



“Minda Industries Limited Q3 FY18 Earnings  
Conference Call”

**February 14, 2018**



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**Moderator:** Ladies and gentlemen, good day and welcome to Minda Industries Limited Q3 FY18 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 the date of this call. These statements are not 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 an operator by pressing '\*\*' 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, sir.

**Sudhir Jain:** Good afternoon, myself Sudhir Jain, I am with my colleague, Tripurari and Rana. So, I will now tell you the background and the latest developments. I hope you have already gone through the financial results and the presentation that has been uploaded on the stock exchange as well as company website. I will briefly speak about the industry and then give update on the performance of the company.

Brief on the Auto Industry.

Indian Auto and Auto Component industry has registered improvement in performance in during the first 9 months of the financial year 2017-2018 vis-à-vis corresponding 9 months of the last year. This has been partly because of the good monsoon, improved rural sentiment and increased production of BS-IV compliance vehicles which has contributed to this growth. In addition, several initiatives by the government of India and major automobile players in the Indian market are expected to make India one of the leader in two-wheeler and four-wheeler market in the world.

However, it is to be noted that sequentially, quarter-on-quarter, volumes are lower in the quarter under reference which is Q3 over Q2 of the FY2018 is down by 13%. However, as I already mentioned for the first 9 months period ending December 2017, overall growth is 13%, specifically segment wise two-wheeler grew at the rate of 12%, four-wheeler 8% and industry around 12%. Auto industry is set to witness with the changes in the form of electric vehicle, shared mobility, Bharat Stage VI and Emission norms and Safety norms. This year at the auto expo we have seen launch of market ready electric vehicles not just concepts but across various categories. This shows that the auto industry is getting ready very fast with EVs. EVs are quite to rise further on the back of cheaper energy storage cost and government of India's vision to see 6 million electric and hybrid vehicles in India by 2020. Company will continue to ride ahead of the industry as we are on our journey to increase our kit value supplied to various OEMs. We continue to focus on innovation and R&D to continuously improve our product offerings.

**Now coming to the performance of the company in Q3:**



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At a consolidated level during Q3 FY18 Company registered a revenue of Rs. 1,056 crores with a growth of 26% year-on-year from Rs. 838 crores in Q3 of 2017. This was primarily driven by improvement in the performance of Minda Kosei Alloy Wheels, MJCL which is into aluminium die casting, Minda Batteries, Rinder and aftermarket company MDSL. Standalone MIL grew by 15.5% over year-on-year net of battery business which was hived off to MSPL in the beginning of the year. EBITDA was at Rs. 126 crores a growth of 27% year-on-year from Rs. 99 crores of the corresponding last year. EBITDA margin was at 11.97% in Q3 as compared to 11.86% in Q3 of 2017. These margins have been achieved on the back of lower RMC on consolidated basis and higher capacity utilization in new businesses. We believe these margin levels are sustainable and we are always focused on controlling cost. PBT before exceptional item for Q3 2018 was at Rs. 85 crores a growth of 36% year-on-year from Rs. 62 crores in Q3 of 2017. PAT attributable to MIL grew by 37% from Rs. 43 crores in Q3 of 2017 to Rs. 60 crores in Q3 of 2018.

We are also happy to share that Board of Directors have declare a dividend of 60% i.e. Rs. 1.20 per share on the face value of Rs. 2 each. Dividend will be paid on or before March 14<sup>th</sup>. Now, coming to specific product line

Switching Division,

This segment achieved a Revenue of Rs. 310 crores contributing about 30% of the total consolidated turnover. EBITDA margin in this segment was around 12.6% this quarter.

Lighting Systems Division,

Lighting Division achieved a Revenue of Rs. 270 crores contributing 26% to our turnover. EBITDA margin in the segment was about 9.7% this quarter.

Horn Division,

Acoustic which is Horn Division achieved a revenue of Rs. 172 crores contributing 16% to our turnover. EBITDA margin in this segment was around 9.3% this quarter.

