Schaeffler India

Operator: Good day and welcome to the Schaeffler India Ltd. Q3 CY26 earnings conference call. 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 the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that the conference is being recorded. I now hand the conference over to Ms. Gauri from Schaeffler India Ltd. Thank you, and over to you, ma'am.

Gauri: Good morning, everyone, and welcome to Schaeffler India Ltd.'s earnings conference call for the third quarter and nine months ended September 2026. Today, we have with us from management Mr. Harsha Kadam, our Managing Director and Chief Executive Officer, and Ms. Hardevi Vazirani, our Director Finance and Chief Financial Officer. As always, Mr. Kadam will first take us through a short presentation on the results, and then we will open the floor for questions. Thank you, and over to you, Mr. Kadam.

Harsha Kadam – Managing Director and Chief Executive Officer: Good morning, and a very warm welcome to this third-quarter and nine-month business performance update.

Hardevi Vazirani – Director Finance and Chief Financial Officer: Good morning from my side as well.

Harsha Kadam – Managing Director and Chief Executive Officer: Let me briefly take you through the presentation. I will cover three broad areas, as indicated on slide number three of the presentation. The first would be an overview of the economy and the industry. The second would be the business highlights for the third quarter and nine months ended 2026. Lastly, I will cover the financial highlights for the third quarter and nine months ended 2026.

Let me draw your attention to slide number four, where I will talk a little about the economy. As you can see, the Indian economy has delivered strong performance from an economic standpoint. The estimated growth was 6.4 in the third quarter, and the numbers that are coming out are actually much stronger than that. However, in spite of the global uncertainties and the volatility that exists around us today, India has still come out stronger. The International Monetary Fund recently upgraded its full-year growth forecast to an average 7% GDP growth, on the back of a very strong domestic market, the booming digital services sector, and the exports business as well.

If one were to look at the Index of Industrial Production, strong manufacturing output in the automotive industry, obviously on the back of the GST 2.0 drive, has helped in terms of beating the targets as well, and it has reached an all-time high of 7.7% IIP, as you can see there.

The growth is structurally sound, and it is led by heavy manufacturing. The utility sector, as well as the power and electricity generation sector, have also performed exceedingly well in the quarter.

Looking at automotive production, it has been one of the stellar performances. As I mentioned already, GST 2.0 is propelling growth and bringing in very strong traction in demand. As you can see, Q3 year-on-year growth is standing at close to 31%-32%, while quarter-on-quarter growth is almost 23%. Passenger vehicles are leading the pack by far, with 25% growth, and the tractor sector, despite a muted monsoon performance, has still delivered 10% growth.

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A cautionary trend is visible in inflation. As you can see, Consumer Price Index food prices have started to increase quarter-on-quarter, and that is the alarming sentiment prevailing around the food inflation increases that have occurred.

With that, I move to the next slide, which is more focused on the sectors. What you see is the industry's sectoral performance. Very clearly, on the back of the Government of India's focus on the core infrastructure sector, we are seeing the core industrial sectors, such as cement and steel, performing quite well and registering strong growth.

Month-over-month, as you can see from the bar chart over the previous years, cement production in the country has been consistently growing, with an average growth rate of almost 9.3% over the last year.

Steel, on the other hand, continues to be at the same levels as last year, but is marginally growing again at about 3%. Mining and coal production fluctuate, with a clear focus on the renewable energy sector. Regarding power generation, as I said earlier, there has been strong growth in energy demand in the country, which is clearly growing at about 8%. There is a very strong focus on renewable energy and overall energy security, which the Government is bringing into focus.

Moving to slide number six, I will give a brief overview of automotive sector performance. Almost all the automotive segments have performed exceedingly well. As you can see, the two- and three-wheelers have also grown phenomenally. Close to 3 million were produced in the month of September alone, consistently demonstrating the growth of the two- and three-wheeler business in India. Fortunately, with the festival season split between October and November, some of the strongest growth months are yet to come.

Passenger vehicles have obviously been one of the strongest performers, with year-to-date growth of almost 17%-18%, once again registering all-time-high production levels in the passenger vehicle segment.

Interestingly, commercial vehicles have also registered very strong growth of 21%, continuing to grow month after month. Commercial vehicles have always been a cyclical business, and I believe we have seen the peaks of the business. However, we will have to wait and watch how it develops in 2027. For the moment, commercial vehicles have also registered fairly strong growth this year compared to last year.

