



“Minda Industries Ltd Q4FY17 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day, and Welcome to Minda Industries Limited Q4 FY'17 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sudhir Jain – Group CFO, Minda Industries Limited. Thank you and over to you, Mr. Jain.

Sudhir Jain: Good Afternoon, Friends. On the call today, I am joined by my colleagues Mr. Tripurari; Mr. Rana and SGA, our IR consultants. I hope you have had a look at our 'Financial Results' and 'Presentation' that is uploaded on stock exchange as well as company website today.

I will speak briefly on the industry and then give an update on our performance, following which we will be happy to answer your queries: Briefly about the Auto sector. Auto sector saw moderate growth during 2016-17 despite the temporary slowdown in Q3 and Q4 after demonetization. During the year, Automotive industry grew by 6% overall. The Passenger Vehicles segment has reported growth of 11%; Two Wheelers segment grew by 6% and Commercial Vehicles by 4%.

Now, straight I will come to the "Performance of the Company." At a consolidated level, during financial year '17, company has registered revenue of Rs.3,500 crores with a growth of 39% YoY from Rs.2,500 crores in financial year '16. This growth has been driven by consolidation of Roki Minda and Minda TG, start up production of Minda Kosei Aluminum Wheel Plant at Bawal and acquisition of Rinder, Spain in Automotive Lighting.

Operating EBITDA was at Rs.384 crores, growing by 61% YoY from Rs.238 crores in financial year '16. EBITDA margin was at 10.94% in the current year, an expansion of 153 basis points from 9.41% in financial year '16. This has been achieved on the back of higher efficiency, better operating leverage, along with the improved performance from the entities which include Minda Kosei, MJ Castings, Minda Kyoraku and Roki Minda. We believe these margins levels are sustainable and we continue to be focused on managing and controlling our cost. The interest cost has been higher for the quarter compared to last year same quarter primarily because of acquisition of loan for financing Rinder, investments in Minda Kosei, consolidation of Minda TG Rubber and Roki Minda equity in Minda Industries. The cost you are seeing on a sequential basis led by improvement in our credit rating and repayment of certain loans.

PBT before exceptional item for financial year '17 was at Rs.222 crores, growing by 67% YoY from Rs.134 crores in the last year. PAT after minority interest grew by 51% from Rs.111 crores in last year to Rs.168 crores in the current year, reaching a new high. Cash PAT was at Rs.304 crores in the year under discussion. EPS has grown from Rs.14 to Rs.21.1 in the current year.

The Board has recommended final dividend of Re.1 per share, which is 50% of the face value of Rs.2 which will bring total dividend for financial year '17 to Rs.2.20 per share which comes to 110% of the face value.

Now, coming to the major product lines: Switching Systems contributed about 32% of the total consolidated turnover. This division grew by about 13% YoY. Overall EBITDA margin being 9.8% this year. However, pure manufacturing EBITDA after ignoring and reducing pure trading sales margin comes to 11.5%.

Now, coming to Lighting: Lighting division contributed 25% of the total turnover. This division grew by about 111% YoY partly due to acquisition of Rinder business in the month of June '16. On a comparable basis, Lighting business grew by about 30% YoY mainly driven by higher volumes and improved product mix. The management continues to focus on the high value added products and the same is visible in the improvement of EBITDA margin of 9.1% in financial year '17 from 7.5% in '16. Rinder recorded a sale of Rs.324 crores with profit before tax amounting to Rs.15 crores. It received new orders from Hero Motors. The business will be positively impacted with daylight running which has become mandatory from April '18.

Next, I take up Acoustics Division: Acoustics division which is Horn, contributed 17% in financial year '17 at consolidated level. The Horn grew by about 20% YoY. EBITDA margin for the business was at 10.2% in the year under reference compared to 9.5% in the preceding year. As is evident, other product lines have also started contributing and are showing good traction. Subsidiaries like Minda Kosei Aluminum, Minda Kyoraku, MJ Castings have started contributing positively to overall company PBT levels during the year under discussion. Certain other subsidiaries like Minda TG will and should start contributing positively by the following financial year '18. In Minda Kosei, new capacity of alloy wheels is being set up in Gujarat with a total outlay of Rs.300 crores. This investment will be done over next two years. In April 2017, Asean business including PTMA and SAM Global have become 100% subsidiaries of Minda Industries Limited. So in the current year which is 2017-18, 100% top line and bottom line will get reflected in the financials of MIL. Certain investments in the pipeline. A new plant of Minda Kyoraku which is into Blow Molding Parts is being set up in Gujarat.

A new joint venture has been entered into with TT Electronics, Taiwan for Driving Systems Products and Systems and the manufacturing facility is being set up in Manesar and to begin this joint venture we will make Reverse Parking Assistance System, (RPAS).

