

Q1FY13 Post Result Conference Call Transcript**Representative:**

Mr. V.C. Sehgal – Chairman, Samvardhana Motherson Group and Vice Chairman, Motherson Sumi Systems Limited

Mr. Laksh Vaaman Sehgal, Director, MSSL & CEO, Samvardhana Motherson Reflectec

Mr. Pankaj K. Mital – COO, Motherson Sumi Systems Limited

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Moderator

Ladies and gentlemen, good day and welcome to the Motherson Sumi Systems Q1 FY `13 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participants' lines will be in a listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" followed by "0" on your touchtone phone. I would now like to handover the conference to Mr. Surjit Arora from Prabhudas Lilladher. Thank you and over to you sir.

Mr. Surjit Arora – Prabhudas Lilladher

Good evening everyone. I welcome you all for this Post Results Conference Call of Motherson Sumi. We have with us the whole management team of Motherson Sumi represented by Mr. V. C. Sehgal, Chairman, Samvardhana Motherson Group & Vice Chairman, Motherson Sumi Systems Limited. Mr. Laksh Vaman Sehgal, Director, Motherson Sumi & CEO, SMR, Mr. Pankaj Mittal, the Chief Operating Officer and Mr. G. N. Gauba, the CFO at Motherson Sumi. Now I will request Mr. Gauba to give opening comments and then we can move on to the Q&A session. Over to you sir.

Mr. G. N. Gauba – CFO, Motherson Sumi

Good afternoon, thank you very much for the introduction. We would like to welcome all the participants for Earnings Call and wish everyone Happy Janmashtami. We in Delhi are celebrating Happy Janmashtami, birth of Lord Krishna so thanks a lot for taking time off on this day. First of all we would like to mention that we had seen the Q1 posting robust growth both in the domestic market and customers outside of India. Our sales have grown by 176% on a consolidated basis Year on Year for the quarter. And if we exclude SMP which is consolidated in this quarter, the consolidated sales have grown by 32%. On a standalone basis, the sales have grown by 41%, the domestic sales both consolidated and standalone basis have grown more than 35%. We have been consistently following the accounting policy of marking MTM exchange loss on the long term loans as charged to P&L Account.

On account of this we have booked roughly Rs. 175 crores during the quarter as an exchange loss. On an operating performance, we are pleased to inform that SMP has posted positive PBT; day 1 it has being posting positive EBITDA. And in this Q1 in the current financial year which is the second quarter since we have takenover, the company has posted positive PBT even after accounting for the interest on the acquisition debt. As I mentioned on a consistent and conservative basis, the debt which is guaranteed by both MSSL and SMFL on the sale taken in SPV while the interest is already taken care by the PBT, positive reported by SMP. We have booked a unrealized MTM exchange loss of Rs. 112 crores. At the same time our customers continue to have confidence and they

have given us the orders for the new programmes which are to be launched 2-3 years down the line. So our pipeline for the future is fully packed.

SMP in this quarter has received orders for €1.3 billion for which SOP, Start Of Production will come in 2014-15. SMR, the mirror business continue to get orders each year and in the last 15 months they have got orders for more than €1.35 billion which again will start from 2014-15. We have seen robust growth in SMR number in this quarter as well. As we have been expanding in the polymer business and we have takenover SMP, the business in India has also been awarded with new business for which we have acquired land at Gujarat. And wiring harness business continues to go global so we are in the process of setting up plants at Thailand and Mexico.

These are the main highlights and we would like to request Mr. Sehgal to add few points on the same.

Mr. V. C. Sehgal - Chairman, Samvardhana Motherson Group & Vice Chairman, Motherson Sumi Systems Limited

Once again Happy Janmashtami and also welcome to the Post Results Conference. I think what is very encouraging from our side is the fact that the efforts that we as a team have put in SMR, in SMP, in MSSL and all the companies related, it is showing positive growth inspite of all the tough conditions which are there everywhere, the customer is reposing more and more trust on us. We are very enthused and we are very very excited and we are sure that we will try and do better and better coming up ahead. I think SMP, definitely needs to be commended that they have taken a very strong effort to control their cost. And without really changing anything much, we have been able to focus on the cost and bring about more financial discipline inside the company. And that itself is showing good results. As you know just 1% improvement in EBITDA in SMP gives you approximately Rs. 125 crores on the bottomline. So we are focusing a lot of that, infact most of us spent a lot of time all round the world with company and make it sure that they do better.

