



## Motherhood Sumi Systems Limited

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February 17, 2021

National Stock Exchange of India Limited  
Exchange Plaza, 5th Floor  
Plot No.C/1, G-Block  
Bandra-Kurla Complex, Bandra (E)  
MUMBAI – 400051, India

BSE Limited  
P.J. Towers,  
Dalal Street, Fort  
MUMBAI – 400001, India

**Scrip Code : MOTHERSUMI**

**Scrip Code : 517334**

### **Ref.: Addendum to Investor Presentation and Frequently Asked Questions (FAQs) on the proposed reorganization of the Company**

Dear Sir(s) / Madam(s),

This is with reference to our letter dated July 2, 2020, wherein we had submitted a copy of the Investor Presentation and the Press Release on the proposed reorganization of the Company.

We wish to inform you that the first motion petition for the reorganization was heard by the NCLT on Tuesday, February 16, 2021, wherein the NCLT has orally pronounced its approval to hold shareholders' meeting to approve the scheme on April 29, 2021. Certified copy of the order of the NCLT is currently awaited.

Further to the same, please find enclosed the following for information to the investors / shareholders of the Company:

- 1) Addendum to Investor Presentation; and
- 2) Frequently Asked Questions on the proposed reorganization.

The same is also being uploaded on the website of the Company.

The above is for your information and records.

Thanking you,

Yours truly,  
For Motherhood Sumi Systems Limited

Alok Goel  
Digitally signed by  
Alok Goel  
Date: 2021.02.17  
11:59:25 +05'30'

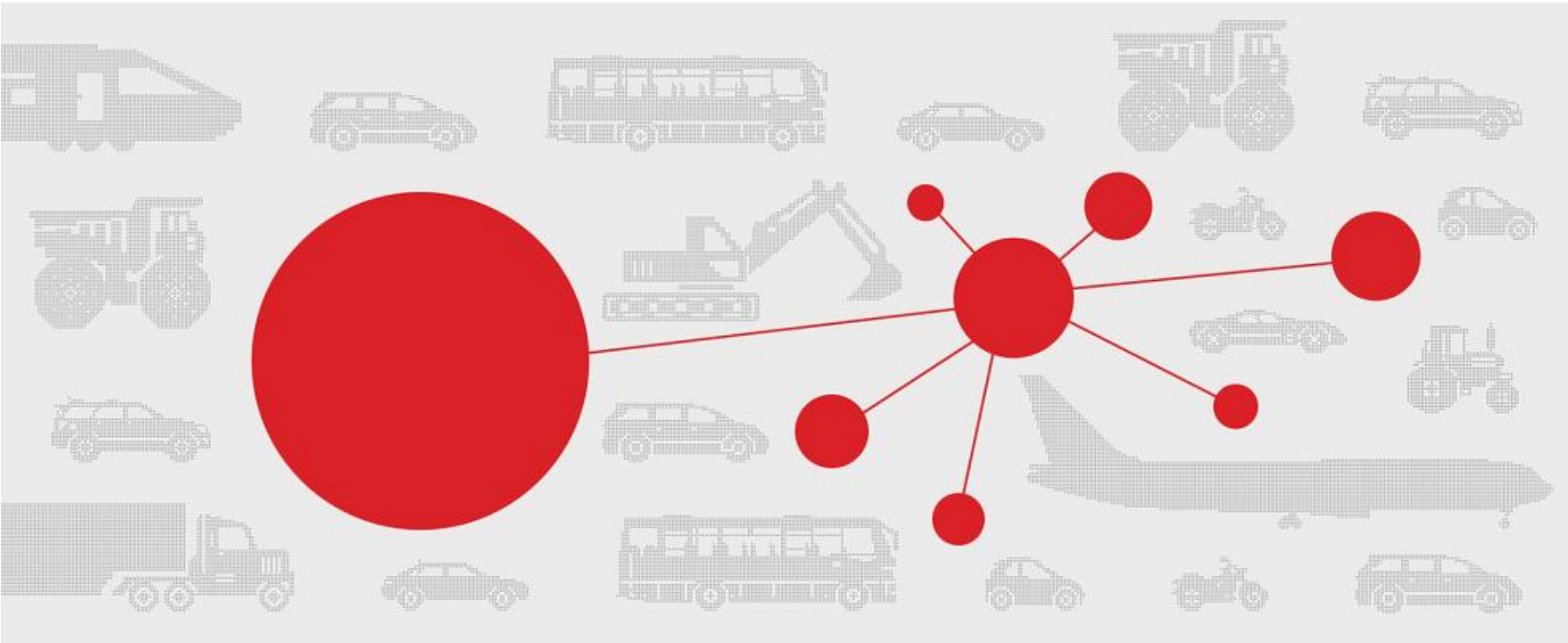
Alok Goel  
Company Secretary

Encl(s): As above

#### **Links to Documents submitted on July 2, 2020**

- **Investor Presentation:** <https://www.motherhood.com/storage/Corporate%20Announcements/FY2020-21/Investor-Presentation-Poised-for-next-phase-of-Growth.pdf>
- **Press Release:** <https://www.motherhood.com/storage/Corporate%20Announcements/FY2020-21/Press%20Release%20-%20Motherhood%20Sumi%20Systems%20Limited%20approves%20Group%20Reorganization%20Plan.pdf>

Regd Office:  
Unit – 705, C Wing, ONE BKC  
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Bandra East Mumbai – 400051  
Maharashtra (India)  
Email: investorrelations@motherhood.com  
CIN No.: L34300MH1986PLC284510



# Addendum to Investor Presentation on Proposed Reorganization

17<sup>th</sup> Feb 2021



## Key Events Post Reorganization Announcement

- Strong Industrial Recovery
- Turnaround of SMRP BV Greenfield Facilities
- SAMIL Investor Day
- Motherson Vision 2025
- Acquisitions Announced Post July 2020

Financial Performance for Current Fiscal

EPS Analysis - Pre and Post Reorganization

Scheme Timelines

Appendix

Reference to Detailed Documents

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EPS Analysis - Pre and Post Reorganization

Scheme Timelines

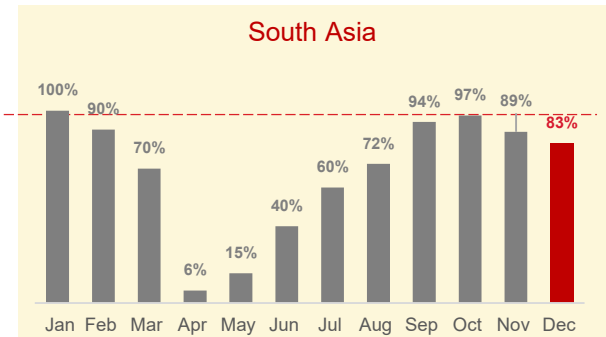
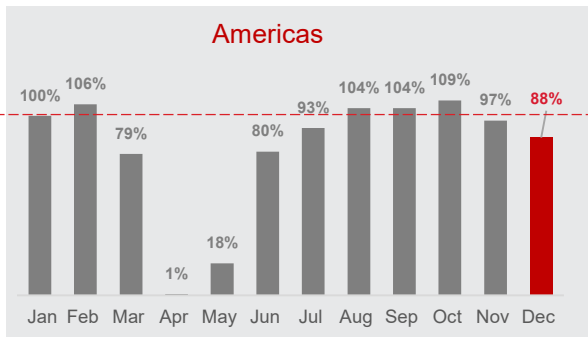
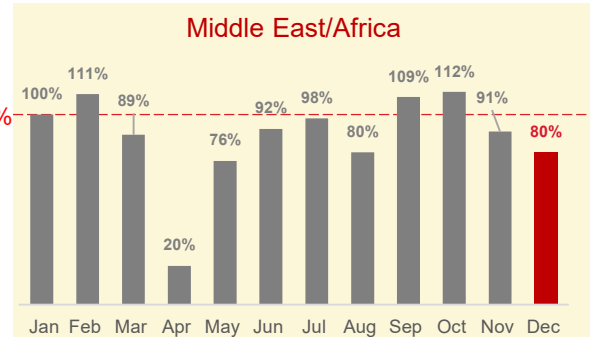
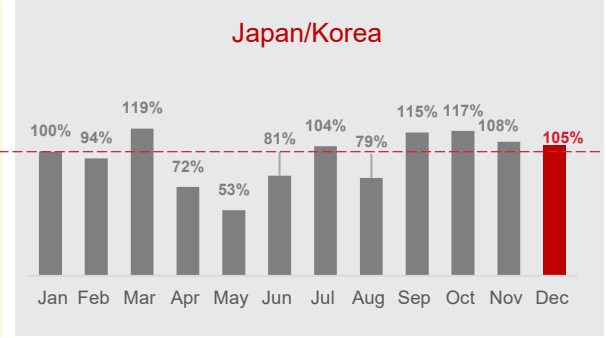
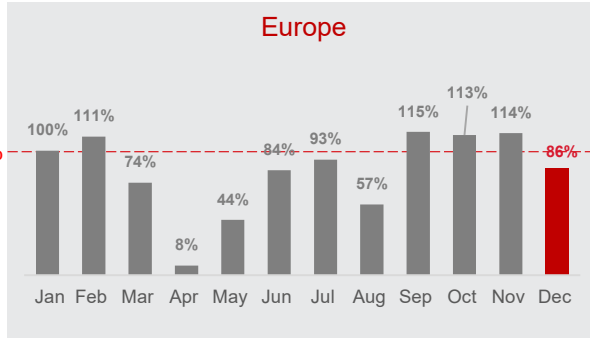
Appendix

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# Strong Industrial Recovery with Operations Back to Near Normal (1/2)



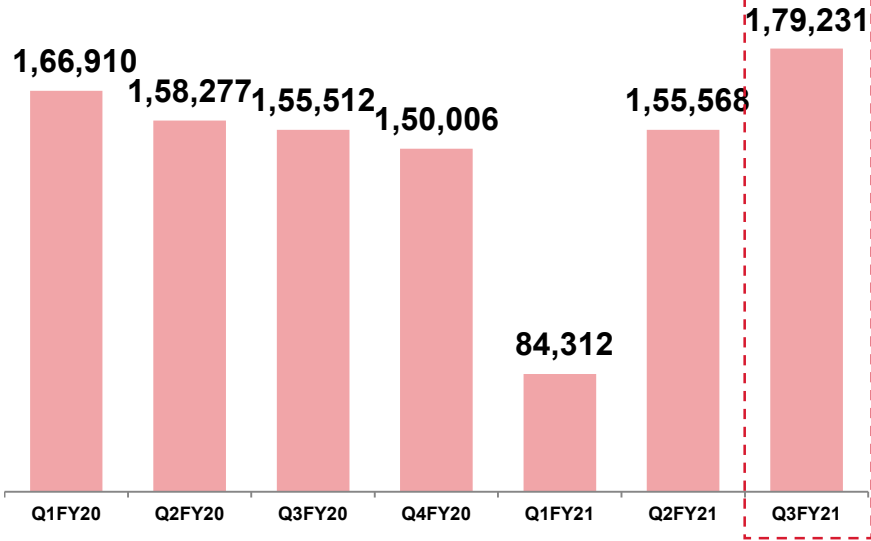
## LV Production as a % of January 2020



# Strong Recovery Post COVID Slowdown (2/2)

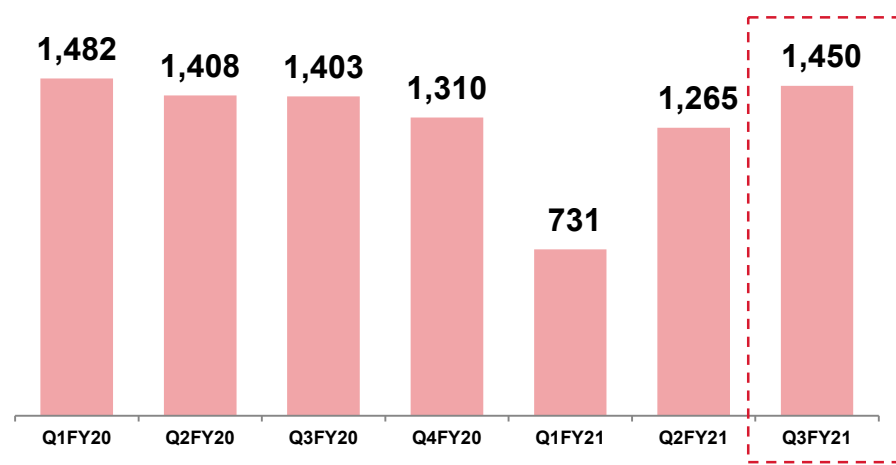


**MSSL Consolidated Revenues<sup>\*,^</sup> (INR Mn)**



**Highest ever Quarterly Revenue. Business has recovered to pre-COVID levels**

**SMRPBV Revenues\* (EUR Mn)**



**Current run rate indicative of business at pre-COVID levels**

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Appendix

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# Greenfield learnings.

