



Minda Corporation Limited
Q4 & Full Year FY2018
Earnings Conference Call

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MR. DEEPAK BALWANI – HEAD, INVESTOR RELATIONS - MINDA CORPORATION LIMITED

Moderator: Ladies and Gentlemen, good day and welcome to the Minda Corporation Limited Earnings Conference Call for the Q4 and full year FY2018. 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 the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Raghav Garg, Research Analyst from KR Choksey Shares and Securities. Thank you and over to you Sir!

Raghav Garg: Thank you operator. Good afternoon, everyone. On behalf of KR Choksey, we welcome you all for the Q4 FY2018 Conference Call of Minda Corporation Limited.

I take this opportunity to welcome the management of Minda Corporation represented by; Mr. Ashok Minda – Chairman and Group CEO; Mr. R. Laxman – Group President (Finance); Mr. N. K. Taneja – Group Chief Marketing Officer; Mr. Sanjay Aneja – Chief Financial Officer of Minda Corporation Limited and Mr. Deepak Balwani – Head of Investor Relations.

We will begin the call with a brief overview by the management followed by the Q&A.

I now hand over the call to Mr. Ashok Minda for his opening remarks. Thank you and over to you, Sir.

Ashok Minda: Thank you Raghav. Good Afternoon, ladies and gentlemen, I welcome you all to the Q4 FY2018 Earnings Conference Call of Minda Corporation.

This call will follow the usual pattern where we shall share the highlights of the quarter and the full year followed by a detailed discussion on our financial performance and the business.

On a consolidated basis, we have achieved a robust growth of 25.9% in revenues for the full year ending March 2018 along with the EBITDA margin of 10.5%. PAT for the year was Rs.1,417 million with PAT margin of 5.5%.

Now we shall begin the discussion with the detailed financial overview and insight on operational performance. With this I hand over to Mr. Laxman.

R. Laxman: Thank you Mr. Minda and good afternoon Ladies and gentlemen. Thank you for taking time out and joining us on this call.

I will be using the presentation however we will skim through some of the slides that you are already familiar and does not warrant a repetition.

On slide #4 of the investor presentation it is a graphical presentation of our revenue breakup as well as all our revenues under business verticals, our key customers and manufacturing facilities. Suffice to say that by end market we are fairly well distributed across 2-3 wheelers which is about 36% of our revenues, commercial & off-highway which contributes about 33% of our revenue, passenger vehicles is a lower number at 19% and we have about little under 12% in after-market.

By business verticals, we have a majority share by Safety Security increased about 47%, 32% of our business comes from Driver Information & Telematics which is our vertical number two and 21% comes from Interior Systems.

That is the broad overview. I will straight away jump to the financials, which is the consolidated performance of Minda Corporation Limited on slide #6.

I am happy to report that we have had a robust performance in Q4 as well as overall in the full year. Just looking at Q4 our operating revenue net of excise is about Rs. 720 Crores, which is close to 40% jump compared to the same period last year.

Other income on a Q4 basis is at about Rs. 8 Crores compared to about Rs. 10 Crores in the same period last quarter and our EBITDA has moved from Rs. 38 Crores to Rs. 81 Crores. This is a jump of EBITDA margins from 7.4% to 11.3%. If you look at Q3 FY2018, we have maintained the same EBITDA margin of 11.3%.

Our profit after tax has moved from Q4 FY2017 when we reported Rs. 16 Crores to Q4 FY2018 where we have reported Rs. 38 Crores, so there is a quantum jump in profit after tax. The margins have also expanded from 3.2% to 5.4%.

If we look at the full year FY2017 versus FY2018 we will see that on an overall basis our sales without including our joint venture companies we had a 6% growth. Of course our other income has gone down from Rs. 40 Crores to Rs. 16 Crores on a full year basis and the quality of our earnings have improved significantly because this Rs. 16 Crores largely comprises interest and some provision write-back etc., whereas the FY2017 Rs. 40 Crores comprises sale of assets and land etc., and of course interest income.

If you look at our EBITDA on a consolidated basis, it has gone up from Rs. 188 Crores to Rs. 272 Crores it means a margin expansion from 9.2% to 10.5% and our profit after tax has gone from Rs. 102 Crores on a consolidated basis to Rs. 141.7 Crores for full year 2018.

Now if you look at the quarterly performance on our next slide. As we said sales increased by 40% largely this has been driven by across businesses if you look at companies we have reported robust sales increases in Minda Corporation, in Minda SAI plants in Europe.

Our EBITDA margins increased by about 390-basis points and this is largely due to better product mix.