I think Gauba has already covered everything else so hand it back to you for questions and answers if any.

Mr. Surjit Arora – Prabhudas Lilladher

Yeah. Coordinator, can we have the question and answer session please?

Moderator

Sure sir.

We will now begin with the question and answer session. Anyone who wishes to ask a question may press “*” and “1” on their touchtone phone. Participants are requested to use handsets while asking a question. Anyone who has a question at this time you may press “*” and “1”.

We have the first question from the line of Ms. Ruchi Vora from UBS. Please go ahead.

Ms. Ruchi Vora - UBS

Hi. Good evening. My first question is on the ROCE improvement across businesses. Could you give us some colour in terms of specific steps that we are taking to improve ROCE at the Peguform, SMR and the standalone business?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

I think Ruchi ROCE improvement is a continuous endeavour in Motherhood and we as a Group always tell you that by the end of 2014-15, as of now during this 5 Year Plan, we have an endeavour that we are going to take the ROCE to 40% or thereabouts. So obviously every company has its own set targets and we go about doing that. The market demands of us that we be very flexible and be with the market. So we are looking at all the facets of business and whenever we find any weakness or any opportunity to improve the ROCE, we are not leaving that. So that's exactly what's happening. And infact a lot of the companies, so it has 5 months specially in SMP to explain to them how the ROCE this thing work and how we calculate it and what happens. And I am very pleased for SMP, SMR, MSSL, everybody is pitching in and making sure that we come very close to our target of 40% ROCE by 2014-15 on a 10 billion target.

Ms. Ruchi Vora - UBS

Thank you sir and how is the scale up of SMR's new capacities going on. Can you give some colour?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

Vaman, you want to address that but I can tell you that we had posted a phenomenal year last year. For just a quick reminder that when we tookover the company for approximately €540 million, last year we closed at 880, almost €900 million. And this year if you extrapolate the numbers you can see that we would cross a billion plus euros. But Vaman you can give a bit on the Chinese and Hungarian, I think we will be interested in Hungarian thing more.

Mr. Laksh Vaman Sehgal - Director, Motherhood Sumi & CEO, SMR

Yeah, like dad said the plants are using more capacities now, the Hungary new plant as he said has actually in the last quarter done about 21 million, if I am right on that Vipin? And it will continue to grow. We are still in the prototypes and just starting production from the new plants so that will see more ramp ups going into Q3 and Q4. Already we are finding that other new plants are coming to good utilization as you can see from the bottomline, these are now starting to absorb those cost that we had in last few quarters and this will continue to improve. On the Chinese side as well we are building a new plant that we said last time in Langfang that is under construction so no sale has come out of that yet. But sales are also coming out of the Brazil plant, last month already started more sales coming out of that. So you will see as Q3 and Q4, these plants would take more and more and most of the new capacities will start to get utilized.

Mr. G. N. Gauba – CFO, Motherhood Sumi

Vaman, when you say Q3 and Q4, you mean of the calendar year, isn't it or do you mean of the financial year?

Mr. Laksh Vaman Sehgal - Director, Motherhood Sumi & CEO, SMR

For our financial year so by the end of this year, Hungary plant 2 will be doing. By March 2013, you will see a lot more quite close to almost capacity at plant 2.

Ms. Ruchi Vora - UBS

Okay, thank you very much. And my last question is on the revenue front. Sir could you highlight a little bit, I mean given the unfortunate incident in Manesar, how would that impact our performance in Q2. Could you just give us some colour on that?

Mr. V. C. Sehgal - Chairman, Samvardhana Mother's Group & Vice Chairman, Mother's Sumi Systems Limited

See Pankaj will give you more details on that but I just want to touch on one point and that is we have a simple formula which is called 3C X 15, which means no commodity or product, no country and no customer should be more than 15% of our Group turnover. So in that sense I am sure you will understand that one plant of Maruti shutting down would not be, obviously it affects because it is a very important customer but I think Pankaj will probably give you more flavour on that.

Mr. Pankaj Mittal - Chief Operating Office, Mother's Sumi

Good evening. Maruti contributes nearly 7-7.5% of our consolidated turnover so it's a very important customer. So in that sense we can extrapolate that that if that plant is closed for a month and 2 plants of Maruti, 1 plant is still running and ramping up more and more so there will be some impact. But not so much significant in terms of practical numbers.

