"Minda Corporation Limited
Q3 FY2020 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Minda Corporation Limited Q3 FY2020 Results Conference Call hosted by India Nivesh Shares And Securities Private Limited. 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, you may 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. Aditya Pai from India Nivesh Shares and Securities Limited. Thank you and over to you, Sir!

Aditya Pai: Thank you. Good evening and in behalf of India Nivesh shares and Securities Limited, I welcome you all for the Minda Corporation Q3 FY2020 results earning conference call. I also take this opportunity to welcome the management team from Minda Corp. Today, we have with us, Mr. Ashok Minda, Chairman and Group CEO, Mr. R. Laxman, Executive Director and Group CFO, and Mr. Bikas Dugar, Investor Relations. We would start the call with the brief opening remarks for the management followed by an interactive Q&A session. Before we start, I would like to add that some of the statements made today in discussion will be forward-looking in nature. At this point, I would request the management to make their opening remarks.

R. Laxman: Thank you very much. I request, Mr. Minda to make the opening comments.

Ashok Minda: Thank you. Good afternoon, ladies and gentlemen. I welcome you all to the Q3 Financial Year 2020 Earnings Conference Call of Minda Corporation. As you all know the slow down in economic activities continues to impact auto industry. The industry continues to face volume challenge due to slow demand and destocking of BS4 inventories. In Q3 FY2020, the company reported revenues of Rs.6714 million a decline of 12.7%% on year-on-year basis. The various austerity measures that we are implementing from Q1 FY2020 onwards have helped us to keep our cost structure consistent and to improve product mix resulted in increase in EBITDA margins. More detail will be given by our R. Laxman on financials.

Looking ahead, we believe the growth in auto sector to be back on recovery road post BS6 implementation this will provide necessary stabilization and address demand plus inventory pressure. I am also happy to announce two new appointments in the senior leadership of Minda Corporation, Neeraj Mahajan has joined as a Group President Marketing and Arvind Chandra as Chief Executive Officer of Business Vertical I that is Mechatronics. They bring over two and half decade of experience each with leading global and domestic players in the auto industry. They will strengthen our top management. Now, we shall begin the discussion of the detailed financial overview and insight on operational performance. With this I hand over the call to Mr. Laxman, our Group CFO.

R. Laxman: Thank you Mr. Minda and good afternoon ladies and gentlemen. Warm welcome you again to the Q3 2020 results of ours. We have uploaded on the website and those of you are referring to presentation, I shall refer to page numbers when I am talking about particular. I directly go to page #4, there on the left hand side we have our summary of snap shot of our group, which is diversified product portfolio, global customers, strong manufacturing, we have been in this business for more than 6 decade and that is our strength. On the right hand side, we have a revenue breakdown for 9 months. The good news is that this has been largely consistent over the period of many quarters. A majority of our business by geography comes from India, which is about 68%. Europe and North America constitutes about 27% and South East Asia roughly about 5%.

By end market you will see the passenger vehicles, which is about 28% remains unchanged, two wheelers and three wheelers they gave contribute about 41%, commercial vehicles are at 20% and after market roughly around 11%. All of these numbers remained unchanged as compared what we shared in this quarter. By business verticals, the shares between Mechatronics are 48%, Information & Connected Systems is at 32% and interior plastics are 20% again remained unchanged, so overall diversified business broken up geography, end market as well as business verticals.

I now move to slide #5, which gives a quick overview of the Indian automotive industry performance for 9 months as well as the third quarter. If you see on the top left hand box, the 9 months number you will see the auto industry overall has gone down by about 13.2%, however, the largest fall has been in commercial vehicles, which is at 26.8% and the two-wheelers have fallen by about 12.8%. On a mix from our side, the commercial vehicles and two-wheelers constitute a significant part of our sales mix, so if you do a weighted average whether my exposure in India to two-wheeler is about 50% and commercial vehicle is close to 40%, so if you use a weighted average method for the industry fall, 13% would roughly translates to 18% given our product mix.

