



“Minda Corporation Limited  
Q1 FY '24 Earnings Conference Call”  
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Dolat Capital



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**Moderator:** Ladies and gentlemen, good day and welcome to the Minda Corporation Q1 FY24 Earnings Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Jain from Dolat Capital. Thank you and over to you, sir.

**Abhishek Jain:** Thanks Seema. Good evening everyone. On behalf of Dolat Capital, we are pleased to welcome you to Minda Corporation Q1 FY24 Earnings Conference call. We thank the management for providing us the opportunity. From the management side, we have with us Mr. Aakash Minda, Executive Director, Finance and Strategy. Mr. Vinod Raheja, Group CFO, Mr. Anshul Saxena, Group Head Strategy and Merger and Acquisition, and Ms. Pushpa Mani, Lead Investor Relations. We'll start the call with a brief opening remarks from the management and followed by Q&A sessions. Now I hand over the call to Mr. Aakash Minda for opening remarks. Over to you, sir.

**Aakash Minda:** Good evening and thank you very much, Abhishek, for organizing this call for us. So good evening, everybody, and welcome to the quarter one financial year 24 Earnings Call of Minda Corporation Limited. On behalf of the company, I thank all of you for joining us on this conference call, and I hope you are keeping safe and healthy. The auto industry saw moderate growth during the quarter across most of the segments and two-wheeler and passenger vehicle demand mainly driven by pickup in demand driven by new product launches and rise in demand for SUV style vehicles.

While commercial vehicles and tractors demand remains subdued on the back of strong pre-binding quarter for FY23 due to implementation of OBD Phase 2 norms and festive season. Exports largely seem to be bottomed out with possibility of recovery in coming quarters. Commodity prices have reversed the rising trend and have started to soften from elevated levels. Semiconductor supplies have also eased out, especially on the back of effective supplier management.

We expect gradual improvement to continue in the coming quarters. Coming to the financial performance of Minda Corporation, during the quarter, Minda Corporation continued on its growth momentum trajectory with consistent better than industry performance. Our revenues from operations stood at INR1,075 crores with a growth of 6.4% year-on-year on the back of strong product portfolio, solid customer base and presence across segments. In terms of quarter-on-quarter revenue growth, our domestic growth has been higher than the domestic industry growth, which is in line with our long-term plan due to the premiumization of products and launch of new products and platforms.

However, exports were subdued mainly due to the global economic headwinds. In this quarter EBITDA margins stood at 10.7%, growth of 12 basis points year on year, with profit before tax of INR 63 crores and PBT margin of 5.9%, mainly due to higher finance costs and depreciation on the back of investments in capacity addition and technology, which would accelerate our

growth going forward. Profit after tax stood at 45 crores, the tax margin at 4.2%. Now, I would like to take you all through the key developments during the quarter.

This quarter was marked by gaining traction in our in-house developed products of two-wheeler smart keys, which constituted more than 15% of the total two-wheeler lockset revenues. With our consistent focus and commitment on R&D and technology and innovation, Minda Corporation filed four patents during the quarter, taking our total patent count to 255. During the quarter, Minda Corporation won lifetime orders worth more than 3,000 crores across segments and products and technologies.

Out of this, 50% of orders came from the electric vehicle mobility segment, representing our product's growing acceptability and our readiness for electric vehicles. Apart from adding prominent new customers to our EV portfolio, we had significant battery charger order win of Rs. 750 crores lifetime from a leading OEM. The company won more than 30 awards at various forums like QCFI, ACMA, CII and various customer awards. The roadmap ahead would be to focus on the core products premiumisation, growing our share of business with existing customers and onboarding new customers to focus on technological upgradation via in-house R&D and global strategy tie ups.

We are also working on further strengthening our operational excellence through cost leadership and digitalization of business processes. We are continuing to work upon localization of connection systems to reduce dependency on imports and improve margins. Now I will take you through to the presentation with the key highlights of quarter one performance. I now refer to the earnings presentation which we have uploaded, and I refer to the page four which is sharing about the Minda Corporation Limited.

Minda Corporation Limited is primarily into the five business areas, which is mechatronics, information and connected systems, plastic and interiors, aftermarket, and green mobility solutions. Our key customers are almost all customers across various segments in IC, engine, EV, two wheelers, four-wheelers, three-wheelers, commercial vehicle, off-road. We have more than 30 manufacturing facilities globally, 16,000 people, nine partnerships, and we focus on R&D via our Spark Minda Technical Centre in Pune and Bangalore.

We have a diversified product portfolio, global customers, strong manufacturing, and advanced R&D with six decades of automotive experience. I now move on to the slide six, which is on the financial performance. I would like to share on how the automotive industry has grown. If I look at the quarter one, year on year growth, auto industry has grown by about 2.3% wherein two wheelers have grown by about 1%, passenger vehicles have grown about 7%, three wheelers have grown by 24%, commercial vehicles and tractors have de-grown.

Quarter 1 FY24 was a mixed bag on demand perspective with signs of volume growth, moderation in most segments. In the two-wheeler segment, the slowdown in scooter sales was countered by the pick-up in demand for motorcycles primarily through the changing customer preference in the premium two-wheeler space. PV volumes declined quarter-on-quarter mainly due to high base while soft growth in moderation on YUI driven by rise in demand for STV style vehicles and new launches.

