

February 13, 2023

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Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Subject: Transcription of Conference Call with Investors/Analysts held on 08th February, 2023

Dear Sir/Madam,

Please find attached herewith transcription of Conference call with Investors/Analysts held on February 08, 2023. Kindly take the same on record and acknowledge.

Kindly let us know if any other information is required in this regard.

Thanking you

Yours faithfully,

For Minda Corporation Limited

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“Minda Corporation Limited Q3 FY2023 Conference Call”

February 08, 2023



**ANALYST: MR. VARUN BAXI – NIRMAL BANG INSTITUTIONAL
EQUITIES PRIVATE LIMITED**

**MANAGEMENT: MR. ASHOK MINDA – GROUP CHAIRMAN – MINDA
CORPORATION LIMITED
MR. AAKASH MINDA – EXECUTIVE DIRECTOR, FINANCE
& STRATEGY – MINDA CORPORATION LIMITED
MR. VINOD RAHEJA – GROUP CHIEF FINANCIAL
OFFICER – MINDA CORPORATION LIMITED
MR. ANSHUL SAXENA – VICE PRESIDENT STRATEGY
AND M&A
MS. PUSHPA MANI, LEAD INVESTOR RELATIONS**

Moderator: Ladies and gentlemen good day and welcome to the 3Q FY2023 Minda Corporation Limited Conference Call hosted by Nirmal Bang Institutional Equities. 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, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Varun Baxi from Nirmal Bang Equities. Thank you and over to you Sir!

Varun Baxi: Thank you. On behalf of Nirmal Bang Institutional Equities I thank you all for joining this call. I also thank management for providing us the opportunity to host this call. I now hand over the call to Ms. Pushpa Mani for introducing the management and take it from there. Over to you Pushpa!

Pushpa Mani: Thanks Varun. I Pushpa Mani, Lead Investor relations welcome you all the to Q3FY23 Earnings call of Minda Corporation. Today we have with us Mr. Ashok Minda, Group Chairman; Mr. Aakash Minda, Executive Director, Finance & Strategy; Mr. Vinod Raheja, Group CFO; Mr. Anshul Saxena, Vice President Strategy and M&A. With this I would request our Group Chairman, Mr. Ashok Minda to give us the opening remarks. Thank you.

Ashok Minda: Thank you Aakash. Good evening everyone and welcome to the Q3 FY2023 earnings conference call of Minda Corporation. I would like to thank you all for joining us on this conference call here today and hope you all are keeping safe and healthy. The auto industry saw steady growth on year-on-year basis in the third quarter of FY2023 and the growth is visible across vehicle segments. Supply side constraint seems to be easing out with better semiconductor situation but uncertainty and long lead time still continues which is likely to persist until the end of FY2023. Export saw an improving trend but situation yet to be normalized on the back of certain macroeconomic factors. Among the headwinds and the tailwinds, I am pleased to report that Minda Corporation has continued its growth momentum with revenue growth faster than the industry and double-digit EBITDA margin for tenth straight quarter. The Company’s revenue from operation stood at Rs.1,068 Crores registering a growth of 45% year-on-year and 22% on like-to-like basis excluding Minda Instruments. With EBITDA margin of 10.7% PAT for the quarter stood at Rs.52 Crores with PAT margin of 4.9%. The growth was driven by better revenue visibility in both business verticals, improving product mix, increasing content per vehicle and increasing in share of business. In line with our philosophy to reward our shareholders the Board of Directors have declared an interim dividend of 20% on the face value which is Rs.0.40 per equity share.

Now I would like to take you all through the key development during the quarter.

- The company entered into technology license agreement with LocoNav for telematics software for both web and Android/iOS platforms. Minda Corporation is already providing telematics hardware kit and with the addition of software capabilities we have become a complete system solution provider in telematics.
- The company has filed five patents during the quarter in various business verticals taking the total number of patents to 229.
- We have inaugurated one of more state-of-the-art wiring harness plant in Chakan, Pune. This plant is spread across 190000 square feet and the factory is equipped with advanced machine backed by cutting edge technology.
- Successful EV launches by key OEMs like Tata, Hyundai, Mahindra, Bajaj, Honda, etc., was clear sign of EV transformation on the ground and we at Minda Corporation are all set to capture the fast growing EV space with products like smart key, DC-DC converters, battery chargers, IPS, and telematics. Nine months FY2023 EV order constitutes 24% of the total order book by Minda Corporation.

We are focused to solidify our market leadership by providing high quality, innovative products and securing new business in our core products including locksets, wiring harness, instrument clusters and sensors. Moreover, all our products are undergoing premiumization resulting in increased content value.

Moving forward our strategy will be to continue to strengthen our core products and expand our customer base by on-boarding new customers and increasing share of business with existing customers. We would be targeting this through in-house R&D, implementing technological upgrades and forming strategic partnership globally. It is important to emphasize that Minda Corporation remains dedicated to understanding customer needs and integrating advanced technology into its products for quality and sustainability purposes.

With this I would like to hand over to Mr. Aakash Minda for a brief overview of the earnings presentation. Over to you Aakash!

Aakash Minda:

Thank you Sir. I would request all of you to refer to the slides posted online for the earnings presentation Q3FY23. I thank Mr. Baxi from Nirmal Bang for organizing this call. I refer to page 3 to share about the organization. Minda Corporation is about Rs.3,500 Crores company with 16,000 people and 34 plants having nine partnerships across various products and technologies. Moving on to the next slide we have again 34 plants and primarily the focus is the operations in India and Asian countries.