Of course, Q3 is more a continued reflection of the same full year trend. You will see that again commercial vehicles would have a 27% dip and the auto industry in general has gone down by 12.7%. The reasons for the fall are all evident to all of us just to reiterate it is subdued economic environment, pretty low consumer sentiment, tightening of financial availability and we expect this specific factor to change over the next 3 to 4 months. Even yesterday RBI, CRR change, which is making it cheaper and easier for banks to give loans against vehicles and comments. We see that as a big positive. Destocking of BS6 or BS4 vehicles had also contributed to this, so the last bullet we see it more as temporary and we hope to see changes during the first and second quarter of next financial year.

Coming to our results, page #6, on a consolidated basis, you will see that we have a Q3 operating revenue as 671 Crores and this is a 12.7% fall as compared to the same in the previous year. On a weighted average overall the industry for us fell by about 18% and we are down to about 12.7. Here, this is a mix of India and Europe specifically India went down by about 10% and Europe went down by 17%, so on an average we ended up showing 12.7%. In terms of EBITDA, there has been a significant improvement in our EBITDA margins as well as its quantum, so from a 54 Crores EBITDA during the same quarter previous, we have moved to 76 Crores EBITDA.

This effectively is a good change from 7.1% to 11.3%. Roughly 420 basis points increase in EBITDA in this quarter has largely come from about if I break up this change as to where all the improvements have happened, you will see there are security systems in die casting business has roughly contributed about 200 basis points. KTSN had a very tough quarter during FY2019 Q3 and some of that has been improved during FY2020 Q3, so that has contributed to an increase of 120 basis point. However, our wiring harness business, which has remained challenged particularly in the last quarter because of distant change from BS4 to BS6 has seen a 50 basis points dip.

If you see look at these changes overall, I would say about 80 basis points is one off in this 11.3% increase. However, company as a whole, the profitability has significantly improved. Three main points, I would like to say, one is the RMC initiatives, you will see the standalone and the consolidated basis in RMC percentage of sales has gone down. The control that we have established due to a rough year and austerity measures on fixed cost has significantly given results as well as a change in a mix of our product wherein we did less amount of tooling sales and more amount of serial sales, which has contributed to some positive numbers. So, this is the EBITDA numbers.

Going to profit after tax, we have posted a 41 Crores profit after tax, which was 6.1% to sales and as opposed to the same quarter in the previous year we did it 5.7%. On a 9-month basis we are posting a 100 Crores profit after tax, which is 4.7% as against 127 Crores, which is 5.4%, so this 127 Crores includes one off extraordinary income that we had in Q3 of last year including the part sale of our stake in Minda Farukawa Electrics. Happy to share that the company has also declared an dividend yesterday of 17.5%, which is 35 paisa per share of face value Rs.2.

Going to page #7, more graphic representation of the same. You will see that the domestic industry volume fell by 13, commercial vehicle fell by about 27% and two-wheeler by 13%.

We also had low tooling sales in vendor KTSN. The EBITDA margin increase of 420 basis point is what is explained here again going in reverse orders saving in raw material cost a favorable product mix, reduction in our fixed cost in India, which is a big positive for us and some lowering of losses in Minda KTSN. The reason why the PAT has been impacted positively and negatively, the favorable impact has been because of high EBITDA margins as well as a lower tax rate, for example our effective tax rate compared to 30.8% as to what it was has gone down to 25.8% on a standalone basis. The adverse impact on our profitability has been because of lower profits that have come from our joint ventures. Last year same time, we made about 21 Crores from our joint venture in 9 months and this year it is about 10.4 Crores. Of course we do not have any exceptional gain this quarter to show as against what we have showed in the last year same quarter.

Let me move to slide #8, there we actually present our segment business wise breakup. We have split our business into three, one is mechatronics & aftermarket. The reason for clubbing aftermarket because the majority of products that we sell in the aftermarket belongs to mechatronics. The second vertical, which is information and connected systems and the third, which is plastics and interior largely base set of Europe. Mechatronics & aftermarket has seen a revenue dip of 4.7%. This revenue dip has been largely arrested because the export business and the after market business have shown a positive trend in the 9 months. The EBITDA improvement particularly in this segment is because of raw material cost improvement as well as fixed cost reduction and therefore EBITDA has moved from 12.3% to 14.4%. Coming to the second business, which is information and connected systems, 27% fall in the commercial vehicle industry has led to a similar fall in the commercial vehicle share of ours in this business and on aggregate overall basis this business has fallen in stage by 13.1% over a 9 months period.