On the quarter-on-quarter basis, the industry grew by 6.5%, largely based on the 12.1% growth from the two-wheeler industry. Passenger vehicles de-grew by 6.5%. Three-wheelers and commercial vehicles also de-grew by tractors almost flat. Going ahead, demand is expected to remain moderate mainly due to the seasonality and is expected to pick up with the beginning of the festive season. In two-wheelers, exports are expected to recover gradually going forward. Moving to the next slide, which is on the key highlights of Minda Corporation for the quarter.

We have consistently grown better than the industry with revenue growth of 6.4% year on year. We have won market businesses in our new technology products such as smart keys, wiring harness, instrument clusters, sensors, EV die casting, and others have started production with our customers. EBIT's margin at consolidated levels stood at 10.7%, improvement of 10 to 12 basis points year on year. Total lifetime order wins during Q1FY24 was about Rs. 3,000 crores, with EV constituting about approx. 50% of the orders won.

One such great order was from a leading two-wheeler OEM for battery chargers, worth Rs. 750 crores lifetime order book. We filed four patents and won many awards. SmartKey for two-wheeler continues to gain momentum with 15% of our two-wheeler lockset revenues. We've outperformed the industry with consistently growing revenues and double-digit margins. Moving to the next slide, we would like to share our truly diversified revenue model. So, by geography, India still continues to be our largest revenue share, followed by exports which is about 8% to 9%, and our overseas operations of Indonesia and Vietnam by about 6%.

By end market, two-wheelers and three-wheelers constitute about 40% to 45%. Commercial vehicles about 25% to 26%. Passenger vehicles about 15%, and aftermarket about 10%. By product, lock set constitutes about 25%. Wiring harness about 35%. Die casting is about 15%. Instrument clusters is about 15%. And others, like sensors and EV products, are about 10%.

Moving to the next slide. Our revenue has grown year-on-year basis from INR1,010 crores to INR1,075 crores. On a quarter-on-quarter basis, it has been INR1,075 crores to INR 1,075 crores. At EBITDA we have grown 8% from INR 107 crores to INR 115 crores and stood at 10.6% to 10.7% at PAT margin, we have gone from INR 52 crores to INR 45 crores due to higher interest and depreciation costs.

Moving to the next slide, which is slide 10, that is the consolidated performance. As I mentioned, our operating revenue has grown by 6.4% year-on-year from INR1,010 crores to INR1,075 crores. EBITDA margin as grown from INR107 crores to INR116 which is increased by 7.5% and 12 basis points. Our PBT has grown from INR 71 crores to INR 63 crores and PAT has grown from INR 52 crores to INR 45 crores.

Overall, on the domestic front, Q1 industry grew by 2% while we grew by 6.4%. Exports continue to be under pressure due to macroeconomic challenges. EBITDA margins stood at 10.7%. We delivered double-digit margins on the back of increasing efficiencies, streamlining fixed costs and component localisation initiatives in our wiring harness division.

Commodity prices have also reversed the rising trend and started softening and semiconductor supplies continue to ease, especially on the back of effective supply management and support from our suppliers.

Moving to the next slide, which is the business vertical performances. In our mechatronics, aftermarket and other divisions, our revenue on year-on-year has gone from INR 492 crores to INR 513 crores with EBITDA from 12.6 in Q1FY23 to 13.1 in Q1FY24. Here Middle East exports have been a concern on quarter-on-quarter basis, as they have come down. Margins have increased on a daily basis on year-level due to better efficiencies in the lock-set and die-casting division, aided by continuously rising smart key volumes.

Exports continue to remain under pressure. In our information and connected systems, which is the instrument cluster, sensors, and wiring harness division, the revenue grows from INR 518 crores to INR 562 crores, which is growth by about 8.5% based on the domestic market. And our margin is also about 8.6%, which is flat mainly due to the employee cost and also due to ramping up of volume in our new plants in the wiring harness in Pune and other locations.

Moving to the next slide, which is slide 13, on our strategic pillars of growth. Minda Corporation focuses on enhancing our core in the core products of safety security systems, wiring harness, instrument clusters and sensors, die casting in new products, focusing on innovation and technology, which is to in our R&D and joint collaboration with global players.

Electric vehicle opportunity, and as I mentioned, all our products are EV agnostic, which is with the rising trend of EVs, our products are going to an increase in content for vehicles and get value through the electrification and electrification that is happening. And last but not the least is focusing on strengthening our passenger vehicle offerings to control systems, sensors, and interior solutions.

Our focus is to transform and become a complete system solution provider and a partner of choice to OEMs, focusing on cost leadership in manufacturing and thought leadership in technology, and premiumization of all our products across segments and leading to the delivery of better results than the industry and continue to improve our margin profile.

Moving to the next slide on our engineering capabilities, we have now more than 500 engineers. Total patents are about 255 plus. From this year onward, we are spending about 3% into R&D, into new technology. On the right, you can see our technical centre, Pune, focusing on our core product lines and enhancing our software solutions to our products.

Moving to the next slide, which is slide 15, on the kit value of the electric vehicle mobility. This is a representation of our two-wheeler where all the products of Minda Corporation are EV agnostic and will be offering products in the EV space, irrespective of the engine segment. On the right is the potential kit value that we offer. So, in our vehicle access systems and mechatronics, it's about INR4,500 in an IC vehicle. We go to about INR2,000 to INR3,000 by increase.

