



“Minda Corporation Limited Q4 FY-21 Earnings Conference Call”

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MR. SANJAY GUPTA – DEPUTY GROUP CFO MINDA
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MODERATOR: **MS. PARVATI RAI – KRCHOKSEY RESEARCH**

Moderator: Ladies and gentlemen good day and welcome to the Minda Corporation Limited Q4 FY21 Earnings Call hosted by KRChoksey Research. 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 '**' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Parvati Rai. Thank you and over to you ma'am.

Parvati Rai: Thank you Malika. On behalf of KR Choksey Research, I welcome you all for the Q4 FY21 earnings conference call of Mind Corporation Limited. From the management side we have Mr. Ashok Minda – Chairman and Group CEO Mr. Aakash Minda – Executive Director Mr. Neeraj Mahajan – Group Marketing Officer Mr. Sanjay Gupta – Deputy Group CFO and Mr. Bikash Dugar – Lead Investor Relations.

We will start the call with a brief overview by the management followed by the Q&A session. I now handover the call to Mr. Akash Minda for his opening remarks. Thank you and over to you sir.

Aakash Minda: Thank you ma'am. Wish you all healthy health also good morning and thank you very much for joining the conference call of Minda Corporation Quarter 4 results and the annual results. I would request Mr. Ashok Minda to give the Chairman speech please. Over to you Mr. Minda.

Ashok Minda: Thank you Aakash. Good morning ladies & gentlemen. I would like to thank you all for joining us on this call and hope you and your loved ones are staying safe amidst the resurgence of the pandemic. I would like to reiterate the importance of taking necessary precautions to remain safe during these challenging times.

At Minda Corporation, we are putting our effort to effectively manage the situation with utmost focus on the Employee Health & Safety. We have taken various steps and one of them is to vaccinate all our 15000 plus permanent and temporary employees all across India.

Coming to FY21 results, I will say, it was a story of two half's. The first half was impacted by the covid pandemic, the economy as well as automotive industry suffered. In the second half as the economy started picking up pace, we saw good growth in Automotive sector due to pent up demand, preference for personal mobility and growth in agriculture sector.

I am pleased to report that Minda Corporation delivered Consolidated Revenue of Rs. 794 Cr in Q4 FY21, which is a growth of 48% Y-o-Y basis. The Company continues to outperform the industry which grew at 28% in Q4 FY21. This is the highest ever revenue in any quarter done by the Company.

In line with our promise to deliver consistent and sustainable profitability, in Q4 FY21, the Company posted again double digit improved EBITDA margins of 11.2%, which is 390 bps improvement Y-o-Y. The Company has also reported highest ever profit after tax of Rs. 54.6 Cr

from continued operations. We continue to improve operating efficiencies and implement cost control measures. This has helped us to deliver enhanced profitability over successive quarters.

In FY21 we continued to strengthen our balance sheet by doing Right Capital Allocation and keeping a tight control on Working Capital. Thus our Net Debt position is negative.

In light of the above financial performance and in accordance of our dividend policy, the Board has recommended a final dividend of 17.5% on the face value i.e. Rs 0.35 per share. The total Dividend for FY21 is 32.5% on the Face Value i.e. Rs. 0.65 per share. The dividend payout is 17%.

Going ahead, Minda Corporation is monitoring the situation which is evolving post the new wave of Covid-19 pandemic and is putting its effort to effectively manage the situation with upmost focus on the Employee Health & Safety. We are cautiously optimistic on the outlook for FY22 due to various factors like higher spend in infrastructure, PLI scheme, scrappage policy and the work done so far within the Company to make it more nimble, agile and future ready. Our endeavour remains to serve our customers with best-in-class quality products and offer advanced technology at competitive cost.

Now I would like to hand over the call to Mr. Aakash Minda to discuss financial and operational performance of the company for the quarter. Over to you Mr. Aakash.

Akash Minda:

Thank you Mr. Minda for giving us such an inspirational and a brief about the quarter results. I would like first refer to the presentation that is published on our sparkminda.com website and I will be referring the page numbers from that presentation which is already uploaded.

To begin with, I would first like to share about the protocols and measures taken by the company for the COVID-19 pandemic. I am referring to Page #2 where as Mr. Minda had mentioned that we have started vaccinations drive for all our (+15000) permanent and temporary associates and staff members at no cost to them. We have also started medical teleconsultation for the entire family of permanent employees for the next one year for COVID and non-COVID related activities. We started an emergency response teams at the group level and at regional levels. We have also driven awareness and wellness sessions for COVID and mental wellness across our employees. Most of the plants are still operational to support the customers and we are engaging with our blue-collar associates and prepare contingency plan, so that there is no shortage of skilled manpower. The company is putting its effort to effectively manage the situation with utmost focused on employee health subject.

I will move to the Slide #3 which is on the financial numbers:

Our endeavor and our promise to deliver consistent and sustainable market beating profitable growth. We have reported highest quarterly operating revenue of 794 crores which is the growth of 48% year-on-year basis. Minda Corporation has also reported quarterly absolute EBITDA off

890 million which is again the highest ever EBITDA which is improved by 390 basis points on year-on-year basis. Minda Corporation has also reported highest ever quarterly PAT from the continued operation which is 54.6 crores which is 222% up from last year. Hence, we reported the EBITDA margin at 11.2% and PAT margin at 6.8%. On sequential basis we have delivered third success quarter of improved double digit EBITDA margins of 11.2% and focus on consistent and sustainable market beating growth.

I move to the next slide which is Slide #4:

As a summary I would like to share on the customer on first, on Spark Minda's new technology products; on the left you will see the various new products which are on premiumization, electronic and EV related and on the right, you will see the customer where we have already won new orders from in the product lines. On the top part the premiumization, light weighting and increased electronic content offering in our existing product portfolios such as key less solutions, wiring harnesses, digital clusters, door handles, cyber security, dealer centric other products which we are offering. In the electric vehicle space in the connected safety electronics space, now our existing and future segments we are offering products from our new partnerships such as shark fin antenna and also our two-wheeler ADAS from Israel and our electric vehicle products to customers on the right mentioned such as Maruti Suzuki, Bajaj, Hyundai, TVS. I am proud to share with you that we have won the DC/DC converter business of the TVS iQube model.

