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MINDA CORPORATION LIMITED
(Group Corporate Office)

August 14, 2024

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Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Subject: Transcription of Conference Call with Investors/Analysts held on 8th August 2024

Dear Sir/Madam,

Please find attached herewith transcription of Conference call with Investors/Analysts held on August 08, 2024. Kindly take the same on record and acknowledge.

Kindly let us know if any other information is required in this regard.

Thanking you

Yours faithfully,

For Minda Corporation Limited

PARDEEP MANN Digitally signed by PARDEEP MANN Date: 2024.08.14 16:15:22 +05'30'

Pardeep Mann
Company Secretary
Membership No. A13371

“Minda Corporation Limited

Q1 FY25 Earnings Conference Call”

August 08, 2024

MANAGEMENT: MR. AAKASH MINDA – EXECUTIVE DIRECTOR FINANCE & STRATEGY

MR. VINOD RAHEJA – GROUP CFO

MR. SAMEER SHARMA – GROUP HEAD – STRATEGY & M&A

MR. NITESH JAIN – LEAD INVESTOR RELATIONS

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Moderator: Ladies and gentlemen, good day, and welcome to Minda Corporation Q1 FY25 Earnings Conference Call hosted by Nuvama Wealth Management. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Raghunandhan from Nuvama. Thank you, and over to you, sir.

Raghunandhan: Thank you, Dell. Good evening, ladies and gentlemen. On behalf of Nuvama Research, we welcome you all for Minda Corporation Q1 FY25 Earnings Call. We thank the management for providing us the opportunity. We have with us from the management team, Mr. Aakash Minda, Executive Director, Finance and Strategy; Mr. Vinod Raheja, Group CFO; Mr. Sameer Sharma, Senior VP and Group Head Strategy Mr. Nitesh Jain, Lead Investor Relations.

May I remind you of the safe harbour that the management may be making some forward-looking statements that have to be understood in conjunction with uncertainty and risk that the company faces. We'll start the call with opening remarks from the management, followed by a Q&A session.

Now I hand over the call to Mr. Aakash Minda for his remarks. Over to you, Aakash, sir.

Aakash Minda: Good evening, everyone, ladies and gentlemen. Welcome to the Q1 FY25 Earnings Conference Call for Minda Corporation Limited. I hope everyone is in good health. I am pleased to connect with you on behalf of Minda Corporation.

In the first quarter FY25, the industry showcased growth across segments primarily driven by the 2-wheeler and passenger vehicle sector on a year-on-year basis. However, the Commercial Vehicle remains subdued due to high base and also impacted by various factors like elevated vehicle costs and high channel inventory levels. The 2-wheeler demand was particularly strong in the motorcycles segment, driven by continued focus on premiumization in the premium 2-wheeler market.

In the passenger vehicle sector, utility vehicles outperformed cars, which is sedans and hatchbacks. The tractor segment shows signs of recovery and the expectations of the above average monsoon is likely to boost the demand in the second half of the financial year.

Coming to the performance highlights of Minda Corporation. We would like to share that during the quarter, Minda Corporation maintained its growth momentum. The company's revenue from operations stood at INR 1,192 crores, marking an 11% year-on-year growth. The domestic OE business grew in line with the industry growth, though it was partially offset by subdued exports demand in the European and American markets, flat aftermarket sales and slowdown in the ASEAN countries.

Moving on to the profitability. We are pleased to report that the company has delivered an EBITDA of INR 132 crores for the first quarter, reflecting a 15% year-on-year growth, with an

EBITDA margin of 11.1%. Profit before tax stood at INR 84 crores with a margin of 7%, up by 114 basis points year-on-year. Profit after tax was INR 64 crores, representing 42% year-on-year growth, translating a margin of 5.3%, an increase of 115 basis points year-on-year, attributed by operational improvement efficiency.

Now I would like to take you through the key developments during the quarter. The company has executed a total lifetime order book of INR 2,100 crores, comprising 50% of new orders and 50% of replacement orders, demonstrating our balanced growth strategy and strong market demand. To meet the growing demand, we are proactively enhancing capabilities and capacities in manufacturing and engineering for all our product domains such as vehicle access, EV products, driver information system, die casting parts, electrical distribution systems and new technologies.

