

Schaeffler India

25 February 2026

Operator: Good morning, ladies and gentlemen, and welcome to the Schaeffler India Q4 CY25 earnings conference call. As a reminder, all participant lines will be in the listen-only mode. 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. Please note that this conference is being recorded. I now hand the conference over to Ms. Gauri Kanekar. Thank you and over to you, ma'am.

Management: Thank you. Hello, and welcome to Schaeffler India Limited's earnings conference call for the fourth quarter and 12 months ended December 30, 2025. We have with us from the management today our Managing Director and Chief Executive Officer, Mr. Harsha Kadam, and our Director of Finance and Chief Financial Officer, Ms. Hardevi Vazrani. Mr. Kadam will first take us through a short presentation on the results, after which we will open the floor for questions. Thank you, and over to you, Mr. Kadam.

Management: Thank you, Gauri, and good morning to all of you. A warm welcome to this earnings call. I have with me my CFO, Ms. Hardevi Vazrani, as well. Let me straight away get into the flow and take you through the brief presentation that has already been uploaded.

I draw your attention to slide number 2. I always begin my presentation with success stories. Success coming from the customer speaks highly about the good work that we as an organization, as a machine technology company, have been striving to do over the years. In Q4 2025, we have been awarded several awards, three coming predominantly from the customers—one from each of the business divisions we play in—and two awards for our CSR effort.

We were awarded by our industrial customer, Voith, for best performance and continuous commitment to excellence. This was fundamentally on the back of zero quality complaints in the last 12 months. This has been a commendable win, particularly based on the fact that we started business with Voith a couple of years back. Our commitment to deliver the best quality products remains a top priority and we have lived up to the expectations.

The second award is from Eicher Motors in the aftermarket space, fundamentally because of our outstanding contribution to supply chain transformation where we have made investments to ensure on-time deliveries. This too has been recognized for our performance for the entire year 2025. The third award is from our esteemed customer, Mahindra & Mahindra. This is for on-time deliveries for engine systems, which we have consistently maintained month after month.

Moving on, we were recognized in our Corporate Social Responsibility initiative at the "Doing Good for India" awards held at South Asia's largest CSR and ESG Summit in New Delhi. This event focused on women and inclusion, employability, and livelihood. Our project on women's skill development, Nisara, which was showcased on October 10, 2025, reinforced our commitment to empowering women and fostering inclusive growth.

The last award I wanted to share has been a consistent winner for us: our water conservation project, Jalsamruddhi, which won another award under the "Beyond Defense" category in New Delhi. This involves water absorption trenches, recharge ponds, drainage line deepening, and check dams in an arid region, coupled with solar-powered pumps and drip irrigation systems. This has

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Schaeffler India

25 February 2026

enhanced water harvesting capacity to a height of 1.04 meters above groundwater levels, impacting 2,500 people in the surrounding village. We are very proud of these CSR projects.

I will now throw some light on the economy on slide number 4. India's momentum reflects domestic demand resilience, structural reform continuity, and a growing role in the global supply chain. A combination of policy rate cuts, regulatory relaxation for banks, and weaker exchange rates eased financial conditions. Softening income tax and GST cuts supported a recovery in urban consumption, while rural recovery was sustained. Inflation was significantly lower in 2025, averaging around 2.2% for the year. In Q4, we recorded the lowest inflation ever at 0.8%. However, core inflation for precious metals like gold and silver remains high. Real private consumption showed recovery, and the Indian economy maintains sound fundamentals.

Regarding the Index of Industrial Production, the quarter saw a further appreciation to 5% over the preceding quarter's 3.8%. A hallmark of Q4 was the GST 2.0 reform, which provided a big boost for the automobile industry by simplifying compliance and lowering cascading costs. This increased vehicle affordability for consumers. Consequently, automotive production began to see a strong uptick in the quarter. Food inflation moderated, core inflation stayed soft, and energy prices remained stable. All indicators point toward very sound GDP growth for the country.

