



“Minda Industries Limited Q2 FY2018  
Earnings Conference Call”

November 14, 2017



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**Moderator:** Ladies and gentlemen, good day and welcome to Minda Industries Limited Q2 FY2018 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 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 for an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sudhir Jain – Group CFO. Thank you and over to you Sir!

**Sudhir Jain:** Good afternoon and warm welcome to all the participants. On the call today, I am joined by my colleague Mr. Tripurari, Mr. Rana and SGA, our Investor Relations consultant. I hope you have had look at our financial results and presentation that has been uploaded on stock exchange sites as well as company website. 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. At the outset I would like to inform you that Minda industry’s share is being added to MSCI small cap index.

Now regarding auto sector, Indian Auto and Auto Component industry has registered significant improvement in performance in Q2 of current financial year. This comes after a slow down in the previous months given by pre-GST uncertainty. Prior to the GST implementation, BS-IV implementation led to a slowdown in the CV segment. However, demand for two-wheeler and passenger car segment has continued to improve post-GST implementation largely due to satisfactory monsoon this year which resulted into improved rural demand, festival season, and low vehicle financing rates. Festive season has also boosted sales of the CV segment. We expect this movement in demand to sustain further into H2 of FY 2018. This augurs well for well-diversified auto component suppliers like Minda Industries, which are in a position to sustain and also progressively increase kit value supplied to OEMs due to varied basket of products. This continues to be one of our focus areas.

Now coming to the performance of the company, at a Consolidated level during Q2 FY18, the Company registered revenue of Rs.1,100 Crores with a growth of 23% year-on-year from Rs. 896 Crores in Q2 FY17. This was primarily driven by

- Improvement in the performance of Minda Kosei, MJ Castings, Rinder India, etc.,
- Growth in our standalone business by 11% Y-o-Y.

EBITDA was at Rs.137 Crores growing by 41% Y-o-Y from Rs. 97 Crores in Q2 of the preceding year. EBITDA margin at 12.43% in the quarter, which is an expansion of 152 basis point from 10.8% in Q2 of FY2017. This is our highest quarterly EBITDA till date. We hope to build on this



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momentum as the year progresses. These margins have been achieved on the back of higher efficiency and operating leverage including an improvement in EBITDA of our switching and lighting division respectively. New product lines added in the last year have contributed positively. We believe these margin levels of 11.5% to 12% on a full year basis is sustainable and we are always focused on improving productivity and controlling cost. PBT before exceptional item for Q2 FY18 is at Rs.96.5 Crores growing by 88% Y-o-Y from Rs. 51 Crores in the corresponding quarter of the preceding year. PAT attributable to MIL grew by 75% from Rs. 39 Crores in Q2 to Rs. 67 Crores in Q2 of the current year.

Now coming to the product line,

**Switching Business**, this segment has achieved a turnover of Rs. 336 crores contributing about 32% to the total consolidated turnover of the company. EBITDA margin in this segment was around 12% in this quarter.

**Lighting Business** achieved a revenue of Rs. 294 Crores contributing 27% to the turnover. EBITDA margin was around 11% in this quarter.

Regarding the **Acoustic Business**, the Acoustic business achieved a revenue of Rs. 163 Crores which is for 15% of the total turnover. EBITDA margin in this segment was around 6%.

**Other products** have also started contributing and are showing good traction. As a whole, we achieved a revenue of Rs. 273 Crores from other products during this quarter. Several products amongst these consistently achieved higher margins. On a consolidated level, we have been able to achieve EBITDA of about 19% from these other products.

Now update on the group consolidation exercise, which we started about one and a half years ago to bring all group investments under Minda Industries limited.

Board has in the last board meeting approved MIL to purchase 49% share in Fujitsu Ten Minda Private Limited and 51% shares of Minda F-Ten Private Limited from the group companies. JV partners Fujitsu Ten Japan will continue to hold their stake as in the past in both these companies. Both the companies will be consolidated post acquisition of shares which is expected to be completed by January 1, 2018.

- F-Ten Minda is engaged in the business of development and manufacturing of car infotainment system with revenue of Rs. 308 Crores, PAT of Rs. 26 Crores in the preceding year 2016-2017.



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- Minda F-Ten is a marketing company for infotainment system and during 2016-2017, revenue of the company was Rs. 315 Crores with a PAT of about Rs. 1 Crore.
- The total purchase consideration for both the companies for the shares, it would be about Rs.26 Crores.

We believe future of auto component industry will be largely technology driven. In line with this belief we are steadily focused on value creation within the business through technology led inorganic growth and systematic realignment of our businesses.

We are striving for market leadership in our key product offering across diversified basket and investments in research and development latest technologies and people development continue to be our focus areas.

That is all from my side as of now. And we will open the floor for Q&A. All are most welcome.

- Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question is from the line of Ashutosh Tiwari from Equirius Securities. Please go ahead.
- Ashutosh Tiwari:** Sir congrats on very good set of numbers. Which are the key customers right now for F-Ten on the OEM side and which models, they are supplying to?
- Sudhir Jain:** Thank you Ashutosh. In F-Ten, our key customers are Maruti Suzuki and Toyota Kirloskar. We are supplying to Innova Crysta, we are supplying to Baleno and other model as well but these two are key volume driver currently.
- Ashutosh Tiwari:** So what would be F-Ten share basically in the industry right now?
- Sudhir Jain:** F-Ten will be around slightly above 20%-21% range.
- Ashutosh Tiwari:** Okay and who are the other players in the market?
- Sudhir Jain:** Nippon is there, there is Harman Kardon
- Ashutosh Tiwari:** Okay because this is going to be seriously a high growth area because all the new cars are coming with more features and this will feature a lot of units.