Tractors have been performing as expected. Although we have been hearing about somewhat muted monsoons, we still have to track and watch what will happen to tractors in the next 3 months. So far, however, tractors have registered year-to-date growth of 18% over last year, as you can see in the bar chart.

With that, I move to slide number eight, where I will discuss the business performance. Against this backdrop, with all the volatility and uncertainty in the market and the challenges in the export market, we were able to generate revenue of 3,005 crores in the third quarter. This represented growth of 27.4% over the same quarter last year and 12.1% growth over the preceding quarter.

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Almost all the business segments were able to deliver double-digit growth for us in the quarter. This resulted in an EBITDA margin of 18.7% in the quarter, compared to 19.1% in the preceding quarter. The margins came under pressure due to increased input costs as a result of the volatility in the market, as well as the West Asia crisis, which is [trails off]

Management: impacted the energy cost and fuel prices, along with some cascading impacts on downstream operations as well. As a result, our margins came under some pressure, and hence, you see a marginal drop from 19.1% to 18.7%.

Profit after tax also came under some pressure, at 12.3% in the quarter compared to 12.6% in the preceding quarter, having been impacted by increases in working capital, some of which were planned and some of which were somewhat unplanned. We had inventory build-up planned in our e-mobility sector, along with some challenges in price recoveries from our customers due to inflationary increases. This remains work in progress for us. There is also the issue of accounts receivable, which we are still working to address in this quarter and the coming quarter.

Obviously, this had an impact on free cash flow as well. We generated only 41 crores of free cash flow, which was a significantly lower percentage compared to the preceding quarter. However, this is something we are focused on, and we intend to recover the free cash flow position in the coming quarter and deliver in line with our expectations.

The good news is that our capex framework remains strong. In fact, we had the highest capex spending in the third quarter, which I will discuss shortly.

Let me move to slide number nine. What has kept us growing, and what is driving the revenue growth you see, is our strong pipeline of new business wins. We continue to focus on winning new business with our existing customers, as well as acquiring new customers.

As a result, as you can see, in the automotive technologies space, we secured a significant amount of business in the engine application portfolio, such as lash adjusters, HLA, RFE, roller tappets, and so on. We also had some strong business wins in the clutch portfolio for automotive applications, particularly passenger vehicles, as well as in some of the rocker arm assemblies that go into the engine. We have therefore had significant business wins, which ensure that we continue to grow our top line going forward as well.

In the aftermarket, or vehicle lifetime solutions, we also secured new business in front-end auxiliary drives, timing kits, and the bearings portfolio. There has been significant growth in lubricants, which continues. We have also increased our focus on the INA portfolio of products that we are bringing into the aftermarket space. This is also resulting in portfolio expansion in vehicle lifetime solutions.

Talking about the industrial division, the bearings and industrial solutions business has consistently focused on increasing and securing market share in several portfolios: cylindrical roller bearings, needle roller bearings, and ball bearings in particular. This applies whether it is in the automotive segment or in high-value solutions such as actuators and bottom roller bearings in the industrial automation sector, or even in the railway sector with our TAROL and TRB portfolios of products. We have had some significant business wins.

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All of this together secures the pipeline to consistently increase our net revenue growth, and that is how you see us delivering consistent double-digit growth.

With that, I now move to slide number 11. If one were to look at the total revenue generated from our operations, as you can see, 2,055 crores came in during the third quarter, representing clear growth of 12.1% over the preceding quarter and year-on-year growth of 27.4%.

This revenue was split among the businesses in which we operate. The automotive sector grew by 17.3% over the preceding quarter and by 34%-35% over the same quarter last year. The aftermarket vehicle lifetime solutions business grew by 2% over the preceding quarter and also delivered 22% growth over Q3 of 2025. Bearings and industrial solutions delivered 10.2% growth over the preceding quarter and, as you can see here, 14.7% growth over the same period last year. Our export business, which we refer to as intercompany, delivered growth of 12.7% over the preceding quarter and 46.3% over the same period last year.

What has this growth done to the mix of our portfolio? As you can see in the pie chart on the right, automotive technologies continues to account for about 37% of revenue. Bearings and industrial solutions come a close second at 35%, followed by exports, which have increased from 15% in the last quarter to 17%. Vehicle lifetime solutions account for about 11% of total revenue.

With all this, we continue, as a motion technology company, to maintain an interesting balance in our portfolio mix. This enables us to manage the vagaries of the market environment in which we operate, and this balance helps us navigate much more strongly in spite of all the headwinds we encounter.

