



“Minda Corporation Limited
Q2 FY '24 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY '24 Earnings Conference Call of Minda Corporation Limited, hosted by Asian Market Securities Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

Actual results may differ from such expectations, projections, etc., whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks.

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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mayur Milak from Asian Market Securities Limited. Thank you, and over to you, Mr. Milak.

Mayur Milak: On behalf of Asian Market Securities, we welcome you all to the 2Q FY '24 Post Earnings Conference Call of Minda Corp. I take this opportunity to welcome the senior management team of Minda Corp. We have with us today Mr. Aakash Minda, Executive Director; Mr. Vinod Raheja, Group CFO; and Ms. Pushpa Mani, Lead Investor Relations.

I will now invite Mr. Aakash Minda: for his opening remarks, to be followed by a Q&A session. Over to you, Aakash.

Aakash Minda: Thank you, Mayur. And I thanks Asian Market Securities for hosting the call for Minda Corporation for quarter Q2FY24. Good evening, everyone, and welcome to the Q2FY24 Earnings conference call of Minda Corporation. On behalf of the company, I thank you all for joining us on this conference call, and I hope you all are keeping safe and healthy.

During the quarter, the auto industry saw a sequential uptick in demand across segment, mainly fuelled by improved consumer sentiment and increased demand on the back of festive season, two-wheeler, and passenger vehicle demand, mainly driven by new product launches and growing preference for SUV-style vehicles. Commercial vehicles are supported by increased spending on infrastructure post monsoon recession, while tractor demand remains subdued due to excess monsoon in key western and central markets. Exports continue to be under pressure due to geopolitical issues.

Coming to the financial performance, Minda Corporation continued its growth momentum trajectory with the highest ever quarterly revenue. The revenue from operations grew by 7% YoY and 11.3% QoQ in Q2FY24. Domestic sales have grown by 10% YoY, and exports have been subdued due to geopolitical issues. This is in line with our commitment to outperform the industry. For Minda Corporation, EBITDA for the quarter is INR 131 crores, with EBITDA margin of 11%, registering a growth of 18 basis points year-on-year.

Profit before tax for the quarter is INR 77 crores, with a PBT margin of 6.4% on account of increased finance cost and depreciation due to investments in capacity expansion and technological upgradation, which would accelerate our growth, going forward. Profit after tax stood at INR 59 crores, with PAT margin of 4.9%.

Now, I would like to take you through the key developments during the quarter.

- At first, it gives me immense pleasure to share that we have entered into an agreement to sign a joint venture with HCMF of Taiwan for automotive sunroof solutions and closure systems for passenger vehicles. HCMF is a Taiwan-based company, engaged in various products like sunroof systems, closure systems and mechanical and mechatronic systems. This new joint venture is aligned with our vision to offer advanced products and technologies in the vehicle access space, particularly for passenger cars, increasing the content per vehicle of Minda Corporation Limited.

With the changing consumer preferences and increasing demand for premium features, the market for sunroof and other advanced vehicles -- vehicle access products is expected to grow multifold in the year to come. Our continuous focus to bring new and advanced technology products will lead the next phase of growth for Minda Corporation.

- For the Q2FY24, EV as a percentage of sales to overall group level constitutes 5.2%, which means over 11.2% share in our two-wheeler revenues comes from electric vehicle mobility.
- During the quarter, Lifetime order wins of more than INR 3,500 crores. In H1 FY24, Lifetime order wins is INR 6,500 crores, while for the full year FY23, our order wins were ~INR 8,000 crores. With this INR 6,500 crores in the H1FY24, it represents our growing new product technology in all segments, including EV products, and the acceptability and our readiness for electric vehicle mobility.
- The company secured marquee order wins across its product portfolio, with multiple first-time orders in new technology products in both ICE and EV segments from key domestic and global OEMs. Notably, four-wheeler vehicle access system solutions, two-wheeler Japanese OEM for vehicle access products, large EV wiring harness orders for EV two-wheeler OEM.
- Wiring harness capacity enhancement and consolidation is completed at 2 new plants. Both plants have undergone capacity enhancement and equipment upgradation to grow our wiring harness businesses and become more competitive in EV and ICE vehicles.
- To capitalize on future growth opportunities, we are expanding both our engineering as well as manufacturing capacities for vehicle access solutions, wiring harness connectors and components, clusters, and cockpits, die casting and other EV products. The additional capacities will be utilized to serve the orders that we have already won and also push for new orders.

Going forward, the road map ahead would be to focus on core products premiumization, growing our share of business in passenger vehicles and focus on technological upgradation via in-house R&D and global strategic tie-ups.