The company has signed a joint venture with HCMF of Taiwan for automotive sunroof and closure systems. The collaboration enhanced our technological capabilities and reinforce our position as a leading provider of comprehensive mobility solutions. Our commitment to innovation was demonstrated by bringing the total no of patents 280, underscoring our continuous efforts to stay at the forefront of technological advancements in the auto sector through our Spark Minda Technical Center.

Looking ahead, our strategic priorities will include strengthening customer relationships, expanding our market share with existing and new clients and enhancing product premiumization through new product launches. We will place a strong emphasis on technological advancements driven by innovative in-house R&D initiatives and global strategic partnerships and alliances.

I will now walk you through the presentation, which outlines the key highlights for Minda Corporation's performance for the Q1 FY25. I now refer to the earnings presentation uploaded online. I start from page number 2, which shares the Minda Corporation at a glance. Our group revenue last year was about INR 4,650 crores, EBITDA were about INR 515 crores, and we have 28 manufacturing plants, more than 17,000 workflows and spread over 5 product domains, which is vehicle access, electrical distribution system, light weighting and plastics, driver information and EV products. We have five joint ventures and four TLAs.

Moving on to the next slide on the industry automotive performance. The industry grew on a year-on-year basis in the first quarter by about 15.5%. This industry growth was led by the 2-wheelers of about 19% growth, passenger vehicle of about 5.8%, 3-wheeler by about 9%. Commercial vehicles were almost flat and tractors also almost flat.

In the 2-wheelers, the growth came due to the resurgence in the demand in rural areas and also fresh model launches. The passenger vehicle growth came due to the new strong SUV demand. On a quarter-on-quarter basis, from Q4 to Q1, the industry grew by about 2.5%, where the 2-wheeler industry grew by 6%, the passenger vehicle was down by 10%, and so were domestic Vehicles as well as 3-wheelers.

We believe the upcoming monsoon season; the festive season and stable pricing movement and new launches should drive the growth for the full year FY25. Moving on to the next slide, which shows the key strategic developments for the quarter. Minda Corporation delivered a revenue growth of 11% year-on-year despite various natural challenges. EBITDA margin stood at 11.1% for the quarter, growth of 38 basis points. Total lifetime order book exceeded INR 2,100 crores, which were booked during this quarter, signed a joint venture with HCMF for sunroof and closure systems, filed 6 new patents during the quarter, taking the total patents north of 280.

Moving on to the next slide, which is the update on the sunroof and closure systems. While the LOI was signed in the Q3, we have now signed the joint venture, which is a 50-50 joint venture between the two companies. We are going to establish the plant in Pune and the plant is expected to be commissioned in Q1, FY26. We are in advanced discussions with various customers. Hopefully, we should be having some business in the next few days, probably due to the delay, we will communicate and share with you once we achieve the orders in the immediate future.

We now move to Slide 6, which is marking the key performance highlights and the financial snapshot. Our operating revenue were about INR 1,192 crores, which is 11% year-on-year basis. The gross margin grew by 16 basis points to 37.3%. The EBITDA margin stood at INR 132 crores, which is a 15% year-on-year increase and EBITDA margin percentage was at 11.1%, with increase of 38 basis points year-on-year.

The PBT was at about INR 84 crores, 33% year-on-year, and the PBT margin was at 7%, which is 114 basis points year-on-year increase. PAT margin stood at INR 54 crores at 42% year-on-year growth. And PAT margin percentage was at 5.3%, which is 115 basis points increase over last year.

Moving on to the next slide, which shows our growth momentum where it shows our year-on-year and quarter-on-quarter performance, our revenue has grown on a year-on-year basis at 11%. But on the quarter-on-quarter basis, it has come down. On EBITDA margin, we have grown from INR 115 crores to INR 132 crores. But on a quarter-on-quarter basis, it has come down from INR 139 crores to INR 132 crores. And at PAT level also, we have grown 42% from INR 45 crores to INR 64 crores. But has come down from INR 71 crores to INR 64 crores on a quarter-on-quarter basis.