The EBITDA drop has not been that significant from a 9.9% has managed to maintain an EBITDA of 9.2%. It will be pertinent to mention you that our dependence on commercial vehicles on this particular business is roughly was about 46% last year, so therefore the fall in commercial vehicle sales has impacted this business. Coming to last box, which is our plastics and interior business, our sales has gone down by 11.3% from 483 Crores to 428 Crores. The revenue has fallen largely because of lower tooling sales and lower of tooling sales has been a consistent phenomena in KTSN. The EBITDA margin is low because of the challenges I have mentioned in the past in our European operations, we have high fixed cost, we have a challenging inventory pass over regime as well as we have extremely competitive pricing with respect our customers. Effectively, I would say the EBITDA margin of this business is almost zero. We do have a one time gain because of certain compensation by the customer and therefore it is showing as 0.9%.

Going to a next slide with respect to our order book, this is a business update on a Q3 FY2020. Mechatronics business is our first business vertical. There has been an increase in lifetime order in Q3 to an extent of 870 Crores. It is important to mention here that out of the 870 Crores a majority of that, which is 500 Crores has come from die casting export orders and it is also important to mention that out this 500 Crores has come from our existing customers and it is a transfer business. So, to that extent our time to go to start a production will be much lower than what would it be had we actually gone through a typical part of life cycle. Very positive news with respect to bullet number 2 in this one we have won a prestigious order for DCDC converter for leading two-wheeler OEM. This is basically the electric vehicle of Bajaj and this has been over and above the business that we won earlier in the locks and key business for the same product, which is Bajaj Chetak. I would like to add here that with this move and the move of winning the key set lock business at Bajaj Chetak this is a one classic case where thanks to R&D efforts over the last coupe of years as well as a very integrated approach with the manufacturer we have demonstrated that we can move from a part supplier to a system suppler. So, for example for this particular product, we used to give a lock and the key, now we give electronic steering column lock, we give key form, electronic control unit, seat actuators, glove box actuator opening mechanism and now the DCDC converter, so effectively it is going more as the system suppler hope to do more of this going forward. Of course, we have also being awarded new business globally in a passenger vehicle OEM, which effectively seat latch.

On the second part, which is the information and connected systems, we have won a lifetime order in Q3 of 190 Crores. The new business was the speedometer for the two-wheeler OEMs aggregating to about 40 Crores. We have also won electronic EFI wiring harness from two of the leading OEMs. This is part of the move from BS4 to BS6 and therefore this is what we always expected. The plastic interior business has again won some orders of about 60 Crores this year to supply central console to a leading domestic passenger vehicle OEM. This is a demonstration of our transition of technology that we have in Europe to convert that into profitable orders with India OEMs using the plastic expertise that is there in Germany. The effort has been on for a couple of year. For the last 2 to 3 quarter, we have been seeing much more robust traction and winning orders for this business. I have covered the export in my discussion in the first bullet itself and that brings to an end the business update

On page #10 on terms of our way forward in India as well as global in Europe, our opportunities and challenges remain the same and we are totally focused on the response and outlook that we give for each of these businesses including mechatronics, information and connected systems and plastic interior. We look forward to exports and after market to enhance and give us their additional push, so that we move to deliver topline performance, which is superior to industry. Of course, that is with respect to the topline, with respect to the EBITDA in bottomline, we are endeavored we will be to continue to give superior performance by either cost control, raw material savings advantages, etc., and therefore try and maintain our consistent double digit EBITDA margins.

That is all I have to present with respect to the business. We have been as usual won a fair amount of awards in CSR as well as the recognition from customer, which I shall leave it for the audience to read at leisure.

Thank you very much gentlemen. That is a very quick summary of our financials and I would now like to hand over the line to the conductor for question and answer session. We will be more than happy to take your questions.

Moderator: Thank you. We have the first question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Thank you for the opportunity. Sir, I was not able to understand your margin comments, so in standalone operations, you commented that the expansion is because of mix and fixed cost and then you mentioned that there is some 80 basis point one of is that how you mentioned?

