

May 31, 2023

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**Scrip Code : MOTHERSON****Scrip Code : 517334****Ref. : Transcript of Investor Call**

Dear Sir(s)/ Madam(s)

This is with reference to our letter dated May 26, 2023 informing about the audio recording of conference call with Investors on the financial results for the quarter and financial year ended on March 31, 2023.

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](http://www.motherSON.com)

Thanking you,

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

Alok Goel  
Company Secretary



“Samvardhana Motherson International Limited  
(SAMIL)

Q4 FY2023 Earnings Conference Call”

*(Unedited Transcript of the conference call held on 26<sup>th</sup> May 2023)*

**May 26, 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 Samvardhana Motherson International Limited Q4 and FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. V.C. Sehgal, Chairman of the company. Thank you, and over to you, sir.

**Vivek Chaand Sehgal**

Thank you. Good evening, ladies and gentlemen. Welcome to Motherson Financial Year 2023 Annual Results Presentation. I'm glad to announce SAMIL Board has approved the annual results and are happy to report another strong quarterly performance.

Key highlights of our performance are: We have delivered a strong performance with the highest ever quarterly -- yearly gross revenues of INR89,000 crores. We are getting good support from our customers in sharing the inflationary cost structure. Lowest debt and leverage ratio of 1.4 in the past 6, 7 quarters. SAMIL Automotive business is nearly USD 70 billion or INR5.7 lakh crores.

This is a reflection of our customer support and trust. Approximately 20% of this would be coming from the EV side. 7 strategic acquisitions in the past 14 months, potentially adding 40 facilities, 8,000 employees and approximately USD 4.9 billion on gross and USD 1.1 billion net basis to the top line of the company post closure.

I now hand over to Vaaman. He will take you forward. Thank you.

**Laksh Vaaman Sehgal**

Thanks. Good evening to everyone. As you know, this has been the first full year of operations post our reorganization, and we have achieved the following strategic objectives. We've simplified the group structure by bringing all of the auto components and allied businesses under one umbrella. This has created alignment of interest of all the stakeholders.

We've also created a strong platform for future growth with a well-diversified product portfolio, customers and our countries. The company has reported yet another stellar performance with the highest ever consolidated revenue of over INR78,700 crores. This is a 23% year-on-year growth. And correspondingly, the absolute EBITDA is also the highest at INR6,400 crores. Please note that the PAT has grown 3x against last year. For Q4, we have achieved another highest ever quarterly revenue of approximately INR 22,500 crores, representing an 11% quarter-on-quarter increase and a 30% growth on a year-on-year basis.

Correspondingly, the absolute EBITDA is INR2,000 crores, with a 23% growth sequentially and 61% growth on a Y-on-Y basis. Please note that the PAT of INR654 crores is up 5x of the same

year -- same quarter last year. The company has been able to deliver strong performance against the backdrop of elevated cost structure, higher wage pressure and the rising interest rate scenario.

We would like to thank our customers for their trust and support as we continue to work with them in sharing of these inflationary cost structure. While majority of the discussions for FY '23 have been concluded, the volatility and challenges in the business environment continues. And hence, these conversations will be a recurring one for next year as well.

For the first time, we have highlighted our Automotive Booked business of nearly USD70 billion. As a brief walk through, this stops up the SMRP BV Booked Business of about USD39.5 billion, with other automotive business divisions such as Wiring Harness division, Lighting & Electronics, Elastomers etc. Out of the USD70 billion booked business, 20% is geared towards pure EV platforms.

This is a very exciting future for us. On the industry side, the LV production in FY '23 clocked in at 83.5 million units, which stabilises supply chain. While there has been recovery in the year, we are still more than 20% behind pre-COVID levels in developed market and just about coming back to normal levels in emerging markets, including China and India.

This could possibly imply that the downside risk in developed markets could be limited, and there still exists significant upside potential with growth coming in with normalization of production schedules and the trends of electrification. Thus, to cater to the existing and future demands for our customers, especially in higher growing emerging economies like India, we're planning to set up seven new greenfield, six of those will be in India; three for automotive and three for the non-automotive new businesses.

