SKF

Date: 23rd May 2025

National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot No. C-1, G Block, Bandra- Kurla Complex, Bandra (East), Mumbai – 400051, Maharashtra, India **NSE Scrip Code – SKFINDIA**	**BSE Limited,** Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai – 400001, Maharashtra, India **BSE Scrip Code -500472**

Subject: **Transcript of Analyst/Institutional Investor meeting held on 19th May 2025**

Reference: **Our intimations dated 12th May 2025 and 19th May 2025.**

Pursuant to Clause 15(b)(ii) of Schedule III, Part A, Para A read with Regulation 30 (2), Regulation 30(6)&Regulation 46(2)(oa)of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) ("SEBI LODR") and SEBI Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155 dated 11th November 2024, please find enclosed herewith the transcript of Analyst / Institutional Investor meeting held on Monday, 19th May 2025 at 9:30 a.m. (IST). The same will soon be uploaded on the website of the company for convenience of the shareholders.

We request you to take the above information on record and disseminate the same on your respective websites.

Thanking you,

Yours faithfully,
For SKF India Limited

RANJAN KUMAR

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Ranjan Kumar
Company Secretary & Compliance Officer

"SKF India Limited

Q4 FY 2024, '25 Earnings Conference Call"

May 19, 2025

MANAGEMENT: **MR. MUKUND VASUDEVAN – MANAGING DIRECTOR – SKF INDIA LIMITED**
MR. ASHISH SARAF – CHIEF FINANCIAL OFFICER -- SKF INDIA LIMITED
MR. RANJAN KUMAR – LEGAL DIRECTOR, COMPANY SECRETARY AND COMPLIANCE OFFICER – SKF INDIA LIMITED
MR. ASHISH PRUTHI – HEAD, MARKETING AND COMMUNICATIONS – SKF INDIA LIMITED

Moderator: Ladies and gentlemen, good morning, and welcome to the SKF India Limited Q4 FY 2024, '25 Earnings Conference Call.

For the smooth conduct of the meeting, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. Should you need assistance during the conference call, please press star then zero on your touchtone telephone. As a reminder: This conference is being recorded.

I would now like to hand it over to Ashish Pruthi, Head, Marketing and Communications, from SKF India Limited. Thank you. And over to you, sir.

Ashish Pruthi: Good morning, everyone. Thank you for joining us today. With us, we have SKF India's Managing Director, Mr. Mukund Vasudevan; our CFO, Mr. Ashish Saraf; and our Legal Director, Company Secretary and Compliance Officer, Mr. Ranjan Kumar.

The purpose of today's call is to share an update on our ongoing demerger, our Q4 results and our overall financial year's performance. Before I turn the call over to the management, I would like to remind you that, in this call, some of the remarks contain forward-looking statements which are subject to risks and uncertainties; and actual results may differ materially.

Such statements are based on management beliefs as well as assumptions made by and on the information currently available to the management. The audience is cautioned not to place undue reliance on these forward-looking statements and making any investment decision. The purpose of today's call is to purely educate and bring awareness about the company's fundamental business and the financial quarter under review.

Let me now turn the call over to Mr. Mukund Vasudevan.

Mukund Vasudevan: Thank you, Ashish. This is Mukund Vasudevan. And I will be walking through very briefly the presentation which was shared with each one of you. And if you have not had a chance to look at it: It will mainly be a review of our Q4 and full year results for FY 24 -25.

And I will do this presentation supported by Ashish Saraf, our CFO. And after the 15 minutes, we will go into the Q&A. In the presentation, I will cover a very quick update on the economy, which I think is all of you are well aware of how the economy is doing, but we'll talk about relevant sectors. I will then talk about quarter, the Q4 '25; and then the full year -- FY 24 -25.

We'll also talk very briefly about an update on our demerger, which we have promised to do in each one of our investor calls, as we continue the process on our split of the automotive and industrial business into 2 separate legal entities. And finally, we'll end with Q&A for around 30 minutes.

