

Schaeffler India Limited · Pune · Maharashtra

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001

Company Code: 505790

National Stock Exchange of India Limited

Exchange Plaza, C – 1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai-400051

Company Code: SCHAEFFLER

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcripts of Investors group meeting held on Monday, September 28, 2026.

05/10/2026

Dear Sirs,

With reference to our letter dated September 29, 2026, please find enclosed the transcript of the Investors group meeting held on Monday, September 28, 2026, for your information and records.

Phone: +912068198464

The same is available on the Company's website - Disclosures to Stock Exchanges | Schaeffler India

Kindly take the same on your records.

Thanking you.

Yours faithfully,
For **Schaeffler India Limited**

**ASHISH
TIWARI**

Digitally signed by ASHISH TIWARI
DN: cn=ASHISH TIWARI, c=IN,
o=Personal,
email=ashish.tiwari@schaeffler.com
Date: 2026.10.05 18:18:59 +05'30'

Ashish Tiwari,
General Counsel & Company Secretary

Encl.: As above

Schaeffler India Limited

SCHAEFFLER

“Schaeffler India Limited”

September 28, 2026

SCHAEFFLER INDIA PARTICIPANTS:

**MR. HARSHA KADAM – MANAGING
DIRECTOR AND CHIEF EXECUTIVE
OFFICER**

**MS. HARDEVI VAZIRANI – DIRECTOR –
FINANCE AND CHIEF FINANCIAL
OFFICER**

**MS. GAURI KANIKAR – HEAD, INVESTOR
RELATIONS**

Harsha Kadam: Good afternoon and very warm welcome. Good to see some familiar faces. This is kind of a ritual we have at least once a year. We meet up and so glad to see a lot of faces that I recognize. How do we go with this? It's question and answers?

Gauri Kanikar: I think we can begin with the Q&A, if that's okay?

Harsha Kadam: Yes. I open up the floor.

Questioner: The first question is on exports. We are seeing a sharp increase in exports over the last one year. Now with this geopolitical tensions again starting to shape up, what is the outlook for exports? Because that's what keeps us at INR 350 crores to INR 400 crores at the end of the year. How should we be going forward in geography wise, where are you seeing the spread or the immediate opportunities that we are targeting over the period?

Hardevi Vazirani: Currently on exports, our mix is like 50% is to Europe intercompany partners and 25% is Southeast Asia, and the remaining is China and Americas. So, this is how is the spread and this was very consciously done so as to have a lower impact of geopolitical disturbances. Earlier, we were a lot dependent only on Europe and lately in the last two years, we have developed into other markets.

Schaeffler India Limited is not having, as such, a strategy for exports explicitly. We focus on capacity enhancement for the local market and whatever is the capacity available for exports, we utilize that. If there is a good demand, we leverage, we do 21 shifts, we do some efficiency improvement in the plants, and we cater to whatever demand we have. We have seen good demand from outside India.

We don't say that the same momentum will continue forever, or even we are not focusing that share of business of export will be 25% - 30%. It will remain in this range because the bottom line, that is the denominator, is increasing. The domestic market is growing at 14% to 15% for us, so with this higher base at the local market, we expect that export will continue to be between 15% and 20%.

Questioner: Just a quick follow-up, a bit deeper. You mentioned that exports is not an explicit strategy, but we have heard a lot of other companies talking about Make in India as a platform for exports. Just wanted to understand top-down, what is the thought process and do you want to scale up the exports in the current momentum?

Hardevi Vazirani: Harsha has been talking about it, actually. The companies who have Make in India as a strategy, for example, Harsha was earlier talking about Ford or Stellantis, that they are not making cars, they are making engines and then they are buying from the companies like us, the child parts. For us, that is not export. For them, it is export. For us, it is domestic business. So we have to differentiate. This is what we have been doing with wind for many years, that we sell to the wind turbine manufacturers and then they, onwards they export it.

Schaeffler as a strategy that we export out of India, this was several years back when we had Export Oriented Unit and all of that was there. But we have reached a stage where the group looks at overall where there are highest demands of a specific product, the lines are laid out there, for example, if ball bearing demand is in India, then the line will be laid out here, and from here the export will be made wherever there is a demand. So the strategy of setting up the production line is in the country where there is highest demand. If it is in Vietnam, the line will be in Vietnam. If demand is in India, the line will be in India. Harsha, you can add.

Harsha Kadam:

Also, I would like to add here that our export strategy is a subset of our localization strategy, because over the last years, we have focused largely on localizing what we were importing. So as a result of that, obviously, when we start to invest more in local capacities to feed the local market, correct, and it comes out that we are more competitive, there's nothing to stop us from growing our exports as well, because I am very competitive in the global market.

So hence, if you look at our localization percentage, 3, 4 years back, we were in the range of 60% - 65%, and today we are hovering at about 80%, which means 80% of our need we locally produce is proof enough that our localization strategy is the prevalent strategy. It is important, and with the government also wanting it to happen, and our customers expecting to locally manufacture rather than trade in the products.