The next joint venture with Katolec for Electronic System Design and Manufacturing has been entered into and the facility is being set up in Pune. Our business focus is on value creation which will be driven by technology-led inorganic growth, realignment group structure to be completed by March '18. Striving for market leadership in our key product offerings across a diversified basket. The group investments in R&D in upcoming technologies and people development will

continue as in the past. This is all from our side. Now we can open the floor for Q&A. All are welcome to raise queries, etc., or any doubts. Thank you.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. The first question is from the line of Mr. Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Regarding Alloy Wheel Minda Kosei, what is the capacity ramp up plan that we have and by what timeframe Gujarat plant will come up?

Sudhir Jain: In the month of March, we have commissioned 90,000 wheels per month capacity. So in this quarter one additional month has seen 90,000 wheels per month production and by July end or August it should be up to 120,000 wheels per month. The facility in Gujarat should be commissioned by April 2018 which will happen in two phases – first will be 60,000 and then we will scale it up over a period of next 12-months.

Ashutosh Tiwari: We have confirmed orders for all these?

Sudhir Jain: Majority of the business is already closed, yes.

Ashutosh Tiwari: Secondly, on this new JV with TTE, what is the timeline for investment and what kind of potential it has in terms of sales and who are the current suppliers of these products to the OEMs we are targeting?

Sudhir Jain: During this nine months period, the plant should be set up and running. As far as the other suppliers are concerned, today mainly the product is imported. This product is not mandatory so far in all the vehicles and this is also expected shortly it will become mandatory. So regulations is in the pipeline and then really the demand and volume will increase. Customer is Maruti Suzuki.

Ashutosh Tiwari: Is TTE already supplying to Maruti Suzuki in India?

Sudhir Jain: Yes, TTE is already supplying to Maruti Suzuki. It is being imported and supplied to Suzuki.

Ashutosh Tiwari: Who are the other suppliers to MSIL?

Sudhir Jain: Firstly, the volumes are not very high. So there are few suppliers but the volumes are really very low. Among them, EP is the biggest supplier.

Ashutosh Tiwari: According to us basically, what kind of revenue potential does this JV has?

Tripurari Kumar: Rs.250 crores in three years' time.

- Sudhir Jain:** This is based on assumption that the product is not mandatory. Once it becomes mandatory, it will depend upon the regulations, in which all models and vehicles they will make it mandatory and then we will have to recast the projection.
- Ashutosh Tiwari:** Sir, any sense currently what percentage of cars are having this systems?
- Sudhir Jain:** Frankly speaking, exact numbers are not known, but I do not think it would be more than 10% or so.
- Ashutosh Tiwari:** On Onkyo JV, what is the update over there...what is the timeline?
- Sudhir Jain:** That will also come up in coming nine months. As we are already making in Fujitsu Ten Infotainment System, the system goes along with the speakers. So then these companies will make speakers and these speakers will go along with our infotainment system.
- Ashutosh Tiwari:** What is the investment that we are doing in this Onkyo JV?
- Tripurari Kumar:** Around Rs.40 crores is the total project cost.
- Ashutosh Tiwari:** What kind of revenue potential it will have?
- Tripurari Kumar:** This will become Rs.150 crores in 2.5-years' time.
- Ashutosh Tiwari:** Total CAPEX requirement that we have for this year and FY'19?
- Tripurari Kumar:** Like we mentioned during the discussions also, this could be almost Rs.500 crores in next 18-months.
- Sudhir Jain:** That is the total project cost. Projects are under pipeline. Out of these Rs.500 crores, Minda Industries share of equity would be about Rs.150 crores, almost a similar amount in next 18-months for upgradation of the existing facility which we can say maintenance CAPEX, etc.,
- Ashutosh Tiwari:** So Rs.500 crores is including debt, total CAPEX required, right?
- Sudhir Jain:** Yes, everything.
- Moderator:** Thank you. The next question is from the line of Basudeb Banerjee from Antique Finance. Please go ahead.
- Basudeb Banerjee:** Few questions: One, continuing with the CAPEX question, you said, Gujarat Kosei JV plant itself will be Rs.300 crores and you were earlier discussing about Gujarat mother plant altogether for standalone products. So how to look at that project cost...is that upcoming in the near-term?

Sudhir Jain: You are right firstly that Minda Kosei is setting a plant in Gujarat and Roki is already there. So putting all this together whatever is yet to be done in next 18-months the total comes to Rs.500 crores plus project cost, out of which Rs.300 crores belongs to Minda Kosei. This includes debt portion also as well as the equity portion of respective JV partners.

Basudeb Banerjee: At a standalone level, what will be the CAPEX sir?

Sudhir Jain: On a standalone level, I will say it is mainly maintenance CAPEX, within next 18-months we are looking at Rs.100-125 crores.

Basudeb Banerjee: So largely there is enough capacity for the two Wheelers, Switching and Four Wheeler Lighting capacity per se which is part of the standalone?

Sudhir Jain: Yes, as you are aware, even during the year under consideration we acquired Rinder, so additional capacity has been procured as far as Lighting is concerned. Out of this Rs.125 crores partly will go to debottleneck or to buy the balancing equipment. As I have mentioned in the past also, our is not a continuing process manufacturing plants, we have got parts production and then assembly lines and we have also got the flexibility of offloading components to our own vendors and suppliers. So that way we keep on balancing-off our manufacturing lines.