Ms. Ruchi Vora - UBS

Okay, thank you so much and all the best.

Moderator

Thank you. Just a reminder again anyone who wishes to ask a question you may press “*” and “1”. Also requesting each participant to limit their questions upto 2. For any further questions, kindly come back to the queue again.

We have the next question from the line of Mr. Sanjay Sathpati from Merrill Lynch. Please go ahead.

Mr. Sanjay Sathpati - Merrill Lynch

Hi sir. Congratulations on great set of numbers. My question is relating to this domestic growth of 39% and exports growth of 56% that is achieved during this quarter. We know that you have been delivering such strong numbers which is much higher than the domestic volume growth. And we would like to understand from you little bit more like how to kind of understand this kind of superior growth and how do we see it sustaining going forward?

Mr. V. C. Sehgal - Chairman, Samvardhana Mother's Group & Vice Chairman, Mother's Sumi Systems Limited

I will ask Pankaj to take this question because truly he and his team deserve kudos for such an excellent Q1.

Mr. Pankaj Mittal - Chief Operating Office, Mother's Sumi

Sanjay, thanks for the question. We did better and better in this quarter, as you know that we have been growing faster than the market. This is basically on account of expanding the product line in terms of adding more and more content per car as well as that is true for India. And more and more parts and more and more features getting sold into the market means that our products have more features also, so that's a reflection. Outside India we have been expanding in our growth outside India, which is evident also in terms of setting up of more and more facilities. And it includes sales to SMR as well as our growth into the CV and other segments outside India.

Mr. Sanjay Sathpati - Merrill Lynch

Sir, on the first point if you can give us some more colour in the sense what kind of products, how much market share improvement. If it is possible than the other one, the sales to SMR are Group companies, how much it is in the current quarter vis-à-vis the previous quarter, if you could give us that sense?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherson Group & Vice Chairman, Motherson Sumi Systems Limited

We can give you some colour on that but just to give you an example, as we had stated earlier, when we bring in newer products than these newer products get linked to a model and then over a period of time, more and more cars gets are likely to demand those products. So as I mentioned, it is a mix of also that the cars which are getting sold into a particular segment, more and more cars are getting sold with higher features. So as the vehicles get sold with more and more features, the products become more enriched and they have that much more value as well.

Mr. G. N. Gauba – CFO, Motherson Sumi

That's an important point and also I think you must understand that strategically it is very important to keep, for examples customers like Daimler, the new BharatBenz that is coming up, their exports that is going to Fuso in Japan. So all these particular things are all adding in and covering up wherever they work with how do you say negated either by a strike or whatever. But the whole idea is to keep growing more and more but I think I can give you some more colour. In the SMR side, Kandla alone is about Rs. 16 crores. Kandla, that's one plant which is 100% for SMR, that alone for the quarter is Rs. 16 crores. And as SMR is ramping up all over the world, this sale of wiring harnesses will also keep increasing.

Mr. Sanjay Sathpati - Merrill Lynch

Sir, my last question is on this SMR where we saw a working capital increasing. Can you give like what are the working capital days now and whether it will stabilize around that level that will be last question from my side sir?

Mr. G. N. Gauba – CFO, Motherson Sumi

Mr. Sathpati, just to first correct SMR figure, I mean the sale earlier was only for 2 plants, the entire sale from India to SMR is Rs. 25.6 crores in the last quarter. Sorry about that, first of all I thought I will put the facts correct. Secondly coming back to the question on the increase in the working capital requirement of SMR. And we said it is only account of 2 reasons, we had seen as Vaman just mentioned on the call that the Hungary 2nd Plant contributed sales of €21 million in the last quarter. So each quarter we are saying that new plants are contributing more and more. Similarly we are also now seeing Brazil and Thailand where they are building up the capacity, they are doing the test run everyday. So as a result for the increase in activity, there is an increase in the working capital requirements. Secondly, if you remember when we tookover the company in 2009, for a period of 3 years there were certain terms which were agreed as part of the entire process so that the funding requirement for the Group can be revised. However, since now the company is as strong as any other supplier so the normal payment of supply. This also led to the increase in working capital requirement. And from our side the working capital cycle has now become normalized so the next level is only to improve this working capital cycle. And suppose there is increase in turnover, there is only marginal increase in the working capital.

Mr. Sanjay Sathpati - Merrill Lynch

Okay. Thanks a lot sir and all the best.

Moderator

Thank you.

