



“Minda Corporation Limited Q3 FY2022 Earnings Conference Call”

February 04, 2022



ANALYST: MS. PARVATI RAI – KRCHOKSEY RESEARCH

**MANAGEMENT: MR. ASHOK MINDA – CHAIRMAN & GROUP CEO -
MINDA CORPORATION LIMITED
MR. AAKASH MINDA – EXECUTIVE DIRECTOR FINANCE
& STRATEGY - MINDA CORPORATION LIMITED
MR. NEERAJ MAHAJAN – GROUP PRESIDENT
MARKETING OFFICER - MINDA CORPORATION LIMITED
MR. VINOD RAHEJA – GROUP CFO - MINDA
CORPORATION LIMITED
MR. SANJAY GUPTA – DEPUTY GROUP CFO - MINDA
CORPORATION LIMITED
MR. BIKASH DUGAR – LEAD TREASURY & INVESTOR
RELATIONS - MINDA CORPORATION LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Minda Corporation Limited Q3 FY2022 Earnings Conference Call hosted by KRChoksey Research. 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 ‘*’ then ‘0’ on your touchtone phone. I now hand the conference over to Ms. Parvati Rai. Thank you and over to you madam.

Parvati Rai: Thank you Faizon. On behalf of KRChoksey Research, I welcome you all for the Q3 FY2022 earnings conference call of Mind Corporation Limited. From the management side we have Mr. Ashok Minda – Chairman and Group CEO; Mr. Aakash Minda – Executive Director – Finance & Strategy; Mr. Neeraj Mahajan – Group President – Marketing; Mr. Vinod Raheja – Group CFO; Mr. Sanjay Gupta – Deputy CFO and Mr. Bikash Dugar – Lead Treasury & Investor Relations. Now I handover the call to Mr. Aakash Minda from the management for their remarks on the result and then we will have a Q&A session. Thank you and over to you.

Aakash Minda: Good evening everybody. Thank you so much Parvati, and thanks a lot KR Choksey for holding this quarter conference call. I may request Mr. Ashok Minda to give us the opening remarks.

Ashok Minda: Thank you Aakash. Good evening everyone and welcome to the quarter three financial year 2022 earning conference call of Minda Corporation. I would like to thank you all for joining us on this conference call here today and hope you and your loved ones are staying safe and healthy.

In the third quarter of financial year 2022 the auto industry continues to deal with challenges in the supply chain, threat from the COVID waves along with overall subdued sentiments. This had a broad impact on all the vehicle segments and vehicle categories.

During the same period Minda Corporation continued its momentum of outperforming both on a year-on-year basis as well as on a quarter-on-quarter basis. The company consolidated revenue stood at Rs.7383 million with an EBITDA margin of 10.7%. This is in line with our commitment of delivering consistent and improved performance.

In line of the current performance board of directors has announced an interim dividend of 15% on face values which is Rs.0.30 per share for shareholders.

I would also like to apprise our stakeholders about some of the key developments during the quarter. First was the successful closure of the financial transaction of Minda Stoneridge, which made it a 100% subsidiary of Minda Corporation effective from 1st of January. I am

happy to share that the technological collaboration with our long-standing partner Stonebridge Inc. from the US will be further strengthened in new technological products. Secondly Minda Corporation has filed the application for production linked incentive scheme with the authorities and will be utilizing this opportunity to develop advanced technological products.

I am also pleased to announce that the company's electric vehicle segment has added two new customers BMW and Hero Electric. We also won lifetime order in quarter 3 worth Rs.16516 million from both IC and EV segment for all our products.

We have further strengthened our leadership by welcoming Mr. Vinod Raheja as Group Chief Financial Officer. His steady leadership and vast experience will further help us in creating value for all stakeholders. He will be instrumental in strategic finance, strengthening controls, and robust governance.

Looking ahead the industry outlook in near-terms will be determined by the ongoing Omicron Wave, improvement in semiconductor supplies and overall customer sentiments. However, we expect to continue our consistent growth strategy by strengthening the core business and diversifying in new opportunity, which mega trend is bringing.

With this I would now like to hand over the call to Mr. Aakash Minda to discuss the financial, and the operational performance of the company during the quarter. Over to you Aakash.

Aakash Minda:

Thank you very much Mr. Minda for your opening remarks. I would now like to refer to the presentation which is sent to the stock exchange and post online.

I would like to start with page #3: Minda Corporation, a quick overview about the Minda Corporation. Minda Corporation is a 32570 million revenue company having more than 16000 people and having more than 33 plants in various locations across India and ASEAN. We have seven partnerships Stoneridge, Silca, Furukawa, EVQ Point, Ride Vision, INFAC and VAST.