We are also working on further strengthen our operational excellence through cost leadership and digitalization of business processes. We are continuing to work upon localization of our wiring harness connectors and components to reduce our dependency on imports and improve margins.

Now, I will take you through the presentation with the key highlights of Q2FY24 performance. I now request you to please refer the presentation, which is submitted online.

Moving to Slide 3, shows the snapshot of Minda Corporation Limited. As a business vertical, we are present in 5 domains: Mechatronics, information and connected systems, plastics and interiors, aftermarkets, and green mobility solutions. Minda Corporation caters to almost all the OEMs in India and overseas in both ICE and EV and across segments of two-wheelers, three-wheelers, four-wheelers, commercial vehicles and off-road vehicles.

We have 27 manufacturing facilities along with offices overseas and 2 design engineering centers, totalling 16,000 people and 9 partnerships. On the right side is a snapshot of our financial year, full-year performances and H1 FY24. As on 30th September, the shareholding remains pretty much same as compared to the last quarter.

Moving to the next slide which is key performance highlights for Q2FY24 and H1 FY24. At first, highest-ever quarterly revenue of INR 1,196 crores with growth better than the industry performance, consistent performance with double-digit EBITDA margins at 11% in quarter 2 and 10.8% in the first half of the year. In H1FY24 in first half of the year, Lifetime order won is at INR 6,500 crores, with more than 30% of our order wins from EV platform. Moreover, we had marquee orders wins across existing and new technology products.

We have signed an agreement for entering into a joint venture with HCMF of Taiwan for sunroof and automotive closure systems, moving towards becoming a complete system solution provider in passenger vehicle domain. Lastly, capacity enhancement with installation of advanced production equipment's across wiring harness facilities. Also, during the year in H1FY24, we have filed 6 patents, taking the total patents count to 257.

Moving to the next slide, about signing of the partnership with HCMF. Minda Corporation has entered into a partnership with HCMF for sunroof and closure systems for automotive passenger cars. HCMF is a Taiwanese-based company, having over 29 facilities across the world and having multiple R&D centres.

This joint venture will be signed for the Indian market and catering to the products such as the panoramic and TVS sunroofs as well as closure systems.

Minda Corporation expects the market to increase to about \$500 million to \$600 million by 2030 in the sunroof as in the passenger vehicles the premiumization and the features are ever growing.

Moving to the next slide on the order wins and the business highlights in this quarter. We have won smart key order from a Big two-wheeler OEM for its Largest selling ICE model worth INR450 crores in this quarter on the Lifetime basis. This shows that ICE models engines are also entering into smart keys.

On the right, we have won multiple orders from passenger vehicles in India and for exports for complete vehicle access solutions. On the left, we have also won center console order for one of the largest OEMs in India for a complete system solution offering. Last but not the least, we have won significant EV wiring harness orders for India's one of the largest OEMs for their top-selling EV vehicle.

Moving next to the financial overview on Slide 8. I will first begin by sharing the industry performance. If you look at Q2FY24 growth year-on-year, the industry was flat, with two-wheelers degrowing by about 1.5%, passenger vehicles have grown by 5.6%, three-wheelers have grown by 19.6%, commercial vehicles by 9%, and tractors have degrown by ~10% YoY.

On the quarter-on-quarter performance of the industry, industry has grown by 13.5%, two-wheelers have grown by 13.6%, passenger vehicles have grown by 12.7%, three-wheelers by 33%, commercial vehicles by 7.9%, and tractors also grew by 6%. We saw an uptick in demand across most segments in this quarter, mainly driven by improved customer sentiment and increased demand on the back of festive season.

In the two-wheeler segment, sentiment remains relatively favourable in urban areas while mixed rural sentiments, given the excess monsoon in key areas. Volume recovery now hinges on the rest of festive demand. Growth in PV volumes was driven by rising demand for SUV-style vehicles and new launches as well as improved supply.

Three-wheelers segment year-on-year growth is led by passenger carriers, e-rickshaw, and goods carriers. EV growth was supported by increased spending on infrastructure. Tractor industry would continue to witness healthy retail momentum, according to us, in the second half of the year.

Moving next on the Minda Corporation's financial performance. As the revenue in quarter 2, we have grown by 7% on year-on-year to achieve INR1,196 crores of revenue and on a quarterly basis, 11%. On EBITDA, at the quarter level, we have grown by 6% or 18 basis points. And on a quarterly basis, we have moved from 10.7% to 11%.