Basudeb Banerjee: Sir like consol growth obviously has been very good. Standalone growth is only 5%. Is it purely because of the weak OEM offtake in Q4 or you lost some share to some competitor in specific segments?

Sudhir Jain: Firstly, your observation is correct that in the Minda Industries standalone that kind of growth is not there. Having said that, we have not lost any share of business with any OEM. Now, this whatever growth is there, that is basically because of the sector growth which is 6% last year, impacted by whether demonetization or some other reasons. So that is the impact. As you know within this also, Switching, already we enjoy 65-70% market share, in Horn also we are 40-45% share in the market. So the headroom for further increase in share of business or market share is limited in these two products. Yes, I think there is a good scope and we acquired Rinder. But Rinder comes as a subsidiary of Minda Industries and get consolidated. So in MIL standalone this amount cannot get captured. But this is a part of Minda's consolidated.

Basudeb Banerjee: Two more questions: In the initial comments, you said that consol growth is part of that is because of Roki Minda consolidation. But as far as we know you earlier said it is a 49% stake and it will come from associate and not getting consolidated. So how to look at that sir?

Sudhir Jain: If you look at Roki Minda's proportionate consolidation this year, because the current Indian accounting standards allows it, it is only Rs.66 crores.

Basudeb Banerjee: So you are doing proportionate consolidation revenue EBITDA across?

- Sudhir Jain:** Yes, that is only Rs.66 crores.
- Basudeb Banerjee:** Rs.66 crores at what level you said?
- Sudhir Jain:** At 49% for six months.
- Basudeb Banerjee:** What is the timeline and the financials of Mindarika in FY'17 and what is the expected timeline for getting that stake up?
- Tripurari Kumar:** Firstly, as far as timeline is that within next four months, by maybe September end we should be in a position to start consolidating with Minda Industries. As far as the turnover is concerned, last year turnover is about Rs.650 crores of Mindarika 12 months which is '16 & '17.
- Basudeb Banerjee:** Sir, EBITDA margins?
- Tripurari Kumar:** EBITDA margins is 11%.
- Basudeb Banerjee:** Bottom line?
- Tripurari Kumar:** It is Rs45 crores on Rs.650 crores turnover, so 6%.
- Moderator:** Thank you. The next question is from the line of Mr. Raunak Sarda from Axis Capital. Please go ahead.
- Raunak Sarda:** Sir, a couple of clarifications: First, for Minda TTE, what would be our JV share?
- Sudhir Jain:** It is 50-50% JV.
- Raunak Sarda:** For the Katolec, in your interview highlighted that over next 9 to 12-months you will have the plant ready. But what exactly will be the product and who are we supplying into?
- Sudhir Jain:** This JV is basically to provide services pertaining to electronics. What exact services? To start with we will make drawing for the (PCB) Printed Circuit Boards, one is the bare board which we will buy, this company will not make PCB board as such but once the board is there, on that we have to make a circuit and circuit along with the chiefs, diodes, resistors, etc., So all these components would be mounted on PCB boards and that boards would be supplied to the companies who use PCB boards in their electronics. This facility would be used both for in-house requirement as well as third-party sales.
- Raunak Sarda:** So who would be the third-party...do we have any firm order book here?
- Sudhir Jain:** No, from third party, so far we do not have any firm orders. Initially we will use it for internal purposes and parallel then we will look for third-party. But yes, there is a very big demand for

this kind of services in India. Because this is a specialized activity, practically in every electronics these PCB boards are used. So we do not see as such any difficulty in getting orders. Having said that, here also there are two different kinds of qualities which is available in the market. The very fact that we have signed a joint venture with Katolec, we will provide premium services in this particular line which will command premium price also from the customers.

Raunak Sarda: Second question on the Acoustics division. What is the progress on the Mexico lines and when would it start contributing?

Tripurari Kumar: Mexico SOP has already started; the first line has been installed and the production has already started, the second line SOP will be approximately in the month of September.

Raunak Sarda: How much revenue should we expect from these two lines?

Sudhir Jain: Revenue for this plant will be in three years Rs.100 crores per annum.

Raunak Sarda: Is it like a specific client based or it is like we are supplying to different clients from this plant?

Sudhir Jain: No, different clients, both based in US and Mexico.

Raunak Sarda: One more clarification; if I look at your latest presentation which you have uploaded, on slide #21 to 24, you have highlighted Switching System revenues, the Light System and Acoustics, are these consolidated revenues or is it standalone revenue?

Tripurari Kumar: These revenues have been consolidated, for example, in Acoustics you will see the revenue of standalone Horn business as well as the Clarton Horn business together.

Raunak Sarda: In Switches also it includes your MACL and the Asean revenues or it does not?

Tripurari Kumar: Yes, it does.

Raunak Sarda: So can I get just the total Alloy Wheels plus MJ Castings revenue?

