Minda Corporation Limited
Q4 FY 2016 Earnings Conference Call

June 15, 2016

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Moderator: Good morning, ladies and gentlemen, and welcome to the Minda Corporation Limited Q4 FY16 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal 0 an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kartik Subramaniam. Thank you and over to you, sir.

Karthik Subramaniam: Good morning, everyone. Thank you for logging on to the call. I take this opportunity to thank the management for giving us this opportunity to host the call and I would now like to welcome the management team from Minda Corporation represented by Mr. DC Sharma – Group CFO, Mr. Ajay Sancheti – Head, Group (Corporate Finance and Legal) and Mr. Vinod Bapna – Head - Group Finance Controller. I would like to hand over the call to Mr. Sharma for his initial remarks and then we can start with the Q & A. Over to you, Sir!

D. C. Sharma: Welcome, ladies and gentlemen, and thank you for joining the conference call of Minda Corporation for the year FY2016. I hope you have had a chance to go through the earnings presentation and financial results which are also available on the Company website. I would start with an industry overview followed by key financial and operational highlights for the quarter. Thereafter, we will open the call for an interactive session and answer your questions.

In India, whereas the commercial vehicles segment has registered a higher growth rate over the last two to four quarters, the prospects of the passenger vehicle segment have been mixed. For most part of fiscal year, the demand scenario in the two wheeler segment remained subdued as well. Internationally, key European economies continued to report steady growth over the period. Three wheeler and passenger cars in Europe increased 8% year-on-year during the March quarter indicating a consistent and strong recovery in the region's automobile industry. Against the backdrop of a rather fragmented recovery in the automotive industry, financial year 2016 has been extremely encouraging for Minda Corporation both in terms of operational and financial progress that we made.

A consolidated top-line growth of 24.1% year-on-year and EBITDA growth of 17.8% are a sign of the financial discipline we have maintained. This was helped by a continued momentum in performance across segments including the wiring harness, safety and security business and aftermarket. The consolidated PAT increased by 19.8% over the previous year, interest expense decreased by 15.4% year-over-year to Rs. 334 million due to replacement of high cost debt with low cost debt along with the renegotiation of interest rates. Besides the decrease in the interest expense during the year, our net debt to equity ratio improved to 0.80x from 0.98x at the end of the FY2015 and as compared to 0.87x at the end of the second quarter FY2016. The combined effect of improvement in EBITDA and tight balance sheet management resulted in lowering of Net Debt / EBITDA to 1.87x as compared to 2.21x at the end of FY2015.

In April 2016, we acquired Panalfa Autoelektrik Ltd which manufactures starter motors and alternators. This transaction will not only add highly complementary products to Minda Corporation's existing product portfolio but also provide access to additional high profile customers, particularly in the tractor segment. Minda Corporation will leverage on the acquisition to offer a better value proposition to its customers in the commercial vehicles segment and aftermarket. The key customers of Panalfa Autoelektrik include Eicher, Escorts, Greaves, HMT, Magneton, New Holland, Polaris, Sonalika and TAFE. The Company has revenues over Rs.70 crores in FY2015 and employs about 400 people.

Our momentum for new orders continued during the last quarter of the financial year. For example, we have recently won a significant export order to Europe to supply Compressor Housing of Rs. 135 crores. You may recall that in the third quarter of 2016, we had finalized the plan for setting up a Greenfield manufacturing plant in Mexico. I am pleased to let you know that 50% of the plant construction is now complete. This plant will cater to the interior system requirements of Volkswagen and will help us to expand our geographic footprint in a strategically important geography. We are expecting sales from our European business to double in the next three years.

For the financial year, Minda Corporation has recommended a total dividend of 25% including an interim dividend of 10%. We remain committed to business excellence and also to identifying and evaluating growth opportunities in the times to come. For example, we are not only exploring opportunities in new regions such as Mexico, Czech Republic and China but also looking to increase plastic content in components to replace metal for improved efficiencies. We are optimistic about the value that our relentless efforts will help generate and sustain over the next few quarters and years.