At PAT level, we have grown from INR 45 crores to INR 59 crores. In H1FY24, Minda Corporation grew by 7% from INR 2,127 crores to INR 2,270 crores. In Q2FY23, there was premium buying of semiconductors to the tune of Rs. 30 crores. At EBITDA, we have grown from INR 231 crores to INR 246 crores, and PAT has dropped from INR 110 crores to INR 104 crores. Our ROCE has continuously been increasing from 18.4% in FY '22 to 21.2% in H1 FY '24.

Moving next to Slide #10 on the consolidated performance. Again, operating revenue has grown by 7.1% to INR1,196 crores and grown on a quarter-on-quarter basis by 11.3%. EBITDA margin

has grown from INR 124 crores to INR 131 crores on a year-on-year basis, with 18 basis points improvement and on quarter-on-quarter, it has jumped up by 31 basis points.

PBT, on year-on-year basis, has gone from 85% to 77%, as earlier explained, based on finance costs and depreciation costs. And on quarter-on-quarter, it has jumped from INR 63 crores to INR 77 crores, marking 54 basis points improvement or 21.4% increase.

At the half-year level, we have gone from top line by 6.7%, and EBITDA margin has gone by 6.7% or 15 basis points. Overall, the domestic revenue grew by 10% and exports were subdued. EBITDA margins were double digits on the back of increased efficiency, streamlining fixed costs and component localization initiatives. We expect commodity prices further to soften during the quarter and semiconductor supplies continue to ease, especially on the back of effective supplier management, and expect gradual improvement in the coming quarters.

Moving to the next slide. In this quarter, our dependence on India has grown primarily, due to the subdued exports and also a market softening in the Southeast Asian markets, primarily Indonesia and Vietnam. By end segment, we are pretty much the same as compared to quarter and year-on-year, whereas 46% revenue comes from two-wheelers.

Commercial vehicles and off-road continue to be about 30%, aftermarket in the range of 11% to 12% and passenger vehicle about 14% to 15%. By end products and division, 35% continues to be on wiring harness, 25% on the vehicle access, die casting is about 15%, clusters and sensors about 16%, and other technologies are about 10%.

Moving to the next slide on the business verticals performance on the revenue. If I look at the mechatronics and the aftermarket division, has grown by 8% from INR 531 crores to INR 575 crores YoY and QoQ has grown by 12%. This is, again, due to the robust demand in domestic markets, product premiumization and increased share of business with key customers, while exports remain impacted due to geopolitical issues.

On year-on-year in half yearly basis, the revenue has grown from INR 1,009 crores to INR 1,088 crores by 8%. In Q2FY24 the information and connected systems, which is wiring harness and instrument clusters and sensors, has gone from INR 586 crores to INR 621 crores and on QoQ basis, has gone from INR 562 crores to INR 621 crores, showing an increasing 10%.

On the half yearly basis, it has grown from INR 1,118 crores to INR 1,182 crores, marking 6% increase. The revenue was supported by resilient domestic demand, while exports amounts remain subdued. The focus is on enhanced manufacturing of connection systems and terminals to have better control and reduce dependency on imports.

The consolidated leverage position as compared to 31st March 2023 to 30th September 2023, the net worth has increased from INR 1,591 crores to INR 1,874 crores. The long-term borrowings are pretty much same of INR 236 crores. Short-term borrowings on account of working capital has gone from INR 318 crores to INR 361 crores.

Gross debt has gone from INR 553 crores to INR 597 crores, and cash equivalents has gone from INR 162 crores to INR 129 crores. So overall, net debt has increased from INR 391 crores to

INR 468 crores, and net debt-to-net worth equity stands within our financial prudence of 0.25x. Our ROCE has increased from 20.8% to 21.2%.

Moving to the next slide is transforming current businesses as per our future technologies. So our vehicle access is now becoming more smart. In the wiring harness, it is more increasing content per vehicle, such as electric vehicle harnesses and other junction boxes.

The speedometers are now moving from instrument clusters to now connected and safe mobility, where it depends on complete driver information technology, focus on lightweighting and last but not least, is focused on EV products, which is power electronics across all segments.

Moving on to the next slide, I would just like to highlight the right side, where over the last few quarters, there are a couple of products under development, which have added to INR 6,000 to INR 7,000 of our kit value offered into our two-wheeler segment, increasing our offering to about 22,000 to 27,000 per vehicle. We've added further new customers in the EV space across segments.

Moving to the next slide, which is Slide 17. Our Minda Corporation strategic pillars of growth are mainly 4: Focusing on enhancing the core of the products, which are of importance to us and of course, safety, security systems, wiring harnesses, driver information systems and die casting, improvement in focus on innovation and technology by in-house R&D and joint venture with global partners, focusing on electric vehicle growth opportunity across segments.