Tripurari Kumar: It should be around Rs.395 crores; Rs.203 crores in MJ Castings and Rs.192 crores in Alloy Wheels.

Raunak Sarda: So for the Gujarat plant, we will be the 100% supplier share of business for Maruti or it will be a dual supplier agreement again?

Sudhir Jain: No-no, as such there is no clarity also and it is not necessary that we would be the sole supplier. But having said that, 100% capacity of this plant is already booked and naturally mainly with Maruti or Suzuki now.

Moderator: Thank you. The next question is from the line of Jayshree Ram from Karvy Stock Broking. Please go ahead.

Jayshree Ram: I read that you would spin off your Battery business. Can you give me some thought on that?

Sudhir Jain: The background of the Battery business is that already there was a separate company in existence which was 100% owned by Minda Storage Batteries limited, this is meant for four wheeler batteries and two wheeler batteries were part of Minda Industries Limited. In order to consolidate Battery business into one company, we have hived off Two Wheeler Battery business to Minda Storage Batteries which is 100% subsidiary of Minda Industries Limited. So just from a legal ownership angle, the whole battery business is now part of subsidiary.

Jayshree Ram: Can you give me your revenue for Minda Kyoraku for this year?

Management: It is Rs.129 crores.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.

Viraj Kacharia: Just had two questions: One was on JV with Two-Wheeler Kosei. So basically just want to get a sense how the overall indication from OE being in regards to the regulation which will actually be implementation from October '17 and what will be your market share of the JV in max?

Sudhir Jain: TG Minda is into Airbags and Body Ceiling Parts. I think you are referring to the regulation pertaining to Airbags. Firstly, as of now, TG Minda is not part of Minda Industries Limited and the equity shares held by Minda Group as of now is about 8.5% only. In the JV agreement, we have got an option to increase it to 26% and finally to 44%. So in Minda, we are also waiting for this regulation as regulation have either come or is in the pipeline. So we are in discussion with Toyoda Kosei for increasing our equity and during that process we will also plan to transfer the equity to Minda Industries Limited. Fresh equity to be contributed by Minda Industries and existing 8.5% to be transferred to Minda Industries so that it becomes part of Minda Industries. So the discussions are on and I think it will take another three months to conclude this discussion.

Viraj Kacharia: Because given the way the regulations deadline is October '17 which is just a couple of months, basically just want to get a sense are we getting any traction from OE in terms of the models whichever we launch after October '17 and currently what is the kind of top line and profitability in that JV or the entity makes, to get a sense how big the opportunity could be for?

Sudhir Jain: This information I will share. There is a demand coming from the OEMs. OEMs are getting prepared for introduction of these Airbags into the vehicles and internally we are also getting prepared in TG Minda and eventually once all these Airbags demand comes, we are also internally planning to expand capacity for this plant in Gujarat for Suzuki. So by that time Suzuki

plant would also be ready. So now coming to TG Minda current turnover, etc., TG Minda '16-17, turnover is Rs.420crores with PBT of Rs.16 crores which comes to about 4%.

Viraj Kacharia: On this Rs.420 crores, how much would be Airbags?

Sudhir Jain: About 70% would be Airbags and 30% would be Ceiling Parts.

Viraj Kacharia: What would typically be the market share in Airbags at the moment?

Sudhir Jain: At the moment, our market share would be about 35-40%, there are other players also, but the real point in this is as we have mentioned that once this regulation is in place, then there would be a big boost in demand and revenue.

Viraj Kacharia: Second was again on the same JV in terms of localization. so this 4% PBT margin which you highlighted. What do we understand is there is a high level of import which typically happens in Airbags at the moment. So is there any plans for localization we have to improve the overall margin profile which we have in this entity?

Sudhir Jain: Yes, you are right, firstly the margins are low because the volumes are also low and food content is more. But definitely in next two-to- three years' imports content will reduce substantially and margin should improve. But having said that, whatever imports decrease, will not get reflected into the bottom line because with the volume increase we will have to pass off some price benefit also to the customers. But we are looking at that this 4.7%, should go up to 6-6.5% in two to three years' time on that sales.

Viraj Kacharia: Since we are having a large market of this segment which could be a significant growth driver, what really is the differentiating factor for this entity versus the other players because it is again a technology product, we have the technology which is broadly equal among all the players?

Sudhir Jain: Here I will tell the basic differentiating factor is again technologies and not necessarily that all the players would be having the same technology. As you know it is a safety product and it is highly risky also, it is a recall item also. So Toyoda Kosei is a part of Toyoda Group company worldwide, basically it is a Toyoda ancillary and considering the Toyoda brand and their quality and the track record, so definitely as far as Japanese vehicles are concerned, it would be a preferred product and already it is. TG is supplying to Maruti Suzuki in Manesar and Gurgaon as well as to Toyoda in South.

Tripurari Kumar: Even in the new Dzire models, the high end will have the TG Steering and the Airbags.

Viraj Kacharia: We would be what percentage of wallet share of Maruti, Toyota and Honda?