In case of wiring harness and connection system, it will increase by about INR 2,000 to INR 2,500. And the new products which are already launched, such as battery chargers and DC-DC

converters and EV-SE products, is about INR 8,000 to INR 10,000. Total potential get value for EV is about INR 16,000 to INR 20,000. We have the only products that we have manufactured and started selling as of now. Below are our EV customers that range from domestic and export across segments.

Moving to the last bit, which is on the ESG sustainability framework. Minda Corporation follows the highest standards of ESG sustainability, which is also available on our website and reviewed by our independent directors on a quarterly basis.

Moving to the next slide is our corporate social responsibility and how we are focusing to give back to the society across our locations, through blood donation camps, and other activities that we do. Last but not the least is some of the awards and recognitions that we've achieved from our customers all across.

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

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead. Ms. Jyoti, your line is in the talk mode. Please go ahead with your question.

**Jyoti Singh:** Thank you for the opportunity. So, my question is on the like on the first only die casting if you could give the Q1 number for die casting and for the full year. Last year, how much it was? And second is what point do you expect a recovery in the export and how is the momentum? And when we are seeing a full recovery going forward?

**Management:** Yes, so I'll take your first question in terms of how we are focusing on the exports growth. So, exports are looking subdued currently. Now in the first quarter, we have had at least 10% to 15% lower sales from exports based on the geopolitical concerns and other financial microeconomic issues. We expect our exports to come back from quarter three onwards. And that is when the year-end closing happens and more and more sales start picking up for the export market as well. So, expectation is to come back from the quarter three onwards.

So, on the first question, which is on the die-casting front, last year in quarter one we did about INR 184 crores worth of revenue. And this year we have done about INR 208 crores worth of revenue, which is a growth of about 13%.

**Moderator:** Thank you. We take the next question from the line of Shridhar Kallani from Axis Securities Limited. Please go ahead, sir.

**Shridhar Kallani:** Thank you, a very good evening. So, my first question is on the order wins in Q1, which you have stated is INR 3,000 crores. If you could give us a segment wise breakup, like in which division, how much order we have received, if that's possible?

**Management:** Yes, so thank you for your question. If I again have a look, out of the INR 3,000 crores, about INR 400 crores are replacement businesses and about INR 2,600 crores are for the new businesses. Exports are about INR 138 crores. If I look at the mechatronics division, about INR

1,100 crores worth of order have been booked, out of which 14% have been for replacement, and 86% have been for new businesses.

In the information and connection system, it's about INR 1,050 crores, out of which 70% is for the new businesses, and about 23% are for replacement businesses. And other orders, which are about INR 860 crores, again, or most or rather all of them are for the new businesses, such as the EV segments and all.

**Shridhar Kallani:** Okay, thank you and if you would provide us some details on pre-call any updates that, we have from CCI?

**Aakash Minda:** So, we have already applied in the CCI, as and when we hear anything, we will be making it public, the next moment itself. So as of now, the CCI continues to review our application.

**Shridhar Kallan:** on a Y-o-Y basis in Information and connected system. You all are mentioning Q1 FY '23, 8.6% margin and Q1 FY '24, 8.6% margin, right?

**Aakash Minda:** Correct.

**Shridhar Kallan:** But in the statement below, you all are mentioning margins have decreased by 50 bps Y-o-Y mainly due to increase in employee cost and ramp up in volumes. So, this margin that has decreased by 50 bps is it only for the ICS or on an overall basis?

**Aakash Minda:** No, this is again primarily, it has been increased in terms of our Minda instruments, which is the cluster and sensors division. However, in terms of the wiring harness, if I look at from the year-on-year basis, this is lower because of the new plant that has come up and the productivity efficiency is there just because of the new plant. So it is in this particular division, not at the company as a whole.

**Shridhar Kallan:** Understood. Thank you. That's it from my side. Thank you.

**Aakash Minda:** Thank you.

**Moderator:** Thank you, sir. We take the next question from the line of Mr. Abhishek Jain from Dolat Capital. Please go ahead, sir.

**Abhishek Jain:** Good evening, sir and congratulations for great set of number in tough time. Sir, my first question is related with this Smart Key, which contributed around 15% of the overall locking system. So, have you own any new business in two-wheeler locking system?

**Aakash Minda:** Yes. I will not be able to disclose the name of the customers, but we are winning orders across engines, which is EV as well as IC engines. So yes, in quarter one this year, we have won a business of about INR 360 crores for Smart Key from one of the leading OEMs in India as well. One of the businesses, which is significant.