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- Sudhir Jain:** You are right this is a growth area and the contents and the value of the infotainment system is also increasing and the technology is also changing as far as infotainment is concerned and a lot of integration is taking place in infotainment with Telematics, communication, interconnected cars etc.,
- Ashutosh Tiwari:** So overall what kind of growth we expect in this business over next 3-4 years?
- Sudhir Jain:** We expect about the industry growth to begin with, we have just entered into the market in last two, two and a half years and are able to get traction from these two big players. So we hope that our growth in the sector would be in line with the industry growth.
- Ashutosh Tiwari:** Okay. So industry growth you mean OEM industry or you mean to say that infotainment industry growth?
- Sudhir Jain:** Infotainment in OEM.
- Tripurari Kumar:** Ashutosh as you will recollect there is a good level of premiumsation which is happening, so lower-end models also slowly you will see that infotainment systems will be factory fitted unlike the accessories business which is currently the order of the day.
- Ashutosh Tiwari:** Okay and secondly on the TTE JV, what is the progress over there because I think the regulations are also coming into the picture from 2019 so how do you see that picture shaping up and from what timeframe the business will start in terms of revenue?
- Tripurari Kumar:** In TTE DAPS we were expecting this regulation to come from April 2018 so in a way it has been deferred by a year but having said that we believe that of course the pickup will be slow in the next financial year but beginning FY2018-2019 and 2019-2020, we should see this business grow by at least 35% - 40% in that bracket.
- Ashutosh Tiwari:** But when the plant should start for us?
- Tripurari Kumar:** It should be operational by May to June this year FY2019.
- Ashutosh Tiwari:** Maybe in the next year we will take it, okay.
- Tripurari Kumar:** First quarter of FY2019.
- Ashutosh Tiwari:** And at the peak how much this plant can do basically what we are putting out.



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- Tripurari Kumar:** Currently, we have just invested for one line and through this one line we can go up to Rs. 300 Crores to Rs. 350 Crores.
- Ashutosh Tiwari:** And how much investment?
- Tripurari Kumar:** Will be Rs. 37 Crore equity, Rs. 37 Crore debt.
- Ashutosh Tiwari:** You mean to say Rs. 74 Crores is the total investment...
- Moderator:** Thank you. We take the next question from the line of Basudeb Banerjee from Antique Finance. Please go ahead.
- Basudeb Banerjee:** Yes, thanks Sir and congrats for a great set of numbers. I hope your production is not getting impacted by the smog in NCR area.
- Sudhir Jain:** No, not as of now. Thank you.
- Basudeb Banerjee:** Sir, if I see firstly splendid set of EBITDA margin both at standalone and consol level but if I see at both the levels standalone and consolidated bulk of the EBITDA margin improvement in last four quarters is not from gross margin level but it is purely from operating leverage that is other expenses to sales coming down and staff cost to sales coming down but at RM to sales, it is more or less the same since last 2-3 years, so with product mix improving like alloy wheels etc., coming in, so how to see from a gross margin angle Sir?
- Sudhir Jain:** The gross margin I think we are operating at around let us say between 35% to 39% basis which ever product that we are dealing with. So that is basically the range. Having said that in certain new products like alloy wheel even in MJ Castings and Minda Kyoraku, we are considerably having this number, it is now at 40%-41% so there we are seeing higher level of volumes kick in and these product lines our newer businesses also. So once they will be fully utilizing the capacity which has been set up which we have seen in the case of Minda Kosei happen in this quarter for last two months, so that is where you will see volume jump as well on the same investment side. So there again we are seeing a slightly higher return on capital as well.
- Basudeb Banerjee:** Sir but just I am trying to think from an angle that alloy wheels mix is coming last one year only and Rinder also when it got acquired also was higher end of margin curve compared to your business, so these relatively better margin segments coming in and despite gross margin remaining unchanged, so I was thinking what is the scope from a gross margin angle down the line? And second thing Sir, if I see your standalone growth, this quarter year-on-year is close to 9-odd% whereas most of the target OEM company growth even slow growing company like Hero has been growing at a much better

pace compared to their historical average. So any reason why growth was a bit on the lower side this quarter, standalone level?

**Sudhir Jain:** Regarding standalone Basu, I think in the last quarter industry has grown on an average by around 10%. In this two-wheeler has grown by more than 10% and four-wheeler has grown by around 5%, okay...

**Basudeb Banerjee:** Sir Maruti growth has been much superior..

**Sudhir Jain:** Yes, Maruti growth has been much but yes, you are right and one of the reason for maybe the lessened market growth, could be one or two percent less is partly because that in switches we already enjoy very dominant share okay, and battery is still very low and we expect that once this battery picks up, then further it will improve.

**Tripurari Kumar:** And Basu in last corresponding quarter the battery business was part of MIL but this time it has been moved to the 100% subsidiary, on that account also maybe additional 1.5% ...

**Basudeb Banerjee:** Yes that will be... and ballpark how much of the revenue will be volume let and how much will be commodity pass on led.

**Sudhir Jain:** I tell you 90% of the growth is volume led, as far as 10% - 15% could be the price led exercise of course as we have not done but I will say 80-20.