Sudhir Jain: We will target (+50%), currently it should be about 35% or so.

- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Just first wanted to know the inorganic related growth which would be there in FY'18 on account of the pending consolidation which you have already announced or which was a flagship for half year last year, so if you could quantify that number, so basically there is Asean and Roki Minda, right as of now which is partly ...?
- Tripurari Kumar:** Roki Minda was there for half year last year. So that will be there for a full year. So against Rs.66 crores, we could see revenue consolidation of around Rs.140-odd crores.
- Sudhir Jain:** IND AS will not allow. So in the coming year, with 49% equity we would not be consolidating line-by-line as far as Roki Minda is concerned.
- Tripurari Kumar:** As far as the Asean business is concerned, last year also being a subsidiary it was fully consolidated in the top line but there was minority interest of 49% which was going away, so which will not happen this year.
- Pritesh Chheda:** Can you quantify it sir what was the minority interest in Asean?
- Tripurari Kumar:** Close to Rs.7 crores for the full year.
- Pritesh Chheda:** That was on 49%, right?
- Tripurari Kumar:** 51%.
- Pritesh Chheda:** So ideally the profit would have been Rs.14 crores, right, it should be 14 minus...?
- Tripurari Kumar:** Yes, Rs.13-14 crores.
- Pritesh Chheda:** In this Roki Minda, Rs.66 crores is 49% interest?
- Tripurari Kumar:** This is for six months and our share being 49% is around Rs.66 crores.
- Pritesh Chheda:** What was the PBT in this?
- Tripurari Kumar:** Rs.7 crores approximately.
- Pritesh Chheda:** So it would be this year 14 now?
- Sudhir Jain:** Yes, simply to double it 14 plus.
- Pritesh Chheda:** But this still is at 49% interest?

- Tripurari Kumar:** Correct.
- Pritesh Chheda:** Any other pending which have been announced to be reflected in FY'18?
- Tripurari Kumar:** As of now, none.
- Pritesh Chheda:** When you are referring to Mindarika it is to be announced, right?
- Sudhir Jain:** It is to be announced.
- Pritesh Chheda:** In your commentary, you mentioned that there are a few businesses which are generating loss and there can be improvement in margins. So if you could quantify what are those businesses and the extent of loss?
- Sudhir Jain:** First to tell you the worst is Minda TG which is the whole business which during '16-17 there was a loss because it also started production last year but with increase in volume this loss should go, loss was about Rs.5 crores on revenue of Rs.35 crores.
- Tripurari Kumar:** It was the first year of operations.
- Pritesh Chheda:** Any other?
- Tripurari Kumar:** Then there are smaller entities like METL and Clarton Horn, Mexico, which has just started the production. So those two companies can see a turnaround over next 1.5-years.
- Pritesh Chheda:** What would be the extent of loss in that?
- Tripurari Kumar:** Rs.4 crores in Clarton Horn, Mexico and METL will be about zero now, just not making profit.
- Pritesh Chheda:** Then my question is on the Alloy Wheels business. What is our current capacity that we have on Alloy Wheels business that is ending FY'17? What utilization level was that capacity? Now, you mentioned that you are adding 90,000 wheels beginning Q1 to be extended to 120,000 wheels. So that is for the existing set up, right? Then you have another set up which will come up in Gujarat for first phase of 60,000 wheels. That is how you mentioned?
- Sudhir Jain:** Existing running plant is at Bawal which is near Manesar and the future capacity is in Gujarat. Now we are talking about Bawal unit.
- Tripurari Kumar:** Bawal, we started with 60,000 capacity, 30,000 was started in April and by July it became 60,000 and by March 1st it became 90,000, by August this year the capacity in Bawal should be 120,000 wheels per month, and we have also announced capacity building of Alloy Wheel in Gujarat. So in the first phase the new plant will have 60,000 wheels per month capacity which should see SOP by April 2018.

- Pritesh Chheda:** Which means that for FY'17 you had a capacity of 60,000 wheels which may not be available for full year any case, right?
- Tripurari Kumar:** In the month of April, we operationalized the capacity of 30,000 and by June I think 60,000 was operationalized and only for the month of March it was 90,000.
- Pritesh Chheda:** What kind of volumes did you do in FY'17 in Alloy Wheel at the Bawal unit and the corresponding revenue and margins?
- Tripurari Kumar:** Around 55,000 wheels between October to February and approximately 75,000-80,000 wheels in month of March.
- Pritesh Chheda:** On that 90,000 capacity basically in March?
- Tripurari Kumar:** Correct.
- Pritesh Chheda:** Sir, the revenue figure and the margin figure?
- Tripurari Kumar:** Revenue figures are Rs.193 crores and the PBT number is around Rs.27 crores.
- Moderator:** Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.
- Dhananjay Mishra:** Sir, could you provide standalone segmental numbers for Switches, Horn and Lighting because in the annual report we have been providing standalone number all these three segments?
- Tripurari Kumar:** We thought we should start looking the product from the perspective of business that we do in that product segment, but for the benefit of ...
- Sudhir Jain:** Earlier we were getting the feedback from the investor and the analyst that whether the Switches made in one company or in two companies because of certain historical reasons. Let us capture product wise what is the total turnover and the profit which is coming into Minda Industries consolidation.
- Tripurari Kumar:** But I will just give you a ballpark number. In Switch, we have done Rs.846 crores of total sales, of which around Rs.250 crores will be the trading number and Lighting will be around Rs.415 crores and in the Acoustics we have done around Rs.210 crores, these are all standalone net sales numbers.
- Dhananjay Mishra:** That comes about Rs.1640 crores, right on...?
- Tripurari Kumar:** Smaller businesses like Battery which has been hived off now to the 100% subsidiary and fuel cap and very small proportion of auto gas business.