With that, I move to slide number 12, discussing earnings quality. What you see here is the EBITDA performance. As I already shared, EBITDA was 362 crores in the quarter, representing a clear 9.4% improvement over the preceding quarter and an 18% improvement over the same period last year. I would say this was a reasonably good performance in spite of the challenging market environment and the headwinds we have been facing.

If one were to look at the split of where this EBITDA came from, gross margin improvement contributed about 192 crores during the quarter. This was primarily due to efforts to recover some of the inflationary input cost increases that had occurred, and we have been successful in recovering them. Is this all? No, it is not. This remains work in progress, and we are still working to recover the entire increase that has occurred.

On the other hand, we had employee cost increases of approximately 44 crores, along with some other income issues amounting to approximately 62 crores.

That said, we have been able to sustain and hold on to our profit after tax. Although there has been a decline of a decimal percentage point over the preceding quarter from a level of 12.6, profit after tax came down to 12.3 in the quarter, bringing in about 253 crores. That is still a double-digit improvement over the preceding quarter. Year-on-year, as you can see, the improvement is close to 21%.

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Therefore, from a summary perspective, earnings quality was marginally impacted, mainly due to input cost increases, predominantly from fuel prices and, of course, foreign currency exchange rates as well.

With that, I move to slide 13. What you see is an increase in working capital, which has risen, and as a percentage of sales has increased to almost 19%. The reason for this is that we had some planned increases because of our localization projects and because we had to continue servicing our customers. This is something we want to bring back under control as soon as possible, and there is a clear focus on addressing the increase in working capital. We will work on this going forward.

Free cash flow, which I mentioned at the beginning of my presentation, is an area where we still have to do considerably more work. In this quarter, Q4, our task is clearly defined: to focus on working capital management and free cash flow recovery.

Regarding capex, as you can clearly see, we invested 182 crores in the third quarter alone. This complemented the overall performance, which was somewhat muted in the first two quarters, and our commitment to invest for Schaeffler's future growth in India remains on track.

Let me move to slide number 14, which provides the overall indicators. As I already mentioned, we delivered 27.4% year-on-year growth and 12.4% quarter-on-quarter growth, with an EBITDA margin of 17.7%, an EBIT margin of 15.7%, profit after tax of 253 crores, capex invested of 182 crores, and free cash flow of 41 crores in the quarter.

For the nine-month period, what you see is 21.4% growth over last year, with an EBITDA margin of 19% and an EBIT margin of 16.8%. We still delivered a strong profit after tax margin of 12.5%. Our capex stands at 357 crores for the nine-month period to date, with free cash flow of 274 crores.

Moving to slide number 15, this slide provides the split for the subsidiary company, KRSV Innovative Auto Solutions Private Limited, which generated revenue of 83.7 crores in the quarter, with negative EBITDA of -17.6% and EBIT of -19.4%. At the consolidated level for Schaeffler India Ltd., revenue was 2,089 crores in the quarter, with EBITDA of 17.7% and EBIT of 14.6%, as you can see here.

With that, I come to my last slide, slide number 16. Our focus remains on generating value for all our stakeholders, and we continue to deliver double-digit year-on-year growth momentum across both our domestic and export businesses.

We did face some challenges, and margin recovery remains work in progress. We are clearly focused on recovering the situation in this quarter, fundamentally as a result of the West Asia crisis. I have already explained that some of the working capital increase was planned, while some of it has now occurred due to challenges in our sourcing options. We are addressing this, and we should also bring this back on track in this quarter. As always, we remain committed to delivering the results that we have committed to our stakeholders.

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

Management: We can begin with our question-and-answer session, please. Nandini?

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Operator: Yes. 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 touch-tone 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. All participants are requested to limit their questions to the performance for the quarter and nine months ended September 2026. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Krupashankar from Avendus. Please go ahead.

Krupashankar – Avendus: Good morning, and thank you for the opportunity. My first question is on gross margin. It was mentioned in the previous calls as well that certain price hikes would be taken in the second half. I wanted to get a sense of what percentage of cumulative cost inflation has been recovered so far and what measures have been taken for further recovery in the fourth quarter. That is my first question.

Management: Thank you for your question, Krupashankar. Gross margin is impacted largely because of input prices, that is, raw material prices. As a percentage of quarterly sales, it is approximately 1.1%, and 50% of it has already been recovered, while 50% is currently under negotiation with several customers. Historically, we have been able to recover approximately 80%-85% of such price increases, and we are very confident that the sales teams will succeed this time as well.