On that note, I would now like to open up the floor for an interactive question and answer session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Nishit Jalan from Kotak Securities. Please go ahead.

Nishit Jalan: Sir, my first question pertains to your joint ventures. If I see, the minority interest in this quarter is a positive number which implies losses in the combined JVs. So if you could share the key numbers like revenue, EBITDA and PAT for the key three JVs that we have - Furukawa, Stoneridge and Vast - for this quarter as well as for the financial year?

D. C. Sharma: In FY2016, minority interest was negative about Rs. 2.98 crores which has taken our profit to Rs. 107.26 crores, but last year (FY2015), yes it was positive. So in fact last year, there was a loss in the JV which has basically put the minority interest in to the positive and this year (FY2016) yes, there is a profit. That is the reason for adding the minority interest last year and diluting the figure in this year on the total gross profit.

Nishit Jalan: Sir, can you share the key financial numbers of Furukawa and other key JVs? Because at least in this quarter, there seems to be a loss in the JVs.

D. C. Sharma: There are 2-3 reasons for the loss in this JV. One reason which has also lowered down the EBITDA in this quarter is a change in the Bonus Act. Because of the change in the Bonus Act we have provided the bonus liability retrospectively for last one year. Even the 2014-15 and 2015-16 provision of the increased bonus, due to change in Bonus Act, had been provided in this quarter. This is one change. Second, there has been an impact on the forex part - there has been a negative trend of Yen in terms of Indian rupees which has also impacted the margins of JV in this quarter. If I just talk in terms of the figures for this quarter, there is exactly Rs. 6.5 crores impact of the bonus. Apart from this, there is also one minor regrouping - in line with the definition of the scheduled 3 of the balance sheet wherein earlier the bank charges were part of the finance cost but now in this year auditors have regrouped this cost and they have added the bank charges in to the other expenditure. So basically the reason is, in terms of losses, only the additional liability bonus which we had provided in this quarter and also the forex impact. But out of this, we will be recovering part of the loss - maybe about Rs. 4.5 crores in terms of the price increase for customer in the next quarter.

Nishit Jalan: Sir, this bonus impact was there in the last quarter as well, right - Rs.6 crores and this quarter again Rs. 6.5 crores?

D. C. Sharma: No, you see last quarter only one company has provided the bonus liability - that is Minda Corporation on standalone loan basis. In fact, regarding the Bonus Act there is a mixed opinion in India. Karnataka High Court and Kerala High Court have deferred the payment of the bonus and many companies in India have not provided bonus liability but our auditors KPMG insisted that at least as a matter of prudence or just as a conservative approach, we should provide the bonus liability. So that is why other companies such as also our subsidiaries Minda Furukawa, Minda SAI and Minda Vast have provided the bonus liability in this quarter also.

Nishit Jalan: Can you share the numbers of Furukawa in terms of revenue, EBITDA and PAT?

D. C. Sharma: In terms of top-line, Minda Furukawa in this quarter has done a sale of Rs. 91 crores whereas in same quarter previous year, it was Rs. 79 crores. And if we just give the total full year revenue, Minda Furukawa revenue stood at Rs. 437 crores as against last year revenue of Rs.232 crores. Yes, there has been an increase in terms of top-line, but we are still discussing with the customers for normalization of the price and some price increase on account of additional liabilities we have absorbed during the year. So we are expecting some amount of price increase in the first quarter of year 2016-17.

Nishit Jalan: Sir, EBITDA and PAT?

D. C. Sharma: EBITDA in this year has been approximately 6% only and last year it was 7% EBITDA, so there is a reduction of EBITDA by 1% in Minda Furukawa.

Nishit Jalan: Sir when you give this EBITDA percentage, it includes other income as well, right?

D. C. Sharma: There is already operational income. There is scrap sale in the Company which is shown under other income. So that is the part of operational other income; there is no extraordinary other income.