I move to slide five which is showing the highlights of Q3 and 9 months performance.

- Continuous growth momentum with revenue growing faster than the market growth

- Double digit EBITDA margin for the tenth straight quarter on sequential basis.
- PAT stood at Rs.52 Crores with a PAT margin of 5% in Q3.
- Secured marquee orders of wiring harness for EV platform of South East Asian OEM.
- Order wins across various segments with EV constituting to about 24% of the orders received in the first 9 months of FY23.
- TLA with LocoNav for telematics software solution becoming a complete system provider in telematics.

I now move to the next slide where we show the consistent and sustainable market beating performance profitable growth by Minda Corporation. As a revenue made in Q3 Minda Corporation has done Rs.1,068 Crores which is year-on-year 45% growth which is consistent and sustainable market beating growth. The EBITDA stood at 10.7% at Rs.114 Crores which is again 45% growth from last year. PAT at about 4.9% at Rs.52 Crores.

We are moving to the next slide this is a snapshot about the Minda Corporation Limited which shows some of the products, the key customers, the green customers are EV customers, manufacturing facilities and R&D capabilities. On the right it shows about the number of shareholders and other shareholdings details.

Moving to the next slide sharing about the Indian automotive industry performance, if I compare 9 months year-on-year growth the industry grew by about ~16.3% wherein two wheelers grew by ~13%, passenger vehicle by ~31%, tractors by ~6% and CV by about ~40%. If I talk about the year-on-year growth for Q3 the industry grew by about ~4.6% where two wheelers' growth was pretty much flat and the passenger vehicles grew by ~21% and tractors grew by about ~6%. On a quarter-on-quarter basis the industry degrew by about ~17%, two wheelers degrew by about ~18%, passenger vehicle by ~10.5%, commercial vehicle by ~6% and tractors by a large number of ~26%. Q3 FY2023 saw strong demand in PV segment with new launches. The weakness in rural demand continues on the back of uneven monsoon, tepid rural sentiments and increased financing costs. Moving forward the industry growth to be led by continued expand of infrastructure, improved fleet utilization & profitability, a strong order book aided by a slew of new launches. The premiumisation trend in the two-wheeler and other segments is anticipated to continue in the near term. Overall industry growth in Q3 is 4.6% compared to last year. We remain cautiously optimistic on the auto industry on the back of strong cues in demand from domestic markets while export remains challenging on the back of ongoing global headwinds.

I move to the next slide which is revenue breakup for Minda Corporation. By geography India still continues to be about 85%. By end market two-wheeler contributes to be about 44% of the group revenue where commercial vehicle is about 30%, passenger vehicle is about 14% and aftermarket is about 12%. By business verticals mechatronics and aftermarket is about 47%, information & connecting systems which is primarily wiring harness is about 37% and Minda Instruments Limited which is a cluster and sensor division is about 16%.

Moving to the next slide which is a division wise revenue. If I look at the left pie chart the lockset and security divisions contribute about 28% of the topline, wiring harness about 28%, clusters about 10%, and die casting about 16% and others contributed about 18%. Minda Corporation is the market leader in two-wheeler locking systems and wiring harness business. We are pioneer in keyless entry solutions for two-wheeler, better control over quality in lockset with our own die casting division. Moving from mechanical cluster to incorporate latest TFT digital cluster the company is one of the key players in the two-wheeler and CV segment and of late entering in the PV segments. In die casting division we focus on niche products with more exports.

Moving to the next slide on the consolidated performance of Q3&9MFY23, in Q3 we did operating revenue of Rs.1,068 Crores which is 45% increase year-on-year basis. If I exclude Minda Instruments to make a like to like comparison we grew by 22%. EBITDA margin stood at 10.7% at Rs.114 Crores which is 45% higher than last year. PBT stood at Rs.72 Crores which is growth of 44% year-on-year and PAT margin stood at Rs.52 Crores a year-on-year 41% increase. On a 9-month level we have grown from Rs.2,028 Crores to Rs.3,226 Crores, at EBITDA level we have moved from 9.2% to 10.7% which is from Rs.187 Crores to Rs.345 Crores in 9 months. PBT has gone up by 100% from Rs.111 Crores to Rs.222 Crores and profit after tax has grown by again 95% from Rs.83 Crores to Rs.163 Crores. The growth was driven by: -

- On the domestic front new business across segments further aided by new product launches and increase in share of business with existing customers.
- Exports are showing signs of revival while remaining cautiously optimistic on the same going forward.

On the EBITDA front we delivered double digit margin on the back of various cost control initiatives and increased efficiencies. Semiconductor supplies have eased out but long lead time still continues. Commodity prices are softening and are almost stable on quarter-to-quarter basis but on year-on-year basis they are increased.

Moving onto the next slide which is slide 12 on the business vertical wise performance. I first focus on the mechatronics division. The topline is Rs.547 Crores with 13.8% margin they are still in the same band which is about 14%. The growth in revenue was supported by strong demand in domestic market, increase in business with key customers and new launches. Exports have risen on quarter-on-quarter and year-on-year basis on the back of new orders. EBITDA margin increased by 80 basis points on the back of higher sales. On the information & connected systems now, this includes wiring harness and Minda Instruments Limited, the EBITDA margin stood at 7.4%. We understand and acknowledge that wiring harness division continues to perform below its potential. The growth in revenue was supported by strong demand in domestic market. Exports is focused for the wiring harness division and EBITDA margin is also increased on the wiring harness division on quarter-to-quarter basis.

