



“Minda Industries Limited
Q1 FY2019 Earnings Conference Call”

August 10, 2018



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Moderator: Ladies and gentlemen, good day and welcome to Minda Industries Limited Q1 FY2019 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 telephone. Please note that this conference is being recorded. I would now like to 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. A warm welcome to all the participants. On the call today, I am joined by my colleague, Sanjay Jain and Mr. Tripurari; and SGA, our Investor Relations advisor.

I hope you have had a look at our financial results and presentation that has been uploaded on the stock exchange site as well as on the company website.

I will speak briefly on the industry and then give you an update on our performance, following which, we will be happy to answer your queries.

About the auto sector, in fiscal 2018, the auto component industry is expected to grow 12% to 14% on year-on-year basis on a high base on the back of demand from domestic manufacturers across vehicle segments.

Improved rural demand and pay commission payouts have led to increased demand for 2 wheeler and passenger vehicles. Higher sourcing is expected from commercial vehicle and tractor manufacturers who have been benefiting from the government's infrastructure push and four consecutive years of good harvest.

In the current quarter, two-wheeler segment grew at 15%, passenger vehicle by 19% year-on-year. Overall, vehicle volumes grew around 17%.

Indian auto component industry is likely to deliver healthy growth during the year in reference. Emerging technologies, such as automated manual transmission, antilock braking systems, electronic control units/sensors and advanced engine design will be highlights of the year.



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Further, with safety becoming an important concern, requirement for advanced driver assistance systems, like lane assistance, distance control and vehicle-to-vehicle communication is expected to witness increase in demand.

Driven by a strong demand from OEM and healthy utilization of existing capacity, most auto component players are likely to announce or have already announced sizable expansion plans.

Now coming to the performance of the company for Q1 of 2018 and 2019. Company posted strong results for Q1 financial year 2018-2019. On consolidated basis, revenues during the quarter was Rs. 1,430 Crores, with EBITDA margin of 11.9% and PAT MIL share of Rs.70 Crores.

The consolidated revenues stood at Rs. 1,430 Crores for Q1 as against Rs. 945 Crores of the corresponding quarter of last year, recording a growth of 51% year-on-year. Consolidated EBITDA stood at Rs. 170 Crores for Q1 against Rs. 101 Crores Y-o-Y, giving a growth of 68% year-on-year. EBITDA margin has expanded by 120 basis points to 11.9% from 10.7% of the last year.

PBT before exceptional item, for which consolidated entity grew to Rs. 114 Crores for Q1 as against Rs.67 Crores for the corresponding quarter of the last year, registering a growth of 46% year-on-year in this quarter.

PAT MIL share increased by 46% year-on-year to Rs. 70 Crores in Q1 from Rs.48 Crores in Q1 of last year. PAT MIL share margin at 5.9% in Q1 from 5.4% from the corresponding quarter of last year.

Product-wise performance in Q1 is as under, switch business grew actually posted sales of Rs.598 Crores, recording a growth of 91% including four-wheeler switches, with EBITDA margin of 12%. Switch business comprises 43% of our total revenue in this quarter.

Lamp business, this segment posted sales of Rs.311 Crores with Y-o-Y growth of 19% and EBITDA margin of 7%.

Horns, this segment reported sales of Rs.198 Crores, recording a growth of 10%. Horns business recorded EBITDA margin of 9%.

Other products like alloy wheels, aluminum die casting, blow molding parts, etc., this category logged sales of Rs.322 Crores, with Y-o-Y growth of 71% and EBITDA margin of 18%.

Business updates for Q1 of 2019. Consolidation update MI Torica has been consolidated as a subsidiary with effect from April 1, 2018, which is Q1.



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iSYS RTS acquisition, which we have already announced an update on that, share purchase agreement and other definitive agreements have been executed by the company. Actual transaction is expected to be completed by September 30, 2018, in this quarter.

Other updates about patents. Two patents for grip assembly with illumination and sweat-free grip has been granted to our switch division.