With Stoneridge we have completed the financial transaction, but technological collaboration continues. Recent partnership with EVQ Point has helped us to win big orders in battery charger space in this quarter.

I now move to the next slide which is the highlights of quarter three for financial year FY2022. The company has filed for application for the PLI scheme. We completed the transaction of Minda Stoneridge Instruments Limited, it will be now wholly owned subsidiary from January 1, 2022. Revenue from the quarter continues to outperform the

industry performance, improved double-digit EBITDA margin for the quarter on sequential basis despite lower automotive production. Total lifetime order book in Q3FY22 is Rs.16516 million. Four more patents filed in this quarter and YTD only in this year 14 patents. Total company now has 180 plus patents.

Strengthening our EV order book by adding two new customers and lifetime order win of 1294 million in quarter three FY2022. In quarter three FY2022 MCL revenue remained resilient at a flat growth as industry degrew by 20%. EBITDA margin came at 10.7%, which is 10 basis points higher quarter-on-quarter. Order booking in this quarter continues to be strong, which shows customer trust on our core business along with the new advanced non-legacy products.

I now move to the next slide sharing about the transaction completed for making Minda Stoneridge as 100% subsidiary of Minda Corporation. It will now be called Minda Instruments Limited. The company has more than 400 Crores of revenue, 1300 people, 10 million plus clusters capacity, and 21 million plus sensors capacity, more than 100 engineers and more than 16 patents filed. The Stoneridge earlier had 49% and now Minda Corporations acquire the remaining 49 as well. The transaction has been completed and line-by-line consolidation will happen from quarter four.

The steady financials with high ROCE and will be value accretive from day one post acquisition. Minda Instruments Limited with a modular platform strategy being deployed to lower the cost and development time. Early engagement with customers for premium clusters and growing the sensors business, localization of various sensors to aid profitability from FY2024, also trying to mitigate the semiconductor supply issues and its impact on the P&L.

I now move to the next slide which is slide #6. An update on the electric vehicle opportunity. If I look at the right side the potential EV kit value that Minda Corporation offers in this existing products is about 4000 to 4500, the increase in content from our business vertical Mechatronics is about addition to about 2000 to 3000 and same in the information and connection system is about 2000 to 2500. The new products under development from our new EV division is about Rs.8000 to Rs.10000 totaling to about 16000 to 20000.

For your information in potential kit value we have only included products for which we have confirmed orders. Product like motor controller and BMS are not included in the kit value. In this quarter as Mr. Minda mentioned we have added two new customers Hero Electric and BMW for our EV products such as battery chargers and DC/DC converters. Our customer base in EV is expanding and whether new or incumbent OEMs everybody is trusting and we are proud to share that.

Now moving to the next slide on the quarter 3 financial year 2022 highlights and industry performance. Again on the left side the green players and the green customers mark the purely electric vehicle mobility customers. On the right side by geography in 9MFY22 exports have grown by around 60% and thus share of revenue from Europe and North America have grown to 10.4%. By end market the first nine months commercial volume have outgrown the other segments and that is why the share of revenue has increased from 20% to 21.9%. Passenger vehicle shares have also grown because of export.

Moving to the next slide looking at the automotive industry performance in quarter three FY2022. If I see nine months year-on-year auto industry has grown by 9.3%, two-wheeler has only grown by 4.4% and others are on the left. If I look at the quarter three year-on-year performance, industry has degrown by about 20%, two-wheelers by approximately minus 22%, and passenger vehicles has grown down by 12.5%. The third wave of COVID has resulted in muted January and whether the auto industry feels the pinch of that in coming months or not is something which we will have to closely monitor. For us the focus remains on controlling the cost, improve productivity, and continue to outperform the industry numbers.

Moving to the next slide on the consolidated performance. For the quarter three FY2022 and nine months FY2022, we would like to share the continued momentum of growth and outperforming both quarter-on-quarter and year-on-year. The complete console revenue stood at 738 Crores and EBITDA at 10.7% this is in line with our commitment of delivering consistent and improved performance. For the quarter 738 Crores and EBITDA at 10.7% PAT is also at 69.9 Crores.

Operational out performance, operational had outperformed the industry production numbers, after market has helped us in resilient business performance despite challenging macroeconomic scenario and semi-conductor shortages. The EBITDA at 10.7% is delivered due to double-digit margin despite higher commodity prices and adverse impact of semi-conductor shortages across the industry. It is well supported by good growth in the aftermarket business and company continues to implement several cost control measures for fixed cost. In this regard the board of directors has declared an interim dividend of 15% on face value that is Rs.0.30 per share. After market revenue in the quarter was 135 Crores, which has grown 16% year-on-year and 6% quarter-on-quarter. Export revenue was 86 Crores, which has grown by 25% year-on-year and 14% quarter-on-quarter. Our share of profit from JV companies from MSIL from Minda Stoneridge Instruments Limited was 3.7 Crores, VAST was almost flat, and Furukawa was negative 1 Crore.