We have the next question from the line of Mr. Ruchit Mehta from SBI Cap Securities. Please go ahead.

Mr. Ruchit Mehta - SBI Mutual Fund

Hi. This is Ruchit from SBI Mutual Fund. Congrats on the numbers, I just have a couple of questions with regards to SMR. We had very nice and strong uptick in revenues but we did not see the operating leverage come through on the margin front. So could you just elaborate little bit more on that?

Mr. Laksh Vaman Sehgal - Director, Motherson Sumi & CEO, SMR

Okay. Over there we stated that in the last 2 years we were doing necessary investments and improving the plant and also building up new capacities. All these new plants that we have set have just started to produce the products. We talked about Hungary new plant which is also a significant investment that we have made and the product is just coming out of that. I will just say in the next couple of quarters there should be an improving trend but of course at the same time we are looking to grow more as well. So whenever we do get an opportunity to get more orders and support from the customer, like for example, the Langfang expansion in China, we are investing there. So you will see that it's not exactly proportional to the revenue growth but there should be an improving trend as we are going forward because we have done maximum amount of investment in the last 2 years and improving all the plants that we thought when we took it over that were necessary for us to deliver good products to our customer.

Mr. Ruchit Mehta - SBI Mutual Fund

So let me ask, at fiscal 2011 SMR used to do between 6 and 8% margins every quarter with little fluctuations here and there. Ex of the new plants whatever the existing business that's there in SMR, say the Hungary plant, the Brazilian plant. What kind of EBITDA margins is that business delivering? Because of your new capacities obviously depressing your margins, ramp up is ought to happen.

Mr. V. C. Sehgal - Chairman, Samvardhana Motherson Group & Vice Chairman, Motherson Sumi Systems Limited

The continuity of the business has to be maintained so I would like to just say that the EBITDA is something which of course we are tracking for our own this thing. But we work more on ROCE and our job is to give you a 40% ROCE so definitely if you have to increase the sales, you have to increase the plants and between two peaks there is going to be a valley and that's way we are. So it is very difficult for us to continue growing also and continue with ROCE growth also, I think you expect too much out of us, which is a good thing, will put more pressure on us.

Mr. Ruchit Mehta - SBI Mutual Fund

Could we therefore get a idea of what was the split of capital employed between say SMR, SMP and the other businesses? It would be very useful if you give a hang of those numbers.

Mr. G. N. Gauba – CFO, Motherson Sumi

Thanks Ruchit, the Balance Sheet is likely to be uploaded over the weekend or early next week and we have given the capital employed for SMR and SMP in that.

Mr. Ruchit Mehta - SBI Mutual Fund

Great. Just a final thing, on the debt side given the SMR, we have acquired 3 years back, is there any repayment schedule in the current fiscal in terms of large bullet or anything like that?

Mr. G. N. Gauba – CFO, Mother's Sumi

We have given the repayment schedule in the last presentation which is due in the current year. And in the revised new schedule format we have the entire schedules for loans.

Mr. Ruchit Mehta - SBI Mutual Fund

Okay, great. Thank you.

Moderator

Thank you.

We have the next question from the line of Mr. Anurag Randev from PUG Securities. Please go ahead.

Mr. Anurag Randev - PUG Securities Mr. Anurag Randev - PUG Securities

Good afternoon sir. Sir, my question is if you just look at on a sequential performance then we have seen that there is a decline both in domestic business and even the overseas means SMR and SMP. And also the EBITDA margins also have been impacted. So what I want to understand is that how the things are panning out and what are the challenges you are facing with respect to scaling up the business because we are saying....?

Mr. V. C. Sehgal - Chairman, Samvardhana Mother's Group & Vice Chairman, Mother's Sumi Systems Limited

I think you are comparing Q4 to Q1? Is that what you are doing?

Mr. Anurag Randev - PUG Securities

Yeah, yeah, so from Q4...

Mr. V. C. Sehgal - Chairman, Samvardhana Mother's Group & Vice Chairman, Mother's Sumi Systems Limited

Everybody knows that Q4 is Q4 and Q1 is Q1 and when you compare Q1 with Q1 last year then you tell me whether you would like to still maintain the question. Because Q4 is always the stage where almost everything is coming in finality. So you can't leave the bar there and say look buddy you better cross this one. We will cross it in next Q4 which I can assure you, we will cross in the next Q4.