So it makes economic and business sense that we do it. Now, as a result of that, of course, export comes our way, we will not say no. In fact, interestingly, when Hardevi was speaking, my mind was on that. We export to China. Can you believe that? We're so competitive. A lot of exports from India, bearings goes back to China today.

Hardevi Vazirani:

13%.

Harsha Kadam:

13% of our export is going to China. Who would believe this? Normally, they say, goods will come from China. No, we are doing it the other way round. So it shows that from a competitiveness point of view, I think we have come of age.

Questioner:

But just like you mentioned that your localizations currently are at 80%. Any particular target where you want to take it? It might be over a period of the next 4 to 5 years.

Harsha Kadam:

Obviously, we are going up, means it's only one direction, keep increasing. We are on that direction. We don't set a target for localization? Localization number is more of an outcome of where we have reached. We set a target for which product, which customer need becomes important and which market sector becomes important, because the customer strategy drives our localization strategy.

The outcome is more the number, localization, which you finally realize, oh, I'm at 80%, very good, I'm on the right track. It's not like I want to get to 80%. But then, I can get to 80% by localizing something which is not making the right strategic sense, right? We have to invest in what makes the right strategic sense.

Case in example, we have started to localize more on the steel sector. The portfolio which we were importing a lot, today we make in India. We have consistently started to localize more on

the wind product applications, correct? Wind is something we have been doing, and we are we will continue to do. We are, in fact, as I speak, we are expanding our buildings there. So that's happening as well.

So, talk about localization on the e-mobility side. We started off by when once we had the first business win on the e-axles, we started to import the e-axles, but then we have to one day or the other start localizing. So we are in the Phase 2 of localization already on the e-axles, which means we have built buildings, we're setting up production lines, so it's happening. So, the customer's strategy defines my localization strategy, not a number. The number is more an outcome.

Hardevi Vazirani: And also export is mainly bearings.

Harsha Kadam: Yes, export is mainly bearings, because automotive customers don't look for an export at all. They have their own supply base wherever they go. However, that is changing. As Hardevi said, Ford and Stellantis are kind of redefining it.

We are seeing it already that Ford is coming back into India, not to make cars, but to leverage the setup they have in Chennai to produce engines and take it back. But then, obviously, the supplier base is from India. So the business model is getting changed even there. I see a transformation there.

Questioner: That's an opportunity.

Harsha Kadam: Yes. That's an opportunity any which way for us. We're already working there.

Questioner: In terms of devoting capacity, is the key criteria would be that there needs to be a strong demand for the product that you are making in India?

Harsha Kadam: Yes. Otherwise, you know, just for export to do it here, the risks are higher. Another war breaks out and then you have a drop in demand, I will have a production line standing idle, no demand in India. So we have been very careful on that front to say, no, because India also must need that product. Then it makes sense. I kind of derisk my strategy. Otherwise, pure export strategy in today's geopolitical environment is far too risky. That's my view.

Questioner: So, the AT part, if you could touch on the growth factor. The content, the EV powertrain part, the market share additional. How do you see that moving ahead? Because the conventional part is anyway growing. In fact, the last number that I saw, it was like almost like 30%plus kind of a growth in AT, automotive technologies.

Harsha Kadam: You are talking about the electric mobility, EV?

Questioner: Automotive technologies, within that, how much is the electronic part?

Harsha Kadam: Okay. So if you see 29% - 30% growth in the automotive space, correct, a lot of it came even on the IC engine part. Okay? I'll come to the e-mobility later, the electric vehicle. But even the

current gasoline engine itself, we have been doing pretty strong growth. Why are we doing? Thanks to GST 2.0, that helped us because the market demand went up.

And clearly, there are new and with BS-VI, more and more products coming in, the demand for new clutch systems and new engine systems, both have come up very strongly. That is one. Two, we also were already in a localization plan for that as well. Because when we started off, we were setting up the lines, we were importing the parts from Germany. Now that the lines have come in, more parts are being made locally. So that in itself is enabling the growth, and that's why you see a strong growth on the automotive side.

Talk about e-mobility. Of course, the base is very small for us, so that's why you would find a 300% good jump in demand, because the main factor obviously being, my customer's product is doing very well in the market. And we have a large stake there, the e-axle, which we talk about, and rightfully, since that took off very well, we have benefited that, and we are riding the wave there. Yes?

Questioner: How far ahead usually in your business you have visibility of orders?

Harsha Kadam: Good, a very good question. What we do is couple of things. There is one which I have to load the plant, a running plant, because capacity is already there. Now I need to make sure that stays loaded. So business acquisition is a continuous activity that runs in the marketplace. And to do that, we have two things. One is the ongoing product itself ongoing production product, we continue to pursue the customers and secure businesses.