This was a quick snapshot of the company. Now I request to move to the Slide #6 which is on the financial performance and the highlights for the Quarter 4 FY21. On the left I would again like to share the quick highlights. This is the best ever quarterly profitability delivered, lifetime order win of about 1000 crores in this quarter. As you know that we assigned a TLA with the Israel company Ride Vision for two-wheeler ADAS which is collision system avoidance for the Indian market. We have also started production of our new facility in Gujarat for the interior plastics division. We are also focusing on our sustainability which is on the ESG policy from this quarter. On the right side, the revenue breakdown for FY21 compared to FY20, so the outer circle represents the FY21.

Our presence in India has been about 85.8%. Our revenue from two and three-wheeler divisions is about 53%, from the passenger car is about 11% which has grown from last year and our commercial vertical decreased from 23% to 20%. After market continues to be growth driver for Spark Minda increasing from 13.6% to 15.7%. Our business verticals which is Mechatronics and aftermarket contributing to the 57% and information and connection system contributing by 42.7%.

I will move to the next slide which is Slide #7:

Here we just want to show the Indian automotive industry performance. I will only focus on the table on the right side where the auto industry in the full year has degrown by around 13%, so

two-wheeler has degrown by about 13%, passenger vehicle by about 10.5%, three-wheeler by 46%, commercial vehicles by 17%. The bottom side in Quarter 4, auto industry has grown year-on-year by about 28%, two-wheeler by 29%, passenger vehicles by 27%, three-wheeler by negative 16% and commercial vehicles by 51.2%. Our positive but attraction in this segment is due to economy picking up pace, preference for personal transportation, agriculture sector growing.

I will move on to the next slide which is Slide #8:

On the consolidated performance of Quarter 4 and FY21. Here I would like to focus and put interest on the Quarter 4 performances on year-on-year. Our operating revenue has grown from 536 crores to 794 crores which is as the growth of 48% year-on-year basis. Our EBITDA margin has grown from 39 crores to 89 crores which is a jump of 128% and 390 basis points. From Quarter 3 on quarter-on-quarter basis even though the commodity prices have increased, Minda Corporation has increased our EBITDA performance by 10 basis points and 10% on from Quarter 3 to Quarter 4 in terms of absolute numbers. At PAT level we have posted the highest ever PAT on the continued operations of 54.6 crores which is at margin of 6.8% compared to Quarter 4 last year which is only 3.1%. As Mr. Minda has also explained, our board of directors has announced a final dividend of 17.5% and a total of about 32.5% for this year.

I will move on to the next slide which is Slide #9:

Here is the consolidated performance on the group level. Starting from the left on the quarterly basis, our Quarter 4 to Quarter 4 last year to Quarter 4 this year has again increased by 48%. The major reasons have been due to the BS-IV to BS-VI content led by wiring harness and also our increased aftermarket and export side. Our EBITDA has again increased from 7.3% to 11.2% which is again 128%, 390 basis points. The major reasons and factors are due to the operating leverage and cost control measures are taken all across our organization. But it has been also adversely affected by the lack of raw material, indexation, product mix, labor productivity. As we all know the commodity prices have shot up in the Quarter 4 and complete of last year.

I will move on to the business vertical performances for the Quarter 4:

I will start which is the page #10. I will start on the left side which is the Mechatronics and Aftermarket division. This division on year-on-year has grown by 37%, Aftermarket has grown by 37% and exports has grown by 72% leading to this contribution. Our EBITDA margin stands at 14.3% due to favorable impact of higher Aftermarket and export sales and cost cutting measures across. But it is adversely impacted by the RM indexation from the customers. In the Information and Connected Systems, the growth is about 65% from year-on-year basis again the reasons are due to the two-wheelers Wiring Harness content from BS-IV to BS-VI. Our EBITDA margin has grown by 10 basis points on quarter-on-quarter which is due to the improvement in labor productivity, operating leverage, favorable product mix and tighter control on fixed costs.

We understand and acknowledge the opportunity for improvement in the lag of RM Indexation, raw material is indexation and again BS-IV to BS-VI transition costs.

I will move to the next slide on the consolidated leverage position:

Here I would like to highlight our net debt position. So, last year it was about 60 crores and this year we have about 16 crores negative hence we are in net debt negative. I would also like to share about our ROCE. Last year we were about 17.8%, this year in the full year we are about 12% but if I only look at the performance for H2 on an annualized basis we have about 24.4% ROC. Our working capital has also improved from 33 days to 46 days on the annual basis but if I overly look at the H2 numbers it has gone to 36 days. Primarily the reason is because of the higher inventory of the imported material and the semi-conductors that we are keeping from BS-IV to BS-VI transition. In the credit rating, all the credit rating agencies have re-affirmed ratings with no changes.

I will move to the next slide which is Slide #12 which is on Aftermarket:

I would just like to highlight here that our year-on-year growth for Quarter 4 has been 37% and annualized basis the growth has been 23% and exports has grown by 72% despite the COVID challenges all across India.

I will move on to the next slide which is Slide #13 on the joint venture performances:

Starting from the left our Stoneridge which is the partnership from 2004 where Minda Corporation holds about 51%, this division or company continues to perform better. From 11% margin it has gone to 11.6% and this company will remain healthy and keep going positive in the future; their Advanced Technology products like Digital Clusters and Sensors which are offered from this partnership. In the middle-box which is Minda VAST here the Minda Corporation owns 50% though the revenue has come down from 162 crores to 143 crores but the most important part I would like to highlight here the profitability has increased from (-3.9%) to 1.9% by 200 basis points. As also promised earlier our focus here is on order winning and order conversion where we have won new businesses from PSA and other customers like Volkswagen.