**Basudeb Banerjee:** And Sir what is the time-line of Minda Rika now coming in?

**Sudhir Jain:** Our target is to complete that before 31<sup>st</sup> March and we are working and I am quite confident that before 31<sup>st</sup> March, we would be able to consolidate that also. Of course, I would be happy in case we can do it effective January 2018. If not January, then definitely 31<sup>st</sup> March.

**Basudeb Banerjee:** So largely from FY2018, it should come in?

**Sudhir Jain:** Yes.

**Basudeb Banerjee:** And other income if I see on an absolute basis did not move up considerably because the funds which came into balance sheet, yet to get exhausted?

**Tripurari Kumar:** Yes, I think we are still sitting on some FD which we will be using for purchase of Minda Rika and some other capex investment..



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- Basudeb Banerjee:** So I mean that other income will be lumpy in that Sir or it should be uniform across quarters till it is not utilized?
- Tripurari Kumar:** No I think for one more quarter which is Q3 and Q4 and post that it should normalize.
- Basudeb Banerjee:** Thanks Sir. Best of luck. That is all from my side.
- Moderator:** Thank you. We will take the next question from the line of Ronak Sarda from Axis Capital. Please go ahead.
- Ronak Sarda:** Hi Sir, thanks for the opportunity and congrats. Sir first question is on your horns division, we have seen margin dilute a bit strongly in this quarter, is it largely because the Mexico lines coming up and the initial ramp up cost or if you can explain that?
- Sudhir Jain:** If you remember during the last call also we had said that in Clarton Horns in Q1, there were certain preponement of sale in Q1 and Q4 of last year and correspondingly the sales were pre-booked and the margins were lower in this quarter, plus there have been expenditure on the Mexico side. So those expenses have also been booked and third factor is that there have been some foreign exchange losses which is of course below the EBITDA item, on the loans that we have assumed at Mexico and at Clarnet Horns. So the exchange rates have also changed, so you will realize that historically the comparison was last time financials were released on an exchange rate of 73 as against 70.85 that we did last year.
- Ronak Sarda:** Okay and have the Mexico lines are now commissioned and production ready?
- Sudhir Jain:** One line is already functional, the second line should be operational by April of 2018.
- Ronak Sarda:** Okay so what is the Mexico cost then, is it on the first line you are saying, the implemental cost which have impacted...
- Sudhir Jain:** Yes, partly. The expenses have been booked on the second line, because the new loan has been assumed and expenditure have been done to erect the plant. So those income apart from capitalization have been expensed on the P&L.
- Ronak Sarda:** And Sir next question is on the progress of JV where you highlighted on Minda TTE but if you can just discuss the Onkyo and Katolec JV, are we on track to get new orders and how does the Minda Onkyo JV and the Minda F-Ten JV overlap, is there any overlap or they are complementary?



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- Sudhir Jain:** Firstly, Minda Onkyo and F-Ten Minda are complementary, Minda F-Ten makes only infotainment system, they do not make speaker and speakers would be now made by Minda Onkyo. So, naturally the infotainment system along with speakers will go to the OEM and the aftermarket. So, they are complementary. As far as the progress on the JVs are concerned whether it is Minda TTE, Minda Onkyo, or Minda Katolec, all three are as per schedule and at different stages of commissioning so land, building, and machineries etc., are on the way. A few machineries have already reached and is under installation and as per the original schedule, all these investments will take off, so we do not see any challenge or risk as of now.
- Ronak Sarda:** Okay. So Sir on the Minda Onkyo JV, whether these two JVs will be presented as one company for the client, how does we ensure that we get the entire package of infotainment plus speakers or it could be one company supplying some part and other company like...
- Sudhir Jain:** You are right it would be one company, which is F-Ten Minda and Minda F-Ten. Minda F-Ten being a marketing company, so they will present it as a one-set system and we will supply it to the OEM and aftermarket and in turn as far as speakers are concerned, they will get it from Minda Onkyo and simultaneously Minda Onkyo would be free to sell it in the market or export.
- Ronak Sarda:** Okay perfect. And Sir now as most of the capex is done, consolidation is in the last stage, when can we expect some free cash generation happening I mean any thoughts on that?
- Sudhir Jain:** Operating cash flow of course is already there but whatever we are generating as you said it is either on capex because substantial expansion is going on in Gujarat and Gujarat will come up as a automotive hub you are aware. So we feel that from next year onwards investment in consolidation exercise will not happen, so there could be a saving plus most of the investments to be made in Gujarat will also take place. So from next year, we hope that cash flow surplus would be there.
- Tripurari Kumar:** But the significant is positive cash flow from FY2019-2020.....?
- Ronak Sarda:** Right, FY2019 some capex will be .....
- Sudhir Jain:** Yes, but having said that still our debt equity is well within manageable limits , I will say Yes. So debt equity is more or less 0.45 or 0.5
- Ronak Sarda:** Right. Sir on the Gujarat capex is just the alloy wheels where we have the significant capex or on for switches or from some other Minda Rika also we are making...
- Sudhir Jain:** Yes, in alloy wheels it is substantial because alloy wheel is slightly capital intensive and in case of other which is Minda Rika, Minda Kyoraku the capex is not as much of that of alloy wheel.