- Dhananjay Mishra:** Once again if you could provide what kind of investment we are doing for consolidation of group companies and what kind of new investment and for the next one year or two years?
- Tripurari Kumar:** For next 18-months, Rs.150 crores or so for new investments for additional capacities which is equity contribution of Minda Industries Limited for existing products as well as new products.
- Dhananjay Mishra:** That includes all the JV you are planning right?
- Sudhir Jain:** We are planning and Minda Industries share of equity in assuming that all these JVs are at 50:50 level, similar amount will come from the partner, thus balance from debt. The internal guideline is not to exceed 1:1 debt-equity ratio. So basically Rs.550 crores is the project cost which we have planned in next 18-months. This Rs.550 crores will contribute about Rs.130-150 crores.
- Dhananjay Mishra:** Equity part will be Rs.150 crores for all the JVs, right?
- Sudhir Jain:** For all the JVs, all products, new and old.
- Dhananjay Mishra:** What about this Wheel CAPEX we are doing from 90 to...?
- Sudhir Jain:** Including Wheels.
- Dhananjay Mishra:** What would be the consolidation investment?
- Sudhir Jain:** Rs.200 crores.
- Dhananjay Mishra:** So that gives up Rs.350 crores and balance is maintenance CAPEX, right?
- Sudhir Jain:** Balance is maintenance CAPEX.
- Dhananjay Mishra:** So Rs.500 crores we will be doing for next 18-months?
- Sudhir Jain:** Yes.
- Dhananjay Mishra:** Sir, we have already raised Rs.300 crores and...?
- Sudhir Jain:** Rs.300 crores we have already raised and we will also earn about similar amount by way of internal accrual and out of that Rs.200 crores will go into this.
- Dhananjay Mishra:** So despite all this investment, do you think sir our debt level will come down in two years down the line because you are doing good cash flow and we already have raised Rs.300 crores?
- Sudhir Jain:** As on 31st March, in case we see my debt-equity ratio is 0.7 or 0.65, so it is well within limits and maybe it will come down to 0.5.

- Dhananjay Mishra:** I am asking about absolute debt number which is about Rs.450 crores because you have already given a roadmap of 18-months, right, so I assume till March '19 our debt should not increase?
- Sudhir Jain:** It should be in this range only because some new debt will come for new investment, but existing debt would also be liquidated, you can safely take Rs.500 crores is the maximum debt in the next 18-months outstanding.
- Dhananjay Mishra:** What is our utilization level of existing plant core business I am talking about Switches, Horn and all?
- Sudhir Jain:** Now, as far as Switches and Horns are concerned it should be about 85%, Lighting 80%.
- Moderator:** Thank you. The next question is from the line of Mr. Shyam Sundar Sriram from JM Financial. Please go ahead.
- Shyam S Sriram:** Sir, in regards to new JV with Katolec, I just want to understand what is the opportunity size here and who would be the current players and what share of market we aspire to reach?
- Sudhir Jain:** Firstly, I explained earlier also, PCB is something which goes into each and every electronics, whether it is automotive electronics or it is the consumer electronics or any other part. The level of technologies are also different. PCB is the same. But the real technologies been designing the PCB. Once it is designed, then mounting components on that on SMT lines. Now, immediate goal is to have common facilities within the group which can provide quality PCB to various components which we make. Now, we are already in our Switches, in the Lights and other things, PCB is being used. Today maybe we are buying it from outside sources. This being a critical item, we are planning to make it in-house and because we want to make it of a substantially higher level of quality, we have signed this joint venture with Katolec. Katolec is a Japanese company. Globally they supply PCB to different sectors besides auto sectors. Idea is in the Phase-1 cater to in-house requirements and some requirements of the auto segments only. Depending upon the future opportunity, we will go outside auto component also but that maybe three to four years down the line. Now, the size of the opportunity...
- Shyam S Sriram:** I was mostly referring to the automobile opportunity only. Currently who are the other players who supply in India? Is it imported for reasons of quality or other players who manufacture it locally?
- Sudhir Jain:** Level-1 quality is manufactured locally in India and that too and mostly it is made in-house also. But better quality which is level-2 and level-3 that is mostly being imported and Katolec is supplier of that PCB. So we are looking at basically import substitution in that. But having said that, again I am explaining, our immediate target is in-house. Once it is accepted and we reach a particular level of the quality, then only we will open up for outside world.