This is all from our side, and now we can open the floor for question-and-answers. Thank you. You are invited to ask any questions, queries, source any information, please.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Congrats on a very strong numbers. Firstly, alloy wheel plant in Gujarat got commissioned in the first quarter, so what was the sales run rate over May or June?

Sudhir Jain: We have done it in month of May, around May 24, 2018, the plant got commissioned and there were trial runs. However, in month of June, approximately 15,000-wheel production has started.

Ashutosh Tiwari: So almost 80% you reached in June itself?

Sudhir Jain: 15.

Ashutosh Tiwari: 15 okay, Sir.

Sudhir Jain: Actually, the performance of this plant will get reflected in Q2 results.

Sudhir Jain: End quarter.

Ashutosh Tiwari: Okay. So how much revenue are done in the alloy wheels?

Sudhir Jain: Rs.145 Crores.

Ashutosh Tiwari: And how they should go up? At the Rinder plant at full utilization level, how much it can go up to?

Sudhir Jain: For example, last year, similar time, we have done Rs.86 Crores. This year, we have done Rs.145 Crores. On an average, for this quarter, we could look at a number of Rs.60 Crores per month, which would be around Rs.170 Crores, Rs.180 Crores so that should be a good quarter estimate for you to look at.



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- Sudhir Jain:** And either Rs.35 Crores will get added because of this plant per quarter.
- Ashutosh Tiwari:** Okay. That means that alloy wheels could almost grow like Rs.780 Crores in the current year?
- Sudhir Jain:** Yes, hopefully.
- Ashutosh Tiwari:** Okay and that looks good. Secondly, can you throw some light on Sensata tie-up, how this should help you and what kind of sales; build up from after BS-VI gets in 2021 and all? And this product specifically you are looking at?
- Sudhir Jain:** Actually, our tie-up with Sensata is for different types of sensors. And initially, it would be a trading, and eventually we would like to manufacture these sensors in India. Now this tie-up has been done first to provide the almost different and complete range of sensors to the OEM.
- Ashutosh Tiwari:** Come again?
- Sudhir Jain:** Complete range related to high-temperature sensors and high pressure sensors. Idea is to complete the range in this particular category and this has been also done in order to this TTE joint venture was done last year, with TT Electronics for reverse parking systems, lane departure systems so a lot of sensors are involved in that also. Though the category of sensors are different, we wanted to provide bigger basket of sensors to the OEM.
- Ashutosh Tiwari:** Okay so will this be supplied to, say, passenger car OEMs like Maruti for BS-VI government as well? And if your plans supplied that must be already in progress in terms of working for this?
- Sudhir Jain:** We have confirmed the orders from Maruti, and some even from Tata Motors and Mahindra. And we are working to close further business. We will also be doing engine and crane sensors under the aegis of the Tata JV.
- Ashutosh Tiwari:** So what kind of revenue opportunity we can look at it from this business?
- Sudhir Jain:** The plant is supposed to get commissioned by April 2019, and we could in three to four years' time, we could look at up to Rs.450 Crores of topline.
- Ashutosh Tiwari:** Sorry, how much it is?
- Sudhir Jain:** Rs.450 Crores in three to four years' time frame.
- Ashutosh Tiwari:** Three to four years from now?