R. Laxman: That is correct, so the 80 basis point is one of largely from my overseas businesses, the standalone business has shown a positive 200 basis point increase in security and die casting, which most of it will be expect to continue, so that is the clarification.

Pritesh Chheda: So, in standalone 200 basis point out of 250 basis point will continue?

R. Laxman: Yes, overall we hope that to continue.

Pritesh Chheda: My next question is, the BS6 supply numbers will be start seeing in Q4 in a big way or it will actually be in a forthcoming quarter after that?

R. Laxman: So, we have now more clarity with respect to BS6 and when the supply will start and how it will start impacting our revenue, with respect to Q3, the BS6 supply from us in wiring harness across two-wheeler and commercial vehicles has been marginal, I would put this number to a low single digit percentage, however, in Q4 I expect this BS6 transition and supplies from our end to be significant, so if you have to put a number I would say that at least 60% of the wring harness business that I used to supply will transition to BS6 with respect to Q4.

Pritesh Chheda: Then lastly on the order slider #9, how should we read this, so you have given lifetime orders and you have given order wins during the year, so I think most of the slide is to do with order wins during the year, this lifetime what number of year should we divide this with to get a annual order inflow that would be a much better way annual revenue addition possibility?

R. Laxman: Yes, we also grapple the same problem Pritesh and to be very frank with you typically how we used as a benchmark is, this is a mix of different vehicles platforms and segment, typically four wheeler or above has more than 4 to 5 years of platform life, and therefore if I say a lifetime order is worth $100, effectively there will be a split between 3 and 5 years on an average, and that is the benchmark one can use to say what is the value of this on an annualized basis, though it will not be a sequential number, because there will be a ramp up initially less and by the time you peak is year 2 and then it will remain stable till year 3 and year 4.

Pritesh Chheda: So, let us say this number that you have mentioned 2100 Crores mechatronics or let us say for that 1300 Crores in information corrected, I should divide that for 5 years?

R. Laxman: Roughly 4 to 5 years would be fair.

Pritesh Chheda: Lastly I want to know why has the JV profit reduced from 21 Crores to 10 Crores?

R. Laxman: The JV profits effectively it is 3 businesses, one is Stoneridge, Minda VAST and the last is Furukawa. One significant reason for our change in profit is in Furukawa we earlier had a 51% share and now we have 25%, so therefore that has caused a fair amount reduction in the contribution to the consolidated numbers, further to that overall there has been a challenge in the revenue growth in our other two joint ventures and to that extent there has been a dip in their contribution towards our pack.

Pritesh Chheda: For the first region, how much would be the dip?

R. Laxman: Roughly it should be about 3 Crores.

Pritesh Chheda: Balance is to do with the decline in business itself in those subsidiaries?

R. Laxman: That is correct.

Pritesh Chheda: Thank you and all the best you gentlemen.

Moderator: Thank you. The next question is from the line of Mayur Malik from India Nivesh Shares and Securities. Please go ahead. There seems to be no response, we move to the next question from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Thanks for the opportunity and congrats for good set of numbers. My first question is on housekeeping question, if there a regrouping of any numbers of netting off in revenue and raw material because versus the previous 2 quarter trends there seems to be lower revenue and lower raw material also, so if there a regrouping that we have seen?

R. Laxman: There has been no significant regrouping, second the revenue actually has fallen, so to that extent my RMC also appears to have fallen because it is totally variable, but to answer no regrouping, it all fall in volumes, Chirag.

Chirag Shah: How do we look at this raw material as a percentage to sale, it turns out to be very volatile on quarterly basis, even if we look at the mixed perspective also while die casting was strong in Q2 sequentially also we had a strong die casting sales, so can you just explain how this raw material ratio moves across businesses and how should we look at this number?