Nishit Jalan: Sir for this quarter, how would be the EBITDA margins so that we can see a trend basically, how is it moving?

D. C. Sharma: This quarter this should improve at least by 0.5%

Nishit Jalan: Sir in the 4Q basically, last quarter gone by.

D. C. Sharma: Full year EBITDA is 6%; and Q4 FY2016 EBITDA is 5% because the major reduction in EBITDA has happened in the last quarter. We are in the process of negotiating some pricing issue with the customer and also some localization has also been delayed which we are expecting to complete by last quarter. Now this localization will take another three to four months' time.

Nishit Jalan: Sir, what was the forex impact you mentioned about; any number you can share?

D. C. Sharma: Upto the third quarter there was no impact of the forex but yes in the last quarter, forex impacted about Rs. 3.7 crores in the JV.

Nishit Jalan: So it is entirely in the Furukawa JV?

D. C. Sharma: Yes. In other companies we are exporting; we do not import much. But in case of Minda Furukawa, say 50% of the raw material is imported from Japan from the JV partner, Furukawa Electricals. So in other companies the import content is not much; we have good amount of localization and we have indigenous capacity.

Nishit Jalan: Sir, as per contract will we get back this forex loss from our customers; will they pay for this?

D. C. Sharma: There are two parts of the forex. If the forex is from the buying of the raw material - buying of the component - that impact is fully hedged, there is no impact to the company, as we can get the reimbursement from the customers. But in case this forex impact is on the liability part; suppose there are creditors and if you make the payment to the creditors - that time lag in terms of booking the creditors and payment to the suppliers - that part is not reimbursed, we cannot reimburse that part from the customer. But at the time of the buying whatever the impact, we can get the reimbursement.

Nishit Jalan: So this Rs. 3.7 crores includes the impact of both the things together?

D. C. Sharma: About only Rs. 1 crore is the impact of buying. Otherwise Rs. 2.7 crores is the impact of the creditors liabilities.

Nishit Jalan: And sir you were speaking about localization plans. Right now it is 69%; how do we see it going ahead what kind of cost savings will it lead for us?

D. C. Sharma: Actually in Minda Furukawa last year we started two new products for two new vehicle models - one to Maruti Suzuki and one to Nissan. And this was started sometime in July or August 2015 and herein we are still importing components; importing some amount of raw materials from Japan originally. And now the localization plan has been made. We are in the process of getting the customers' approval and time schedules to finalize with the overseas suppliers, particularly this JV partner. So this localization will take another six to nine months' time. These are new products, but if you see other models - our old models – that we have signed with customers, we have done good amount of localization but yes, because additional revenue comes from these two products, here localization is in the process.

Moderator: Thank you, sir. We have the next question from the line of Jayasree Ram from Karvy Stock Broking. Please go ahead.

Jayasree Ram: My question is on the order wins which you have mentioned in your presentation. So you have mentioned about awarded orders for wiring harness Rs. 250 crores; so when will all these be accounted for in your revenues?

D. C. Sharma: This wiring harness, you are talking about the subsidiary company Minda Furukawa?

Jayasree Ram: It is not mentioned here; it is only mentioned that wiring harness has gained Rs. 250 crores orders.

D. C. Sharma: Actually I will just give you the reason of the slight fall in EBITDA and the margin of wiring harness business. Actually, we have two companies dealing in wiring harness, one if for passenger cars and the other deals with commercial vehicles, two wheelers and tractors. In case of two wheeler and tractors wiring segment, we have good margins and there is a good increase in terms of top-line and in terms of EBITDA. In our industry we look at share of business with the customer. Schedules are released on a monthly or quarterly basis to every customer. So order is not an issue in our industry; we have confirmed orders from all the OEMs to whom we are supplying.

Jayasree Ram: And regarding your acquisition with Panalfa, do you have any comments on that sir for FY17?