As you all know, Minda Corporation, all products are EV or engine-agnostic and with the improvement of EV or uptake of EV, Minda Corporation's penetration will be much higher. And last not the least is strengthening the passenger vehicle offerings as we have always committed before. And today is also one example by entering into a partnership for the sunroof and closure systems.

Moving to the next slide on the engineering capabilities of Minda Corporation Limited. I would like to now highlight that we have more than 550 headcounts working on advanced engineering and technologies. Total number of IPs and patent filed is 257. And now, we have increased our R&D spending compared to revenue to about 3%. Earlier this year, it was until 2%.

Moving to the last part of the presentation on the Slide #20, which is on the ESG sustainability framework. So we continue to frame -- to give focus to our ESG. And now, we are going to be working on carbon utility footprint and -- which will be shared maybe in the next quarters to come. This framework is also uploaded online and is reviewed by our Board of Directors.

Next is on the corporate social responsibilities, which is one of the core values of Minda Corporation Limited. Here, of course, we have continued to give back to the society across our initiatives across pan India and overseas. In the area of supporting the visually impaired and People with other disabilities and also focusing on fire and safety and prison initiatives that we have.

Last but not the least, which shows our awards and achievements, which we have received over the quarter from various industries and customers across our parameters on quality, delivery cost, innovation, and technology.

With this, I would like to conclude my presentation and open the floor for questions. Thank you.

Moderator: The first question is from the line of Viraj Kacharia from Securities Investment Management.

Viraj Kacharia: Just a couple of questions. First is on the sunroof announcement. Can you just provide some more color in terms of the foreign partners, what kind of a global position they have, what kind of relationship they have with OEs in the passenger vehicle space? Any perspective you can give on that?

Aakash Minda: Yes. So at first, we particularly believe that in the Indian market, if you compared to the global market in the automotive segment in pass cars, there's a huge opportunity in India to grow into the sunroof and premium features. So we believe that about 30% of vehicles in India would be having sunroof by 2030 and with a market opportunity of about \$500 million to \$600 million, is our expectation.

With this, we would like to capture the market with a solid partner. So we have shortlisted 1 partner named HCMF from Taiwan. They have more than 29 facilities globally into the sunroof market and other closure systems into various countries. They have plants in China, Europe, even in North America and supply to almost all the OEMs in China, which are local and which are joint ventures coming from Japan or Europe and having joint ventures in the China market.

So we, as following, will be now working to sign up a final joint venture with them in the next few weeks. Of course, the details, such as the location and other details, are going to be finalized shortly. But yes, we have already started engaging with customers and started product demonstration from some weeks ago and generated interest from our OEMs in India.

Viraj Kacharia: But are there any set of customers or OEs with whom they have long-standing relationship in terms of sales or higher share of business? Because what do we understand globally, the top 3 guys, they have more than 70%, 80% of the market. And correct me, this particular company may not be in the top 3 or top 4 in terms of positioning. So hence, I'm just trying to understand what kind of relationships they can provide an access to for us?

Aakash Minda: So HCMF has global relationships with various countries, who have again particularly presence globally. I will, again, not name the customers as I'm currently bound by confidentiality agreement. So yes, they are supplying more than 2 million sunroofs annually, globally -- at global level.

Viraj Kacharia: Okay. And in terms of the product per se, once we set up the capacity, so what kind of capex we will be looking at? And at a stable utilization, what kind of asset turns one usually expects in this particular product line?

Aakash Minda: So Viraj, again, all these studies are under work. We expect the capex to be about INR 150 crores or INR 180 crores over the next 3 years' time. Of course, it all depends on the order wins and the technologies that are needed by this product and other product lines that we are working on.

It is not only, as I mentioned, sunroof, but there are other closure systems as well, which once finalized, we will be coming to the market. And as it's confidential right now, please pardon me, I will not be able to share the more details on this.

Viraj Kacharia: We'll take the next question from the line of Shridhar Kallani from Axis Securities Limited.

Shridhar Kallani: Congratulations, firstly, on a good set of numbers to you, Aakash and team. Just a follow-up on sunroof systems. So...

Moderator: Sorry to interrupt, Mr. Kallani, may we request you to kindly use your handset, please? Your voice is muffled, sir.

Shridhar Kallani: Yes. So I just wanted to understand, currently, in India, is sunroof system is also an import substitute product or mainly it is locally produced?

Aakash Minda: So at both ways. It depends on the specifications of the product category. Of course -- I mean, it depends on the technology of the product. I mean high-end solutions are still imported. Of course, the promotion is to have a localized option in India.