R. Laxman: Yes, I am impacted on raw material by a couple of things, one is of course the plain apple to apple comparison of RMC to sales, second is effectively the change in tooling sales that happen in my European operations that is pretty volatile and that is completely determined by customer in terms of when he decides to pick it up and when it gets recognized the revenue. The third and the most important point is that when my commercial vehicle volumes fall significantly compared to two-wheeler volume that also impact my RMC, which I have that low commercial vehicle volume and the rise in die casting business volumes it ends up getting off each other and therefore it appears inconsistent on a quarter-on-quarter, but these are the two, three critical reasons why my raw material cost to sales on a consolidated basis does yoo-hoo; however, when I did the breakup with respect to the RMC cost in standalone, etc., you will see that there is actually reduction of fair amount of saving in RMC, which I can contribute easily more than 100 basis points with respect to RMC improvement either better sourcing or better negotiation, etc., because we have gone through a very tough austerity measure this year.

Chirag Shah: So, when CV sales fall, it has a positive impact on the ratio or it is a negative impact on ratio?

R. Laxman: It should have slightly negative impact on the ration and also negative impact on my EBITDA.

Chirag Shah: Second question was, you made comment that from a part supplier you are becoming a system supplier at least for the new projects like electric vehicles, when can we see this kind of transition in the existing project like in traditional lock and key business, can we see this kind of transition also over there or how should we look at that?

R. Laxman: I will tell you it is always easier to do this when you are the new entrant and you are showing new products and new technologies, it is always difficult to do this when you are trying to dislocate in entrance part suppler and you are becoming system supplier because when the name of the game become price reduction, we are so focused on our margins that we do not want to ourselves to be system supplier at the cost of margins and it becomes easier when I am going with the new product therefore for example in this particular example I used to supply lock sets traditionally at Rs.500, Rs.600 a piece, now because I am a system suppler my whole kit value has gone to more than Rs.5500, so that is the change that we can more easily perceive and achieve. In terms of your question of whether how long will it take to do this in entrance products, my answer frankly to is difficult and to put a timeline I would say may be 3 years plus.

Chirag Shah: Does it also that you need to innovate some add more products to your portfolio and then you can really try to be entrance systems suppler?

R. Laxman: Yes, I would like to say that the innovation may be a very heavy word, at least I need to ensure that it is not to an apple to apple comparison, instead of an apple if I can give him a slightly bit of fruit salad where it becomes more pursued value and less compatible that is then I will be able to negotiate on margins.

Chirag Shah: One last clarification in case you can indicate that you have been indicating directionally that when the BS6 transition happens our value content will jump significantly, but our margin will be a reasonable decline, is it possible to indicate what kind of decline it could be, I understand that you will still make more money on absolute basis, but is it possible to given an indication what kind impact in the near term can we see because it should not turnout to be a big disappointing kind of a number?

R. Laxman: So, we have maintained that in this impact of this volume increase is roughly little under one-third of my business, so one-third of my business should effectively give me a EBITDA dip on a temporary basis or so of about 1% and that is the reason is because of the import content is much higher and it will take little longer time to localize those components, so the faster we localize faster we can come back to EBITDA margins that we used to show earlier in our wiring harness business, which is double digit; however, our quick internal estimate is a year and a year and half.

Chirag Shah: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Pankaj Bobade from Axis Securities. Please go ahead.

Pankaj Bobade: Sir, thanks a lot for taking my question. I just wanted to take further the question asked by last participant regarding the impact of BS6 on the wire harness, so you mentioned that 60% of our wire harness would transitioned, so I wanted to know what exactly did you mean by that and going forward with this around one-third of our total revenue is coming from this segment, how would it impact our overall sales mix?

R. Laxman: So, I will answer your question on the 60% first, we expect 60% to go to BS6 in Q4 because there will still be some demand for BS4 products, which will probably available at a value proposition, which the customer may would like to take and is also available at the OEMs showroom, so therefore that is the reason for 60-40 because from February onwards the percentage is very high, January it was more towards BS4.

Pankaj Bobade: In January, it was 60 was BS6 and 40 was BS4, right?

R. Laxman: No, I am talking about my Q4 60% should move to BS6.

Pankaj Bobade: Got it, that would be high value items relatively as compared to the previous?

R. Laxman: That is correct, absolutely.

Pankaj Bobade: Sir, overall our net sales will increase, but margins would be a bit under pressure, right?

R. Laxman: Absolutely, right.

Pankaj Bobade: And Q1 onwards?