Other Products

Other product lines have also started contributing and are showing good traction. As a whole, we achieved a revenue of Rs. 290 crores from other products. Several products amongst these consistently achieved higher margins. At a consolidated level, we have been able to achieve EBITDA of about 15% in this segment.

Now updates on consolidation exercise which is going on.

Minda Rika Private Limited (MRPL) has become subsidiary of MIL with effect from January 01, 2018 which is Q4 on purchase, for a purchase consideration of Rs. 95 crores. MRPL is a



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leader in four-wheeler switching system with over 51% market share. In financial year 2017 sales was Rs. 635 crores and PAT of Rs. 37.6 crores. This company is in joint venture with Tokai Rika Japan.

Denso Ten Minda and Minda Denso Ten will also be consolidated with MIL with effects from January 01, 2018. Denso Ten is a Japanese partner in this Joint venture company.

The Company will hive off its two-wheeler lighting business to Rinder India Private Limited at a book value with effects from FY2018. In Rinder, Minda Industries already holds 100% shares.

MI Torica will be consolidated with effects from Q1 of 2018-2019.

Alloy wheel plant in Gujarat is under the initial trial runs and commercial production is expected in the month of April 2018.

Update on Auto Expo 2018 recently held in Greater Noida and in Delhi last week:

MIL along with our group companies unveiled Technology Demonstrator TD118 Auto four-wheeler and Moto first of this series which incorporated technologies ranging from ADAS to stylish LED Lamps in the 14<sup>th</sup> auto expo. TD118 is an approach to showcase capabilities in terms of advanced features, technologies and innovations for automobiles. I hope some of you would have experienced this at our stall. Investment in latest technology, R&D and man power remain at utmost importance to achieve and sustain market leadership in our key product segments.

That is all from our side as of now and I open the floor for Q&A. All are most welcome to ask questions.

**Moderator:** Thank you very much, sir. We will now begin the question and answer session. We have a first question from the line of Ashutosh Tiwari from Equirus. Please go ahead.

**Ashutosh Tiwari:** Firstly, what was the revenue growth in Switches, Lighting and Horns which part of standalone versus last year?

**Tripurari Kumar:** If you look at the, in terms of switches for Q3 FY17 we were Rs. 222 crores at standalone which included switch and SAC against which have done Rs. 231 in standalone in Q3 FY18. There is one more important data which I want to share there is a trading number in two-wheelers switch which we call handle bar which was corresponding number was Rs. 75 crores in December 2016 quarter which is on Rs. 59 crores crores for the quarter under reference and as you aware that is a slightly lower margin business and that is why there is margin uptick in the switching business.

**Ashutosh Tiwari:** So, Rs. 231 crores include Rs. 59 crores?

**Tripurari Kumar:** Yes, it is inclusive.



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- Ashutosh Tiwari:** And lighting?
- Tripurari Kumar:** In lighting we have done Rs. 123 crores in standalone as against Rs. 104 crores last year.
- Ashutosh Tiwari:** And horns?
- Tripurari Kumar:** In standalone the number was in December Rs. 50 crores last year, December 2016 and corresponding number this year is Rs. 61 crores.
- Ashutosh Tiwari:** And others are fuel gas and all others, right?
- Tripurari Kumar:** Yes, this is being smaller businesses. There will be fuel cap, there will auto gas primarily those things.
- Ashutosh Tiwari:** So, because lighting and horns are going very well?
- Tripurari Kumar:** Yes, switches we have demonstrated good growth considering that fact that while on the topline that number may not see very significant, but you are aware that on account of BS-IV there is one functionality which is gone away and despite that we have posted good growth.
- Ashutosh Tiwari:** And that is why the margin has improved because that trading portion has gone away?
- Tripurari Kumar:** Yes, trading portion is slightly smaller, yes that is also the factor.
- Ashutosh Tiwari:** Secondly on the battery, how much was the sales last year? How has you done this quarter?
- Tripurari Kumar:** In batteries we have done close to around Rs. 21 crores this year and corresponding quarter last year it was almost Rs. 8.5 -9 crores.
- Ashutosh Tiwari:** And what is figure for 9 months?
- Tripurari Kumar:** 9 months for batteries this year is Rs. 67 crores.
- Ashutosh Tiwari:** And lastly on the CAPEX part how much we have done in nine months and what is the plan of FY18 overall and if you can please give separately investment portion.
- Tripurari Kumar:** If you are looking at the consolidation number we have spent close to Rs. 200 crores inclusive of both the expenditure on the group companies as well as expansion of companies like Minda Kosei in Gujarat and Minda Kyoraku.
- Ashutosh Tiwari:** And what is the separate CAPEX number apart from this?
- Tripurari Kumar:** CAPEX number of full year number which is Rs. 500 crores on a consolidated basis is what we are planning.