Furukawa Electric which is our joint venture for the four-wheeler Wiring Harnesses, Minda Corporation owns 25% here and here if you see the turnover has or the revenue has come down from 397 crores to 322 crores this year. The first half has been the challenge and hit due to COVID but Quarter 3; since Quarter 3 the company has performed and bounced back. In Quarter 4, the EBITDA is about 6.7%.

I will move on to the next slide which is on business performance and the order booking:

I would like to first highlight that as a Spark Minda Group, we have won many new orders and added new customers such as Toyota in various product lines in Interior Plastics and

Mechatronics and also in Electric Vehicle space as I mentioned DC/DC Converters with TVS iQube and other OEMs also shown in the previous slides. I would just start from the left side in Quarter 4, we have done about 1000 crores of order booking in which replacement order won for lifetime is about 350 crores and more importantly the new orders won have been above 700 crores and if I look at the full year, the Minda Corporation has won businesses of about 6700 crores on lifetime basis out of which 4200 crores are on replacement and 2500 crores are on account of new businesses.

If I go division wise in our Mechatronics division in Quarter 4, we have won a 655 crores business and at an annual order we have won about 2500 crores where 51% is replacement, 49% is new businesses.

In the Information and Connected Systems, we had won in Quarter 4 about 310 crores, quarter business and for the full year we have won about 4000 crores of business. In Quarter 4, 12% was replacement and 88% was new order bills from various customers.

In our Plastics and Interiors, we have won 80 crores worth of new orders as lifetime basis in Quarter 4 particularly coming from four-wheeler manufacturers, OEMs.

In our other divisions we have won only 28 million which is again from the commercial vehicle business.

I move on to the next slide which is Slide #15:

Here I would like to highlight what Minda Corporation has been done in the last year and our way forward for the future is we are narrowing focus and deepening capabilities. And we are creating values between the various activities that we are taking, so from the left is by enhancing of the core. We have partnered and with an operational partnership with Phi Capital. We are achieving the cost leadership position in our operations and plants all across India and overseas. Our greater focus in manufacturing excellence and sourcing capabilities, improving working capital, employee cost, raw material cost. We are strengthening the management, bringing back Wiring Harness division to closer to double-digit EBITDA numbers, strengthening the ESG framework, setting up the new division in Electronics manufacturing excellence, greater share of business from export and Aftermarket division and most important right capital allocation. On the right side, we are focusing on advanced technology and digitization. We want to achieve, and we are achieving thought leadership position in technology. One of the examples is again the TLA with Israel-based Ride vision for two-wheelers ADAS. We have filed 13 patents in FY21 and totaling to about 166 patents so far. We have incorporated a new Electric Vehicle company within Spark Minda Group in order to give more focus on the green mobility space. We have upgraded and enhanced our testing and validation capability in Electronics to give more quality and best products to our customers. We are focusing on our case and make strategies which is light weighting, safety, connected Electronics and EV. Our important customer concentricity we would like to share here that we have started the production in Quarter 3 and

Quarter 4 for new products like Intelligent Transportation Systems 2.0, Electric Vehicles components like DC/DC Converters and our advanced and preimmunized product like Connective Clusters. We have also started with our objective to grow more with the customer and closer to the customer. We have started a facility in Gujarat for Interior Plastics division and expanded our capacities in Mysore and Pune. We are strengthening our key account management structure for customers. We focused on premiumization, increasing state value and content per vehicles going forward. More products for customers, more customers per product and more importantly our order winning and order booking for increased market share, increasing wallet share of the customer and hence increasing order book.

My last part of the presentation would be focusing on the technology where I would request you to refer to Page #18 where I would like to share on the global trends of connectivity, autonomous shared mobility and how Minda Corporation is addressing these technologies. So, the trends impacting India and how Minda Corporation is working on its connective and shared mobility. In this space we have started new product like Antennas, Telematics, Digital Clusters, Intelligent Transportation System, Safety where our partnership with two-wheeler ADAS, Airbag Waring Harnesses, Cyber Security, light weighting in terms of Oil Pans in plastics, Cylinder Cover Heads, Battery Case and Die-Casting parts.

In Electronification Digital Clusters, Body Control Modules, e-immobilizers, keyless entry solutions and beyond. In emission system we are working on Wiring Harnesses, Compressor Housing, Power Train Sensors. In wheel mobility and EV space we are working on Battery Chargers, Motor Controller, DC-DC Converters, BMS and others. We have already won orders as I showed to you previously in all of these product lines and this is not only for development.

My last slide for today would be focusing on Page #21 which is the Electric Vehicle content and how Minda Corporation offers the Electric Vehicle going forward. This slide I would like to share with you that all our products and technology that Minda Corporation offered us EV agnostic would be more and more content of EV coming in. All the product lines will be going through a positive impact and hence lot of premiumization and Electronification happened with all our products. I will not go into the details but the products on business vertical one or Mechatronics and Wiring Harness in Clusters will go through positive impact increasing the content per vehicle and our content per vehicle and through customers and our new additions of Electric Vehicle space have also won orders making us a very prominent player and a dominant player in the EV space.

With this I would like to say thank you very much and I would like to conclude my presentation and would now like to open the forum for any questions please. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of R0nak Sarda from Systematix.

Ronak Sarda: The first question is on, now if I look from the medium-term basis, we had a very strong kicker from the BS-VI transition to revenues. Now if you can explain us how we will continue to outperform the industry growth? We have a pretty decent order bookings but if you can break that down in terms of products or maybe customers and explain us how we can continue to grow or outperform the industry growth?