Moving on to the Slide 8, next slide, which is our business vertical-wise performance, which is the mechatronics, aftermarket and other businesses, grew year-on-year by 12% from INR 513 crores to INR 575 crores, which was led by the strong demand from domestic 2-wheeler business and passenger vehicle business along with the premiumization of our existing products contributing to the growth. We had subdued demand due to the exports and sluggish growth in the ASEAN countries like Indonesia and Vietnam. We have won orders, one of the orders is from the European OEM for our vehicle access systems.

On the right side, which is the Information and Connected systems, sales have grown by 10% year-on-year basis from INR 562 crores to INR 617 crores. Here, one of the key businesses is that we have won on the lifetime order business of INR 250 crores from one commercial vehicle OEM. We have done SOP for one of the largest two-wheeler EV OEMs in India and we have also started the production for the TFT instrument clusters for one of the European OEMs, which is directly exporting from India.

Moving on to the next slide, which is the revenue breakup by products and by geography and end market. By products in Q1 FY25, wiring harness contributed about 32%, vehicle access business contributed about 25%, die casting business contributed about 16%, Instrument clusters about 15% and other businesses like sensor, EV, etc. contributed about 12%.

By geography, India continues to be about 88%, whereas direct exports from India are about 7%, and the South Asia market is about 5%, totalling about 12% of our international and global revenues. By end market, our 2-wheelers and 3-wheelers contributed about 47%, Commercial Vehicle segment is about 28%, Passenger Vehicle segment is about 14% to 15%, and aftermarket segment contributes about 11% to 12%.

Moving on to the next slide, on the strategic priorities to deliver growth are basically four strategic pillars, which is focus on enhancing the core, innovation and technology, electric vehicle growth opportunity and strengthening our passenger vehicle offerings.

Slide number 11 shows our various well-diversified product range across vehicle segments in the areas of Electrical distribution system, Advanced Electronics, Mechatronics, Die Casting, Interior Plastics Division and Aftermarket Division.

On Slide 12 shows the various customers across industries and electric vehicle mobility as well as in India and overseas. In the next slide, focusing on the innovation and technology. It shows that our R&D spend has significantly improved and increased from about 1.4% in FY21 to about 3.0% in FY24, in line with our commitment to invest in technology with our indigenized and localized approach.

Here, we now have two advanced engineering centers and seven engineering centers, more than 900 engineers and more than 280 patents filed. Our products are focusing on how we can increase the capability in our product line in electronics, mechatronics, embedded software, hardware and creating robust testing validation laboratories.

In the next slide, all our Minda Corporation products are agnostic to the source of power of the engine. We, as an organization are continuously innovating and advancing our product lines to meet the global requirements and megatrends. In the first, you can see how in the vehicle access from a traditional lock-in key, we are moving into an intelligent and smart vehicle access system solution provider. The second around the wiring harness and connector business, we are moving into electrical distribution system company, increasing our kit value as well as offering end-to-end electrical distribution systems.

In the third moving from a cluster and sensor company to a connected and safe mobility company, where we are offering all the driver information system-related products such as the displays, instrument clusters, and other technology products.

In the light weighting and interior plastics, we do value-add components and export for our die-casting products and interior plastic products. And the last, not the least, but our latest vertical on the electronics, which is focusing on EV products as well as new technology items like shark fin antennas, telematics, etc.

Moving on to the next slide, which is slide number 17, on the comprehensive solution for EV 2-wheelers. This is just a snapshot on what Minda Corporation product offerings are into the 2-wheeler per se and on the right side are the products which are under development, where we are under decision and discussion with the customers and already have proof of concepts along working with them. So here, the products include key-less solutions, various sensors, EV's or charging solutions, die-casting products, wiring harnesses, EV products such as DC convertors, battery chargers, Vehicle Control Unit as well as other charging infrastructure-related products.

Moving on to the next slide, which shows the increased content per vehicle in the 2-wheeler offering as a snapshot, where we can offer from INR 22,000 to INR 27,000 products, which are already developed and under mass production.