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- Ashutosh Tiwari:** For the full year?
- Tripurari Kumar:** Yes.
- Ashutosh Tiwari:** Including Rs. 200 crores?
- Tripurari Kumar:** Yes.
- Ashutosh Tiwari:** And for next year?
- Tripurari Kumar:** So, next year this number could be between Rs 350-375 crores.
- Ashutosh Tiwari:** And lastly on the, because we are seeing very strong growth in alloy wheels segment. In the market place what is the percentage of cars in India have alloy wheels just to understand the potential growth over next 3 to 5 years?
- Tripurari Kumar:** When we had launched the facility it was around 17%. In 2 years' time the penetration of alloy wheel in new vehicle which are rolled out is 27% having said that this also includes the secondary conversion which is happening at the authorized dealer level. For example, out of the total wheels that I supplied to Maruti Suzuki. So one fifth of the requirement is being used up by their authorized dealers where the lower end model is actually purchased and then it is converted into alloy wheel fitted car. So, that is the secondary conversion.
- Ashutosh Tiwari:** So, I mean just in the OEM part what would your current percentage of alloy wheel?
- Tripurari Kumar:** 27% would be a good number to look at, 27-28%.
- Moderator:** Thank you. Our next question is from the line of Mamta Verma from DC India. Please go ahead.
- Mamta Verma:** I have such 2-3 questions. The first is when we are looking at the EBITDA margin of the other segment called others, you reported I think 16% for quarter 3 but in quarter 2 this number was higher I think we cloaked in a number of about 18% over there. So, could you just explain why sequentially margins have come down in the other segment?
- Tripurari Kumar:** What is happened is there are 2-3 things. One is in others we are capturing all other components and while there are few high margin products which include alloy wheel, Minda Kyoraku which is blow molding and MJ Casting. It also includes batteries, it also includes so battery sales have been higher corresponding to the previous quarter then there is Minda TG where we have experience some losses and otherwise in the profit-making companies I think the margins are pretty much intact and your aftermarket number is also there. So, you will be slightly higher blend of that number otherwise mostly the businesses have contributed in the range of 16% to 18%. But Minda TG is continuing with losses and on that account, you see a slightly lower number.



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- Mamta Verma:** So what would be the loss? So just if you can help me on the revenue and EBITDA level numbers for Minda TG for Q2 and Q3 if it was possible over the call right now?
- Tripurari Kumar:** I will share that separately.
- Mamta Verma:** Sir, the second is this integration which is going to happen in Q4 for Minda Rika. So we will be doing only for 1 quarter that is the last quarter, right. So over and about to the current run rate of the topline and profit going on for MIL console, would it be safe to say that almost about Rs. 200 crores – Rs. 250 crores additional comes to the topline in Q4 due to this consolidation of Minda Rika?
- Tripurari Kumar:** I said last year the company reported Rs. 635 crores assuming a 5%-10% growth, which I am not saying is the number but at Rs. 700 crores topline around Rs. 175 crores could be a fair estimate to look at for the quarter 4.
- Mamta Verma:** And what would be it is say just EBITDA margin profile like your overall switches would be doing ...
- Tripurari Kumar:** It would be line with our switch business.
- Mamta Verma:** So about 12%-12.5%?
- Tripurari Kumar:** Yes, 12%.
- Mamta Verma:** And just to understand like you mention that this is not the number of topline growth 5%-6% but given that it is in four-wheeler switches and we have seen good growth, volume growth in the country. So what would be so to say on a steady state basis from FY19 onwards, what kind of should this business be growing say about 12%-13% volume and value or is that a conservative number to work with.
- Tripurari Kumar:** I think it is the number for this year I have just gestimate because it is not, it will be an actual number will be slightly higher. Having said that yes, expanding the Minda Rika projects in Gujarat for Suzuki facility and we are quite hopeful that the ramp up will lead to growth faster than the industry. So around 1.5 times to 1.7 times the industry growth rate should be doable.
- Mamta Verma:** And your current market share sir, in four-wheeler switches right now from Minda Rika.
- Tripurari Kumar:** Around 52%, we are largely with Maruti around 58%-59% SOB.
- Mamta Verma:** And also this D Ten and the 2 companies over there which are also getting integrated from Q4. So what is the kind of additional topline that comes due to the integration of those 2 companies in quarter 4?