- Ronak Sarda:** Right, perfect Sir. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Bharat Gianani from BNP Sharekhan. Please go ahead.
- Bharat Gainani:** Congratulations Sir for good set of numbers. Sir just one question I had regarding the ongoing consolidation exercise, all of it will be completed by 31<sup>st</sup> March FY2018?
- Sudhir Jain:** Of course that is the target and that target we set about one and a half or two years ago, we are working towards that target. Having said that, there are one or two investments in which we have got very minority equity ranging from 8% to 10%, two entities are there of course we are working on that also but there is a possibility that that might slip to next year but in those entities, our investment 8% to 10% each. But rest I think, we should be able to consolidate by 31<sup>st</sup> March.
- Bharat Gainani:** Okay and Sir just like the strong growth that you have delivered in first half coupled with the consolidation that you talked about just now of the infotainment system, so adding all of that what is like FY2018 topline look like I mean just a ballpark number just I am trying to get like?
- Sudhir Jain:** Interest is to double H1 topline and bottomline but that is to simplify, but our past experience is also that H2 is about 55% of the annual figure, so we hope it would be better than double of H1.
- Bharat Gainani:** It is at 55% right?
- Sudhir Jain:** 55:45 ratio, yes. 45% is the total we get in H1 and 55% in H2.
- Bharat Gainani:** Okay and Sir lastly just whatever consolidation exercise you pointed out, so I mean just trying to get that what do you think is the scope for margin improvement from this levels so is because the kind of margin that we have are posting now is like I think about the best in last eight to nine years, so we have not seen that kind of a margin, so I am just trying to understand like whether this would be the peak margins that you are like kind of getting or because a lot of new products which are entering will see ramp up and will not be running at full utilization. So what is your sense like this is a peak margin that we have seen like 11%-11.5% kind of a rate or do you expect some improvement hereon as well?
- Sudhir Jain:** No internally what we do, we review our margins as you also referred to the new products and new investment matured and already set up project and these projects under set up or just set up. So what we feel the projects of the products which are mature, which have already been set up, of course the margins we would be in a position to maintain and improve upon margins in that also because we are continuously working to improve the productivity of the existing investments, existing plants. As far as the new investment is concerned or the products which we have just started or starting, yes that

will take two to three years to reach these kinds of margins. So on an average, it is a weighted average of the existing products as well as the new products but internal target is to maintain and improve upon these margins. So what extent we would be able to improve upon, I think we need to see for another one, one and a half year, the only thing which I can share is that yes, there is internally we are working on productivity improvement projects and that have also contributed to the improvement in margin in recent quarters.

**Bharat Gainani:** Okay Sir. That is all from my side, thank you and all the best Sir.

**Moderator:** Thank you. We will take the next question from the line of Karthik Mehta from Canara Robecco Asset Management. Please go ahead.

**Karthik Mehta:** Hi Sir. Good afternoon, thanks for the opportunity and excellent set of numbers. Sir my question is pertaining to that two entities what you mentioned, your stake is very minor is of now, 10%, they are into seatbelts and airbag right and together they only would be roughly Rs. 800 Crores?

**Sudhir Jain:** Yes.

**Karthik Mehta:** Okay and how has been the growth over there in the first half, you can share ballpark broader percentage growth numbers?

**Sudhir Jain:** Karthik good afternoon and as far as these two companies in the products are concerned, we are aware that these are growth products and recently airbags have also become compulsory in car from July 2019 and as far as the consolidation of these investments in MIL is concerned that is also progressing and the only thing is whether we would be able to complete it before March or after March is something which as of now, I am not very sure but our efforts are to complete it before 31<sup>st</sup> March. But other than that we would be able to do. Now coming to the specific on this TTE Minda we would like to share this.

**Tripurari Kumar:** So like you said on a full year basis yes the number is around Rs. 750-800 Crores.

**Karthik Mehta:** Combined entities, these two entities.

**Tripurari Kumar:** If I look at them separately we are looking at good growth of more than 10%-15% year-on-year on these businesses. For example our estimates are that it will be north of Rs. 850 Crores next year, and by 2021-2022 which is a five-year period, this number could jump by.... but this has not captured the impact of regulation as of now, so pre-regulation number should have moved to Rs. 1,250 Crores.



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- Karthik Mehta:** Okay and I understand the margins in this entities are better than the reported numbers at the company level, what we are doing 12%?
- Sudhir Jain:** Karthik I think this is very difficult to say because complete details are also not available with us right now.
- Tripurari Kumar:** It is around 10%-11% only, it is not very high.
- Karthik Mehta:** So no the point I was coming from is that historically if you see wherever we have entered alloy wheel, blow moulding, dye casting, these are that what we report in the revenue. We have seen initially some pain because we are developing the products and getting in roads and finally we scale it up and now if you look at the broader margin at EBTIDA level in these entities in the other categories are far higher than the traditional businesses of Switches and Lights so we are definitely willingly moving into the high margin in the futuristic products and these entities are falling under that category. Even Minda Rika which is this JV company for four wheelers which probably has better margin than the reported, so when this amalgamation happens and all the new futuristic products would fall into the company's revenue at a scaled level in two, three years down the line. Do you think that your margin can see a substantial swing from here on?
- Sudhir Jain:** Karthik I think your observation is correct and all these new components, new products wherein we are adding electronics and technology is involved and margins are also better and we also hope that with the inclusion of these products, the margins will improve.
- Karthik Mehta:** And Sir in your presentation on the slide #29 where you have given the kit value for four-wheeler passenger vehicles and tractors. So you have put two comments with the star one is that the contribution from the group companies which are not yet consolidated is not included in the kit value and then you have also mentioned that the potential is calculated and basis that all product manufactured by the group is supplied in the vehicle so that potential number is not mentioned if you can just, am I missing something?
- Sudhir Jain:** Karthik if you look at let us say I am talking about a B segment or A segment car which is around Rs. 28,000 for the B segment, when I write those comment at the bottom it means that currently the products for example, seatbelt, airbags, body ceiling now value of these component which are not yet consolidated is not captured.
- Karthik Mehta:** Yes, that is in line 1, but when you put the line 2 that would...
- Sudhir Jain:** That line 2 potential is calculated on the basis that all products manufactured by the group it supplied in the vehicle. So first I have excluded those two and the second I am saying is in that particular

vehicle I assume that all the products that I make is being supplied in that particular vehicle category so for example, in Dzire, I give all the products, I give alloy wheel, I give infotainment ...