Aakash Minda: So, again, as we have seen we continue to outperform the industry. Going forward in the short-term to mid-term with our promise to consistently deliver sustainable profitability; we are targeting to move towards high double-digit EBITDA numbers. First moving to about 12% within this year and then higher based on the various opportunities that we get in our organization. With our ROCE we continue to focus on the higher, above 20% numbers and we are looking to here outperform the industry. Our growth drivers are going to come from Aftermarket and exports and new customer wins that we are heavily focusing on in all across our product lines and segments. We are looking at continuously adding new products and technologies and some of which have already been shared in Quarter 4 and Quarter 3. With our focus on technology and adding new customer and adding new products for each customer and adding more customers per product line and hence this is the area where we will be looking at focusing on organic and inorganic growth to continue to outperform the industry.

Ronak Sarda: Maybe the other way to look at is, if I look at your new orders in this year which is a new business means of almost 2500 crores. Could you split that up in let us say how much is exports or how much is it about new customers there which we were not catering to previously?

Aakash Minda: Here we can get more and more details and I will maybe request our Group CMO Mr. Neeraj Mahajan to give further details on the question please.

Neeraj Mahajan: I clearly understand your focus more on how we are planning to grow in future. Our focus is very clear. We want to grow on our exports for sure because that is where we are looking at, a definite double-digit growth. We have so far been seeing a CAGR wise, we are going close to about 25% odd in the last 4.5 years, and we tend to because now the base is becoming large. We intend to still continue to grow upwards of 17% to 20%. Export would remain our growth driver in this particular case and second most important thing what we are doing today is to look at our four key areas. This may give you some glimpse of how we are trying to look at our product positioning in terms of our existing customer. Our main focus right now is we do not want to go very thin on our customer base. We want to consolidate or retain our current customer and penetrate in them with share of business improvement for profitable products. We want to grow for cross selling with a very clear focus at this point of time and third most importantly we want to be with them in early engagement where their future programs either related to EV or high-volume programs are being discussed. This is a very clear strategy which has resulted in F21 Q4 results for order booking and same trend is being planned to achieve for our next order book plan as well.

Ronak Sarda: The other question I had on the Wiring Harness business profitability on the EBITDA margin side. Aakash, could you split that up? How has the raw material inflation eaten into margins and what kind of improvement are we seeing because for us it looked like quarter-on-quarter margins are flat, despite a sharp improvement in CV volumes. Could you split that up into how much is the raw material impact and which could be a pass through would come in next couple of quarters and what kind of efficiency improvement have we seen now?

Aakash Minda: Just to share with you our Wiring Harness division is performing better-on-better in quarter-on-quarter basis like we move by 10 basis points from last quarter. So, the productivity improvement and other cost control measures are coming into place. Our biggest driving factor here is on the raw material perspective, most of it and the biggest factor comes from the commodity price inflation which has come from the copper. In the last year, 78% copper has grown over the last year along with other commodities which is impacting us and the entire industry. 200 basis points the impact on the commodity price into the Wiring Harness division, our labor productivity improvement is around 100 basis points on quarter-on-quarter and the other VAV and other cost reduction has helped us improve this again. But yes, going forward our focus is to improve our raw material localization content which will take the process of customer validation takes some time. We are working on that; we are also working with our customers as well as suppliers for back-to-back indexation. So, in most of the customers we have about 3 to 6 months of indexation. When an impact happens within this quarter, we get paid by our customers in the next 3 to 6 months' time and this is the lag that basically comes in due to about let us say 100 basis points on Wiring Harness EBITDA margin. This is our endeavor and focus going forward.

Ronak Sarda: If you can share what were the JV margins for Quarter 4 because adding the full-year margins are impacted by the first half performance. What could be the Q4 run rate of profitability across the three JVs?

Aakash Minda: Our Minda Stoneridge Quarter 4 '21 our EBITDA margins have been at 14.4 crores. Our Minda VAST has been about 1 crores and Minda Furukawa has been about 4 crores. On a year-on-year basis we have increased by 11% from Minda Stoneridge, we have improved in Minda VAST as I mentioned by 200 basis points and Minda Furukawa is decreased again due to the first half challenges in the import contents and other issues.

Ronak Sarda: I was actually looking for EBITDA percentage if you can share because it is not...

Aakash Minda: EBITDA percentage Minda Stoneridge is about 11.6%, Minda VAST 1.6% and Minda Furukawa is about 5.4%.

Raunak Sarda: This is for Q4?

Aakash Minda: Correct.

- Moderator:** The next question is from the line of Jinesh Gandhi from Motilal Oswal.
- Jinesh Gandhi:** My first question pertains to the new initiatives which you are taking. Primarily given that technological changes in the auto industry almost all of your peers are trying to get foothold in this new generation components and also there are new competitors which are not necessarily part of automotive supply chain but are becoming relevant. Where is our competitive advantage in this new generation component? What is your approach to be ahead of the curve in this aspect?
- Aakash Minda:** I will maybe answer the question that (a) we are looking at in the new technology product lines, in our businesses which we are already there, which we call our area of expertise and legacy businesses. We are going through a positive impact and change with our premiumization, with our Electronification and for those reasons just to give you an example with our keyless entry systems, we are the only company in the world to file 21 patents in the keyless entry space for two-wheelers which is clearly showing our early as well market leadership position in the two-wheeler keyless entry system space. Similarly, there are other examples that are there in terms of the Die-Casting or in terms of our electronics that we are moving forward. For example, digital clusters from the analog clusters is now we are moving to digital clusters with the TFT space. Hence this offering really gives us premiumization as well as electronification into our core businesses that were already there. What we are focusing on is the Time to market. Our Time to market of the new developments in products is going to be the key factor. Also, our affordability of new technology is an approach that we are taking for all our new initiatives and product lines which will offer affordability to the customers but keeping the margins intact and early entry. So, in all these spaces that I mentioned in terms of light-weighting, safety, connected or EV space we are already present and if I compare ourselves to other peers, we are I think one order customer ordering winning has been done which shows the customer confidence that they have in us. Last to add is that we are offering a system solution. We are not only looking at components or sub-systems, but we are looking at complete system offering to the customers for all the product lines that we have to offer whether in our legacy businesses that I mentioned or our non-legacy or inorganic businesses whether in safety or EV space or Electronification or Antennas or Intelligent Transportation Systems.
- Jinesh Gandhi:** Secondly with respect to SMIT so clearly it has been a step in the right direction. What would be our current investment in product development in R&D and do you plan to step this up or considering the future opportunities?
- Aakash Minda:** Yes, absolutely so Spark Minda Technical Center has been one of the or rather it is the flagship investment in the advanced engineering space for the Minda Corporation. We have been I think one of the first companies in the Tier-I space in India to make such an investment on the Advanced Engineering Center focusing on embedded electronics and hardware-software cannibalizing our own product lines. We have also recently invested in our Electronics Manufacturing Excellent Division focusing only on electronics products and the next generation products that are upcoming which has also been done in the last year. So, maybe we can share you, off the line in terms of the investments done in the SMIT over the last few years but I can