- Tripurari Kumar:** F Ten has a turnover of around Rs. 300 crores in the full year basis and MI Troika has around Rs. 230 crores.
- Mamta Verma:** last year numbers. FY17
- Tripurari Kumar:** D Ten we are currently evaluating how this will be consolidated. So auditors will take a call in terms of the consolidation exercise. But make ...
- Mamta Verma:** 51% stake right.
- Tripurari Kumar:** So it will be subject to the discussions and auditors perspective...
- Mamta Verma:** And really it was good to see specially slide number 10, wherein you have highlighted all the integration that happens so far and the fact that the consideration paid has been quite close to near about book value. So very happy to see the disclosures and all the best, sir, thank you.
- Tripurari Kumar:** Yes, we will keep on improving based on the feedback that we get from investors like you.
- Moderator:** Thank you. Our next question is from the line of Arpit Kapoor from IDFC Mutual Fund. Please go ahead.
- Arpit Kapoor:** My question was on the lighting division per say where we see that the revenue traction has been slightly soft and even on the margins if what the numbers suggest the margins have also come down a bit they were like 12%-12.5% till last year and from the calculated number it looks like it was 11% last quarter and it is down to 9.5% this quarter. So any color on what is happening there?
- Tripurari Kumar:** I mean Rinder, we experience lower than expected sales in Q4 but otherwise have already discussed the numbers of MIL standalone, so both two-wheelers and four-wheelers put together. So there we have a good number there. In Rinder Q3 sales were slightly lower than expectation.
- Arpit Kapoor:** And again even in the auto expo we saw lot of OEMs moving on to LED lighting. So how is the order flow there specifically on the two-wheeler and again specifically to Rinder I believe because that is where you are targeting the two-wheeler lighting division. So are we getting some queries, have we got our products approved any color on roadmap there.
- Tripurari Kumar:** So I could not meet you at the expo but if you would have come there we would have demonstrated some LED lamps in fact the RR 310 of TVS which is launched in the auto expo which is full LED bifocal lens and those were a considerable kit value as well. So I think they are making right move in the two-wheeler led transformation journey that is happening and there was a technology demonstrator also which we had put both in two-wheeler and four-wheeler on a Kawasaki bike and on a Baleno car. In Baleno we had demonstrated LED head lamps as well

as the tail lamps and the Infotainment System. So we are pretty geared for it and we will be actively participating in more models.

**Arpit Kapoor:** So, we will be participating in the scooters as well. So we were ...

**Tripurari Kumar:** Yes, so this Jupiter we will be launching soon.

**Moderator:** Thank you. We take our next question from the line of Jigar Shah from May Bank. Please go ahead.

**Jigar Shah:** My question is first to begin with the third quarter results, so what kind of incremental revenue and EBITDA are due to the M&A process with in the group if you can point out that?

**Tripurari Kumar:** On a consolidation basis if we look at on the revenue side there is in fact there was Roki Minda which is part of my consolidation exercise in the previous year but in this current year around Rs. 35 crores of that turnover has been done away because it is now a JV company. So that is not included. So even if I add that it is an apple-to-apple comparison on the topline. We have done a consolidation in the 1st quarter which is for ASEAN business wherein we have increased our stake from 51% to 100%. So corresponding increase in PAT in visible for 9 months which should be in terms of PBT number should be around Rs. 7-8 crores is additional PAT on part of consolidation. But otherwise Revenue and EBITDA numbers are apple-to-apple I would put it that way because Rs. 33 cores was for Roki Minda which is not being consolidated in the revenue currently.