So let me jump right in and start talking about the -- a very quick update on the macro economy. As all of you know, we are -- the GDP has been strong, 6% plus. We continue to expect that to remain for the next few -- next year at least. So for the full year, it was. And Q4 was around -- just over 6%, with inflation below 4%.

In terms of the sectors, the major sectors, I would say the overall industrial production index came down a bit from third quarter to fourth quarter but nothing significant. It's still hovering around the 4% range. Automotive production for passenger vehicles and commercial vehicles, especially smaller commercial vehicles, grew.

Two-wheelers and three-wheelers came down just a little bit, but again, it's fairly robust. Iron and steel production growth actually came down a bit -- or actually came up a bit, but the capacity, additions actually came down. And then construction actually came down significantly in this quarter. But overall a solid economy.

And we expect the trend to continue, barring any headwinds related to tariffs and other things, other macroeconomics, but for now we expect the economy, especially in the relevant sectors, to continue to be in the 6% to 7% range GDP growth. I will now switch to quarter highlights, and I'll talk through some of the shared pages. I'm now in Page 7 of the shared presentation, and let's talk about Q4 '25.

So it's a mixed bag this quarter. Our sales grew at 1% year-on-year. And this is -- while the quarter seemed a little muted, we would say the right way to look at this is for the full year, where we actually grew fairly well at around 8%. And if you look at where the growth came from -- or the degrowth came from, I'd say, exports came down significantly by almost 13%, related to the macro economy in -- both in Americas and Europe.

But industrial grew at 2%, automotive 1% year-on-year. And that is -- again, while the quarter was a little muted, that is partly related to a very strong Q3. We had very strong Q3, so that was -- it was a natural dip in Q4, but if you look at the full year, it was a really solid 8%-plus growth, which I think is very commendable.

The reason I said this is a mixed bag slightly is that the margin actually grew tremendously. Margin grew from -- so if you look at profit before tax: It grew from 11.9% to 23.3%. Now this is partly related to our cost-saving efforts, our gross margin improvement related to cost-saving efforts, but it's also related to a catch-up on transfer pricing.

If you remember, last quarter, the margin was relatively low compared to historical, 11.9%, but the transfer pricing was being adjusted to manage -- has been adjusted this quarter to ensure that there is a margin in the 16 -- in this range. 16% to 19% range is where we want it to end, and that is where we are ending the full year. There is some impact also, in the margin, of FX, but that is fairly limited. The big -- while the -- the change is in the -- just the catch-up on transfer pricing. So that is on Page 8.

On Page 9. If you look at cash flow and net working capital for the year -- sorry, cash flow for this quarter, you will see that the cash flow is down a bit, the net cash flow. And that's mainly due to a change in net working capital towards the end of the year, more sales, more inventory involved and so the change in net working capital impacted the cash flow, but nothing to worry about. This is a onetime.

If we switch to Page 11, which is around the full year, you'll see that there is really solid growth of around 8%. We grew from almost -- INR4,487 crores to INR4,831 crores, which is excellent, good growth across the segments. Industrial grew very well at 10%; automotive, 6%; and exports a little muted but again economy related, 3%. The mix of our business, as you know, is industrial 52%, automotive 40%. And exports is around 8%. But across the board, good growth for the full year, something which I think the team has done a wonderful job on. The growth has come from across many sectors, and we can talk about that a little more in detail.

If I switch to Page 12, which talks about profitability. The profitability: While in absolute numbers the PBT grew at around 3%, if you look at PBT margin, it actually came down a little bit, by around 0.6 percentage points, again in range of what we were expecting. In the range of just under -- 16% to 19% is where we are expecting. It's broadly in that range.

There's GM expansion, but I think we got impacted a little bit with higher depreciation costs related to investments and also some other expenses related to employee costs. Cash flow, again mainly related to -- cash flow was down from last quarter and from last year, mainly related to the net working capital change.

