Operator: Ladies and gentlemen, good day and welcome to the Q2 FY27 Results Conference Call hosted by Motherson Sumi Wiring India Ltd. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. V. C. Sehgal, Chairman of the company. Thank you, and over to you, Mr. Sehgal.

V. C. Sehgal – Chairman: Thank you. Good evening, ladies and gentlemen, and thank you for joining us today. I warmly welcome you to the Motherson Sumi Wiring India Ltd. results call for the second quarter of FY27. I am thankful for your continued confidence in MSWIL.

I am pleased to announce that the company has delivered a strong performance during this quarter. Revenue growth is supported by higher customer volumes, new program launches, and contributions from our greenfield plants. Our investments in new capacities are supporting the increased demand from our customers. While our teams remain focused on managing cost-related headwinds and improving operational performance, we remain confident about the long-term prospects of the automotive industry in India and will continue to invest in capabilities and keep capacity in line with our customers' evolving requirements.

With that, I would request Vaman to take over and take you through the performance of our company and also introduce the other members on the call. Over to you, Vaman.

Vaman: Thank you, Dad. Good evening, everyone. We are pleased to report a strong performance this quarter, with revenue growing 47% year-on-year and 19% sequentially. EBITDA increased 34% year-on-year and 45% sequentially, while profit after tax registered growth of 35% and 54%, respectively.

Let me take you through the key drivers of our performance. The passenger vehicle industry continued to witness healthy growth, with volumes increasing 25% year-on-year and 14% sequentially. We grew ahead of the industry, reflecting the continued trust of our customers and our ability to capture growth opportunities. Vehicle premiumization, which is driving higher content per vehicle, along with our participation in new model launches across both EV and ICE platforms, supported our performance. EVs accounted for 10% of our revenue during the quarter and 9.3% for the first half of the year.

Our three greenfield plants also contributed meaningfully to growth, enabling us to support higher customer volumes. The ramp-ups have progressed well, with the plants now operating at an optimum utilization level.

Moving to margins, EBITDA margins stood at 9.2%, improving from 7.6% in Q1 through a continuous focus on operational efficiencies, which led to a resilient performance, while headwinds from higher copper prices, minimum wage revisions, and other inflationary pressures remain. Copper prices increased by approximately 6% sequentially and 54% year-on-year. As we have highlighted previously, copper is a pass-through item with a typical time lag of about 3 months for recovery from the majority of customers. We are continuously engaged in constructive discussions with our customers to recover these incremental costs.

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Now let us look at the outlook. Passenger vehicle demand remained strong during the quarter. However, the second half of the year will be compared against a higher base following the GST reduction implemented last year. Based on current visibility, we expect the industry to continue registering healthy growth. The combination of healthy industry growth, continued premiumization driving higher content per new vehicle, and new model launches provides a favorable backdrop for us.

With that, I now have Pankaj, Anurag, and Gulshan with me to address your questions. Moderator, please open the floor.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Participants, you may press star and one to ask a question.

The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh – Nomura: Good evening, sir, and congratulations on a very strong performance for the quarter. My first question is on the outlook for the second half. Vaman, you mentioned that growth will be slower, but when we look at absolute terms, most of the OEMs have actually given fairly strong second-half growth guidance. So, in absolute terms, can we expect that the second half can be better than where we are in the second quarter? Are there some more new programs starting that could support growth in the second half ahead of the industry?

Vaman: Thanks for that question. Look, the third quarter is usually a strong quarter because of the entire festive period that has kicked in, but a precursor to that is the Shraadh period. So, there is a little bit of balancing out there. But, of course, we are very hopeful. I think the GST cut provided a very strong boost, and we are hoping that the momentum continues. Like all the OEMs are saying, at the same time, we were very focused on delivering the capacities when growth had slowed down, so we kept our focus and made sure that we were ready for this kind of period. We are completely ready. I think the ramp-ups, as we said, have gone really well, and we are very hopeful that this festive period continues to deliver very strong revenue growth. Pankaj, Gulshan, if you can add anything to that?

Management: Yes, Vaman, as you said, you are right that the momentum is continuing at the moment. If the momentum continues, then yes, as he mentioned, the kind of growth which you saw with respect to last year is continuing because this is after the GST cut. The momentum has been continuing and is continuous. So, we definitely believe that there should be continuous growth as we move forward, but the range of growth in terms of percentages may not be as wide as what it was with respect to last year.