The second is a little mid-term. Let's say, one to three years mid-term. Now that's where we look at the new launches which are going to come up three years down the line, correct? Normally, our Tier 1 customers, they start to develop it two to three years or four years in advance. I've seen three years as a traditional. So, we start engaging at that time itself.

Now there again, when we start engaging, you're not sure whether you're going to get the order, correct? So what we do is we track the progress of that project, because there are competitors also vying for the same one. So we measure the probability success rate at different stages of the project. Okay?

So there's a 25% probability success rate, 50%, 75%. So when you're getting to 75%, you're almost sure that you want to get the order. So we kind of always try and track it. We have a visibility, but the probability is progressive there. So there are projects where at 25% itself, we have lost. There are projects we've gone to 75% and then the customer delays to kill the project. We have seen all kinds of things happen.

But it is very important for us, and we keep that, and we have a ratio called book-to-bill ratio. So, which is a metric we use to measure, which confirms, if I continue to keep my book-to-bill ratio above one, above one, that means, I will continue my growth story the way I am growing.

The moment it dips below one, I know I don't have enough new business opportunities, correct, so that my growth may go down over the next two years. Which means we go back to again

secure new businesses with different accounts, so that we come back to that above one. That is one true indicator for us, which we track very closely.

Questioner: And given that this West Asia conflict has been going for a while now, sir, what's been happening at costs? And then there is this tariff, then there is this oil, whole bunch of other things. Has that over the last month or two, has that book-to-bill as you look out, may not be 2 to 3-year-out business, but at least a 6 to 12-month business, has that kind of tapered one way or another, or that's kind of steady as we speak?

Harsha Kadam: I think I have to clarify here. The West Asia crisis is more impacting our industrial side of the export business, because our exports are predominantly bearings. It doesn't impact the automotive at all. Where it impacts the automotive is from a cost, input cost point of view. Because the fuel prices went up, LPG prices went up, so that impact definitely has come in. Rightfully, we have started to go back to the customers to try and recover.

We still have a lot of ground to cover there, so that's happening. From a demand perspective, there's no impact at all, because we don't export anything on the automotive side. In fact, that's why I said the GST 2.0 is more a homegrown story. The government decided to change this last September, and after that you see a strong uptick in demand.

In fact, last month I was reading the first-time car buyers have now come back. The number of people who are the first-time buyers have overshadowed or overtaken the repeat buyers. Unfortunately, that ratio had changed. Last month was the first month it got reported that the first-time buyer has now overtaken the repeat buyer, which is a strong indicator that more and more people want to buy cars now. Which is a strong indicator of the government's step that it took is helping.

Questioner: And that trend is still intact?

Harsha Kadam: That trend is still intact, at least touch wood. For now it is intact.

Questioner: On the commodity pass-through basis, how much you are able to pass on the commodity's cost increases to your customers? With a delay, should we expect that, I mean, how much of pass-through should we think about?

Harsha Kadam: Fundamentally, if you look at it, everything should be passed through. But it's easier said than done. Advantage is on steel, while steel works with price escalations, it works on a very indexed formula. Every Tier 1 has an indexation. We agree on the indexation, it's built into the contracting process. So if steel prices go up, we get compensated.

But the other input costs are negotiable, unless like effects. If I'm importing a lot of parts, child parts, I may be making it here, but my input components are still coming from out, the effects impact will be hurting now with the way INR has depreciated, right? Now that it's very difficult to get a compensation, right?

So it's a mixed bag. With the input fuel cost going up, correct, and it's I have a double whammy. One, because my own input cost went up because of the West Asia, my supplier's input cost

went up, and he has raised the prices as well. I need to recover, the entire value chain now needs to align to it. Yes, some of it, our customers have appreciated and recognized, but some are still work in progress.

Hardevi Vazirani: Historically, usually 70% is recovered.

Harsha Kadam: Acquisition is about 70%.

Hardevi Vazirani: 30% has to be adjusted with our own operational efficiencies, localization, and so on.

Harsha Kadam: We try to manage more on our cost control measures internally. We do that.

Questioner: From a growth sector perspective, Shoolagiri seems to be having a much bigger potential than even the Phase 1 capex that has been rolled out.

Harsha Kadam: Obviously, because that's a greenfield project. We started with one hall, and we started off initially by using that as a feeding line for the existing plant. Now we are moving to a stage, we're going to start assembly of new product. In fact, as I speak, there is one production line that is on the way from Europe that we want to bring here and set it up in the current, and we are also going ahead with the second hall building as well.

Questioner: So this will be part of Phase 2 or is it the Phase 1 3 or 4?

Harsha Kadam: I guess it is spilling over to Phase 2 from Phase 1.

Questioner: Any color on what will that number look like in Phase 2?

Harsha Kadam: I don't have the numbers right now, but certainly it is focused on the passenger vehicle transmission side. Yes. Sorry.