Going to the next slides on our division wise performance, if I look at the first division, which is Mechatronics aftermarket and others. On year-on-year basis we did 437 Crores in

quarter three FY2021 whereas we have done 445 Crores in this quarter. The EBITDA is 13% for this quarter. The Mechatronics and after market division, the revenue is stable and it is supported strongly by the fundamentals of resilient aftermarket and exports. Our EBITDA in this vertical has been at 13.0% due to favorable impact of higher after market and various cost cutting measures across the divisions. It is also adversely impacted by higher raw material prices and indirect impact on semiconductors. Mechatronics was impacted by lower two-wheeler sales of 22% year-on-year, but aftermarket grew by 16% which resulted in 2% overall sales for the vertical. Commodity price rise mainly on aluminum, zinc and silicon has impacted the vertical EBITDA margin, but cost control measures has helped us achieve 13%.

In the second division, which is information and connection systems, our revenue has come to 293, but EBITDA has gone up by 10 basis points from 7.1% to 7.2%. This segment was also impacted due to lower two-wheeler sales, but stable commercial vehicles production supported it. EBITDA at 7.2% is due to the favorable product mix, slight improvement in labor productivity and tight control on fixed cost and stable copper prices also supported the EBITDA margin. I would like to also highlight our localization drive still continues and is in line with our plan.

Moving to the next slide on the business performance in the order won, in the quarter three FY2022 we have won orders worth 16516 million out of this export orders were 104 Crores and from EV players were 129 Crores in the lifetime order won. The new businesses is 616 Crores and replacement business is 1035 Crores which shows the strong customer confidence. If I look about the year-to-date Minda Corporation has so far booked 4231 Crores order book in lifetime and about 258 from exports and 842 Crores from the EV players. 2362 Crores is from the new businesses and 1869 Crores is from the replacement businesses. The Mechatronics has won 850 Crores out of which 60% is replacement and 40% is new and for the entire EV is to 2164 Crores.

In the information and connected systems, for the quarter three the other won was 624 Crores 74% is replacement and 26% is new which is majorly all wiring harness. In the plastics and interiors we have won 66 Crores worth of lifetime order book 100% replacement business, and other businesses is also about 111 Crores which is also two-wheeler business. New order businesses of 23626 million also shows about which is outperforming the industry.

I would also like to highlight some key order wins from various customers in this quarter. From export market has awarded us for smart key businesses for large two-wheeler player. We have also won wiring harness business from a local large four-wheeler manufacturer in Vietnam. We have also won die casting housing businesses for export and domestic, battery

charger businesses from leading two-wheeler Indian OEM and DC/DC converters from export orders. Also TREM IV, TREM V businesses and wiring harness businesses for the tractor industry.

Moving to the last part of the presentation on the awards and recognition, while we continue to receive various awards and thanks to our team and family members. One award I would like to really highlight is the Minda Corporation has received the ICSI Prestigious Sixth Annual Award CSR Award in 2021 as in the emerging category.

Thank you very much for placing your confidence in us. Looking forward for the questions.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Jay Kale from Elara Capital. Please go ahead.

Jay Kale: Good evening, thanks for taking my question and congratulations on a decent set of numbers in a challenging environment. My first question was on your potential EV kit value. You have given a breakdown on the increase in content for Mechatronics information connected in new product. I just wanted to clarify that the smart key solution type of a product, which is not necessary into, it is not an EV specific component, but is adopted by more of EVs, which segment would that come in because we believe that, that had a higher kit value than maybe the Rs.2000 to Rs.2500 content shown in the ICS division or even the Mechatronics division.

Aakash Minda: This is primarily the smart keys and keyless entries coming in the Mechatronics division, and again I am happy to share that over the last few quarters we have won 28 platforms from more than 10 customers in keyless entry solutions including EV and IC engine customers.

Jay Kale: So the 2000 to 3000 would largely entirely be the smart key solution in the Mechatronics right because I believe that, that was the kind of ASP that we were looking at for that.

Aakash Minda: That is right, Yes.

Jay Kale: Understood, and if you can just throw some light on the new product under development 8000 to 10000, you mentioned that BMS and motor controller is not in that, where are we in terms of the development, but where are we in terms of the order wins or how are we in terms of the ramp up of those products.

Aakash Minda: These 8000 to 10000 includes products like DC/DC converter, battery chargers, and of course various ranges that go in this. Again I am happy to share that over the last nine months for these two products, if I may say we have won orders from large OEMs startup

and large startups also in India primarily, and to the likes of TVS, BMW, Revolt, Ola, Hero Electric and others. So, I would not be able to give what product against which as I am bound by confidentiality, but these are the businesses that we have won.