Kapil Singh – Nomura: Sir, are there more programs starting in the second half as well?

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Management: New programs have been continuously coming in, so carmakers definitely keep launching new vehicles, and this will be a continuous process.

Kapil Singh – Nomura: Okay, sure. The second question was on margins. What we have seen is that gross margins have been under pressure, and you mentioned copper as well. Are we also receiving the claims from the customers on a quarterly basis? When we look at other operating costs, they have been fairly well controlled. Could you provide some color on what exactly we are doing here, such that other operating costs have been continuously coming down as a percentage of sales? How should we look at this? Is there scope for this to keep coming down further, or are there certain expenses that you have controlled which could increase somewhat in the second half? Thank you.

Vaman: Pankaj, please go ahead.

Pankaj: Basically, when the greenfield sites came up, there were costs, and the revenues were not there. As revenues keep coming in, when we look at the ratios, they improve. For us as a company, our endeavor has always been to be prudent. We have always had austerity measures in place. We continue to move up on that path. We are not giving you a forward-looking statement, but that is our endeavor. It all depends on how the markets fluctuate and what happens, but the company's endeavor is to remain an optimized-cost manufacturer, of course, while continuing to invest in future growth, new technologies, new processes, digitization, and automation as we move forward.

Kapil Singh – Nomura: Okay. Are we receiving the claims on a quarterly basis as we had expected? I am just trying to understand why gross margin has come off. Are there claims pending here which will result in gross margin improvement as we go forward, or will it happen more through backward integration programs?

V. C. Sehgal – Chairman: I think, Kapil, there are two things: one, the copper impact, and also the wage impact. These matters are under negotiation with the customers. You will normally see a 3-month or a 6-month lag. Within this financial year, we will report better numbers.

Kapil Singh – Nomura: Excellent. Thank you so much, sir. Best wishes, and I look forward to that.

Operator: Thank you. The next question is from the line of Raghunandhan N. L. from Nuvama Research. Please go ahead.

Raghunandhan N. L. – Nuvama Research: Congratulations to the entire team, Pankaj, Anurag, and Gulshan, on the all-round beat. It is good to see EBITDA margin at a 4-quarter high. You just indicated that discussions are constructive with customers, and for both input and minimum wage inflation, price hikes are likely to be received over a period of 3 to 6 months. Just a clarification here: for minimum wage inflation, would you receive the entire pass-through or a partial pass-through?

V. C. Sehgal – Chairman: It is under negotiation. I do not know what everything is, but I did not understand why it should be partial.

Raghunandhan N. L. – Nuvama Research: I mean, it is not indexed like copper, where 100% is generally a pass-through. Since this is a negotiation, I was just trying to understand whether the

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customers will expect some part to be absorbed by the company.

V. C. Sehgal – Chairman: Of course. We will try our best to get full recovery from them.

Raghunandhan N. L. – Nuvama Research: Understood, sir. That is good to hear. EBITDA margin is at a 4-quarter high. Raw material cost to revenue is still high at 70% of revenue, almost at an all-time high. Do you expect that, as the pass-through of cost inflation happens, margins will sequentially improve? Generally, you also work on backward integration, so would that also help?

Management: [pause] Anurag...

Management {? Anurag ?}: Anurag, sir?

Anurag: Yes. Obviously, commodity prices, which in our case means copper, are on a lag of a quarter with the majority of customers. In the next quarter, we will see a recovery from that. So, there will definitely be an impact from that as well. Localization is always on our agenda to work toward, and we are moving in the right direction to localize the imported components.

Raghunandhan N. L. – Nuvama Research: Noted, sir. Thank you for that. In the press release, you have also highlighted the ramp-up of the greenfields. The Kharkhoda plant had already achieved a high level of optimum utilization in Q1. Is it fair to assume that the Gujarat plant and Pune plant have also seen better utilization in Q2 versus the previous quarter? If possible, can you indicate whether all three greenfields put together have reached optimum levels of utilization as per your targets?

Management: [pause] Yes, Anurag?