Questioner: Just on the auto visibility point that you shared with us and the factor to try and sort of work with OEMs on their development cycle and try and increase your odds of winning those orders, not on an idiosyncratic basis, but relative to peers, what sort of increases the probability of you sort of grabbing that share? What defines those probabilities sort of going up?

Harsha Kadam: One, straightaway, I would say is the technology differentiation. I think that definitely would play its part, and that's critical today because every Tier 1 would look at what's the differentiation you want, performance, or even the price for that matter, both. A case in example, if I have to quote, is the e-axle that we have brought out.

Our design is very different. It's a coaxial design, meaning it's very compact. The one that goes into the Harrier is a very compact solution. The gearbox and the motor are mated on the same shaft which really makes it compact. Of course, there are other players. My competitor would be offering an off-axis solution, but nothing wrong with its, performance.

But there's a trade-off. It takes more space. I guess the differentiation would definitely be one of the key indicators which the customer would want. Once you're getting into the game where you

have electronics and software is coming in, obviously, the more features you bring in, the more value it can demonstrate, obviously it makes.

Questioner: The technological superiority would be a lot partial that way?

Harsha Kadam: Well, the Indian market the Tier 1, they want the best of technology at the lowest cost, right? So why not?

Questioner: On the industrial side, what would be the growth? Has it improved or was it same here?

Harsha Kadam: I would say there has been a mix there. Some of the sectors are really good, very strong. Obviously based on the back of government policies. Clearly, when they declared that infrastructure is going to be a focused growth area, and the government is rightfully investing in infrastructure growth, all the related industries, we have seen strong traction.

Steel - straightaway - cement, super. Construction equipment has to pick up now. Unfortunately, we saw last year it didn't grow. It was negative, by the way. I was in the bauma conference, and there's a lot of bullishness, by the way, but I guess we'll have to wait another six months to see.

Mining is a sector which has never picked up, but again, that's to do with the policies of the government, because unless they open up leases, it won't happen, right? But there are other sectors. Renewable energy is doing very well, is growing very strong here, wherein wind and solar both come in. Of course, today, we only play the wind.

Solar, we don't have an offering, because we never looked at solar. We do have some offerings, but the product is not right for the Indian market, so we have not launched it. That said, you look at the others, like railways, booming now, doing very well. The good thing is, more than the numbers, the market is transforming there.

The Indian Railways is moving up. You have seen the quality of trains that are coming out. Performance is gone up, reliability is gone up, safety is high. So all these three are becoming strong enablers for us to compete there. The new portfolio of products that we want to bring in now in the railways are definitely going to help us to consolidate and grow further our position.

The same with wind. We have been consistently investing in our increasing the size of the bearings that we offer to the wind, because wind is also graduating from the lower capacity to mid and higher capacities. As they start to go up, the power generation capacities are increasing now. Now we hear a lot about 6-megawatt capacity turbines.

The size of the bearings are increasing, and we are accordingly investing in that as well. So, I would say industrial is good, it's growing, but automotive is growing faster. That's how we see, because the GST 2.0 has favorably impacted the automotive side very strongly. A little on the two-wheelers, of course, did well as well.

Questioner: The Vitesco merger for the Indian entity, where are we on that? What is the hurdle for both these entities not just coming together?

Harsha Kadam: Your guess is as good as mine. I would say, you know, one thing. Yes, there is an integration what you're looking at is, why is it legally not integrated? Rather than that, I would like to see it from the customer's point of view, and there I wish to clarify. From a customer's point of view, we are not kind of, you know, they don't see it as two different companies today.

Why? Because the entire decision-making, the leadership team, is all in the listed company. We are running the business, as such. So, there are enough and enough opportunities where the Vitesco portfolio is also going to the same customers through us.

Meaning, it's not like it is standing alone and we're not getting any advantage out of it. No, there is a business advantage, it's beginning to happen already. Yes, from a structure point of view, you might see it as, oh, it's not integrated. I do acknowledge that point. Now, surely you will get to read it as and when it happens, you will get to read it. It's work in progress.

Hardevi Vazirani: As such, fundamentally, there is no hurdle.

Harsha Kadam: Yes, there is no hurdle, as such.

Hardevi Vazirani: It is that the group has to integrate Vitesco into Schaeffler entities worldwide. And there are a few dozen companies. It is easier to do the private companies, rather than private company into listed company where there is not sufficient space, right? We are already 74.13% Schaeffler holding and only 26% is public. So, if legal integration has to take place, there has to be few steps before that.

Questioner: But no timeline?

Hardevi Vazirani: No timeline as of now.

Questioner: Within Railways, where is the demand coming more? Is it from the newer, you know, product lines like wagons or, you know, passengers, or more replacement? Because Railways also has that steady replacement demand, right?

Harsha Kadam: Yes. So, I think in the Railways, the first thing was the strategic direction which they took to 100% electrify. And which they're almost there. Indian Railways have been by far one of the best in terms of electrification of all the track. What does that mean?