Jay Kale:

Understood and just on your Stoneridge acquisition you also mentioned on the outlook side that you have access to highly growing global market of Clusters and Sensors. If you can just elaborate a little more on how the opportunity size increases, how are you placed between now getting more orders from the passenger vehicle or two-wheeler side versus what a higher contribution of the CV side is and how are you placed in terms of opportunity of future partnerships if at all.

Aakash Minda:

Good question Jay thank you again for that. So clusters is just to share with you Minda Corporation started six decades ago from clusters. So we are building on that legacy and want to take that forward and now with the change in the customer requirements as well as with the mega trends, the clusters is one and sensors is one of such products which are going to go through the premiumization and electronification route. If you currently see from the analog clusters they are now moving to digital and then TFT and then of course adding software and other styling aspects. So this is of course a 400 Crores company primarily catering to the two-wheeler and commercial vehicle segment. Going forward we have already won orders and you can already see in the market some of our products which are into the TFT clusters. For example the new Yezdi the clusters that you see are from Minda Corporation. Similarly we have a production capacity to make these clusters for the Mahindra Thar also the clusters are coming from Minda Corporation as a first passenger car product. We are now in discussion with various other customers in all segments tractors, two-wheelers, commercial vehicles, passenger cars to win opportunities in the advanced TFT clusters and moving from the clusters to cockpit solutions and driver information solutions at large with these various OEMs.

Ashok Minda:

Adding to you Aakash. The TFT cluster which is again the primarization like you mentioned in the smart key, we have moved from long time from mechanical to digital to TFT and now we are also in discussion with customer to move from 5 inch TFT to 7 inch to 10 inch TFT and that is going to be the more value addition in the company, and secondly the sensors, the various category of the sensors are already under development and we are also doing the localization, which will give us a benefit to capture more market.

Jay Kale:

Understand. Just last one question if I may squeeze in. On your financials you have seen a decent performance on the margin side despite the headwinds of raw materials while EBITDA margins increased quarter-on-quarter, but gross margins understandably we have also come under pressure, how are we placed in terms of the price increases in terms of

commodities have we seen the last leg of commodity price increase and how is the lead lag in terms of your cost increase versus the pass on to the OEM customers.

Aakash Minda: Jay, thank you very much. So again like we have explained before that we have a lag with our customers from three to six months basis and we are all covered when it comes to our customers, but just to give you some more details I will ask Mr. Neeraj Mahajan to share with us, please.

Neeraj Mahajan: Thank you. I think. I would say at this point of time the market is very challenging from the customer side also because they are not able to get the numbers what they would like to achieve; however we are gradually moving from commodities which were in non-index section to the index one. So that recovery when we look at going forward would be given. So that is strengthening our recovery cycles today and trust me today organization is extremely focused to request customer invest possible ways for recovering these amounts. This is first point, second in terms of our discussions with the vendors also we are looking at how we can consolidate the requirements in such a way that they do not come back to us seeking all the commodity increases to us and we in turn can also be remain competitive because end of the day if we are asking the price increase and competitor is not asking it, you can understand I cannot improve the profitability for my program. So we are working on both the sides and that is helping us to improve our bottom line. Thank you.

Jay Kale: Understood. Thanks and all the best. I will come back in the queue for more questions.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematix. Please go ahead.

Ronak Sarda: Thanks for the opportunity. Hi! Aakash, quickly on the EV order book, one the 850 odd Crores top line, if you can help us understand how the overall numbers will start flowing to the P&L let us say where do we see 23, 24 and how much of this order book will start converting into production based on your estimate one is that and second in the products like you highlighted DC/DC converters battery charges what would be our market share aspirations in some of these products.

Aakash Minda: Thanks Ronak. So on the EV market front, I mean, for this year if I look at the overall Minda Corporation we will be having a top line of about 20 to 25 Crores coming from the EV platforms. Going to the next year of course the market fluctuation will definitely come into play, but with a healthy order book of about 850 odd Crores, we may see somewhere about 100 to 150 Crores or more in the next financial year coming from the EV space. Of course this is all subject to the market fluctuation and the uptick from the customers and I would just like to again say that I have been highlighting that point for the last many calls also that it all really depends on the customer uptake, but we have a strong order book with

all the customers and all these segments. Coming to the DC/DC converter and battery chargers market share. We are working on this market share front and we will get back to you with the exact number of details, but each customer and player has a different strategy when it comes to the import versus localization. So all I can assure you is that we are working with all and every customer in order to have a penetration with our EV components how we can get the localization benefits by offering Minda Corporation products.