Moving onto the next slide of partnership with LocoNav. Minda Corporation used to offer hardware solutions now with partnership with LocoNav which will give us the software solutions the company will now offer a complete system solution as in our business plan to offer system solutions to all our customers.

On the next slide we show our plants, our growing facilities and also consolidating multiple plants into large facilities to get better economies of scale and become closer to the customer.

Moving to the next slide which is strategic pillars of growth, our four strategic pillars of growth are focus on enhancing the core, innovation and technology, growing EV opportunity, and strengthening passenger vehicle OEM. We want to transform and become the complete solution provider and partner of choice. Cost leadership in manufacturing and thought leadership position in technology. With the premiumization happening in the market which Minda Corporation is acquiring and all product innovation in all business segments should drive this content per vehicle for Minda Corporation. We want to deliver the better results than the industry and continue to outperform the market.

On the next slide we just show how the technology and the products of Minda Corporation are moving. So, vehicle access if you see the traditional lock and key are moving to smart and intelligent vehicle access which includes passive entry, passive start, flush door handles, powered lift gate system, cyber security. In the wiring harness, the wiring harness will continue more into the vehicle architecture of power distribution unit, battery distribution unit, high voltage wiring harnesses, smart junction boxes, etc. In the clusters and sensors division which is a driver information system the analogue clusters are now moving toward digital clusters which are all TFT as we have seen before with integrated telematics and ADAS systems. In the EV area we are looking at more light weighting as

well as offering more electronic content through our internal and collaborative approach of partnership and offering new products in areas of motor & motor controller and power electronics.

Moving to the next slide this is a kit value offering on the two-wheeler EV content, Minda Corporation offers about Rs.16,000 to Rs.20,000 potential EV kit value. Our current kit value offering in the legacy or ICE is about Rs.4,000 to Rs.5,000. With the premiumization of all the products Minda Corporation will almost double its content and additional products in the EV product lines like DC-DC converters, battery chargers and other power electronics will get us more kit value of Rs.8,000 to Rs.10,000.

Last not the least value propositions, the Minda Corporation would like to grow ahead of the market and deliver the customer the best of the solutions.

Last not the least I will move on to the ESG, CSR and awards. Minda Corporation values ESG as paramount and this is directed and even governed by our Board of Directors and monitored on regularly basis. More details can be looked on our website. On the corporate social responsibility in Q3 we have set up various camps all across India and overseas for focusing on education, women hygiene and people with disability. In Q3 the company had received many customer awards which shows confidence that the customers restore on Minda Corporation Limited. We were awarded total of 57 external awards in the Q3 across various forums. With this I would like to conclude my presentation and invite everybody for questions.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Vishal from Swan Investments. Please go ahead.

Vishal: Thank you for taking my question Sir and congrats on decent set of numbers. Sir there are actually two, three questions from my side. Sir if you see last two threequarters your employee cost trajectory has gone up so it was last year around Rs.115 to Rs.120 odd Crores which has gone up now to Rs.145 to Rs.155, Rs.157 Crores so is there something you want to highlight here?

Aakash Minda: Yes, Vishal thank you for your question. Of course, there are some of the minimum wages of various states that have been increased leading to higher wages in the southern states per se. Last year Minda Instruments Limited was also not there in these numbers, so Minda Instruments Limited is also now being added which has higher manpower as well.

Vishal: Also, can you give me the number of total debt broken into long term and short-term debt as of December ending?

Aakash Minda: Yes, the total debt is about Rs.417 Crores out of which long term is about Rs.95 crores and short-term loan is about Rs.322. Over the last quarter this has come down by about 35 Crores.

Vishal: Was there any improvement in the working capital cycle this quarter?

Aakash Minda: Yes, there have been marginal improvements in this quarter based on our various initiatives that we have taken on working capital.

Vishal: I do not know I have missed this part what is the outlook regarding your understanding on the two-wheeler business going forward for the next quarter and for next year that is my last question?

Aakash Minda: So, if your question is on the outlook of the industry definitely Q4 historically is usually a better quarter than others but overall the past trend in the last few quarters of two wheelers have not been that encouraging so we expect around a flattish growth for the two-wheeler industry particularly going forward.

Vishal: Just one more question to add on Sir our information and connected services business has seen a drop quarter-on-quarter from Rs.616 odd Crores to Rs.522 Crores so is it because of the softness in the two-wheeler demand quarter-on-quarter is my understanding right?

Aakash Minda: So there are two, three factors on this one in the last quarter in the Minda Instruments Limited there was a premium purchase of about Rs.30 odd Crores so this quarter that is not there so hence that Rs.30 odd Crores has come down number one, Number two the Rs.65 odd Crores has come down rather in line with the two wheeler industry also coming down with the same percentage so our numbers have also come down or topline has come down in the same ratio that the two wheeler industry has performed.

Vishal: Thank you so much Sir. Thank you and all the best Sir.