- Karthik Mehta:** That number is not there in the slide, so potential number.
- Sudhir Jain:** No this is potential only na?
- Karthik Mehta:** Rs. 28,000 is potential number?
- Sudhir Jain:** Yes, that is our potential number.
- Karthik Mehta:** So what is the current kit number?
- Sudhir Jain:** Current kit number only model specific.
- Tripurari Kumar:** No Karthik that would be difficult of course we can find out we know in which model which particular component is going.
- Sudhir Jain:** Okay, I think your point is now I fully understand, the numbers shown in the slides are in these categories...
- Karthik Mehta:** I think Rs. 28,000 is your current number and your potential is probably is not mentioned.
- Sudhir Jain:** No, Rs. 28,000 is the potential. In case we supply all the components what we manufacture and those components which go into this particular segment, then we can have a kit value of Rs. 28,000 in that particular model but it is not model wise also. This is the maximum value.
- Karthik Mehta:** So currently it is lesser right?
- Sudhir Jain:** It could be less, you are right.
- Karthik Mehta:** So that delta if you can just share that what is the delta of that?
- Sudhir Jain:** We will work out.
- Karthik Mehta:** Because that will give us some perspective that how much client mining is doable with the new products or amalgamation happening.
- Sudhir Jain:** Okay Karthik.



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- Karthik Mehta:** Sure, yes, that is all from my side. Best of Luck Sir and thanks a lot.
- Moderator:** Thank you. We will take the next question from the line of Mahesh Bendre from Karvy Institutional Equities. Please go ahead
- Mahesh Bendre:** Hi Sir, thank you for the opportunity. I have one question, during the quarter our sales grew by 23% consolidated sales, however the depreciation has actually grown by only 4%, so why the depreciation is lower?
- Sudhir Jain:** Depreciation is as per the accounting standards, we have not changed. If you look at with respect to previous quarter in this quarter, it is not that, of course there were certain capacities which were set up. So for example if I have capitalized certain component in the first half, I can depreciate it only for the second quarter. So there could be some marginal lesser depreciation on Minda Kosei which got fully commissioned in the Q1 and they will be depreciated for the second half. So marginal, that benefit we may have got in that entity otherwise I think the numbers are reflecting where it should be.
- Mahesh Bendre:** Sure. And other financing cost has declined from Rs.10 Crores to probably Rs. 6 Crores, so is it relatively the debt repayment or is anything one-off in that?
- Sudhir Jain:** So if you look at the interest rate regime also from the previous pre-demonetization era, I think our average cost of capital of borrowing has also come down by at least 1.5% to 2% base points and we had also used, there is some QIP funds which are parked in form of FD which has not yet been fully utilized. So those have also resulted in lower financial cost as of now.
- Mahesh Bendre:** So this finance cost is a net finance cost right?
- Sudhir Jain:** Yes.
- Mahesh Bendre:** Okay thank you.
- Moderator:** Thank you. We take the next question from the line of Prayesh Jain from IIFL Wealth. Please go ahead.
- Prayesh Jain:** First a clarification on the kit size that you were mentioning, this Rs. 28,406 is excluding the airbags, the infotainment system, all those excluding right?
- Sudhir Jain:** Correct.



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- Prayesh Jain:** And coming to the couple of questions which I have the first one being even we have during the quarter acquired some shares of Minda Kosei and also in MJ casting so what are the stakes in these JVs now?
- Sudhir Jain:** In Minda Kosei our stake is 70% and Minda MJCL it is now 100%.
- Prayesh Jain:** Okay after this acquisition it is now 100%?
- Sudhir Jain:** Yes.
- Tripurari Kumar:** And the purchase of shares in Minda Kosei is an account of fresh infusion of capital for which we had to expand for Gujarat, so that capital has been infused so shares have been purchased in that direction.
- Prayesh Jain:** Okay and secondly on the two companies that we are merging or we are consolidating, the F-Ten Minda and the Minda F-Ten. Is there any inter-link between the two companies in the sense that one of them is a marketing company so is there any inter-link between the incorporate sales?
- Sudhir Jain:** Yes, let me tell you these are the two companies under same JV and the same partner of course, Fujitsu Ten and Minda, now in Fujitsu Ten Minda, Fujitsu Ten is the majority shareholder 51% and Minda is 49%. In the second company which is a marketing company which is Minda Fujitsu Ten, Minda has 51% equity and Fujitsu Ten Japan has 49%. So manufacturing company makes the products which is infotainment system, supplies it to Minda F-Ten, which is a marketing company and marketing company takes care of all sales, distribution service etc.,
- Prayesh Jain:** Okay. Sir when we consolidate these two entities, our revenues will go up only by something like Rs. 300 Crores right?
- Sudhir Jain:** Yes, you are right put together both the companies. So this is the revenue of the last year, so last year these two companies did turnover of Rs. 300 Crores.
- Prayesh Jain:** Okay and congratulation Sir, these are very strong numbers much better than expectations. And the presentation is also much more detailed and just if you can put in the subsidiary's data again which you used to put earlier that would be really helpful.
- Sudhir Jain:** Okay sure. Thank you.
- Moderator:** We will take the next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.