Mr. Anurag Randev - PUG Securities

But what I want to understand is that are we facing the demand pressures especially when we are talking about that even in Europe, the passenger car market is not doing that well...

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

You know Motherhood very well, it is giving you superior numbers, we are growing at 176% and you are telling me Europe cars are not selling, what I can answer you. Europe is too big A this thing and also in Q4 last year we had Smile which is a new company that is totally been incorporated, everything is there. It is there in the presentation, the key point is that when you say Europe you are talking about a lot of countries. For us our important customers are the German car makers and they constitute almost 75-76% of our total turnover. So where is this thing coming from if you look at Volkswagen numbers, if you look at BMW numbers or the Daimler numbers, I am sure you will withdraw your question because we don't supply to Greece anything, we don't supply to Portugal anything.

And it is very difficult for us to keep repeating the same thing again and again that we are having our factories in Europe but our customers are the German car makers, I don't know how I should explain that to you. And they are doing phenomenally well and you must have seen the Volkswagen's last 6 months numbers, they are around the world. They have done some €95 billion as topline and bottomline if I am not wrong it is something like 10% or 11%. So my friend, we are not supplying so much to other car makers as we are supplying to the German car makers.

Mr. Anurag Randev - PUG Securities

Okay. And sir on our domestic operations, what kind of growth are we seeing, in wire harness in which we have increased the capacities and how the things are panning out on that front?

Mr. G. N. Gauba – CFO, Motherhood Sumi

The growth in all the products is almost in the similar way we have reported on the standalone component in domestic business also.

Mr. Pankaj Mittal - Chief Operating Office, Motherhood Sumi

It is about 31%.

Mr. Anurag Randev - PUG Securities

Yeah in wire harness, have we even added some more customers on the domestic front...?

Mr. Pankaj Mittal - Chief Operating Office, Motherhood Sumi

Basically as you know we have expanded our capacities to take care of our customer's geographic locations so that we are close to them and we can meet their expanded requirements because our customers have been expanding. And also wire harness is a product which also depends on the specifications of the vehicles. So as there are vehicles which are available in the market are also growing in terms of the features that they contain so that also means expansion for us.

Mr. Anurag Randev - PUG Securities

Okay. Thanks a lot sir.



Mr. Pankaj Mittal - Chief Operating Office, Motherson Sumi

Thank you so much.

Moderator

Thank you. A reminder to all participants again, anyone who has a question at this time you may press “*” and “1”.

We have the next question from the line of Mr. Sahil Sheth from Enam Securities. Please go ahead.

Mr. Chirag - Enam Securities

This is Chirag here. Thank you for the opportunity. Sir my question pertains to SMR. If I look at debt in SMR it has been continuously going up. And even at consolidated levels, the debt seems to be moving up and it seems to be beyond the comfort zone. If I look at debt to EBITDA it would be round about 2x right now. Can you share your thought process over there, how and when we can look at debt reduction? It seems that you are achieving, doing very well at the growth level but at the EBITDA and cash flow level it seems that still there is some time away.

Mr. Laksh Vaman Sehgal - Director, Motherson Sumi & CEO, SMR

I can take that question. I think as stated before it has been some time that we have come back to normal working capital. And all the investments and all the plants and everything have been done. So I think this is probably the maximum we will reach, maybe a little bit more up from here but in the next few years our target is to get this down as much as possible and achieve that 40% ROCE. So it has taken us 3 years but we have made significant investments in the plants and we have now come back to all the normal working capital conditions with all the car customers. So I really don't see any big investments in new plants or anything coming up. So you should see a downward decline.

Mr. V. C. Sehgal - Chairman, Samvardhana Motherson Group & Vice Chairman, Motherson Sumi Systems Limited

And Chirag, the thing is that the health of the company has come to a situation where the company is no more monitored by the car makers. And to have that particular thing it is important to follow the agreement that we had done with them in 2009. In March this agreement finished, we completed the 3 years, we are totally free on every aspect of this particular company. And hence we have to go back onto the payment terms which are normal payment terms of these people to all their good vendors. So they have given us the benefit for the last few years, we are very grateful to them but between all of us, we believe that we should stand on our own feet, we should not only be sitting, requesting give me a better, give me a better one or something like that...