And that is where we have signed with the opportunity to manufacture them locally in India to be close to the customer and hence, increasing the content per vehicle and vehicle access system solutions offering to our customers. But yes, it depends because the size of the product, it is primarily going to be localized, which already initiatives have happened.

Shridhar Kallani: Okay. Understood. And I just wanted to understand on the order wins, you have won INR6,500 crores. So what is the breakup of these order wins in terms of two-wheeler, four-wheeler, commercial vehicles or, say, EV and ICE categories, if you can do that? And also, what can be the peak annual revenue from these wins?

Aakash Minda: Yes. So broadly, it's about 50-50, 50% are replacement businesses and 50% are new businesses. But in this case here, of course, our new order wins that we have won are much higher in terms of, let's say, 60% to 65%, and replacement is about 35% to 40% here in nature.

If I would say, again, about 30% of the orders won are from the EV segment or EV platforms and of course, 70% comes from the ICE or other alternate fuel platforms that have come from the customers per se. If I speak about division-wise, the mechatronics division have about 50% -60% coming from the two-wheeler space, and about 30% to 35% comes from the four-wheeler space, and about 5% to 6% comes from the commercial vehicle front.

And similarly, again, the interior plastics, about 100% is coming from the four-wheeler space. The die casting products are, of course, coming from 100% four-wheeler. In the information and connection system is about 50-50, where 50 coming from the two-wheeler space and 50% coming from the passenger vehicle.

- Shridhar Kallani:** And what could be the peak annual revenue from these wins?
- Aakash Minda:** So typically, again, in automotive, you divide them by 4 to 5 years. So again, some of them are replacement and some of them are new products, as I mentioned. So it is hard to tell on the call that how much of this would come in an annual year, per se because 50% of this goes in replacement. So typically, if you can divide the 6,500 by 4 or 5 years, and that is where it will come on an annual basis.
- Shridhar Kallani:** Understood. Okay. And one last question on the new products that you have launched in the EV segment. You are mentioning that it's around 8,000 to 10,000 values. So what new products are these, if you could share some light?
- Aakash Minda:** So these are in the power electronics product lines for the segments of four-wheelers as well as the two-wheelers, and three-wheelers. So yes, these are the new products lines.
- Moderator:** We'll take the next question from the line of Abhishek from Dolat Capital.
- Abhishek:** Congrats for a strong set of numbers in tough time. First question is on the margin side. What was the margin for mechatronics and information connected system in second quarter, sir?
- Aakash Minda:** So please, pardon me, but from this quarter, we will not be sharing margin details segment wise to save us from competitive intelligence leaking out and this have been advised by our customers. This also falls in line with the industry trend of not sharing margins division wise or product wise. Overall, as I mentioned, we have grown, at a standalone and consolidated levels from 10.8% to 11% EBITDA.
- Abhishek:** Okay. And sir, in wiring harness business, you are looking for the capacity addition. So what would be the incremental revenue from FY '24 because of this capacity addition? And what would be the margin in this segment?
- Aakash Minda:** So, the wiring harness customers are across segments from the two-wheelers, three-wheelers, commercial vehicles etc. So, from next year onwards, we expect 1.2x of sales to come in from these additional plants.
- I just want to remind you that it is not that we have fully made this new plant, but we've consolidated our existing plants. As I mentioned earlier, for example, if there were 3 plants in the South, we have consolidated and made them one for operational excellence and having economies of scale.
- Abhishek:** So because of this capacity addition and the consolidation, the margin will improve? Because from last many quarters, this business is facing margin issues. So this is the effort to make the -
- to improve the margin in particular segment?
- Aakash Minda:** Yes. As I've explained from particularly the wiring harness, there are 3, 4 avenues that we have always been committed and working on and which are expected to improve, and we are showing them.

So of course, one is the localization of the connection systems and the terminals. The second is, getting the better operational excellence through economies of scale and the plants and the third is definitely productivity improvement from people we have.

Moderator: The next question is from the line of Parag Thakkar from Anvil Wealth.

Parag Thakkar: So I would like to just ask that you mentioned in your presentation that, I think, you have won some orders for smart key to be supplied to some two-wheeler company. Can you just elaborate on it? And how much I just want to know that how much is the increase in content per vehicle for that particular product in smart key? Earlier, what was the price? And now, what is the price? So how much content per vehicle? And is it a meaningful order?

Aakash Minda: Yes, Parag, I think it is a meaningful order from our side of INR 450 crores Lifetime order. So again, as I mentioned, you can divide this by 4, so adding about INR 100 crores in our top line as a new business when it comes to the smart key. As a kit value, a lock-and-key traditional lock-and-key in two-wheelers typically used to be about INR 300 to INR 400 or INR 400 to INR 500.