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**Pritesh Chheda:** Sir just wanted to confirm in this quarter's numbers post the announcements that you have made which are the companies are still not merged in this quarter's numbers? For whichever you have announced?

**Sudhir Jain:** MITL has not been incorporated. It will get reflected in Q3. F-Ten...

**Pritesh Chheda:** Sorry.

**Sudhir Jain:** MI Torica which we had announced at end of Q1 results that has not yet factored in. F-Ten will get factored in from Q4 and whatever announcements we have made now they will be considered separately.

**Pritesh Chheda:** So in yesterday's or let us say the recent board meeting you made announcement for two companies right, F-Ten Minda and Minda F-Ten?

**Sudhir Jain:** Yes.

**Pritesh Chheda:** And what is pending for consolidation is Torica.

**Sudhir Jain:** Yes. Torica. Torica, we should cover in Q4 and target is that all other formalities for F-Ten Minda and Minda F-Ten, we complete by December so that Q4 we can cover that also.

**Pritesh Chheda:** Okay, how about the battery business, is it merged?

**Sudhir Jain:** Battery business today is 100% subsidiary of Minda Industries and we are in discussion with the partner there because we intend to substantially increase the business of that company and I think we would be in a position to share with you more detail after Q3 somewhere in the month of February.

**Pritesh Chheda:** And on MJ Castings and Minda Kosei that would be merged until Q2 right, so if you could give the delta change in holding debts?

**Sudhir Jain:** MJ Castings was a 98% subsidiary till June 30. And from July, we have purchased 2% share from Neel Metal Company and now the company has become a wholly-owned subsidiary.

**Pritesh Chheda:** So MJ Castings is 100% represented number now in Q2?

**Sudhir Jain:** Correct.

**Pritesh Chheda:** And Minda Kosei?



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- Sudhir Jain:** Minda Kosei is a JV. Minda Industries owns 70% in Minda Kosei. Accordingly its financial accounts are consolidated as per accounting standard as a subsidiary since it is more than 51%.
- Pritesh Chheda:** But is there any delta change or increase in holding in Kosei between the last two quarters?
- Sudhir Jain:** No. Share of this, if you see has been done by both partners in the same ratio.
- Pritesh Chheda:** Okay and just wanted to know lastly after these two companies Minda F-Ten and F-Ten Minda, the balance what is left is your 10% equity investment in those two companies which you are referring to airbags and seat belts?
- Sudhir Jain:** No, one more Minda Rika, Minda Rika which is into four wheeler switches business. So that is still outside Minda Industries partly, partly it is in, partly it is out, so balance equity also Minda Industries will purchase so that 100% investment of Minda in this company is part of MIL we are working on that, we could not take that proposal in the last board meeting but we are working with partners and hopefully our target is that in the month of by January that also we should get board approval and incorporate and consolidate. So Minda Rika we are near to our target which we intend to complete by January. Other two companies which is where we hold only minority, not even minority, only 8%-10% equity, that also we are targeting whether we would be able to complete that in March or next year very difficult to say as on date.
- Pritesh Chheda:** What is your holding in Minda Rika currently?
- Sudhir Jain:** In Minda Rika, it is a subsidiary actually it is a subsidiary of the growth, currently we hold about... 27% is with Minda Industries and balance equity is with the finance company of the group. So that equity, we will transfer to MIL hopefully in January.
- Pritesh Chheda:** Okay, now just lastly on Minda Rika and Minda Kyoraku if you could give the sales number of FY2017 for both of them and the PAT number Minda Kyoraku and Minda Rika?
- Sudhir Jain:** Around Rs. 635 Crore is the sale of Minda Rika.
- Pritesh Chheda:** And what is the PAT number or EBTIDA number?
- Sudhir Jain:** PAT number for the previous year was around Rs. 38 Crores.
- Pritesh Chheda:** And what is it for Minda Kyoraku?
- Sudhir Jain:** Minda Kyoraku Rs. 230 Crores.



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- Pritesh Chheda:** And PAT number?
- Sudhir Jain:** PAT number is around 1.5%, that is about Rs. 4 Crore.
- Pritesh Chheda:** Thank you very much and all the best to you Sir.
- Moderator:** Thank you. We take the next question from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.
- Dhananjay Mishra:** Good afternoon Sir. Sir can you provide alloy wheel volume number for this quarter and value?
- Sudhir Jain:** Volume on an average if you look at for the month of August and September they have operated at around 100,000 to 110,000 wheels per month. Now because of the capacity ramped up to 120,000. The capacity number is at 100% while the wheels were of slightly higher size than our average wheel rate of 7.5 Kg, the average wheel rate that we manufactured was around 8.5 Kg so that is around 110,000. For the month of July, this was around 85,000 wheels.
- Dhananjay Mishra:** And what is in the month of October?
- Sudhir Jain:** October I will not have the number as of now.
- Dhananjay Mishra:** Sir once this Gujarat capacity will come in do we have a order from the same client, Maruti or M&M or we have other client for this Gujarat capacity?
- Sudhir Jain:** Mainly it is with Maruti and Mahindra & Mahindra and new models are coming, we are into new models also and in any case our capacity is fully booked.
- Dhananjay Mishra:** So once the Gujarat capacity will come in we will be doing about 2 lakhs per month?
- Sudhir Jain:** 120 from here, 60 in the first phase of Gujarat so that basically 180.
- Dhananjay Mishra:** And when do you expect to this to complete, Q2.
- Sudhir Jain:** February-March trial production should start in Gujarat.
- Tripurari Kumar:** April should be a safe estimate for you to estimate a sales number.
- Dhananjay Mishra:** Sir in value terms, what is the contribution from alloy wheel in this quarter?