- Abhishek Jain:** Now you don't have any presence in the four-wheeler segment in the locking system, so are you looking to enter in that business?
- Aakash Minda:** No, that is not correct. We have a presence in the four-wheeler locking system market in India and exports. So, we are under development and supplying to local Indian OEM as well as exporting locking systems overseas.
- Abhishek Jain:** Okay and how is the progress of the ASEAN business in the first quarter?
- Aakash Minda:** So, for the ASEAN business, I'll give you the numbers. Just one second, please. So, in our ASEAN business, we have a total sale of about INR 50 crores in the first quarter.
- Abhishek Jain:** Okay, sir. And my last question is, what kind of the growth you are targeting in FY '24? You had mentioned earlier that, you are looking at 20% to 25% growth for the next three years. So, are you intact on that statement or you will downgrade the numbers?
- Aakash Minda:** No, we are continuing to focus and commit on the numbers that we have already shared before, with our outperforming of the industry and growing about 20% to 25%, backed up by the focus on technology and primarization of the products, addition of new customers, increasing share of businesses, addition of new segments such as exports and aftermarket, as well as focusing on the passenger vehicle offerings as well, and increasing kit value.
- These are some of the areas that, how we will be increasing our growth, as well as addition of new products to technology tie-ups and in-house development as well. So that continues, of course. But yes, quarter-on-quarter, we'll have to evaluate, like in terms of the way I mentioned in the beginning, that this quarter, our domestic sales have been much higher than the industry, but the export sales have been subdued.
- Abhishek Jain:** Thanks, sir. That's all from my side.
- Moderator:** Thank you, sir. We take the next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Yes, hi Aakash. Can you give some colour on how much the domestic growth versus the 6% volume growth, which you are referring in the presentation?
- Aakash Minda:** So, our domestic growth has been to the tune of about 7% to 8%, which is quarter-on-quarter growth.
- Pritesh Chheda:** And for the Y-o-Y?
- Aakash Minda:** Y-o-Y has been again much higher. It is getting about the tune of 12% to 15%.
- Pritesh Chheda:** And how much did exports decline?
- Aakash Minda:** The exports have declined by to the tune of about 20%.



- Pritesh Chheda:** And I was just wondering, we had these lifetime order announcements done in FY '22, lifetime order announcements done in FY '23. And now we have another INR3,000 crores in quarter 1 FY '24. So, I was wondering, for those two years, your lifetime orders, they haven't come in commercial states?
- Aakash Minda:** So typically, in automotive, when you win an order, it takes about 1.5 years to two years for the order to come into start-up production. And then the first year is typically a ramp-up phase. So, when you win an order, it's about two years to three years from then, comes the peak value into the sales. That is typically how the automotive industry works as per our experience as well. So, when we win an order this year, typically 2.5 years or two years to three years from now, we will see the peak value coming into our sales.
- Pritesh Chheda:** Yes, so you had a INR 1,500 crores order win in '22 and about INR 2,600 crores order win in '23. So, at least of that INR 1,500 crores, some number should have flowed in this quarter, right?
- Aakash Minda:** No, it does not depend on quarter, it depends on the full year. In some cases, for example in the INR 1,500 crores, typically we divide it by four years or five years. So, if I typically divide by INR1,500 crores order book, it will be somewhere about INR350- INR400 crores odd that should come in one year. Now out of that one year, the start of production can happen in first quarter, second quarter, third quarter or fourth quarter. So, if the order has come in last year, typically the start of production should happen from H2 onwards and the peak year should be next year, which is FY '25.
- Pritesh Chheda:** So, if that's the case then, what is bothering you on that 20% growth number, which you were initially highlighting about based on the order wins, that you will grow 20%?
- Aakash Minda:** What is bothering us or what was the question?
- Pritesh Chheda:** So, what is limiting you, to call out the higher growth number guidance?
- Aakash Minda:** We stand by our commitment. I just explained in terms of our growth based on the five, six factors that I've just now explained. That if you look at the full year basis, the growth stands committed. Of course, quarter-on-quarter, they can vary due to the factors, I have just now explained domestic and export.
- Pritesh Chheda:** Okay, and lastly any progress on the equity investment that we have done in one of the listed names?
- Aakash Minda:** So, as we have also shared and public information, we have already applied for CCI and the CCI is currently evaluating our application. As and when, we hear something, you guys will be the first person to know.
- Pritesh Chheda:** Okay, sir. Thank you.
- Management:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Harish Shah from HS Capital. Please go ahead, sir.

**Harish Shah:** Well, thanks for the opportunity. I just need a couple of updates from your side. First is with regards to the Smart Key business. As mentioned that it constitutes nearly 15% of two-wheeler lock set revenue. We would be interested to know the names of the clients that who we are associated with. That is my first question.

And the second question is, if you can also provide an update on the component internalization plan, which we are having for the wire harnessing division?

**Management:** Yes, so I will not be able to give you the exact names against the orders as we are bound by confidentiality with our customers. But I can tell you some of the general names where we have won the orders as well as only in mass production and you can see from the market as well. There are customers like Bajaj Chetak, Honda and other export customers as well.

And as and when the new customers start coming in, you will see those products in the market. We have 100% win ratio of the RFQs that come across our door when it comes to the two-wheeler Smart Key solutions.

So, our focus is how we can still be leader, having 100% market share in this particular segment, and continue to focus on value-added engineering in order to offer these products all across segments, whether in IC, EV, as well.

On your second question, when it comes to the component localizations, so we again, continuously focus on investing in our development capabilities for in-house connection systems. As I mentioned earlier, in about BS4 to BS6 times, we were having about 50% to 60% components made by in-house by Minda Corporation. But then when the BS4 to BS6 came in, we had to start importing.

So, currently, or rather, at that point of time, we were importing about 90% of our connectors. But now we are importing about 70% of our connectors in line with our commitment that we've already given before. And our domestic local sourcing is about 12% to 13%. And internal, from Minda Corporation component division is about 10% to 15% in our wiring harness component localization.