Ronak Sarda:

Right, thanks for that. The second question on the utilization level specifically if I see the wiring harness division so if you can help us understand or break it up into how the utilization level is let us say at the two-wheeler units and at the CV units and is there a plan to correct some of these capacities given we have seen a very substantial cut in the overall two-wheeler numbers. Also how much of this could be offset by new order wins let us say for EV wiring harness or how are we placed at the EV wiring harness in the an industry.

Aakash Minda:

If I look about the overall Minda Corporation you may say that we are using our capacities up to let us say 65% to 70% at the moment. If I speak about the wiring harness division it is somewhere again about 60% to 65%, in our security division this is somewhere about 55% to 60% while we increase our share of business from wiring harnesses is in TVS, Ashok Leyland and Hero in the south plants that we basically have this will help us come to an optimum utilization levels and also when the EV wiring harness customers are going to kick in from the southern plants, it will help us utilize our facilities better.

Ronak Sarda:

Okay sure and any indication on how large would be the EV wiring harness piece as of now and how is the industry structured right now as wiring harness still a lot of it being imported or any idea on how the overall wiring harness piece is moving.

Aakash Minda:

Yes, so I mean of course wiring harness currently has a maturity from the Chinese market. Of course now the players like Minda Corporation and our focus is to localized then. So of course we are now working with every two-wheeler OEM, EV OEM in order to win their business and we have already won businesses again I may not name for all of them, but customers from the north as well as south in the EV OEMs where we won 100% of businesses for wiring harnesses.

Ronak Sarda:

And the last question again I mean you answered partly in the previous question, but if I look at the overall raw material to sales movement in the last six to seven quarters, we are anywhere between 60% to 63% as such. So, I mean, should we assume, I mean, the majority of the RM pressure is behind us and now we should start seeing some benefits of the price increase when they come through and it would help improve the margin profile.

- Aakash Minda:** Ronak I think Mr. Mahajan had answered this question both from the front end customer side as well as our supplier side as well. So we are taking various initiatives. Of course these zinc, aluminum, silicon prices have increased quarter-on-quarter of course copper has been stable from the last quarter to this quarter, but silicon for example has been jumping very high and some of them are indexed commodities and some of them are not so we are again requesting our customers in order to get the best recovery from them against all of them.
- Ronak Sarda:** Sure great thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** Congrats for decent set of numbers on the challenging environment. During this quarter the company has incurred around 327 million due to the revaluation of stake in the Minda Stoneridge. So acquisition cost would be now around 192 Crores because of adding this number.
- Aakash Minda:** That is 161 Crores it is not 191.
- Abhishek Jain:** So you have also done the revaluation during this quarter of 32 Crores.
- Aakash Minda:** No so that is I will ask Bikash Dugar to give the details please, to help you understand that.
- Bikash Dugar:** The revaluation which has come 32.7 Crores is not a cost but gain for our stake in the JV, which was 51% because of the revaluation of the investment at the same price which we paid to our JV partner. So our investment value has gone up and that we have booked in our P&L that is why as an exceptional item that has come into our P&L and that will be reflected as a goodwill in the balance sheet.
- Abhishek Jain:** Why it has deducted from the P&L in this quarter.
- Bikash Dugar:** It is not deducted it is added.
- Abhishek Jain:** Okay. Sir, other interest cost and other income numbers used to be same, but this time there is a big gap. So there is a shortfall in other income, is it because of the reduction in the cash and bank balance so can you please update the net debt figure.
- Aakash Minda:** But again the interest rate has fallen and utilization of cash for vendor payment and the payment charges for early redemption for fixed deposit for buying Stoneridge stake. I will ask the details to be given by Bikash, please.

Bikash Dugar: The other income has fallen as the cash which is lying with us has fallen because we have utilized that cash to buy out the stake in Minda Stoneridge and the FDs which were there we have premature that FDs so there were certain prepayment charges which has resulted the other income to fall. In terms of why the finance cost has gone quarter-on-quarter, earlier we used to get the EPC subvention of 3% but from October onward the government has not notified that subvention that is why as a conservative we have booked that as a finance cost and that is why the finance cost has increased by 1 Crore in this quarter.

Abhishek Jain: What is your current net debt figure in your books.

Bikash Dugar: In our book the net debt figure is around 58 Crores.

Abhishek Jain: It used to be at a higher side earlier so it has gone down significantly it is because of the acquisition of this business only and plus that requirement of the working capital.

Bikash Dugar: Two things at the end of the financial year FY2021 the net debt figure was minus 17 Crores means we were having more cash than the debt but now it has gone to 58 Crores because we have been utilized 160 Crores of cash but the Stoneridge had 86 Crores of cash with them because of that and we have also generated free cash flow around 17 Crores in nine months. All this if you add up that is why the net debt figure has increased from minus 17 Crores to 58 Crores.