All right, that is a very quick update on full year and the quarter. And if I were to summarize this, I would say a good full year, 8%, ending of -- in the INR4,830 crores range of sales; profit before tax down just a little bit but broadly in line; cash flow down mainly due to net working capital change in this quarter, but it will -- we expect that to come back strongly by next quarter and next year.

Okay, in terms of the quarter, 1% growth, but that's largely because Q3 was very strong and the sales growth in Q4 tended to be a little muted. Also exports were down significantly, related to global macro economy. And then profit -- but profit before tax was really up, related to strong operational performance but also related to catch-up on the transfer pricing. So overall, mixed bag in terms of financials.

Let me now quickly switch and talk a little bit about the demerger. And this will be a brief update on what we have spoken about previously. We're still continuing on the demerger process. As you remember, the overall -- the reason for the demerger is we are creating 2 fit-for-purpose independent company, which will accelerate both growth and profitability in both companies. Both companies have different macros -- or both these businesses have different macros, have different customer needs and have a distinct manufacturing focus, so I will say that the logic for the demerger is largely related to that.

And the way we are doing this demerger is we are creating 2 independent entities which will have better management focus, independent management focus, better value proposition for the customers; will create innovation specifically for automotive and specifically for industrial. Increased agility and responsiveness, increased manufacturing efficiency.

The 2 entities will have different kind of manufacturing philosophy, 1 more batch processing, large batch processing; 1 more shorter cycle times, shorter cycles, smaller batches but more innovative products. Tailored capital deployment, which is very important also between the 2 entities; and finally, just more visibility for the -- our investors, all of you, to be able to see the performance of the 2 entities independently. So that's the logic of the demerger.

The quick update and -- we wanted to give you was, as we are continuing to do the split, we have more clarity now in the manufacturing plants. So we're looking at Page 16 now. And what we see there is that the manufacturing entities which will -- manufacturing plants which will go to automotive are Haridwar, which will fully go to automotive. Bangalore, almost 80% to 85% will go to automotive.

A few channels will move to industrial, to a different plant. Pune, a part of the plant will go to automotive. A part of it will go to industrial. So that's the split. And Pune: So there will actually be a new factory setup for just industrial, next to the current automotive one. So that's the plan broadly in terms of split of our manufacturing facilities.

In terms of process, where we are right now. That's we're -- I'm in Page 17 of the presentation. We are broadly on track. Q2, which is this -- of calendar year '25, which is now, we have filed with the NCLT. We're waiting for the final approval. And then we'll take it to shareholders, and we'll have a creditor meeting also. So broadly on track to finish the listing by Q4 calendar year of this year or Q3 calendar year 25-26, okay. So that's the broad update on the demerger.

I hope -- at this point, I'd like to hand it back to the moderator for Q&A.

Moderator: Thank you very much. Our first question comes from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Solid margin performance. And thanks for the detailed presentation. Sir, firstly, can you, I mean, share demand outlook for next year across the key segments? And just on the demerger side, if possible to share, for FY '25, how were the numbers for the EBITDA margins and the PAT for the auto and the industrial segments?

Mukund Vasudevan: Okay, I'll let Ashish Saraf, our CFO, answer the second part of the question, right, which is the EBITDA and PAT for the 2 entities, but I will just answer one piece of that, that going forward with the 2 entities, we expect to see continued improvements in both EBITDA, PBT, yes; as well as higher growth with the demerged entities. That's the medium- to long-term aspiration we have and our expectation also.

The first part of the question, in terms of different segments and the growth, I would say that we are -- I'll tell you what we are seeing right now. And I think this trend will continue for some time. Let me start with automotive.

Automotive is seeing some fairly strong growth in commercial vehicles, especially smaller commercial vehicles, driven partly by the e-commerce and the quick delivery. So a lot of increase in commercial vehicles. We are also seeing good growth in tractors, which is -- which I think will continue. Given the good monsoon we are predicting, I think it will continue.