We have used the COVID-19 period to draw lessons and improve processes at our large Greenfields.



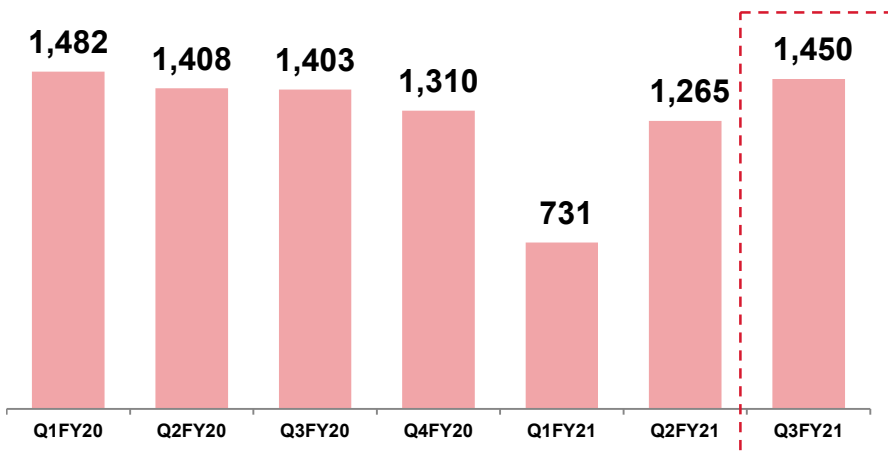


# Overall Improvement in FY21 Metrics



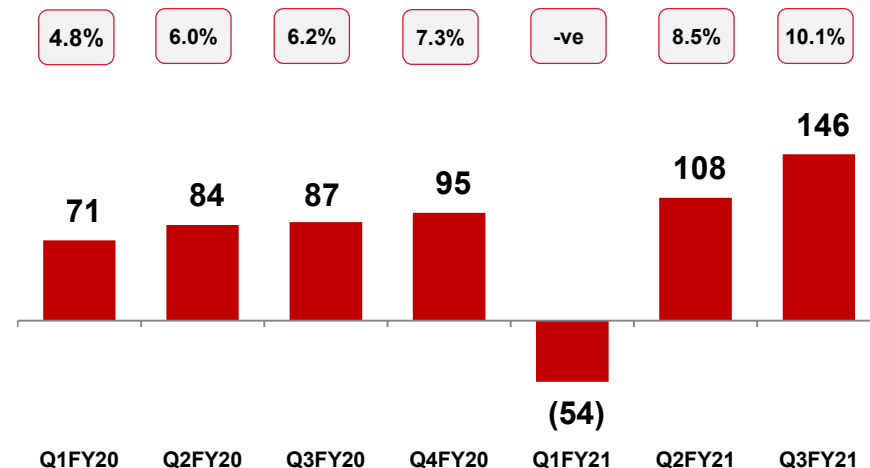
## Revenue\*

Average €1,401 Mn per quarter



*Current run rate indicative of business at pre-covid levels*

## EBITDA\*



*Uptick in operating profit margins driven by improved performance of greenfield facilities and cost savings post-Covid normalization*

All amounts in € Mn  
\*As per IFRS financials

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Scheme Timelines

Appendix

Reference to Detailed Documents

# SAMIL Businesses.

15 JV  
partners  
from 6  
countries

~INR  
28,000Mn  
Topline\*  
(FY2020)

~50  
facilities

Varied Product  
Portfolio

13.3%  
EBIDTA\*  
(FY2020)

+7400  
Employees

~INR 28,000 Mn

Total capital  
invested in SAMIL  
businesses  
excluding MSSL  
and SMRP BV.

# SAMIL Businesses Portfolio



## Top 10 Companies

Other companies incubated for future growth

### 01 Lighting Solutions

- Motherson Marelli Automotive Lighting

### 02 Metal Solutions

- MS Global
- Marelli Motherson Auto Suspension
- Motherson Techno Tools
- Valeo Motherson Thermal Commercial Vehicles
- Anest Iwata Motherson
- Fritzmeier Motherson Cabin Engineering
- Motherson Bergstrom HVAC Solutions
- Samvardhana Motherson Auto Component - Die casting & machined parts
- Young shin Motherson Auto Tech - Clutches for HVAC
- Samvardhana Motherson Innovative Solutions – Broaches, Gear Cutting Tools and powdered metal sintered parts
- Nissin Advanced Coating – Thin metal coating services

### 03 Engineering & Tooling

- CTM India
- Motherson Molds & Die-casting

### 04 Services & IT Solutions

- Motherson Sumi Infotech & Design
- Matsui Technologies India
- Frigel Intelligent Cooling Systems – Cooling solutions
- Anest Iwata Motherson Coating Equipment – Paint guns and booths
- Samvardhana Motherson Auto System – Aftermarket business
- Motherson Machinery & Automation – Low cost automation solutions
- Motherson Invenzen Xlab – Telematics, IOT
- Motherson Auto Solutions – Industrial Estate

### 05 Group Shared Services

- Motherson Air Travel – Travel desk for Motherson group
- AES Engineering- Engineering consultation and project management

### 06 Logistics Solutions

- Samvardhana Motherson Hamakyorex Engineered Logistic - Car Carriage business
- Samvardhana Motherson Global carriers – Internal logistics for Motherson group

### 07 Aerospace

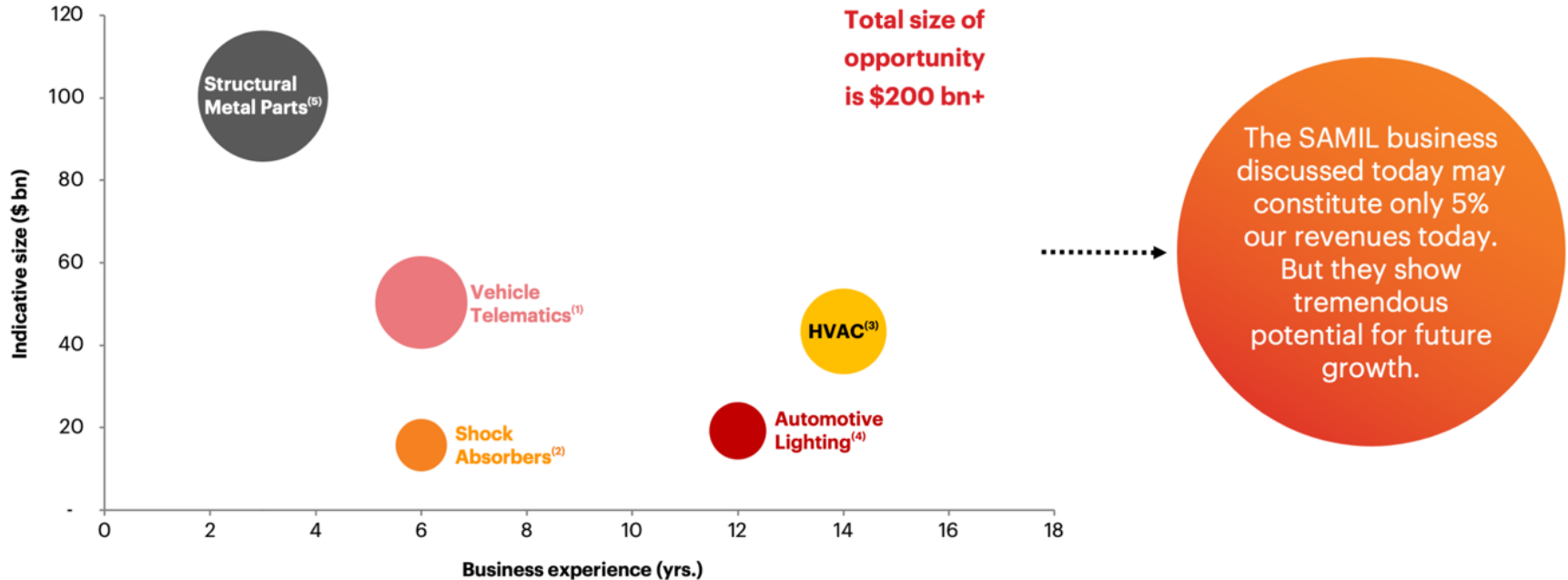
- New Business – Seeding Stage

### 08 Health & Medical

- New Business – Seeding Stage

# Platform for accelerated growth through organic and inorganic route.

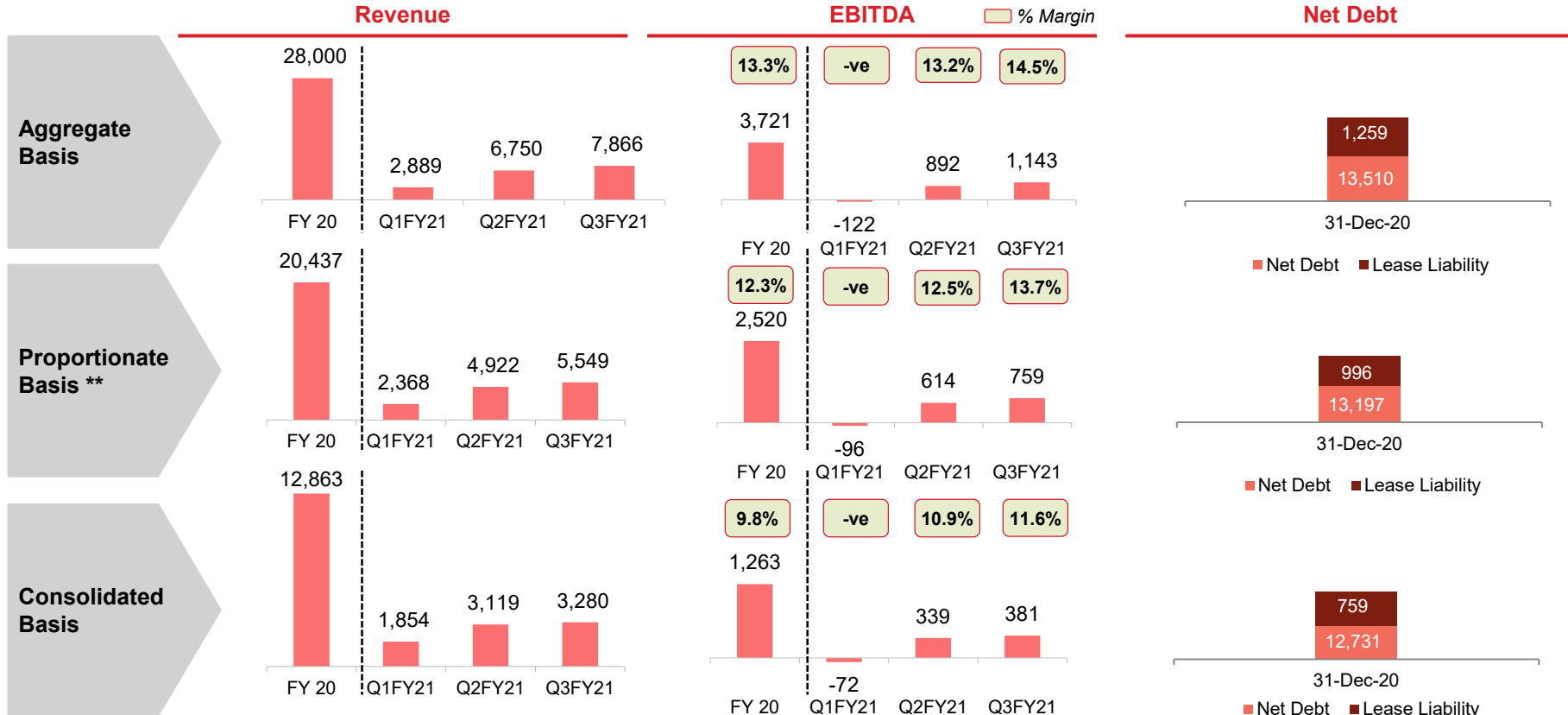
Indicative global opportunity size\* (\$ bn)  
for select businesses



12 \* Size of the bubble indicates market size; Source: (1) Allied Market Research (2018) (2) <https://www.absolutereports.com/13909248> (2019) (3) Allied Market Research (2019) (4) Automotive Lighting: Technology, Industry and Market Trends 2018 report, Yole Development; (5) Global Automotive Stamping Study, Roland Berger (2017)

# Proforma Financials\*

SAMIL Business (ex MSSL ex.SMRP BV)



All amounts in INR Mn; \* Pls refer to appendix VII (presentation dated July 2, 2020) and slides 30 to 34 for detailed procedure followed to arrive at proforma financials

\*\* Only unconsolidated JVs have been proportionately considered.