And as and when now we are getting more and more approvals quarter-on-quarter based on our two-wheeler and other OEMs, we'll continue to add these products both in IC and EV segments.

**Harish Shah:** Okay, so we expect this localization to improve like from going in the coming quarters?

**Management:** Yes, of course. Every quarter-on-quarter you may see a small number, but in the long term horizon as in about two years' time, we have maintained our goal and target to go from a single digit EBITDA number from the wiring harness division to a double digit EBITDA number, which we are in line in order to achieve the same.

**Harish Shah:** Okay. Thanks for your reply. And if required, I'll join back with you.

**Management:** Thank you.

**Moderator:** Thank you. The next question is from the line of Mihir Desai from Desai Investments. Please go ahead, sir.

**Mihir Desai:** Thank you for the opportunity. Sir, my first question would be on the premiumization. As your company is known for product premiumization, can you throw some light on what is happening in our cluster business?

**Management:** Yes, so typically if you see an instrument cluster, it depends on segment-to-segment. If I speak about a two-wheeler segment, or analogue cluster, or a needle-based cluster, or stepper motor cluster, what we call, it's typically about INR 600 to INR 700 rupees. But when you move on to the next generation of clusters, which are smart clusters in the form of personalized, individualized, connected clusters, and more of TFT. They are, of course, to the range of about INR 3,000 to INR 5,000 per cluster.

Of course, they are first higher penetration into the EV segments, as well as in the higher end bikes. And as and when we get more and more volume and more and more acceptability, they are now moving into the lower segment of bikes as well. So, that is on the two-wheeler segment. When I speak about the four-wheeler, per se, in a four-wheeler now you will all see in the A and D segment, you will have needle-based clusters, which are, again, typically INR 1,500 or INR 2,000. And if I speak about a TFT cluster in a high C and D segment vehicles, you will have more than about INR 8,000 to INR 10,000 of these clusters.

And going forward, these clusters are now coming into a cockpit or an end-to-end pillar-to-pillar cockpit solutions, which are having infotainment and other heads of display and other driver information system, what we, what Minda Corporation calls. And we are fully geared up and ready, and also displaying our products to customers all across in India and overseas through our partners and in-house technology for catering these solutions in the analogue segments as well.

When it comes to the commercial vehicle segment, of course, they are open to sky. So, there are different technologies available there. But yes, of course, they are also now moving from analogue-to-digital clusters and tractors, or even they are open to digital clusters. And again, with the rugged application, they are there where there is less penetration when it comes to the TFT cluster, just because of the application of the tractor industry. But yes, in time to come, they will also move into the similar aspect.

But the cabin tractors, the tractors which are covered fully, where they are moving into the TFT per se, where they are also, Minda Corporation has partnered up with the Indian OEMs and already developed clusters and started supplying TFT clusters for the domestic and export models, which are open to Skype, as well as in the cable side, for EV and non-EV tractors as well.

**Mihir Desai:** Sir, secondly, on the bookkeeping, I wanted to ask that the depreciation figure, if you see, it's gone up. So, if you can throw some light on this?

**Management:** So yes, I'll ask Mr. Vinod Raheja to take up this question please.

- Vinod Raheja:** As you can see from our Annual Report that in the fiscal 22-23, we incurred a capex of about INR 280 crores were capitalized. And so, the full year impact of that depreciation and, of course, in the coming quarter, the capacity utilization of those should also happen and take in action.
- Mihir Desai:** And sir can you please also guide on net debt levels of what you are planning to end, what are the current levels?
- Vinod Raheja:** Net debt is INR 462 as of 30th of June.
- Mihir Desai:** Yes. And, sir, lastly, as in India, specifically currently the aerospace industry is getting under limelight on make in India front. So, do we see as our company would have any opportunity in that sector also or that segment?
- Management:** So, we keep continuing to evaluate various markets and options and opportunities, definitely. But yes, we believe that for us automotive, there's a lot of opportunity and scope available. So, we continue to focus on the automotive segment.
- Mihir Desai:** Yes. Thank you. If I have further questions, I will join the queue.
- Management:** Thank you.
- Moderator:** Thank you. The next question is from the line of Devang Shah from Asit C Mehta Investment Intermediates Ltd. Please go ahead, sir.
- Devang Shah:** Sir, I just want to know that the PAT margin that is coming in these particular quarterly numbers around 4.2%, there is a significant -- we have seen a decline. So, any specific reason and moving forward what's your outlook on that?
- Management:** Yes, so as we just now explained, the primary reason is due to the increase in the finance cost and the depreciation. So, the finance cost on year-on-year has gone from INR 8 crores to INR 14 crores and depreciation has gone from INR 32 crores to INR 39 crores and our forecast -- and our interest rate has also increased. So, these are the reasons why the tax margins have gone down. But overall, again, for the year, this should come back to the same levels as we have always target.
- Devang Shah:** And last year, there was one time tech side back actually, as you might be would know. That also had sort of positive impact on the baseline. Okay, so you are optimistic moving forward that it is going to improve from here on?
- Aakash Minda:** Yes.
- Devang Shah:** Okay, thank you, sir.
- Moderator:** Thank you, sir. The next question is from the line of Richa Agarwal from Equity Master. Please go ahead.