Abhishek Jain: Our current offering for the IC two-wheeler is around 4000 to 4500 and expected to see a 15000 to 16000 for the EVs. So just wanted to know how much current content per vehicle in EVs and what all other products are you going to add at a 16000 kind of the level.

Aakash Minda: So again the chart shown our current businesses are at the rate of about 4000 to 6000 and while we are working on the individual product portfolio so when it comes to Mechatronics, the smart keys and other products likes such as light weighting and all is going to increase to about 2000 to 3000 and then in our other wiring harnesses and clusters and other spaces it is going to increase by 2000 to 2500 when this is also applicable for IC engines as well when it comes to the premiumization and other electronification on the bikes. The remaining 8000 to 10000 on the newer product lines that come from our green mobility division which is on the DC/DC converters, battery chargers.

Abhishek Jain: My last question is related with the financial details of the Minda Stoneridge for the nine month FY2022 like revenue, EBITDA and PAT and how is the product mix.

Aakash Minda: So for the nine months when I speak about the MSIL Minda Instruments Limited now so we have done about 346 Crores, EBITDA stands at 34 Crores at 9.8% and PAT is at about 18.7 Crores and again here the EBITDA is also lower due to various challenges of raw

material cost, semiconductor premium costs and other raw material increases, but our focus here is again winning order businesses for new technology products from different customers and different segments, modular platform strategy is being deployed to lower the cost and development time so affordability and time to market and early engagement with the customers for premium clusters and growth in sensors business localization of products to improve the profitability as well and try to mitigate the semiconductor supply and its impact on the P&L.

Abhishek Jain: And how was the product mix in terms of the two-wheeler, four-wheeler and CVs in the Minda Stoneridge.

Aakash Minda: So when it comes to Minda Stoneridge about 60% is two-wheelers and remaining is the commercial vehicle and tractors right now, and for the four-wheeler it is a very small number but we are winning orders, I mean, the first is of course won by Mahindra Thar and now we are looking at an advanced stages of discussion with customers for advanced TFT clusters for their products, passenger cars.

Abhishek Jain: How much is the localization in the Minda Stoneridge.

Aakash Minda: Except for the semiconductors everything else is localized and of course TFTs going forward will be imported from China, but rest it is locally produced some sensors are also being imported due to the current requirement and we are working towards localization of them.

Abhishek Jain: There is a big opportunity in the e-two-wheeler digital clusters and as the most of the e-two-wheelers are using digital clusters now and the realization is also Rs.8000 to Rs.10000 in that case how much big opportunity you are looking in this business and what is your target for the Minda Stoneridge for the next two years.

Aakash Minda: Great question, but it includes some confidential information also. So I might not be able to share a lot of information but as I can share with you that we are improving and working strong on our competencies, software's, localization, platform approach in order to win these customers and again we are in various discussions at various stages to win customers all these samples have been prepared.

Abhishek Jain: Thank you Sir, that is all for my side.

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

Chirag Shah: Thank you very much. Apologies for repeating the same, the question have already been asked. One Stoneridge revenue contribution in the quarter if you can indicate that was the first question and because I think it is part of consolidate numbers now right.

Aakash Minda: No they will come into consolidation from quarter four.

Chirag Shah: Sir. second question is in your order book breakup that the order book that you indicate for the EV is it possible to break it down or broadly between the new products and the old products like what is the order book breakup between your traditional products like the locks and keys and wiring harness and some of the new products like sensors and other things that you have been working on, on a broader basis.

Aakash Minda: So you may say that about 60% to 65% comes from the legacy businesses and about 35% to 40% comes from the EV product lines which is non-legacy at the moment.

Chirag Shah: The question was on sensors, so traditionally if I understand correctly we are working more on suit sensors as a primary area of focus. Is there any change over there, are we expanded our product in the sensor category as such if yes can you shed some light in the opportunity side now versus what was earlier.

Aakash Minda: I think a lot of details to share on the call, if you can speak to Bikash. Bikash will be happy to share with you the details, but just to share with you there are various types of sensors when it is BSVI and the TREM IV, TREM V coming in and more importantly the EV aspect we are focusing on TPMS Thermal Management Sensors other EV related sensors

Chirag Shah: Thank you very much and if I can just squeeze in one more question. Your utilization levels are still not optimum. So how should we look at margin trajectory from here and also an update on your localization you have an aspiration to localize the wiring harness piece where are we in that journey.