D. C. Sharma: Sure. See, we acquired this company in April, 2016 at a cost of about Rs.45 crores. This acquisition was done with our own funds, we have not taken any borrowing as such. And this is basically a strategic acquisition by the Group. Though it looks very small last year - the company did business of about Rs. 70 crores and with a loss of Rs. 3.5-4 crores. We have finalized the budget for the year 2016-17 wherein the sale is about Rs. 100-120 crores and profit will be about Rs. 4 crores. This is only the 1st year. And secondly, the product here is reduction gear cum starter motor and the alternators which is the latest technology. The company is right now supplying in the tractor segment to almost all OEMs of tractors. It is possible to fit these in commercial vehicles and Minda Group has relations with OEMs of commercial vehicles. We think that we can multiply the sale in next two to three years' time of this company.

Jayasree Ram: So actually Panalfa has about Rs.70 crores revenues, right sir?

D. C. Sharma: Last year it was Rs.70 crores, yes.

Jayasree Ram: And you are giving an estimation of Rs.20 crores for FY17?

D. C. Sharma: No, forecasted revenue for FY17 will be Rs. 110 crores, and with a PAT of Rs. 4 crores.

Jayasree Ram: Rs.4 crores?

D. C. Sharma: Yes. So what I mean to say is that there is a perfect plan in place and there will be turnaround in the first year itself.

Moderator: Thank you. Our next question is from the line of Basudeb Banerjee from Antique Finance. Please go ahead.

Basudeb Banerjee: Couple of question, sir. One, if I see your standalone revenues for last three quarters, its broadly flattish - no change. And even if one sees in terms of OEM (industry) volumes, Q4 all four wheelers, trucks, cars and two wheelers have done pretty well. So what am I missing out that your revenue has not moved up at all?

D. C. Sharma: You rightly said. Standalone revenue of Minda Corporation has increased by 8.5% in this year as compared to last year and in fact if you see the margins, there has been a good improvement in terms of margins. In fact, profit has increased from Rs. 34 crores to Rs. 46 crores in Minda Corporation. There is also good increase in EBITDA by about 1%; last year EBITDA was 11.5% but this year it is 12.5%. In terms of growth, I agree with you. In case of two-wheelers, the growth rate is I think very minimal.

Basudeb Banerjee: No, I am saying even if one sees on a sequential basis - in the last three quarters things have not changed, whereas truck market has been improving. Even sales of major PV makers have been improving. And Q4 is anyhow a seasonally strong quarter for all the segments.

D. C. Sharma: In Minda Corporation (standalone) we have largely the two segments: one is two wheelers and second is the aftermarket, which is again related to two wheelers. In case of two wheelers, we have all the customers: we have Bajaj Auto, we have Yamaha, HMSI, TVS and Mahindra & Mahindra. In case of the two wheeler industry, there has been a growth of about 3% last year in India vs our growth of 8.56%. But yes, in this year we target from export business we could not trigger. Secondly, it also exports about Rs.50 crores to the ASEAN market. In case of the ASEAN market, there has been the fall in the Indonesian economy particularly. We export good amount to the ASEAN market, especially to Indonesia. And the negative growth of about 17-18% impacted in this fiscal. So even after this impact, our growth rate has been 8.56%. But in the year 2016-17, they will be growing by about 15-16% in Minda Corporation.

Basudeb Banerjee: By any chance you have lost out share to the same OEMs like Honda or TVS and Bajaj as you mentioned?

D. C. Sharma: No, in fact we have got some additional share of business. In case of Hero Motor Corporation, first time we started the business in September 2015. In the scooter segment we started the supplies. And in TVS, we had only about 20%

share of business because our competitor had good amount of share of business. They are almost 100% for last many years. But in year 2015-16 our SOB has increased to 30%. In HMSI we reached from 16% to 17%. Bajaj is biggest wherein we have about 85-86% share of business. So we have not lost any SOB with any customer. It is only some new export market - this Indonesian market that has impacted. Second, we targeted some export business which will be triggered in year 2016-17; there has been a delay.