- Richa Agarwal:** Thank you, sir. So, my question is on the EV kit value that you have suggested that the potential kit value can go up to INR 16,000. The question is, I mean, do we see these gains visible in the increased realizations and at the top line level, or does it also kick in at the margin level? Because let's say from FY '18 to now, the margin is kind of stable at 11%. So, let's say, two years to three years from now, as these lifetime win orders start contributing, do you expect an improvement in the margin? And if yes, to what extent?
- Aakash Minda:** Yes, so firstly, again, this 16,000 to 20,000 is the potential. It is based on the products that we are currently supplying and are in mass production. Of course, in a particular bike, then 100% of the stated value may not go. But this is our complete kit value offering in the two-wheeler segment that we offer in the mass production range.
- When it comes to the future of the products of the electric vehicle mobility, with the improvement in terms of minimization, electronification, electrification of our products, definitely the margin is expected to improve with more-and-more software content and electronics content going up that is how we expect to grow this. But we do not expect to grow to the tune of 15% EBITDA margin.
- Richa Agarwal:** Okay. Sir, could you also give us any sense of capital capex for FY '24?
- Aakash Minda:** So typically, we spend about 5% to 6% of our top line into depreciation, of which 2% to 3% goes into R&D. About 1% to 2% goes into the greenfield projects or plant operations. And about 1% to 2% goes in our regular and maintenance capexes.
- Richa Agarwal:** Okay, thank you so much.
- Aakash Minda:** Thank you.
- Moderator:** Thank you. The next question is from the line of Tanuj Khiyani from Ventura. Please go ahead.
- Tanuj Khiyani:** Yes, sir, I just had one question regarding the effective tax rate. What will be our effective tax rate going forward? And do we have any bad credit?
- Aakash Minda:** Sorry, is your question on effective tax rate?
- Tanuj Khiyani:** Yes, and the remaining bad credit. So, can I get some information on that?
- Aakash Minda:** Yes, for the fiscal '23-'24, we are expecting effective tax rate of about 20% to 21% range.
- Tanuj Khiyani:** Okay, got it. Thank you.
- Aakash Minda:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Rajesh Kumar from Share Giant. Please go ahead, sir.

**Rajesh Kumar:** Thank you, sir, for taking my question. My first question is, can you help us by throwing some light on how the EV sales is panning out and which are the major products in that segment and how do you see the traction going forward?

**Aakash Minda:** Yes, so again, if you particularly look at the two-wheeler EV penetration in the Indian market, which is close to about 3% to 4%, Minda Corporation's revenue from the EV perspective or the EV segments is typically higher to the tune of about 6%. So, it shows that clearly we are going ahead of the industry growth when it comes to EV sales and our penetration is much higher, which shows our customer confidence in our products, technologies, and capabilities.

So, if I put into numbers, in our quarter 1 last year, about 2% of our sales were EV. And in this quarter, about 5.5% to 6% is our revenue from the EV sales from our top line perspective.

**Rajesh Kumar:** So, are you seeing any kind of disruption due to the recent news on the FAME policy or the subsidy in the EV front? So how do you see it panning out?

**Aakash Minda:** So, in the long run, EV is inevitable, from my opinion. EV is definitely going to penetrate more-and-more. Of course, there will be some short waves that will be there. Last year, there were some fires during the summer. This year, there are some regulatory concerns. Next year, there could be something else. But again, these are all short-term also, if I may say. But in the long run, yes, definitely EV is the future when it comes to the two-wheeler segment and going beyond other segments, which is bound to grow.

**Rajesh Kumar:** So, what are the kind of the margins you are making on the EV segment?

**Aakash Minda:** So, it depends on product-to-product, and it depends on segment of the two-wheeler also. So, if there are customers which are mass manufacturers of EV, of course, they are not so pre-demised in nature. But if there are segments and customers which are higher end of the EV segments, then of course, they are using even my products where our profit margins are higher.

**Rajesh Kumar:** Thank you, sir, for taking my question. I will come back to the queue for further questions. Thank you.

**Aakash Minda:** Thank you,

**Moderator:** Thank you, sir. We take the next question from the line of Saral Seth from Indsec Securities and Finance Limited. Please go ahead.

**Saral Seth:** Yes. Hi, team. Thanks for the opportunity. My question was with regards to the product mix. So, we see that the two-wheeler mix has gone up while the commercial vehicles and passenger vehicles have gone down. In fact, even aftermarket has gone down. So, this also has impacted our margins. Would that fair to -- would it be fair to say?

**Aakash Minda:** So, as I mentioned again, exports have been subdued in this quarter and the domestic sales also has grown by 6%. And most of this has come from the growth of two-wheelers, which is at the rate of 12% shown in slide number six. So of course, which replicates our 45% of our revenues coming from two-wheelers to three-wheelers as well. So, in the same line, our growth from two-

wheelers have also grown in this quarter to the tune of 48% revenue as compared to 44% last year.

**Saral Seth:** Right sir, that was very helpful. Sir, just a follow-up on the previous participant's question on the two-wheeler EV outlook. So, with the recent revision in the FAME 2 subsidies, there has been a volume, a subdued volume over the last two months, but there has been gradual recovery. So, any comment on that? Would you take it as a temporary and you feel the volumes could come back to historic levels?