Moving on to the next slide, which is on strengthening the passenger vehicle, where it shows a snapshot on the various products that we offer for four-wheelers under stand-alone Minda Corporation and through our joint ventures, which is again on the vehicle access, instrument clusters, sensors, antennas, sunroof, interior plastic parts, power lift gates, charging solutions, charging guns, various sensors, ECU products, wireless chargers as well as wiring harnesses and telematics. The next slide shows our mass production products related, which are offered to the commercial vehicle and bus segment, which are again all the products of Minda Corporation, which are agnostic to the source of power.

Moving on to the next slide, shows the schematic representation of Minda Corporation from this shareholding perspective as well as our companies and joint ventures that are there.

Moving on next slide shows, Minda Corporation Board of Directors, and next slide shows the leadership team which runs the Minda Corporation and commitment to deliver consistent and sustainable numbers and achieve growth that we have committed to the investors.

Moving on to the last part, which is a CSR and ESG. We continue to transform towards mobility and beyond, to our sustainable operations, care for people, ethical business, inclusive growth and responsible value chain. We continue to organize various corporate social responsibility events across India and give back to the society. Last but not the least, most importantly, are the awards and recognitions by our various customers across segments in 2-wheeler, 4-wheeler, commercial vehicles, who acknowledge and give us awards for our performance.

With this, I would like to conclude our earnings presentation. Thank you very much for patient hearing. We will now request to open the floor for the questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Raghunandhan from Nuvama.

Raghunandhan: Congratulations on strong results. Firstly, on the sunroof and the power lift gate. Good to see the progress on HCMF tie-up and thanks for announcing the timeline. can you kindly indicate

Minda's share in JV, total investment for the venture, the debt equity mix and the peak revenue potential?

Aakash Minda: Yes, Raghu. So, we have started the company with a very nominal investment of about $1 million in the ratio of shareholding to start the operations. Secondly, as a milestone, we have also looked at commencing the operations of our facility in the Q1 of next year. Thirdly, we are under discussion with customers, which are for the various products that come in the joint venture, which are of the power tail gate as well as on the sunroof.

Hopefully, we should have received something before this call. But may be in the next few days, we will hopefully hear about some of the order wins from our key customers. So, the investment that we currently look at investing in this business is to the tune of about INR 80 crores to INR 100 crores, for various product lines that we have.

The peak value, as we see the market is expected to grow to about INR 7,800 crores or INR 8,000 crores market potential by 2028 and we expect our market share to be in the tune of about 20% to 30%, is what our focus and efforts, moving forward.

Raghunandhan: Got it, Sir. and on INR 80 crores to INR 100 crores investment, typically, what can be the gross effect turnover? Would it be 2.5 to 3x?

Aakash Minda: Yes, it should be in the similar range, and the profitability margin should be in the current range of Minda Corporation. Of course, it will take at least 2 to 3-year time now, when our business becomes breakeven and then profitable.

Raghunandhan: and wishing you all the best on the order, Sir on the order booking, which was announced in the quarter, INR 2,100 crores is very impressive. If you can indicate some breakdown, EV, non-EV share and also the share between mechatronics and ICS.

Aakash Minda: Yes. So, with respect to the order win that we have done during the quarter. So about 65% to 70% comes from the IC and about 25% to 30% comes from the EV business. And as I mentioned, the 50-50, which means by 50% of the Replacement business and 50% coming from the new businesses.

Raghunandhan: Any way to break up the order book between Mechatronics and the ICS segment?

Aakash Minda: So usually, it is spread across our various product lines and verticals. We can again put in terms of 50-50. And yes, we focus, at least in this quarter has been in terms of the wiring harness businesses, whether from exports as well as from the domestic OEMs. So yes, that is where we have received some orders more, I would say, in this quarter from the wiring harness side.

Raghunandhan: And specifically, that wiring harness order, that large order of INR 250 crores from a CV OEM, any more details you can share whether it is for ICE or electric? And when would this order start commencement, what would be the period of the order?

Aakash Minda: Yes. So, the business is regarding EV product line and it is expected to have an SOP in about 18 months from now. And, is that your question or anything else?

Raghunandhan: Yes. And how long is the life of the order?

Aakash Minda: Specifically, all orders are in the range of about 4 to 5 years. Of course, the peak value comes after SOP of about one year. So, let's say, from now, you can expect about 2 -2.5 years from now, we have the peak value in our sales.

