

Operator: Ladies and gentlemen, good day and welcome to SKF India Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Ms. Silvina Pereira, Head Marketing Communication at SKF. Thank you, and over to you, ma'am.

Silvina Pereira – Head Marketing Communication: Good afternoon, everyone. Thank you for joining us today for SKF India Ltd.'s investor call for Q1 FY27. With us, we have Mr. Shailesh Sharma, our Managing Director; our CFO, Mr. Mayank Kholani; our Head Strategy and Business Development, Mr. Girish Kumar; and our Company Secretary and Compliance Officer, Ms. Mayuri Kulkarni.

The purpose of today's call is to share our Q1 results, discuss our performance during the quarter, and answer your questions, if any. Please note that the financial information for the corresponding period of previous years, as reported in the presentation shared, has been extracted from the financial statements of the erstwhile combined entity and may involve some assumptions by management pertaining to the demerged industrial undertaking. These were prepared in accordance with Appendix C of Ind AS 103, Business Combinations, using the financial information maintained by SKF India Ltd.

Before I hand over the call to the management, I would like to remind you that some of the remarks made during this call contain forward-looking statements that are subject to risks and uncertainties, and actual results may differ materially. Such statements are based on management's beliefs, as well as assumptions made by and information currently available to management. The audience is cautioned not to place any undue reliance on these forward-looking statements or make any investment decision based on them. The purpose of today's call is purely to educate and raise awareness about the company's fundamental business and the financial quarter under review. Let me now hand over the call to Mr. Shailesh Sharma. Over to you.

Shailesh Sharma – MD: Thank you, Silvina. Hello, everyone, and welcome to the Q1 FY27 investor call. I'm Shailesh Sharma, Managing Director of SKF India Ltd. Let me start the presentation with the agenda on slide 3. We will first cover key macro indicators, followed by the quarterly results and analysis, and finally some success stories. We will then take your questions.

Moving ahead to the key macro indicators on slide 5, IIP growth over the last couple of quarters has been stable and was 4.8% for Q1 FY27. Manufacturing PMI growth stood at 54.4 for June 26. Automotive production was on an upward trend during the last quarter for two- and three-wheelers; however, passenger and commercial vehicle production declined marginally. Iron and steel production also declined during the quarter.

Now I will talk about the company's results. Please go to slide 7. We are glad to inform our investors that we had strong year-on-year revenue growth during the last quarter, while quarter-on-quarter growth was almost flat. We achieved revenue growth of 27% year-over-year, with INR 5.9 billion in revenue, while quarter-over-quarter growth was negative 1%. EBITDA improved by 7 bps year-over-year, while it improved by 540 bps quarter-on-quarter. Profit before tax was up by 61

Report is AI-generated and may contain inaccuracies.

SKF India

17 August 2026

bps year-over-year, while it was higher by 527 bps quarter-on-quarter, without exceptional items. For a detailed analysis, I would like to hand over to our CFO, Mr. Mayank Kholani, to take us through the detailed financial performance.

Mayank Kholani – CFO: Thank you, Shailesh, and good afternoon, everyone. It's good to be connecting with all of you after another quarter.

Now we move to sales performance on slide 8. We achieved quarterly sales of INR 5.5 billion for Q1 FY27, with year-on-year growth of about 22% and a marginal drop of 0.7% quarter-on-quarter. Over the last couple of quarters, between October and March, we saw very high sales growth following the GST reforms. Year-on-year sales growth was driven by 22% higher volume, while when we look at quarter-on-quarter revenue, volume was lower by 6.3%, while price mix positively impacted sales by 5.6%. To clarify, if you see the note below the slide, these sales figures are purely for products and do not include other operating income items. That is why you see a difference between revenue and sales.

Now moving on to slide 9, in terms of mix, OEM accounted for about 62% of our sales for the quarter, distribution or digital aftermarket was about 20%, exports were 8%, and SKF Industrial was around 10%. That was our sales mix.

Moving to the next slide, slide 10, here you will see our total P&L summary for the quarter. Our gross margin for the quarter was about 1% lower year-on-year, while on a quarter-on-quarter basis it was higher by about 6.5%. This variance in gross margin from the previous year was a composite impact of price, mix, and inflation. We have been able to maintain our margin from last year quite significantly and, rather, improve it at the EBITDA level. EBITDA for the quarter was almost flat, with a 7-bps improvement, while compared with the last quarter it was about 540 bps higher.