Anurag: Yes, sir. As Vaman also said in his commentary, these three greenfield plants have progressed well, and the ramp-up has progressed well. We are now operating at a very optimal utilization level. I can tell you that these are no longer greenfields at this moment; they are now with all the regular plants as well. We are considering them together when calculating total capacity utilization.

Raghunandhan N. L. – Nuvama Research: Got it, sir. Thank you so much, and best wishes for the future. I will fall back to the queue.

Operator: Thank you. The next question is from the line of Joseph George from IIFL Capital. Please go ahead.

Joseph George – IIFL Capital: Hi. Thank you for the opportunity. My question was on the deficiency or lag in terms of the copper price pass-throughs. Assuming that copper prices stabilize at the levels seen in Q2, how much under-recovery is left in terms of gross margins or the way to pay?

Management: [pause] Under-recovery... I did not quite understand the question. Over a period of time, it all equals out, whether prices go up or go down. But Anurag and Pankaj, you can understand this better.

Pankaj: Can you clarify your question, please?

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Joseph George – IIFL Capital: What I meant by under-recovery is that copper prices have been very volatile over the last 4-5 quarters. If I assume that the copper price stabilizes at the levels seen in Q2, meaning it does not increase or fall from the Q2 levels, how much more price increase is due from the customers, which will reflect in the upcoming quarters?

Pankaj: Basically, as the team has informed you, we have a lag of mostly one quarter. In some smaller cases, it can be up to 6 months, but in the majority of cases it is 3 months. That is the lag. If copper prices stabilize and remain at that level on a quarter-on-quarter basis, then, as I said, they have not yet stabilized and we cannot predict this now. But to answer your question, if they remain exactly the same for one quarter, two quarters, or three quarters, then your buying and selling will be at the same price.

Joseph George – IIFL Capital: Okay, fair enough. Thank you.

Operator: Thank you very much. Participants, you may press star and one to ask a question. The next question is from the line of Kaustav Bubna from Kamana Holdings. Please go ahead.

Kaustav Bubna – Kamana Holdings: Hi. Thanks for taking the question. My question is around the whole content-per-vehicle topic. I wanted to understand: after speaking with EV automobile companies that are transitioning to EVs in India, such as Mahindra and other companies, they all say they are shifting fully to zonal architecture. Once you shift fully to zonal architecture, that whole argument of content per vehicle is not applicable because the amount of wiring needed is much lower. I wanted to understand your view on this. Where is the growth that we are showing today coming from, and how much of this growth is at risk because many of our customers are moving to zonal architecture? If you could provide some in-depth color on that, it would be appreciated, as it would help us understand how to look at growth going forward.

Management: [pause] You know, this will be the 100th time... [laughs] We have been hearing about this transition to electric vehicles for approximately 20 years now, Pankaj?

Pankaj: Yes, sir. To answer this question, it is not a straightforward answer because this transition to zonal architecture has been there for a very long time. Maybe the benchmark would be to look globally at where zonal architecture has been implemented and in how many of the total platforms any carmaker has. So far, we have seen that there has been an increase in content. There have been discussions because of people's aspirations and also the innovations of carmakers to make it not just a car, but something more than a mode of transportation. That has led to an increase in content. So, it is not about the architecture alone; it is about the innovations that carmakers have brought into making the product something more than just transportation. It provides a huge number of things to a person who is in the car. That has been fueling the [trails off]

Kaustav Bubna – Kamana Holdings: Hello?

Management: [line issue] Yes.

Pankaj: Definitely... for more information...

Management: Yes, we can hear you.

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Kaustav Bubna – Kamana Holdings: Yes. Okay, great. Thanks for that. The second question is: does the company have the whole gamut of high-end specialized wire harnesses and cabling for cars? I also hear that some customers have to get certain components for their interconnecting systems from third parties because Motherson does not yet have the full gamut of wiring options. Is that true?

Management: [pause] Approximately 7 to 8 million components and terminals, and so on, are used in wiring harnesses. Do you mean that you know of a company which does all that by itself?

Kaustav Bubna – Kamana Holdings: No, I am just trying to understand from you where—

Management: No, no, no, no. Listen, a wiring harness is a particular thing. Its components are customer-designed; Toyota designs them, Suzuki designs them, Honda designs them, and so on. So, it is not practically feasible for you to make everything yourself. We do, of course, have our own manufacturing of wires and components. We have a collaboration with Sumitomo for that.