Looking at slide number 5 for core sector performance, month after month, every sector has posted strong productivity growth compared to the preceding year. Cement production grew 10%, contributing 5.4% to the economy. Steel production grew close to 9%, while mining and coal remained in the positive range despite being slightly muted. Energy production remained stable, indicating strong manufacturing activity.

On slide number 6 for the automotive sector, all sectors grew strongly riding on the GST 2.0 reforms. Two-wheelers grew at an average of 8.6% annually. Passenger vehicles grew 8%, and commercial vehicles, which were sluggish last year, posted 8.4% growth. Tractors saw very strong growth at 17.2%.

Regarding production numbers, while passenger vehicle production grew at 8%, export sales went up 16%. Commercial vehicles saw a massive 58% improvement in exports for the full year 2025. Two-wheelers recorded a 24% increase in exports compared to last year. Domestic sales grew at single digits, but exports saw double-digit growth. Schaeffler India leveraged this growth in an efficient and agile manner.

On slide number 8, we closed Q4 with revenue of 2,643 crores, which was 26.9% better than Q4 2024 and a 12% increase over Q3 2025. This volume growth resulted in strong EBITDA of 505.6 million rupees, which is an increase of 20% over the preceding quarter. Profit after tax for the quarter was 328 crores. We maintained a strong focus on free cash flow generation, bringing in 254 crores. Q4 has been one of our strongest performances in the last year.

Slide number 9 details our new business wins. In automotive technology, we had wins in passenger vehicle clutches, dual-mass flywheels, and hydraulic clamp feeders. In vehicle aftermarket solutions, we saw wins in front-end auxiliary drive mechanisms and timing kits for passenger vehicles. We continued adding products as more BS-VI vehicles required repairs. In bearings and industrial solutions, we had significant wins in ball bearings, needle roller bearings for two-wheelers,

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Schaeffler India

25 February 2026

and wheel bearings for industrial applications like spherical, cylindrical, and taper roller bearings, specifically in the cement and steel sectors.

On slide number 11, our revenue from operations shows sustained growth. For the full year 2025, we closed with a turnover of 9,395 crores. In Q4, the automotive division contributed 270 crores, aftermarket 43 crores, bearings and industrial solutions 120 crores, and our export business bounced back with 128 crores. Our revenue mix remains balanced with automotive at 35%, bearings and industrial solutions at 39%, aftermarket at 11%, and exports at 15%.

Slide number 12 shows earnings quality. EBITDA improved quarter-on-quarter, reaching 505 crores in Q4. While we had some expenses related to employee costs, the bottom line remained strong. We absorbed exceptional expenses of 0.8% due to regulatory changes in the labor code. Despite this, profit after tax was 12.4%.

Slide number 13 covers working capital and capex. We continue to invest while ensuring we sweat existing assets. Capex for the quarter was 4% of sales. We managed working capital down to 17.9% of sales in Q4, an improvement from 19% in the previous year. Free cash flow saw a 56% year-on-year improvement in the quarter.

Slide number 14 summarizes our annual KPIs. Revenue grew 16.3% over the previous year to 9,395 crores. EBITDA stood at 19.6% compared to 18.5% last year. Profit after tax was 12.7%, better than the 12.1% recorded last year.

Slide number 15 provides a consolidated picture including our subsidiary, KRSP Innovative Auto Solution Private Limited. KRSP generated revenue of 81.5 crores in the quarter. At a consolidated level for Q4, revenue stands at 2,724 crores with an EBITDA of 18.4%.

Regarding the dividend on slide 16, the Board of Directors has recommended a dividend of 35 rupees per share, representing a payout within our target ratio of 30–50% of net income.

On slide 17, we are proud to announce that S&P; Dow Jones Sustainability Index ranked Schaeffler India 1st in India and 7th globally. Our CSA score improved to 76 out of 100, a 40-point increase. We remain committed to our ESG targets across environment, social, and governance areas.