**Aakash Minda:** Yes, yes. I think it's all temporary, I believe. In the long run, as I mentioned, it is bound to grow. So again, there will be temporary concerns faced by the industry, whether regulatory, whether technology, whether pricing, whether raw material, whether semiconductors. I mean, a lot of things. As I mentioned last year, there were some fire concerns. So, there was a small blip in the sales. But again, when we compare from year-on-year, they have grown much more. And again, if I see in the long-term perspective, two-wheeler particularly, the penetration is going to definitely grow up to about 10%, 15% and 20% in the years to come. From the current level it's about 4% to 5%.

**Saral Seth:** Sir what would be our product, the addressable market share in EV segment, in two-wheeler EV segment, what would be our market share in the addressable product market?

**Aakash Minda:** So, every segment and every product is a different mix for us. If I speak about the lock set market, overall in India, we have more than 40% market share. And again, this can be also translated into the EV segment as well. Similarly, when it comes to the wiring harness, per se, we have more than 30 different OEM's two-wheeler, again, I'm saying. And again, this EV two-wheeler space, again, while the EVs are growing up, we have some customers. We have businesses from the large two-wheeler OEMs. And when it comes to clusters as well, so here again, in the two-wheeler space, there are two types of clusters that I mentioned in the segment. One in the TFT cluster space, and second is in the analogue cluster segment. So different segments of customers have different market share when it comes to their products. When it comes to EV product lines, such as DC-DC converters, battery chargers, there again, we have different market share when it comes to the existing large customers or the startup OEMs as well.

**Saral Seth:** Sure, sir. That was helpful. Sir, several two-wheeler OEMs and passenger car OEMs have launched several new models. Do we have significant presence there in order to gain market share?

**Aakash Minda:** Yes, we have our various products going into the four-wheeler EV customers as well which again are being launched or are going to be launched by four-wheeler OEMs in India.

**Saral Seth:** Understood. Sir, despite very decent stable growth the margins have kind of stabilized at these levels though you have indicated that the raw material costs are softening. But what would be the key growth driver, you know, to increase from 10.5%, 11% to maybe 12.5%, 13% on a sustainable basis? What could be the growth driver, sir?

**Aakash Minda:** Yes, so we as an organization always have the long-term perspective and long-term view in mind. Of course, quarter-on-quarter variations could be there, which are, again, not every nature. In the long run, we expect to grow by about 20%-plus. And again, when it comes to the EBITDA numbers, we don't give future guidance. But our goal is to always be ahead of the industry. And we would like to go to about 12%, 13% EBITDA numbers. And the major growth levers are basically improvement in our wiring harness division, which is in single-digit EBITDA numbers, going to double-digit in about two years' time. And other segments, such as the exports, the aftermarket, premiumization of the products, across segments in commercial vehicles, two-wheelers, four-wheelers, a lever of EBITDA numbers as well.

Focus on all of that with technology, along with the cost leadership in our operations. So, we are focusing heavily in our operational excellence. How we can continuously engage and involve to increase our productivity levels, reduce our raw material, as well as our working capital inventory to help us perform and deliver better.

**Saral Seth:** That was helpful, sir. Sir, my final two questions. So, when you say, the potential EV kit value at INR 16,000 to 20,000, so where are we in real terms right now in terms of kit value for EV, two-wheeler EV? We are offering INR 20,000 kit value. So, it's not potential, it is actual kit value that we can offer in a segment, including all our products.

**Saral Seth:** That's quite exciting to hear. Sir, on the new product side, apart from what we are offering, industry is moving towards ADAS and those kind of technologies so do we have patents filed and do we have some kind of you know products available in that kind of segment, for example Kia has recently launched ADAS version Toyota has launched so just wanted to understand are we moving towards futuristic technologies and products?

**Aakash Minda:** Yes, so if you see maybe not in this presentation, but earlier presentations which are also uploaded online. We have signed up two partnerships when it comes to the ADAS space. One is from a company called Ride Vision from Israel for two-wheeler ADAS solutions, or what we call ADAS, Advanced Rider Assistance Safety Solutions.

And the second is from a company called Daesung in Korea for around the monitoring solutions for the mid variants and the other low variants of vehicles. So, we are also investing internally as well in order to come up with these products. Currently, these products are under development and under local adaptation and in the field trials and tests. So that is what we are currently working on, particularly to adapt. As an organization, we continuously invest in new technologies and products, which are going to be premiumized in our own areas.

Secondly, we continuously evaluate what are the synergy products in our own product domains, such as vehicle access, driver information systems, electric vehicle mobility, connected mobility, and light weighting. So, we continuously evolve and get more and-more products, which we call synergy products. And then we also keep continuing to evaluate diversification of the products, which we can add, whether in four wheelers or in other product lines, which will give us two partnerships, or organically, or investments into startups, which will give us additional growth going forward.