Now with the smart key solution, it is going to about INR 2,500 to INR 5,000, depending on the configuration of the product, which could have 1 fob or 2 fob or phone as a key, different level of securities coming into the vehicle. So that is how the kit value increases. I cannot share the name of the customer as I'm bound by confidentiality. But yes, it is one of the largest legacy customers in India.

Parag Thakkar: And do you expect that other OEMs will also give you such orders? And whom are you competing with when you are bidding for such contracts? I mean I meant to know the competitive landscape.

Aakash Minda: Yes. So thanks for the question. We are the only player in India, when it comes to the smart key solutions for two-wheelers. We have filed more than 29 patents now for this technology, and we have 100% market share when it comes to the access solutions for two-wheelers.

Yes, the competition will catch up. There are competition who are working on this, and it will take at least 2 to 3 years for them to come and capture the market. But once they reach there, we are hopeful that we must have done more initiatives and investments in technology, we will be much ahead of our competition.

So this is these are the orders which we've been sharing for the last many quarters, on the vehicle access product line, which is a core for our technology, going forward.

Parag Thakkar: You said this order is for Rs. 100 crore plus per year of supply?

Aakash Minda: Yes.

Parag Thakkar: Okay. And the other thing is that suppose if -- this -- for example, in this festive season, Bajaj Auto, Hero and TVS, all have guided for double-digit growth in this festive season. So I suppose that that will translate to you also, right, because all of them must be your customers? So the current quarter, the things must still improve over Q2 significantly, right?

Aakash Minda: So yes, hopefully, we would request our customers to do double digit. And whatever indents we get from the customers, our important point is to achieve them. So and more importantly, the orders that have been won recently in the recent past, based on the premiumization of these models of the vehicles, we are present across product lines. So our expectation is that we grow in line with the two-wheeler industry and, of course, outperform them with the various initiatives.

Parag Thakkar: So basically, Q2, your premiumization in all the 3 segments which you are in major -- whether it's smart key or instrument cluster or wiring harness, based on that, how much we can assume your growth rate versus the industry?

For example, industry, grows as two-wheeler industry grows at, say, 10% or 5% and passenger vehicle industry grows at, say, 5%, what kind of revenue growth one can expect from Minda Corp? And whether with that revenue growth, if there can be any margin expansion because of premiumization?

Aakash Minda: Yes. So again, as our objective and vision and our commitment is to grow much higher than the industry, if the industry, as you mentioned, is going to expect it to grow at 5%, you would like to grow 15% higher than the industry. So that is our target and we've been consistently delivering that over the last 12 to 13 quarters.

And we would like to achieve the same, going forward. And you can see that this quarter, we have done the highest-ever revenue in spite of subdued sales from the export market. Of course, if the other markets and other segments pick up, it will further increase our growth rate now in the months to come.

Parag Thakkar: And sir, you said your margins will also be higher because of operating leverage and premiumization, your margins and ROCE should also grow only, right, from these levels?

Aakash Minda: Yes it will continue to grow. Mr. Parag, may I request you to please come back in the queue. But I'll quickly answer your question that yes, of course, going forward, with the new electronics and premiumization of the products, we are looking at increasing of our profitability as well.

Moderator: We'll take the next question from the line of Radha from B&K Securities.

Radha: Sir somebody -- the previous participant asked a question about the realizations for smart locks. So you mentioned around 3,000. So sir, actually, on your website, I've seen for the locks, we are supplying to Activas 6G, wherein you mentioned the product price is INR 1,150. So would this be categorized as smart lock? Or what kind of lock is this?

Aakash Minda: I'm sorry, your voice is not clear. Are you saying that the Honda smart key is which category? Is that the question?

Radha: Yes, sir. And the product price of which is INR1,150.