If you look at where this EBITDA is come from – of this 3.9% margin expansion about 1% is being contributed by Minda Corporation another 1% plus is by Minda SAI and a little under 2% is contributed by KTSN overall that being the impact others have remained largely steady. These three are the big companies we are monitoring.

Of course we have had an increase in depreciation and amortization due to expansion in projects. Our net profit was Rs. 38 Crores and that is about 5.4% margin for the fourth quarter 2018. The above net profit for the quarter is after absorbing our share of losses from the joint venture. In Q4 our share of loss in joint venture of Furukawa was about Rs. 8 Crores, Minda Stoneridge gave a positive of Rs. 2.5 Crores and VAST give a positive of Rs. 1.5 Crores. So overall net impact was roughly about Rs. 4 Crores.

I would just like to highlight here that the full year we have had an operating level positive number at Minda Furukawa; however, after adjusting for certain exceptional items on a full year basis we have taken our share of the loss of Rs. 4 Crores against that our share of profit from the other two joint ventures was Minda Stoneridge came in at Rs. 11 Crores our share and Minda VAST came in at Rs. 6 Crores our share so overall basis the profit after tax from joint ventures is a positive Rs. 13 Crores.

On a year-on-year basis if you look at the Q4 net profit it has grown by about 137%.

If you look at consolidated on slide #8, I think this year or the full year growth of 26% that we spoke about I mentioned Minda Corporation grew in about 20%, Minda SAI sales overall grew in at about 34% and a good similar number from KTSN. EBITDA again increased by 45% and it moved full year to Rs. 273 Crores and net profit increased by about 39% to Rs. 142 Crores.

Net debt to net worth is about 0.94x. The other significant development we had was of course we raised the QIP in May and these financials do not reflect those numbers. Our outlook by India Ratings and Research got upgraded by one notch from 'stable' to 'positive'.

In terms of slide #9 we have tried to capture the sales and EBITDA margin movement across the three business systems we are typically looking at internally. One is the Safety, Security & Restraint System. We see that the revenue increased from Rs. 1,033 Crores to Rs. 1,215 Crores and EBITDA margin has gone up from 10.4% to 11.1% so effectively Safety,

Security & Restraint System roughly is going at about 11.1% EBITDA margin. Driver Information & Telematics largely which is Wiring Harness Instrumentation Cluster etc., has increased its sales by about 34% so Rs. 612 Crore to 832 Crore and the EBITDA margin has moved up from 9.3% to 9.8%.

The Interior System revenue increased from Rs. 414 Crore to Rs. 545 Crore now that is a 30% plus jump and the EBITDA margins had moved from 6.3% to 10.2% this is also largely because an increased share of tooling income that has come in KTSN which has added to the profitability.

Quickly covering the balance sheet side on slide #10. Our net worth has moved from Rs. 622 Crores to Rs. 737 Crores, our total debt has moved from Rs. 534 Crore to Rs. 710 Crore, on a net debt level we stand at Rs. 691 Crores as compared to a net worth of Rs. 737 Crore. Effectively the debt to equity has moved up from 0.81x to 0.94x.

Again this does not include any of the money raised by QIP. Ratings I touched upon. The ROCE of our business on a consolidated basis has moved from 13.6% in March 2017 to 15.8% March 2018. So that is the change in ROCE and you saw the change in EBITDA.

Now on slide #11, a quick snapshot on the qualified institutional placement, which the company had, investors reposed confidence in us and we have raised Rs. 310 Crores at a price of about Rs.173.47 per share. The issue opened around in May 17, and we allotted share on May 21 in this year with a good mix of insurance companies, Alternative Investment Funds, foreign portfolio investments as well as mutual funds, it is a good healthy mix. Because of the QIP, the promoter stake has gone down from 70.2% to 64.7%.

That is the quick snapshot of the summary on the financials. I am going to quickly ask Mr. Taneja to cover some of the portfolio wise breakups on the business as well as some other details that we had promised we will give last time. Over to you Mr. Taneja!

N.K. Taneja:

Thank you Mr. Laxman. Good afternoon everybody. I welcome you all to this investor conference and I would draw your attention to the new slides we have added into our investors' presentation for the first time.

On slide #13, we have given a pictorial representation of the product portfolio that we have for our 2 wheeler segments, which includes all the representative major products for the 2 wheeler segment. We have shown the picture of a motorcycle to show the representation this which will be more or less common with the scooter models also. There is also a color coding for the Driver Information & Telematics and Safety Security & Restraint System.

Slide #14, is the passenger vehicle segment where we have done the pictorial representation for major products for the Driver Information and Telematics, Safety Security and Restraint System and Interior Plastics.