It is a very long discussion if you want to understand it, and it is not easy to explain. The types of components in a wiring harness are phenomenal. The range is out of this world. My view is that you make whatever you use in the largest quantities yourself. You also import from different suppliers, according to the sources that the customers say they are comfortable with. However, all the components cannot be changed individually. They have to be as per the drawing. The drawing specifies which component the customer requires in the wiring harness, because in the field you have a lot of maintenance requirements and all these things are necessary. So, you cannot make anything by yourself and simply attach it.

Kaustav Bubna – Kamana Holdings: Okay, thank you so much for your answer. Thank you.

Management: You are welcome.

Operator: Thank you. The next question is from the line of Shubham Batra from Ambit Asset Management. Please go ahead.

Shubham Batra – Ambit Asset Management: Hi, sir. Thanks for taking my question, and congratulations on a very strong set of numbers. I wanted to understand this: if I go back to FY23, FY24, and FY25, we used to have gross margins of around 35%, which came down to 32.5% in FY26 and have further come down to 30%. This is likely due to the copper impact, but I wanted to understand: hypothetically, if copper stabilizes at its current level, what would be our normalized gross margin that we should think about in the coming years?

Management: [pause] Pankaj... Anurag...?

Shubham Batra – Ambit Asset Management: Hello?

Management: [line issue] Normally, we do not provide guidance on margins. We always talk about gross—

Pankaj: [overlap] Yes, you see, we always work on return on capital employed, and you would see that the company has maintained a very healthy return on capital employed despite all these

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uncertainties in the market and the increase in commodity prices. You would appreciate that we strive to obtain the value-add from what we are doing. If the commodity price goes up, the best outcome for us is to get that recovery.

In the medium term, you would not see a sudden sharp increase, because the customers compensate us for these increases and it is a numerator-denominator effect. So, while the margins remain healthy, as a percentage, you may optically see something like what you have seen today. And—

Management: [overlap] Pankaj, he is talking about the margins 3 years ago. At that time, international wiring harnesses were also a part of this. So, perhaps the answer is somewhere there.

Pankaj: Yes, that is why, sir.

Shubham Batra – Ambit Asset Management: Sir, I am basically trying to understand, because of the numerator-denominator impact, how much of—

Management: If you understand the numerator and denominator, can you please tell me how many years ago you quoted the figure?

Shubham Batra – Ambit Asset Management: Sir, I am basically looking at FY25 and FY24 gross margins.

Management: In FY24, was MSWIL there?

Shubham Batra – Ambit Asset Management: FY24 and FY25, FY24 and FY25.

Management: MSWIL was not there in FY24, sir.

Pankaj: No, it was there in FY24. MSWIL was there. He is comparing MSWIL only.

Management: Oh, MSWIL only.

Pankaj: Yes. For us, sir, we do not provide guidance on margins because, while we see MSWIL as one company, it has a huge number of programs. We have hundreds of programs and a multitude of customers. Our results are a combination of everything. Therefore, directionally, the company has always focused on managing its capital in the most optimized manner, and that is where we continue to focus on return on capital employed.

Shubham Batra – Ambit Asset Management: Got it, sir. Secondly, since the greenfields have now also ramped up well, what would be our current capacity utilization across the company?

Pankaj: Sir, our stated policy on capacity utilization in the company is that the moment it reaches around 80%, we enter expansion mode. As the volumes of our customers keep growing and the customers set up new facilities, the company will set up and expand its facilities. The company has expanded its facilities over the past 2-3 years to ensure that we are ahead of time and in a position to support our customers' growth. We never second-guess their growth, and that is the reason why we have been able to support our customers today.

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Shubham Batra – Ambit Asset Management: Got it, sir. Okay. Thank you, sir. That is all.

Operator: Thank you. The next question is from the line of Ankur Poddar from Swan Investments. Please go ahead.

Ankur Poddar – Swan Investments: Hi, sir. Congratulations on a very strong performance for the quarter. Most of my questions have been answered. I just have one clarification on the greenfield operations. You mentioned that there [cut off]

Ankur Poddar – Swan Investments: reached the optimum level of utilization, and now we should look at it at a consolidated level along with our base business as well. Is it fair to assume that the margins for the greenfields have also reached our company-level margins?