**Jigar Shah:** The second question is on the airbags, we saw that the Yaris is being launched with seven airbags, etc. and the new Amaze also lot of emphasis basically coming on airbags. So when are you going to see traction in that business and what is the potential there you see?

**Tripurari Kumar:** No, airbags for us is in a company which is yet to be undertaking the consolidation process. We are waiting for final valuations and the outcome of the discussion, we will update you accordingly. But airbags for us is already Rs. 400 crores business in which we are having almost 26% market share and we are among large suppliers to Maruti and Toyota already. But the business has to be still transferred to Minda Industries Limited, it is in the final stage.

**Jigar Shah:** So in FY19 it should possibly happen?

**Tripurari Kumar:** Yes.

**Jigar Shah:** And on the just on the airbag when you say Rs. 400 crores kind of market so what is the overall penetration level in the total say 3 million plus cars, I mean what kind of penetration is there of airbags?

**Tripurari Kumar:** For the front airbag there is almost 45-50% penetration already. So excluding couple of suppliers, couple of players like Maruti, the overseas players like or the foreign players like Hyundai, then Ford, Toyota they already have front airbag is mandatory. So what the market will looking at in the front airbag which is made mandatory Maruti will be the biggest adopter. So we will see that the market share of the front airbag will go up significantly and then the next journey will happen in terms of increasing penetration in a vehicle itself.

**Moderator:** Our next question is from the line of Bobby Jayram from Falcon Investment. Please go ahead.

**Bobby Jayram:** Sir, what are we check for financing your CAPEX would you need any more equity or debt?

**Tripurari Kumar:** For the consolidation exercise we have raised the QIP in the month of April 2017 and we should be good with that fund for the near term. So, I think companies are poised for growth and we should be able to fund the CAPEX with some additional borrowing, but no equity raising plan as of now.

**Bobby Jayram:** So is it safe to say that the next 2 to 3 years you are not planning any QIP or any other equity?

**Tripurari Kumar:** No, nothing as of now.

**Moderator:** Thank you. Our next question is from the line of Ramakrishnan from Spark Capital. Please go ahead.

**Ramakrishnan:** Sir, I just wanted to understand your perspective on the additional investment that we have made in Minda Kyoraku of Rs. 16 crores and specifically the renunciation of the 4% stake that we have done and in conjunction with this also wanted to understand the additional investment that we made in Minda Kosei about Rs. 40 odd crores in the last 2 quarters and how much more investments will require on this?

**Tripurari Kumar:** First, I will take you through MKL. The additional investment is done because of the expansion that is being done is Gujarat. MKL announced a rights issue in which every shareholder was offered this right and we have participated to the extent of Rs. 16 crores and this would mean that close to 4% has been renounced by us in favor of Nagase Japan. Nagase is globally a large partner in the plastics business and closely works with Kyoraku. It is already an existing partner and major shareholder in Kyoraku as well and their intent was to ensure that at least at in associate level the consolidation starts happening. So with that intension they have increased the stake to 20%.