R. Laxman: So, Q1 onwards, it will be fully BS6, however, we do not know the exact what shall we say demand change that will come.

Pankaj Bobade: Right, but as far margins are concerned, as you mentioned in answer to earlier participant that the absolute number would be high, but margins would taking a slight beating?

R. Laxman: That is correct.

Pankaj Bobade: So, in value terms, a wire harness of same value of BS4 would be valued at how many multiples as far as BS6 is concerned?

R. Laxman: Working that we did on a rough basis sometime ago with respect to two-wheeler because there has been cost controls and rationalizations even by OEMs when it came to the down turn as to how more efficiently and effectively can we transition at a lower cost, so today's numbers indicate that roughly the change in value with respect to a wiring harness product for two-wheeler is between 2.2 to 2.4x.

Pankaj Bobade: So, wire harness worth Rs.100 for BS4 vehicle would be costing Rs.200 to Rs.240?

R. Laxman: That is correct.

Pankaj Bobade: Thanks a lot.

Moderator: Thank you. The next question is from the line of Deepan Mehta from Elixir Equities. Please go ahead.

Deepan Mehta: Laxman, congratulations to the entire team on great set of numbers, first you mentioned that Farukawa you went from 51 to 25, so what is the reason for that and did we get any compensation for that?

R. Laxman: Deepan, thank you for your comments. Farukuwa to just to spend a minute on this Deepan, we had challenges in this business over the last many year and then when we eventfully manage to change it from a negative EBITDA company to a positive EBITDA and the neutral PAT company last year, but we realized that strategically it makes more sense for the Japanese to be in total control so that they can contribute at value and share more in terms of technology, in terms of relationship, etc., to make this company more profitable, so we consciously chose to take a smaller share of a growing pie than to stick to it half of a size of working that is not grown, one of the biggest challenges was the import content was very high and for localization you had to have the Japanese participation as well as the Indian OEM participation so based on all of this, we took a conscious call to get diluted from 51% to 25% and we sold our stake at a marginal profit and effectively made about 17.5 Crores profit in Q3 FY2019. We still continue to hold the 25% of stake in this company, we have positive relationships and we continue to hold a board seat and of course our name continues to be there in the company.

Deepan Mehta: My second question is regarding if you can give a road map a outlook for new products or new relationships, which we are working on and how that looking on medium term basis like 2, 3 year basis?

R. Laxman: See, first point is be in this business for many decades. We have deeply penetrated into every OEM that you can think of in India, however, the current resolve and focus is on client to see how I can grow deeply and more profitably in each of these OEM and starts slightly defocusing on the businesses that contribution or margins less than my benchmark, so in terms of customer my key point is that we are trying to deepen our penetration, increase our SOB, which share of business rather than saying we will go for a new customers, now when you comes to within the customers will be definitely focusing more on new product segments. Electrical vehicle is a very, very strong example of how we can move from being a traditional manufacturer to supplying for electric vehicles, however, that is not only thing, and we have shared this before that we are working very actively on the premiumization with respect to our products with our OEM, for example, a passive entry, passive start product in a two-wheeler starting ignition system is that something that we have been successfully working with OEM, however, due to the BS6 and challenges of the industry that ramp up are that launch has been a little postponed, but our engagement continues to remain high, Deepan.

Deepan Mehta: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Sir, you mentioned that this after market and die casting export has a positive impact on growth, so what was the quantum of after market and die casting export and overall export in Q3 as well as last year I mean what kind of growth we are seeing?

R. Laxman: So, our overall exports in 9 months, as I would say it has grown by about 20%, so that is what has given us a positive traction and aftermarket growth has been more subdued, it has been positive single digit, but it is not to the extent of say 8% or 10%, etc., though it has been positive, so when my whole business is 12% negative, 20% growth in exports and 2% to 3% growth of aftermarket for the time being is definitely a positive.

Dhananjay Mishra: So, 9 months is 20% growth in exports, what is the amount in exports, in percentage term it is about how much in domestic business?

R. Laxman: I would say about 162 Crores would be actually number for 9 months.

Dhananjay Mishra: And majority would by die casting, right?