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Scheme Timelines

Appendix

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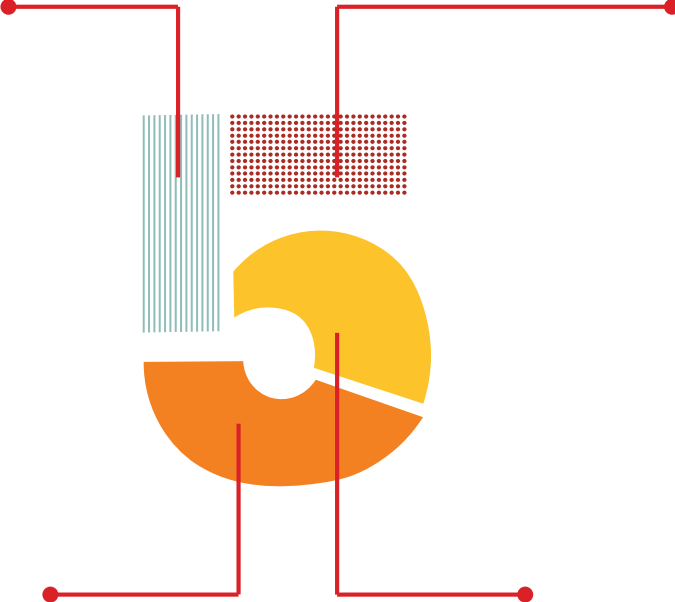
# Vision

# 2022

The sixth 5-year plan.

**No. 1**  
USD 36 billion  
revenues in 2024-25  
with 40% ROCE  
(consolidated)

**No. 2**  
3CX10  
No country, customer or  
component should contribute  
more than 10% to our revenues





# To be Achieved Through...

#1



## Business growth in current product lines

- **Vision systems:** expansion into new geographies
- **Polymer & modules:** increase in share of business with existing customers and expansion to new geographies
- Deeper insourcing and vertical integration across divisions
- Increasing content and value per car / OEM

#2



## Use of New technologies in current products / processes

- Wiring harnesses for new energy vehicles and specialized automotive electronics for smart vehicles
- Expand lighting solutions
- Sensor integration and smart surfaces
- Camera monitoring systems, next gen vision systems
- Wireless power solutions
- Industry 4.0 and digitalization solutions

#3



## Adjacent expansion (New solutions in current industries)

- 2 wheeler LED lighting
- Increased share of truck market globally
- Expansion in the rolling stock market
- Tooling solutions, forward and backward integration
- Strengthening hot stamping capabilities

#4



## Diversification into new industries

- Expansion into aerospace through wiring harnesses and aero-structures
- Logistics services for automotive OEMs and specialized B2B services
- Launch of point of care health and medical technologies
- Augmenting IT offerings to cover data analytics needs through software and hardware

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EPS Analysis - Pre and Post Reorganization

Scheme Timelines

Appendix

Reference to Detailed Documents


# Recent Acquisitions to Enhance Value for Shareholders Post-Reorg



Successfully integrated **23** acquisitions between **2002 – 2020**, bringing a wide range of solutions to customers



*Inorganic Growth Journey Continues...*

 **Bombardier**  
Mexico  
(Wiring harness)

Announced Group  
Reorganization on  
July 2, 2020

 **Plast Met Group**  
Turkey  
(Plastic injection moulding)

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EPS Analysis - Pre and Post Reorganization

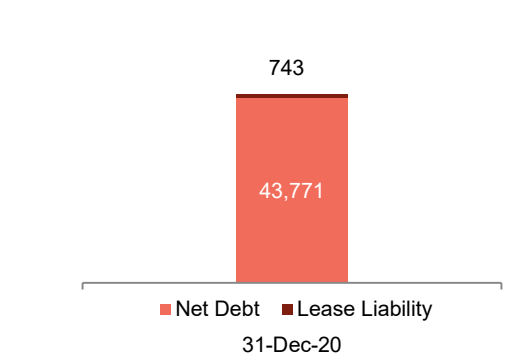
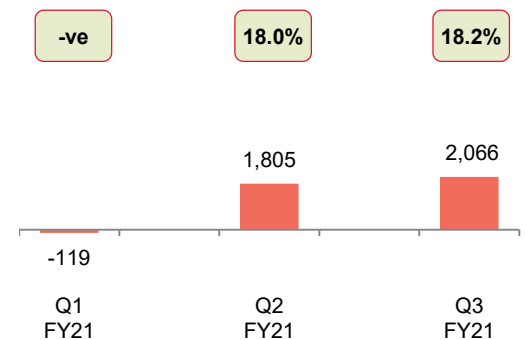
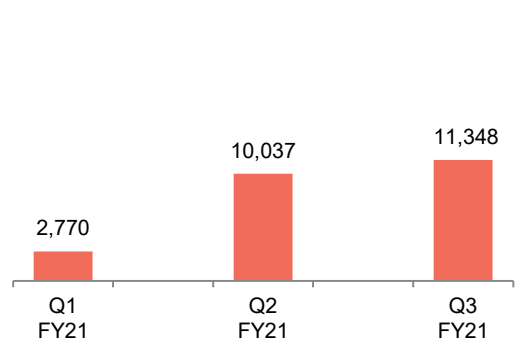
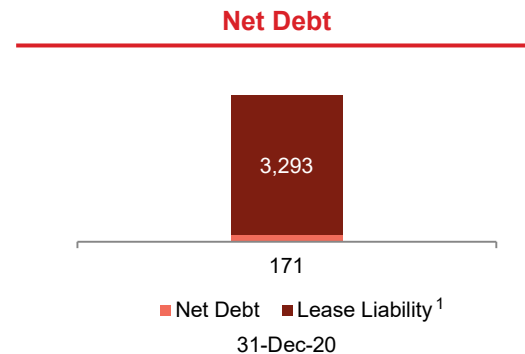
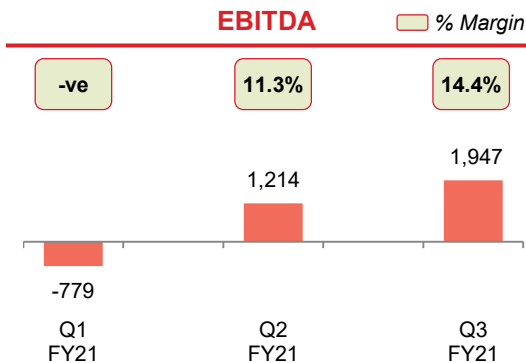
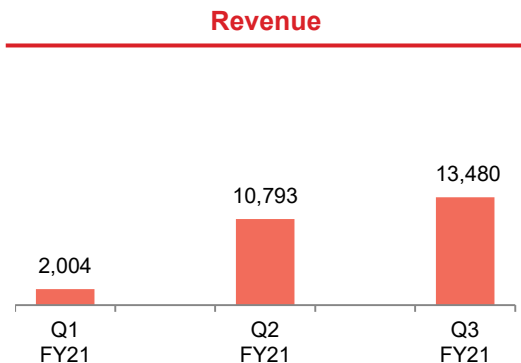
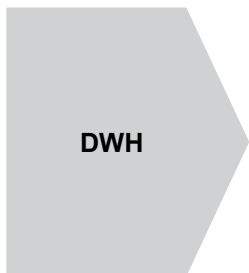
Scheme Timelines

Appendix

Reference to Detailed Documents

# Key Financial Metrics on Proforma Basis (1/2)

## DWH and MSSL Standalone ex DWH



All amounts in INR Mn; Pls refer to appendix VII (presentation dated July 2, 2020) and slides 30 to 34 for detailed procedure followed to arrive at proforma financials

Revenue (Total revenue from operations) excludes other income and EBITDA excludes dividend income and interest income.

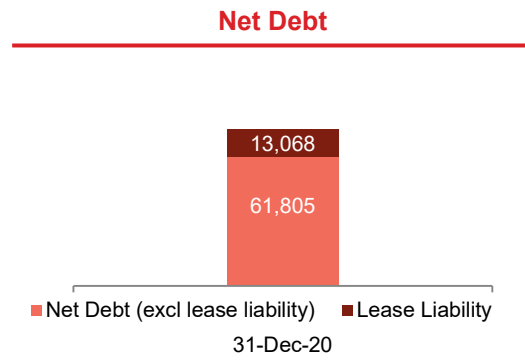
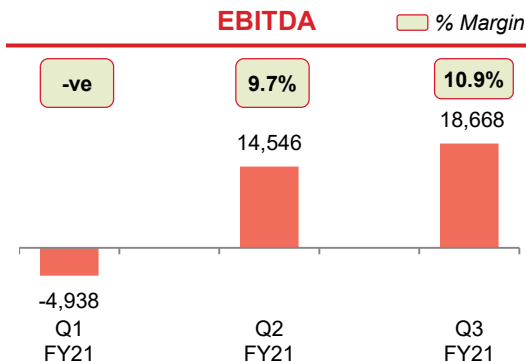
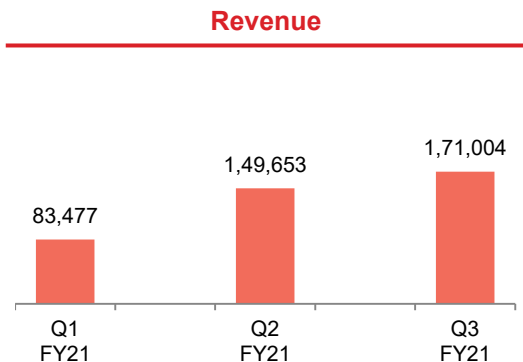
1. Lease liabilities includes INR 3,127 million liability towards assets taken on lease from MSSL Standalone exDWH

# Key Financial Metrics on Proforma Basis (2/2)

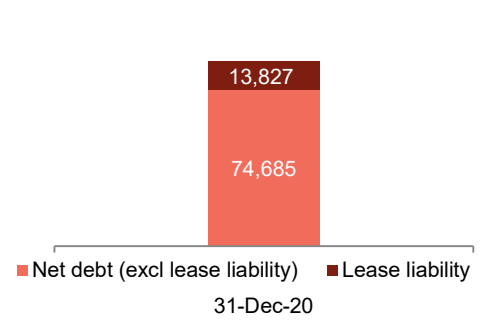
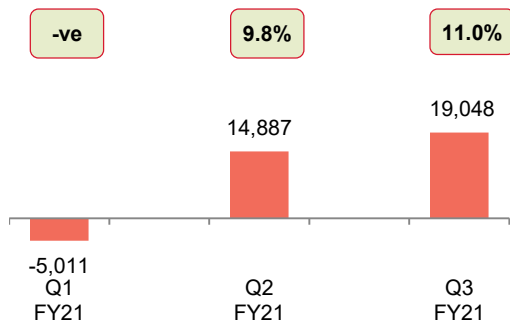
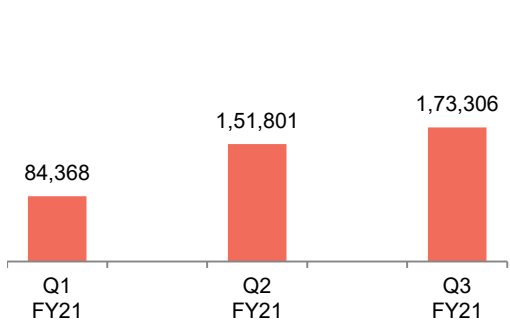


## MSSL Consolidated ex DWH and Merged Entity

MSSL Consolidated ex DWH



Combined Entity



# MSSL\* : Summary Proforma Financials^



Financials (INR Mn)	MSSL - Standalone ex DWH		MSSL - Consolidated ex DWH		SAMIL#		Combined Post Reorg	
	(a)		(b)		(c)		(b+c- eliminations)	
Year	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20
Revenue	43,694	40,088	604,206	607,529	13,907	12,863	614,906	616,248
EBITDA	6,747	6,898	52,540	49,173	1,800	1,263	54,340	50,434
<i>EBITDA Margin (%)</i>	15.4%	17.2%	8.7%	8.1%	12.9%	9.8%	8.8%	8.2%
EBIT	4,846	4,585	28,802	21,963	1,021	324	29,823	22,285
<i>EBIT Margin (%)</i>	11.1%	11.4%	4.8%	3.6%	7.3%	2.5%	4.9%	3.6%
Profit of associates	NA	NA	1,131 <sup>2</sup>	575 <sup>2</sup>	7,863	3,603	2,822	2,153
Less: Minority Interest	NA	NA	-4,850	-1,244	-306	-80	-2,537	-2,213
PAT (concern share)	3,983	5,943	11,578 <sup>2</sup>	8,656 <sup>2</sup>	7,594	2,808	15,619	8,548
<i>PAT Margin (%)</i>	9.1%	14.8%	1.9%	1.4%	54.6%	21.8%	2.5%	1.4%
Gross Debt (excl. lease liability)	11,294	13,861	115,279	117,368	19,282	22,381	128,858	137,533
Cash	1,136	1,988	35,223	48,411	6,404 <sup>1</sup>	11,234 <sup>1</sup>	35,924	57,520
<b>Net Debt (excl. lease liability)</b>	<b>10,158</b>	<b>11,873</b>	<b>80,056</b>	<b>68,957</b>	<b>12,878<sup>1</sup></b>	<b>11,147<sup>1</sup></b>	<b>92,934</b>	<b>80,013</b>
Lease liability (under Ind AS116)	781	780	13,500	13,515	721	887	14,221	14,402

**Proforma financials represent the reorganization impact across each of the entities  
Adjustments are undertaken historically to make the numbers comparable across the financial years**

\*Name of MSSL will be changed to SAMIL; ^ Pls refer to appendix VII (presentation dated July 2, 2020) for detailed procedure followed to arrive at pro-forma financials; # Refers to current SAMIL;  
1. Adjusted for Intercompany deposit of EUR 25.5 MN in FY 20 and EUR 73.5 MN in FY 19 given to SMGHL ; 2. 33.4% share of profit in DWH business (INR 1,310 Mn for FY19 and INR 955 Mn for FY20) which was considered in computations of Profit of Associates and PAT (Concern share) in the presentation dated July 2, 2020 (on slide 30) is now excluded at MSSL – Consolidated ex DWH level and considered only in combined post reorg financials.