Aakash Minda: Yes, so on the capacity utilization levels of course there is a possibility to win businesses and increase our revenue as well as profitability, but we are cautious on two aspect a) our FATR has to be really important and secondly while we reach to about 75% to 80% capacity utilizations we look for maybe new plants and for de-risking purpose and also expansion so there are mixed strategies that come into effect. Coming to the profitability of the wiring harness through localization the localization will help us improve the profitability by let us say 50 to 80 basis points in the next financial year the labor productivity improvement should be about again 50 basis points new businesses and increasing share of business which should also help us and the business mix from more commercial vehicles will also give us enhanced value. On the localization I am happy to share that the plan that we have prepared is already in execution phase and we are well in

line in our plan and I think the results can be seen in our quarter-to-quarter numbers in wiring honors division.

Chirag Shah: Okay so OEMS now started looking at localization options in the wiring harness space because earlier they were reluctant and then COVID came across so everything got postponed to have those discussions have started happening now then at an advanced space is that a right assumption.

Aakash Minda: That is right, yes. Of course the testing validation takes time, so while the discussions are going with some customers and some customers have already approved it, but their testing validations which have a long lead time about 12 months or so and that is when they come into production.

Chirag Shah: So effectively H2 onwards you can see some improvement is it the right assumption or it is more about FY2024 onward that will see the impact.

Aakash Minda: It will be gradual quarter-on-quarter.

Chirag Shah: Thank you very much.

Moderator: Thank you. The next question is from the line of Jay Kale from Elara Capital. Please go ahead.

Jay Kale: Thanks for taking my question again. Two questions. First of the lockset side, would you have gained any market share because you have seemed to have outperformed the industry of course that is also a function of mix and CV contribution, but specifically on the locksets and die casting division would you have gained market share if you can disclose and approximately how much and how do you see that going forward in FY2023 and 2024 and my second question is on the PLI you mentioned that you all have a bid for that I mean you will plan to bid for that but if you can throw some light on which are the components that you would want to go aggressively on the PLI side because there are a lot of components on the advanced automotive component side which you all are currently producing as well which are the key focus areas among those components which you all think that you all have a right to win and bid aggressively.

Aakash Minda: When it comes to the market share see when it comes to the keyless solutions I think nobody is there in the market. When it comes to the locking systems which is mechanical lock it is becoming more and more of commodity and which is in the overall locking space we have gone from about 35% to north of 40% over the last few quarters and you will see further gains with our actions in the future as well. When we speak about the PLI scheme we have already applied on the 9th of January and of course all most of our products are

complying in the PLI scheme where there are about 16 products across 14 technologies like again smart keys, immobilizers, convert EV products, ADAS solutions and other products as well. So there are some products that we have also requested and done some requests to the authorities to include as well.

Jay Kale: Is it fair to assume that you would now be the largest parent mechanical lock sets in India with 40% plus market share.

Aakash Minda: I will request Mr. Minda to give that answer to give confidence to all of you that our endeavor is to be the market leader we are so but I request Mr. Minda to add some light on that, please.

Ashok Minda: See the most important is where we make more margin so now as Aakash mentioned although we have that market share but we have to see the technological shift and so that we increase our margin so mechanical lock yes we are we have all the competency we are there but when it is become more commodity so we are not giving that focus and we are seeing how to convert all the OEMs to the smart key and the new technology where we are doing continuous efforts how to make it more affordable to the customer and simultaneously we should get more margin in comparison of the mechanical research.

Jay Kale: Thanks a lot.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Thanks for taking my question, Sir. During this quarter there is a 4% quarter-on-quarter drop in the two-wheelers revenue while the industry degrew around 20% so what was the reason of our performance.

Aakash Minda: You are asking the reason for the industry growth or you are asking the reason for our numbers.

Abhishek Jain: Reason for your outperformance.

Aakash Minda: So there are various initiatives that we have taken over the last few quarters and few years of course while I have mentioned earlier on strengthening our core and customer engagement and technology have been the pillars in order to drive our performance so enhancing the core in the operational aspects whether it is partnerships improving working capital strengthening the management improving the wiring harness market share as well as the profitability on the technology and digitization across various launching new products and engaging better in the case and mega trends and lastly and most importantly the

customer centricity while winning new products and new customers in all our product lines increasing kit value share of business increase has been a key focus for us to outperform as well as the premiumization of our products and to add aftermarket has really given us the growth along with the exports.

Abhishek Jain: What was the product mix from the wiring harness business for the last nine month FY2022 plus CVs and PVs.

Aakash Minda: I would suggest, I would rather say that about 55% to 60% or more so has been on the two-wheeler space recent in the last quarter commercial vehicle has started picking up so that I would say about 20% to 25% and again tractors is also about 15% PVs and others come to about all put together 20%.

Abhishek Jain: Have you owned any new business wiring harness especially in the PV side.

Aakash Minda: In the PV side.

