

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Samvardhana Motherson International Limited (security code: -)

<Assignment>

Foreign Currency Long-term Issuer Rating: A
Outlook: Stable

Rationale

- (1) Samvardhana Motherson International Limited (SAMIL) is the parent company of Motherson Group, a major automotive supplier headquartered in India, and is listed on both the National Stock Exchange of India and the Bombay Stock Exchange. SAMIL's rating reflects the group's creditworthiness. JCR considers that the group's creditworthiness is equivalent to A, which is underpinned by its diversified customer base and business portfolio, global manufacturing network, solid partnership with global OEMs, a track record of prudent M&A strategy that has led to the growth and business diversification, and solid financial performance. The Stable outlook reflects JCR's view that SAMIL will continue to show robust financial performance and that the management will maintain its prudent financial policies. The group has a strong international revenue base and access to international capital markets, and SAMIL's 100% subsidiary in the Netherlands, which is responsible for its major international operations, plays a central role. The rating is therefore not constrained by the ratings on the resident country of India.
- (2) Motherson was established in 1975 by incumbent Chairman Mr. Vivek Chaand Sehgal and started up its first wire factory in 1977. SAMIL (Formerly Motherson Sumi Systems Limited "MSSL") was set up in 1986 as a JV with Sumitomo Wiring Systems Ltd., and was listed on Indian stock exchanges in 1993. The company expanded its business portfolio and geographical coverage in the 2000's through a series of acquisitions involving European companies such as Visiocorp (mirrors) in 2009 and Peguform (polymer modules) in 2011. The group completed its reorganization in 2022 thereby bringing all auto-component and allied business under one umbrella. Most of the international business of SAMIL are held through Samvardhana Motherson Automotive Systems Group BV ("SMRP BV"), a 100% subsidiary in the Netherlands, after the reorganization. The reorganization also resulted in the demerger of the domestic wiring harness business with the creation of listed entity Motherson Sumi Wiring India Limited (MSWIL), a JV between SAMIL (holding 33.4%) and Sumitomo Wiring Systems (holding 25.1%). MSWIL caters to the Indian automotive market for wiring harness business. In 2023, SAMIL acquired SAS Autosystemtechnik (cockpit module assembly/SAS), Yachiyo Industry (fuel tank, sun roof) and Dr. Schneider Holding (interior) etc., which also contributed to further diversifying its business portfolio.
- (3) SAMIL's 3CX10 strategy further broadens revenue sources through diversification of customers, operational locations and products in order to mitigate business risks, aiming to achieve no country, customer, or component contributing more than 10% of revenues. This strategy has succeeded in capturing demand from OEMs seeking global expansion. The acquisition of auto parts suppliers has helped SAMIL to strengthen relationships with major OEMs and solidify its customer base. In FY2024, its top three customers in terms of sales shares were Mercedes-Benz (11%), Audi (9%) and Volkswagen (9%). SAMIL has almost achieved its target to reduce customer concentration in sales to less than 10%. Many of its main customers are European OEMs, but it also has long business relationships with Japanese companies and the recent acquisition of Japanese auto parts suppliers such as Yachiyo Industry and the mirror business of Ichikoh Industries may enable it to further strengthen its relations with Japanese OEMs. SAMIL's business portfolio now ranges across five business divisions; wiring harness (27% of group revenue in FY2024), module & polymer (43%), vision systems (17%), integrated assemblies (6%) and emerging businesses (7%). JCR holds that wiring harness and vision systems are relatively stable businesses. While module & polymer is seen as more exposed to cost-cutting pressure from OEMs, SAMIL has shown resilient performance. Through the acquisition of SAS, which is mainly engaged in cockpit module assembly, SAMIL is looking to enhance added value through modularization and generate synergies through vertical integration of its development and manufacturing operations. JCR will follow up on the profit margin of each division in the future. SAMIL is geographically well spread in terms of both sales and

production. Including its equity-method affiliated companies, the group's top countries in terms of sales are India (21%), the USA(18%), Germany (18%), China (11%) and Hungary (6%).JCR holds that one of the company's competitive edges comes from its global manufacturing network across 44 countries that enables it to meet OEMs' requirements.

- (4) Financial performances have been solid over years. SAMIL reported a strong business performance in FY2024 ended in March. Its operating revenue increased 25% from INR 787.9 billion in FY2023 to INR 986.9 billion in FY2024. About 50% of the gain came from the effect of the acquisitions with the remaining half from its own organic growth. In FY2024, its net debt to EBITDA ratio was kept at 1.4 times, which was below management comfort level of 1.5 times and the stated financial policy of 2.5 times despite large payouts for the acquisitions and CAPEX. Its liquidity remained satisfactory at round INR 143 billion, including the undrawn commitment line available at the end of March 2024. The economic environment surrounding the automotive components industry, such as the global economic slowdown and rising labor costs, remain uncertain, but SAMIL's revenue is expected to grow further in FY2025 as benefits from its newly acquired assets were not fully reflected on its FY2024 result. The company is expected to continue acquisitions which can lead up to increased borrowings. However, JCR believes that the company will manage to keep its net debt to EBITDA ratio below its management comfort level given its track record of prudent acquisition strategy.
- (5) SAMIL has executed 43 acquisitions since 2002 while maintaining its net debt to EBITDA ratio at around 1.5 times over years. According to the company, acquisition deals were brought in mainly by its customers such as OEMs, and it carefully considered post-acquisition synergies and financial impact before deciding whether to accept them. As a result, it has many track records of acquiring distressed companies and turning their operations around. JCR believes that this acquisition strategy has led to reasonable acquisition prices and synergies, enabling the company to achieve both growth through acquisitions and retention of financial discipline. SAMIL is expected to continue acquisitions, but JCR expects the management to maintain its prudent acquisition strategy.

Kiichi Sugiura, Masato Hotta

Rating

Issuer: Samvardhana Motherson International Limited

<Assignment>

Foreign Currency Long-term Issuer Rating: A Outlook: Stable

Rating Assignment Date: July 1, 2024

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (February 1, 2024) and "Auto Parts Manufactures" (August 1, 2023) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Samvardhana Motherson International Limited
Rating Publication Date:	July 2, 2024

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the warranty made by the issuer, the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but

possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's parent company or subsidiaries, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Kiichi Sugiura, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

杉浦 輝一

Kiichi Sugiura
General Manager of International Department

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