# Summary Proforma Financials\*



Financials (INR Mn)	DWH Entity		MSSL <sup>1</sup> - Standalone ex DWH		MSSL - Consolidated ex DWH		SAMIL <sup>2</sup>		Combined Post Reorg	
			(a)		(b)		(c)		(b+c-eliminations)	
	Q2 FY21	Q3 FY21	Q2 FY21	Q3 FY21	Q2 FY21	Q3 FY21	Q2 FY21	Q3 FY21	Q2 FY21	Q3 FY21
Year	Q2 FY21	Q3 FY21	Q2 FY21	Q3 FY21	Q2 FY21	Q3 FY21	Q2 FY21	Q3 FY21	Q2 FY21	Q3 FY21
Revenue	10,793	13,480	10,037	11,348	149,653	171,004	3,119	3,280	151,801	173,306
EBITDA	1,214	1,947	1,805	2,066	14,546	18,668	339	381	14,887	19,048
<i>EBITDA Margin (%)</i>	11.3%	14.4%	18.0%	18.2%	9.7%	10.9%	10.9%	11.6%	9.8%	11.0%
EBIT	984	1,715	1,302	1,580	7,201	11,314	80	126	7,281	11,441
<i>EBIT Margin (%)</i>	9.1%	12.7%	13.0%	13.9%	4.8%	6.6%	2.6%	3.8%	4.8%	6.6%
Profit of associates	NA	NA	NA	NA	276	337	1,943	6,583	597	987
Less: Minority Interest	NA	NA	NA	NA	-1,364	-4,700	-62	-5	-714	-961
PAT (concern share)	660	1,205	818	1,247	2,675	6,738	1,686 <sup>4</sup>	6,431 <sup>4</sup>	3,451	10,980
<i>PAT Margin (%)</i>	6.1%	8.9%	8.1%	11.0%	1.8%	3.9%	54.0%	196.1%	2.3%	6.3%
Gross Debt (excl. lease liability)	538	460	47,093	45,931	130,550	112,378	21,831	17,312	148,268	129,411
Cash	2,139	289	10,213	2,160	53,922	50,573	10,431 <sup>3</sup>	4,581 <sup>3</sup>	59,963	54,726
<b>Net Debt (excl. lease liability)</b>	<b>-1,601</b>	<b>171</b>	<b>36,880</b>	<b>43,771</b>	<b>76,628</b>	<b>61,805</b>	<b>11,400<sup>3</sup></b>	<b>12,731<sup>3</sup></b>	<b>88,305</b>	<b>74,685</b>
Lease liability (under Ind AS116)	3,192	3,293	745	743	13,277	13,068	836	759	14,113	13,827

**Proforma financials represent the reorganization impact across each of the entities**

\* Pls refer to appendix VII (presentation dated July 2, 2020) for the detailed procedure followed to arrive at pro-forma financials

1. Name of MSSL will be changed to SAMIL; 2.Refers to current SAMIL; 3.Adjusted for Intercompany deposit given to SMGHL of EUR 2 Mn in Q3 FY 21 and EUR 45 Mn in Q2 FY 21 and to SMR INR 250 Mn in Q3 FY 21 and INR 500 Mn in Q2 FY 21; 4. The consolidated PAT for SAMIL businesses (ex-MSSL, ex-SMRP BV) is Rs (-157) Million for Q2 FY 21 and Rs 40 Million for Q3 FY 21



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Appendix

Reference to Detailed Documents

# EPS Accretion Achieved Ahead of Schedule

## Q3 FY21 Earnings Per Share - (Pre-Reorganization)

PAT MSSL Cons. Ex DWH* Proforma (INR Mn)	5,372
No. of shares (Mn)	3,157.9
<b>EPS (INR)</b>	<b>1.70</b>

**8.0%  
Accretion**

## Q3 FY21 Earnings Per Share - (Post-Reorganization)

PAT Combined Entity Proforma (MSSL Cons. ex DWH + SAMIL*) (INR Mn)	8,301
No. of shares (Mn) (post reorganization)	4,517.6
<b>EPS (INR)</b>	<b>1.84</b>

PAT DWH Proforma (INR Mn)	1,205
No. of shares (Mn)	3,157.9
<b>EPS (INR)</b>	<b>0.38</b>

PAT DWH Proforma (INR Mn)	1,205
No. of shares (Mn)	3,157.9
<b>EPS (INR)</b>	<b>0.38</b>

**Reorganization provides EPS accretion to MSSL shareholders. The reorganization is also EPS accretive basis last 6 months (July 2020 – December 2020) i.e. performance since the announcement on July 2nd, 2020**

\*PAT excluding impact of EUR 32 million at SMRPBV on account of deferred tax assets related to prior years. The impact for MSSL's share is INR 1,366 million and for combined entity post reorganization is INR 2,679 million. (Refer Slide 23 for PAT numbers)  
All numbers are on a pro-forma basis

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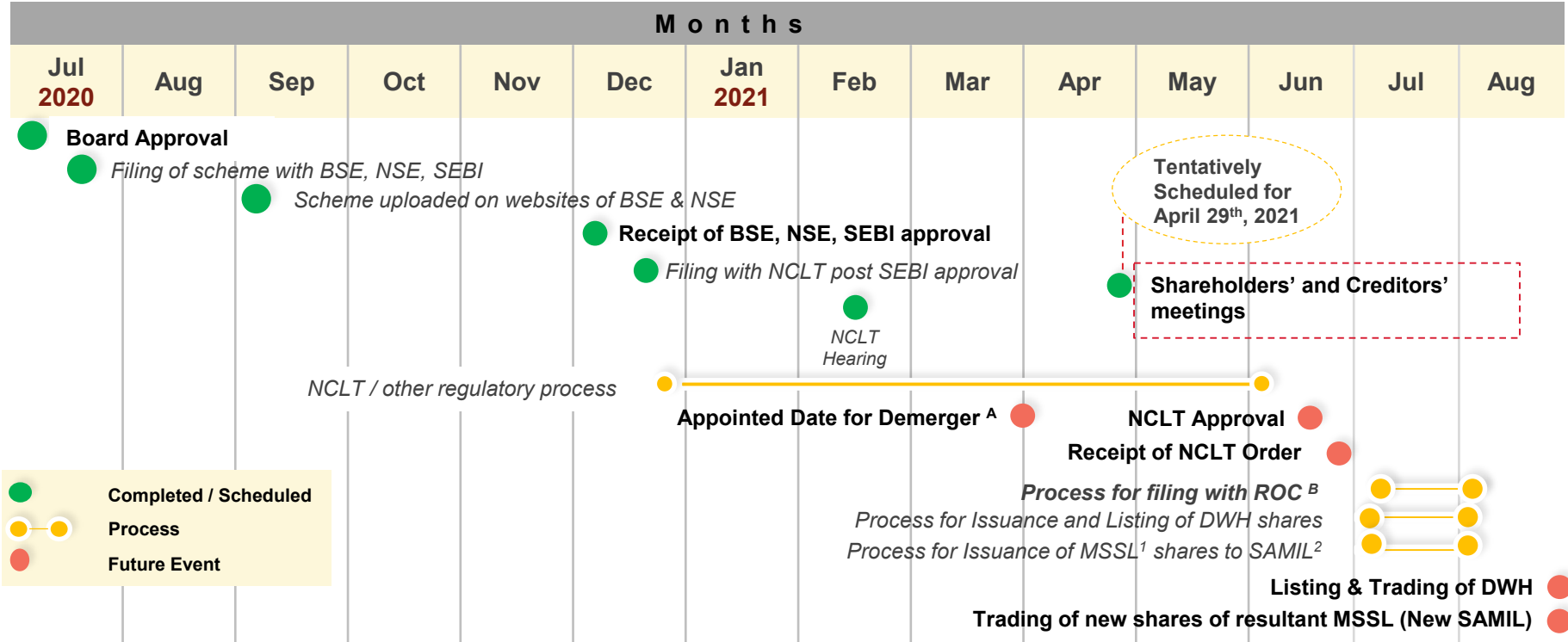
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Appendix

Reference to Detailed Documents

# Indicative Timelines for Scheme Execution



- A. Appointed date** (1<sup>st</sup> April 2021) is the date from which the Scheme will come into effect. It is the date from which separate books of accounts of MSWIL and resultant MSSL (New SAMIL) will be reconstructed in accordance with applicable laws
- B. Effective date** is the date from which the Scheme will be assumed to be completed in all respects viz., fulfillment of all conditions and matters, receipt of all regulatory approvals and filing the necessary documents thereof with RoC

# Reorganization is subject to, among others, both scheme and RPT approvals...

Receipt of minority shareholders' approval for the Scheme

+

Receipt of minority shareholders' approval for the proposed related party transactions between MSSL / SWS / Group entities and MSWIL

*There would be two separate meetings viz., i) minority (public) shareholders' meeting for Scheme approval and ii) minority (public) shareholders' meeting for approval of proposed related party transactions. Both these meetings would be held on the same day*

*The Scheme shall be acted upon only if the votes cast by the public shareholders in favour of the proposal is more than the number of votes cast by the public shareholders against it*

*Interested parties will abstain from voting on the RPT resolutions*

## Key Events Post Reorganization Announcement

- Strong Industrial Recovery
- Turnaround of SMRP BV Greenfield Facilities
- SAMIL Investor Day
- Motherson Vision 2025
- Acquisitions Announced Post July 2020

Financial Performance for Current Fiscal

EPS Analysis - Pre and Post Reorganization

Scheme Timelines

**Appendix**

Reference to Detailed Documents

# Bridge from Reported to Proforma Financials (1/5)



## MSWIL / DWH Entity

	Reported DWH			Management Adjustments			Proforma DWH*		
INR Million	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21
Revenue	44,838	39,439	13,480	0	0	0	44,838	39,439	13,480
EBITDA <sup>1</sup>	7,369	5,534	2,026	30	-240	-79	7,399	5,294	1,947
EBITDA (%)	16.4%	14.0%	15.0%				16.5%	13.4%	14.4%
PAT concern Share <sup>2</sup>	4,490	3,602	1,405	-567	-742	-200	3,923	2,860	1,205
<b>Net Debt</b> (excl. lease liability)	-140	16	171	0	0	0	-140	16	171

## Management Adjustments

- Adjustment on account of management fees paid to MSSL Standalone ex DWH and regrouping of interest income. Further, FY19 includes impact on account of application of Ind AS 116 leases, which was not considered in published result since it was not applicable
- In addition to the impact of point 1 above, also includes adjustments on account of depreciation and finance cost due to IndAS116 treatment of leased premises and associated tax impact

*Note: DWH revenues include Sale of wiring harness and components to MSSL Standalone ex-DWH Business. This gets eliminated in MSSL standalone*

*Revenue represents total revenue from operations*

\* **Pro-forma Financials** - Financials post the impact of eliminations as well as management adjustments. Indicative of how the financials of the entities would appear after the Scheme becomes effective. For further details on procedures performed to compute pro-forma financials, please refer appendix VII (presentation dated July 2, 2020)

# Bridge from Reported to Proforma Financials (2/5)



## MSSL Standalone ex DWH

INR Million	Reported MSSL Standalone ex DWH			Management Adjustments			Proforma MSSL Standalone ex DWH*		
	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21
Revenue <sup>1</sup>	43,624	39,851	11,269	70	237	79	43,694	40,088	11,348
EBITDA <sup>2</sup>	7,224	9,270	2,055	-477	-2,372	11	6,747	6,898	2,066
<i>EBITDA (%)</i>	<i>16.6%</i>	<i>23.3%</i>	<i>18.2%</i>				<i>15.4%</i>	<i>17.2%</i>	<i>18.2%</i>
PAT concern Share <sup>3</sup>	3,647	5,386	1,088	336	557	159	3,983	5,943	1,247
<b>Net Debt</b> (excl. lease liability)	10,158	11,873	43,771	0	0	0	10,158	11,873	43,771