- Saral Seth:** Sure, sir, that was very, very helpful. Congratulations once again, I'll fall back in queue.
- Aakash Minda:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Neha Sharma from Pearl Global Investments. Please, Miss Neha has kept the line on hold. We move on to the next question from the line of Mr. Rajesh Kumar from Share Giant. Please go ahead, sir.
- Rajesh Kumar:** Thank you for giving me opportunity, again. Just one last question from my side. Sir, you have recently filed for a fundraising exercise. So, if you can throw some light on the status of the same?
- Aakash Minda:** Sorry, can you repeat the question? Your line was unclear, please.
- Rajesh Kumar:** Yes. So, you have recently filed for fundraising. So, if you can help me with the status of the same?
- Aakash Minda:** So, we have taken a board approval last quarter as a resolution on QIP to scout on the fundraising. So, we continue to explore and as and when there is a need we will definitely come back to the market for that.
- Rajesh Kumar:** Okay. And sir, on the business question, what is your plan to grow the passenger vehicle offering by Minda Corporation which is currently at around 14% to 15% of your total revenue? How do you see it going forward in the next two-three years?
- Aakash Minda:** Yes. If you see maybe two years to three years ago, this was even lower. We have added many products in terms of instrument clusters, sensors, ADAS solutions, interior plastics, shark fin antennas, other products of vehicle access. Now we're continuously working to add more products in these domains of light weighting, such as die casting and others that we export, as well as supply to customers in India.
- So, we continuously increase our focus on four-wheelers. And the next two years to three years' time, our target is to take this about from 15% to the tune of about 25%. That's our target by adding new products organically. Of course, inorganically, we can do this much faster. But definitely in a four-wheeler, per se, from the time of getting an order to a conversion and an SOP, this takes about two years to three years' time. So, our target is to go to about 25% in about four years' time from now, organically.
- Rajesh Kumar:** Yes. Thank you, sir. Sir, my last question is on the commercial vehicle side, I understand that this is a cyclical industry and roughly 30% of your revenue comes from commercial vehicles. Do you not consider this a risk and if you consider it, how are you trying to mitigate this?
- Aakash Minda:** So, industry is again cyclical, definitely, but I think this has been the way for the last many, many decades. It's growing, of course, not yet back to the levels of pre-COVID, but with the way India Inc. is going in the next five years to 10 years, this demand or opportunity when it comes to exports as well as end consumer moving into premium vehicles, whether in two-wheelers, four-wheelers, and more-and-more features and regulations in terms of safety. And

other such regulations come in. This industry is definitely bound to go and gives us opportunities, such as players like us, to increase our kick value, get new technology, and give us the desired growth.

**Rajesh Kumar:** Thank you, sir.

**Aakash Minda:** Thank you sir.

**Moderator:** Thank you. We take the next question from the line of Navin Matta from Mahindra Manulife. Please go ahead, sir.

**Navin Matta:** Yes, hi sir. Thanks for the opportunity. Just a question with regards to your cumulative order book, new order wins which may -- which still have to go into production. Would you have a number that you can share?

**Aakash Minda:** Hi Naveen. No, I'm sorry. I don't have that number which has to go into production hands off. But yes, we can get back to you with that number on how much order book is yet to go into production, which is under development right now.

**Navin Matta:** Okay, sure. And just I missed your comments on what kind of growth are we targeting for FY '24? I think we were planning for double digits. So just what are your thoughts on that?

**Aakash Minda:** It continues to be in the line that we have shared earlier and also committed to deliver those numbers, which are much higher than the industry, north of 20%. Of course, as I mentioned, that's on the annual basis. And we are committed to deliver that based on the various factors. Quarter-on-quarter, there could be definitely blips based on various factors like exports or other such reasons. But in the long run, as well as on a full year basis, we are fully committed to delivering our numbers, which are much higher than the industry and giving it the right growth.

**Navin Matta:** Okay. And sir, in your presentation, you mentioned about in the ICE segment, there was some challenges with regard to ramp-up in the Pune plants. Just trying to understand if that had any material impact in terms of your top line growth in this quarter?

**Aakash Minda:** No, there is no material growth. Rather, we continue to win more-and-more business in this product and segment and plant. That is where we have set up this plant. So as and when we make sure month-on-month, of course, more-and-more better productivity goes in.

**Navin Matta:** Okay. So, there is no challenge as such in terms of plant ramp-up. That is not the way to read it?

**Aakash Minda:** No. We are fully functional, fully capable in terms of state-of-the-art facility, fully digitalized processes etcetera. Of course, there are new products. There are new development challenges. As I mentioned, there is a ramp-up from the customer, as well as there's a ramp-up internally as well. So that is where this takes place. But of course, we have our standard operating procedures, trainings, and other such things, which are definitely there in order to service our automotive standard in customers.

**Navin Matta:** Got it. And just one last one, I think you mentioned your net debt is about INR450-odd crores, can you give me the gross number?

- Aakash Minda:** So gross in the end of this quarter is INR570 crores.
- Navin Matta:** All right, that's it from my side, thanks so much.
- Aakash Minda:** Thank you, Navin.
- Moderator:** Thank you, sir. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Aakash Minda for closing comments.
- Aakash Minda:** Yes, so thank you very much. Going ahead, Minda Corporation remains focused on strengthening its competitive edge by investing sustainably in R&D with an aim to produce high-quality products that cater to the diverse needs of customers worldwide. Our strategic approach will remain on fortifying our core products and expanding our product and customer base, both by attracting new clients and deepening our relationship with existing ones. Further, stabilizing commodity prices and semiconductor supplies are expected to aid improvement in underlying margins. We are fully poised and confident of margin-accretive growth in the coming quarters. Thank you very much.
- Moderator:** Thank you. On behalf of Dolat Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.