Abhishek Jain: Yes, passenger vehicle side.

Aakash Minda: Yes, so as I mentioned we have won business in Vietnam from our local one of the largest local four-wheeler manufacturers in Vietnam and also in India we are in development stages with couple of customers in advance discussion stages with them as well.

Abhishek Jain: And what is the quantum of that business.

Aakash Minda: I will have to just check Bikash if we could just get back to them.

Bikash Dugar: I will get back to you Abhishek on that.

Abhishek Jain: Okay. Our next question is related with this your ASEAN business so how is the growth in the ASEAN business especially from the Indonesia and Vietnam in the two-wheeler.

Aakash Minda: ASEAN business, I mean, it is a different strategy when I come to the overall tubular market it really depends on the country but the opportunities are from exports from Indonesia and Vietnam are looking to grow where all the companies are trying to adopt China Plus One, but definitely our focus is to do in more and more order win when it comes to our existing customers as well as new customers and see how we can export from there. So this is what our interest in focus is in order to first win the local businesses and then grow forward and adding more and more products from India to our locations in ASEAN.

Abhishek Jain: And sir in aluminum die casting business how was the performance for the nine month FY2022 versus nine month FY2021 and what was the contribution of domestic versus export.

Aakash Minda: When we speak on our die casting revenue quarter three last year was about 128 Crores and quarter three this year also has been about 128 Crores also and if I speak about the profitability, the profitability has come down again due to our customer indexation and silicon prices for the export customers and it is a lag that we are looking at and plus the semiconductor issues that is looking at but of course this is going to come back very soon once the global passenger car market picks up then our customer starts inverting the material when we come to about the nine month die casting so in the last year we did about 275 Crores in this year nine months we have done about 375 Crores and if I speak about the profitability the EBITDA numbers have gone from 45 Crores to 54 Crores in the last nine months.

Abhishek Jain: So as the capacity utilization has raised to the 75% to 80% in the die casting business so are you looking for the Capex in this business.

Aakash Minda: So the current level of capacity utilization is not 70% to 80% it is somewhere about again 65% to 70% but definitely each customer has their own requirements and hence we have to commit to them in terms of the Capex so while we win new businesses we have to look at this investment strategically.

Abhishek Jain: And my last question is your overall Capex for the FY2022 and what is your plan for the FY2023.

Aakash Minda: So I will ask Sanjay Gupta to just share these numbers on the Capex front however the overall YTD is about 72 Crores in terms of the Capex and overall you may say in the full year we are looking at about 100 odd Crores in this year

Abhishek Jain: This is including the PLI investment or it is excluding PLI.

Aakash Minda: It is excluding PLI.

Abhishek Jain: And what can we expect for the PLI investment for FY2023.

Aakash Minda: In FY2023 we are looking at about again 4% to 5% of the revenue

Abhishek Jain: Okay, thank you Sir, that is all from my side.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Yes Sir, thanks for the opportunity. I just want to have a border sense over the next two, three years what kind of top line and profitability are you seeing. So as you alluded to initial participants that you are putting a 65% utilization levels so something like 5000 Crores of top line possible for us in FY2024 is it a fair assumptions given that we have done good amount of new orders.

Aakash Minda: Yes, so again our first endeavor is to outperform the industry performance so if the industry grows flat our endeavor is to grow at least 10% to 15% higher than the industry there are various initiatives that we are looking at one is of course in terms of the order book customer engagement building our strong product portfolio looking at the four-wheeler as well as exports and aftermarket are some of the areas which will help us give us the growth and outperform the industry when we look at the overall EBITDA numbers of course our most and most important is consistency and sustainable delivery of the profitability and then gradually go and increase our profitability quarter-on-quarter and year-on-year and about midterm to let us say about two to three years we would like to go to about 12% to 13% is what we are looking at.

Shashank Kanodia: Any bigger statement on the revenues front maybe in three years, five years you want to become a 5000 Company or 10000 Crores company anything on that sort.

Aakash Minda: Our endeavor is to outperform we are in the midst of working on our long-term plans and we will come back shortly on that.

Shashank Kanodia: And Sir, secondly in the EV front of your Ola entry so just wanted to get a sense what is the production and then they are receiving from them at this point of time and a ramp ups you do, if anything you can share.

Aakash Minda: Sorry Shashank I will not be able to answer that question due to confidentiality reasons with our customers.

Shashank Kanodia: But we do remain the key solution supply through them right.

Aakash Minda: Yes absolutely 100% share of business.

Shashank Kanodia: Thank you so much and wish you all the best.

Aakash Minda: Thank you.



Minda Corporation Limited
February 04, 2022

Moderator: Thank you ladies and gentlemen that was the last question for today. On behalf of KRChoksey Research and Minda Corporation Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.