Also the -- in the passenger vehicles, the larger passenger vehicles, which is the SUV growth, is continuing to increase. And the last piece is the EVs. EV trend is -- EVs is very small still, but it is continuing to grow. And we have a solid presence there. So I would say, automotive, these are the major areas of good growth. In the industrial, I would say we're not expecting a huge amount in steel, in capex investment, but the production should continue, barring any challenges on pricing -- steel prices related to China or anything related to tariffs. But in general I would say flat to slightly up on steel.

In terms of other sectors, I think food and beverage will continue at GDP rates. In terms of wind and renewable, we would say again it's going to continue at the rate it has been. It hasn't been a very good year for wind, but I think next year will be slightly better, maybe a 3% to 4% growth there. And then railways, again, is continuing to do well with some of the build-outs happening both in freight, passenger and in metro. So we see more and more -- the continued presence there.

And especially in passenger and metro, our strength is -- we are very strong. Last one I would say is around if you look at this infrastructure growth and the government spending on infrastructure. That continues to be robust. And so I think we'll see a ripple effect of that also on our industrial side okay? Ashish, do you want to add something on the PBT and EBITDA?

Ashish Saraf: Sure, Mukund. So again, for FY '25, the numbers are still being worked out for the carve-out financials for automotive and industrial. However, we expect the margins to be in line with FY '24. So if you look at FY '24, our EBITDA margins for automotive was around 18%. And industrial was around 17%.

So we kind of expect similar numbers for FY 24-25. And similarly, PBT was in the range of 16% for both the businesses. We are expecting similar margins for FY '25, but the numbers are still under finalization. - we just closed the audit for financial year '25 for the consolidated entity.

Mumuksh Mandlesha: Got it, sir. So is it possible to share the revenue breakup for FY '25, sir?

Ashish Saraf: Between industrial and automotive...

Mumuksh Mandlesha: Yes, yes.

Ashish Saraf: Yes. I thought -- okay, that's already shared as a part of the presentation...

Mumuksh Mandlesha: I mean sub-segments. Like generally we share the two-wheeler, PV, tractor, railway, general machinery, wind. If possible to share, sir?

Ashish Saraf: For FY '25.

Mumuksh Mandlesha: Yes, yes.

Ashish Saraf: Okay. So for FY '25, if you look at -- the overall automotive share was around 40%. And industrial was around 52% and exports was around 8%. And if I talk about the major segments, which is -- two-wheelers, it was 13% out of the total 100%. And the other big one was cars, which was around 5%. And power transmission was also around 5%. On the industrial side, distribution was around 23%. And rail was around 7% and general machinery was around 9%.

Mumuksh Mandlesha: Sir, in automotive aftermarket, how much was...

Moderator: Sorry to interrupt, Mr. Mumuksh Mandlesha. May I request you to...

Ashish Saraf: Yes. Automotive was around -- aftermarket was around 10%.

Moderator: Our next question comes from the line of Harshit Patel from Equirus Securities.

Harshit Patel: So my first question is on the margin front. In the last quarter earnings commentary, when you explained, we were under the impression that those margin -- those gross margin levels were sort of normal levels wherein there was already some adjustment to the transfer pricing of those traded goods.

And we had earned maybe somewhat higher-than-usual margins in FY '23 and FY '24, which was normalized in FY '25, so we are very surprised with the margin performance that we have posted in the fourth quarter of FY '25: why, at all, there is this positive catch-up on the transfer pricing. So if you could explain on that, that will be very helpful.

Ashish Saraf: Yes. So again -- just to correct you, right. So what we said last time was that there was some correction which was made on account of transfer pricing in the previous quarter, but we haven't fully corrected the transfer pricing adjustment. So a significant chunk of the adjustment on account of transfer pricing was done in this quarter, which led to the uplift in the overall margins for the financial year.

If you look at the overall margins for current financial year or if you look at the overall EBITDA, right, the overall EBITDA for the current financial year is around 17.5%, whereas last year was around 18.1%, right? And the slight dip is predominantly on account of the price increases and the portfolio pruning that we were able to do in financial year '24, whereas in '25 is the -- most of the growth was driven on account of volume growth, right? Hope that clarifies.