To summarize on slide 18, we have maintained double-digit growth momentum. Quality of earnings, capital efficiency, and localization remain our focus. Localization reached 78% in the last quarter. Our plants are running above 85% capacity utilization. We enter 2026 with positive traction and a focus on cost management and growth pipeline.

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. We have the first question from the line of Mukesh Sara from Evendos Park. Please go ahead.

Mukesh Sara – Evendos Park: Good morning and thank you for the opportunity. On the other expenses, this quarter we have seen them rise to 400 crores. Is there any lumpy or one-off item you would want to call out?

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Schaeffler India

25 February 2026

Management: Quarter-over-quarter, other expenses increased by 72 crores. Within this, we had certain services and true-ups of costs for which bills for previous quarters were received in Q4. It is just a timing issue of certain costs bunching up.

Mukesh Sara – Evendos Park: On the industrial segment, a competitor recently began operations at a large plant for SRB and CRB. Have you seen increased competitive intensity in sectors like iron, steel, and cement given that localization has increased in the industry?

Management: Our strategy is to increase our localization content. Last quarter, we reached 78%. We will continue this journey, specifically focusing on spherical roller bearings. Competition always exists, but our focus remains on defining our own growth strategy.

Mukesh Sara – Evendos Park: Regarding automotive technologies, you have mentioned supplying for strong hybrids. Have we started seeing benefits from mass-market launches, and are you seeing increased activity levels with respect to hybrid powertrains?

Management: Yes, we already have business for hybrids and have started series production and supplies from our Indian plant. We are working on a few more hybrid projects that are currently in the validation process. While battery electric vehicles see an upswing, we also see traction in hybrid technology. We believe both will coexist.

Mukesh Sara – Evendos Park: Is the content per vehicle higher for us in hybrids versus internal combustion engines?

Management: Yes, since we deliver at a module and subsystem level, the value is higher. The hybrid solution is also an add-on to the IC engine technology, which increases our content per vehicle.

Operator: Thank you. We have the next question from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh – DSP Mutual Fund: Regarding the Vitesco integration, where are we in that journey? Are we seeing benefits in terms of new wins or margins?

Management: We have concluded the merger. In front of the customer, the brand is now represented as Schaeffler. We have secured new business in battery management systems (BMS), specifically in the electric vehicle space. Our designs have been approved. The Vitesco portfolio is very complementary to our mechanical offerings, and we are now on a stronger footing to provide higher value to our customers.

Abhishek Ghosh – DSP Mutual Fund: Regarding exports, we have seen strong growth. Is this due to a low base or a particular segment like wind?

Management: Our reported export numbers do not include wind; those are categorized as domestic sales. We have seen growth in exports coming from all regions, mainly Europe and Asia-Pacific. While Q4 wind sales grew 4% year-over-year, they were up 15% compared to Q3. At an annualized level, our wind business grew by 17-18%.

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Schaeffler India

25 February 2026

Abhishek Ghosh – DSP Mutual Fund: Utilization is above 85% and you moderated capex in 2025. How should we look at capex for the next 2–3 years to ensure growth is not compromised?

Management: While utilization is high, we continuously improve productivity and OEE to absorb more capacity. We moderated capex in 2025 to focus on capital efficiency, but we will step it up again in 2026 to levels over 500 crores. Commensurate with our double-digit growth target, we will continue capacity investments, aligning them with future products specific to India's needs.

Abhishek Ghosh – DSP Mutual Fund: Thank you, sir. All the best.

Operator: Thank you. We have the next question from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre – LIC Mutual Fund: If India and the European Union sign a trade agreement, will there be any benefit for us?

Management: We expect benefits specifically regarding the import of raw materials and child parts. Currently, duties range from 7.5% to 15%. However, the new rates are not yet announced. For exports to Europe, duties are already between 0–2%, so we do not see major changes there. The FTA will require us to revisit our localization strategy to see if importing remains more competitive than local development.