Krupashankar – Avendus: Understood. The second question was on the inventory build-up. I did hear that you mentioned the inventory build-up was due to an unplanned element in the e-mobility business. I wanted to explore that further and check whether it was due to customer schedule cuts or any program delays. Any comments on that, sir?

Management: No, it is actually the other way around. It is because of an unbudgeted increase in demand for e-mobility. We had not planned for such a sharp increase in Q3 and Q4, but it has occurred now. We have to build up inventories for Q4, and it is very likely that these inventories will be sold out. By December, we will see that correction.

Management: Also, our input and component-level inputs have been affected by the logistical challenges we are facing because of the West Asia situation. We felt it was wise to shore up our stocks and inventory because the market is very bullish here, and it was important for us to keep our operations running. Our plants are operating at full capacity utilization levels. We have been able to sustain that only because of a little bit of [trails off]

Management: Inventory on—

Management: —brakes on the inventory that we have.

Krupashankar – Avendus: Understood. My last question is on the industrial, bearings and industrial solutions segment. It is good to see that we are back to double-digit growth. Given that in the previous call you mentioned there was a large industrial order, I wanted to check whether shipping for that order has started. In addition, industrial automation has been discussed extensively over the last year or so. How large is industrial automation within bearings and industrial solutions today?

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Regarding the actuators that are manufactured, are they made locally or are they largely imported?

Management: Good question, Krupashankar. Industrial automation is a very important sector for us. Globally, Schaeffler has a very strong portfolio there, and we can gain more share in that particular sector. India is definitely also one of the hottest markets.

To answer the first part of your question, the industrial automation sector for us in India is currently just about 3% of the total. It is not a very large sector. However, we see the potential to grow this sector, and one of the challenges we have faced is that we currently import the product portfolio.

The reason is that the market also needs to provide us with the economies of scale required for us to invest in full production lines, which we have not done. However, this is clearly being built into our strategy as we determine how to become more competitive in the industrial automation sector, which predominantly comprises the machine tool industry, the robotics industry, and the humanoid industry. This is very much on our radar.

At present, the bearing portfolio is offered through local manufacturing. However, when you talk about actuators, whether rotary actuators or linear actuators, we continue to import them. That is clearly a potential opportunity for us to strategize on going forward.

Krupashankar – Avendus: Got it. Regarding the large industrial order, have we started shipping the portion that we announced in the second-quarter results?

Management: Can you enlighten us on which large industrial order you are referring to?

Krupashankar – Avendus: Sorry. Last quarter, we mentioned that we had won a large order in the bearings and industrial solutions business. I wanted to understand whether we have already started supplying it or whether supply is expected to begin from the next quarter.

Management: Are you referring to exports?

Krupashankar – Avendus: Is this for exports, or—

Management: The business wins, I think.

Management: The business wins that I showed, and which I show every quarter, are for the domestic Indian market. We have surely started shipping those because we have clear time frames. I would not put this in the public domain if we had not secured clearance and if the SOP had not started. Correct?

What you also see on the export side is strong traction and demand. Particularly in Q3, exports increased to 17% of our total revenue. We are fulfilling that as well. These were the two main things we commented on in the last quarter.

Krupashankar – Avendus: Understood. I have more questions, so I will get back in the queue. Thank you.

Management: Thank you.

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

Harshit Patel – Equirus Securities: Thank you very much for the opportunity. My first question is on exports. They have grown about 46% year-on-year, well ahead of the 15%-20% momentum we had indicated in the past. Could you help us split this between rupee depreciation, genuine volume growth, and the new geographical allocations we may have received from the parent? Please provide some sense of how this will develop in the near future.

Management: Give me a minute. I will open the relevant file.

[pause]

If we look at how the development has taken place, Europe continues to lead in the order book, and almost 45% of exports are to Europe. Next in line is Asia Pacific, with 35%. The rest is China and the Americas. Therefore, a large portion is Europe and Asia Pacific.

We have seen a good order book coming from Europe and Asia Pacific, and we are able to fulfill it with the capacities available, mainly on the bearings side. Most of the exports are on the bearings side.

Harshit Patel – Equirus Securities: Understood, ma'am. Just a small follow-up. Do you think this quarterly run rate of more than 500 crores is sustainable? Can we consider this a new baseline for our exports?

Management: No, that is not how it works. We receive quarterly order books and fulfill them because there is a 90-day frozen period. The Q4 that we are looking at would be slightly lower than that, unless some surprise occurs. At this point, however, we would not say that this is an ongoing level. It is not a permanent situation.

Harshit Patel – Equirus Securities: Understood, ma'am.