## Management Adjustments

1. Adjustment on account of management fees received from DWH business

1. In addition to the impact of point 1, includes adjustment on account of i) lease rent from DWH business and ii) reduction of dividend income from MSSL subsidiaries and iii) regrouping of interest income. Further, FY19 includes impact on account of application of Ind AS 116 leases, which was not considered in published result since it was not applicable

3. Adjustments on account of lease rent and management fees from DWH business and associated tax impact

*Note: MSSL Standalone ex DWH revenues includes Sale of wires/components etc. to DWH Business. This gets eliminated in MSSL standalone*

*Revenue represents total revenue from operations*

\* **Pro-forma Financials** - Financials post the impact of eliminations as well as management adjustments. Indicative of how the financials of the entities would appear after the Scheme becomes effective. For further details on procedures performed to compute pro-forma financials, please refer appendix VII (presentation dated July 2, 2020)



# Bridge from Reported to Proforma Financials (3/5)



## MSSL Consolidated ex DWH

INR Million	Reported MSSL Consolidated			Proforma DWH Entity			Adjustments / Eliminations			Proforma MSSL Consolidated ex DWH*		
	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21
Revenue <sup>1</sup>	635,229	635,368	180,287	44,838	39,439	13,480	13,815	11,600	4,197	604,206	607,529	171,004
EBITDA <sup>2</sup>	55,685	54,320	20,634	7,399	5,294	1,947	4,254	147	-19	52,540	49,173	18,668
EBITDA (%)	8.8%	8.5%	11.4%	16.5%	13.4%	14.4%				8.7%	8.1%	10.9%
PAT concern Share <sup>3</sup>	16,131	11,701	7,984	3,923	2,860	1,205	-630	-185	-41	11,578	8,656	6,738
<b>Net Debt</b> (excl. lease liability)	79,917	68,972	61,976	-140	16	171	0	0	0	80,056	68,957	61,805

## Adjustments / Eliminations

- Adjustments on account of inter division / company sales viz., i) Sale from DWH business to MSSL Standalone ex DWH / MSSL subsidiaries and ii) Sale from MSSL Standalone ex DWH / MSSL subsidiaries to DWH business
- Adjustments on account of lease rent and management fees received from DWH business and regrouping of interest income. Further, FY19 includes impact on account of application of Ind AS 116 leases, which was not considered in published result since it was not applicable
- Adjustments on account of tax impact on lease rent and management fees

*Note: Q3 FY21 PAT includes the impact of INR 1,366 Million at SMRP BV towards deferred tax assets for prior years on a proportionate basis. Revenue represents total revenue from operations and Reported EBITDA includes interest and Dividend income which are excluded in the proforma.*

**\* Pro-forma Financials** - Financials post the impact of eliminations as well as management adjustments. Indicative of how the financials of the entities would appear after the Scheme becomes effective. For further details on procedures performed to compute pro-forma financials, please refer appendix VII (presentation dated July 2, 2020)

# Bridge from Reported to Proforma Financials (4/5)

## SAMIL

	Reported SAMIL			Carve out / Carve in**			Management Adjustments			Proforma SAMIL		
	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21
Revenue <sup>1</sup>	14,711	13,358	3,337	-1,101	-592	-1	297	97	-56	13,907	12,863	3,280
EBITDA <sup>2</sup>	806	604	430	676	697	3	318	-38	-52	1,800	1,263	381
EBITDA (%)	5.5%	4.5%	12.9%							12.9%	9.8%	11.6%
PAT concern Share <sup>2</sup>	6,548	1,143	6,425	743	1,307	2	303	358	4	7,594	2,808	6,431
<b>Net Debt<sup>3</sup> (excl. lease liability)</b>	18,296	13,124	13,153	-226	-375	0	-5,192	-1,602	-422	12,878	11,147	12,731

## Management Adjustments

- Adjustments on account of regrouping of interest income, revenue from consultancy business and revenue from Invenzen (MI-XIAB, in FY 19)
- In addition to impact of point 1, EBITDA & PAT for FY 19 also impacted due to the application of Ind AS 116 on leases. Additionally for Q3 FY21, adjustments on account of loss on sale of stake in MSPS and SMAST
- Adjustments on account of unpaid dividend, payment for acquisitions, inter corporate deposits and net debt of Invenzen (MI-XIAB, in FY 19)

All amounts in INR Mn; \*\* Adjustments on account of the financial information of entities acquired & excluded in accordance with the overall objective of business realignment. Statutory Auditors carried out the procedures agreed by the management on the combined/carve-out financial information for the periods stated above other than Q3 FY 21

# Bridge from Reported to Proforma Financials (5/5)



## Combined Entity

INR Million	Proforma MSSL Consol. ex DWH			Proforma SAMIL			Adjustments / Eliminations			Proforma Combined Entity*		
	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21	FY 19	FY 20	Q3 FY 21
Revenue <sup>1</sup>	604,206	607,529	171,004	13,907	12,863	3,280	-3,207	-4,144	-978	614,906	616,248	173,306
EBITDA	52,540	49,173	18,668	1,800	1,263	381	1	-2	-1	54,340	50,434	19,048
EBITDA (%)	8.7%	8.1%	10.9%	12.9%	9.8%	11.6%				8.8%	8.2%	11.0%
PAT concern Share <sup>2</sup>	11,578	8,656	6,738	7,594	2,808	6,431	-3,553	-2,916	-2,189	15,619	8,548	10,980
<b>Net Debt<sup>3</sup> (excl. lease liability)</b>	80,056	68,957	61,805	12,878	11,147	12,731	0	-91	149	92,934	80,013	74,685

## Adjustments / Eliminations

- Adjustments on account of inter company sales i) Sale from MSSL Standalone ex DWH to SAMIL, ii) Sale from MSSL subsidiaries to SAMIL, iii) Sale from SAMIL to MSSL Standalone ex DWH and MSSL subsidiaries
- Adjustments on account of i) profit attributable to non-controlling interest in SMRP BV, ii) Elimination of profit attributable to SAMIL's 33.4% stake in MSSL
- Debt numbers adjusted for inter corporate deposits between the entities

*Note: Q3 FY21 PAT includes the impact of INR 1,366 Million in MSSL Consol. Ex DWH and INR 2,679 Mn in the combined entity for SMRP BV towards deferred tax assets for prior years  
Revenue represents total revenue from operations*

**\* Pro-forma Financials** - Financials post the impact of eliminations as well as management adjustments. Indicative of how the financials of the entities would appear after the Scheme becomes effective. For further details on procedures performed to compute pro-forma financials, please refer appendix VII (presentation dated July 2, 2020)

# Sourcing & Shared Services Arrangements Post Demerger

## - Guiding Principles (1/2)



Nature	Description	Incremental due to Reorg (Yes / No)	FY20 Quantum (% of DWH Net Revenue)	9M FY21 Quantum (% of DWH Net Revenue)	Proposed Cap (% of DWH Net Revenue)	Comments
<b>DWH sourcing components from MSSL* / SWS entities</b>	Wires, connectors, tubes, plastic components and any other child parts of wire harness/ pass-through parts (including capital items)	No	From MSSL: c.29.3% From SWS: c.14.7%	From MSSL: c.32.0% From SWS: c.14.1%	For MSSL: 34.5% For SWS: 17.5%	<ul style="list-style-type: none"> <li>Term: 10 years</li> <li>Pricing to be decided on arm's length basis</li> <li>Non-exclusive arrangement</li> <li>Higher thresholds to cover fluctuations in commodity pricing and changes in product mix &amp; room for import content localization</li> </ul>
<b>DWH Sale to MSSL* / SWS entities</b>	Supply of Wiring harnesses and parts/components thereof	No	c.1.7%	c.1.3%	2.0%	<ul style="list-style-type: none"> <li>Term: 10 years</li> <li>Pricing to be decided on arm's length basis</li> <li>Non-exclusive arrangement</li> <li>Higher threshold is to factor in the future growth potential of the high growth MSSL entities which currently procure the wiring harnesses from DWH</li> </ul>
<b>DWH Lease Rentals to MSSL*</b>	Lease rentals for existing land and building determined by Knight Frank study	Yes	c.1.4% (INR 545 Mn)	c.1.6% (INR 429 Mn)	FY 22 estimated amount is INR 600 million and annual escalation of 5% p.a thereafter	<ul style="list-style-type: none"> <li>Term: 10 years; lock-in of 5 years for MSWIL</li> <li>Annual escalation of 5% p.a.</li> <li>The rent/ lease amount is based on valuation report undertaken by Knight Frank</li> </ul>

**Proposed RPT caps rationalized according to business requirements**

\*Name of MSSL will be changed to SAMIL;

MSSL entities include post reorg MSSL and its subsidiaries and joint ventures ; SWS entities include SWS and its subsidiaries and joint ventures

# Sourcing & Shared Services Arrangements Post Demerger

## - Guiding Principles (2/2)



Nature	Description	Incremental due to Reorg (Yes / No)	FY20 Quantum (% of DWH Net Revenue)	9M FY21 Quantum (% of DWH Net Revenue)	Proposed Cap (% of DWH Net Revenue)	Comments
<b>Functional Support Services provided by MSSL* and other group entities to DWH</b>	Rendering of functional support services, including engineering and design services, finance, purchase, logistics, HR, Treasury etc. and sharing of manpower to deliver such services to be provided by MSSL entities	No	c. 4.7%	c. 3.8%	5.0%	<ul style="list-style-type: none"> <li>Term: 10 years</li> <li>Pricing to be decided on arm's length basis</li> <li>Threshold aligned with historical levels</li> </ul>
<b>Technical Assistance (TA)</b>	TA with SWS for technical Assistance	No	c.0.6%	c.0.6%	1.0%	<ul style="list-style-type: none"> <li>Derived based on certain % of net value addition which works out to c.0.6% of DWH net revenue on an implied basis</li> <li>Term: 10 years;</li> <li>Assignment of TA with SWS from MSSL to DWH on existing terms</li> </ul>
<b>Management Service (MS)</b>	MS with MSSL for strategic guidance and management support	Yes	c.0.6%	c.0.6%	1.0%	<ul style="list-style-type: none"> <li>Term: 10 years;</li> <li>MS to have identical commercial parameters as TA with SWS</li> </ul>
<b>Car Leasing Arrangement</b>	Leasing arrangements of vehicles for employees	No	c.0.2%	c.0.2%	0.5%	<ul style="list-style-type: none"> <li>Term: 10 years</li> <li>Pricing to be decided on arm's length basis</li> <li>Threshold aligned with historical levels</li> </ul>

**Proposed RPT caps rationalized according to business requirements**

## Key Events Post Reorganization Announcement

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Appendix

**Reference to Detailed Documents**

## Reference to Detailed Documents

*For ease of reference and understanding, investors can access the below mentioned documents using the hyperlinks provided*

- *Reorganization : Press Release*
- *Reorganization Presentation : Poised for the next Phase of Growth*
- *Reorganization Scheme (Including Valuation Details & Fairness Opinions)*
- *SAMIL Investor Day Presentation :OVERVIEW*
- *SAMIL Investor Day Presentation: Top 10 Business Overview*
- *Vision 2025 - Group Overview Presentation: The Future is Bright*
- *Vision 2025 - Group Divisional Presentations*

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**FREQUENTLY ASKED QUESTIONS (FAQs) & ANSWERS ON THE PROPOSED REORGANIZATION OF  
THE COMPANY ANNOUNCED ON 02<sup>nd</sup> JULY 2020**

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## FREQUENTLY ASKED QUESTIONS (FAQs) & ANSWERS ON THE PROPOSED REORGANIZATION OF THE COMPANY ANNOUNCED ON 02<sup>nd</sup> JULY 2020

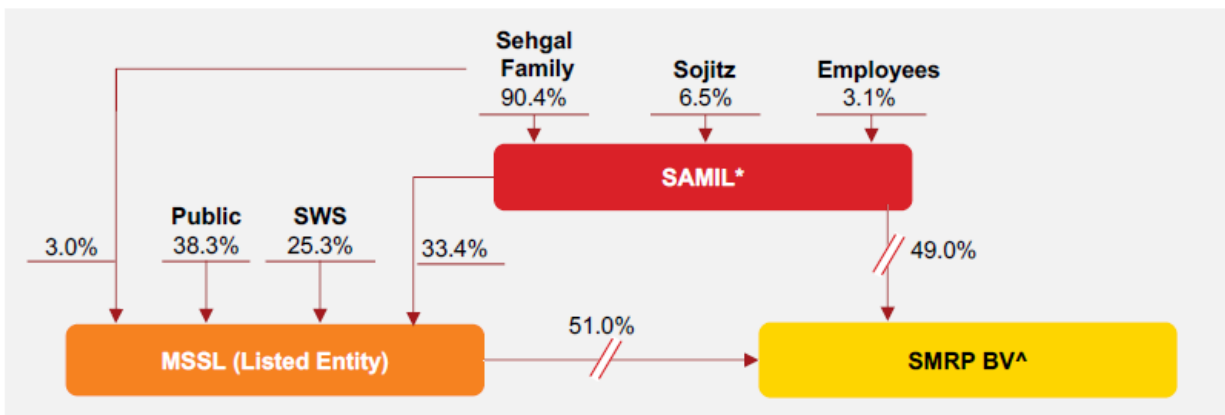
### STRUCTURE & STRATEGIC RATIONALE

#### 1. What is the proposed reorganization and what is the strategic rationale for the same?

The proposed reorganization approved *inter alia* by the Board of Motherson Sumi Systems Limited (“MSSL” / “Company”), entails demerger of Domestic Wiring Harness (“DWH”) business from MSSL into Motherson Sumi Wiring India Limited (“MSWIL”), a wholly owned subsidiary of MSSL and subsequent merger of Samvardhana Motherson International Limited (“SAMIL”) into MSSL. This will consolidate 100% shareholding in Samvardhana Motherson Automotive Systems Group BV (“SMRP BV”) as well as bring all auto component and allied businesses held at SAMIL under MSSL. The reorganization is being contemplated pursuant to a composite scheme of amalgamation and arrangement under the Companies Act, 2013 (“Scheme”) and is subject to regulatory approvals and other approvals inter-alia from shareholders, creditors, NCLT etc.as may be applicable.