Operator: Thank you. We have the next question from the line of Balasubramanyam from Arihant Capital. Please go ahead.

Balasubramanyam – Arihant Capital: Regarding the wind business, you mentioned 17–18% growth. Was the Q4 improvement a realization of delayed projects in railways and wind?

Management: Some sectors have business cycles. In Q4, railways and wind posted lower numbers compared to other sectors like power transmission or industrial automation. This was largely due to timing issues or the nature of tender-based businesses. Despite this, the full-year growth was very impressive.

Balasubramanyam – Arihant Capital: On KRSP, losses widened this quarter. What are the milestones for 2026 to reach a break-even in 2027? Is the strategy shifting from dark store expansion to profitability?

Management: Infrastructure setup for dark stores and hubs is largely complete. In 2026, expansion will moderate, and the focus will shift to channel and product mix across wholesalers, retailers, and workshops. We have a clear plan for breaking even by increasing business efficiency and product mix. Q4 results indicate we are on track.

Operator: Thank you. We have the next question from the line of Raghunandan NL from Nuwama Research. Please go ahead.

Raghunandan NL – Nuwama Research: Can you indicate the investment and capacity utilization for the Hosur plant in 2026?

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Schaeffler India

25 February 2026

Management: Utilization across all plants is over 85%. This year's capex was between 375 crores and 400 crores. We will scale this up in 2026 in line with our previous investment cycles to support new technologies requested by the market.

Raghunandan NL – Nuwama Research: Has the relocation of the clutch line from the UK to Hosur reflected in Q4 revenue?

Management: The relocation is done, but laying out the lines and full realization takes time. We will see the full impact this year. We are not yet disclosing specific numbers as order books are being reallocated.

Raghunandan NL – Nuwama Research: On E-axles, how is the ramp-up progressing for next year?

Management: We exceeded our 2025 projections, which is very encouraging. We are investing in the next phase of localization according to plan. As our customers succeed in the market, we see more traction for new platforms.

Raghunandan NL – Nuwama Research: For exports, how is demand in key geographies, and has the reduction in the RODTEP incentive impacted you?

Management: The 2026 order book is in line with 2025. We expect growth to moderate to 5-10% based on economic projections for Europe and Asia-Pacific. We can provide the specific RODTEP quantification through our Investor Relations team later.

Operator: Thank you. We have the next question from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel – Equirus Securities: The BIA segment grew strongly after a muted period. Do you believe this revenue run rate will accelerate?

Management: Q4 showed double-digit growth across industrial sectors, indicating positive market traction. While wind and rail were slightly weaker, other sectors were very robust.

Harshit Patel – Equirus Securities: Automotive technology grew 42% year-over-year. Did the E-axle project contribute the majority of this growth?

Management: Yes, the e-mobility business growth is very strong, and we are riding on our customers' success. We are increasing competitiveness through phase two of localization for E-axles. However, even in internal combustion applications like clutches and dampers, we registered strong growth. We strive for a double-digit growth rate and will continue investing in both IC engine and electric vehicle applications. Our export competitiveness rests on our efficiency in the Indian market.

Operator: Thank you. We have the next question from the line of Sagar Parekh from Renaissance Asset Managers. Please go ahead.

Sagar Parekh – Renaissance Asset Managers: Just to clarify, the EU FTA current import duty is 7.5%? And for the US, are there any material changes expected?

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Schaeffler India

25 February 2026

Management: Correct, that is the current rate. US FTA clarity is still pending, but our exports to the US are not very large, so we don't expect a major impact. Our business thrives on our internal competitiveness.

Operator: As there are no further questions, that concludes the question and answer session. I now hand the conference over to Ms. Gauri Kanekar for closing comments.

Management: Thank you everyone for joining us today. If you have any further questions, please reach out at gauri.kanekar@schaeffler.com. With this, we conclude the call. Thank you.

Operator: On behalf of Schaeffler India, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

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