- Aakash Minda:** No, I'm sorry, I did not know where you have taken these numbers from. But what I can only comment is that the smart key is a combination of multiple technologies and multiple products. So it could vary from our system to system, as I mentioned.
- Radha:** And sir, when we are starting from FY '24, if I'm correct, the production of smart keys?
- Aakash Minda:** No, ma'am. Our smart keys have been in the production for the last 3 to 4 years for domestic and export markets.
- Radha:** Sir, this order book of the smart key that you mentioned of INR450 crores. So...
- Aakash Minda:** Yes, yes, this order will come into effect from second half of next year, please.
- Radha:** Yes, sir. So actually, I wanted to ask that the product -- some of the products mentioned in the brochure for smart lock for locks on your website, the prices of that is higher. For example, normal locks would be around INR400, the prices of that is around INR1,000. So would that be categorized as smart locks for us? For example, Activa 6G, GSX-R 150, Intruder, so it's all above INR1,000.
- Aakash Minda:** Ma'am, as I mentioned, there are various types of locks. So one is a typical lock and key, then there is a magnetic lock, which is a much higher product. And then the third category is a smart key with fob, and then one is without fob. So there are different categories of products. And I may request you to please get in touch with our IR team for further details. And I will not be able to comment on which model of the customer has which kind of a product.
- Moderator:** Thank you. We'll take the next question from the line of Vishal from Svan Investments.
- Vishal:** Congrats for a good set of numbers. I have a couple of questions regarding first question regarding the growth. If you see last 2, 3 quarters, our growth rate has been muted compared to what we have seen at the back and we have always been committed to have a good delta over the industry volume growth.
- So compared to industry volume two-wheelers, which has grown by QoQ around 12% to 13%, our two-wheeler, 3-wheeler business has grown by around 7 odd percent on a QoQ basis. Similarly, that is the case with the pass car industry passenger car production vis-a-vis our pass car business as well.
- So is it because of transitioning of old platforms and new platforms? Because our order wins are also good. INR 3,500 crores order in this quarter. Last quarter, you have done INR 3,000-odd crores order wins. So can you throw some light on -- is this transitional and gradually, we'll see as the new order kicks in, we'll see a good growth? Can you throw some light on this, please?
- Aakash Minda:** Yes. So of course, multiple factors, and its gradual increase because once you win the order, it takes about 18 to 24 months for the products to come in to start up production. And then again, another about 6 to 8 months for ramping up the production. That's point number one.

Compared to last year, if you look at quarter 2 versus quarter 2, our premium buying last year was up to about INR30 crores, as we have already mentioned. And if I normalize that, then of course, our growth rate is higher.

Number three, our if you look at the domestic market, we have grown by 10% year-on-year, whereas the two-wheeler industry has degrown by 2% and the automotive industry as a whole has been flat on a year-on-year basis.

And the last, not the least, the exports have been subdued, which is due to the geopolitical issues and global phenomena, which the overall industry has seen. For the last 2 quarters, the exports from out of India to Europe and America are not doing well. So this is the reason that why our growth is only 7% and 11%.

Vishal: Okay. Okay. Fine, sir. Sir, my second question is regarding the sunroof system, the new JV, which you are planning to get into. So currently I just wanted to ask you who are the current suppliers, who are the current competitors, to whom we will be competing in this market? And what is the overall market size in terms of value? And you said that we expect that industry penetration to grow to 30% in terms of volume, that's fine. But what -- currently, what is the in terms of value, how big this industry is?

Aakash Minda: Yes. So Vishal, as I mentioned, the industry is expected to be about \$500 million to \$600 million, as per our calculations, by 2030 as we believe there are about 3 or 4 players in the industry in India right now. And our expectation is that this kit value offering for sunroof has a particular product is about 15,000 to 20,000, depending on the configuration.

Of course, there are other products which are under discussion, which will have also, if not such high but maybe a similar range of pick value added on in this partnership.

Vishal: Great. Great. Great. My last question is regarding -- if you see, your employee cost run rate has increased from INR157 crores in Q3 FY '23 to gradually to INR180 crores INR175 crores last quarter and now INR187 crores. Similarly, in terms of other expenses, has also increased from INR109 crores to INR120 crores. Is there some one-off here or some additional costs we have paid?

Aakash Minda: Yes. So I'll ask my CFO, Vinod Raheja, to answer. But largely, the reasons are, of course, expansion, the minimum wage increase across states from the customers -- sorry, from the government and third, of course, higher spend in the engineering to come up with new products and technology for the growth to come in forward.

Moderator: We'll take the next question from the line of Shridhar Kallani from Axis Securities. As the current participant has left the queue, we'll move on to the next question, which is from the line of Jay Kale from Elara Capital.

Jay Kale: So my first question is regarding the sunroof. If you can just throw some light on the capabilities of this JV, is it more on the TVS sunroof or panoramic sunroof, how is the product profile for this partner, globally?.

And what are the I mean, I understand you will not be able to give a flavor on the customer. But whom are they predominantly strong with, is it the European customer, South Korean customers, Japanese customers? Any flavor on that because that could also help you in having relationships, from an Indian context, with those OEMs?

Aakash Minda: Yes. So to answer your question, this company, as I mentioned, is making about 2 billion sunroofs annually. Second is that they are partners to European OEMs, Japanese OEM and local OEMs across China and Mexico as well as Europe. Third, they are making sunroof particularly all top loaded, bottom loaded, TVS, panoramic is in that product portfolio.