Slide #15, same way shows the representation for the commercial vehicles for the three systems that we have. Slide #16 is for the tractor segments. So we have tried to cover all the segments that we cover across various customers for the information of all these stakeholders here.

Also for the first time, we are showing the content per vehicle and here I would draw your attention to slide #17. In slide #17, the content per vehicle is shown for 2 wheelers, passenger vehicles, commercial vehicles and tractors. In 2 wheelers, we have divided the categories into the up to 110cc and then 110cc, 250cc more than 150cc, Scooters, Mopeds and the average content per vehicle which the group has only in its legacy portfolio as at the end of March 2018. In the case for 2 wheelers starting from Rs. 2,000 to Rs. 3,500 per vehicle it is supply to all OEMs is our vehicle content for the 2 wheeler segment.

Similarly, for the passenger vehicle segment have divided into the price of the vehicle that is up to Rs. 4 lakh, Rs. 4 to Rs. 9 lakh, Rs. 9 to Rs. 16 lakh and Rs. 16 lakhs and above this is starting from Rs. 19,743 per vehicle going up to Rs. 65,528 per vehicle.

Similarly for the commercial vehicles the average is Rs. 23,165 and for tractor Rs. 10,480. So this is the content per vehicle, which we book, and offer to various OEMs across the segments.

Also I would now invite your attention to the new slide on slide #18 which is the evolution of the electric vehicles, technology, regulatory frame work and what impacts will it have on the conventional IC engine or the hybrid engine we put electric vehicle segment.

Here we have shown major products of the group with color notification green indicates which will continue as it is, black is continue with changes, cross red is obsolescence possible, while green block is the positive impact.

If you see our major product portfolio either it is neutral or continue with major changes or positively impacted with very little impact on the obsolescence.

Here I would also draw the attention of the stakeholders to an independent study done by Money Control a couple of months ago which indicated that Minda Corporation is immune to EV vehicles disruption and this we did on internal reality check and putting it before the stakeholders. Also it is pertinent for us to mention here that though electric vehicle penetration is going to happen sooner than later. However, as per the current indications even going by the 2030 guidelines and percentage of EV or full hybrid the percentages varies between 10%, 15% and 30% and if we say from the current 4 million

vehicles to 10 million vehicles the current IC engine will anyway grow by 2x in the next ten years. So the industry has no room to be afraid of but however EV is an important segment so this is for the information of the stakeholders who take note in respect of this electric vehicles we will initiate in the country.

And the last slide is on slide #19 which is again our summary on the aftermarket operations whereby our sales has grown from Rs. 253 Crores to Rs. 280 Crores. We have team strength of 200 plus employees, 500 plus business partners, pan India presence and our product portfolio of locks, wiring harness, instrument clusters, wipers, control cables, CDIs and filters, bearing and other products constituting the pipe of the aftermarket segment whereby two-wheeler constitute 75% and passenger car and other segments constitute 25%. Thank you.

R. Laxman: Thank you Mr. Taneja. So that is the end of our brief presentation so that we have more time for question and answers. So over to you from the management side of Minda Corporation.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Good afternoon Sir. Congratulations on a good set of numbers. Sir is it possible for you to give a breakup of each of the company and of course the joint venture, revenue as well as operating profit or net profit for FY2018 and fourth quarter if there is a mix?

R. Laxman: Sure I have FY2018 numbers right away with me. We share it with you and the rest of it we will get it organized and circulate. So for FY2018 the three joint venture companies that are not included in our topline our Minda Furukawa, Minda Stoneridge and VAST. So Minda Furukawa topline was about Rs. 413 Crores, at an operational level they had an EBITDA of about 6.5% for the full year and PAT was negative on the total.

Rajesh Kothari: How much?

R. Laxman: Rs. 7.7 Crores. Minda Stoneridge had Rs. 423 Crores of turnover and PAT was Rs. 21 Crores, which is roughly 5% and Minda VAST did a turnover of Rs. 254 Crores and PAT was about 4.7% resulting in Rs. 12 Crores so the total my share of these three put together was half so I took a loss of Rs. 3.8 Crores in Minda Furukawa. I had a profit of Rs. 11 Crores my share in Minda Stoneridge and VAST I had a profit of my share of Rs. 6 Crores in Minda VAST that totaled to roughly Rs. 13 plus odd Crores.

Rajesh Kothari: And Minda SAI, KTSN and ASEAN?