Moderator: Thank you. We have the next question from the line of Anil Kumar from Jefferies Securities. Please go ahead.

Anil Kumar: Hi congratulations for wonderful performance and I have a couple of questions. The first question is regarding your plans for your future product portfolio as EV scale has happened and do you have any plans for any inorganic growth?

Aakash Minda: Mr. Anil all of our product lines are ICE to EV agnostic. When the EV or even ICE is happening there is a premiumization in the market happening which is what Minda Corporation is acquiring and playing on. All of our product lines like you see the keyless

solutions are going to go through premiumization lock and key will go to keyless. The analogue clusters will go to TFT clusters, wiring harness will have with regulations and EV have more content of course in EV space there is a focus of power electronics such as the DC-DC converters, battery chargers and other PDU, BDU as I have explained are going to be part of the portfolio, so we have a clear strategy of three by three by three in our EV product area on where which segments you would like to target, what product lines we are looking at and what are the expertise we would like to build both organically and through partnerships.

Anil Kumar: Thank you and the next question is on what are your plans regarding leveraging China plus trend that we are seeing in manufacturing sector are you doing anything significant or do you have any specific plans?

Aakash Minda: So, we do continue to explore the opportunities. Definitely we can see a shift from the export order side so the customers who have been rather exporting or rather importing from China are moving on to India and which is where we are capturing some of the opportunity. As you can see our exports have also grown year-on-year and quarter-on-quarter across all divisions and this is where the biggest opportunity lies.

Anil Kumar: That is all from my side. Congratulations and all the best.

Moderator: Thank you. We have the next question from the line of Arihant Sharma from Infinity Capital. Please go ahead.

Arihant Sharma: Good evening Sir and thanks for allowing me. My first question is related to which key geographies are you exporting to, can you just tell that?

Aakash Minda: Our major or most of our exports are to Europe.

Arihant Sharma: Any other region?

Aakash Minda: Yes, we are also exporting to America, we are also exporting to Latin America and South East Asian countries also.

Arihant Sharma: My second question is how was the competitive intensity in Q3 in the key business verticals of mechatronics and wiring harness?

Aakash Minda: Sorry can you repeat the question please.

Arihant Sharma: How was the competitive intensity in this quarter related to the key business verticals?

Aakash Minda: You mean by competition or you mean something else?

Arihant Sharma: Yes competition.

Aakash Minda: So, definitely the competition is not there when it comes to the keyless solutions as I have already explained before. We are the only company who is offering the keyless solutions of course competition will follow but all the RFKs or 100% RFQs are being won for the keyless solutions and premiumization. On the clusters and sensors there are of course various competitors. It is a cut-throat competition very honestly. Yes, but we are winning orders all across whether it is EV and ICE and across all segments, also gaining share of business as well as cross selling and increasing penetration over new customers as well.

Arihant Sharma: Thank you. That is all from my side and all the best for the coming quarters.

Moderator: Thank you. We have the next question from the line of Sachin from UTI. Please go ahead.

Sachin: Sir just one or two questions from my side. May be your comments on wiring harness side I know you commented on this competitive intensity but especially post BS VI is there any loss of market share for us if you can give some colour there and second question is also related to this which is to do with indigenization of component and how much margin improvement do you see over next couple of few quarters? Thank you.

Aakash Minda: Yes, Sachin thank you for the question. Yes, firstly we acknowledge that the wiring harness division continues to perform below our expectations and below the potential that it has. We are working on it on multiple fronts if I first to share with you that from BS IV to BS VI there has been a content increase and going forward there will be also a further content increase in tractors from TREM IV to TREM V and also electric vehicle mobility. We are doing various actions and initiatives focusing on internally if you see a few quarters back there was concern in terms of the raw material fluctuation so we have addressed that issue and permanently taken care of it with various strategies that we have taken from front end and back end. Secondly, on the component localization as I have also explained before that this is a long lead time item and issue. Currently out of all components we are sourcing about 10 to 12% internally and going forward in the mid-term to long term this is going to go upward of 50% and of course the major concern or the road block is the lead time taken for the customer approval as we have to put in our connection systems and this takes approval of the complete validation of a new vehicle mobility so these are some of the areas that we are doing. Of course, as I mentioned we are consolidating our plants and also opening new plants to get the best infrastructure to offer the latest lines as well as the operational excellence for the wiring harness. Our current facilities are not that equipped or not that advanced if I may say that what they should be and what they need to be so these

are some of the areas that we are focusing on in order to increase productivity and improve profitability.

Sachin: Utilization by when do you think it should come through and if it all it happens what is the level of improvement you think in the numbers would come through?

Aakash Minda: It will be taking about 6 to 8 quarters just putting it primarily because of the lead time and time to develop and we will see at the group level about 50 to 60 or may be 50 to 100 basis points over the next quarter once this starts improving.

Sachin: What kind of investments do we need to put in place to modernize our facilities for this specific issue?

Aakash Minda: See wiring harness typically is a labor-intensive product but now we are working across various plants and various technologies in order to automate this which is again not done in the world and we are exploring such advanced manufacturing excellence and production excellence activities so I will not be able to give you a number but yes it needs a significant effort in terms of upgrading our facilities and plants.

Sachin: Sure, I am just trying to understand maybe for 100 basis point improvement is there any ballpark number or any IRR will that be asset dilutive, does it make sense for us to completely modernize any capex number that you can share us?