Mr. G. N. Gauba – CFO, Motherson Sumi

And to add to that Pawan your question on consolidated debt, the consolidated debt if you see the increment that incremental debt, it is actually less than the increase which is coming because of booking of MTM loss. And in the debt at a higher euro rate compared to 31st March. So we have been extra, governance that we are reporting at each component level but on a consolidated compared to 31st March, the debt level is applying the same exchange rate has actually come down.

Mr. Chirag - Enam Securities

Okay. Fair enough sir. Sir, another question was in the presentation you have indicated or you mentioned also that you have won orders worth €1.3 billion both in SMR as well as Peguform. This would be over and above that BMW orders that you had when you acquired SMR?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

Yes, I don't think it is €1.3 billion, if you put both of them together it is €2.65 billion, that's about Rs. 15,000 crores over its lifetime.

Mr. Chirag - Enam Securities

Life cycle, yeah.

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

Life cycle, just from first 6 months we have already picked up these orders. On an average, almost about 60% of them are brand new orders, 40% are old orders which new models are coming in the same platform so there are facelift replacement of that. So definitely, almost about Rs. 9,000 crores worth of orders in SMR and SMP are covered first time and that's very very good news for us because these are at much higher EBITDAs and that's how Motherhood reports and that's how Motherhood gets the order. And I am very grateful to my customers because they have understood the need to help us to make this company strong so that they themselves become strong.

Mr. Chirag - Enam Securities

And BMW order that we had....

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

That is already there in the old one.

Mr. Chirag - Enam Securities

That has started flowing in the P&L, right?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

Yeah, of course.

Mr. Chirag - Enam Securities

And the Hungary plant revenues that we are getting, largely meets that order, that is the right way of looking at it?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

Yes and just to advise you that all the BMW 3 Series that are being sold are totally our mirrors, super gloss, high gloss finish mirrors, even though they are coming to India are Hungary mirrors.

Mr. Chirag - Enam Securities

That's good news. And one last question if I can take, in the domestic market your topline seems to be extremely robust. Is there a big product mix that has happened over there and as a result of which your margins are supposed to be seeming to be lower after we adjust for the forex losses or gains, YOY basis? Is there a big product mix that has happened in the domestic market?

Mr. G. N. Gauba – CFO, Motherson Sumi

You are looking at it on Q1 to Q1 basis?

Mr. Chirag - Enam Securities

Yeah, YOY basis.

Mr. G. N. Gauba – CFO, Motherson Sumi

Year On Year basis, it has gone up from 14 to 16%.

Mr. Chirag - Enam Securities

Yeah, it has gone up but what I wanted to highlight is there a big product mix shift that has happened on YOY basis, wiring harness has gone up for something like that which has resulted in sharp jump in margins?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherson Group & Vice Chairman, Motherson Sumi Systems Limited

There are certain shifts that are taking place but generally if you look at it, my this thing, my team has always been that there is always going to be a shift for the people who are buying smaller cars, don't want to buy the smaller cars and they want to buy atleast 2-3 levels / rung higher car. So that is increasing the orders, A+, B+, C segment, D segment, in all these segment orders is going up. And Pankaj tried to explain that point to you that once the same harness has more features, the cost of the same harness goes up and hence the margins.

Mr. Chirag - Enam Securities

Fair enough.

Mr. G. N. Gauba – CFO, Motherson Sumi

And also Chirag, exports constitute a larger portion.

Mr. Chirag - Enam Securities

Yeah fair enough but exports will be again of wiring harness, largely would be wiring harness?

Mr. G. N. Gauba – CFO, Motherson Sumi

Wiring harness.

Mr. Chirag - Enam Securities

Largely would be wiring harness?

Mr. G. N. Gauba – CFO, Mother's Sumi

Yes.

Mr. Chirag - Enam Securities

Thank you very much.

Moderator

Thank you.

We have the next question from the line of Mr. Dhiman Shah from Principal India. Please go ahead.

Mr. Dhiman Shah - Principal India

Hello. Sir, as of now do you think as you rightly pointed out let's say Volkswagen has been doing tremendously well. In the geographies abroad, I mean I am just saying ex-India; can you just give us descending order of your customer importance? I mean it would be Volkswagen, BMW and rest of the pack; would that be fair to assume?

Mr. V. C. Sehgal - Chairman, Samvardhana Mother's Group & Vice Chairman, Mother's Sumi Systems Limited

On a Group level...?

Mr. Dhiman Shah - Principal India

Yeah, on a Group level basis.