As mentioned during the investor call for the last quarter, profitability for Q4 FY26 was impacted by certain one-off factors, including those related to the demerger, and this has now returned to a very normal level in the last quarter. Profit before tax for the quarter was 14.6%, which was around 60 bps higher year-on-year and about 650 bps higher quarter-on-quarter. However, if we exclude the exceptional items in the previous quarter's P&L, profit before tax increased by about 527 bps versus the March quarter.

This brings us to the end of the financial part of the presentation. I will now request Shailesh Sharma to talk about some of our success stories during the quarter. Over to you, Shailesh.

Shailesh Sharma – MD: Thank you, Mayank.

Acquiring new business is always an exciting story, and I'm glad to inform you that we have secured a very good wheel-end business from one of our customers with whom we have been working for the last couple of years. After several audits, we were finally awarded the business by a large passenger vehicle manufacturer that is looking to localize its bearings. SKF went through customer engagement and value-based selling and provided the entire techno-commercial proposal during the program. We secured this business, which will start from Q4 2028, but the nomination was important to secure it now so that we can prepare ourselves.

Report is AI-generated and may contain inaccuracies.

SKF India

17 August 2026

It will definitely benefit SKF because it is a wheel-end offering. This is the very first business that we have won with this customer, which is laying a strong foundation for our long-term engagement. For the customer, it is a win-win because the customer was looking for localized content and SKF is a global supplier, which will eventually benefit SKF going forward as well.

Next, receiving recognition from customers always excites us, and we received these two good recognitions in the last quarter from two of our esteemed customers. One was from Suzuki Motorcycle for the Best Delivery Award, and the other was from Digitours Transmission for our Technical Supplier Partnership. We are delighted to receive these two prestigious awards.

As part of our CSR initiative, we engaged with Special Olympics Bharat to identify talent in different parts of India among boys with intellectual disabilities. We sent them to Sweden for the Gothia Cup, and I'm very glad to inform you that our team won the bronze medal after defeating Finland. Before that, they played six matches against different European countries. That was a proud moment for us.

Another success story is related to decarbonization. All three of our plants have achieved more than 98% renewable energy sourcing, and the Group has given the certificate as {? [unclear] ?}

Management: ...decarbonization plan for all three plants of SKF India Ltd., Pune, Bangalore, and Haridwar. As part of our green initiative and green manufacturing strategy, we are working on water neutrality. The Bangalore site has achieved water positivity by two times, which means it is giving twice as much water to Mother Earth as it consumes. Similarly, the Haridwar site has also achieved the same by 2.57. The Pune plant is being worked on, and we will inform you when we achieve water positivity.

We had good customer engagement at Maruti Suzuki Limited in the form of a Tech Show, where we displayed both our wheel-end and driveline solutions. More than 400 people came and visited our stall there, for both ICE and EV applications, and we saw a lot of interest in our low-friction hub bearing units and e-drive conductive brush-ring solution. This has given us a good opportunity to engage and look for better business opportunities going forward.

With that, we end our presentation and can start the question-and-answer session. Thank you.

Operator: Thank you so much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Mumuksh Mandlesha with Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha – Anand Rathi Institutional Equities: Thank you, sir, for the opportunity, and congratulations on a good set of results. Firstly, I want to understand how the gross margin moves sequentially. This quarter it was 51% versus 42.5% in Q4. Can you help us understand the factors that drive gross margin? Also, regarding commodity inflation and price hikes, can you update us on

Report is AI-generated and may contain inaccuracies.

how much inflation and how many price hikes there were during Q1, and how much we can expect in Q2?

Management: Hi, and thank you for your question. If you look at gross margin evolution from March to June, one factor is the mix, which plays a significant role. That has been there. The second factor is that inventory revaluation also had an impact on gross margin.

Mix sometimes also moves because of seasonal impacts, so quarter-on-quarter you see some movement. However, largely it was the mix, as well as the impact of inventory revaluation, because we follow the FIFO method of inventory, which has an impact. What was your second question? Can you repeat it?

Mumuksh Mandlesha – Anand Rathi Institutional Equities: Regarding commodity inflation, how much did we witness during this quarter, how much price hikes have we taken, and how do we see Q2?