Aakash Minda: See Sachin all I can say is there has to be horses for courses approach so a vehicle or a four wheeler advanced passenger vehicle wiring harness needs to be built in a particular plant or an EV wiring harness needs to be built in a particular plant versus a tractor wiring harness so each plant is different based on the product mix, the customer and the location, hence we are having various strategies to communize them to club them, also be close to the customer and judiciously doing capital allocation on the requirement of the new technology and products that we are doing.

Sachin: Sure if time permits maybe one more question from my side on the new product range that we just spoke about or we are endeavored to get into which are let us say more to do with the EV or keyless entry that products that we are talking about what is the progress from our side I know you have been sharing some order inflow numbers or if you can share more colour in terms of maybe the revenue numbers that we would have achieved till date at the product level and maybe client level approvals if you can share more colour there? Thank you.

Aakash Minda: So our order intake across all the products is very healthy as I mentioned in the first nine months of this year out of ~Rs.6000 Crores of order intake more than ~20% is coming from the EV customer, so far in the Q3 we have done about ~50 Crores of sales in the EV segment so in the first nine months is about ~Rs.90 odd Crores which translates to about 2 to 3% and this is across various segments, various customers including start-ups as well as large OEMs in all segments also including exports.

Sachin: Sure, that is helpful thanks.

Moderator: Thank you. We have the next question from the line of Abhishek from Dolat Capital. Please go ahead.

Abhishek: Thanks for opportunity and congrats for the decent set of number in tough time. Few questions on the information and connected system the company has secured large orders for the TFT cluster around Rs.2000 Crores in the passenger vehicle so how much revenue can we expect in FY2024 and what would be the EBTIDA margin?

Aakash Minda: So, I will not be able to share the profitability statements, but of course the order intakes usually take about two years to develop especially advanced product like a TFT cluster so the SOP should start in the mid financial year 2025 or next calendar year and of course the order intake is we can on a thumb rule say divide by four that comes to an annual number.

Abhishek: How was the revenue performance of Minda Instruments for the nine months basis on the topline and EBITDA?

Aakash Minda: For the Minda Instruments we have done nine months about 530 Crores with an EBITDA margin of about 11%.

Abhishek: What is your target for the next year?

Aakash Minda: Our target is growing higher than the industry this is primarily catering to the two-wheeler segments so definitely getting more and more business from the electric vehicle mobility other segments and grow this higher than the industry numbers.

Abhishek: In the wiring harness business how is the mix for two wheelers, CVs and passenger vehicles?

Aakash Minda: So primarily about 50% comes from the two-wheeler space about 30% comes from the commercial vehicle aspect and the remaining comes from the four-wheeler and tractors?

Abhishek: Sir despite a strong mix in the wiring harness business your margin is still at 7.4 or 8% and as you mentioned that semiconductor prices is cooling down and the raw material prices has also gone down so what is the key constraint for the margin expansion?

Aakash Minda: Abhishek I just explained the concerns and the way forward for the wiring harness division in the previous question asked. I am happy to repeat the same that we are doing multiple activities and actions. We have reduced the raw material fluctuation impact on the group with various internal and external strategies and that result I think can be seen over the last few quarters. On the internal front one of the most challenging and most opportunity that we have is on the localization of the components which takes lot of time in terms of at least two years for the component validation from the customers. Currently we are using about 10 to 12% of our localised in-house made components which is expected to go to 50% in about 6 to 8 quarters which will eventually improve 50 to 100 basis points.

Abhishek: But you have already started the PCB manufacturing in-house plus that freight cost has gone down in this quarter despite we are not looking any improvement on quarter-on-quarter basis in this segment?

Aakash Minda: Sorry I did not understand your question. PCB is not anything related with the wiring harness.

Abhishek: My last question how much is the current net debt of the company Sir?

Aakash Minda: We are almost net debt free so we have net debt about Rs.56 Crores.

Abhishek: If we see that interest cost has gone up significantly and this is much higher than the other income and so why we are sitting on the cash given that increase in huge interest cost?

Aakash Minda: So, I will ask Mr. Vinod to take up this question.

Vinod Raheja: So this needs to be seen from two, three different perspectives one that we talked about the net debt position actually and we need to look at the cash position in our Asian business then in Minda Instrument and then in Minda Corporation. Yes, we have sort of cash and bank balances at MCL level that is standalone level also with the corresponding debt but we want to keep the cash ready for any opportunity that may come in our way actually. Percentage by interest rate differential we are okay with that.

Abhishek: But every quarter we are paying 6 to 7 Crores arbitrage as the interest cost and so the annual cost would be around 28, 29 Crores as you said that net debt is only 50, 60 Crores so in the net debt of 50, 60 Crores we are paying that 25 to 28 Crores kind of the interest cost is it the

right decision of the management it is very difficult to digest at this point when the interest cost is quite high?

Vinod Raheja: Like I mentioned that the position of cash needs to be seen at company level like attrition level in our overseas subsidiaries we have cash balance of about Rs.50 Crores or so and we know that that needs to be repatriated efficiently. Similarly, in Minda Instrument also we have cash balance which needs to be deployed and therefore the position at standalone Minda Corporation needs to be seen separately.

Abhishek: Okay Sir thanks. That is all from my side.