Moderator: The next question is from the line of Jay Kale from Elara Capital.

Jay Kale: First question is regarding your exports revenues. Pardon me if you've already answered this, I joined in late, how are you seeing exports now in FY24, we understand, that was a drag on your overall top line growth. Which are the markets that you are seeing any green shoots? And what is the outlook over the next 12 to 14 months?

Aakash Minda: Yes. So, exports contribute about 9% in this quarter of our revenue. The exports from a year-on-year basis are lower by about 2% to 3%, primarily is due to the two aspects. One is the recreational vehicles that are being sold in Europe are seeing a downtrend and secondly is in our die-casting business where the USA and Europe are having lower shift and lower demand, due to the EV and ICE as well as on the macroeconomic situation.

These are the major two reasons where our exports are looking subdued. However, in the entire remaining of the year, I believe we should be flat compared to the last year for our exports because while we are looking at the global macro situations, we are looking at that to be flat as compared to last year.

Moderator: Mr. Kale, does that answer your question?

Jay Kale: Congratulations with the recent set of number. So, I would just have one question, like last time we tried acquire a company in the instrument and cluster segment. So, are we still looking for other company in this segment because you were very bullish in this segment? So, I think we have a cash in balance sheet. So, are we still looking opportunity in this segment?

Aakash Minda: Yes. We continue to look for M&A opportunities as a part of our growth strategy. We are open for the segments. Again, our main areas are in the five product domains that we are currently working on, which is into the vehicle access. Second is the electrical distribution system. Third in the die casting or light weighting, Fourth is in the driver information system, which includes the instrument cluster and fifth is the electronics. These are five product domains that we continue to focus on.

And yes, as a plan, we are continuously evaluating as well as looking for M&A opportunities, but we have clearly set aside our financial prudence matrices on how and what we will not do. Secondly, we are also very clear that we are not looking at any M&A which is having large overseas operations outside India.

Third, in terms of the product lines which are related or synergy to us and fourth is the engine agnostic product lines that we are looking and fifth is we're not looking at products which are into the rubber or glass or all these productions. So, these are some of the things that we have put in place. But yes, we are also open to look at may be some kind of diversification, but which are related to the businesses that we do.

Jay Kale: On some EV segments, what kind of revenue you are seeing this year? I mean given whatever order book we have, as we own in the last 1.5, 2 years. So, any significant revenue contribution you are seeing in EV segment?

Aakash Minda: Yes. So typically, in the last few quarters and even in this quarter, our EV revenue has been the about 5% to 6% of our total revenue and it is expected to continue in this range. Major reason is because there are order wins from across segments and across product lines. But there are many start-up OEMs which are not doing well, if I may say, which continue to be a challenge when it comes to our growth in that respect.

So yes, we have a business from the leading 4-5 EV 2-wheeler makers but there are also orders from other OEMs, which are not performing so well. So, keeping that in mind, we're looking at about 6% plus/minus in our order book of our revenue.

Jay Kale: In terms of content per vehicle in EV segment, where we have reached in terms of that with our particular customers?

Aakash Minda: Yes. So, if you refer to our Slide 18. In the 2-wheeler segment, we can offer a kit value up to from INR 22,000-INR 27,000. We are under manufacturing or the development of various other product lines, which are going to take SOP or start of production, which is going to add another kit value to this offering. So, we potentially, we can offer much more. But what we are showing here is in terms of new products which are in the mass production or already being supplied.

Jay Kale: Okay. and lastly, if I can get the die casting revenue in this quarter and what is the growth in die-casting?

Aakash Minda: Yes, just allow me one second, our die casting business in this quarter is about INR 220 crores and here again, the business has been continuously growing on quarter-on-quarter and year-on-year basis. Of course, the driving factors are exports as well as the light weighting that is coming up in the EV industry in India as well. And we are continuously expanding capacities, yes, like we have shared before, expanding two new facilities, one in North India and one in West India. So yes, this product lines are looking at ICE, as well as, more importantly, the EV product lines, such as the motor housing, the battery casings and other related products.

Moderator: The next question is from the line of Deep Shah from YES Securities.