Please refer to the following link for an explanatory video on the mechanics of the proposed reorganization. ([Refer to video from 9<sup>th</sup> October 2020 “Explaining the Structure Change” at this Link](#))

#### Current Structure



\* In addition to holding stake in MSSL (33.4%) and SMRP BV (49%), SAMIL holds investments in 15 Joint Ventures / Associate Companies and directly in 13 Subsidiaries as at 31 March 2020. ; ^SMRP BV includes SMP, SMRC and SMR

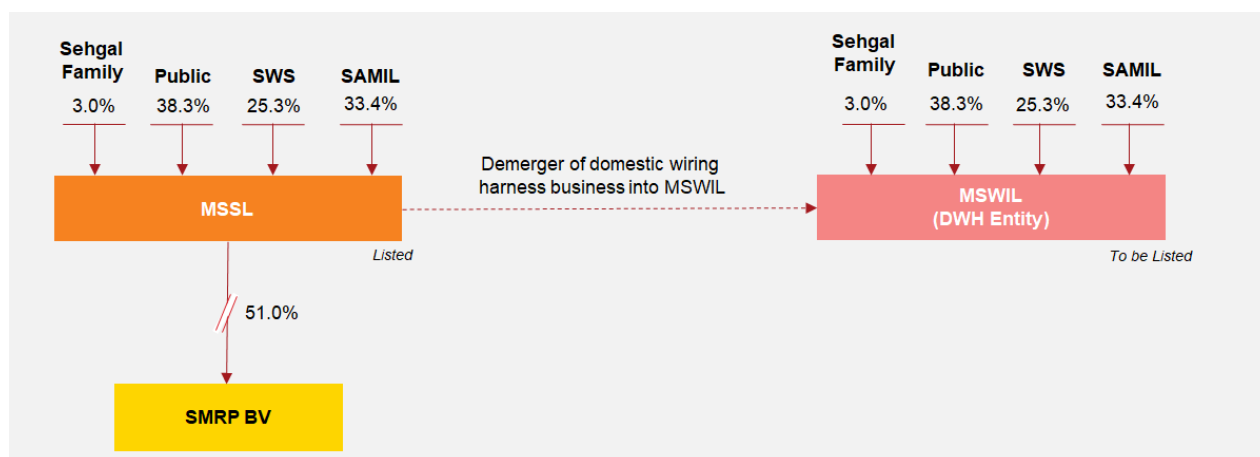
#### Key steps of the reorganization are:

##### **Step 1 - Demerger of Domestic Wiring Harness business from MSSL into MSWIL, which will eventually be listed.**

- All shareholders of MSSL, as on the record date, will be issued shares of MSWIL in the ratio 1:1, thereby mirroring the shareholding as that of MSSL. Accordingly, in addition to the shares already held in MSSL, the shareholders will get one additional share each in MSWIL for each share held in MSSL. MSWIL has been incorporated as 100% subsidiary of MSSL with nominal share capital which will be cancelled
- Post step 1, SAMIL will own 33.4% in MSWIL.

The shareholding pattern of MSWIL (Post step 1) (basis the shareholding pattern as at June 30, 2020) would be as depicted in the chart below

### **Intermediate Structure – Post Step-1**



**Rationale** - The demerger accomplishes the long-standing request from the Company's joint venture partner, Sumitomo Wiring Systems (“SWS”), to keep its participation focused to DWH business in India which is its core area of business interest. This will help enhance focus on the business and it will be better equipped to meet current and future needs of the customers.

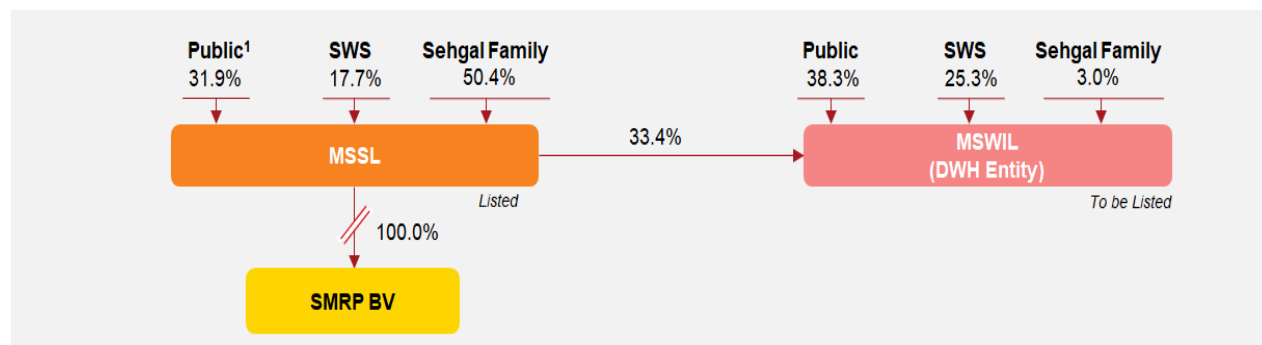
### **Step 2 - Merger of SAMIL into MSSL along with its**

- **49% stake in SMRP BV,**
  - **33.4% shareholding in MSSL,**
  - **33.4% shareholding in MSWIL (issued pursuant to demerger in Step 1) and**
  - **Stakes in other businesses and JVs held by SAMIL.**
- All shareholders of SAMIL will be allotted shares of MSSL in the ratio of 51 equity shares of MSSL for every 10 equity shares of SAMIL.
- Existing shareholding of SAMIL in MSSL (33.4% stake) will thus get cancelled.

The shares issued to shareholders of SAMIL on merger would rank *pari-passu* with existing MSSL shares with respect to dividend, voting and ownership rights.

The shareholding pattern of MSSL (Post Step 2) (basis the shareholding pattern as on June 30, 2020) would be as depicted in the structure chart below:

## Resultant Structure – Post Step-2



1. Public includes MSSL public shareholders (26.8%) and Sojitz and employees of SAMIL (5.1%)

**Rationale** – This will address the long standing request of the investors to bring all the businesses of the Motherson Group (“Group”) together. The largest business of the Group which is in SMRP BV will become fully owned by MSSL; thereby giving the full benefit of its cash flows and future growth to shareholders of MSSL. The reorganization diversifies MSSL’s revenue mix, product mix by addition of products like automotive lighting, shock absorbers, sheet metal, HVAC etc. and helps capture full benefit of group synergies by bringing support businesses and functions (like IT, logistics, travel, financial planning, legal support, compliance, internal audit, etc.). These reside in SAMIL and will become a part of MSSL under this reorganization.

(Please refer Investor Presentation – Poised for Next Phase of Growth dated July 2<sup>nd</sup>, 2020 for further details on the proposed reorganization and the strategic rationale – [“Poised for next phase of Growth”](#)).

## **2. What are the strategic benefits of reorganization and how will these accrete value for MSSL shareholders?**

### **Benefits of Demerger (Step-1)**

- It will enable pursuance of independent strategic priorities for the listed entities, while at the same time these entities continue to enjoy the benefit of the parentage of the Motherson Group as well as its strategic partner SWS.

### **Benefits of Merger (Step-2)**

- It simplifies the group structure and aligns the interest of all stakeholders as it brings all auto-component & allied businesses (SAMIL Businesses) under one Motherson umbrella thereby creating a strong platform for future growth.
- Further, MSSL’s stake in MSWIL ensures continuity of synergistic benefits to DWH business and exposure to the fast growing India auto market.
- The reorganization also offers greater operational and financial flexibility to pursue organic/ inorganic opportunities.

## About SAMIL Businesses

SAMIL is part of the promoter group of MSSL and, as on date, is the single largest shareholder holding 33.4% shares in MSSL. It provides operational, strategic and management support to all Motherson companies.

SAMIL has partnerships with global industry leaders such as Marelli, Valeo, Matsui, Anest Iwata, Fritzmeier, Bergstrom, Nissin, etc., and has incubated several high growth businesses, some of which enjoy market leadership positions in their respective fields.

The businesses housed under SAMIL include automotive lighting systems, extruded and injection moulding tools and components, heating ventilating and air conditioning (HVAC) systems for vehicles, cabins for off-highway vehicles, stamped and machined metal products, cutting tools etc.

Merger of SAMIL into MSSL would diversify product portfolio of MSSL thereby enhancing the 3CX10 strategy and reinforcing MSSL's position as a leading, globally diversified and preferred component supplier. It will also provide access to new technology such as hot stamping, Industry 4.0, vehicle telematics etc. The businesses under SAMIL present a USD 200 Bn global market opportunity.

Further, SAMIL provides certain shared services to the Motherson Group such as legal, internal audit and compliance support, product / process engineering, financial planning, M&A, procurement planning and group travel management. Merger of SAMIL would bring such support functions in-house.

*(Please refer SAMIL Overview and SAMIL Top 10 Businesses Overview presentations dated October 9, 2020 for further details– [“SAMIL Overview Presentation”](#) & [“SAMIL Top 10 Businesses Overview”](#))*

### 3. What was the process followed in finalizing the proposed reorganization?

The Board of Directors of MSSL in the year 2014 had constituted a Committee of Directors (Strategic Business Matters), the scope of the committee *inter-alia* included undertaking a detailed review of businesses under MSSL and suggest the need for re-organization, if any.

In 2016, scope of the committee was enlarged to include detailed review / evaluation / strategic guidance to the management on the restructuring proposals and recommend its views to the Board/ Audit Committee as may be necessary.

Over the years, the management of MSSL received various proposals from different investment banks with multiple structures for re-organization. The proposed structures were discussed and deliberated in Board committees over multiple meetings.

It was after the detailed review and analysis, a re-organization structure entailing demerger of domestic wiring harness business and consolidation of shareholding in SMRP BV (so that it is held 100% under MSSL) was recommended by the committee.

The following process was followed for the approval of the proposed reorganization:



- (a) The Board of Directors of MSSL at its meeting held on January 30, 2020 granted an in principle approval for reorganization of the business within the Group which inter-alia involved the demerger of domestic wiring harness business and consolidation of shareholding in SMRP BV so that it is held 100% under MSSL.
- (b) To further progress the said reorganization, the Board of MSSL also constituted a subcommittee of directors to oversee the said process and *inter alia*, empowered the said committee to evaluate and also to take all such necessary steps as may be required in this respect. Pursuant to the announcement, the Company appointed several advisors and evaluated various reorganization alternatives keeping in mind the core objectives of simplification of group structure and alignment of all stakeholders' interest.
- (c) Since majority of SAMIL's businesses (excluding 49% stake in SMRP BV and 33.4% stake in MSSL) held through subsidiaries and joint ventures are engaged in auto component & ancillary businesses, the structure involving merger of SAMIL into MSSL was proposed by advisors as it would bring all auto component businesses under one Motherson umbrella and align interest of all stakeholders.
- (d) Financial, tax and legal diligence of SAMIL and its top 11 investments (subsidiaries / joint ventures) contributing c.87% of SAMIL's (ex MSSL, ex SMRP BV) revenue and EBITDA (for FY20) was conducted by independent agencies i.e., PWC (Financial and Tax Diligence) and AZB & Partners (Legal Diligence). The due diligence reports were provided to the valuers and fairness opinion providers.
- (e) Price Waterhouse & Co LLP and BSR & Associates LLP and Incwert Advisory Pvt. Ltd., a registered valuer (together the "Valuers") were appointed to opine on the share entitlement ratio for the demerger and conduct an independent valuation of MSSL (excl. DWH) and SAMIL to recommend a share exchange ratio for the merger. Axis Capital Ltd. and DSP Merrill Lynch Ltd. provided fairness opinion on the share entitlement ratio for the demerger and share exchange ratio for the merger, to MSSL. Kotak Mahindra Capital Co. Ltd. provided fairness opinion on the share exchange ratio for the merger, to SAMIL.
- (f) The valuation and fairness opinion reports along with the copy of the draft scheme were placed before and approved by the respective Audit Committees and Board of Directors of MSSL and SAMIL in meetings held on July 2, 2020. At the Audit Committee of MSSL, all committee members voted unanimously on the resolution other than Mr. Vaaman Sehgal and Mr. Shunichiro Nishimura (being nominee directors of SAMIL and SWS respectively). At the Board meeting, all Directors voted unanimously on the resolution other than Mr. VC Sehgal, Mr. Vaaman Sehgal, Mr. Shunichiro Nishimura and Mr. Takeshi Fujimi (being promoter nominee directors).
- (g) The Scheme was approved by the Board of MSWIL on July 17, 2020.