Mr. V. C. Sehgal - Chairman, Samvardhana Mother's Group & Vice Chairman, Mother's Sumi Systems Limited

On a Group level it would be definitely the Volkswagen Group which is higher and then we would have what is called the Hyundai Group. As I said this is on SMFL level and not on MSSL level. And on that basis third would be definitely Ford and of course we would have Maruti and Ford almost similar. We would then have Daimler coming in and of course BMW and Daimler would be similar. So something like that but they keep changing every quarter, we hope everybody sells everything but that's the kind of thing.

Mr. Dhiman Shah - Principal India

And currency also..?

Mr. G. N. Gauba – CFO, Mother's Sumi

In the current year also maybe different. What is important for us is that the customer profile is fairly distributed.



Mr. Dhimant Shah - Principal India

Hello.

Mr. G. N. Gauba – CFO, Motherhood Sumi

Yeah.

Mr. Dhimant Shah - Principal India

The last part I did not quite get it.

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

The customer profile is distributed. So even the Volkswagen Group is not just Volkswagen, its Volkswagen, its Audi, its Porsche, its Skoda,. And then also we are supplying to Ducati so all these things formulate Volkswagen for us.

Mr. Dhimant Shah - Principal India

And at a consolidated level, what would be the broad mix of the broader categories. I mean let's say the wiring harness would be still 1/3rd and 1/3rd would be elastomer....?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

It is going to be in our Annual Report where definitely modules, cockpits and bumpers are going to be the biggest part of our business, almost about half. And I think mirrors should be somewhere around 25-30%, wiring harness would be about 20%.

Mr. Dhimant Shah - Principal India

And one last question, sir. Do you think Peguform will head be stated margins in the current year, next year, when do you think that...?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

We are not here to think sir, we are here to do, we will make it happen so that's how our logo is "Together we make it happen", we will make it happen.

Mr. Dhimant Shah - Principal India

There is no doubt on whether you will not make it....?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

Then how can you expect us to predict the future. Depending on the future, yes definitely we will. We are working everyday as we have to get numbers as quickly as possible. Infact Motherhood Sumi Systems in its Annual Report 2010 said that they will do 5 billion in the year 2014-15. With God's grace I think we will probably cross 5 billion this year itself sir. ROCE we still have 2.5 years more to go.

Mr. Dhimant Shah - Principal India

Fair point sir. I will just come back in the queue.

Moderator

Thank you.

We have the next question from the line of Mr. Chetan Vora from Alfa Accurate Advisors. Please go ahead.

Mr. Chetan Vora - Alfa Accurate Advisors

Sir, my questions have been answered. Thank you.

Moderator

Thank you. A reminder to all participants again, anyone who has a question you may press “*” and “1”.

We have the next question from the line of Mr. Dishant Tandon from B&K Securities. Please go ahead.

Mr. Dishant Tandon - B&K Securities

Very good evening sir. I have one query regarding Peguform; our depreciation for this quarter has gone up substantially. And moreover our interest has come down as compared to Q4 FY `12 and our debt has been like at same level as it was during Q4.

Mr. V. C. Sehgal - Chairman, Samvardhana Mother's Group & Vice Chairman, Mother's Sumi Systems Limited

How was the cash, has the cash gone up or gone down?

Mr. Dishant Tandon - B&K Securities

The cash has gone up sir, no doubt.

Mr. V. C. Sehgal - Chairman, Samvardhana Mother's Group & Vice Chairman, Mother's Sumi Systems Limited

Depreciation is going up because there is investment taking place, I mean we are not sort of starving the company of CAPEX or something. And the interest on these particular things in Q4 and Q1 is very difficult to compare. I think Gauba will try to answer your question.

Mr. G. N. Gauba – CFO, Mother's Sumi

There are underlying operating companies within Peguform which has brought down the borrowings as Mr. Sehgal was emphasizing that there has been an increase in cash. So I mean whatever the number is coming here straight from the books. Just in Q3 or Q4 when we had taken the debt there was some period of refinancing of the debt. So both debt stood for some period, I mean these are accounting figures. So there is a reduction which is there.

Mr. Dishant Tandon - B&K Securities

Okay sir. And moreover could you please share like content per car for domestic wiring harness business, earlier it used to be somewhere around 3-4%?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

We never said that, I don't know that is your imagination.