Management: Regarding price and commodity inflation, our OEM contracts usually have a clause relating to commodity inflation, linked to the index, and we continue to work on this with the OEMs. Currency is also being worked on for the recent round of commodity inflation. I can't disclose the exact number, but this is a work in progress. We will see some effect of that in the current quarter as well going forward. Please go ahead with your other question.

Mumuksh Mandlesha – Anand Rathi Institutional Equities: Regarding gross margin, just to clarify, should we assume that the current Q1 gross margin is the range for the full year, or will there also be some movement based on inventory revaluation?

Management: Historically, this has normally been the gross margin range. Although, based on the mix or certain timing gaps, there could be some movement within a quarter. When we see commodity inflation realization, it does not happen immediately in the same quarter. If there is inflation, discussions with the customer take some time, and depending on individual customer contracts, there could be a lag of 1-2 quarters. That is why within quarters you may sometimes see fluctuations, but this is the normal gross margin range that has historically been there as well.

Mumuksh Mandlesha – Anand Rathi Institutional Equities: Understood, sir. Thank you for this.

Operator: Thank you, Mumuksh. Sorry to interrupt, but you may please rejoin the queue for more questions. Thank you. Ladies and gentlemen, to ensure that management is able to address all the questions from participants, we request you to kindly limit your questions to two per participant, within 2 minutes. If you have a follow-up question, you may please rejoin the queue.

Our next question comes from the line of Raghunandan NL with Nuvama Research. Please go ahead.

Raghunandan NL – Nuvama Research: Thank you for the opportunity. Congratulations, sir, on the extremely strong numbers. Your growth is significantly better than that of peers for the June quarter. Thank you for sharing the segmental sales mix; it is very helpful. Within the OEM space, can you indicate the share of two-wheelers, four-wheelers, commercial vehicles, and the powertrain business?

SKF India

17 August 2026

Management: Our OEM business contributes about 62%, as you have seen. Of this, two-wheelers account for about 54%, passenger vehicles are around 31%, and commercial vehicles are about 15%.

Raghunandan NL – Nuvama Research: Understood, sir. This is very helpful. Would you have the same numbers for last year? Broadly, I wanted to understand the growth.

Management: It keeps changing. Girish, can you elaborate if you have the previous-year numbers?

Girish Kumar – Head Strategy and Business Development: It would be range-bound, Raghunandan. Two-wheelers would be the largest and would be in the range of {? 48–52 ?}. Passenger vehicles would be about 28–30%, and similarly, commercial vehicles would be about 11–12%.

Raghunandan NL – Nuvama Research: Understood, sir. Broadly, the growth will mirror the growth in the underlying OEM production data.

Management: Correct.

Raghunandan NL – Nuvama Research: Noted. In terms of exports, there has been a strong pickup. Year-over-year, exports remain at 8%, but on a quarter-on-quarter basis there has been a jump of about 6% to 8%. Exports are something that is difficult for us to track as well. If you can indicate how you see the outlook for the export market and which regions are mainly driving growth for you, that would be very helpful, sir. Thank you.

Management: Our main focus is on domestic demand. Exports are not a very large part of our strategy at present. They will remain in this range only, depending on how some of the solutions where we are stronger perform, or sometimes when there is a capacity shortage in other regions and they need some support from us. By and large, demand will remain in this range.

Raghunandan NL – Nuvama Research: Noted, sir. Before I fall back to the queue, just one last question, if you can indicate...

Operator: I'm sorry, sir, but can you please rejoin the queue?

Raghunandan NL – Nuvama Research: I'll do that. Thank you so much.

Operator: Our next question comes from the line of Varun Pincho with Equirus Capital. Please go ahead.

Varun Pincho – Equirus Capital: Hello, hi, sir. Am I audible?

Management: Yes.

Varun Pincho – Equirus Capital: Hi, sir. Congratulations on a good set of numbers. My first question is regarding the revenue guidance. In the past, you guided for about 12% revenue growth, and in Q1 itself you have achieved about 27%. Is this something that we expect to moderate over the next two quarters?

Management: Thank you, Varun, for this question. 27% is obviously very good growth, but we expect revenue growth to be in the range of around 20%. This is better than the 12% guidance we

Report is AI-generated and may contain inaccuracies.

gave earlier, but it should be around 20-something.

Varun Pincho – Equirus Capital: Understood, sir. You had also said that we are at around 93% loading. Do we have enough capacity this year to achieve this 20% growth?