Management: Based on the 90-day frozen period, we assess the order book.

Harshit Patel – Equirus Securities: Understood. My second question is on bearings and industrial solutions. This segment grew about 15% year-on-year and 10% sequentially. It is a clear step-up from the growth we used to post over the previous several quarters. I think this is also in line with your aspiration for double-digit industrial growth. Could you help us understand which end markets drove this particular pick-up, especially wind after the contract renegotiations you mentioned two quarters ago? How was the performance of railways? Is this kind of double-digit growth sustainable going into next year, that is, 2027? Thank you, that would be my last question.

Management: If we look at quarter-on-quarter growth, the areas that grew were mainly two-wheelers, raw materials, wind, and distribution. These four areas had growth momentum that was well above double-digit, which ultimately led to overall growth of—

Management: Actually, if you look at the industrial sector, railways is still largely tender-based. Therefore, it depends on which quarter the tenders come in. You will see ups and downs within the

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railway sector quarter-over-quarter.

However, what we have seen is very strong traction in the core industrial sectors, namely metals, steel, cement, and all the metal industries. Wind energy delivered phenomenal growth, obviously depending again on demand for wind equipment from the European and US markets, because 85% of the wind equipment produced in the country is exported out of the country. For us, however, that is only a deemed export.

When one looks at industrial distribution, which is the industrial aftermarket, we have also seen very strong double-digit growth there, clearly indicating that the core industrial sectors have performed very well.

Harshit Patel – Equirus Securities: Understood, sir. Thank you very much for answering my questions, and all the best.

Operator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora – Axis Mutual Fund: Good morning, sir. Thank you for taking my question. Regarding the export business that Harshit was asking about, can you state some of the drivers of this export pick-up? I will set the context.

When we look at the last year, given the pressure on automotive OEMs in Europe, you would have seen what recently happened with Volvo as well. When we look at the consolidation of vendors, and the fact that automotive ancillaries are really struggling, we get a sense from the Indian automotive ancillary industry that Schaeffler India may be receiving a disproportionate amount of business. Could you provide some insight here, because the growth has been sharp and your confidence also looks quite strong on exports, apart from the one point that ma'am mentioned, that you cannot predict whether this will continue. Could you give us a little more sense on that?

Management: Let me clarify first. Predominantly, a large part of our exports, or most of them, are toward the industrial sectors. The portfolio is mainly bearings. Therefore, it is not so much in the automotive sector, because automotive companies always have their own captive operations at the locations where the OEMs produce.

This is mainly going toward industrial sectors operating in Europe, the US, China, and Southeast Asia, which are the four markets to which we export. As Hardevi already answered, our largest market is Europe, which accounts for 45% of our export business. We are seeing traction and demand coming from the European market, and we have started supplying that market as well. We have also seen traction in the Southeast Asian market. That is how we are seeing the growth. It is not in the automotive space, but in the industrial space.

Management: Adding one more point, Nitin, every year Q3 usually sees a spike because the group closes billings around December 20, and our intercompany exports are mainly to group companies. Therefore, Q3 usually has a spike.

Nitin Arora – Axis Mutual Fund: That is why my question was whether you see consolidation of vendors in Europe. My question was not specifically about automotive or industrial. It was a general

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question: is this consolidation happening and providing us with a benefit that can continue? I was asking from that perspective.

Management: We do not have any such indications, at least from our group companies.

Management: None of it.

Nitin Arora – Axis Mutual Fund: Thank you very much, team. That was helpful. Thank you.

Operator: Thank you. The next question is from the line of Varun Jain from Dolat Capital. Please go ahead.

Varun Jain – Dolat Capital: Good morning, sir. I have a couple of questions. Firstly, if I look at your statutory reporting and the segmental EBIT margins, in Q3 CY25 for Mobility, it has gone from 13.1 to 12.2. They have decreased by close to 100 basis points, but in the other segment, it has increased from 21.1 to 22.3. Therefore, is this raw material inflation not affecting the Mobility and other industrial businesses equally?

Management: In the Mobility segment, it is affected, but less than B&IS. The Mobility segment has been able to achieve greater price recovery compared to B&IS. That is why you see this difference.

Operator: Hello? Varun? Hello, Mr. Jain? Mr. Jain, you are not audible. As there is no response, we can move to the next question. The next question is from the line of Laxminarayan from Tunga Investments. Please go ahead.