That means your locomotives have moved away from diesel to electric. And I think there that's favoring us. Why? Because the traction motors that go onto these electric locomotives use insulation-coated bearings, and we are one of the few who make it 100% locally. Whereas our peers continue to import a lot of it.

So, the electric locomotives, with the electrification, I think we have benefited well and we continue to grow on that. The second, I think, is an important thing which is I talked about it already. The upgradation in the railway -- Railways, what you see happening with the Vande Bharat.

Speeds going up. And the freight trains, load-carrying going up, both, is enabling us to look at new products portfolios, Yes? Classic is the Class K product for the freight cars. You know, I used to read that they are trying the double-decker container transportation on freight. Now, there's a triple-decker.

I was amazed, how the hell are they going to move three containers on one? So, obviously, the load carrying load on the bearing changes, and the load-carrying capacity shoots up, right? And so, with more and more upgradation, it is only opening more doors for us as well to get into a larger play there.

Talk about the axle boxes, traction motors, you know, gearboxes as well. So, I think Railways is fantastic high growth. And for Schaeffler, it's one of the important growth sectors for us, strategically. We are focused on it.

Hardevi Vazirani: Continues to be around 13% - 14% of our revenue.

Harsha Kadam: It will continue.

Hardevi Vazirani: And double-digit growth, at least, 6 months.

Harsha Kadam: Yes. And by the way, we're also investing in production line capacities, which are on the way. It still has to come in. And we are doing that as well.

Questioner: Is it a secular growth or is it like lumpiness will be always there with the tendering format that you see in Railways?

Harsha Kadam: I guess that will remain. The only good thing that has also changed there is Railways is now kind of, you know, privatized, even that today. With coaches getting built privately, which used to be earlier within them, now. The tendering process, depending on how the expansion happens, will continue. That's not going to change, I think.

Questioner: In the wind part, exports, any have we made any inroads on additional...

Harsha Kadam: See, the first thing is, we do not export anything for Wind from India. Okay? Our Wind customers themselves, all the wind turbine manufacturers and the gearbox manufacturers, 85% of their production they export. It's a large percentage. It's only 15% that India consumes, because India is not a big strong wind power-generating.

India is on solar, by the way. So, in a way, my bearings are already getting exported. 85% is significant, and I almost hold half the market share there as Schaeffler. So, fundamentally, a large volume is going out of India.

Wherever the turbines are there, our products are already there. Yes? So, that way export is there. Directly me exporting bearings, no, it's not happening. That doesn't happen.

Hardevi Vazirani: But inroads you said now, we have produced our 1.6-meter bearing last quarter.

Harsha Kadam: Yes.

Hardevi Vazirani: Which is for 6 megawatt. So, yes, it is a continuous investment. And in Savli, we are also starting to build Hall 3.

Harsha Kadam: So, that's a new investment, new building that we are building in our existing footprint, where we have enough space there. Now, that's the next phase of expansion focused purely on the Wind segment.

Questioner: Sir, how much indirect exposure would have to companies based out of U.S.?

Harsha Kadam: Indirect?

Questioner: Indirect exposure will have to wind companies based out of U.S.?

Harsha Kadam: Based out of U.S.?

Questioner: Yes.

Harsha Kadam: U.S., I think, is very small, if you see. There's only one player, GE.

Questioner: Yes.

Hardevi Vazirani: It's mostly European, right?

Harsha Kadam: For us, the exposure is more to Europe.

Questioner: Okay.

Harsha Kadam: Because all the European brands are here, whether it is the Netherlands-based, Germany-based, or for that matter, Belgium-based. So, all the brands in Europe are in India: Siemens Gamesa, Vestas, Nordex, everybody is here. From U.S., it's only GE. GE is not so big in India as such today.

Questioner: And sir, I wanted some idea on Vitesco, like what parts do we buy from Vitesco India entity or from the Vitesco global entity? Like, for example, the 3 EV, the 3-in-1 e-axle, some part of it we bought from Vitesco, right?

Harsha Kadam: No. Let me clarify. So, the e-axle is entirely a Schaeffler portfolio product, including the power electronics. Because this project was already there, we had the business win even before the Vitesco acquisition happened. Okay?

Questioner: Okay.

Harsha Kadam: Going forward, any new business wins, we now want to offer from the Vitesco portfolio. So, currently, if you see battery management systems, right, what we offer to the electric vehicles, so the design, manufacturing, development has come from Vitesco's side.

Questioner: Okay.

Harsha Kadam: However, we are handling the business, so we continue because the OEMs are with us.