- R. Laxman:** So Minda SAI had a turnover of about Rs. 848 Crores and EBITDA margin of 9.7%. Minda Corporation had a turnover about Rs. 933 Crores and EBITDA margin is 11.4%. So what we plan to do is like last year all the financials of all the companies and subsidiaries will be put up on the website, Rajesh but these are all immediate quick numbers for you.
- Rajesh Kothari:** What about Minda KTSN?
- R. Laxman:** Minda KTSN is also similar. Minda KTSN has done about Rs. 545 Crores of turnover and EBITDA margin for the full year is roughly 9.7%.
- Rajesh Kothari:** The second question is in terms of growth when you look what is your current order book and how do you see the growth in FY2019? Any new major customers you are adding how do you see the situation in Furukawa. So if you can give some color on the overall outlook for FY2019 major parts or major customers or major geographies what you are planning to add that will be useful?
- R. Laxman:** That will be many subparts to this question I am going to request Mr. Taneja to take this.
- N.K. Taneja:** For the Q4 FY2018 our lifetime order book was Rs. 1,361 Crores out of which Safety Security and Restraint System was Rs. 546 Crores, Driver Information and Telematics is Rs. 607 Crores, Interior System is Rs. 209 Crores. For FY2018, our total lifetime value was Rs. 4,221 Crores and standalone if I take the annual peak value of this business is out of Rs. 4,221 Crores was Rs. 905 Crores for the year across the three verticals.
- Rajesh Kothari:** It in terms of overall outlook how do you see FY2019 which companies you think will be the major contributor to your growth and also color on Minda Furukawa joint venture how do you see the situation?
- N.K. Taneja:** If you look at historically we have already always outgrown the market growth and repeatedly we have shared in the past that we will continue to outperform the market growth so that trend will continue. As far as the order book and other businesses are concerned we have a healthy order book, we are consolidating and growing and that is why you see the Q4 revenue growth is 40% and full year growth is 26% against the industry average of 12% to 13%.
- R. Laxman:** With respect to Minda Furukawa at the operational level this company has broken even for the full year but had not for these exceptional items this company would have been positive but again on an operating leverage it is nil. So now we have steadied MFE now we would like to continue to consolidate the MFE operations at the same time not trying to say that we will outgrow or do something unexpected and exceedingly positive with respect to FY2018-2019 our objective is to keep it steady and keep it consolidating.
- Rajesh Kothari:** Sure no problem. Thank you.

- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** I wanted to know the application of the QIP money raised of about 300 plus Crores?
- R. Laxman:** Effectively, this money has coming to our account about 4-5 days ago. Our objective is largely to keep this number one for the war chest for acquisitions, number two keep it as an opportunity to reduce some amount of debt and number three in terms of working capital and profit purposes. So, we would like to keep it as disciplined as possible and try to keep it more towards an acquisition which we hope to work on our focus areas of acquisition which we have shared will give as our strategy last time and effectively keeping for that.
- Pritesh Chheda:** Initially you guys are giving the backlog number now there were two numbers shared one was on Q4 FY2017 I actually could not understand what those numbers you are referring to and then there was a number of Rs. 4,221 Crores so is Rs. 4,221 Crores is a total order backlog number for you and if it is so how does it compare vis-à-vis last year and on the growth outlook you guys mentioned that you will outperform the market growth and you are giving some separate comment for Minda Furukawa which went halfway so if you could complete your comments on growth?
- R. Laxman:** I will take the second part of the question first and then I will hand it over to Mr. Taneja. On the growth part what we said was we have been showing about 20% we have been demonstrating roughly 25% growth last year and this has been much above industry average and we will continue to do that on that is our objective for the whole business.
- Pritesh Chheda:** So 25% growth or you will outperform the industry growth.
- R. Laxman:** We will outperform industry also and if you see last two, three years we have been continuing doing 20% plus but we are saying we will outperform industry that is first point, but however we are carving out Furukawa and giving a separate clarification that with Furukawa we would want to steady the operations and consolidate rather than looking for stupendous growth that was the comment. Does that clarify the question Pritesh the second part of your question?
- Pritesh Chheda:** Yes so then in Furukawa what went wrong in the last quarter in terms of a loss, which basically defines the full year loss actually?
- R. Laxman:** Yes so in Furukawa effectively what happened was the operating result as I said was positive but there was certain exceptional items, which the management had decided to provide based on recommendations of the auditors and that is how it got absorbed in Q4 because we took the advice of the auditors and they had of course exchange loss as well

that also was a substantial number all these together brought the consolidated full year number down for MFE and with resulted in about Rs. 7 Crores loss.

Pritesh Chheda: On the backlog number?

N.K. Taneja: I will again repeat what I said for the Q4 FY2018 we had annual peak value business of Rs. 313 Crores lifetime business value of Rs. 1,361 Crores?

Pritesh Chheda: Is this inflow number Rs. 1,361 Crores.