share with you with the more importantly the results that have come out from the Spark Minda Technical Center, where in we have now increased more than 350 engineers in this space only focusing on new technology. We are investing or spending more than 2% of our annual revenue on R&D. We have engineers focusing on Electronification, EV space and the new products in the Electronification that are coming for our customers. This is what I would like to share with you here and more importantly this facility is a world-class, state-of-the-art facility which we have been showcasing to our customers as well as our partners. And we have been able to get some partnerships as well as customer has shown confidence in concept to realization of our new product developments is what we are offering here. That is what I would like to share on the Spark Minda Technical front.

Jinesh Gandhi: This 2% investment as a percentage of sales, do we expect that to step up or this is what we would be continuing to invest in R&D?

Aakash Minda: Our plan is to continue to invest in the similar range. As and when we feel going forward the requirement is there, we will step it up but currently we will be focusing in the similar range.

Jinesh Gandhi: Lastly my question is on PLI. So, clearly that scheme while its yet to see the final to be shared but what is your sense in terms of what are the areas in PLI draft scheme which would be of interest to you?

Aakash Minda: Just to share with your company Minda Corporation qualifies for all the parameters of the PLI scheme. So, we as a company are going to be applying for the PLI scheme once it is rolled out completely. It is going to help us in export turnover generation and with the focus of Atmanirbhar Bharat generate new jobs and innovation within the country. We are also speaking to our various partners that we have overseas, our joint venture partners also on how we can localize this product line from here. But yes, we are engaged with the right partners to help us sail through the and apply for the PLI scheme and we will be hopeful that we get these at.

Moderator: The next question is from the line of Abhishek Jain from Dolat Capital.

Abhishek Jain: Just wanted to know that what is the outlook for the first half FY22 given the weak two-wheeler retail volume and pile up the inventory in the two-wheelers and what are the supply end process that challenges?

Aakash Minda: So, again, that is a great question on the outlook. Definitely the outlook for the Quarter 1 is challenging with particularly in the month of May more than 70% to 80% dealerships have been closed. We have the reports from FADA which is in public and with more and more increased lockdowns all across. this looks to be a challenging quarter for everybody. Definitely that is an area of concern but our most of the plants are open due to the export orders, but overall outlook is definitely challenging for the Quarter 1. However, having said that Minda Corporation has working a lot on the cost control measures and more important with the COVID related safety measures for all our employees but yes, the outlook is challenging but we have fingers crossed.

When the COVID cases are reducing all over India, the dealerships might open eventually, customers demand increasing to their Tier-I like us.

Abhishek Jain: As inventory is high in our two-wheelers so most probably their second quarter would also behave because of the high inventory in the system?

Aakash Minda: It is very difficult to predict in this situation how the outlook is going to be for the Quarter 1 and Quarter 2.

Abhishek Jain: My next question is related with the revenue performance in two-wheeler locking system excluding Die-casting business in FY21. Just wanted to understand how does that share of business with the different clients, and have you added any new clients?

Aakash Minda: Yes. If I talk about the Security System Division, we command more than 35% share of business in our product lines and particularly in this space is what we are also commanding all across in India with our customers. This division is going to go through more of premiumization and electronification and as I mentioned we have filed 21 patents in this division in the security systems division which will help us increase our content per vehicle as well as our share of business with each customer in this space, giving us an early entrance within system solution provider going forward. So, in future the security systems division is going to be growing further with the electronification and premiumization that is going to happen.

Abhishek Jain: How much growth was there in the two-wheeler locking system excluding die-casting business in FY21?

Aakash Minda: So, in our safety security division if I just compare Quarter 4 was about 182 crores and in Quarter 4 this year, we have done about 241 crores which is a jump of about 33%.

Abhishek Jain: And FY20 versus FY21 how much it was?

Aakash Minda: So, FY20 to FY21 is the nominal growth of about 2% to 3% but here you will have to factor in the COVID of the first half of the FY21, so those numbers of course we say this numbers are not really comparable due to the low intake of new customers and in the first half of this year.

Abhishek Jain: My last question is related with that aluminum die-casting business who are the adjusting in the new clients and how is the margin performance and what was the export versus domestic mix in this aluminum die-casting business?

Aakash Minda: So, our die-casting division has grown basically in the last years in quarters. This is an area of our focus and one of the fastest growth areas that we Spark Minda division has. In terms of the exports what I can say is our Quarter 4 in last year was about 23 crores worth of exports compared to this year we are doing about a 42 crores export only in the die-casting division. So, it is basically doubled or 90% year on year growth you can say in the die-casting division space. Of course, in this division our focus is more on export side as we are focusing on value added

production technologies like turbo charger housing and other housing compared to the domestic market which is more of other ship product lines. Of course, we are increasing our capacity here to support or fulfil our customer demands from global OEMs as well as a global Tier-I overseas.

Abhishek Jain: So, how much capacity addition is there in the die-casting business in FY22?