Laxminarayan – Tunga Investments: Thank you. I have two questions. Given the strong cost inflation across automotive OEMs and in industry in general, you mentioned that there is a margin impact. I want to understand how long it will take to fully flow through to Schaeffler's margins, whether it takes one quarter or more. When you handle these engagements with OEMs, are the price realizations granted retrospectively or prospectively? That is my first question regarding pricing.

The second question is that, if you look at the growth in the bearings division, it has been somewhat moderate. Could you highlight which specific industrial sub-segments or end markets are driving this weakness?

The third question is related to the aftermarket. I want to understand the primary drivers behind the recent pressure in the aftermarket segment. Is it channel destocking, softer demand, or pricing dynamics? There has been softness not just for one quarter, but for a couple of quarters. These are my three questions regarding pricing, the specific weakness in the bearings segment, and the aftermarket. Thank you.

Management: Your first question was on cost inflation recovery and the timing difference. It takes approximately 4-6 months for recovery. In most cases, it has a retrospective effect, and negotiations continue for 4-6 months. Currently, we are still negotiating. Therefore, 80%-85% of the margin erosion you see from inflation will be recovered. I already replied that it is retrospective.

Regarding which sectors within B&IS have grown, if I discuss year-to-date over year-to-date last year, B&IS grew by close to 8%. Our quarterly growth is 10%, but year-to-date growth is 8%. Within

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that, two-wheelers, off-road, power transmission, and railways are the highest gainers.

Laxminarayan – Tunga Investments: In spite of material costs going up, revenues have grown only 8%. This means that, perhaps on a volume basis, there has been some erosion in market share, or you have chosen to exit some segments. Is that a fair assessment of the bearings segment?

Management: No. In the last two quarters, Harsha briefed us about the calibration of wind customers, where there were some demands for price increases. We calibrated only that sector, and we are focusing only where we create value. Otherwise, we let go of the business there.

Laxminarayan – Tunga Investments: Anything related to needle roller bearings, where you have slowed down your—

Management: No, not at all. In needle bearings, we have double-digit growth, almost close to 20%.

Laxminarayan – Tunga Investments: Understood. My last question is on the aftermarket.

Management: In Vehicle Lifetime Solutions, we have seen a double-digit increase if we look at the year-to-date performance. Quarter-on-quarter, there are timing differences, but we believe we will be able to maintain double-digit growth for the full year.

Laxminarayan – Tunga Investments: Understood. Thank you very much. I will come back in the queue.

Operator: Thank you. The next question is from the line of Ashish from Leo Capital. Please go ahead.

Ashish – Leo Capital: Congratulations on a good set of numbers. I have two questions. The first question is about the overall global demand environment for various parts of the bearings business. Is demand likely to continue to be strong over the next few years, and which segment has seen the maximum demand momentum?

Management: As far as our business model is concerned, we supply to intercompany partners and receive 90-120 days of visibility, but not beyond that. Therefore, I will honestly not be able to comment on long-term growth here.

Management: Ashish, we do not deal with external customers. We deal with our own sister plants outside India. We simply book the orders, manufacture them, and supply them. Therefore, it is not easy for us to track which market or which sector is performing well. It is challenging for us to do that.

Ashish – Leo Capital: Based on the orders we have received for the next 90-120 days, which segment is driving this growth?

Management: It is not a segment for us. We look only at the product portfolio because the order comes by product portfolio, not by segment. If it is cylindrical roller bearings, we receive an order for cylindrical roller bearings of a particular size range. We have no visibility on who the end customer is, what the sector is, or what the application is.

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Ashish – Leo Capital: Understood. My second question is how the cost of production compares between the Indian operation and global manufacturing operations in Europe and other parts of the world. Is India meaningfully cost-competitive?

Management: My answer would be yes. [laughs] Otherwise, why would they source from here?

Management: In the past, we have seen that there is at least a 25% cost difference between the cost of production in Europe and the cost of production in India.

Ashish – Leo Capital: Understood. In that case, is this export growth likely to continue over the long term?

Management: I would not call it growth. If there is a strategic move by the group to consider India a competitive market, and at the same time it is also considering Vietnam, Indonesia, and Mexico, it is not as though all the eggs will be put in one basket.

Ashish – Leo Capital: Understood. Thank you, and good luck.

Management: Thank you.

Operator: Thank you. The next question is from the line of Karan from IIFL Capital Services Limited. Please go ahead.

Karan – IIFL Capital Services Limited: Good morning, and thank you very much for the opportunity. My first question is regarding the automotive technology segment. It has been growing very fast, with almost 30%–40% year-on-year growth. Since the GST cut will be in the base from October onward, do we expect this segment to slow down? If so, how much can we expect it to grow, perhaps 10% or 15%?