**Ramakrishnan:** So, before this exercise we had a 72% stake in this company, right?

**Tripurari Kumar:** 72% close to now it will be around 68%.

**Ramakrishnan:** And sir on the investment of about Rs. 40 crores in Minda Kosei?



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- Tripurari Kumar:** Minda Kosei this expansion is in Gujarat. So, like I said that the facility is under its initial trial runs and we should start production in March or April at Gujarat facility.
- Ramakrishnan:** Sir, could you also give a sense on how the ramp up is going to be at Gujarat?
- Tripurari Kumar:** Currently we have set up facilities for 60,000 wheels and after 5 months of ramp up and based on demand this will be ramped up to 120.
- Ramakrishnan:** And sir my last question is on the balance portion of the restructuring specifically the remaining 12% stake in Minda Rika and the 8% stake in TG Minda, any sense on the timelines for these?
- Tripurari Kumar:** TG Minda we are planning to do in the current quarter hopefully if things materialize and TR Minda will perhaps move to the next year. Because the discussions are not yet fully closed and the same with Minda Rika as well.
- Ramakrishnan:** Minda Rika also get close to the next year?
- Tripurari Kumar:** Yes, we got a very conditional approval for 51% only and that is the reason why we stuck with 51%.
- Ramakrishnan:** And sir coming to back to TG Minda will be acquired only an 8% stake or we will be need to acquire an additional stake?
- Tripurari Kumar:** We are evaluating additional stake also and are in discussions with them but we are in final stages of arriving at valuation number, based on which we can close and move forward.
- Moderator:** Thank you. Our next question is from the line of Ronak Sarda from Axis Capital. Please go ahead.
- Ronak Sarda:** My question on the rear parking sensor and cameras, the infotainment system along with speakers the penetration is pretty low, can you just highlight what kind of penetration level you think these can achieve on next 3 years, the reverse parking sensor obviously would become mandatory at along with camera what could be the penetration and what market share are we targeting in all the 3 products?
- Tripurari Kumar:** So, to start with the current composition or the penetration will be around 10% to 12% at the OEM fitment. Now from July 2019 once this become mandatory we are talking about the size becoming almost 9x to 10x the current market size. So, the current market size at the OEM fitment is around Rs. 180-190 crores. So, looking at least anywhere between Rs. 1,800 crores to Rs. 2,000 crores business on a full year on a once it is made mandatory. Now the kit value ranges from something like Rs. 1,250 to almost Rs. 8,000. Rs. 1,250-1,500 is the initial of the entry level RPAS system which have either 4 or 5 depending on the size of the car sensors there is one buzzer. You do not have any panel screen in front you to look at it. There is no camera



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specifically. So, as you move up we have a blind spot detection camera as well as the round view camera that we can build into along with the screen. That will go for as much Rs. 8,000 to Rs. 8,500.

- Ronak Sarda:** You are adding the camera plus the screen as well?
- Tripurari Kumar:** Yes, and there is very special type of camera which lets you get a around view which is called an eagle eye. But Rs. 8,500 will normally for C and B segment car (in premium offerings).
- Ronak Sarda:** If you assume it has a screen then it is the entire infotainment system which would be supplied from D Ten?
- Tripurari Kumar:** It can be clubbed together. I hope you saw the TD118. So, they will try and work together.
- Ronak Sarda:** But what market share are we targeting here because there are few other competitors coming in this space with entirely new product?
- Tripurari Kumar:** Yes, but we have already supplying to the Maruti Suzuki, so we are already as a first mover there and the new Dzire model is being serviced by us, Swift is going from us. So, I mean the first mover advantage is there and I think we have a long relationship with Maruti to play along with it. Our share of Business with MSIL is almost 80%
- Ronak Sarda:** So, the new Swift has the sensors, right, it does not have ...
- Tripurari Kumar:** Yes.
- Ronak Sarda:** The infotainment system is not supplied by us.
- Tripurari Kumar:** No, in Baleno Infotainment is ours but not this one.
- Moderator:** Thank you. We take our next question from the line of Aryn Pirani from Deutsche Bank. Please go ahead.
- Aryn Pirani:** Sir, I just had a clarification question on the airbags. So, you mentioned that in the front airbag there is already a penetration of 50%, for the rear airbag and the airbag curtain would it be like what 5%-10% or even lower?
- Tripurari Kumar:** Around 10%.
- Aryn Pirani:** And is there any regulation which will make even that mandatory at a certain level of cars in the coming or nothing like that of now?