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- Tripurari Kumar:** Should be around 20% or around Rs. 110 Crore sales.
- Dhananjay Mishra:** Sorry Sir.
- Sudhir Jain:** Rs. 110 Crore of sales this quarter.
- Dhananjay Mishra:** Sir last question is about, last concall you mentioned that we have a total outlay of Rs. 650 Crores which need to be invested in next 18 months for this capital expenditure consolidation as well as JV investment, so as of now what is the total outlay we are planning and if you could give the breakup?
- Sudhir Jain:** Next 18 months we have a planning around Rs. 300 Crores will go for capex of alloy wheel in Gujarat, then around Rs. 65 Crore in Chennai for Lighting expansion, around Rs. 65 70 Crores for Minda Kyoraku in Gujarat, then we had also captured in around Rs. 140 Crores of expenditure that we will do for group consolidation, so that should be add up to that number.
- Dhananjay Mishra:** Okay so Rs. 580 Crores or something?
- Sudhir Jain:** Yes, and then there is Minda Katolec, Minda PT so where there is a proposed investment of Rs. 37 Crores each so there again our contribution will be 50% so around that number.
- Dhananjay Mishra:** Okay Sir, that is all from me, all the best.
- Moderator:** Thank you. We take the next question from the line of Mamta Verma from DC India Research. Please go ahead.
- Mamta Verma:** Yes, good afternoon Sir. Very good set of numbers and also very detailed presentation Sir. Very happy to see the slide especially on the electric vehicles which is certainly you know I think just can you help us understanding the opportunity probably as it pans out going forward. Sir I wanted to understand little bit more on the margin profile of F-Ten and Onkyo considering that they have complimentary synergies with each other, so what would be say a ballpark EBITDA margin range currently and what would probably be the range going forward as these businesses get integrated?
- Sudhir Jain:** For F-Ten?
- Mamta Verma:** Yes. You mentioned sales under PAT number for both the two companies just to get a sense on the EBITDA margins right now?
- Tripurari Kumar:** If you look at the next full year of consolidation that we are planning to do this number could be in the range of 15% to 20% higher sales and you could look at EBITDA margin in the range of 10%-ish.



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- Mamta Verma:** Okay. Sir also on this consolidation of Minda Rika this would now be 100% right, full 100% would come in the books of Minda Industry?
- Tripurari Kumar:** No currently our holding is 27% post consolidation, the number will become 51% so it will become a subsidiary, Minda Rika is partner there so we are not purchasing their stake anyway.
- Mamta Verma:** Okay. And this is more OEM its largely and OEM pacing business it is not into aftermarket or does it do aftermarkets also?
- Tripurari Kumar:** Aftermarket, its largely as you said its largely a OEM business with more than 51% market share but a small portion of aftermarket business that they have which they do through our 100% subsidiary called Minda Distribution Services Limited (MDSL).
- Mamta Verma:** Okay and what is your stake in MDSL right now, just is it there in the presentation MDSL is 100% with you?
- Tripurari Kumar:** It is a 100% company. Last quarter was impacted on account of GST but going forward we think we should have more growth there.
- Mamta Verma:** Okay. Now just one question on Acoustic Business, you had mentioned that there were the start-off cost which you expensed in the P&L for the Mexican second line so just in Q3 should we expect more of these expenses like if you can give us some sense if it kind of done with or is it able to take some more trigger going forward and what would be the normalized range for the overall EBITDA margin on the acoustic side?
- Sudhir Jain:** In the acoustic, the overall margin expectation should be in the range of around 9% to 10%.
- Mamta Verma:** Okay and when do we see this number panning out would it be FY2019 or little forward?
- Sudhir Jain:** FY2019 onwards if you look at the FY2017 numbers also we had closed this around 8% to 8.5%, so hopefully once there is completion of project at Mexico in absolute number 10% plus.
- Mamta Verma:** Okay and is there an order book kind of visibility for your expansion at Mexico for your acoustic side or if you can give us some color in terms of the capacity utilization levels if you can consider?
- Sudhir Jain:** No confirmed written order but whenever we make investments, the in-principal decision is already taken along with the OEMs etc., so Ford is the major customer. So as far as the customer and model is concerned that is almost conformed.