Deep Shah: So, a couple of questions. First is, again, on the stock side as well. So, if you can throw some more light on our content per vehicle, because some of the recent years, those were entered the phase are up to about content in the range of 25% to 30%.

So first, what do you think in terms of the overall evolvement of content for EV? And also, how localized it will be, I mean, from Day one, if you can share with that localization of product that could be ok.

Aakash Minda: Sorry, your voice is not clear. Can you repeat your question, please? I understood the part of it, but which product are you speaking about?

Deep Shah: So, if be clear on the question. So, what I'm asking is if you can share the content of sunroof business, what the content that you guys are looking at? And a related question is that is what would be the localization level for that product to begin with?

Aakash Minda: Yes. Okay. So, the question is about sunroof. Yes. So, see, the kit value typically goes from about INR 20,000 to INR 30,000 plus/minus, depending on the configuration of the customer and depending on the volume of the business. So that is the kit value that one looks at.

In terms of the localization, there are, of course, key critical components in the entire bill of material, which we first import, which is to the tune of about 30% to 35% of the bill of material, rest will be localized. But to give the solution in terms of the faster penetration to the customer, we are going to start with importing and assembling here and then moving on to a localization phase manner, which is where our profitability of the business will increase over the next 2 to 3 years and where we are going to become profitable as well, we get the volumes as well as other businesses.

Deep Shah: Okay. So basically, you are saying better scale and all that, the existing margins which you have guided for in terms of the average company margins that should further look up once the localization goes up, it is right? Is that a fair understanding?

Aakash Minda: Yes. As I mentioned, it's a 50-50. So, it is not being consolidated at the moment. But yes, as a business, this is where the margins are expected to be.

Deep Shah: And the second question which I had was on your smart key business. So, I think if I'm not wrong my numbers, FY24 revenue is about INR 130 crores to INR 140 crores, including domestic and export. So where do you see the business in next 2 to 3 years? And if you can throw some light on, this kind of business from that space.

Aakash Minda: Yes. So typically, the Smart key business in this quarter is somewhere about 10% to 11% of our division revenue of the security systems division. As the new model launches are coming in, whether EV or ICE or even export businesses, which is expected to grow further. As I mentioned that this expected kit value is somewhere to the tune of about INR 2,000 to INR 5,000 depending on the customization of the products.

So, while the export orders of course, have a higher kit value and profitability margin, the domestic customers as well as the platforms are towards the lower end of the value. The penetration currently is expected to be about 3% to 5% in the Indian market and by 2030, we expect this penetration to grow to at least 30% to 40% with the businesses that we have in our hand, as well as the penetration of the new customers and new businesses. Of course, the premium products or the premium segment of the 2-wheeler are getting these features before as compared to the economic segments.

Deep Shah: Yes. What I'm asking is if you can share the new customer wins from the smart key segment recently, have you on boarded any new customers in this segment?

Aakash Minda: Yes. So, customers, in terms of the customers per se, there are repeat orders with multiple platforms within the same customer. So, I believe there is a customer from the south part of India, where we have won a business which is in the premium segment space, where we have won this business from the smart key perspective, that's one. Number two is one of the EV 2-wheeler OEMs where we have also won this business in this quarter. Third, are one more customer in the exports, in Europe, where we have won the smart key business. These are the key three new customer additions that we have done for this particular business.

Moderator: The next question is from Jay Kale from Elara Capital.

Jay Kale: Question was on your view on inorganic opportunity. Which segment do you see things moving up pretty fast, either it's die-casting, instrument cluster or any new product segments, which are the segments that you are most excited about in terms of growing your presence?

And also on the instrument cluster side, we did mention while we were trying in an inorganic opportunity, one of the rationale for doing that was that this segment is expected to go technologically advanced in terms of digital clusters and if we don't make strides, then the global MNCs could pose a threat to us. Where are we in that journey currently? Do we still feel that we require a larger presence in instrument clusters and any headways in an inorganic activity in that space?

Aakash Minda: Yes. Sorry, Jay. I heard your question, but if you could complete the last bit of it, in terms of the instrument cluster?

Jay Kale: Yes. So where are we in terms of our progress in expanding our presence in instrument clusters, given that there will be competition from MNCs also in this space. Are we making any further strides in expanding in this space by way of inorganic activity?