Management: The market will tell us the speed of growth. BS-VI 2.0 was a kind of kickstarter for the automotive segment, and there is news that it will reach its peak and stabilize there. It is difficult to estimate what percentage that will be. However, based on our discussions with customers, they are quite confident that this will continue well into 2027, at least for some quarters of 2027. That is the indication, but beyond that, we do not have much visibility.

Karan – IIFL Capital Services Limited: Understood, sir. My second question is about the split between passenger vehicles, commercial vehicles, tractors, and two-wheelers. What is the sensitivity for us?

Management: Passenger vehicles are obviously the stronger area for us because of our portfolio on the engine component side, as well as on the transmission, power transmission, and chassis sides.

Commercial vehicles are an area in which we have started to increase our presence. We still have some additional offerings for the commercial vehicle sector that we want to bring to the market.

What is also happening is that, with discussions around BS-VI now moving toward BS-VII, likely by 2029, the entire engine and transmission portfolios will undergo a revamp because emission norms will drive changes. We are gearing up for that as well.

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We are clearly very optimistic and bullish about the way the industry, the passenger vehicle industry, and the commercial vehicle sector are performing. I think our task is clearly defined there.

Karan – IIFL Capital Services Limited: Understood, sir. Lastly, regarding our localization efforts, I believe we are close to 80% and very high in automotive, but slightly lower in the industrial segment. Therefore, this should reflect in a decline in purchases of traded goods as a percentage of revenue, correct? Currently, we are at around 20%–25%. Do we expect this ratio, which is the purchase of traded goods to revenue, to decline in the coming years because of our localization drive?

Management: That is the intention. Traded goods, as anybody would know, are a low-margin business because of high customs duties, freight, and so on. Therefore, yes, the intention is to reach 80% localization. We had earlier set a target of reaching 80% localization, but we have now moved that target to 85%.

Management: If I may add, it is not 25%. We are already at approximately 19%, below 20% of traded business in the quarter. There was a marginal increase compared to the preceding quarter in traded business, but I think we are already at the 20% level.

Karan – IIFL Capital Services Limited: All right. Thank you, and all the best.

Operator: Thank you. The next question is from the line of Rajiv from {? Centrila Infotech ?}. Please go ahead.

Rajiv – {? Centrila Infotech ?}: Can you hear me?

Management: Yes.

Management: Yes.

Rajiv – {? Centrila Infotech ?}: Hi. Congratulations on a good set of numbers, sir. I have two questions. The first is regarding Schaeffler's global acquisition of Vitesco. As you know, Vitesco India is now a separate unlisted subsidiary. Is there any plan to fold that into the listed company in India? From my understanding, they do a lot of power electronics and similar activities, which are very future-oriented businesses. Shareholders here could benefit if it were folded into this company. That is my first question.

The second question is related to the parent's shareholding. There has been some news in the market about the parent reducing its stake from approximately 74%–75% currently to something lower through a share sale. Can you comment on that? Thank you.

Management: First and foremost, there is no plan on the cards at present to merge Vitesco India with Schaeffler India Ltd. There are absolutely no open discussions on that.

As far as the shareholding is concerned, according to the SEBI disclosure, the promoter has planned to reduce its holding to two-thirds, which means it would still retain significant control, at approximately 67%–68%. Therefore, it is only a minor monetization of shares.

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Management: Rajiv, this is like any shareholder who wants to monetize a holding. Since we are the largest shareholder of the company, it is our responsibility to inform the stock exchange. It is a governance matter. We have fulfilled our responsibility. Beyond that, nothing has been discussed, considered, or planned.

Management: They have only expressed the intention to do so.

Management: Again, it is an intention. It is not an action that has been implemented. As a company with a strong focus on governance, we want to keep everything transparent, so we informed the stock exchange. That is all. Coming back to your previous question, I am sorry, what was that?

Management: The Vitesco question.

Management: The Vitesco question. Let me clarify that while, as you said, these are two different companies, that does not mean Schaeffler India Ltd. is not offering the Vitesco portfolio through its business channels. We are already doing that.

What this means is that Vitesco may produce the part, while Schaeffler India Ltd. sells the part. From the customer's perspective, it is one company making the offering, and that company is Schaeffler India Ltd. We will continue on that path.

Rajiv – {? Centrila Infotech ?}: Can I ask why, if Schaeffler India is selling the Vitesco portfolio, we are not folding that company into our company? That would make the most sense because otherwise there is a possibility of two group companies competing with each other. If I am correct, am I reading that correctly, or am I wrong?