Moderator: Thank you. We have the next question from the line of Mohit Khanna from Banyan Capital Advisors. Please go ahead.

Mohit Khanna: Good evening. I have a question regarding the EV business. Sir, you did mention that revenues from EV for 9 months is 90 Crores could you also please talk about the profitability of this 90 Crore of the EV business that is first and I will come back to the second?

Aakash Minda: So Mohit the profitability varies. Of course the products which are under the premiumization for example keyless solutions have a higher profitability, also there may be low profitability in some of the products because still they are under start up phase and the volume have to still pick up so the economies of scale have to yet come in place to see but yes overall our intent for every product that we win and every project that we win is to be much higher than the current profitability.

Mohit Khanna: So, is it fair to say that this Rs.90 Crores of revenue is earning more than the operating EBITDA margin of 10.7% that we are generally at the consolidated level?

Aakash Minda: I cannot give a direct answer to that but yes, we are in line.

Mohit Khanna: Fair enough and also you did mention regarding the modernization of the wiring harness facility I am not sure if I missed that so how many such facilities you need to upgrade I think in total you have around 34 facilities that is all company wise total so how many of them is wiring harness and how much of them needs to be upgraded and do you foresee any sort of loss of business while you are upgrading the facility?

Aakash Minda: So, there are eight facilities of wiring harness across India and every facility have different capacity utilization and different level of modernization, standardization and advanced electronics and advanced production systems. We are doing two fronts. One we are doing

consolidation for example there are four plants in the north and we may decide that we may do it in two plants or continue to do three plants depending on the customer requirements as well as what strategy fits best and similarly in the south we have other plants as well which we are deciding to maybe open new plants being more closer to the customer and have advanced because may be there the capacity is running at about 85% to 90% hence it is not possible to close on the lines and shift to new production facility, so there is a multiple and mixed bag strategy that we have to apply in order to open new facilities, consolidate new facilities and expand new facilities depending on the customer requirements and the lead times.

Mohit Khanna: Fair enough so when can we expect a little bit more firm answers on the consolidation of the facilities and upgrading regarding the capex cycle?

Aakash Minda: We have already started a new facility in Pune for wiring harness division which is again for the west customers, we already have existing two facilities in Pune already and now we will slowly may be transfer the businesses not all it is not possible the additional new businesses of let us say electric vehicle mobility, passenger vehicles or advanced technologies will be coming in from this facility and also we may duplicate some lines, so of course we are adopting various strategies whether it should be our own land or our own building versus it should be leased or opex or whatever so it is a different model and I will not be able to comment on each facility as of now.

Mohit Khanna: Fair enough. Last one from my side. Just coming to the growth aspect so for the fourth quarter I believe you mentioned that you expect a flat industry growth so what does that mean for Minda Corp and how do we see growth two, three quarters down the line do expect next few quarters to be flat growth for the industry and Minda outperforming by how much percentage points?

Aakash Minda: So Mohit again I cannot comment on industry but the two-wheeler aspect was about a flattish growth. Typically, Q4 is one of the better quarters in the entire year. As far as Minda Corporation is concerned our single most objective is to grow higher than the industry so if the industry is going flat you would like to grow by 10% to 12% higher than the industry with all respects so we continue to focus on that and I think we have been delivering that for last 10 quarters consistently and sustainably and we wish to do that with all the initiatives going forward as well.

Mohit Khanna: Fair enough. Thank you so much.

Moderator: Thank you. We have the next question from the line of Jay Kale from Elara Securities. Please go ahead.

Jay Kale: Yes thanks for taking the question. My first question is regarding your smart key solution so we understand that you have done Rs.90 Crores revenue from the EV business how much of that would be smart keys and are you seeing adoption of smart keys incrementally for ICE two wheelers as well at least on the premium side that is one and secondly within the EV two wheelers that have sold today of the high speed scooters approximately how much percentage would have adopted smart key solutions this also entails the cost angle to it?

Aakash Minda: Hi Jay. So out of the let us say Q3 numbers I would say about or 50 to 60% comes from the security systems because that is one of the first products which has taken a lead. Out of this many of them is in the exports segment also. We have been exporting keyless solutions for the last two years irrespective of ICE and EV. Going forward of course there is more penetration in the ICE or EV where more premiumization is happening across all two-wheeler segments definitely the higher segments will see the adaptability first and the EV segment will see the adaptability first compared to the commuter segment. If I speak about the future per se typically as I mentioned Rs.4000 to Rs. 5000 is a keyless product sort of 1 lakh scooter about 4% to 5% is typically the cost for the complete keyless solution.

Jay Kale: What I mean to say that out of the 70,000 EV two wheelers high speed scooters that are selling per month 60000, 70000 how much percent would have adopted the EV solution it is not all high-speed scooters would want to get that additional cost?

Aakash Minda: The real answer is a little different Jay. The likes of the top five customers that are there in the EV space such as Ola, Bajaj, TVS, Hero Electric and all I would say about 40 to 50% again that also if you look at for example the bikes like Hero Electric they are high speed but yet low cost but if you look at Ola they are high speed and high cost so again the value chain is the same that it first penetrates in the higher segments to the likes of Ola and Vida and others and then you will eventually or should see them in the likes of Hero Electric.