R. Laxman: Yes, largely die casting, but also there is a good mix with exports of our security systems also.

Dhananjay Mishra: Sir, what is absolute number for wiring harness, if you can share that for Q3 as well as 9 months?

R. Laxman: You are talking about sales or exports?

Dhananjay Mishra: Overall, sales.

R. Laxman: So, my absolute number on wiring harness sales in information and connected system on slide 8 is we moved down from 771 Crores to 670 Crores.

Dhananjay Mishra: So, I was also asking export wiring harness total numbers?

R. Laxman: Marginal.

Dhananjay Mishra: Sir, what is your capex plan, if you have any right now?

R. Laxman: So, our capex plan in the current year is a little upward of 150 Crores that is inline and will be achieving that, the larger trust on investment is because of the transition from BS4 to BS6.

Dhananjay Mishra: So, we have already invested how much out of that?

R. Laxman: We would have invested about more than half out of that.

Dhananjay Mishra: Thank you. All the best.

Moderator: Thank you. The next question is from the line of Srijan Sinha from Future Generali. Please go ahead.

Srijan Sinha: Sir, can you help me with the gross debt and the cash levels?

R. Laxman: Yes, of course. So, we typically declare our gross rate and cash on a half yearly basis, but I can tell you that currently as on December 31, 2019, my gross debt is about 528 Crores. I have cash and cash equivalent of about 437 Crores, so my net debt is almost negligible and therefore net debt to equity is about 0.07, these are all rough number, internal assessment obviously balance sheet does not get reviewed or audited in the 9 months and we will come up with number in March 2020.

Srijan Sinha: Sir, any plans for the inorganic expansion?

R. Laxman: I wish I could have announced inorganic acquisitions, there are lot of irons in the fire, however, the challenge that we are facing is right valued and to ensure that we are able to integrate and takes synergies out of it, we are very clear and our stated intention is we will do an acquisition for technology or for something that we do not have in our stated verticals and businesses that we are already present in. We will not do an acquisition just to gain turnover or to go to a new geography, having these conditions in mind we are looking at, at least probably half a dozen acquisitions today, unfortunately there is nothing that we can present to the board currently saying that this is gone into an advance stage.

Srijan Sinha: Fair enough and Sir, you have mentioned that in the two-wheeler wiring harness business your BS4 to BS6 transition implies a 2.2 to 24x revenue per vehicle increase, what would be the same number for the commercial vehicle?

R. Laxman: So, commercial is more subdued, it is about 25%.

Srijan Sinha: If you could help me understand what is that is leading to such an increase in the content per vehicle in the two-wheeler space?

R. Laxman: So, effectively the two-wheelers are moving from carburetor engine to a electronic fuel injection, when you are doing that change then the wiring harness is also have to keep up with the same amount of change for example, the connectors move from normal connectors to water proof connectors, you are slightly more complicated plastic parts, the more number of pigtails and connection systems change, so overall it is a slightly advanced wiring harness that goes in.

Srijan Sinha: Fair enough and Sir, just a final question, some of the two-wheeler OEMs, they have moved from carburetor to something called an e-carburetor kind of engine and they are not moved to an electronic fuel injections setup so how does that change the wiring harness consumption in the two-wheeler?

R. Laxman: So, point number one is even this change of those people who are moving from carburetor to e-carburetor instead of moving to a full-fledged EFI is a temporary phenomenon, we expect them also to change quickly may be over a matter of maximum two years.

Srijan Sinha: And how does the consumption of wiring harness change between e-carburetor?

R. Laxman: The impact there is, I mean the jump there will not even be probably 50%.

Srijan Sinha: You mean that from carburetor to e-carburetor, it will be 1.5x?

R. Laxman: 1.5 to 1.6x.

Srijan Sinha: Any sense what proportion of your clients are moving to an e-carburetor?

R. Laxman: Percentage wise, I do not have a number by heart, it is one customer who is going to partly carburetor.

Srijan Sinha: Fair enough. Thanks a lot for this.

Moderator: Thank you. The next question is from the line of Mayur Malik from India Nivesh Shares And Securities. Please go ahead.

Mayur Malik: This need a couple of data points as to, in the two-wheeler we are at about 40% of our business side?