- Moderator:** Thank you. We have the next question from the line of Mr. Rajesh Kothari from Alpha Advisors. Please go ahead.
- Rajesh Kothari:** Few Questions: One is can you tell us on FY'18 and FY'19 considering the consolidation which you are planning to do, the group realignment and also considering the impact of IND AS new accounting norms, what kind of revenue you are looking for?
- Sudhir Jain:** So '16-17, we have ended about Rs.3,500 crores, So in '17-'18 first we see increase of about 20-25% which will come to about Rs.4,200, 4,300 level.
- Rajesh Kothari:** This is including Mindarika?
- Sudhir Jain:** This will include Mindarika also for half year.
- Rajesh Kothari:** So basically about Rs.300 crores?
- Sudhir Jain:** Yes. '18-19, again I think we can look at 15% top line growth assuming GTB is 6-7%, sector growth is 6-7%, which otherwise is expected to be substantially higher, but we do not want to guess much about '18-19 as of now.
- Rajesh Kothari:** So this is because of the IND AS which you have reduced the number because if I am not wrong in the last conference call you are talking about FY'18 Rs.4,800 crores and FY'19 Rs.5,500 crores?
- Sudhir Jain:** No, in case I am Rs.4,200, 4,300 crores in '17-18...
- Tripurari Kumar:** We have not given this number by the way.
- Rajesh Kothari:** I am talking about the growth. If you look at your third quarter, then the...?
- Tripurari Kumar:** Rs.4,800 number has not been conveyed by us in any forum and we think the number should be closer to Rs.4,300 crores which is what we have indicated.
- Rajesh Kothari:** Say for example, your Mindarika anyway full year will be restructured in FY'19. So if I actually do the adjustment, then it comes to Rs.4,500 crores which will go to Rs.4,800 crores. So it is just 6% growth. So are you looking...?
- Sudhir Jain:** '18-19 as I also said, we can safely take 15% growth over Rs.4,200, Rs.4,300 crores, it will come to that figure only.
- Rajesh Kothari:** So why you are a little bit conservative because earlier even on channel you said there are 20-25% growth should be possible over next 2 to 3 to 5 years something like that?

- Sudhir Jain:** No, no, that was last year which I said. So we have done that in '16-'17 or '17-'18. '17-'18 would be 20-25%, there is no doubt about it. As far as '18-19 is concerned this being slightly in future, so we tend to be conservative, 15% I am saying, okay, you can take it 20% for your calculation.
- Rajesh Kothari:** But do you think in terms of the growth is it that the new segments which are entering, I thought it would probably add incremental higher to your overall growth level at the same time the economy also improving, I thought that probably numbers, do you not think it is at the lower end, but you think it is the saturation in the segments that top segments which are...?
- Tripurari Kumar:** It is conservative and we like it that way.
- Rajesh Kothari:** Any margin guidance?
- Sudhir Jain:** We have done around 10.9 and hopefully it should be incrementally adding up by 0.25% to 0.5% YoY.
- Rajesh Kothari:** Mindarika, I have not understood that Rs.650 crores revenue and Rs.52 crores. That Rs.52 crores is PBT or PAT?
- Sudhir Jain:** PBT.
- Rajesh Kothari:** What is this Mindarika, which segment, can you give some color on that?
- Sudhir Jain:** They are into all kinds of Switches for Four-Wheeler.
- Rajesh Kothari:** What is the market share and the top customer?
- Tripurari Kumar:** Top customer only Maruti Suzuki, they supply to everybody, but MSIL will be the largest customer.
- Sudhir Jain:** We supply to of course Maruti Suzuki, Toyota, Honda cars, so it is Four-Wheeler Switches and of course some Tatas and Mahindras.
- Rajesh Kothari:** This Rs.300 crores what we have raised equity. Out of that, how much will be used for acquiring the group company increasing stake because of the realignment of the structure?
- Sudhir Jain:** As I said, the total funding requirement is about Rs.500 crores. Source is Rs.300 crores of this QIP and Rs.200 crores from internal accruals. Out of the Rs.500 crores, Rs.200 crores will go towards acquisition of equity from the group companies to complete our consolidation exercise on or before March '18 and balance is into Rs.150 crores through this new project.
- Rajesh Kothari:** Because I thought there is another Rs.150 crores for upgradation. So that is why I was getting a little confused.