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- Mamta Verma:** No worries. I will come back later. All the best Sir. Thank you.
- Moderator:** Thank you. We take the next question from the line of Aakash Manghani from BOI AXA Investment Managers. Please go ahead.
- Aakash Manghani:** Thanks for taking my question Sir. Sir I had question on your Lighting Business, this quarter the revenue increase was around 16% year-on-year what will be domestic revenue within this quarterly revenue, how much is from Rinder?
- Sudhir Jain:** Correct, if you look at the business there are two part, one is the MIL standalone business where we do not have much exports, the second portion is the Rinder business where we did Rs. 100 -120 Crores of sale as against previous quarter of Rs. 95 Crores now there around 15% to 17% is export volume of Rinder Revenue.
- Aakash Manghani:** Balance is in India?
- Sudhir Jain:** Correct.
- Aakash Manghani:** Okay so what is the EBTIDA margin in Rinder and what is the EBTIDA margin excluding of Rinder is it any different?
- Sudhir Jain:** In this quarter we have done slightly higher at Rinder. You should look at blended basis because there are intercompany selling in Q2 but around Rs. 11.5 Crores is what we done at Rinder and standalone lighting.
- Aakash Manghani:** So the Rinder is involved in selling two-wheelers or four-wheelers?
- Sudhir Jain:** Rinder is primarily 75% Two-wheeler Company and around 25% it does commercial vehicle also. But not other vehicles while at our company we are majorly four-wheeler play.
- Aakash Manghani:** Okay. Here you are supplying to which are clients?
- Sudhir Jain:** In Rinder?
- Aakash Manghani:** In the domestic business in the standalone?
- Sudhir Jain:** Both Maruti and at standalone level, key customers will be Maruti Suzuki, Renault, VW, Tata Motors, Mahindra.



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- Aakash Manghani:** Okay and over here what is the revenue mix between LED and conventional lighting?
- Sudhir Jain:** We will come back exact percentage but yes, the industry is moving towards the LED and one of the main reason for acquisition of Rinder was Rinder has LED technology particularly for two-wheeler.
- Aakash Manghani:** Okay so you wanted to share or directionally over the last year or two how much switch have you seen between the conventional to the LED and also how much is the realization improvement that takes place when you move from a conventional to an LED?
- Sudhir Jain:** Firstly, yes, there is a shift and new models are more or less with LED technology lens only which is coming in terms of the revenue pricing it is two times to two and half times of the conventional lamp.
- Aakash Manghani:** Is it to two-wheelers or four-wheelers?
- Sudhir Jain:** I am talking both two-wheeler as well as four-wheeler.
- Aakash Manghani:** Okay and are you doing LED for four-wheeler as well?
- Sudhir Jain:** We are working on that yes. Mahindra tail lamp is LED.
- Aakash Manghani:** Okay but currently in this revenue you are not supplying any LED in four-wheelers?
- Sudhir Jain:** No, the Mahindra LED tail and Scorpio tail lamp is supplied by us which is all LED based but I do not have a percentage split but we are supplying LED also in this.
- Aakash Manghani:** Okay. And what is the revenue growth that one can assume in this business over the next say 2-3 years?
- Sudhir Jain:** Base of course remain in sector growth but our past experience has shown that our topline grow atleast one and half times of the sector growth assuming the sector is growing at the rate of 10% so 15% to 16% growth is the base figure.
- Aakash Manghani:** Okay. Sir one last question in this, in your four-wheeler business say for lighting what sort of margins you would be making?
- Sudhir Jain:** Around 11% for this previous quarter.
- Aakash Manghani:** Okay this is all four-wheelers right?



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- Sudhir Jain:** Around little less than one-third is two-wheeler and commercial vehicle.
- Aakash Manghani:** Thanks a lot.
- Moderator:** Thank you. We take the next question from the line of Basudeb Banerjee from Antique finance. Please go ahead.
- Basudeb Banerjee:** Just one follow up question, what is the current state of commonality of products between you and your sister concern because Minda Corporation recently acquired entity related to car connectivity IoT etc., which you are mentioning in the initial part of your commentary in the call so what is the state of product commonality down the line?
- Sudhir Jain:** As far as the two groups are concerned there is an understanding that certain existing products will remain exclusive to each other, which we call is historical products or matured products, yes, off-late the understanding is that in case of new technologies there could be certain common products also and today may be with the sensor is one of that category and IoT or connected car or Telematics is again we are both of us venturing into or already ventured but other than that as of now I do not remember there is any common product.
- Basudeb Banerjee:** That is all from incremental product perspective there can be commonality down the line?
- Sudhir Jain:** Yes, there can be common products in future but there is an understanding that certain existing products cannot be joined.
- Basudeb Banerjee:** Sir I missed out what is the state of effects for the battery business which you have hived off from standalone, which you have looking out for a partner so what is the update on that?
- Sudhir Jain:** We are scouting the partner and we are in discussion with few. In one case of course we are at a fairly advanced stage so we have shortlisted one prospective partner with whom discussions and initial exercises is going on and we are very positive and hopefully by Q3 results somewhere in month of February we would be able to share some specific details about that.
- Basudeb Banerjee:** It would be only sale of stake from you. I hope no incremental investment from your side?
- Sudhir Jain:** No incremental investment is envisaged in phase I in another 3-4 years.
- Basudeb Banerjee:** Thank you Sir that is all.



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**Moderator:** Thank you. Ladies and gentlemen as there are no further questions from the participants I would now like to hand the conference over to Mr. Sudhir Jain, Group CFO for closing comments.

**Sudhir Jain:** Thank you very much. Thank you colleagues. Thank you for joining the call. I hope we have been able to respond to your queries adequately, if still in case you may need some more information some specific information you are more than welcome. You can call SGA, our Investor Relations Consultants and thank you very much and look forward to talk to you next time. Thank you.

**Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of Minda Industries that concludes this conference. Thank you for joining us. You may now disconnect your lines.