Management: [pause] Pankaj... Anurag...

Management: We do not talk about margins at the plant level or specifically for the greenfields. Whatever total margin you are seeing is for the overall performance of MSWIL.

Ankur Poddar – Swan Investments: Okay, and [crosstalk] understood.

Management: Yes.

Ankur Poddar – Swan Investments: Yes, please go ahead.

Management: No, no, that is covered now.

Ankur Poddar – Swan Investments: Okay. All right, understood. As a follow-up to the previous participant's question on the capex that we are looking at for this year and going forward, can you provide some guidance there?

Management: For this year, we have already provided guidance that is largely in line with the previous year, at approximately 200 crores.

Ankur Poddar – Swan Investments: And for FY28?

Management: For FY28, it all depends on the fact that we supply to our customers. Right now, those schedules have not been finalized, so we do not yet know where we will fit in. In terms of providing an indication of the capitalization for FY28 at this moment, it would be very difficult. However, as we said at the beginning and so far, growth is obviously there, and we are looking at capacity expansion and related matters. That will continue, but in terms of quantifying how much it will be, clarity will come in the coming period when it is laid out.

Ankur Poddar – Swan Investments: Understood. That is all from my side. Thank you, and best wishes.

Management: Okay.

Operator: Thank you. A reminder to all participants: you may press star and one to ask a question. The next question is from the line of André from Cogito Advisors. Please go ahead.

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André – Cogito Advisors: Hi, this is André here. Congratulations on the great numbers. I have one clarification and one question. The clarification is whether we are saying that if EBITDA has lagged revenue growth, it is primarily due to copper prices and wage growth.

Management: [pause] Pankaj... Gulshan...

Management: Yes.

Management: Sir, can you clarify that question [inaudible]? Yes, sir. Sir, can you clarify that question again in terms of how you are looking at EBITDA relative to revenue growth, just for my understanding so that I can answer?

André – Cogito Advisors: If you look at your own figures, your revenue growth has been higher than your EBITDA growth. So, in a sense, you have not been able to take advantage of operating leverage. There may be two very good reasons for this, which so far in this discussion appear to be the lag in the pass-through of copper and other raw materials, and wage growth imposed due to regulations. Are these the two major factors that have contributed to this, or am I missing anything else?

Management: I understand your question now. The point is that revenue growth is 47%, of which copper growth accounts for 12%. If you take out copper inflation, as you are aware, we do not charge anything on copper; it is completely a pass-through. If you take out copper, revenue growth is 35%, while EBITDA growth is around 34%. So, we are practically on similar lines. The minimum wage impact was still present in this quarter, but through continuous work on cost optimization, cost austerity measures, and related initiatives, we try to control our costs as much as possible so that we can achieve better operating leverage in the results that you are looking at.

André – Cogito Advisors: Right. I have just one question. Across industries, because of the sharp volatility in raw material prices, there have been moves to reduce the lag from 3 months to 1 month. Is this also happening with you, and is there any chance that the OEMs will agree to a shorter lag period in the ensuing quarters or months?

Management: [pause] If something happens on that account, we will keep you informed. So far, there has been a lag period. Of course, there have been discussions, as you mentioned, and once anything happens, as Mr. Sehgal mentioned, many topics are matters of discussion with customers. We work as partners with our customers to find solutions to issues faced by the industry and to find an amicable solution that benefits both parties.

André – Cogito Advisors: Okay. Thank you very much, and congratulations once again.

Management: Thank you, sir.

Operator: Thank you very much. Participants, you may press star and one to ask a question. A reminder to all participants: you may press star and one to ask a question. As there are no further questions, I now hand the conference over to Mr. V. C. Sehgal for closing comments.

V. C. Sehgal: Thank you. Thank you all very much for helping make sense of what we have achieved. We are all very excited. We believe these particular questions have been answered over time, and

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there are more yet to come. We tried our best to help you remember the history. Thank you all very much. Have a great weekend. Bye-bye.

Operator: Thank you very much. On behalf of Motherson Sumi Wiring India Ltd., that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.

Management: Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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