our reporting structure, which is doing slightly higher or it's a normal quarterly thing?

Kunal Malani: No. So, one, there is a INR 61 crores write-back on the litigation, which were done favourably for us. So, we have written back that provision. That's the only one-off that we have highlighted.

Chirag Shah: Sir, on a consolidated level, there is no lumpy effect or a lumpy impact, right, which could have been spread over quarters, which has come up suddenly in this quarter kind of thing.

Kunal Malani: So other than that, look, energy prices are obviously elevated in this period. Some of the commodity prices/rate costs, etcetera, remained elevated. So, if you're looking at the expense side, that's the reason why they're showing an uptick there.

Chirag Shah: And how is the trend, especially on the energy cost trend? Because this -- they have been trending down. So that benefit will be seen on an immediate basis or because of the need. So how does it work for us -- there is a lag over there.

Kunal Malani: Yes, you will start seeing more of this in the ensuing quarters. There are obviously some long-term contracts in place, some short-term contracts in place and then there are spot rates. So, both the availability of energy and cost of energy is something we've been monitoring closely -- remained elevated last quarter, I think right now, it is relatively soft. If it continues the way it is right now, I mean we should be seeing a much lower energy cost going ahead.

Chirag Shah: And it would be visible in Q4 itself or it's more of it lag and hence, in Q1 onwards that's will be visible?

Kunal Malani: It will start being visible in Q4. And if it remains that it is, it will become more starkly evident, let's say, in the ensuing quarter.

Chirag Shah: Second question was on the truck demand in general and our position over there. So, in US and in Europe and even in China for that matter, how should -- what's the indication coming from OEMs? Because if you look at the -- for example, in US, the Class 8 order book data is all over the place. It goes up very much. It goes down suddenly very much, but the retailers are holding on. Is there any trend change communication coming from the OEMs across the 3 regions, either on the positive or on the softness side?

Vivek Chaand Sehgal: Chirag, do you want to know the customers listing?

Chirag Shah: What I'm trying to understand that has customers indicated anything to you, be the US, Europe, or China, in terms of significant higher demand or some kind of softening of demand on the truck side for our PKC business.

Vivek Chaand Sehgal: We can't really -- Pankaj, we've not heard anything from the customer side per se because our customers are our collaborator.

Pankaj Mital: Yes. But Chirag, when you see US also, there's a huge backlog. The order book is very strong of the car and truck makers. So, they have the orders, which have to be executed. And then you see when they start to book orders and then they don't book more orders, so that's how it continues when you just look at post-Class 8 numbers also. And so, demand has remained strong so far. And in China, the demand is still lower. China is the only market where the commercial vehicle side, the truck side, and the heavy-duty side, has been much lower over the last quarter.

Chirag Shah: Any change of trends in China specifically or it's still 2 quarters away for -- or you are indicating signs that there could be a certain uptick in demand in China on the truck and the PKC that I'm referring to.

Pankaj Mital: Once it happens, we'll let you know. We have been hoping for the last 2 quarters also.

Vivek Chaand Sehgal: Just one comment for – Just for better understanding. If China is opening up an all that, obviously, the truck demand will go up because it needs tremendous amount of transportation logistics. Just if it helps you.

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

Vivek Chaand Sehgal: Thank you very much for this question and answers. I hope more clarity has come to you. I wish you all the best. Thank you very much.

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