Harshit Patel: Yes, sure, sir. So just a follow-up to that. So now all the transfer pricing adjustment or the catch-up, that is completed. Or...

Ashish Saraf: For the financial year, it's completed, yes. For the financial year, it's completed.

Harshit Patel: Understood, perfect, sir. And sir, my second question is on the capex. While you have highlighted which all plants would go to the automotive entity and which all plants would go to the industrial one, including the new greenfield plant near Pune -- so what will be the broad capex for both these new companies for the next couple of financial years? That will be my last question.

Ashish Saraf: Yes. So what we said in the presentation is that we would be setting up a new plant in the Pune location, all right, for the industrial legal entity. And we expect -- our current capex is in the range of around INR130 crores. We expect the capex to double at least in the next 2 to 3 years.

Moderator: Our next question comes from the line of Viraj from SiMPL.

Viraj: First, just a clarification. You said the capex rate to double over next 2 to 3 years, so around 250 crores to 270 crores is what we'll be looking to spend for next 2, 3 years. Am I right?

Ashish Saraf: That's right.

Viraj: And how would that change the localization or the content, especially in the industrial business?

Ashish Saraf: Yes. So if you look at industrial, we are currently localized at around 30% plus. At an ISEA level, we are localized 50% plus. And in the long term, we want to be localized close to 70% at an ISEA level, right? So that's how we kind of expect the overall localization to go up.

Viraj: Okay. And second question is...

Mukund Vasudevan: And if I may add -- sorry. If I may just add. This is Mukund. If I may just add that part of the capacity expansion is -- or part of the plant investment, the capex that we are making, is for capacity itself, right, not necessarily localization. As the demand is growing, we need capacity. So it's not related completely to localization. Both industrial and automotive also need more capacity, but part of it is also localization.

Viraj: Right. Second question is on the margins. You -- in the press, you commented about margins in the range of 16% to 19%, which is what we are looking at in FY '26. And at the start of the call, you also talked about us having similar margins as FY '24 in auto and industrial in '26. So when you say margin, does that include the operating income -- sorry, other income? Because if I exclude other income, FY '24, we are somewhere close to 15.7% EBITDA margin. So just trying to understand. When we say margin, does that include the other income? Or that is excluding.

Ashish Saraf: So that includes -- so I think what Mukund communicated. 16% to 19% is overall PBT margin including the other income.

Viraj: Okay. And the bump-up in other income which we saw in the current year, was there any one-off in this?

Ashish Saraf: So it's predominantly -- the bump-up in the other income is driven on account of the cash that the company is sitting with, right, that kind of results in higher interest income. Plus we have also income coming from one of our sister companies, right, which will continue till 2029. So that's where you'll see a full year impact of that in the current year.

Viraj: Right. Just one last follow-up. When you say 16% to 19% PBT margin, if I do the "back of the envelope" calculation for operating margin, we would still be around '24 levels on the -- despite the investment and capacity modernization and localization we will be doing in '26 further. So just trying to understand what factors you think can drive the higher end of the margins for you...

Ashish Saraf: So it really depends -- sorry, Mukund. Go ahead, yes.

Mukund Vasudevan: If I may -- sorry. If I may just add one -- a couple of things. One, while we do expect the margins to be broadly in that range, right, there is always efforts we are putting in, in operational efficiency and -- which is cost management but also in terms of portfolio pruning and pricing and things like that. So all that makes a big difference, but the other thing we should mention is that, due to capex investments, which are likely in the next few quarters, right, we would see a slightly higher depreciation.

As we mentioned, we are putting in that, but in spite of that, we are trying to maintain similar margins or grow it beyond. In the long term, the 2 entities -- or medium to long term in the next -- within the next 3 years, we should start seeing some margin expansion on both sides. Ashish, you wanted to add something to that...

Ashish Saraf: No. I think what you clarified is good.