Aakash Minda: Yes. So firstly, to share with you about the generic approach. We continue to look for M&A opportunities as an organization. And number two is also on the partnerships in terms of the product lines that we do and also the synergistic product line based on the mega trends, as well as what we are focusing on the five product domains.

So, we are continuously under discussion for M&A opportunities as well as joint venture TLAs. We continue to invest in our own R&D facility and set up, while you can see we have gone or increased from 1.4% to about 3.0% in the last financial year. And now we are continuously increasing that even beyond to develop our core competency capabilities.

Number two, when we speak about the inorganic opportunity in terms of an M&A, we are very clear on what we will not do. Of course, the financial prudence for the we are setting place for us as an organization. Number two is on the large operations, and we will not look at any company which are large operations outside India. Number three is the engine-agnostic product line. Number four is not the product lines in terms of the rubber, sheet metal or glass etc.

So, fifth is across the product line that we know the best on where we are doing. So, these are some of the inorganic opportunities that we're currently looking at on the M&A perspective. When we look at particularly from the sake of die casting on instrument clusters or the product lines that we have, the highest amount of growth that we're expecting is coming from the instrument cluster business and the die-casting businesses. And the wiring harness business as I shared earlier, is going to continuing the same rate as the market growth.

When it comes to the instrument cluster businesses, we continue to invest in our own capacity, capability and competency. We are also working with multiple partnerships in order to come up with various other product lines and making it a complete system solution offering to the customers. We are in discussion with companies from East as well as West for offering product lines.

We have already started supplying TFT clusters for passenger vehicle OEMs, as we have done the order about 1.5 years ago, which is already shared. So, our focus on the instrument Clusters business coming from Minda Corporation R&D center itself has grown from the 2-wheeler space as well as in the passenger vehicle space, as well as exporting the instrument clusters.

So that's with regard to the instrument cluster space. And yes, when it comes to the EV product lines or sensors or the products which have high kit value, we are continuously scouting for partnership in this respect.

Jay Kale: Understood. and also, one thing on your margins. I mean, yes, in the last couple of years in terms of the stability of margins, which has been pretty good. However, we've seen a strong cyclical upturn in the auto industry, and our margins are still in that 10.5% - 11% odd range. What should happen in your view, either in terms of industry growth or your product mix or which segment should grow faster, for you to inch up towards this 12% margin or 12% higher margin? Because we've seen the commodity up cycle and down cycle. We've seen the demand up cycle also coming in 2-wheelers and passenger vehicles. But we've not yet reached a 12% on EBITDA margin. So, what should happen according to you for us to get to that?

Aakash Minda: So, Jay, firstly, I think you will appreciate that where we started our journey 3 years ago, to the average about 9%. We have committed to everybody to give sustainable and consistent performance, which is where we had always committed to be in the 10.5% to 11% EBITDA. For the last 4 quarters, our performance has been above 11%, I think to 11.4% in the last quarter.

So that is something that we believe we have committed, and we have delivered that at least until now. And number two, going forward, we have also shared that our focus is not on the, raw material, our focus is how much value add we can do in terms of the products, as well as how we can offer some solution offering, increasing premiumization and get value to our customers.

There are being, of course, various factors for the improvement in the EBITDA profile as well as in the way forward. There are various pillars that we continue to focus on. One is the premiumization of the product that is happening. Number two, is on the export orders that we continue to look at. Number three is our operational efficiencies that we continuously monitor because we have come from the manufacturing expense base. Fourth is on the Wiring Harness where we continuously share that we are going to go from our low single digit to high single digit and where we have successfully kind of transitioning into that range with our commitment of localization of connectors and other initiatives.

Last not the least, that like you must have also seen and explained that our technical center is continuing to grow and invest into our own R&D. So, there are some initiatives and investments that we are doing from the capex and opex perspective, in order to come up and compete with the product lines from the global competitors, even in India or overseas. That is where we continue to deliver this number and gradually go up to the higher margin percentage at a blended level. This is something where we have always shared that we would be in the range of about 11% to 12%.

Moderator: The next question is from the line of Raghunandhan from Nuvama.