N.K. Taneja: Yes, let me complete and then I will take your question. For the full year, we had an annual peak value of Rs. 900 Crores and the lifetime business of Rs. 4,221 Crores, we normally assume a lifecycle of a life of a vehicle or a platform for five years. The SOP of this is starting from FY2018-2019 going up to FY2020-2021 so this staggered over the year depending upon the launch of the platform.

Pritesh Chheda: So can you give a number corresponding number last year versus this Rs. 4,221 Cr?

N.K. Taneja: I do not have it readily available. We can provide you offline.

Pritesh Chheda: Thank you Sir.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Thanks for the opportunity. Congrats on good set of numbers. Sir certain clarifications first, on the Minda Furukawa this time again we had a footnote of unaudited accounts, same comment we had even last year so why then this getting delayed even in March 2017 we had a similar comment that the accounts have been considered without audit. So can you just indicate and just also a follow-up if you look at the last year auditor note when the audit was done they have certain comment on internal control procedures so I hope any comment you would have on how they have been addressed?

R. Laxman: Thanks for your question Chirag. One is let me be upfront it is not a happy situation at all even I come and tell you that at least one of my subsidiaries is not audited. Yes it is not a happy situation' however, effectively on a Rs. 142 Crores PAT this impacts me by roughly 3% that is the first point. But however the main point is that the audit was on the verge of completion, there are certain procedural matters because of which the audit could not be signed off and taken in for consolidation by for auditor all our firms and we just only met the timeline of yesterday. Further Ind-AS happened applicable for the first time for everyone my other subsidiaries caught up, MFE could not catch up with the deadline. So that has blunt two reasons in terms of why this could not be completed. Internal finance and controls do not have any major concern with respect to MFE now. Last year as the first

year fairly it was not implemented now I do not think auditors have any such concern they have limited reviewed the December 2017 numbers also. So to that extent I can tell you it is not a challenge and the other point was we give was that when will kind of when will this happened that is what we were hinting it. See last time it was much delayed this time we are on the verge on completion in about 6-8 weeks we should complete the entire exercise and we should be reporting back to you saying all is well. The more important part is the management is giving us some confidence that typically these numbers will be what they are and the same thing even last year the numbers did not change.

Chirag Shah: Yes fair point this is helpful. Sir second just a follow up on the sectorial loss that you have indicated in Minda Furukawa so it pertains to what exactly if it a recurring operational hedging rated loses or anything specific in that?

R. Laxman: No, not at all. It is neither recurring nor hedging. It is certain assets which the auditors have told the management saying that we are better of which you would provide for them even though the management's view they may be a recoverable. Very frankly a little bit of change we are not going to be arguing with the auditors, you may think it has been provided we are happy to provide. If it comes back next year, we will report to you saying that we have recovered some of the amounts that we provided for.

Chirag Shah: Last question if I can squeeze in. On the commodity cost side so has the pass through come in P&L from your clients or from OEMs or how is the lag is there?

R. Laxman: Pass through has come in and it is coming from clients into us if you look at the standalone numbers as well as our consolidated numbers, raw material as a percentage of full year sales has shown some improvement and there is a pass through from customers. Of course there is one negative in this Chirag that it comes with the one quarter lag so in a rising commodity price environment we end up taking a small hit.

Chirag Shah: Thank you. This is helpful and just one thing for our understanding if we can have a consistency in presentation in your presentation they are really insightful but some of the data points that you are sharing earlier have been discontinued, some new set of data points have been shared if you can at least your time setting of data point that you share it would be really helpful and a very good presentation that you have shared this time. Thank you very much.

R. Laxman: Thank you and we will continue this format that we are now so that it is absolutely details and we also commit to show you division wise sales and EBITDA numbers and growth.

Chirag Shah: Thank you very much.

Moderator: Thank you. The next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: Good afternoon Sir and congratulations for good set of numbers. I am referring to the segment wise sales that you have given so I see that passenger vehicles is around 19% so do you see that two years down the line that number improving because I would presume that passenger vehicle would be margin accretive business for you. So how do you see the sales mix changing say after two years?

N.K. Taneja: Very good questions. Let me give you an overview. As far as plastic interior is concerned all our growth is coming from passenger vehicle segment. In Minda Stoneridge, all our sensor applications, major growth is going to come from the sensing applications plus other products also which we are focusing for the 4 wheeler segment so in the next 2-3 years it is also our specific target and we are working towards increasing passenger vehicle segment percentage.

Harsh Shah: Thank you so much that is informative.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Thanks for providing opportunity again. In terms of this Minda SAI and Stoneridge basically this year has been very robust and across verticals, you reported a very strong growth now going forward as we move into FY2019 and FY2020 any particular company or any particular segment where do you see a growth could be very high compared to the other segments?