Moderator: Our next question comes from the line of Pramod Amthe from InCred Equities.

Pramod Amthe: Can you be more elaborate on in terms of transfer pricing adjustment? And when you say that this year is settled, what's really happening in that line item?

Ashish Saraf: So again I'll just kind of again explain, right? The transfer pricing adjustment which has happened in the current quarter is driven based on the transfer pricing guidelines and rules which are set by an international body. And we have to follow that for all related party transactions, right? So for any financial year, since these are related party transactions, we have to support a margin which is acceptable to the local tax authorities as well as Swedish tax authorities.

Now when we looked at the financial year '25, our year-to-date transfer pricing margins was trending at a relatively lower end compared to what it should be. And that is where we had to take an adjustment in the current quarter to align the transfer pricing margins for the financial year. And that's where you see a big uptick in the margins for the current quarter to -- but as I said, the overall margins -- which kind of aligns the overall margin in line with what we have seen in the previous years as well.

Pramod Amthe: And that will reflect in the purchased goods line item. Am I right?

Ashish Saraf: That's right. That's right, "purchase of traded goods" line item.

Pramod Amthe: Sure. And this adjustment will keep on happening going forward. Or this year, it's done and adjusted once...

Ashish Saraf: So this year is done. And now it's the start of a new financial year, so we will see how the new year -- how the new -- like how the margins develop in the upcoming year.

Pramod Amthe: Sure. The second one is with regard to the net working capital. So if I had to look at your inventory, it has been rising throughout the year and looks to be more first half loaded as compared to second half. What is really happening? And what gives you confidence -- why it has gone up. And what gives you confidence to bring it down?

Or is it anything to do with the way you are aligning your production for demerger? That's one. Second, I think, if I had to look at -- your receivable days have also gone up drastically. So what is leading it at the end market? Or it's your policy related to the same.

Ashish Saraf: Yes. So if you look at receivables. The receivables are pretty much in-line. It might have gone up by few days recently, but I would say that's pretty much temporary and it should kind of come back to normal levels. Now if you look at inventory, the predominant reasons for inventory is purely the buildup which we have done on the automotive side to support our OEM customers, right, in the subsequent quarters. Plus, since it was the end of the financial year, we were expecting higher demand to come in. And because of that, the inventory has been built up, but we expect that to normalize pretty much in the next 2 quarters.

Pramod Amthe: Sure.

Mukund Vasudevan: So just to add to what Ashish just said: not related to the demerger at all, not at all. So this is purely -- as we mentioned, we do need capacity. We're short of capacity, especially on automotive, so we built up some inventory to satisfy that demand, but also I would believe that on industrial side there were some customers, especially railways, etcetera, where we felt that the orders are going to come in, so we built up some inventory.

We do have orders in hand actually, but those are just -- will be sold, will be invoiced over the next few months. The one other thing I will say is that overall we can get better at inventory. We're continuing to work on that through a more advanced forecasting and S&OP process and looking at how we can tighten our policies to make sure that inventory is managed better. I think that's an area of improvement for us, so it's a good point.

Moderator: Our next question comes from the line of Yash Goenka from Awriga Capital Advisors.

Yash Goenka: Okay. Exports for the year are 390 crores. Can you split it for auto and industrial?

Ashish Saraf: We currently do not split exports into auto and industrial. It's just reported as because we have currently consolidated manufacturing operations, so currently I don't have the split.

Yash Goenka: Okay. And on the transfer pricing, while the adjustment is done for the full year, will we continue to see volatility in the margins? And then you'll normalize it at the end of the year.

Ashish Saraf: So again, internally, we are trying to -- and we are also kind of talking to our auditors to see how we can minimize these volatility, especially on the traded products margins, but what I can tell you is that, in case you see future volatility, it will -- from a financial year perspective, corrected as it has been corrected for this financial year.

Yash Goenka: Okay. And on the capex front, will the large part of capex will -- be for industrial or auto? Because you just said that there is shortage of capacity in auto.