- Questioner:** Sir, entire business in India would be done through Schaeffler, right?
- Harsha Kadam:** Most of it, at least. But there are parts where Vitesco was already supplying, like sensors, some control units. They were already supplying to the passenger vehicles. Those are still continuing. Okay?
- Questioner:** Okay.
- Harsha Kadam:** But again, in a value terms, if you see, the larger part is the system-level plays, e-axle and all that is already with us. So, the idea is that we continue to be the face to the customer.
- Questioner:** That has been the case for Europe.
- Hardevi Vazirani:** Yes.
- Harsha Kadam:** Yes, mostly. There were some historically, it was already there.
- Questioner:** Yes. Exactly.
- Harsha Kadam:** We have not yet switched, customers also not willing to, so we wait. But going forward, a lot of it is coming because all the acquisition part of the business is with us now, right? So, we have to do that business acquisition.
- Of course, we're going to use the technology capability that Vitesco has. The BMS is a classic example, and there are many more. Thermal management we are getting into now, which would require control units, so that's true.
- Questioner:** What would be the difference in portfolio between Vitesco Global and Vitesco India? Or is it similar for both the entities?
- Harsha Kadam:** See, Vitesco's portfolio has electronic parts, correct? A little bit of mechanical is still there, but mostly electronics with software, and also power electronics, okay, which is a large part in any EV, correct? In India, the power electronics part is still not there, in the sense there was no requirement, because EV is not a big market at all today.
- But the capability to design, develop exists already. So, now that's where we are getting into, because the first project that we won was a purely homegrown Schaeffler solution. Because, parallelly, we were also working on developing the same competency in-house, right?
- What Vitesco did is, it accelerated. Now we are even talking about 800-volt. We were never able to talk 800, we were at 400-volt. Now 800 capabilities also, so we can look at commercial vehicles. do we want to get in? That's the opportunity potential in front of us, correct? Because we believe the public transportation system will be getting more and more electrified buses. That's an opportunity for us.
- Questioner:** So in this, batteries and motors, that will not be a part of Vitesco.
- Harsha Kadam:** They do not make batteries. They do not make motors as well.

Questioner: Only the power electric?

Harsha Kadam: Power electronics, the control units and those stuff. Yes. Sensors, they do make a lot of sensors, whether it is the NOx sensor, because of the regulatory norms getting tightened up. Whether it is the knock sensor, which is more two-wheelers driven. There's a knocking action that happens in two-wheeler motorcycles. So there are sensors to sense that, and that we make.

Questioner: And that would be for both EV and non-EV or only EV?

Harsha Kadam: No, those are mainly for non-EV. Non-EV. The knock sensors I talked earlier is for gasoline engine. But that's a lot of sensors with electronics built-in. That is made by the Vitesco side.

Questioner: We see a lot of competition now having a EV segment, recently Bosch announced a JV as well with Tata Auto components. I mean, that essentially means that as it is now, the EV parts for these businesses are not profitable as such compared to ICE. But then, more and more competition will, we do not know, delay the path to profitability. How do you see this as it developed, and how do you pursue this opportunity going forward?

Harsha Kadam: I guess there are different perspectives to what you just said. Profitability in an emerging technology will never happen from day 1 and profitability on an emerging technology portfolio is volume-dependent, clearly. You can put in hundreds of crores, but produce only two parts. Is it profitable? Not at all.

Or you can produce one million parts, now it's, see, so the volume plays a game. Which means there has to be economies of scale in the market. It will take time for it to come, and that is linked to the adoption rate. Currently, as we see, even by the year, today it's less than 5% adoption of electric. Five, less than five. And our research data shows that by the year 2030-31, India will still be only 15% adoption, 15 still a small number.

Why is it so? Obviously, there are a lot of things. There's no clear policy, government policy. Like the West took a decision, it's battery electric vehicles. From gasoline, we move to battery electrics. That did not happen. In India, you also have hybrids coming in. You also have blended fuel, ethanol getting blended.

So it is a very, very interesting mix. What it does is the market gets fragmented, which is already there. Now therein lies the challenge who can play the game economically and financially in this fragmented market, right? Who has the financial bandwidth and stamina to weather it, and see it through, and still make money?

So it's an interesting thing to wait and watch. Would joint ventures help or you go all the way, "I will do it myself." Will that work? I think time will tell. We will have to wait and watch. But yes, it is a challenging market. You see, in the last three years, I have seen hybrid technology growing faster than EV. Hybrid, which was almost zero, is today we are projecting it will be at about 15% of the market by 2031, which is equal to electrics.

Now I was just imagining, if the hybrid did not exist, would the market have embraced EV? Probably yes, probably no. Which means we would have been in the 30% category if the answer

was yes, we would have been in the 30% category, correct? China is at about well over 50%. Europe, Germany is all around 40%, 35% to 40% already.

In the next four years, we would have reached the 30%, but it is not going to happen. Why? Because hybrids have also come in, and hybrids are only enabling more passenger, I mean, more gasoline vehicles, ICE engine to also participate in the growth rate, because the hybrid is riding on the ICE engine, correct? It's kind of extending the mileage of the car.

Now I have a car which will go 20 - 25 kilometres, which used to give me 8 - 10 kilometres. So I would rather buy an ICE than go for a battery. That's India. We have a very complex framework to operate in. But I guess it's all boils down to where are you betting and what stamina do you have going forward.