Basudeb Banerjee: Sir, how much was export to sales this quarter, sir?

D. C. Sharma: Full year export sales is about Rs.88 crores in this company. Quarter sales I need to check with the finance department.

Basudeb Banerjee: As you were mentioning the impact of forex and bonus provisioning - if I see at a subsidiary level - consolidated minus standalone, your margin is like multi quarter low as such and at a consol level your other expense seems to be pretty much inflated. So if you can highlight anything with that regard?

D. C. Sharma: In case of Minda Corporation, we did a good improvement in margin this quarter also. At the consolidated level for the full year, the EBITDA has been impacted – it has reduced from 10.6% to 9.8%. So roughly 0.8% has been the reduction in the EBITDA margin at the consolidated level. There are three reasons for this. One is some one time impact we have absorbed in the last quarter - we have provided bonus liability into subsidiaries in the last quarter with the retrospective impact of 2014-2015 and 2015-2016. Second was forex impact of about Rs. 3.7 crores. Third is some regrouping in terms of bank charges which were earlier clubbed with the finance cost and are now being clubbed with other expenditure. Then we had some pre-operative expenses: we have recently started the commissioning of plant in Mexico where these expenditures are pre-operative expenditures but there was some difference of opinion and a minor impact has come because auditor has advised to put this pre-operative into the revenue. So that has been the reason for fall of 0.8% at the consolidated level.

Basudeb Banerjee: So first point you said, some one-off charges you said in the beginning of this answer, so can you quantify that, sir?

D. C. Sharma: Which one?

Basudeb Banerjee: Sir you said some one-off charges this quarter.

D. C. Sharma: Yes, actually it is pre-operating charges of Rs. 1.5 crores. It is a minor amount wherein we had a difference of opinion with the auditors and that has been charged to the revenue in this quarter. But if you see the EBITDA in terms of rupees, yes there is a growth of roughly about 19%.

Basudeb Banerjee: And last question is, if one sees your interest outgo has almost halved compared to last three quarters, so how much of it is due to the refinancing and how much of it is due to the regrouping as you just now said?

D. C. Sharma: No, regrouping impact is not too much. It is only roughly about Rs. 3 crores.

Basudeb Banerjee: Rs.10 crores is now Rs. 4.2 crores, so 9.6, i.e. almost Rs. 5 crores reduction, so out of that Rs.3 crores is because of regrouping, on a quarterly basis?

D. C. Sharma: Exactly. In spite of the increase in sales by 24% as compared to last year we had requirement of working capital also. But yes, if you see as a whole, the actual reduction in the finance cost comes to about Rs. 3.5 crores.

Basudeb Banerjee: So out of this Rs. 5.5 crores reduction, Rs.3.5 crores is because of refinancing and Rs. 2-2.5 crores is because of regrouping?

D. C. Sharma: Absolutely right.

Moderator: Thank you. Our next question is from the line of Deep Shah from SBI Cap Securities. Please go ahead.

Deep Shah: Couple of questions. I would like to know, since the new vehicle security norms are coming up and everything - if you can throw some light on your steering rod connectors. How big is the opportunity and who all are manufacturing it in India and stuff like that? That will be my first question.

D. C. Sharma: Steering rod connectors, we are manufacturing in our joint venture which is called Minda Furukawa Electricals. SRC is basically a component to the air bag system. We started this in the year 2014-15 with commercial production in the first quarter of 2015-16. Basically we anticipate that air bag is going to be mandatory in the Indian market maybe in the year 2017-18. When it becomes mandatory, there will be a good requirement in SRC in Indian market because right now we are supplying this product to Maruti Suzuki and for Nissan. It is fitted only in those cars which are being exported from India.

Deep Shah: So sir according to you, I mean as per your internal studies or estimates, what will be the size that you are looking at for these particular products going ahead - let's say two to three years down the line, i.e. 2017-18 onwards?