**4. How was the share entitlement/share exchange ratio proposed determined? What were the various valuation methodologies used?**

The Board of Directors of MSSL and SAMIL appointed BSR & Associates LLP, Price Waterhouse & Co LLP, and Incwert Advisory Pvt. Ltd., a registered valuer for recommendation on the share entitlement ratio and the share exchange ratio of equity shares for the proposed reorganization. Further, Axis Capital Ltd. and

DSP Merrill Lynch Ltd. provided fairness opinion on the share entitlement ratio for the demerger and share exchange ratio for the merger, to MSSL. Kotak Mahindra Capital Co. Ltd. provided fairness opinion on the share exchange ratio for the merger, to SAMIL.

### Step 1: Demerger of Domestic Wiring Harness business from MSSL into MSWIL

Share Entitlement Ratio - All shareholders of MSSL as on the record date will be issued shares of MSWIL in the ratio 1:1.

As a part of the proposed demerger, all the shareholders of MSSL, as on record date, shall become the shareholders of MSWIL i.e., the shareholding pattern of MSWIL shall mirror the shareholding pattern of MSSL.

### Step 2: Merger of SAMIL into MSSL

Share Exchange ratio - All shareholders of SAMIL, as on record date, will be allotted shares of MSSL (Face value Rs.1) in the ratio of 51 equity shares of MSSL for every 10 equity shares of SAMIL (Face value Rs. 10).

The share exchange ratio has been arrived at on the basis of a relative equity valuation of MSSL (ex-DWH) and SAMIL. The valuers have used different methodologies viz., market approach (comparable companies' multiples) and income approach (discounted cash flows) to value each of the businesses as tabulated below. For the purpose of market approach the valuers have used a combination of historical multiples and forward multiples.

It may be further noted that valuation of both MSSL and SAMIL are interlinked as SAMIL apart from the businesses held through its subsidiaries and JVs, holds stakes in MSSL & its subsidiary SMRP BV.

The valuation of MSSL (ex DWH) and SAMIL was done on a SOTP basis (sum of the parts) and comprised of following components:

#	Components	MSSL (Ex DWH)	SAMIL
1	DWH	None	33.4% Stake
2	SMRP BV	51.0% Stake	49.0% Stake (Directly) 17.0% Stake (Indirectly)
3	MSSL Ex DWH Ex SMRPBV (Others)	100.0% Stake	33.4% Stake
4	SAMIL, its various subsidiaries and JVs	None	Various Stakes

Key Financial Metrics of SAMIL businesses, its various subsidiaries and JVs (ex MSSL, ex SMRP BV) are tabulated under.

Particulars (FY20)	Revenue (INR Mn)	EBITDA (INR Mn)
Consolidated Basis	12,863	1,263
Proportionate Basis*	20,437	2,520
Aggregate Basis	28,000	3,721

\* Unconsolidated JVs have been proportionately considered

(The valuation and fairness opinion reports provided by the valuers and merchant bankers respectively are available on the Company website as a part of the composite scheme document– “[Composite Scheme](#)”).

## 5. What will be the economic interest of the MSSL public shareholders in various businesses post completion of the reorganization?

The economic holding of existing public shareholders in MSSL pre and post reorganization would be as under, basis the shareholding as on June 30, 2020: (Public shareholding in MSSL as of June 30, 2020 was 38.3%)

Economic Holding in Businesses	Pre Reorganization / Existing	Post Reorganization
DWH	38.3%	47.2%*
SMRP BV	38.3%*51% = 19.5%	26.8%*100% = 26.8%
Others	38.3%	26.8%
SAMIL businesses	0%	26.8%

\*38.3% held directly in MSWIL plus 26.8%\*33.4% = 8.9% held indirectly through MSSL (aggregating to 47.2%).

## 6. Will the transaction be accretive for MSSL public shareholders?

At the time of announcement we had communicated that the transaction is expected to be EPS accretive in the first year of merger itself viz., FY22.

If we look at the accretion at an EBITDA level (Earnings before interest, taxes, depreciation and amortization), the transaction was already accretive for MSSL public shareholders even at the time of announcement and is accretive even today. Please refer to the tables below for the economic holding of existing MSSL public shareholders in various businesses pre and post reorganization and the proportionate share in EBITDA which accrues to them.

### FY20

Businesses	Economic Holding of Existing MSSL Public Shareholders		EBITDA FY20 (C) (INR Mn)	Proportionate EBITDA FY20 (INR Mn)	
	Pre Reorg (A)	Post Reorg (B)		Pre Reorg D = (A X C)	Post Reorg E = (B X C)
DWH	38.3%	47.2%	5,294	2,028	2,499
SMRP BV	19.5%	26.8%	26,575	5,182	7,122
Others	38.3%	26.8%	22,598	8,655	6,056
SAMIL*	0.0%	26.8%	2,520	0	675
<b>Total</b>				<b>15,865</b>	<b>16,352</b>
<b>Accretion</b>					<b>3.1%</b>

\*Proportionate EBITDA of SAMIL businesses (excluding MSSL and SMRP BV)

### Q3FY21

Businesses	Economic Holding of Existing MSSL Public Shareholders		EBITDA Q3 FY21 (C) (INR Mn)	Proportionate EBITDA Q3 FY21 (INR Mn)	
	Pre Reorg (A)	Post Reorg (B)		Pre Reorg D = (A X C)	Post Reorg E = (B X C)
DWH	38.3%	47.2%	1,947	746	919
SMRP BV	19.5%	26.8%	12,720	2,480	3,409
Others	38.3%	26.8%	5,948	2,278	1,594
SAMIL*	0.0%	26.8%	759	0	203
<b>Total</b>				<b>5,504</b>	<b>6,125</b>
<b>Accretion</b>					<b>11.3%</b>

\*Proportionate EBITDA of SAMIL businesses (excluding MSSL and SMRP BV)

Further, in FY 21 we have been able to successfully improve the Greenfield plants much ahead of time. As a result of which the merger is EPS accretive basis Q3FY21 numbers which is before the guided timeline of FY22 (i.e. the first year after merger). Please refer to the table below for EPS accretion calculations

#### Calculation for Q3FY21 (Proforma numbers)

Share Exchange Ratio	51 equity shares of MSSL for 10 equity shares for SAMIL
# MSSL existing shares (Mn)	3,157.9
# MSSL shares post reorganization (Mn)	4,517.6
Q3 FY21 MSSL Consolidated Ex DWH Proforma Net Income* (INR Mn) – A	5,372
<b>EPS – A/# MSSL existing shares</b>	<b>1.70</b>
Q3 FY21 Post Reorganization Combined entity Consolidated Proforma Net Income* (INR Mn) – B	8,301
<b>EPS – B/# MSSL shares post reorganization</b>	<b>1.84</b>
<b>EPS - Accretion</b>	<b>8.0%</b>

\*PAT excluding impact of EUR 32 million at SMRPBV on account of deferred tax assets related to prior years. The impact for MSSL's share is INR 1,366 million and for combined entity post reorganization is INR 2,679 million

## GOVERNANCE, BOARD COMPOSITION AND APPROVALS

### 7. Which shareholders would approve the proposed reorganization?

The Scheme includes 1) demerger of the DWH business from MSSL into MSWIL and 2) merger of SAMIL into MSSL. The Scheme will be approved by the respective shareholders of the entities involved in the Scheme.

In addition to the Scheme, the shareholders of MSSL, being the ultimate shareholders of MSWIL, will, on behalf of MSWIL, also approve the related party transactions which are: 1) existing contracts/ arrangements in relation to the DWH business which will be novated from MSSL to MSWIL as a part of the Scheme (with related parties such as SWS including its subsidiaries and joint ventures); 2) new contracts/ arrangements between MSSL, its subsidiaries and joint ventures, on the one hand, and MSWIL on the other hand, arising as a result of the Scheme.

Since MSSL shareholders will get shares of MSWIL in a 1:1 ratio, and the shareholding of MSWIL will mirror that of MSSL as on the record date, the approval for the related party transactions to be undertaken by MSWIL on the Scheme becoming effective is being sought from MSSL shareholders in their capacity of being the ultimate shareholders of MSWIL.

While the existing contracts that are being novated do not require a shareholder approval under applicable laws, MSSL is approaching minority shareholders to vote on these as a practice of good corporate governance. For the Scheme, a simple majority of the minority shareholder will be required. For the RPT approvals, a simple majority would be required, however, as per applicable laws, all entities falling within the definition of related parties shall not vote to approve the relevant transactions irrespective of whether such entities are a party to the particular transaction or not.

#### **8. What are the various approvals required from regulatory perspective for the proposed reorganization?**

The proposed reorganization requires the following regulatory approvals:

- (a) Observation letter / no-objection letters from
  - BSE Limited (**received on December 4, 2020**) and
  - National Stock Exchange of India Limited (**received on December 7, 2020**);
- (b) Approval of the CCI;
- (c) Order of the NCLT sanctioning the proposed reorganization; and
- (d) Intimation to the Reserve Bank of India.

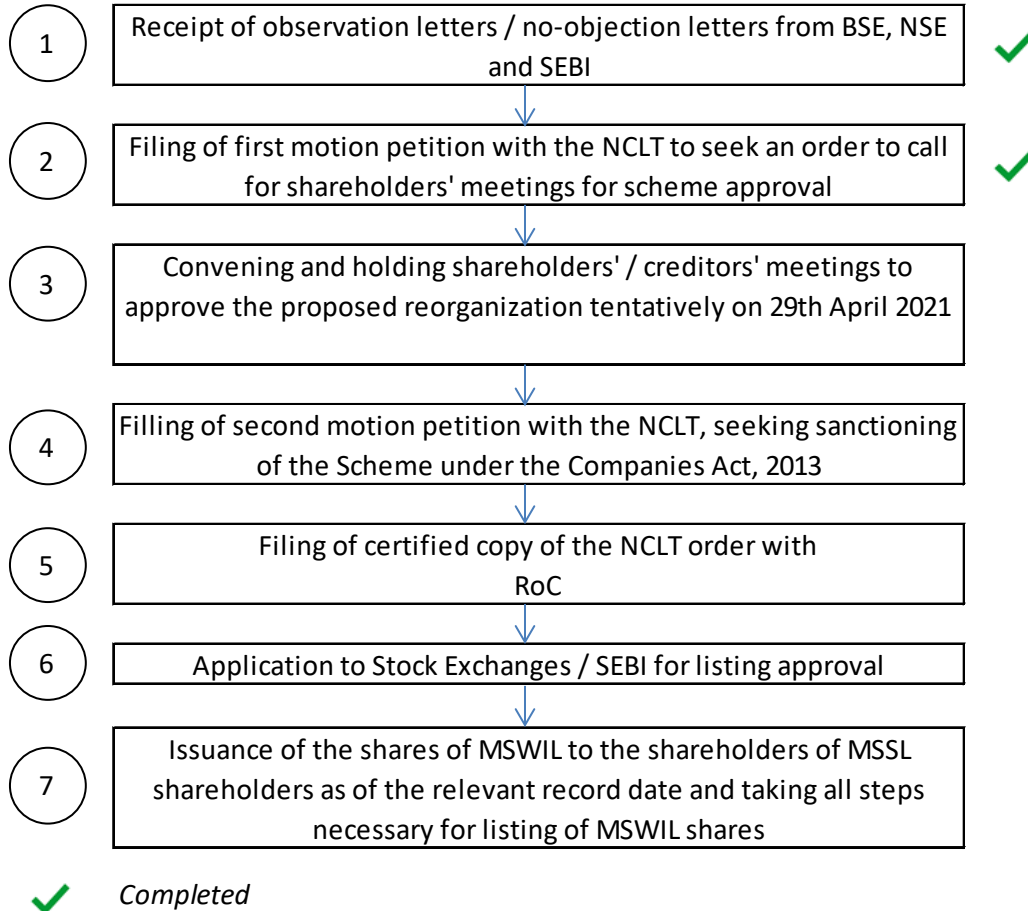
#### **9. What is the appointed date for the demerger of DWH business into MSWIL? What is the significance of appointed date?**

The appointed date for the demerger is April 1, 2021. Appointed date is the date from which the Scheme will come into effect. It is the date from which separate books of accounts of MSWIL and MSSL (post reorg) will be reconstructed in accordance with applicable laws and all the contracts and arrangements etc. with respect to the DWH business shall be moved to MSWIL.