Aakash Minda: If I talk about just to share with you the investments on this business it is upward of about 50 to 60 crores from the investment in this division only to increase the capacity. I will be maybe happy to check back on the numbers of the capacity utilization on the die-casting division, but we are about 92% utilized of our capacity in the die-casting space, so that is what we are currently looking at. We calculate on the tonnes basis so maybe I can request Bikash to get back to you on these numbers please.

Moderator: The next question is from the line of Sachin Kasera from Svan Investments.

Sachin Kasera: I had 2-3 queries; first question was regarding the capacity utilization. So, we have done close to an 800 crores this quarter, so what is the utilization in Q4 and with the existing capacity what is the peak revenue we can achieve on a quarterly or yearly basis?

Aakash Minda: In Quarter 4 across different production segments, we have different capacity utilization. For example, for our die-casting as I mentioned we are running at about 90% capacity utilization but our two-wheeler locking systems we are at capacity utilization ranging between 70% to 75%. In wiring harness across all our segments, we are doing at about 80% capacity utilization and for starter motors alternators small division, but we are doing about 100% capacity utilization. The challenge that we are facing is on the shortages of supplies of the semiconductors and other shortages which are very uncertain in nature if we have seen in the last year. Leading to fluctuation in our customer requirements but the capacities that we are having are seeing in taxing in what we are offering. But of course, we are lesser utilized due to these shortages by about 15% to 20% on the shortages from various sources that are there but going forward our shutdowns that are there or the single shift working that we are doing it helps us kind of generate extra capacity from this.

What we are also working all across our organization and all across our plants is to generate higher revenue from the given space and equipments. So, we are starting, or we are doing a drive to improve our utilization of our equipments and fixed assets that will generate higher turnovers. So, this is the drive what we are focusing on going forward in terms of the capacity expansion and utilization about 50% of our CAPEX goes in our general or sustenance CAPEX, which is sort of including these parameters as well.

Sachin Kasera: Just a follow up on that as once in 2-3 quarters this all those constraints go away, can we achieve like 950 to 1000 crores quarterly revenue from the existing capacity, or we will have to invest some more CAPEX if to achieve that type of turnover?

Aakash Minda: Of course, we will increase gradually; our endeavor is to really move towards those numbers. The focus is to sweat the assets more and more. Again, we have the highest one of the highest FATR's in the industry which is about 4.2. So, hence our endeavor is to take them to a much higher number. Of course, it is challenging but to answer your question we are going to strive and put our best efforts to achieve those numbers on quarterly basis.

Sachin Kasera: What is the CAPEX plan for the current financial year?

Aakash Minda: We are doing about 130 crore CAPEX. Some of this CAPEX is Brownfield expansions, some of this is and again the die-casting as I already explained to you and about half of this is in the going in the sustenance CAPEX. We are of course doing CAPEX in terms of our electronics manufacturing division in Pune that I mentioned and our focus on the electric and the mobility space and of course in our Pune and Mysore facilities as I mentioned to you based on the customer requirements going forward and the order wins. But of course, the half of this comes from the sustenance CAPEX.

Sachin Kasera: My second question was regarding the return on capital employed. We have seen a significant improvement we are currently at 24% on annualized basis, but if I look little bit in more detail almost 180 crores that is invested currently in the JVs. They have the returns are low single digits. Secondly in terms of the cash that you are carrying it is also depressing our return capital. So, on both these what is your thought process, are we setting certain benchmarks even for the JV's that they should at least contribute 14% to 15% return capital that we are put in and similar in the case of cash. I think it has been lying for a while, So, what are the thoughts there?

Aakash Minda: The first one I think would like to share on the JV performances, of course I think the concern is primarily on the Minda Vast as I mentioned I mean Minda Vast the focuses is on order booking and reduction in our costs which is leading to our profitability. In this as just to share with you in Minda Vast we have invested huge amount like you rightly said in the paint-shop facility which is again the state-of-the-art facility and the products that are offered by Minda Vast like outdoor handles and indoor handles need this paint-shop facility. Our focus here is to do more order wins and again we won orders from the Toyota or Maruti from these businesses or the PSA going forward and this division. Of course, this will help us in economies of scale and operating margins will improving in quarter-on-quarter basis from this division.

As I mentioned on the Stonebridge this thing on the slide #13, we have increased again the top-line from 381 crores to 390 crores and again this is despite of COVID. This partnership is I think in is going to be very healthy and going forward it is going to give us good foot so and of course in the Furukawa, you all know that now we've own about 25%. That is not a concern that we see going forward, so of course the quarter 1 and Quarter 2 this year were challenging due to the imported contents and COVID. But I like to share again that in Quarter 4 they have achieved 5.4% EBITDA as already mentioned to you. So, from Quarter 3 onwards this company is also coming back. So, can you repeat just second question that was there please?

Sachin Kasera: Is there internal roadmap over the next 2 to 3 years? I think you said close to 180 crores in these three JVs, we are looking because our internal ROCE itself are now, if I remove this JV is close to around 27%-28% now. So, we should aspire to achieve at least a 18%-20% return capitals from this investment in the next 2 to 3 years?

Aakash Minda: Sachin, as just to share with you again in March 31st our ROCE was 17.8% and this year only, if I look at 12% but annualized number only in second half is coming to 25% but this is on the standalone basis.

Sachin Kasera: My question is specific to the investment that we are making in three entities. We have put almost.....

Aakash Minda: Correct, I am coming to that. Just again to share with you these are the numbers for the standalone numbers. For the consolidated our target is to achieve towards the same numbers there will take time. Again, the first focus is to improve the EBITDA into this profitability, into these companies and again most on the Minda VAST and do not really invest too much into these companies or partnerships anymore which will eventually help us get to higher ROCE numbers. One of the important drivers is the revenue growth in these companies will be similar FATR ratios of the standalone numbers which will improve our ROC. So, less cash to be deployed, higher revenue to be generated and more improvement or rather drastic improvement in our performance and operating margins for the Minda partnerships.

Sachin Kasera: The second part was regarding the deployment of cash because we are sitting on almost 400-500 crores of cash, now almost more than a year and year and a half, if you could just comment?