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- Sudhir Jain:** Correct.
- Ashutosh Tiwari:** Okay. And on the TTE side, how do you see that traction visibly? How is the progress over there? And by what time so this is mainly start next year July, right?
- Sudhir Jain:** On which parts you say, Ashutosh?
- Tripurari Kumar:** As far as TTE is concerned, already supplies are going on. The only thing is that now final assembly is done in Manesar, in our joint venture plant. It only has probably we will further localize it.
- Sudhir Jain:** We are already supplying the system to the new design model is a product of TTE JV.
- Ashutosh Tiwari:** Okay. And Sir, lastly, if I look at the lighting margin, were a bit lower in the current quarter. What is the reason behind that? Is there any one-off over there?
- Sudhir Jain:** Yes, you are right, lighting margins are below our expectations also and partly, I think, we need to further synergize between Rinder operations and Minda operations, which we have done also. Actually, two-wheeler plant of Minda, which is fixed in lighting, has been technically merged with Rinder so that all with two-wheeler and three-wheeler lights are managed by the same management team. The location remains the same, but the management of Minda plant of two-wheeler has been handed over to Rinder management. And we see there is a further scope for improvement in the productivity of Rinder plant.
- Ashutosh Tiwari:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jaishree Ram from Karvy Stock. Please go ahead.
- Jaishree Ram:** Thank you so much for taking my question so you said that MI Torica was consolidated this quarter, right? Can you tell me what the revenue was?
- Sudhir Jain:** In our investor presentation slide it is around Rs.78 Crores, of which 25% is intercompany sales so approximately Rs.23 Crores, Rs.24 Crores is what you will account for on a net basis.
- Jaishree Ram:** Okay and secondly, on the alloy wheel business, what is the total capacity right now?
- Sudhir Jain:** Total capacity, which is under a company called Minda Kosei, which is our subsidiary, is Rs.180 Crores now. Rs.120 Crores at Bawal and Rs.60 Crores at Gujarat. And we have another Rs.75 Crores under our associate company called Kosei Minda so that puts the number to around 255,000 units per month.



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- Jaishree Ram:** Okay what is the utilization now?
- Sudhir Jain:** At Bawal, the utilization is almost 95% to 100%. In Gujarat, we are operating at 25% to 30% range currently.
- Sudhir Jain:** But as already mentioned earlier that this was the start of production in this quarter. Real utilization and volume will come in the Q2.
- Jaishree Ram:** Okay. So here, you have given Minda Kosei as Rs.60 crores, so that includes a lead of 180,000 units, is it?
- Sudhir Jain:** Those are additional sales.
- Jaishree Ram:** That is coming from Gujarat?
- Sudhir Jain:** That is additional sales for Minda Kosei. In the table that we have mentioned, overall, last year, they had done Rs.86 Crores. This year, they have done Rs.145 Crores so that is the differential number that you are able to see on the slide.
- Sudhir Jain:** But yes, the sale is only through Minda Kosei Company not Kosei Minda. Kosei Minda sale is not considered, being not a subsidiary.
- Sudhir Jain:** Yes.
- Jaishree Ram:** Okay and you have acquisition this, iSYS Germany. I mean, have you disclosed for what the amount you have acquired?
- Sudhir Jain:** Okay. Now, this we are acquiring for a value of €6 million.
- Jaishree Ram:** €6 million, okay.
- Sudhir Jain:** This is similar turnover of €6.5 million to €7 million, and it is EBITDA positive.
- Jaishree Ram:** That is all from my end. Thank you.
- Moderator:** Thank you. The next question is from the line of Rama Krishnan from Spark Capital. Please go ahead.
- Rama Krishnan:** Thanks for the opportunity. My question is, again, on the alloy wheels plant at Gujarat. And I am sorry if this question has already been answered by you, but I wanted to understand what would be



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the exact utilization level for this plant for FY2019 and FY2020? And I am assuming that in FY2020, Phase 2 will probably start in a small way.

Sudhir Jain: Okay. We take Q2 of the current year as the actual production from the plant. It started only in May 20, 2018 also and we look at financial year 2019, utilization of the plant at 90% level, yes, and same in 2020 and because already orders are in hand and plant has been established well, we have the experience of this product earlier at Bawal, and same and the team is working in Gujarat also. And from Q2 itself, we hope to touch 80% plus in this plant.

Rama Krishnan: Perfect. And when will you start work on Phase 2, Sir, at this plant?

Sudhir Jain: Phase 2, yes, is under consideration, and we are also in touch with Suzuki and that is not only for alloy wheels, but for other products also, which is supplied to alloy wheels and we will install and increase our capacity well in time to meet the Suzuki requirement and of course, we make other products also in Gujarat for Honda motorcycle and scooters.

Rama Krishnan: Right and Sir, could you help us with your expected capex spend in FY2019 and 2020, and also possibly the net debt level expected as at March 2019 and March 2020.