Ashish Saraf: Yes. So there will be investments on the auto side as well, but in terms of -- significant chunk of the investment is industrial, right, because we are setting up a new factory for industrial.

Yash Goenka: Okay. If I just could slip: I think export would largely be auto, if I'm not wrong.

Ashish Saraf: No, not necessarily, because when we...

Mukund Vasudevan: Not –really .

Ashish Saraf: Because when we export, we mostly are -- because we have a lot of common products between industrial and automotive. And when we are exporting these bearings, mostly they are -- or a significant chunk of it is also for industrial as well.

Moderator: Our next question comes from the line of Ravi Purohit from Securities Investment Management Pvt. Ltd.

Ravi Purohit: So this capex that you're putting up in Pune, is it on our existing facility? Or we have bought new land parcels in Pune to set up this new factory for industrial bearings. And second is we also have -- the parent has an unlisted subsidiary which has a fairly significant manufacturing presence in the State of Gujarat. Would it make sense in future to have 2 separate entities both focusing on industrial bearings? Would it not make sense to actually merge the 2 industrial entities into 1? Which will kind of align with what we are trying to do globally also, right?

Mukund Vasudevan: So I can take that. So the first part of the question is, no, we're not getting in -- looking at acquiring any land in Pune. We have land and we have space available. Provided we get all the required approvals, etcetera, we are looking to build that plant in our existing land.

Ravi Purohit: Okay.

Mukund Vasudevan: The second part of the question. You're right. We do have a facility in Ahmedabad, but that is largely for a different kind of -- it is -- you're right. It is industrial, but it's largely for a different kind of bearing, much larger bearings. And it is a global plant. It supplies globally. The intention is for us to supply globally, including India, so we feel that is the best way to kind of keep those separate. At this point, there is no plan to merge the 2 entities.

Ravi Purohit: Okay, okay. And sir, the other thing is if you look at our global parent's presentations with respect to the demerger, right? And they have kind of called out the margins between -- the difference in margins between auto bearings and industrial bearings globally, right? And in that scale and size, the industrial bearings makes about 18% to 20% EBITDA margins, right?

And I think, in the previous call, we had said that our industrial bearing piece is still making about 13%, 14% EBITDA margin. Would it be fair to say, over the next 3 to 4 years as this localization drive kind of takes shape and size for the industrial bearings space, our industrial margins will align with the bearings industrial margins?

Mukund Vasudevan: Ashish, do you want to take that...

Ashish Saraf: Sure, Mukund. So see. Broadly the margins should align, right? We -- because as I said, we are already operating at -- we -- for FY '25, we shared the results in our previous call. And we -- our EBITDA is around 16%- 17% for the industrial business, right? Broadly our margins should come in line with what the group would report.

Yes, we would -- industrial, as of now, our plans is to be around 70% localized, right, in the region, so we will still buy a significant chunk of our products from other SKF companies, right? So to that extent, you will see some impact on the overall margins, but yes, broadly we should be pretty much in the range of 16%- 17%.

Moderator: Our next question comes from the line of Vipul Kumar Shah from Sumangal Investments.

Vipulkumar Shah: So my question is regarding our new facility for industrial's at Pune. So will it largely be an import substitute product, sir?

Mukund Vasudevan: I think it will be a combination. It's not going to be -- as I said, it's the -- part of it is just capacity to meet the existing demand. So what was -- the demand for the kind of bearings which were made in the current Pune -- which are being made in the current Pune facilities, with some small variations, are required both in automotive and industrial. So we're just expanding capacity, but part of it will also be import substitution.

Vipulkumar Shah: And sir, you said capex of 250 crores to 300 crores over next 2 to 3 years, right, cumulative. Or is it for current financial year?

Mukund Vasudevan: We are expecting -- so roughly -- sorry. Go ahead, Ashish.