D. C. Sharma: The unit price of SRC is roughly about Rs. 800 at an average. And this is being manufactured by our JV which deals with Japanese OEMs like Maruti Suzuki, Honda and Nissan. And we can see the number of cars manufactured by these or the models we have right now. If Maruti Suzuki and Nissan are put together, I think they manufacture about roughly 55-60% of the total Indian market. I think we manufacture about more than 3 million cars in India. It means we can go to the size of let's say 1.5 million and now we have to see how much we can have; how much of the list we can target from these customers. So that means we can work out the production.

Deep Shah: Sir there are no other manufacturers who produce this particular product at this point of time, that is what you mean to say?

D. C. Sharma: Right now I do not think anyone has started SRC in India.

Deep Shah: And sir my second question is on the wiring harness front, I mean we are now getting good business share from other OEMs like Hero and HMSI and TVS. I would like to know from you if there is any pricing pressure that you are seeing because competition is also coming up in that particular segment, I mean not from the largest player but from unlisted or private players. So what are you seeing at that point of time?

D. C. Sharma: Let me go one by one. In case of TVS, we are 100% supplier for the wiring harness and there is no threat in terms of pricing. We have been excellent in terms of pricing and we have active arrangement with the customer for the raw material fluctuation and also where there is significant increase in wages, for example just like the bonus. So there also we are trying with the customer to get the reimbursement of the additional impact. In this case, there is not threat in terms of pricing. Now our next customer for two wheeler is HMSI wherein we sustain almost Rs. 65-70% share of business. There also we have been very-very competitive, in fact when we made the entry two years before, the EBITDA margin on this business was only about 6.5-7% at that time. We were expecting a good amount of cost reduction in terms of value engineering, in terms of cost rationalization etc. And now this will also give good margin from HMSI and we have been supplying for all these plants. Even for Gujarat plant, we have got almost 100% share of business. Even HMSI we started only one year back in wiring harness and we have share of business of about 16% for Hero Moto Corp. There also we have been trying how to increase our share of business. But it will be tough in terms of pricing with the competitor because we offered 1-2% lower pricing of wiring harness in Hero Moto Corporation. But still there is a scope. We get the business or we start the buffer supplies of the full year volume then there will be economic scale and we can do the cost reduction. And the best part of it is that the raw material particularly copper, or the forex impact is fully hedged with this customer. We have back to back agreement with all these customers for the pricing fluctuation.

Deep Shah: And sir, if you can throw some light on four wheeler kind of wiring harness business?

D. C. Sharma: For the passenger cars we have only supplied though this JV Minda Furukawa Electricals. For the other segment like commercial vehicles, our major customer is Ashok Leyland, Mahindra & Mahindra and Tata Motors to which we supply from Minda SAI. For example, Ashok Leyland have grown by almost 35% last year and we have about 85% share of business with Ashok Leyland in our subsidiary company Minda SAI. And there also there is no issue as such, but yes in case of Maruti Suzuki our competitor have larger share.

Deep Shah: Sir even Motherson also and some of the Japan based unlisted players are also now getting into Maruti Suzuki supply. What is your take? How is the pricing moving there because everybody is now looking for a share of business from these big companies.

D. C. Sharma: In our case, we got the business with support of our JV partner Furukawa which has very good relationship with Suzuki in Japan and other parts of the world. And we do not have as such any threat where we have the first source, or we have 100% share of business with Maruti Suzuki. But yes, in case of one product where we are the second source and we have roughly about 40% share of business and the other remaining is with competitor, there may be pricing threat because we have got the entry customer with a price difference of roughly 5-

6% as compared to them. Otherwise, in other models we do not have anything as such.

Moderator: Thank you. Our next question is from the line of Karthik Subramaniam from Edelweiss Security. Please go ahead.