Raghunandhan: Sir, on the smart key side, we had INR 450 crores order for Smart key from a two-wheeler OEM. I wanted to understand when this order is expected to commence.

Aakash Minda: So, the SOP were expected to be in the next quarter. So, the SOP is in line for the start of production. But our customer orders or customer indent or the forecast that we have shared is lesser of this particular technology. Yes, of course, we have the LOI as well as the order book and the capacities, and the customer has to take the start a production in next quarter and then, of course, expand to the other models, which is where we are ready, and customer intake has to happen.

Raghunandhan: Got it, sir. And over the last 2 quarters, in the ICS space, there has been some orders which had got delayed in terms of execution. Any status you would want to share there?

Aakash Minda: Yes. Thanks for sharing it. So, we have again created our capacities and other areas and prime focus has been to make these products into launch and process. So yes, out of those businesses, some of them have got into the start of production, some of them expect to do this production in this quarter.

Raghunandhan: And within our revenue mix, the other segment, which includes sensors, EV parts that has seen a strong traction and has increased as a percentage of revenue to 12%. Any thoughts there, how do you see that segment going forward? And what are the triggers?

Aakash Minda: Yes. So, these product lines pretty much include our interior plastic sensors, aftermarket division, electronics, EV products, etc. So, these are the products which are contributing to the other part of it. So yes, as I mentioned, while the more realization and more electronification is coming in, these products are going to continuously increase in terms of penetration as there have been new products to the group over the last few years, coming out of some joint ventures or technical alliance and more importantly, our own R&D center.

So, these products are now coming into SOP sooner or later, which is where we continuously invest. So, as I mentioned, in these products, some of them are stand-alone or some of them are part of our system solution offering that we have put in place in terms of EV, electronics, interior plastics, start-up motor division, etc.

Raghunandhan: And R&D, you are spending 3% of revenue and also recently, there has been a new larger R&D center. So, if you can talk about the focus areas how it is augmenting your capabilities and how you see the new products as well as cost savings as an output here?

Aakash Minda: So yes, Raghu, again, we will be launching that technical center soon. But the focus is how we can grow our products more and more with premiumization, making the products safer for the customers, and making more and more electrified, electronification as well as integrated system solutions offering. But these are the product lines that we are working on and, of course, building capability, capacity, competency in our own products that we can grow where the markets are demanding.

So, we are working aggressively with customers and their engineering team in order to develop products for their needs. And of course, we can see that the patents that are rising in our portfolio is something that showcases where we are investing and how that is relating to.

Raghunandhan: And sir, last 2 questions from my end. You spoke about localization in the wiring harness division and localization gradually has been increasing. What would be the current percentage of localization? And over the next 1 or 2 years, what is the target?

Aakash Minda: Yes. So, Raghu, we had less than 5% of our localization in the past 2 to 3 years. And as we have committed our reduced reduction in our imports have gone down. So now currently, we are almost 50-50, depending on the some of the businesses. But the 50% is localized, out of which about 13% to 15% comes from our own internally created capacities and capabilities as well as the remaining 35% more or less comes from the Indian partners that we have. So, this is where we are looking, and this expects to grow to a higher number and around 20% beyond in the next 2 years or so.

Raghunandhan: And lastly, in terms of industry outperformance, given the strong order book, new products and collaborations like sunroof, over the next 2-3 years, would you be confident of beating the industry by 5% to 8%?

Aakash Minda: So, Raghu, our focus has always been how we can grow ahead of the industry and outperform them. So yes, the various initiatives that we are doing for order booking for adding new products, premiumization of the products and growing other business segments and geographies. we hope to outperform the industry, and we are all committed, and our plans are in place to do that.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Aakash Minda: Thank you. Once again, ladies and gentlemen, thank you so much for joining the call. We remain confident in our short-term to long-term growth prospects, supported by strategic investments and our focus on developing advanced products and technologies. Our customer-centric approach will continue to create value for our shareholders and other stakeholders.

Like we have always committed, our focus is to give consistent and sustainable profitable growth for the organization, and we continue to invest and focus on capital allocation, as well as grow our organization to outperform the industry. Thank you very much for all the support.

Moderator: Thank you. On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us. You may now disconnect your lines.