Ashish Saraf: No. So I was also saying the same. So we are basically saying that we're going to double our current capex. Our current capex is INR130 crores to INR150 crores. We are expecting that to double in the current financial year and continue with that with for -- probably for the next 2 years.

Vipulkumar Shah: So with this increased capex, how much more capacity we are adding in terms of percentage in both segments, if it is possible to quantify.

Ashish Saraf: So I think that details are still being worked out, right, in terms of how much additional capacity. Because as we've said, there is going to be additional infrastructure investment plus new capacity, both for industrial and automotive.

Vipulkumar Shah: And sir, my last question is regarding how would you physically split Pune plant. I mean, is it possible to physically split the Pune plant between both the industrial and automotive?

Mukund Vasudevan: So the idea is not to physically split. It's literally to build a new plant; and then move some specific lines which are more industrial focused to the new plant; and then add on -- as required, add on capacity on both sides.

Moderator: Ladies and gentlemen, since the call duration is of 45 minutes, this will be the last question that we will be taking. Our last question comes from the line of Lakshmi Narayan from Tunga Investment.

Lakshmi Narayan: A couple of questions. Sometime back, I understand, that -- the senior management evaluation had a higher weightage on the operating margins of the Indian entity. My question to you is that how is the senior management evaluated on 3 different vectors? One is revenue growth. One is the margins, and third is exports.

Now when it comes to margins, what margins senior management has evaluated in terms of all these 3 things, which is domestic operating margins, revenue growth and exports? And what is the composition? That is my first question. Second question is that how have we progressed on new business lines in the last 3 years, particularly in the industrial bearings.

And the third is more a number question, which is essentially when I look at the export. What is the mix of exports? Which sectors the exports cater to. These are the 3 questions. Just to recap: How is the senior management evaluated across 3 vectors, growth, margins, exports? Second, how have we progressed on the new business lines in the last 3 years, particularly in the industrial? And third is the mix of exports in terms of different business lines?

Mukund Vasudevan: So I'll take the first one. And if we have time, we'll take the next 2, right? The first one: Yes, we are not separately evaluated on -- all senior management is not separately evaluated on exports. It is evaluated on growth and margin only and not on -- not specifically on exports. I think that is the philosophy of our company and we intend to continue doing that...

Lakshmi Narayan: Sir, when you said margins, this is pre royalty and post royalty. Or what is in margin? Is it PBT or EBITDA?

Mukund Vasudevan: It's operating margin, right, so -- yes. So it's clear.

Lakshmi Narayan: Okay.

Mukund Vasudevan: Yes.

Lakshmi Narayan: Has there been any change in the evaluation in the last 3 years? Or it remained the same what it was earlier.

Mukund Vasudevan: Ashish, you'll have to answer that. I don't think there have been any changes.

Ashish Saraf: None, yes. There hasn't been any change. It's always been sales growth and operating margin.

Mukund Vasudevan: And we can take the second question. And then we'll run out of time probably. So what is the second question? Can you repeat again?

Lakshmi Narayan: And -- yes. In terms of the new business lines the last 3 years, in particular on the industrial side, what are the business lines we have actually got into? Either it could be a segment or it could be a horizontal. I just want to understand that.

Mukund Vasudevan: So I can mention a couple of them which we'll -- got into more aggressively in the recent times. And then we can -- yes. So I think one is in the services business, which is the -- not just the aftermarket sale of bearings but to remote monitoring, remanufacturing, et cetera of bearings; as well as kind of tying it to reliability and uptime to industrial production and customers. So services is a new line of business which involves a lot of sensing and analytics and predictive failure analysis. So that is a new line of business which, while it's existed before, we have got more aggressive at it.

The second is in the -- we have launched some new products for the metals segment which are more competitive and much more efficient than what we had previously. So in the metals segment, where we were primarily gold at flats, we're trying to get better in the long kind of products, especially in steel. And that is in a line of new business which we have launched. I would say that's two -- top of mind are those two right now, in the last 1.5 years at least. I can't talk before that, but in the last 1.5 years...

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. On behalf of SKF India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.