Management: Yes. We are also building capacity in Q4. There are two ways of increasing capacity. One is by improving our cycle time and efficiency. We have already unlocked about 5 million pieces this year by carrying out technological upgrades to our assets, which are now in the ramp-up stage. In addition, we are also adding channels at our Haridwar factory. We hope that we will be able to cover it.

Varun Pincho – Equirus Capital: Understood, sir. Out of the INR 500 crore capex that we are undertaking, about {? 170 or 180 crores ?} is going to come online this year itself, right?

Management: Correct. This is what I said just now: we are adding capacity in Haridwar.

Varun Pincho – Equirus Capital: Yes, sir. Is this backward integration capex, or is it simply growth capex for us?

Management: It is primarily for reducing our dependency on industrial, where we are trading some volume, but it will also support our growth. However, the entire thing will not come in 2026. It is only in Q4 that this new capacity will start, and it will take some time to ramp up. Therefore, growth will start next year.

Girish Kumar – Head Strategy and Business Development: Next financial year, you will see the revenue impact of it.

Varun Pincho – Equirus Capital: Understood, sir. Lastly, this 17% margin that we are seeing is largely a normalized margin, right? Is this the range in which we expect margins to remain for the next 2 years or so?

Management: Yes, this is what we expect.

Varun Pincho – Equirus Capital: If there is any [inaudible] certain things.

Varun Pincho – Equirus Capital: Thank you so much, sir.

Operator: Thank you. Our next question comes from the line of Kripashankar and Jay with JM Financial. Please go ahead.

Kripashankar – JM Financial: Good afternoon, and thank you for the opportunity. My first question is on the electric mobility side. You highlighted in the last conference call that we had won multiple orders on the electric mobility side. When do we see this ramping up over the medium term? If you can provide some guidance around that, it would be helpful.

Management: These are developmental platforms. The businesses that we referred to in the last quarter are businesses that will come on stream during 2028, more precisely toward the last quarter of calendar year 2028.

SKF India

17 August 2026

Kripashankar – JM Financial: Understood. With respect to profitability, I wanted to understand the traded pieces being elevated right now. While you have said that a good portion of sourcing is also taking place for SKF Industrial, can one expect that there will be a compensation-based mechanism for goods sourced from SKF Industrial and sold to SKF Industrial, and that this would be one of the reasons why margins can be relatively lower? Is that the right way to think about it?

Management: On trading parts, we have sales to SKF Industrial and purchases from SKF Industrial as well. As you rightly said, in the case of a related-party transaction, a certain markup has to be applied. Once our own capacity is built up and we have local production, that will be positive for margins.

Kripashankar – JM Financial: Understood. Lastly, on the distribution business, I wanted to get a sense of how you see things progressing. Are there any new triggers or levers, especially because, from a growth standpoint, things have been looking relatively good overall? Some comments around that would be helpful.

Management: The vehicle aftermarket business has a different set of challenges. So far, we have seen a kind of plateau or a small decline in our revenue. Over the next 5 months, we have a different strategy to cover or recover our volume.

Kripashankar – JM Financial: Understood. From a pricing perspective, is there anything you can provide as an input? Have you taken any price escalations?

Management: We gave, or needed to give, some discount in the last 2 months, but that will not continue now. Therefore, there will mainly be no decline in price. It now depends on how we are able to improve our topline.

Kripashankar – JM Financial: Thank you so much. I appreciate the response.

Management: Sure.

Operator: Thank you. Our next question comes from the line of Rachit Agarwal with Nilgiri Advisors LLP. Please go ahead.

Rachit Agarwal – Nilgiri Advisors LLP: Good afternoon, sir. I have a couple of questions on the EV business. If you can possibly share the revenue from EV non-wheel bearings and our market share in the same space, specifically in non-wheel EV bearings.

Shailesh Sharma – MD: As you mentioned, these are businesses that are in the development phase. Full-stream production ramp-up is expected across the vehicle segment beginning around mid-2027, and we will have full visibility of the business numbers sometime during 2028. At this point in time, I think it is not relevant to quote those numbers {? to project ?}.

Rachit Agarwal – Nilgiri Advisors LLP: So, as of now, there is no material revenue from that space.

Shailesh Sharma – MD: We are in the ramp-up phase. We are developing the business for the ramp-up and other related activities.

Report is AI-generated and may contain inaccuracies.