I think these two will become the determinants. But for us, we are betting on everything. We are in ICE, we are in hybrid, we are in EV, all three. So for us, we have the portfolio, so we want to play the game in all the portfolios. I do not think many of them are able to do that. We will have to see. If hybrid wins, no problem, we are there. We continue to invest there.

And exactly, we might have channelize more investments into hybrids. If EV grows faster, then we channelize our investments more towards that. We will have to do that.

ICE, any which way, we are already investing. I did talk about We are having at least two production lines for the ICE engine application, not just the engine, but the transmission application, on its way to India. It's going to come in more, and we are expanding the factory plant facility for that.

Questioner: The initial import kits could possibly be a little bit higher and will that yield margin pressure on that?

Harsha Kadam: The axle import kits?

Questioner: How much is that content import content over there?

Harsha Kadam: Yes, we do agree on the FX side it could be that.

Hardevi Vazirani: 100% import.

Questioner: Then it's actually risky having that import factor over there.

Hardevi Vazirani: Yes, so it's a low margin compared to ICE, of course, but then unless and until you reach those volumes and localize, you have to take that risk. Otherwise, you are out of the market.

Harsha Kadam: Otherwise, you won't even be there in the game, right? Exactly in line with that, what we are doing is, we started off on our localization journey already. And currently, as I am speaking, we are at Phase 2 of localization, which means we are going to bring the sub-components, right, and assemble it here. To that effect, our production line is getting installed. The Phase 3 is when we start to source the child parts locally, and for that the supplier development is onward.

You must understand it's a new technology. If a large company like Schaeffler is doing it in a very measured manner, correct, localization, our suppliers are much smaller suppliers, right? They would have bigger challenges in terms of getting into new territories like e-axles and so on.

This is where we are now working closely with them, handholding them, Yes, and trying to get them on board, so that they will be ready when we start the Phase 3 localization, when we start to buy the child parts locally, assemble it locally, and give it to the customer here.

The true localization we will be reaching. Yes, we have to go in steps because it's a new and we are all learning in this. It's a new It's not like an existing portfolio we know everything. It's not, no.

Hardevi Vazirani: And it has to reach the economy of scale, right? We have end-of-line testing Phase 1 localized already. This line can test 300,000 pieces, but the demand is only 85,000 pieces, so.

Questioner: At what point do you decide to move to phase 3 now?

Harsha Kadam: Here we work very closely with our customers. The customer must get the confidence that we are doing everything in a controlled way. We have good control because any untoward failures in the field can be very costly for them and then to us. So, we work very closely with our customers, and we get sign-off from them on the process.

Every phase of localization is very closely monitored. Because the customers are holding our hands, we are also confident that, yes, we are doing it. The same way, we are now replicating with our suppliers as well.

Questioner: And on the industrial side, what will be the import content of that?

Harsha Kadam: Import of finished products, currently, I think we're down to about 18 - 20.

Hardevi Vazirani: Bearings, right?

Harsha Kadam: Bearings. Yes.

Hardevi Vazirani: Yes. So, our overall localization is 80%.

Questioner: Yes.

Hardevi Vazirani: And within that, automotive is already at 90%.

Questioner: Correct.

Hardevi Vazirani: Within industrial, we are close to 65% - 70%.

Harsha Kadam: 65% - 70%. Yes, 70%.

Questioner: Localization? So essentially, 40% is the import part?

Harsha Kadam: 30%

Hardevi Vazirani: 35%.

Questioner: So, if the growth vectors are industrial plus the e-axle part, probably fair to say the margin will be a little bit risky to assume?

Harsha Kadam: Why do you say that?

Questioner: About the FX part

Harsha Kadam: Currently, you mean?

Questioner: Yes.

Harsha Kadam: Yes. But, there again the localization on the industrial side is also going in a big way, right? Secondly, there again the same challenge comes up for us. We want to localize, but the volumes are not there in the Indian market. That's because what is the industrial growth in the country? Single digit. Automotive is double, it's growing fast. So it has its own challenges as such, unless the industrial sector grows faster. So, we are ready to invest, we have been investing. The appropriate volumes also have to be there.

Wind is a classic case. The large diameter bearings, the 6 megawatts we're talking about, still the numbers are not there. So, for me to manufacture one or two pieces a month, it doesn't make economical sense. So, we import it. Until the size becomes large, then we will localize it. We do that as well. So that's why localization is always done in a phased manner.

Hardevi Vazirani: And based on YTD June performance, we will cross INR10,000 crores. And this kind of business can absorb cost of capital of new products easily.

Questioner: Okay. The Schaeffler parent entity, we talk about humanoids - is there any kind of research being done by the India entity?

Harsha Kadam: I will answer your question, but let me ask a question. How many industries would use a humanoid in India today?

Questioner: Not today.