Sudhir Jain: March 2019 and March 2020.

Rama Krishnan: Yes, so those actually.

Sudhir Jain: First, about the debt level. Today, our debt level is about 0.6 times so against a network of Rs.100 Crores, it is about Rs.67 Crores against 1:1, which is the norm given to us by the Board of Directors that we should never exceed 1:1 and we do not see any reason also in 2019 and 2020 to exceed 1:1 so we will keep our debt in the range of 0.8, 0.9, maybe by 2019 and 2020 so then other question, the first was capex.

Sudhir Jain: The first one the capex, around the capex, we have indicated to you that this year, it could be either around Rs.350 Crores to Rs.400 Crores of capex, including the maintenance capex part.

Rama Krishnan: And a bulk of the spend would be on?

Sudhir Jain: There is one transaction of TG Minda for which we have already announced and committed an amount of Rs.137 Crores and then there is a committed investment to iSYS acquisition so this put together take it to Rs.200 Crores and then there is maintenance capex and small projects, which we announced already.



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Rama Krishnan: All right perfect Sir and I will call back in queue.

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

Jigar Shah: Good afternoon and congratulations for strong first quarter. I want to understand a little bit more on the iSYS and what you mentioned in the presentation that the company has a desire to increase the international proportion of the business, which is currently around 12%, 13% to 25%. So if you can give some more idea about the strategy in work to achieve that and also more details about the iSYS acquisition.

Sudhir Jain: Okay. First, I will tell you the broad strategy. As I have been sharing earlier also, there is a clear focus on auto electronics as a system, as a full part. And in line with that strategy, we have entered into a JV with TT Electronics for reverse parking systems, Sensate for sensors and for infotainment with Denso Ten. In the same strategy, we are also setting up our centralized R&D facility at Pune, under the head CREAT, I mean, that is the name given to get facility, it is under set-up, 70%-75% of the work has already been done. And electronics controllers are key to the auto electronics. And already, we make with our own technology, homegrown technology, some controllers which we are supplying to the domestic OEMs, particularly Indian-owned like Bajaj and Tata, etc. Now iSYS has been acquired in order to further strengthen our technology base, engineering base, in providing engineering services for controllers, electronic control units, body control units, which goes into the vehicle, etc., and iSYS is a company working in Munich, owned by two Germans who have developed it in the last 15 years, major customers, being BMW, Webasto, Rolls Royce. So they design controllers, ECU, VCU for these vehicles and give it to them. So once we acquire it, we will expand their customer base in Europe. Resources with these two promoters are very limited, and they were not able to expand. And we saw an opportunity in this. We acquire technology; we will acquire their services. So Mr. George will continue to head this in Germany. We will send our engineers from here. Even their engineers working in iSYS will also come to our R&D center in Pune. And these engineering services then we will provide to the Indian OEMs also. They will provide their services to even other companies of the Minda Group. So that is the broad plan. In case you recollect, about three years ago when we acquired Rinder, one of the objective was that we wanted to acquire technology through LSTC, which was the R&D center of Rinder in Spain. So that was mainly meant for the lighting, head lamp and tail lamp and LED lamps; and iSYS is mainly to work electronics and electronics controllers, body control units, etc. I hope I have answered your question.

Jigar Shah: Yes, Sir. That was very, very useful. Thank you for that. The other point I wanted to understand was on the margin, and we have seen a consistent and healthy expansion in your margin. But recently, we have seen that the OE margin itself is under pressure because of the metal prices and overall energy

price increase as well. So what do you think of that and what kind of margin scenario we can experience at Minda in the current year in particular?

Sudhir Jain: I think your observation is correct, and this net-net whatever, margin improvement is there in Q1 is after setting of RMC increase, which we have also witnessed.

Tripurari Kumar: 5% to 15%, depending on component of - the composition of plastic or metal.