In fact, you may want to note that our stand-alone business is already at the same size as MSWIL, which was demerged last year from SAMIL. Total India business including subsidiary is over INR15,000 crores in FY '22 and has grown at over 25% for the year. With this growth capex and purchase of related land and buildings, the capex for the next year is likely to increase to about INR3,000 crores plus/minus 10% as compared to INR2,200 crores this year.

We also continue to focus on deleveraging. Our net debt-to-EBITDA ratio has further decreased from 1.8x in December 22 to 1.4x in March 23. And this creates enough balance sheet strength for us to embark in both, organic and inorganic growth. As the supply chain further normalizes, reduction in elevated working capital ensures that it deleverages. During the year, we completed seven acquisitions that will add to combined gross revenue of approximately USD 4.9 billion on gross basis and about USD 1.1 billion on a net basis.

The full growth potential of all will be unlocked in coming times. It is important to note that all these transactions are expected to be cash EPS accretive cumulatively for the company. At the end, we would like to conclude that operational excellence, diversified business model, long-standing customer relationships, having a strong balance sheet and experienced management have combined together to make SAMIL a strong platform for future growth and look forward to exciting journey ahead with all of you.

Thank you. And now we are open for question and answers. Moderator, please take over.

**Moderator**

We'll now begin the question-and-answer session. The first question is from the line of Raghunandhan N. L. from Nuvama Institutional Research. Please go ahead.

**Raghunandhan N. L**

Congratulations, sir, on stellar numbers. And thank you for sharing order book details for both, the upcoming and ongoing programs in presentation. Sir, 3 questions. Firstly, as you mentioned in the opening remarks, global 4-wheelers are seeing an improvement in supply situation. And they are notably lower from the peak levels, which was seen in 2018-19. How are you seeing the ramp up in the near term on the 4-wheeler side in the developed markets?

Secondly, energy costs have reduced, considering the current natural gas prices, which continue to correct, would you expect further margin benefits in coming quarters? And just lastly, on the order book details for both, upcoming and ongoing programs, what would be the average duration in terms of number of years we should consider by looking at upcoming orders and ongoing orders?

**Vivek Chaand Sehgal**

Thanks. Kunal, would you take this thing? And Vaaman, you can add up.

**Kunal Malani**

Sure. So Raghunandhan, I think on the 4-wheeler side, as you rightly pointed out and as Vaaman was mentioning, it is still around about 20% below pre-COVID levels in the developed world. With whatever production schedules that we have, we continue to see a bit of a ramp-up happening still. So we're not seeing any decline, etc, as yet.

In fact, on an aggregate level for the year, we still expect that the industry is likely to grow. Now the growth pace is obviously going to get calibrated depending upon how the environment plays out. But overall, the downside risks of this is much less than the potential upside is the way we see it. On the energy price, while we have seen a sizable decline happen in this quarter and ongoing as well, we anticipate at least up till now that things are looking pretty static to where it was in the end of the previous quarter. It, however, remains at least 3, 3.5x higher than pre-COVID level. So we are not out of the woods. And obviously, much of the geopolitical aspects will get played into it.

The good part, however, is our conversations, I mean, with the efforts that the team has done to work with the customers, we've been able to share some of the elevated cost structures with the customers. And hence, that should aid well even if there is some amount of increased cost going forward. But overall, we expect that hopefully, the energy prices are not going to shoot up again going forward.

On the duration of the order book side, the average duration is anywhere between 5 to 6 years. So that's the time span over which we expect this INR5.7 lakh crores order book to get delivered.

**Laksh Vaaman Sehgal**

Not much to add over there. I think Kunal covered that it well. I would just like to say, I think as a group, we've all come to -- we are thinking that these elevated cost structure are there to stay. Really comparing them to pre-COVID levels is not the right comparison anymore. We are living in a new normal.