Harsha Kadam: Same here. So, it's like the same with EV, right? What's the adoption rate? One has to look at that. Country, the largest population in the world, and where social cause would become a big subject. So rightfully, it's a touchy area, sensitive subject, right? But that apart, do we have the competence, first thing? And I can confidently say that is, yes, as Schaeffler, we do have the competence abroad.

How do I say that? Fundamentally, when you look at the portfolio we have being a motion technology company, eight product families clearly split into. There is one product family which is where we have actuation systems, correct? We make rotary actuation units, which are electromechanical in nature.

A humanoid has a lot of joints. Obviously, every joint needs an actuation system. Actuation system within themselves need bearings. We make that as well. So, we make the actuation system as well.

If you talk about a humanoid walking, you need linear actuators. We make linear actuators. We have that under our portfolio. To top all of this, obviously, a humanoid has sensors, because a lot of sensors are required because it needs to sense what it is doing and what is happening around. Both visual, optical sensors and touch sensors, so we make sensors. Vitesco has that portfolio already.

There is an onboard battery on a humanoid, so you need a battery management system there. We make that for cars. It's only a question of replicating it for a humanoid, so capability exists. Then you need a brain to control the humanoid, power electronics. So that also is in our portfolio. So for us, it was a natural progression into humanoids. Okay?

Yes. When will it come in India? I don't know. It depends on the ecosystem. Why EV is so slow? Infrastructure, EV charging infrastructure still not there. In Germany, every 20 kilometers, you have a charging port, every 20 kilometers. You can stop your car and charge. India, 200 kilometers, you will have to think twice. I don't know whether it is there. So, it's a big challenge on the infrastructure.

I guess the same would happen on the infrastructure side for the humanoids as well. And there, I think the biggest subject would be, the first question, with all the noise that happens in the Parliament, the biggest noise would be people losing jobs. So, up-skilling is required, because the same people now, we expect them to be doing something different, right? Because they are not going to stand and do, the humanoids are taking over. So, it's a subject in itself.

And in my opinion, can India develop for the world? Probably yes, because we have big engineering centers coming from the Vitesco and our own Schaeffler homegrown, both are here in India. And, can they be leveraged to design, develop? Yes, of course. Correct?

Will we produce? May not be, unless it becomes an export strategy clearly. We will be talking about it proudly if and when that happens. Yes, but today, we don't see that happening. Will there be enough volumes globally? We don't know. Which countries will be the early adopters, we'll see. Probably it could be Korea is already adopting a lot of robos and humanoids. Japan has done it. I think the adoption rate of robotics itself is high there, unlike in this part of the world.

I've not seen so much still in Europe. But if it comes, I'm sure India too will follow suit, but in a very measured way, like it's happening on the EV space. So, in my opinion, there's still some time to go. But the good thing is, as a company, global company, we have that because of our clear focus on motion technology. Wherever there is motion, we have an offering.

Questioner: So the group e-mobility is at loss, not by and large?

Hardevi Vazirani: Yes.

- Harsha Kadam:** Well, any new emerging business will always start like that. It's not like from Day 1 you'll ever make...
- Questioner:** No. I thought, maybe in India, possibly there could be some sort of a transfer pricing because an attractive market, is there such an export angle that could be?
- Harsha Kadam:** Export?
- Hardevi Vazirani:** No, no, no, the automotive, manufacturers don't import from...
- Harsha Kadam:** See, automotive OEMs, they never import anything from outside. That's why when Hardevi was saying, our localization content in automotive space is well above 95%. Why? Because that's how the Tier 1s work. The Tier 1s want a supply base around. Correct?
- Except what we are now noticing is a small shift we are seeing in there as well. With the likes of Ford and Stellantis coming in, they're not going to make cars here or they're going to make engines and transmission systems and ship it back. Ford is going to do that.
- So, clearly, the supply base is here, but the end customer and the car vehicle is in U.S. So, even the automotive industry is also now redefining a bit. I'm seeing it happen already. So, we'll have to wait and watch how this shapes out.
- Questioner:** In the spherical and cylindrical bearings space - are we seeing any price pressures because of competition?
- Hardevi Vazirani:** So far we have not done any price.
- Harsha Kadam:** Not that we have experienced any challenges there. Yes. What we are seeing is more need for more localization there. That definitely is there, particularly the large size cylindricals. Correct? We are seeing a lot of it happening, and I think that is still an opportunity for us to further localize more and more. I would say it's more positive there. Done?
- Hardevi Vazirani:** Yes.
- Harsha Kadam:** Thank you all. Thank you once again.
- Hardevi Vazirani:** Thank you so much.

(This document has been edited to improve readability)

Registered Office:

15th Floor, ASTP (Amar Sadanand Tech Park),
Baner, Pune – 411045, Maharashtra

Contact Details:

Investorsupport.IN@schaeffler.com

Website:

<http://www.schaeffler.co.in/>

CIN: L29130PN1962PLC204515