- Sudhir Jain:** 200 plus 150 plus 150 will become 500. The question is what the source of 500. Source of 500 is 300 QIP and 200 internal cash retained after payment of dividend, payment of other liabilities means term loan liabilities.
- Rajesh Kothari:** This Rs.200 crores which you say to acquire the stake, that will primarily add about what kind of revenue?
- Tripurari Kumar:** On a full year basis, it could be around Rs.800 crores.
- Moderator:** Thank you. We have the next question from the line of Rajeev Ray from Bajaj Finance Ltd. Please go ahead.
- Rajeev Ray:** I want to have some information of Rinder India. You have mentioned in your brief summary that you have received some order from Hero MotoCorp. Are you planning for CAPEX for this project or existing capacities are sufficient?
- Tripurari Kumar:** I think we should be able to meet the demand with our existing facilities.
- Rajeev Ray:** What is the expected top line for FY'18?
- Sudhir Jain:** We do not give future guidance company wise but you can assume that on full year basis, we should be anywhere between Rs.420 crores to Rs.440 crores.
- Rajeev Ray:** What are the plans for MJ Castings? Is there any CAPEX planned in this current year?
- Sudhir Jain:** Not in this year.
- Rajeev Ray:** Any guidance on top line and bottom line?
- Sudhir Jain:** For MJ Castings about Rs.230 crores
- Management:** 15% growth from here.
- Moderator:** We have the next question from the line of Prayesh Jain from IIFL Wealth. Please go ahead.
- Prayesh Jain:** Sir, wanted to understand this on the DRL front in the two-wheelers, how does that impact our Switches and the Lighting business both?
- Tripurari Kumar:** The day light running is going to be implemented from April. So the lighting business is going to be impacted here because as soon as you switch on the lamp or start the engines, the day light running should be continuously on. So the new which are launched, they will be on this. We expect that average realization should go up between Rs.200 to Rs.300 depending on the vehicle cc size.

- Prayesh Jain:** It does not impact the Switches business?
- Management:** Not as much.
- Moderator:** We have the next question from the line of Jayshree Ram of Karvy Stock Broking. Please go ahead.
- Jayshree Ram:** Just to be clear, can you give me the complete break up of Rs.3,500 crores subsidiary wise?
- Sudhir Jain:** In the presentation, we have given product wise the subsidiary in legal entity wise.
- Jayshree Ram:** I wanted to know Minda auto components, Kyoraku distribution, Clarton?
- Tripurari Kumar:** The standalone is Rs.1,639 crores MDSL is approximately Rs.450 crores, at Clarton including LSCC we are Rs.407 crores and Rinder for the ten months period that we did it is around Rs.324 crores, Rs.203 crores for MJ Castings, Rs.193 crores for Asean business and same number for Minda Kosei Aluminum Wheel Rs.193 crores, MKL which is Minda Kyoraku is Rs.129 crores and MACL is approximately Rs.107 crores and Roki Minda, our proportionate share is Rs.66 crores and Minda TG has been Rs.35 crores, METL which is a joint venture is around Rs.17 crores, so this is only 50% of that number, YA Auto is around Rs.33 crores, Intergroup Elimination is around Rs.294 crores, so you arrive at a figure of Rs.3,500 crores.
- Jayshree Ram:** In the next year, which companies will be 100% consolidation?
- Sudhir Jain:** Mindarika Private Limited which is into Four Wheeler Switches, target is to consolidated, the second half consolidation should appear for the current year. Another is Minda Nabtesco is into Air Brakes and consolidation will appear in the second half, so half of the current financial year, revenue will come. One is MI TORICA is into trading, group sourcing of basic raw materials again seeking second half and Minda Fujitzu Ten which is into infotainment system in the second half. So these four companies.
- Tripurari Kumar:** We have the next question from the line of Basudeb Banerjee from Antique Finance. Please go ahead.
- Basudeb Banerjee:** A couple of questions I missed out. One as you said that from October to February, 55,000 Alloy Wheels per month, but you said that from April 30,000 Alloy Wheels per month was the capacity. So was there any production from April to September sir?
- Management:** April to September, around 45,000 you can take the average no. First, the line has to be made ready. So 30,000 was operationalized in April and then 60,000 by June-July.
- Basudeb Banerjee:** Full year revenue is you said Rs.193 crores?

- Management:** Rs.193 crores.
- Basudeb Banerjee:** You have 80% stake in Kosei?
- Management:** Yes, revenue is 100% consolidation.
- Basudeb Banerjee:** Rs.200 crores is the remaining amount which will be paid for buying those stakes in Minda Rika and TG, etc., You earlier said that Rs.250 crores was the budget. So will it be right to assume Rs.50 crores is already spent in FY'17 for Roki and Indonesia, Vietnam?
- Tripurari Kumar:** Rs.70 crores was spent on that.
- Basudeb Banerjee:** Rs.70 crores is already done. So residual Rs.200 crores remains firm, so...?
- Sudhir Jain:** Rs.190-200 crores. So yes, you take Rs.200 crores figure.
- Moderator:** As there are no further questions, I now hand the line back to the management for closing comments.
- Sudhir Jain:** I would like to thank each and every one of you for joining the call and asking really good questions and queries. I hope that we are able to respond to your queries. In case, you need any further information or have any query, please let us know. I would also request you to get in touch with SGA for any information, data, etc., who are our investor relations advisors. With these remarks, again I will thank you all for all support and guidance to us. Thanks.
- Moderator:** On behalf of Minda Industries that concludes this conference. Thank you for joining us and you may now disconnect your lines.