Karthik Subramaniam: My question is on the Stoneridge business. Firstly, it would be helpful if you could share the revenues and margin for Stoneridge in Q4. And also earlier you had shared that your target revenues of almost close to 4 billion for FY17 and large part of it is coming from our sensors business. If you could just update on how you are ramping up in terms of new launches on the sensors and the drivers for your Stoneridge business going ahead?

D. C. Sharma: See, in case of Minda Stoneridge, they manufacture instrumentation and sensors. This company was not under the consolidation with Minda Corporation and the consolidation happened only on 1st October 2015 only. Just five months' revenue has been consolidated with Minda Corporation, there is only about Rs.138 crores. In fact, last year, company had done a sale of about Rs. 300 crores and this year we are expecting to increase by almost 20%. We will be touching about Rs. 350-355 crores. What was your question related to sensors, can you repeat?

Karthik Subramaniam: Sir I just wanted to know what are the key drivers and what are the new products we are seeing in the sensors business. With the opportunities ramping up how do you see the opportunities?

D. C. Sharma: See in case of Minda Stoneridge there are two segments, one is instrumentation where we have almost 70% to be supplied to total instrumentation market. In case of sensors, we started one year back only and right now we have four main customers and size of the business is only Rs.45 crores. There is a good growth plan; right now we have about three type of sensors which we are manufacturing. And with the help of our technology JV partner Stoneridge, we are developing another four to five sensors in the year 2016-17. And then we are expecting in 2017-18 turnover of sensor approximately Rs.110-120 crores. It means Rs.45 crores will go to Rs.110-120 crores; that is one part of the growth. Secondly, in case of the instrumentation, we also apply high tech installation connected with GPS and other features; we are offering this technological advancement to the OEMs. And we are expecting good amount of increase, particular for 2-3 customers. One from HMSI where we started recently. Then in case of Yamaha, we have good order for instrumentation from ASEAN market where presently we have been doing only the security system in ASEAN market (Indonesia and Vietnam). But we also got the entry for instrumentation in that market. So these key drivers such as growth in sensors and additional market share in ASEAN would provide good increase in the business.

Karthik Subramaniam: And just one more follow-up. You mentioned earlier that on the localization efforts there has been slight delay. So just over the next two years at a consolidated level, how do you see the margin trajectory panning out?

D. C. Sharma: In the margin in year ending March 2015, our EBITDA margin was 10.6% and I explained sometime before that in the year ending March 2016, the EBITDA has slightly gone down to 9.8%. Now in the year 2016-17, we have a focus on how to increase EBITDA in 2-3 areas: One is the material cost reduction, wherein we take the target of 2% cost reduction every year. And secondly, we also compare the benchmark even at a group level. The personnel cost of Minda Group we found is higher by about 2-3% as compared to the peer group. This year there is a very high focus on the employee cost reduction, first in terms of the wages because in few products, particularly wiring harness there is a large content of conversion cost, large content of the various costs. And now we are working how to improve the efficiency at the wages at least by 10-15%. And we also have taken a target that we will do at least 1% cost reduction in employee cost. So we expect the EBITDA margin should be at least 10.5-11% in the year 2016-17. So we are expecting at least 1% increase in the EBITDA margin in the year 2016-17. And this localization, you rightly said, is in the process and we are hopeful that I think in August to September we will start getting the supply of indigenized components.

Karthik Subramaniam: So for FY18 perspective, the localization could be a bigger lever on margins?

D. C. Sharma: Yes, but localization you see in other companies, except in one subsidiary which is Minda Furukawa where the import content is high. But in case of other companies we have best high class manufacturing facility for manufacturing all components and all type of raw materials. We buy only aluminum, tin and copper, brass. Then we have in-house manufacturing process. But except this

JV company we are in the process of doing localization and see the possibility of how fast we can do it.

Moderator: Thank you. We have the next question from the line of Jayasree Ram from Karvy Stock Broking. Please go ahead.