Aakash Minda: Definitely Sachin, this has been a concern for some time now and it is our concern as well. However, what we are doing is multiple avenues exploration what we are doing so investment into the technology products and partnerships that we are looking at. Also going forward see we have created clear norms that we will not invest in a manufacturing company outside India specially in Europe. We have taken our learnings from the past and it is a clear mandate and norm that we will not invest in any operating related company in Europe or overseas. We can look at technology related engineering centers, but we will not look at high investment related. So, there is a huge turnaround cost etc. which we will not look at; in India and our plan is to look at various opportunities. We are already looking at and exploring multiple opportunities but COVID is again come back but once there is something sizable in this front I will come back to you. Our second area of focus is on our partnership that we are in discussion with various potential partners which will help us give a growth not in the short-term but in the medium to long-term basis where we are extremely very careful in our right capital allocation with very careful thoughts and norms which is there. We understand that this is a concern or a challenge, but I think we have taken a cautious call to invest in the right place at the right time and we have the opportunities in hand. Once there is something sizable, I will come back to you.

Moderator: The next question is from the line of Chirag Shah from Edelweiss.

Chirag Shah: Continuing with this capital allocation thing and JV, our track record even on JVs is not necessary that great. We have not been able to scale up or leverage the capabilities of Minda Corp and our JV partner. What incrementally you would be looking even when you are entering the JVs because opportunity space even in the existing product line exists for you. Are you looking to acquire customers, are you looking to do more outsourcing? Is there a change in way you are looking at JVs altogether or tie-up a strategic arrangement? That will be first question.

Aakash Minda: That is a very important question. I can only say that first, the way partnerships have been done in the past need to be really changed going forward, I think not for only Minda Corporation but as the overall the world and industries going forward. We need to find out different and smarter ways to do alliances and partnerships. Having said that our focus and most important way to look at partnerships is technology. To give you an example like the in fact that the TAA that we signed up for last year is getting new product of the Antenna Systems and Solutions in the country and getting new customers such as Hyundai KIA in our kitty. Also going forward, it is going to be more of a stepwise approach where initially this is going to be, or the partners overseas are looking at TAA and then converting into joint ventures. This is not what we are talking but generally as an industry trend and the global trends that are happening so hence we are working on both side, (a) TAA and joint ventures in order to first look at technology and then customer additions in that front. Again, the primary customers are the Indian OEMs that are there so hence the focus will be on those customers which are here whether in two-wheeler, four-wheeler, on a commercial vehicle space. Another example just to share with you is the technology part with the Israel based two-wheeler ADAS company so which is again a TAA. The objective is to bring the technology into India and offer to our customers and use these trends of Spark Minda Group in terms of localization, manufacturing excellence and customer connect and use the capabilities of technology and engineering of our partners. So, that is how we plan to move forward in terms of the partnership model.

Chirag Shah: Second question was on Die-Casting. First can you let us know what was F21 total revenue for the Die-Casting business?

Aakash Minda: The full year F21 the turnover for the Die-Casting division was 425 crores and for Quarter 4 of FY21 which was about 150 crores. If I compare year-on-year growth for FY21 versus FY20 on quarter basis the growth was 66% and on an annual basis it was about 11%.

Chirag Shah: And between 425 crores the domestic export break up would be?

Aakash Minda: Out of the 425 crores the domestic is somewhere about 60% if I am correct. Yes, it is about 60% on the domestic side and about 25% to 30% on export side.

Chirag Shah: Over the next 2-3 years, this 425 crores how can it grow? Basically export, how big is this opportunity because there were some shift happening from China and we emerge as an alternate source. Now what is the potential size of that revenue and how much of that pie we can actually garner?

Aakash Minda: As you know that per se Die-Casting business is a capital-intensive business. So, want to again share with you that though the EBITDAs are higher, our focus is to go step by step because of this reason and maintaining all our parameters in line. Export Die-Casting will probably double in the next 3 years' time from about 110 crores to more than 200 crores or 220 crores in the year FY24. There is a huge number of opportunities and exports in the Die-Casting space. Our customers are thankfully and showing more and more confidence in us. So, our objective with the PLI scheme and other initiatives and operational excellence and best in class technology will get us probably more customers. But we have to marry both the top line, the profitability and most importantly the CAPEX in this capital-intensive.

Chirag Shah: On this premium key or the keyless entry that option that we are looking in two-wheeler space, the discussions got postponed because of BS-VI and that COVID, are the discussion started and when do you think adoption would start happening in the two-wheeler because that was supposed to be a very big opportunity for us where our realization could have jumped 3-4X at least?

Aakash Minda: I did not understand what product are you talking about or what did you mention, please?

Chirag Shah: Keys for two-wheelers.

Aakash Minda: So, yes, there are two different or three different aspects to it. Definitely there is, as you rightly mentioned, the opportunity for us is about 3X, 4X, 2X, depending on the different configuration a customer selects. But more importantly what I wanted to share is that this because it is a cost increase to the customer though it is a comfort and convenience feature. Of course, it is going to be taken up as on year-on-year basis. We are already engaged with the largest two-wheeler OEMs, you name it, and we are already engaged, developed products, already won orders in the keyless and the smart-key space with these customers. Definitely they will take time to come to market, but they will start coming soon. On year-on-year basis increase will happen from a convention locking keys to the keyless entry systems. Of course, they will start from the highest segment vehicles and come down to the mass customers.

Chirag Shah: So, as of now that traction is not yet started, is that rising because of this COVID assumptions and cost increases in general, so both discussions, adopting have got pushed again?