N.K. Taneja: In last 2-3 investment meetings and the investor calls we have shared our perspective that starting last quarter of or second quarter of FY2019-2020 we will bring a system into play we are going to see major growth happening from the smart key in 2 wheeler segment, which is not regulated driven in terms of sensing applications. The new sensors that will come in Minda Stoneridge similarly in the case of wiring harness, the new BSVI harness whereby the average price of a wiring harness will go up from Rs. 400 to approximately Rs.1,000 to Rs.1,200, similarly on our exports we are focusing thereby from Rs. 170 Crores in 2016-2017 we are targeting to reach Rs. 500 Crores in export by FY2020. So these are some of the topics that we would also focusing on some Greenfield items like multifunction control GCUs which is the body control modules or some EV vehicle products that we have launched. These are some of the key growth drivers over and above that each of our businesses has grown over and above the market growth plus this incremental growth will come from these key drivers is a quick word I can summarize the situation.

Rajesh Kothari: So you think that this 20% growth because now Indian economy has just started to grow probably faster over next two three years compared to what we have seen in last one to two years so therefore do you think the 20% growth what we have witnessed it can continue over at least medium-term?

- N.K. Taneja:** That we have already shared with you. We will outperform and outgrow the industry growth so and you can see historically last three years what has been the industry growth and what has been our growth say for example this year we have grown by 27% market growth is 12% or 14% so that trend will continue. I am talking about a next level of escalation through the key growth drivers starting the BSVI implementation in 2019-2020 starting the last quarter of 2019-2020.
- Rajesh Kothari:** That is very useful and one question on Furukawa from data point perspective what was the fourth quarter operating profit margin.
- N.K. Taneja:** Operating it is nil.
- Rajesh Kothari:** For full year it was 6.5% and in fourth quarter it became 0% is this after one-half or before one-half.
- R. Laxman:** After taking exchange loss before that it is positive.
- Rajesh Kothari:** At operating level I am saying.
- R. Laxman:** I am taking exchange loss is part of operative otherwise the number should be closer to the number you indicated.
- Rajesh Kothari:** So 6.5% for full year operating profit margin this is before write-off or after write-off.
- R. Laxman:** 6.5% EBTIDA for the full year is before exceptions.
- Rajesh Kothari:** 6.5% you mentioned is before forex loss and first quarter FY2018 will be what margin before forex loss.
- R. Laxman:** Q4 without taking forex loss it is closer to 6% because we are taking forex loss as part of operating that makes the limit.
- Rajesh Kothari:** Understood perfect and thank you Sir.
- Moderator:** Thank you. The next question is from the line of Anand Vyas from Bajaj Holdings. Please go ahead.
- Anand Vyas:** Sir what is your export revenue for this year that is for FY2018?
- N.K. Taneja:** We had export figure of Rs. 170 odd Crores in FY2016-2017 and this year we are close to Rs. 275 Crores in 2017-2018 and we have a robust order book and we are confident FY2019-2020 we will be targeting our Rs. 500 Crores target.
- Anand Vyas:** Thank you best of luck.

- Moderator:** Thank you. The next question is from the line of Ronak Sarada from Axis Capital. Please go ahead.
- Ronak Sarada:** Couple of questions. If you can just highlight what was the capex amount for FY2018 on Ind-AS number and overall capex if you have the numbers?
- R. Laxman:** So the overall capex numbers for FY2018 was about Rs. 196 Crores.
- Ronak Sarada:** This includes the JV capex as well.
- R. Laxman:** No it is all the 100% subsidiaries put together.
- Ronak Sarada:** Everything put together.
- R. Laxman:** Yes all the 100% subsidiaries put together.
- Ronak Sarada:** 100% subsidiaries not the JVs?
- R. Laxman:** I will compile it for you. There are only three companies MFE, MSIL and Minda VAST. MFE nothing much and if we add the other two it will be Rs. 40 odd Crores. I may not be quite accurate on this but it is approximate number.
- Ronak Sarada:** If you can just highlight what was the major reason for increase in gross debt so the gross debt has gone up from Rs. 540 odd Crores to Rs. 710 Crores?
- R. Laxman:** Yes so the gross debt is directly related to free cash flow. I had a PAT of about Rs. 142 and a depreciation of Rs. 74 Crores that gave me a consolidated cash flow of Rs. 216 Crores. We did a capex of Rs. 196 and working capital for this 25% growth absorbed about Rs. 188 Crores including working capital for exports and that funding gap was about 168 Crores which is roughly the same number at which our debt increased.
- Ronak Sarada:** So it is largely working capital driven.
- R. Laxman:** Yes.
- Ronak Sarada:** So any plan to lower the working capital requirement impact
- R. Laxman:** So this has been one of our challenge we are taking up in 2018-2019. We have to very closely look at working capital cycle and working capital numbers for all our companies including our subsidiaries and this we think will release a fair amount of cash flow in FY2018-2019 for that and we would like to actually show you substantial improvement in FY2018-2019 on working capital.