R. Laxman: Yes.

Mayur Malik: And what would be your key customer and who will be your largest customers into this segment?

R. Laxman: In two-wheeler largest will be Bajaj, TVS, Honda this will be the three big ones.

Mayur Malik: Alright, could you just if possible highlight what would be your share of business with the top three guys?

R. Laxman: It is basically depends on the product category like in security system in Bajaj we have been 90% and wiring harness is 50%, so something different product has a different market share with different two-wheeler manufacturer, if I has to say we are significant players in all the three, it not we do have small share and therefore we are trying to move and beyond that it will not be appropriate to share number also, thank you Mayur.

Mayur Malik: Coming to the CV segment, so I understand that most of the guys have actually reported a 40%, 50% kind of decline into volumes because of OE slow down, have we also faced a similar impact?

R. Laxman: Sorry, can you say that again?

Mayur Malik: Sir, on the CV side, commercial vehicle side, quarterly OE sales were down about 35% to 40% and other OE suppliers have reported a similar 40% to 45% kind of decline, have you also seen a similar volume decline?

R. Laxman: Yes, in fact our entire second business vertical with information and connected system has got impacted because of our lower sales in commercial vehicles we sell by close to 27%.

Mayur Malik: Right, but just trying to understand that have also started producing BS6 vehicle?

R. Laxman: So, BS6 has gradually started.

Mayur Malik: What I am basically trying to ask you is that there would be a decline, but typically for the kind proportion manufacture for BS6, the value that the company would have been higher by 25% as you said right, so overall?

R. Laxman: I get your question Mayur, overall in the Q3 the dip in my value is effectively a real dip, it is not compensated in any significant manner by increase in BS6 ticket size for that in the case that will happen in Q4 wherein where about 60% of my products move to BS6, then the jump in value will be higher and the dip in volume will get partially marked because of the higher value per case, but that has not happened in Q3 in a significant manner.

Mayur Malik: Alright. Thank you so much.

Moderator: Thank you. The next question is from the line of Mrunmayi Joglekar from Trivikram Consultant. Please go ahead.

Mrunmayi Joglekar: Congratulations for a good set of numbers. My question is regarding the interior and plastic business margins that we have reported in this quarter, with a sequential increase in EBITDA can you quantify the same, I think I missed the number?

R. Laxman: So, in the plastic interior business our EBITDA margins continues to remain low, it is 0.9%, but I am also clarifying that the turnover is 428 Crores, this 0.9% EBITDA margin for the 9 months it is also because of certain one time compensations have received from customer, effectively the interior plastic business or KTSN in Europe continues to remain challenged and our actions on cost control, fixed cost reduction, going out to the customer and seeking prices increases as well as returning some of the low profitable businesses is still work in progress and if it is yet to translate into financial numbers though we have made significant progress on that.

Mrunmayi Joglekar: This impact primarily a part of the Q3 numbers, right?

R. Laxman: That is correct.

Mrunmayi Joglekar: Thanks.

Moderator: Thank you. The next question is from the line of Aditya Pai from India Nivesh Shares and Securities. Please go ahead.

Aditya Pai: Sir, thank you for taking my question, I would like to ask is as we move to BS6 would we see an impact from the input cost going any higher and if so, do we have any arrangement to then pass on this input cost and maintain gross margins or EBITDA margins for that?

R. Laxman: So, one the primary reasons why my EBITDA margin will fall is because significant part of the inputs will be imported and there will be a price which have to pay higher in these imported components, so therefore probably the 1% dip in EBITDA margin we spoke about is largely because of change in input cost and we hope to change that over a year's time because of higher localization.

Aditya Pai: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for their closing comments.

R. Laxman: Thank you very much ladies and gentlemen, thanks for your time and thank you for interest in Minda Corporations. We are more than happy to clarify any questions you may have, you can write to me or my department by e-mail and we are also only a phone call away and we expect to continue to do hard work during these challenging times and maintain our numbers and bottom line. Thank you very much for your time and your interest. Good evening to you.

Moderator: Thank you very much for members of the management. Ladies and gentlemen, on behalf IndiaNivesh Shares and Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.