- Tripurari Kumar:** As of now there is no such regulation, but we sincerely believe that it is a matter of safety and not luxury.
- Sudhir Jain:** This regulation will also come once these adequate infrastructures into the country as well as the airbag is concern but eventually it will come and the same regulation will get extended to rear airbags also.
- Ameen Pirani:** Sir, just as revenue size for example at 50% penetration for front air bag I think you mentioned that the market size is Rs. 400 crores if I am not wrong?
- Tripurari Kumar:** Our business of airbag is Rs. 400 crores.
- Ameen Pirani:** And you have a market share of how much sir?
- Tripurari Kumar:** Around 25% to 26%, so that will make Rs. 1,700 crores?
- Ameen Pirani:** So, what can be the size of the rear airbag, is it larger, is it smaller just trying to get a sense actually, if gets your similar penetration?
- Tripurari Kumar:** In case if you look at a composite value of the 6 airbags that one supplies in a B or C segment car, the value will be around Rs. 3,500. Which is approximately Rs. 1,200 when you do only frontend. So in terms of value multiple it is almost 3x.
- Moderator:** Thank you. We will take our next question, it is from the line of Basudeb Banerjee from Ambit Capital. Please go ahead.
- Basudeb Banerjee:** Just seeing at your numbers if you see your revenue growth has been largely around that 10% to 15% levels in general at standalone level which is contributes almost half of your earnings. But if I see your staff cost, inflation has been quite on the higher side even if I see year back your staff cost was Rs. 56 crores this quarter, it is Rs. 65 crores and bulk of your business additions has been at subsidiary or JV or associate level. So any specific reason why staff cost inflation is much higher than revenue growth?
- Tripurari Kumar:** There are 2 things Basudeb, one is at the corporate we have management which serves all the companies. So there is inherently if you look at income from service which is also line item in our P&L. So it is a kind of recovery which we do for a supply services to subsidiary and associates. So in this quarter there is obviously because of the festival there are some expenditure and some increments were also rolled out in months of October-November for the top management. So those have also been reflected. Having said that we continue to work on it and control it.
- Basudeb Banerjee:** And this increment is on annual affair or biannual affair?

- Tripurari Kumar:** It has, it is an annual effect, but it has been done with arrears, so that is why the impact in this quarter is slightly high, you will see more realistic and actual number in Q4.
- Basudeb Banerjee:** But any of sir being a component manufacturer in a country like India, if I see your staff cost to sales on an average is 14% is much on the higher side. So structurally any plans to work on that which can push your margins on the upside?
- Sudhir Jain:** Yes, Basudeb your observation is correct and internally we are also aware of this fact and for the past more than 6-7 months specifically we are working on that, so we are looking at our overall organization structure, etc., and hopefully shortly we will come out with some solution.
- Basudeb Banerjee:** And any scope for VRS?
- Sudhir Jain:** No, I do not think VRS would be required. If in any case we are expending very fast, okay. So it is more of an issue of redeployment of the people but no question of any VRS. I do not think we are at that stage of VRS, just correct redeployment of the existing people.
- Basudeb Banerjee:** Sir, one structural long-term thing like bulk of your delta of EBITDA at a consol basis has been from your alloy wheel business where you have been operating at very strong margins in the very first year of operations. So now as you said alloy wheel penetration is only 20% may be airbag penetration was also lower than that few years back now at front end as you said it is around 50%. So with this rising penetration of alloy wheels how much margin commoditization you expect from present levels of 17%-18% down the line?
- Tripurari Kumar:** I think on alloy wheel like you said till 2019-2020 we believe around 18% to 19% is something which we will able to sustain. And on the airbag business, I think among the 2-3 large players we are among those entities which you are have the facilities infrastructure in place and considering it is a safety item we do not compromise with the component because it also recall-item as you will understand. So we believe there is going to some margin which will continue to happen at least for next 3-4 years beginning '18-19.
- Basudeb Banerjee:** And sir, similar to the size of opportunity of front airbags as you said in the call around Rs. 400 crores. What is the size of opportunity of alloy wheels present juncture at 20% penetration and how much share you are having now?
- Tripurari Kumar:** Currently the penetration will be around 26%-27% and we are working with Maruti Suzuki and Mahindra only. So in terms of the supply, this year we have done almost 1 million wheels because the facility has ramped up only by August-September. And so 1 million out of 3.5 million is around 30% approximately.
- Basudeb Banerjee:** Overall market size you mean is 3.5 million as of now?
- Tripurari Kumar:** Yes, around 25% penetration has taken place.