Jayasree Ram: Sir, you were giving revenue breakup for Furukawa and Stoneridge. I would want to know how much is it for Minda SAI?

D. C. Sharma: In Minda SAI, we have done sale of Rs. 543 crores in the year. So total revenue is about Rs. 2,445 crores out of which Minda SAI's turnover is Rs. 543 crores.

Jayasree Ram: And Minda Automotive?

D. C. Sharma: Minda Automotive is the company which deals with aftermarket and particularly spare part division. We are doing a business for about Rs. 221 crores. They have about 600 wholesale partners all over India and they deal with this after sales market.

Jayasree Ram: And what is the EBITDA for Minda SAI, sir?

D. C. Sharma: Minda SAI EBITDA is 10%.

Jayasree Ram: And for Minda Automotive?

D. C. Sharma: In Minda Automotive we cannot benchmark. The relationship is: the beneficiary company that is Minda Corporation is the company that supplies product to Minda Automotive and Minda Automotive have their dealer network all over India. So here we always keep the lowest EBITDA margins but if we see as a whole, Minda after sales market then EBITDA is about 14-15% because we have highest EBITDA in aftermarket as compared to the biggest player.

Jayasree Ram: And Minda KTSN?

D. C. Sharma: Minda KTSN is the company which is basically in Germany. They have three plants right now: one in Germany, one is in Poland and one is UK. We do the business about, last year they have done turnover of about Rs.395 crores and their EBITDA is 8.5%. In fact, last year there was lease liability of the company which we have fully paid off in the month of I think July. So now this year EBITDA should be about 9.5%.

Jayasree Ram: And the top-line sir?

D. C. Sharma: Top-line is Rs. 395 crores.

Jayasree Ram: So that is for this year?

D. C. Sharma: Year ending March 2016.

Moderator: Thank you. We have the next question from the line of Aditya Makharia from JP Morgan. Please go ahead.

Aditya Makharia: Was wondering in Minda Furukawa what would our market share be with Nissan and Maruti?

D. C. Sharma: In case of Nissan, our share of business is about 22% and there we supply wiring harness of Quid, Micra, Sunny. In case of Maruti Suzuki, our share of business is about 15%.

Aditya Makharia: And any models which you supply to?

D. C. Sharma: Marutiy Suzuki we supply to S-Cross, Celerio; these two models we are 100%. Then in case of Alto and Swift Desire we have about 45% share of business.

Aditya Makharia: And just lastly, what is the turnover you mentioned we get from Minda Furukawa?

D. C. Sharma: Minda Furukawa, this year we have done Rs. 437 crores.

Aditya Makharia: And EBITDA margin would be roughly?

D. C. Sharma: EBITDA margin is roughly about 6%.

Moderator: Thank you. Our next question is from the line of Vishal Gajwani from Birla Sunlife. Please go ahead.

As there is no response from the current participant we will move on to the next participant that is from the line of Aditya Makharia from JP Morgan. Please go ahead.

Aditya Makharia: Sir just a follow-up. The turnover from Minda SAI, Automotive, KTSM and Furukawa is roughly Rs. 1,600 crores ballpark. The balance Rs.800 crores comes from which company?

D. C. Sharma: See, the Minda Corporation standalone turnover is Rs. 700 crores and then there is another JV in security system called Minda Vast where we have only 50% stake and about Rs.170 crores comes from that company. Then in addition to this, about Rs.135 crores comes from the ASEAN market. Then Minda Stoneridge is about only five month sales in this year; it is about Rs.138 crores. So mainly apart from the security system where we do business in ASEAN and also through JV of Minda Vast.

Moderator: Thank you. As there are no further questions, I would now like to hand this conference over to Mr. Karthik Subramaniam for his closing comments.

Karthik Subramaniam: Thank you, everyone, for participating in the call. And once again thanks a lot to Mr. Sharma and the entire management team for taking out your time.

D. C. Sharma: Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Note: This transcript has been edited to improve readability

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