Management: You are reading it wrong. You are reading it wrong. At the parent company level, it is already one company. In India, since Schaeffler India Ltd. is the only listed entity outside the parent company, we still have to go through this process.

If you ask me when it will be done or whether it will be done, I have no answers for you today. Rest assured, in terms of the market, the customer, and the business, it is one company, and we offer the portfolio as such.

Management: There is no competition, and—

Management: There is no competition at all.

Management: There is no competition at all, because the products that Schaeffler India Ltd. produces are complementary. I mean, there is no competition. The products are different.

Rajiv – {? Centrila Infotech ?}: Understood. Thank you.

Operator: Thank you. The next question is from the line of Varun Jain from Dolat Capital. Please go ahead.

Varun Jain – Dolat Capital: I think I was cut off previously. I had a question on the segmental margins in the statutory reporting.

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Management: I actually answered it already, but I will repeat it. In Mobility Solutions, the impact of the input price increase is lower than {? B&I, yes ?}. In addition, whatever increase has taken place within Mobility has largely been recovered already. That is why you see this difference.

Varun Jain – Dolat Capital: But the Mobility margins have fallen while the margins of the other segment, which is Industrial, have risen. That would be contrary to what you are suggesting.

Management: There is a sales mix within Mobility Solutions that is playing its part. E-Mobility currently has development costs and other costs that are going into the cost of production. Therefore, there is an adverse sales mix.

Varun Jain – Dolat Capital: When it is adverse, which segments have a higher weighting? What are the lower-margin segments there?

Management: Conventional products always have better margins, while new products that are introduced are always more expensive.

Varun Jain – Dolat Capital: Understood. My next question is on exports. Intercompany exports have been very strong, but is that because of a plant shutdown in Europe, or because production has been reduced at some plant and India is now being used as a sourcing base?

Management: The plants have not been shut down. The group had announced a plan for the relocation of operations to multiple locations, including Mexico, China, Vietnam, and India, and this has occurred over a period of several years.

Whatever capacities are available at each location receive the order book. India receives its fair share based on the availability of capacity after serving the domestic market.

Varun Jain – Dolat Capital: Since this plant relocation is a medium-term process, should export momentum of 25%-35% growth continue for the next couple of years at least?

Management: No. Relocations have not been happening on a large scale in the recent past.

Varun Jain – Dolat Capital: For CY26, the company had guided for 500 crores of capex. I think you will exceed that number this year. Can you tell us the breakup of capex between E-Axle, Shoolagiri Phase 2, Savli wind bearings expansion, and additional railway capacity?

Management: We will surely realize this 500 crores, but the breakup cannot be shared.

Varun Jain – Dolat Capital: Can you provide any guidance on what capex will be like in CY27 and CY28? Will it be higher than this?

Management: I am averaging close to this number.

Varun Jain – Dolat Capital: Can it—

Management: It can be slightly higher, but I cannot put an exact number to it because the budgets are still under preparation.

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Varun Jain – Dolat Capital: That is fine. If you cannot provide the breakup, can you tell us about some commissioning milestones for Shoolagiri Phase 2 and the Savli wind-bearing expansion?

Management: Savli and Shoolagiri will both continue construction of new halls next year as well. That is all I can say.

Varun Jain – Dolat Capital: Understood. That is all from me. Thank you, and all the best.

Management: Yes.

Operator: Thank you. The next question is from the line of Apurva Desai from Kotak Securities. Please go ahead.

Apurva Desai – Kotak Securities: Hello. Hi, team. Congratulations on a good set of numbers. My question is a simple follow-up on the stake sale. I wanted to understand the rationale for selling that 7%-8% stake. Is there a particular rationale behind it, or is it simply a normal stake sale?

Management: At this point, nothing is known other than what we have already intimated to SEBI and the exchanges. We are not aware of the intent at this point. We only know that there is an intention to monetize. We do not even have the exact number of shares or the exact percentage.

Management: [off-mic discussion] {? Or on board approval. ?}

Apurva Desai – Kotak Securities: All right. Thank you very much. I will drop back into the queue.

Operator: Thank you. As that was the last question for today, I now hand the conference over to Ms. Gauri for closing comments.

Gauri: Thank you, everyone. Thank you for joining us today. If you have any further questions, please reach out to me at gauri.kanikar@schaeffler.com. We now conclude this call. Thank you, and have a good rest of the day.

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

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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