SKF India

17 August 2026

Rachit Agarwal – Nilgiri Advisors LLP: Out of the announced INR 500 crore capex, how much would be for EV bearings?

Shailesh Sharma – MD: I would say that much of the investment taking place in Haridwar is primarily for two-wheelers to begin with, and some of it is for the driveline, as you were asking in the previous question. A small portion of it is for that, but the major portion is for the traction motors used in two-wheelers.

Rachit Agarwal – Nilgiri Advisors LLP: Can I ask one more question?

Shailesh Sharma – MD: Sure, please go ahead.

Rachit Agarwal – Nilgiri Advisors LLP: In your AGM presentation, on the strategy slide, there is a mention of portfolio rationalization. Can you provide some details on this? Are you looking to reduce some SKUs, and what will be the revenue or volume impact of that in FY27?

Shailesh Sharma – MD: Portfolio rationalization has two parts. One is what we make and where we make it. We have three factories. To use economies of scale and bring in some synergies, we are changing our portfolio across different factories. That is one part of it.

The other part is, of course, our sales mix. There are certain businesses that are not very profitable or are loss-making, and we would like to do something about them. That is what we mean when we talk about the portfolio.

Rachit Agarwal – Nilgiri Advisors LLP: So there will be no major impact in FY27.

Shailesh Sharma – MD: No.

Rachit Agarwal – Nilgiri Advisors LLP: All right, sir. Thank you so much.

Operator: Thank you. The next question comes from the line of Raghunandan NL with Nuvama Research. Please go ahead.

Raghunandan NL – Nuvama Research: Thank you, sir, for the opportunity again. On sales to SKF Industrial, there has been an improvement compared with the last quarter and last year. How do you see the trajectory going forward? If you can provide some details on the products being supplied and the growth prospects that can be expected here, that would be helpful.

Shailesh Sharma – MD: Raghunandan, by and large, that is not our type of segment. Our segment is purely automotive. We supply to the industrial business where the industrial entity does not have capacity or for similar reasons, but going forward, it is not a growth segment for us. Mayank, you can add.

Mayank Kholani – CFO: When you look at last year's growth, that is not comparable because the industrial entity business was not carved out last year. It came into existence only in the December 2023 quarter. As far as volume is concerned, as Shailesh mentioned, it is not our priority for growth. This is something that is expected to come down over the next few years, and we will focus that capacity on serving our automotive customers.

Report is AI-generated and may contain inaccuracies.

SKF India

17 August 2026

Raghunandan NL – Nuvama Research: Noted, sir. Thank you for that. How much has been the capex spend in Q1, and what is the plan for the entire year?

Mayank Kholani – CFO: I will not comment on the capex for Q1 right now, but largely this year we are expecting capex of about {? 170-180 crore ?} at least in the current financial year.

Raghunandan NL – Nuvama Research: Noted, sir. When you say the INR 500 crore capex by 2028, would it ideally extend to FY29, or would everything be completed by 2028?

Mayank Kholani – CFO: On an FY basis, it would largely be completed by FY28. Some part could spill over into FY29, but it would largely be completed by FY28.

Raghunandan NL – Nuvama Research: Noted, sir. Just one last question on vehicle aftermarket demand. Generally, if I take a long-term average, volume performance here would be in the high-single-digit range. How do you see vehicle aftermarket growth? Are you seeing higher growth because the share of the grey market or imports is reducing? From a 3-year or 5-year perspective, how should we view growth in the aftermarket?

Mayank Kholani – CFO: In the vehicle aftermarket, we have seen some decline in volumes this year. Obviously, our focus is on increasing our share while also protecting profitability. The vehicle aftermarket is a completely different game compared with the OE market. There are many competitors, and there are {? spurious ?} products as well, and it works in a completely different way. Our focus is to protect the profit margin and then improve volume. At present, if you look at it compared with last year, there has been a slight reduction, but we are focusing on improving our share.

Shailesh Sharma – MD: To add to that, having our own capacity will help us. Once we have sufficient capacity, it will also help the vehicle aftermarket.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press star and one. As there are no further questions from participants, I will now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Shailesh Sharma – MD: Thank you very much for joining. We look forward to continuous engagement. See you next time. Thank you very much.

Operator: Thank you, sir. Ladies and gentlemen, on behalf of SKF India Ltd., that concludes today's call. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.