Mr. Dishant Tandon - B&K Securities

So what would be content per car sir, probably something around...?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

That's a very difficult question to answer because there are over 7000 models, which car are you talking about and which model of that car are you talking about then we can tell you what's the percentages are in approximate terms. There is no generalization like that that takes place because what we are trying to explain that the cars may look the same but actually they have many features inside it. As the feature is there inside this increases the wiring harness cost, the same thing happens to the mirror. For example if you want hand adjusted mirror or do you want motorized mirror. So the mirror may look the same to you but actually the cost would be like 2 times, 3 times different.

Mr. Dishant Tandon - B&K Securities

Thank you so much sir.

Moderator

Thank you.

We have the next question from the line of Mr. Amit Nigam from BNP Paribas. Please go ahead.

Mr. Amit Nigam - BNP Paribas

Hi. I just had one question. In SMP which is the Peguform business of yours, this quarter we have seen a normalized EBITDA of 4.2%. So going ahead, I know quarterly it is very difficult for anybody to protect margins but would that be a number which can be protected going ahead?

Mr. V. C. Sehgal - Chairman, Samvardhana Motherhood Group & Vice Chairman, Motherhood Sumi Systems Limited

Running companies is like climbing a mountain. You make a base and you try to go higher. God forbid but sometimes things can go wrong but by and large we have no intentions to go down, we will try to improve. But the future is we know it as good as you know it so from our side we will do our best but God forbid something happens I can't be held responsible for that. But I think one particular thing is that this is the quarter where all the holidays take place and also one of our major customers is going through a tough time. So we are working very hard to look up all these things but obviously it is holiday thing in Europe. I hope people will not compare Q1 with Q2.

Mr. Amit Nigam - BNP Paribas

No absolutely. What I wanted to understand is that 4.2% is like this is additional and there is no one-off cost items which are not there and therefore we have got 4.2%.

Mr. G. N. Gauba – CFO, Motherson Sumi

There is no one-off...

Mr. Amit Nigam - BNP Paribas

Alright. Fine. I am good, thanks.

Moderator

Thank you. Anyone who has a question at this time you may press “*” and “1”. Participants who wishes to ask a question you may press “*” and “1”.

Mr. Surjit Arora – Prabhudas Lilladher

Sir, just one question from my side. What is the CAPEX guidance at Peguform as well as on the standalone business for let's say next 2 years.

Mr. G. N. Gauba – CFO, Motherson Sumi

We had given guidance for 2012-13 so for 2012-13 we anticipate that the total CAPEX is in the range of Rs. 700-800 crores and within India we are spending about Rs. 250 crores. SMR will spend about €35-40 million and Peguform from €50-55 million depending upon where the currency you can have the estimates. And this is there in the Annual Report.

Mr. Surjit Arora – Prabhudas Lilladher

Okay. Thank you sir. That's all from my side.

Mr. G. N. Gauba – CFO, Motherson Sumi

Thank you.

Moderator

Thank you. As there are no further questions from the participants I would like to hand the floor back to Mr. Surjit Arora for closing comments. Over to you.

Mr. Surjit Arora – Prabhudas Lilladher

I would like to thank on behalf of PL, the management of Motherson Sumi for taking out time specifically on a holiday. I really appreciate the efforts of the management to give us time and make us understand more easily the results which they have given. And I would like to congratulate them on the results and wish them all the best. Thank you so much Sir for your support.



Mr. V. C. Sehgal - Chairman, Samvardhana Motherson Group & Vice Chairman, Motherson Sumi Systems Limited

Thank you very much. Thank you very much.

Moderator

On behalf of Prabhudas Lilladher Private Limited that concludes this conference call. Thank you for joining us, you may now disconnect your lines. Thank you.

END.

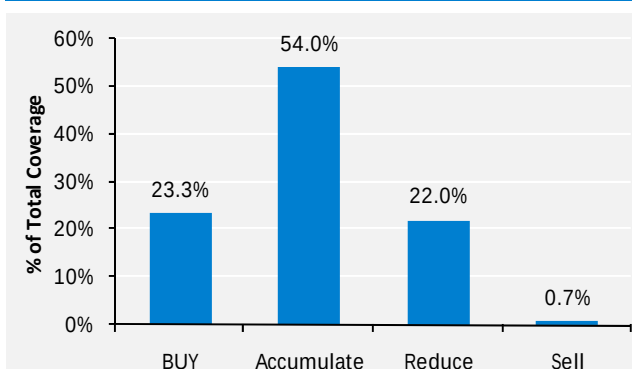


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