- Basudeb Banerjee:** Yes, and how is the supply projected by the peer set in coming years in that segment?
- Tripurari Kumar:** Actually, this is also driven by the technology while the end user does not get to distinguish between the technologies the wheel they are using. There are certain OEMs which go for LPD which also includes Maruti. There are certain OEMs predominantly from West and Hyundai which rely on LPD and Maruti goes for gravity die castings, I stand corrected, I used the wrong word earlier. So Maruti goes with gravity die casting while other people are using low pressure die casting. So, it will also mean that these capacities have to come to ensure that they are able to cater the technology and the player in that on geography as well both.
- Basudeb Banerjee:** But the new players will be coming up will not they upgrade to the desirable technology?
- Tripurari Kumar:** If they have a technology, why not?
- Basudeb Banerjee:** And last thing sir, like new potentially big players like say Kia Motors will be entering the market very soon. Will you be supplying alloy wheels to them?
- Sudhir Jain:** Yes, firstly, Kia Motors as a customer is important to us and they are also setting up their facility. We are aware we are in touch with the right people and we would be interested in supplying various components to them not only alloy wheel but other components also.
- Basudeb Banerjee:** It might be through the other JV of course that is 30-70 JV?
- Sudhir Jain:** Yes. It could be 30-70 JV also but then again it is alloy wheels what I am saying is that not only alloy wheels but other components and systems also we would be interested in supplying to Kia Motors.
- Moderator:** Thank you. We have a next question from the line of Rajesh Kothari from Alpha Accurate Advisors. Please go ahead.
- Rajesh Kothari:** Sir, my question is what is the total alloy wheels revenue in the current quarter?
- Tripurari Kumar:** Alloy wheel business in the current quarter is close to Rs. 110 crores.
- Rajesh Kothari:** And that is working at what utilization?
- Tripurari Kumar:** Currently its full ramped up to 120,000 wheels per month.
- Rajesh Kothari:** And in terms of your overall group reorganization plan apart from what is mention on slide number 10 anything further in FY19 and FY20?



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- Tripurari Kumar:** We will update that slide but like I said there are 2 businesses which we have worked initially which is the airbag business as well as the TR Minda business which we are working on and we will update you at the right time.
- Rajesh Kothari:** Last question on my side. Sorry if I am repeating this question. On Slide #10 you have mentioned on number 7 is MI Torica, 8 is MRPL and 9 is D Ten Minda. Can you give the PAT of number 7 and number 9?
- Tripurari Kumar:** D Ten, I think we have announced that last year the PBT number was around Rs. 26 cores. MI Torica was that 1.5% to 2% PAT margins, it is a trading company.
- Rajesh Kothari:** MI Torica you said was Rs. 200 crores revenue what is the PBT?
- Tripurari Kumar:** 1.5% so almost Rs. 3 crores you can take. It is a trading company.
- Rajesh Kothari:** And D Ten Minda?
- Tripurari Kumar:** Last year the PBT was around Rs. 26 crores but I want to remind you that there were some book losses due to which the company did not with pay taxes last year.
- Rajesh Kothari:** And what is the growth in these companies in 9 months?
- Tripurari Kumar:** And that number I will not have handy.
- Rajesh Kothari:** But would it be a growth of 10%-15%?
- Tripurari Kumar:** There should be growth I will come back to you with exact numbers.
- Moderator:** Thank you. As there are no further questions in queue, now like to hand the call over to Mr. Jain for closing comments, over to you, sir.
- Sudhir Jain:** I would like to thank you everyone for joining the call. I hope we have been able to respond your queries adequately. Certain questions or queries we have noted down. So Tripurari will come back to the concerned person. For any further information I request you to get in touch with SGA, our Investor Relation Advisors, thank you very much, thank you for all support.
- Moderator:** Thank you very much, members of the management. On behalf of Minda Industries that concludes this conference call. Thank you for joining in and you may now disconnect your lines.