## 10. What are the activities to be completed prior to listing of equity shares of MSWIL?

The broad steps to be undertaken prior to the listing of the equity shares of MSWIL are as follows:

### Steps



*(Please refer presentation “Addendum to Investor Presentation on Proposed Reorganization” dated 17<sup>th</sup> February, slide 27 for progress on Scheme implementation).*

## 11. Will there be any change in composition of Board of the Company post reorganization?

Currently, the constitution of Board of Directors of MSSL and its Committees members are in conformity with the SEBI Listing Regulations and Companies Act, 2013 and accordingly, a minimum of 50% of directors on the Board of MSSL are independent directors. Similarly, various board committees of MSSL are also in compliance with SEBI regulations with adequate representation of independent directors / chairperson being an independent director. Details of current constitution of the Board of Directors and various Committees are available at [www.motherson.com](http://www.motherson.com).

That said, the composition of the Board of Directors of MSSL and other committees may change considering revised business requirements of the merged entity (post the merger of SAMIL). The construct of the Board of Directors and such committees will continue to be in conformity with SEBI Listing Regulations and Companies Act, 2013. Accordingly, the Board of Directors of MSSL will continue to have

a minimum 50% of directors as independent directors so long as the chairperson is not a non-executive director or is a promoter.

## **12. What will be the constitution of Board of MSWIL (DWH Entity)?**

The board of MSWIL is expected to have 10 members. The constitution of the Board of Directors of MSWIL will be in compliance with applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI Listing Regulations") and the Companies Act, 2013. Accordingly,

- A minimum of 50% of the directors on the Board of MSWIL will be independent directors so long as the chairperson is not a non-executive director or is a promoter.
- Further, MSSL and MSWIL will not have any common independent directors.
- The Board of Directors of MSWIL will have directors nominated by the promoters, which includes the nominees of the MSSL (post reorganization) and SWS.

In addition, the Board of MSWIL will constitute various board committees, including, Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee.

The constitution of various Board Committees will also be in compliance with applicable provisions of SEBI Listing Regulations and Companies Act, 2013 such as:

- (a) Audit Committee:** Two-thirds of members of the Audit Committee will be independent directors and the Chairperson will also be an independent director.
- (b) Nomination and Remuneration Committee:** At least 50% of the members will be independent directors and all members of the committee will be non-executive and the Chairperson will also be an independent director.
- (c) Stakeholders Relationship Committee:** At least one of the members will be an independent director and the Chairman will be a non-executive director.

## **RELATED PARTY TRANSACTIONS**

### **13. Will there be any related party transactions that MSWIL (DWH Business) will enter into with MSSL and SWS (and their respective subsidiaries and JVs)? What is the rationale for the proposed related party transactions?**

As on date, the DWH business is being carried on as a part of the business of the Company and has various inter-dependencies with the other verticals of the Company. The DWH business sources various goods or materials, including wires, various tools, jigs, fixtures, rubber parts and certain other components which are used to manufacture wiring harnesses. MSSL has over the years developed an in-house value chain of these products through various backward integration initiatives which gives it a distinct cost advantage. Similarly, MSSL leverages DWH business' world class technology and vast experience in cost-efficient manufacturing and procures wiring harness which is used as child parts in the manufacture of other components. Further, MSSL has a central team for some of the key functions in the areas of finance, procurement, IT, logistics etc., the services of which are availed by each of the businesses including DWH business. These existing arrangements are currently not disclosed separately as they are inter-division procurements / allocations of the same legal entity i.e., MSSL.

While the DWH business will be demerged into MSWIL, it will continue to be one of the key businesses for MSSL. To ensure that, post the demerger, the benefit of the in-house value chain continues to be available to all the businesses, certain related party transactions are proposed between MSWIL and MSSL (including its subsidiaries and JVs), MSWIL and SWS (including its subsidiaries and JVs). These related party transactions will be undertaken with the objective of ensuring continuity to existing operations and pooling of resources to avoid duplicity which ensures mutual benefit to MSSL and MSWIL. Thus, shareholders of both the companies will benefit.

The guiding principles of the related party transactions are:

- All contracts/ arrangements are on an arms-length basis,
- No contract/ arrangement will be exclusive in nature,
- These contracts/ arrangements will have varied but definite tenure with prescribed monetary thresholds, and
- Transactions will be undertaken in compliance with all applicable laws, including obtaining shareholders' approval wherever applicable.

Summary of the proposed related party transactions are mentioned below:

- **Purchase of components and wires** – MSWIL will procure various tools, jigs, fixtures, wires, rubber parts, connectors, other components which are required to manufacture / assemble wiring harness and certain capital items required for the domestic wiring harness Business from MSSL (including its subsidiaries and JVs) and SWS (including its subsidiaries and JVs). All these transactions are on a continuing basis and undertaken on an arm's length basis and are in the ordinary course of business.
- **Sale of wiring harness and components** – Wiring harnesses are also used as child parts to manufacture / assemble products such as internal / external mirror(s), headlight lamps etc. will continue to be supplied to MSSL (including its subsidiaries and JVs) and SWS (including its subsidiaries and JVs) by MSWIL.
- **Functional Support Services from MSSL and other Group entities** - MSSL has a central team for key functions in the areas of finance, procurement, logistics, HR, IT, product / process design, development and engineering and other services such as travel management, infrastructure support etc., services of which are used by all divisions including the DWH business. Additionally, as on date, there are certain services being rendered by SAMIL (either directly or through its subsidiaries and joint ventures) to MSSL, the benefit of which is also availed by the DWH Business. This leads to various operating synergies which results in reduction of cost. MSWIL will continue to use such common services from MSSL (post re-org) and its subsidiaries / joint ventures (including subsidiaries and joint ventures of SAMIL which will become subsidiaries and joint ventures of MSSL pursuant to the Scheme) on an arms-length basis.
- **Technical Assistance from SWS** – Currently, MSSL and SWS have a technical assistance agreement in relation to the DWH business. Pursuant to the demerger of DWH business into MSWIL, the technical assistance agreement will be assigned on the same commercial terms to MSWIL.
- **Management Services from MSSL** – MSSL provides management support and advice, local relationships, ground level assistance etc. to the DWH business which is currently part of MSSL. The



contribution by MSSL is crucial to the growth and development of the DWH business. Pursuant to demerger of DWH business into MSWIL, MSSL will continue to provide strategic guidance and management support to MSWIL. The commercial terms of the contract will be same as that of the technical assistance agreement with SWS.

- **Lease Arrangement from MSSL** – The DWH business that is being demerged into MSWIL from MSSL, *inter alia*, consists of various manufacturing units and offices. The land and building of such manufacturing units are originally owned and / or leased in name of MSSL and are also being utilized by other businesses of MSSL. Since, many of the factories pertaining to the DWH business are on long term leases taken from government authorities / industrial parks, the process of transfer would be time consuming, cost inefficient and can potentially impact the continuity of the business. Therefore, as part of Scheme, MSSL will continue to retain such immovable assets and all such manufacturing units and offices will be leased / sub-leased to MSWIL by MSSL, on the Scheme becoming effective. The rent/ lease amount will be based on a valuation report issued by Knight Frank.
- **Car Lease Arrangement** – Currently MSSL leases cars for its employees and other corporate purposes from a promoter group entity on arm's length basis. This is a centralized leasing service for the entire Group and to take the benefits of group volumes consolidation, the arrangement is expected to continue with MSWIL as well (on a non-exclusive basis) on an arm's length basis.

A majority of the proposed related party transactions are in continuation of existing arrangements and the incremental cost from related party transactions between MSSL / SWS and MSWIL are expected to be only c.2% of the revenue of MSWIL.

It may be noted that the related party transactions mentioned above will cover transactions undertaken by MSWIL with subsidiaries and joint ventures of SAMIL, which will become subsidiaries and joint ventures of MSSL pursuant to the Scheme

It may be noted that these proposed arrangements would be reviewed by Audit Committee of MSWIL on an annual basis to ensure alignment with the agreed principles.

The below table captures the key terms of the proposed related party arrangements:

Particulars	FY 20 Quantum (% of DWH Net Revenue)	9M FY21 Quantum (% of DWH Net Revenue)	Proposed Cap (% of DWH Net Revenue)	Tenure	Rationale for Higher Cap	Incremental due to reorg (Yes / No)
Purchase of components and wires	From MSSL: c.29.3%	From MSSL: c.32.0%	From MSSL: 34.5%	10 years	Fluctuations in commodity pricing. Changes in product mix and room for import content localization.	No
	From SWS: c.14.7%	From SWS: c.14.1%	From SWS: 17.5%			
Sale of wiring harness and components	c.1.7%	c.1.3%	2.0%	10 years	Businesses which are procuring wiring harness from DWH are all high growth businesses (such as automotive lighting, off highway vehicle cabins, HVAC systems, mirrors etc.). This cap is to factor in their future growth potential.	No
Functional Support Services from MSSL and other Group entities  (includes shared, IT and other services)	c.4.7%	c.3.8%	5.0%	10 years	Thresholds aligned with historical levels.	No

Particulars	FY 20 Quantum (% of DWH Net Revenue)	9M FY21 Quantum (% of DWH Net Revenue)	Proposed Cap (% of DWH Net Revenue)	Tenure	Rationale for Higher Cap	Incremental due to reorg (Yes / No)
<b>Technical Assistance from SWS</b>	c.0.6%	c.0.6%	1.0%	10 years	Existing arrangement, the technical assistance agreement will be assigned on same commercial terms to MSWIL.	No
	Derived based on certain % of net value addition which works out to c.0.6% of DWH Net Revenue on an implied basis.					
<b>Management Services from MSSL</b>	c.0.6%	c.0.6%	1.0%	10 years	Same commercial terms as proposed in TA agreement with SWS.	Yes
<b>Lease Arrangement from MSSL</b>	INR 545 Mn c.1.4%	INR 429 Mn c.1.6%	FY 22 estimated amount is INR 600 Mn, subject to an annual escalation of 5% thereafter	10 years (lock in of 5 years)	Annual escalation of 5%.	Yes
<b>Car Leasing Arrangement</b>	c.0.2%	c.0.2%	0.5%	10 years	Thresholds aligned with historical levels.	No

Please turn to next page for Q. 14

#### **14. What will be the process for approval of related party transactions?**

- The Company is proposing to convene a separate shareholders' meeting to approve the related party transactions on behalf of MSWIL, immediately after the NCLT convened shareholders' meeting for approving the Scheme, on the same day.
- Accordingly, there will be two separate shareholders' meeting, one to approve the Scheme and second to approve the related party transactions on behalf of MSWIL. A separate notice for the approval of related party transactions will be circulated to the shareholders.
- Once the shareholders' approval has been obtained, the proposed related party transactions will be entered into and operationalized post the NCLT order for the Scheme. Considering that the related party transactions would be material transactions for MSWIL, as per the SEBI Listing Regulations, none of the related parties of the Company (as defined under the Listing Regulations) shall vote on the RPT resolutions.
- While the existing contracts in relation to the DWH business that are being assigned / novated to MSWIL pursuant to the Scheme do not require a shareholder approval, MSSL is nonetheless approaching its shareholders to seek their consent on behalf of MSWIL as a matter of good corporate governance practice.

*(Please refer Investor Presentation – [Poised for Next Phase of Growth](#) dated July 2nd, 2020 and Addendum to Investor Presentation dated 17<sup>th</sup> February 2021)*

**Appendix: Glossary**

BSE	BSE Limited
CCI	Competition Commission of India
DWH	Domestic Wiring Harness
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EPS	Earnings Per Share
JV	Joint Venture
MSSL	Motherson Sumi Systems Limited
MSWIL	Motherson Sumi Wiring India Limited
NCLT	National Company Law Tribunal
NSE	National Stock Exchange of India Limited
RoC	Registrar of Companies
SAMIL	Samvardhana Motherson International Limited
SEBI	Securities and Exchange Board of India
SMRP BV	Samvardhana Motherson Automotive Systems Group BV
SWS	Sumitomo Wiring Systems Limited, Japan