- Moderator** Sir, your audio is not coming clearly.
- Kunal Malani** I think Vaaman was trying to mention that the cost structures that are there on an elevated level is potentially the new normal, and we have to work around our own business around this area. What has been hit effectively is the lower end of the market. The premium and SUVs continue to do well.
- And hence, our product mix is also aiding our growth. So maybe that's the reason why we are not seeing as much of a downside risk as maybe some of the other players are.
- Laksh Vaaman Sehgal** Absolutely. And also the order book being aligned towards the EV growth as well. I think that's really going to help there, new models that are coming up. Since we have a significant part of the new order book aligned to these EVs, we expect them to do well as well. So we should do better than what is the average expectation in the market.
- Moderator** The next question is from the line of Pramod Amthe from Incred Capital. Please go ahead.
- Pramod Amthe** First question is with regard to the vision systems. If I were look to at your revenue momentum, it looks pretty impressive at 30% Q-o-Q versus your own presentation talking about the muted growth in the regions which you cater. So what is this driving 30% growth on Q-o-Q? Is it more new orders or the content per vehicle has gone up? If you can give more colour to be helpful and the sustainability of this momentum.
- Vivek Chaand Sehgal** Rajat, you are there?
- Rajat Jain** Yes, I am here. Thanks for the question. So primarily, again, I think it comes down to the fact that we are working with OEMs on premium models and SUVs, and that's the trend that we are playing on. And that's the segment which is still seeing good performance overall and growth. So bulk of that is coming from there.
- And also, as you would know, there is also a lot of contracts which have been renegotiated, and all the discussions been going on for some time. So that also is helping to then reflect in the top line growth.
- Pramod Amthe** Okay. And the second question is with regard to the debt, working capital and interest cost. Even though it's impressive to see the net debt coming down by almost more 10%, the interest cost seems to be still elevated and usually moved up by 80%. So is it more the cost going up itself is still a reflection and is it a more sustainable interest cost on a quarterly basis? That's one.
- Second is, you are planning to substantially reduce the working capital requirement. So the reduction in net debt seems part of that? And what the extent of journey are covered in working capital reduction as the supplies improve? Or you feel there's more headroom available to cut your working capital?
- Kunal Malani** So I think on the interest cost side, yes, things have obviously moved up on the interest rate side as some of our fixed rate instruments are getting refinanced into the newer instruments, yet the interest cost is going to move up.

Having said so, this quarter, there has been forex losses also that is embedded in the interest cost. Some of the corresponding gains have come on the top line side. So that's how it's been reported. From the perspective of debt, we do expect the deleveraging to continue on the organic side of the business. The working capital improvements are not out of the way completely.

We are there some parts of the business has been able to do, but I think there is still a long journey to go. And as we go through this year and as more normalization happens through the year, I think we should be able to continuously deliver our -- I mean reduce our working capital going forward.

**Moderator** The next question is from the line of Aryn from JP Morgan. Please go ahead.

**Aryn Pirani** Yes. One clarification and one question. Firstly, you mentioned that the cost pass-through discussions with the OEMs for FY '23 are already done. So does it mean that the impact of that is already being seen in the P&L? Or will you get these recoveries in the coming quarters?

**Vivek Chaand Sehgal** Vaaman, you take this, and then Kunal will follow.

**Laksh Vaaman Sehgal** Sure. Yes. So FY '23, those ones have already been taken and been approved. Of course, because we are in a place where energy prices are moving around significantly and there's no visibility of how these things will play out other than what actually happens, these will be negotiated as we -- as we go down this year.

So whatever was there for last year is already there and has been already reflecting in the numbers, and the discussion continues for how these pan out for the rest of this year. And these will be discussed at the end of the year.

**Aryn Pirani** Okay. That's helpful. Secondly, on the investments and deleveraging, you mentioned that next year's capex is going to be higher, plus you will also have payouts for some of the acquisitions which were already announced in the last few quarters and which will be fully done in the next few quarters. So in that context, how should we think about the deleveraging cycle continuing next year?

**Kunal Malani** I'll take that. Look, Aryn, I think you're going to view it from 2 different legs. On the organic side, the business will hopefully be doing better and better going ahead. And that implies that the profit generation, together with working capital reduction should be able to aid spending whatever that we have on the capex side, plus to also use some of the internal approvals for M&A.

Then there is a whole host of M&As that we have anyway announced for which the payouts will happen in the ensuing year, and there is a large pipeline of M&As as well. So with what we have announced so far, I think we should still be within the 2x net debt-to-EBITDA levels. That's the way at least we see with the announced transactions.

**Moderator** The next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

**Binay Singh**

I hope this is better. My question was on the order book slide. How do we tie this up, like could you share a little bit more about how you have done, the execution number, is it for the financial year? I assume that you are talking about.