Jay Kale: Fair point and my next question is on the wiring side. Just dwelling on the localization path we understand that right now we will be going ahead with localization for the ICE wiring harness and the low voltage wiring harness going forward with EVs coming in and which will also require some bit of high voltage wiring harness where are we in the curve in terms of for localizing them from the start itself because that will be a key metric to get orders for EV wiring harness as well since high voltage wiring harness will entail a lot of cost and unless you localise it, it might be difficult to get orders over there.

Aakash Minda: Yes, good question Jay. It is the same funda of course because the volumes are low hence the industry continues to import the high voltage connection systems just because they are available at accepted quality and accepted technology overseas. What Minda Corporation is doing both fronts we are looking at tie ups with the EV high voltage connectors for all

segments globally as well as we have set up our in-house shop and align centre for EV component manufacturing and designing.

Jay Kale: Understood. Thanks, and all the best.

Moderator: Thank you. We have the next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Hello Sir. Thank you for the opportunity. I would like to know what is the capacity utilization for Q3 and 9 months FY2023 for all the divisions specifically specialty solution, wire harness, and die casting and electronics if you could help me with?

Aakash Minda: Again, various facilities or various segments have different capacity utilization. If I speak about security system division it is about 65%, wiring harness is about 75% to 80%, die casting division is about 85% and electronics are low which are about 35 to 40%.

Vignesh Iyer: This is for Q3 right?

Aakash Minda: Yes, it is pretty much sustained through the year.

Vignesh Iyer: So, the 9 months number would it change much?

Aakash Minda: Not really it will be almost in the same lines.

Vignesh Iyer: Okay fair enough. Thank you.

Moderator: Thank you. We have the next question from the line of Rajesh Kumar from Share Giant. Please go ahead.

Rajesh Kumar: Thank you Sir for taking my question. My first question is how is your EV portfolio panning out and which all products are under development in EV segment?

Aakash Minda: So, if you see the slide that we have already posted consistently on our presentation which is slide #18. Our kit value for the current products are about Rs.4,000 to Rs.5,000. The current offering is going to go to about Rs.10,000 with the current product offerings and additional Rs.8,000 to Rs.10,000 for the new power electronics products that we are doing. If you look at the sheet starting from the top right we connected clusters, instrument keyless entry solutions, telematics, die casting, sensors, wiring harness, these products are already now portfolio and supplying. Also, if you look at the left side such as DC-DC converters, battery chargers and the PDU and BDU are also being supplied to the customers already in

mass production and under development are about other three to four product lines which we are working on organically and through partners.

Rajesh Kumar: Thank you Sir for the clarity. My next question is on your PV segment sales has been in the range of 13 to 14% is there a plant to grow your PV sales?

Aakash Minda: Yes, we would like to definitely grow our PV sales for all the right reasons. We are adding consistently new product lines as well as making breakthrough in our products to the four-wheeler OEMs for example instrument clusters in last two quarters ago these are a big breakthrough in the four-wheeler passenger vehicle cluster space. All our sensors for example are now being focusing on cross selling as well as offering different customers. We have added new product lines such as the Shark Fin Antenna with our joint venture. We are offering new product lines with ADAS solutions with our partners from Korea. Minda VAST continues to focus on the order book solutions for the vehicle access product lines in the four-wheeler vehicle access space. Having said all of this definitely this jump of 14% to about 30-40 will not happen tomorrow this will happen over a long-term period.

Rajesh Kumar: What kind of impact raw material prices had on the Q3 FY2023 performance of the company and how has been the key commodity prices behaved in the last quarter and what Minda as a company is going to negate the effect of fluctuating raw material price?

Aakash Minda: So, I will give your answer one-by-one in terms of copper, zinc, tin, lead, aluminium, nickel if you want but I will focus on the product that impact us the most. If you look at copper which impacts us a lot on year-on-year they have gone down by 17% but on year-on-year they have increased by 3%, aluminium has gone down year-on-year by 16% and quarter-on-quarter by 1% so if you look at the graph which was published by LME and other websites year-on-year they have increased but they are still higher when compared to last year and on quarter-on-quarter they started stabilizing so there are various initiatives that we do from the front end and back end. From the front-end side for of course from the customers we have arrangements on most of our products or commodities for the back-to-back arrangements which appeared over three to six months and from the external side as well with the suppliers we have created some strategic alliances on how we can mitigate these ups and downs.

Rajesh Kumar: Thank you Sir for answering all the questions. Thanks a lot.

Moderator: Thank you. We have the next question from the line of Harish Shah from HS Investmentmmts. Please go ahead. As there is no response from this line we will move to the next question from the line of Bismith Nayak from RW Advisors. Please go ahead.

Bismith Nayak: Yes Sir. One question from my side. The premiumization that we talked about can you quantify it in anyway as to what percent of revenues used to come in FY2021-2022 and 9 month FY2023?

Aakash Minda: See typically our kit value has been increasing by 20 to 30% year-on-year due to the premiumization so let us see in two-wheeler if we used to offer Rs.100 product it is now 120 then the year after that it is about 140 or 150 so this is typically between 1.2 to 1.3x is typically of all our product lines that goes year-on-year.

Bismith Nayak: If I heard it correctly 20 to 30% of our components are indigenous this is pertaining to wiring harness, only right?

Aakash Minda: Yes, it is about 10 to 12% not 20 to 30.

Bismith Nayak: 10 to 12% on a group level you are talking about or wiring harness?