- Ronak Sarda:** Do you have any low hanging fruits that you have zeroed in where do we see the major improvement coming from?
- R. Laxman:** One low hanging fruit is working capital management in tooling sales and where we are able to either get funding or get the customer to pay us in a most accelerated manner that will release a fair amount of working capital.
- Ronak Sarda:** So that means you are saying in next year even if we do a 20% topline growth, the working capital can be flattish is that a decent assumption or it would not be there since.
- R. Laxman:** Yes it is and that should be my target I will report back to you.
- Ronak Sarda:** Sure perfect. Thank you.
- Moderator:** Thank you. The next question is from the line of Mamta Verma from DC India Research. Please go ahead.
- Mamta Verma:** Good evening everyone. Thanks for the opportunity. Congratulations on a good set of numbers. My first question was on the Interior System segment wherein EBITDA margins have increased to 10.2% and you did mention this included certain component of income from tooling could you just elaborate on this please Sir and whether what margin levels would be sustainable in the interior system business?
- R. Laxman:** I will tell you the answer on KTSN that is an absolutely valid question. Our EBITDA margins are where they are today because of a mix of tooling and serial parts. Tooling has contributed to a higher part of EBITDA margins of what we show to you in the segmental analysis, which is about 10.2%. Now this tooling obviously is not a permanent solution as toolings keep going up and down. However, the way we are looking at it forward we are expecting double-digit EBITDA from KTSN even going forward and the reason is the tooling sales will be replaced by Mexico plant sales where the EBITDA margins again are in double-digits.
- Mamta Verma:** So right now Sir tooling was part of which company the tooling business?
- R. Laxman:** It is all in under KTSN. I mean toolings are in India also but this I am explaining specifically since you ask the interior system. In interior system it is largely KTSN and the EBITDA margin jump is because of my profits in tooling.
- Mamta Verma:** So in simple words FY2019-2020 say over the next two to three years about 10% is the margin level in interior segment in the interior system business, which you strive to maintain?

- R. Laxman:** See number one we would not want to give guidance as such but I can tell you that on an overall basis we have declared that we would like to move and maintain double-digit EBITDA margin and move to teens. That is our long-term objective and Interior Systems will definitely help us achieve that number because it does contribute a good weightage to our overall EBITDA quantum as well as numbers.
- Mamta Verma:** Sir the Interior System business would have largely basically this will be plastic and rubber components or how is it?
- R. Laxman:** No, these are high-end kinematic parts used in the interiors of the car specially things like soft opening glove boxes, soft opening cup holder, AC these are all touch and feel parts, which are kinematic and these are much higher in terms of margins compared screen interior structure parts or bumpers, etc. And of course we also have a robust plan on the go light weighting front, but more on that later as we develop our products and show you sales.
- Mamta Verma:** Sir, my second question is the Safety Security and Restraint System wherein again margins have improved to 11.1% this year, now as I understand this is what you basically call your legacy business would my understanding be correct?
- Ashok Minda:** Absolutely. I will add a touch of non-legacy into this a bit. This also includes the die-casting business in Minda Corporation in the Safety, Security & Restraints and one of the major growth drivers is happening on our expansion and the new facility for the die-casting business where we have suspension business for exports, which have started showing the revenues in the current year and also the die-casting business going across to other OEMs and Tier 1s in India.
- Mamta Verma:** Sir, this is aluminum or ferrous die-casting?
- Ashok Minda:** No, we do not do ferrous, we do aluminum and we focus on two main process technologies, gravity die casting and the low pressure die casting and very little high pressure die casting.
- Mamta Verma:** And what are the components that you make in the gravity and low-pressure die-casting?
- Ashok Minda:** One by one, by and large the products, which can get made by GDC also can be made by LPDC, so primarily we are focusing on the compressor housing for turbo chargers, the tender master cylinder, the foundation, the mounting brackets these are highly safety and parts, which we are doing in GDC and some products in LPDC.
- Mamta Verma:** Sir, as this part the business ramps up do you think that margins in this segment Safety Security can actually inch up more because I understand the aluminum die-casting to be more profitable than the margins that we see here?