Secondly, like earlier, you used to disclose order book of around INR18 billion or so in SMRP BV that was outstanding order book that was for September. How has that number moved?

So I'm just trying to sort of connect the order book numbers that you were disclosing earlier with what is there on this slide.

**Kunal Malani**

Okay. I think, first of all, this is not the order book number. This is the booked business. The booked business will combine both the orders which are not in production, which is what we call the order book as well as the business which is in production. And hence, this is what is going to get executed from this financial year, all the way over the next 5 to 6 financial years.

If you look at the SMRP BV presentation, that would have the order book of both, the ones which is entity one, the ones which is the amount which is not under production, which is about 21-odd billion and the ones which are under production, which is around about 18-odd billion. That gives you a little bit of understanding of what the new orders versus existing orders is.

**Binay Singh**

That is clear. I'll check that out. And secondly, when we talk about next 5 to 7 year execution cycle and what will be sort of a replacement orders versus new orders just to sort of see what exactly will be the incremental revenue from current base? Any rough numbers on that?

**Kunal Malani**

Back of the envelope calculation, we were to do your 70 billion over 5 to 6 years would anyway imply slightly more than 12-odd billion of revenues.

**Moderator**

Next question is from the line of Veda Bhardwaj, an Individual Investor. Please go ahead.

**Veda Bhardwaj**

Can you give me an idea about the capex investment that you have highlighted about -- of about INR3,000 crores, if I am not wrong. On what specific areas it will be invested and what will be the duration of this CAPEX?

**Vivek Chaand Sehgal**

Vaaman, you and Kunal can take this.

**Laksh Vaaman Sehgal**

Sure. As you mentioned, this capex is going to go towards both, automotive and nonautomotive business. We're also expanding the facilities. We talked about 7 of them, 6 of them will be in India. And 3 of those will be in the automotive and 3 in nonautomotive side as we go towards our 2025 target and the diversification.

These are the capexs that are related to orders that we have won, that we had to execute for the customers' new launches and the new programs that we are getting. As you can tell from the past calls, we've also talked about our expansion of doing acquisitions in Aerospace, how the order book has doubled over there. We are building new facilities in that as well.



So as you can see is an overall growth capex that we are putting into place, and this should reflect, of course, higher growth in our top line as we move forward and these orders get executed at the time. Kunal, you want to add anything?

**Kunal Malani**

The only additional piece, unlike maybe some of our peers said, we do own our land and building. So our capex numbers include the investments we'll be doing on land and building side as well.

**Moderator**

As there are no further questions, I now hand the conference over to Mr. V. C. Sehgal for closing comments.

**Vivek Chaand Sehgal**

Thank you, ladies and gentlemen. We are all really excited. Even though the conditions all over the world are a little bit on the tougher side, but we believe we are in the right position. And we are really amply funded and all that.

So we are very excited with the future, and -- as it is happening and opening up in front of us. The Board actually congratulated all the people in the company, almost 150,000 of them, thanked them that a great job was done under weight of circumstances. I wish you all a good weekend, and thank you all very much. Thank you.

**Moderator**

Thank you very much. On behalf of Samvardhana Motherson International Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

*Safe Harbour: The transcript for the Investors' Call has been made for purposes of compliances under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. For the transcript, best efforts have been made, while editing translated version of voice file for grammatical, punctuation formatting etc., that it should not result any edit to the content or discussion. The audio recording of transcript is available at website of the company, viz., [www.motherson.com](http://www.motherson.com). This discussion contains based on the currently held beliefs and assumptions of the management of the Company, which are expressed in good faith and, in their opinion, are reasonable and can may include forward-looking statements. Forward-looking statements involve known and unknown risks, contingencies, uncertainties, market conditions and other factors, which may cause the actual results, financial condition, performance, or achievements of the Company or industry results, to differ materially from the results, financial condition, performance, or achievements expressed or implied by such forward-looking statements. The Company disclaims any obligation or liability to any person for any loss or damage caused by errors or omissions, whether arising from negligence, accident, or any other cause. Readers of this document should each make their own evaluation and assessment of the Company and of the relevance and adequacy of the information and should make such other investigations as they deem necessary.*