Aakash Minda: We are primarily talking wiring harness division because that is the significant material in house manufacturing.

Bismith Nayak: So, this is supposed to go to what percentage in the next six to eight quarters?

Aakash Minda: As I mentioned it is supposed to go to about 40 to 50% in the next six to eight quarters depending on various initiatives and approval from the customers.

Bismith Nayak: Understood Sir thank you.

Moderator: Thank you. We will move to the next question from the line of Harish Shah from HS Investmetns. Please go ahead.

Harish Shah: Just wanted to know the division wise capacity utilization about the company how are our capex plans lined up and if you can share the cost of debt at the consolidated levels for the current quarter?

Aakash Minda: Sorry you have multiple questions I will go one-by-one. I already answered the question on the capacity utilization they are different across different segments in different plants and divisions. Security division is about 65%, wiring harness is about 25%, die casting is about 85 to 90% and electronics are at about 35%.

Harish Shah: These are for current quarters or 9 months?

Aakash Minda: They are for the current quarter and largely they remain the same over the 9 months.

- Harish Shah:** How about the capex plans?
- Aakash Minda:** Typically, capex is about 4% to 5% of our topline about 2-3% goes in our technology and R&D, about 1.5-2% goes in future investments and future technologies and future capex for growth and about 1-1.5% is on the regular maintenance capex.
- Harish Shah:** My last question is what will be the cost of debt at the consolidated level during the current quarter?
- Aakash Minda:** So, I will ask our CFO Vinod to answer this.
- Vinod Raheja:** So, at consolidated level the cost of debt would be in the range of about 7-7.5% for the quarter.
- Harish Shah:** Thank you and I wish you all the best.
- Moderator:** Thank you. We have the next question from the line of Navin Matta from Mahindra Manulife. Please go ahead.
- Navin Matta:** Thanks for the opportunity. Couple of questions. One was if I look at our CV segment revenues this quarter and compare it to the second quarter there is a slight decline whilst we have seen improvement in production growth for CVs I was just trying to understand why would that be the case?
- Aakash Minda:** No Navin the Q3 to Q2 is almost same at about 29.3%.
- Navin Matta:** I am talking about the absolute revenue that is down and let us say production growth for at least M&HCV is at least by 10% so just trying to understand if it is specific model or specific customers where we would have?
- Aakash Minda:** Quarter-on-quarter the industry has gone down by 6% and our segment wise revenue is almost the same.
- Navin Matta:** You would be including LCV in this?
- Aakash Minda:** No this is only purely CV.
- Navin Matta:** M&HCV?
- Aakash Minda:** Correct all CV.

Navin Matta: Including tractors okay got it and secondly Sir if I just kind of normalize that impact of Rs.30 Crores in the second quarter I am just trying to understand margins if you compared to 2Q ideally it would be lower this quarter by almost 30, 40 basis points if I kind of make that adjustment so have we kind of seen a mix effect or it is commodity in this quarter?

Vinod Raheja: First of all, we need to see the margins till the time those are moving in a narrow range of 30 basis points here or there honestly this would not be a cause of concern. There are many moving parts actually so far as auto business is concerned one is the impact of commodity prices which we pass through after that, many times there are delays in receipt of revised prices from customers, so to this extent there are sort of variations but those need to be within a time which should not sort of impact the overall trend actually beyond this there is nothing.

Navin Matta: Sir I am trying to understand this in the context of ideally you should have seen some benefit of lower commodity cost and also pass through so in that context ideally, we should have seen a margin expansion but we have seen a contraction so some of it is understood by the operating negative leverage but I was just trying to understand directionally is it commodity or is it purely mix in small ways?

Vinod Raheja: Yes if we really closely look at the commodity prices actually in Q3 there was slight upward vis-a-vis Q2 while of course if I compare it with Q1 or Q4 of last year there of course has been decline so it needs to be seen in that perspective.

Navin Matta: Just to kind of understand whether all the commodity benefit, the fall that we have seen in the last couple of quarters is that well reflected in this quarter or you would assume that some more pass through should come about?

Vinod Raheja: No it has completely been sort of incorporated actually. I do not do that on account of pass through which would have any sort of adverse impact on our margins at all.

Navin Matta: No sorry I was actually asking whether it should have a positive effect, if we have pass through and commodity cost have come down should we see a benefit on account of that on our gross margins?

Aakash Minda: So Navin yes again primarily as I mentioned quarter-on-quarter either they have gone up or gone down by 0.1% or 1% or 2% there is not much of a difference in the commodity lag per se. Of course exports do take some time in terms of payment and all that so that is little positive side that we may see in future but again depends on the large sales that happens.

Navin Matta: Got it Sir. Got it. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we will now close the question queue and that was the last question. I would like to hand the conference over to Mr. Aakash Minda for closing comments. Please go ahead.

Aakash Minda: Thank you so much everybody for joining once again. Again, our focus is to deliver consistently and sustainably and we have been doing for the last 10 quarters and I would like to reiterate that we have been closing revenue of about Rs.1,068 Crores with a 10.7% EBITDA. One of the important factors going forward are electric vehicle mobility. More products for customer, more customer for products, focusing on technology as well as operational excellence going forward. These are our core areas of focus going forward. Thank you very much.

Moderator: Thank you members of the management. Ladies and gentlemen on behalf of Nirmal Bang Institutional Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.