- Ashok Minda:** Madam, we cannot give you guidance here. I will repeat what my colleague, Mr. Laxman said that every year we have a target, we are improving our EBITDA margins as a company, that we will be double digit plus we have honored that commitment going forward through various initiatives we will continue this.
- Mamta Verma:** Thanks Sir for the time.
- Moderator:** Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.
- Chirag Shah:** Thanks for the opportunity again. Just some basic questions on customer penetration, so you are looking to penetrate Hero and Honda aggressively one-and-a-half, two years back, can you share some status where are we in the terms of penetration with them and what is opportunity still left that we can expect?
- Ashok Minda:** Three-and-a-half ago we were only present with Honda harness. Today I am present with Honda locking system as well as the instrument cluster and our journey is to take it to the next level to grow our share of business as the volume with this customer so we are present across these three segments. Similarly four year ago, we were only present with Hero Motor for a small share of wiring harness business. I am happy to report that we are now the strong player for the Safety Security & Restraint System and also the first smart key business that we have won in our company through our technology center and in Minda Corporation is from Hero MotorCorp, whereby the conventional security system gets replaced by the smart key system, so our presence across these two customers is strong and we are going to make it stronger. Similarly for TVS there we were only present for wiring harness and small locking business that has also substantially grown and now our next presence will be in cluster and sensor business and interiors. Thank you.
- Chirag Shah:** Sir in terms of number of models, our penetration wise also if you can share some thoughts are we reasonably across models or is there more opportunity left over there be it Honda or be it Hero?
- Ashok Minda:** In terms of numbers it will take me 5-10 minutes to go across segments, so if we can connect with them offline we can share all the numbers what is our penetrations today and what is the business already nominated, and what business we are targeting for across the products.
- Chirag Shah:** Fair point. This is helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

- Pritesh Chheda:** Sir what is our progress with Maruti as an OEM and what are our plans for Maruti as an OEM?
- Ashok Minda:** We are there for Maruti for the wiring harness through Minda Furukawa. We have now a very strong presence with Maruti Suzuki for our plastic interiors, which was zero practically three years ago. Now we are the single source for Maruti Suzuki for their air vents and louvers for the new Swift Dzire for 50,000 cars. We are the single source for all their plastic battery trays, for all their nozzle defrosters, for their door sets, and now we are going to expand our portfolio with Maruti Suzuki for the drop boxes. So our penetration is continuing on the plastic interior and wiring harness. Similarly for the 4 wheeler security systems, we have now become a green panel supplier for their inside door handle, outside door handles, the LED soft touch, the pedestrian protection system, the side and the trunk hood latches, so this is our journey that we will continue with Maruti Suzuki.
- Pritesh Chheda:** What is the specific progress in wiring harness? What is our market share and what progress is possible? What progress we have done in the last two years and what progress is possible wiring harness business?
- Ashok Minda:** Mr. Laxman has already clarified in Minda Furukawa we are cautiously neutral not looking at adventures of going overboard on booking businesses. Our first effort is to maintain a stable company and as far as the Wiring Harness is concerned, I would draw your attention that we have two Wiring Harness companies Minda SAI, which is focusing on other businesses than Maruti Suzuki and this is going to be a robust growth across vertical and the segments that we cater to.
- Pritesh Chheda:** My question was specifically Wiring Harness with Maruti?
- Ashok Minda:** Again we are looking at first stabilizing the company and going forward Minda Furukawa we will focus Maruti Suzuki, so that is the focused customer for us as well as business condition is concerned we have 18% share of business with Maruti Suzuki for Wiring Harness.
- R. Laxman:** Pritesh, can I add one point very frankly as far as that is concerned 17% to 18% is not a very huge number, but the focus is trying to get the business profitability, so that is the focus frankly Pritesh in MFE.
- Pritesh Chheda:** Let us say your visibility is that you will grow as best with the volume growth rate of Maruti given?
- R. Laxman:** At best, but maintaining profitability.
- Pritesh Chheda:** Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Laxman for his closing comments.

R. Laxman: Thanks. Thank you ladies and gentlemen for participating in this call and thank you for your questions. This encourages us to improve our presentation and we will try to give you more analytics in terms of how we are doing business wise, division wise going forward. Another point is if at all you are in Delhi or in Pune, you can get in touch with Deepak Balwani, our Investor Relations Head, will be more than happy to take you around our facilities and get you to meet some of our business heads or our CTO where we are preparing for the future. Thank you very much for your time once again. On behalf of Mind Corporation, we would like to really appreciate the time you have spent with us today. Thanks.

Ashok Minda: Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of KRChoksey Shares and Securities Private Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

Note: This transcript has been edited to improve readability

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