And last, not the least, I would like to add that we are, of course, also engaging for other products, which are closure systems for the four-wheeler vehicle access, which are almost to the similar kit value that they offer.

Jay Kale: Understood. And these other products would be largely the similar products, which are -- which they have currently in their product portfolio, and you will be partnering with them for that to get that into India, is that understanding correct?

Aakash Minda: Absolutely right. And they have the product portfolio, which are in our road map for offering a complete system solution offering in a vehicle access of passenger vehicle. As I would like to repeat again that Minda Corporation is going to increase its portfolio in the vehicle access system space and products that we have mapped, which are synergies in nature, are going to be added continuously.

So we believe sunroof and other closure systems in the vehicle access portfolio in line with our commitment is what we are continuing to partner and offer to the Indian market, increasing our kit value in the four-wheeler vehicle access space. We would like to increase our revenue from the four-wheeler segment, going forward.

Jay Kale: Also, is this arrangement purely for your supplies to the Indian OEMs in this or there is also this option of then sourcing for their global supplies from India through this JV? Is that also a consideration?

Aakash Minda: Yes, that is a consideration.

Moderator: Ladies and gentlemen, this will be the last question for today, which is from the line of Natasha Singh from Yes Securities.

Natasha Singh: Congratulations on great numbers. I wanted to ask what is the split of premium and value products in terms of revenue? And what is the margin guidance for future for them?

Aakash Minda: So sorry, if I understand your question, you're asking that what is the value for the legacy products versus the new technology products?

Natasha Singh: Premium and value products, the split of premium, basically.

Aakash Minda: Sorry, ma'am, that's a very vast question. But just to tell you, we do categorize all of our different products and different buckets. So there will not be uniform answer to -- because, for example,

if I look at the keyless solutions as one traditional offset and then one is keyless solutions; so If I look at the wiring harness, there is this simple wiring harnesses versus now the electric vehicle complete system solutions offering.

If I look at the instrument clusters and speedometers, there's traditional analog clusters, which are now going to be TFT and into pass cars moving to cockpits. There are, of course, new sensors that are coming in. And die casting, there are regular products versus much advanced technical products and of course, EV products which are new.

At a broadly general level, definitely the value products, in your terms, have typically lower profitability. And with the increased content, with the increased electronics and more and more comfort, convenience features and with [pace] technologies, the advanced technology products have a better profitability.

But since they are coming into the market, initially, there will be a lag of the profitability because we have to get economies of scale as well as they are in the start-up phase.

Natasha Singh: Okay. Is it possible to get blended margins for the split?

Aakash Minda: No, sorry. For the blended margin, of course, if you compare the premium products, the revenue as well as the profitability will be higher. For the legacy products, definitely, there are different margin profiles because internally, what we also do is we see the segment-wise product and where they should be manufactured toward products profitability they should have in order to have the right product mix as well as the profitability mix across segments and across platforms.

Moderator: Ladies and gentlemen, we will take one more question, which is from the line of Jyoti Singh from Arihant Capital.

Jyoti Singh: Sir, my question is on the loan side that we have given to JV, INR400 crores, as per the cash flow statement, if you can throw some light on that?

Aakash Minda: Sorry, can you repeat the question, please?

Jyoti Singh: There is a INR 400 crores loan given to a JV, as per cash flow statement. If you can throw some light on that?

Aakash Minda: So, it's not INR 400 crores, it is INR 4 crores given to one of the JV companies.

Jyoti Singh: Okay. Sorry. Yes.

Aakash Minda: It is INR 400 lakhs, I mean.

Jyoti Singh: Okay. Okay. Then it's fine. And also, sir, second question on the export front, like it is a subdued from last 2 quarters. So if you can give some outlook, going forward?

Aakash Minda: Yes, ma'am, exports definitely continues to be the focus for the group. We continue to build order book from the export customers, which are global sourcing as well as customer-oriented across segments. Definitely, we expect them to improve in the quarters to come. But honestly,

in the European as well as the American situation currently, we just would say we are cautiously optimistic.

Moderator: As that was the last question for today, I would now like to hand the conference over to Mr. Aakash Minda: for closing comments. Over to you, sir.

Aakash Minda: Yes. Thank you. So thanks a lot, once again, for everybody to join the call. We at Minda Corporation remain focused on enhancing our core and deepening our capabilities across product portfolio, with a special focus on EV and electronics.

Our strategic approach will remain on fortifying our core products and expanding our products and customer base both by attracting new clients and deepening our relationships with existing ones. We are fully poised and confident of margin-accretive growth in the coming quarters. So thank you very much for joining. And please, have a great festive season.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Asian Market Securities Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.