Aakash Minda: No discussion has got postponed rather they have got preponed because during this COVID time customers are focusing more and more on technology and engineering engagements. As Mr. Neeraj Mahajan has mentioned on the early supplier engagement is what we are also doing with our customers to win orders and showcase our production technologies. In this particular space we have already engaged with the Bajaj, TVS, Hero etc. other customers you can name for our keyless entry system. Developments are also ongoing. Customers have already awarded us the projects, but they are only going to come to market in the next 12 months to further timeline. Of course, when the volume picks up this will be showcasing the market. But yes, no engagements have been postponed, rather we our team particularly from technical center and other

engineering teams are working very much hand in hand with our customers. There are our engineers placed within the customers for early supplier engagement in these particular product lines and all across the other product lines that are there which are going through the electronification, premiumization as well as the increase in content per vehicle.

Moderator: The next question from the line of Apurva Mehta from Am Investments.

Apurva Mehta: Only wanted to ask about this same question which the participant had earlier about this Keyless drive. So, are we looking at the big potential for export also on this?

Aakash Minda: Sorry what drive please?

Apurva Mehta: keyless.

Aakash Minda: So, on the export front, we were getting some orders from the export side also from Piaggio and everywhere.

Apurva Mehta: So, are we looking at this as a big opportunity on this side?

Aakash Minda: Yes, absolutely we are looking at a big opportunity. We have already started supplying and exporting keyless entry products to our export customer such as Piaggio. We are already doing this, and that SOP has already started, so again we are seeing more and more penetration in our domestic as well as export customers even in our ASEAN presence and our ASEAN countries we are looking at export orders but more so from the West. Companies and manufacturers from UK-US are also looking at this product and we are speaking to them, developing products for them and somewhere got the orders already and we are looking to convert these orders also. Just to also give you an example, for example the EV bike Etergo bike from Netherlands. We had already won the keyless entry business about 2 years ago. But of course, Ola has now taken that over. So, we are going to be looking that in India with Ola. So, whether it is the EV startup, whether it is an EV big company or whether it is a legacy mass manufacturer or bigger OEMs, we are catering to all the customers for the keyless entry solutions as well as our all the other product lines whether our core area of expertise in keyless entry, our wiring harnesses, instrument clusters, sensors, Die-Casting, two-wheeler ADAS and other product lines that we are looking at to enter in our EV space also.

Apurva Mehta: One thing which is I want to get some insights from you is, we are heavily dependent on two-wheeler side, almost 60%-65%. If we take the aftermarket and add it up, we are close to 60%-65% of our sales on two-wheelers. So, what is our plan to shift that focus and in the next 3-4 years how can our dependence on two-wheeler goes down and our dependence on other segments like cars and CV goes up? So, are there any plans that in next 3-4 years this pie will change?

Aakash Mehta: Yes absolutely. Again, just firstly to share the dependence is definitely a majority dependence but it is in the range of 50% to 55%. Of course, having said that we are very clear going forward

that our dependence on the other segments have to increase. For that there are very extensive steps that have been taken and I would like to share a couple of them with you. Number one is the interior plastics division which is our division in the plastics and the interior space. This vertical or division will grow again 2x to 3x in the next few years. There are products like air vents, center consoles are the light weighting products that we are offering. Of course, we won orders from companies like Toyota for these products which are giving us more and more entry into the four-wheeler space. Another such example is our joint venture or partnership with INFAC for the antenna systems which is again not the conventional product, (a) it is electronics, (b) increased content and vehicle and (c) more importantly to answer your question in terms of four-wheeler space. Of course, here also we have won orders already from giants such as Maruti Suzuki, Hyundai and Kia and in advanced discussions with our other Indian OEMs in order to win businesses. So, this is our second such example that we are looking at. Third of course, we are looking at our Minda VAST joint venture which is primarily into the four-wheeler space. We have won order as I shared with you from Force Motors, from Toyota, from PSA, from Volkswagen which is also going to help us win the four-wheeler space. Having said that our focus in the next few years in the mid-term to long-term plan is definitely to explore more and more production technologies into the four-wheeler space and other commercial vehicle. Again, the example of intelligent transportation system that we have started that is again giving us more and more fruits into the non-two-wheeler space per se. And of course, our die-casting division is increasing in the four-wheeler as well as Tier-I space in export side. I think these are the few examples which we have already initiated to give you some a sense of our direction towards the four-wheeler aspect and less dependency on the two-wheeler space.

Apurva Mehta:

On the electronic side, what is our focus because there is a huge opportunity on that side because a lot of people are now trying to de-risk and sources from Atmanirbhar Bharat kind of team. So, what is our focus area and what kind of opportunities we see in that field?

Aakash Minda:

Definitely thank you for that question. So, if I understand correctly, your question is on the electronics capability and this space. If I maybe request you to refer to our innovation and technical slides from #17 page onwards. Here you will again see that we are working on technologies which are impacting globally and India on the positive front. Our more and more focus is on the electronification space, which is like antennas, telematics, ITF, digital clusters keyless entry systems, two-wheeler ADAS, EV products going forward. So, they are all based on electronics that are there. So, legacy, and non-legacy business will go in electronics. We are partnering up and we already have large suppliers like Renaissance, NXP etc. as our partners for the electronics. Of course, we are also speaking to them and how we can engage further where Spark Minda requirement is going to be increasing on the year-on-year basis. So, we are looking this opportunity on a holistic basis and even product wise basis on how we can improve our electronic content, also our electronic ecosystem as a whole a Spark Minda Group.

Moderator:

Thank you. Ladies and gentlemen this was the last question for today. On behalf of KR Choksey Research and Minda Corporation Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Aakash Minda: We just have closing remarks from our Group Chairman Mr. Minda. So, maybe I request Mr. Minda to just make the closing remarks please

Ashok Minda: Thank you Aakash. So, thank you for participating in the call. Before I conclude I would like to assure you that we will continue to support and stand by our stakeholder in these trying times and will emerge stronger from this crisis, as we continue to strengthen our core and look for opportunity which mega trend is bringing. With this I wish that all of you stay safe and request you to use every health and safety precaution. Thank you very much for joining the call.

Moderator: Thank you. Ladies and gentlemen you may now disconnect your lines.