Sudhir Jain: But net-net, about - our RMC has increased in Q1 by about 1% of the sales at a consolidated level. In spite of that, our EBITDA margin has improved by 1.2% Q1 versus Q1 and this has happened because we are working continuously to improve the productivity in various plants and to improve the capacity utilization, this work and exercise will continue irrespective to whatever is happening on the parts of this RMC increase or other cost increase and we discuss with the OEMs and in most of the cases, basic raw material prices get adjusted into the price, our component price and system price in the following quarter. Wherever it is not happening, we are in touch with OEMs to get it done. But overall, considering our complete product basket, we are quite hopeful that two accounts: first, we would be able to recover most of the increase in basic raw material prices from our customers; secondly, through productivity improvement and capacity utilization, we would be able to improve our margins.

Jigar Shah: Right Sir, that was very useful again. Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Arpit Kapoor from IDFC Mutual Fund. Please go ahead.

Arpit Kapoor: Thanks Sir and good set of numbers. Just wanted to know about - as you highlighted, sensors is going to be a big opportunity BS VI - with BSVI regulations coming in, so are we doing something there and how big can that opportunity be for us?

Sudhir Jain: Okay. Yes, sensors are a big opportunity, but at the same time the different categories of sensors are also huge. There is a wide variety of sensors, which are being used in the vehicle, okay and now, along with Sensata, we are working out which particular categories to enter into, particularly high-temperature sensors, etc., which would be high-pressure sensors. And exact potential and the market share, etc numbers, we will take another one quarter or so to workout with Sensata.

Tripurari Kumar: And as per the initial estimates that we have drawn, we believe we are already doing close of Rs.35 Crores, Rs.40 Crores sensors in our SAC division, which could further see a growth in the next three to four years, of around Rs.400 Crores to Rs.450 Crores number.



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- Arpit Kapoor:** Okay and on the Sensata JV, so have you finalized any capex plans or in terms of localized content, so how much would be localized and how much will we be importing from the partner?
- Sudhir Jain:** So that exercise is going on. Basically, we have to decide which particular sensors we make here initially and then keep on adding. So whether the import and manufacturing in-house and all those exercises going on and may be the picture would be clearer in another three to four months.
- Sudhir Jain:** Initially, we are importing. We are basically distributing sensors as of now, as far as Sensata is concerned.
- Arpit Kapoor:** Okay and this will be predominantly passenger vehicles we are targeting. **Sanjay Walia:** Most two-wheeler and four-wheeler, the sensors that you will find where we will be doing high-temperature sensor, high-pressure sensors, differential-pressure sensor and engine and crank sensor. So engine and crank sensors will be in the Emission Norms and high-temperature, high-pressure will also be part of the engine fuel injection system part. So it will be part of both two-wheeler and four-wheeler.
- Arpit Kapoor:** Okay and last bit on the lighting. So I guess, Ashutosh covered it in terms of margins, but even the growth rate of - given the fact that we are seeing a lot of - at least on the two-wheeler front, a shift towards LED lights. So and Rinder acquisition should - the idea was that we will get the LED technology and the client base as well. So where are we there, so are we gaining some more market share with new models and how do we see the progress going forward?
- Sudhir Jain:** Firstly, yes, our market share is increasing, our customer base is also increasing. Just to go back into the history of lighting. Five years ago, we were fifth or sixth supplier in the ranking sales wise, okay and our margins were also very very low and four to five years ago we decided and started focusing on lighting and at that time, there used to be only one facility at Sonapat. After that, we invested for head lamp, tail lamp. We got Maruti Suzuki, Mahindra & Mahindra and other businesses. In last two to three years, there is a considerable improvement as far as the total lighting quantum sale, quantity and the value is concerned, and there are improvement in the margins also. And today, we are number 3, if not number 2 as far as the total turnover is concerned in India. And Rinder has also greatly contributed to reach the level of number 3 in lighting. Yes, there is a further scope for improvement in the margins of lighting on which we are working, and hopefully, we will see the results maybe from H2 of this financial year and onward, on which we are working. Yes, just Rinder and loan is concerned, the turnover of the Rinder in this quarter has been Rs.120 Crores against Rs.100 Crores in the corresponding quarter of the last year. So there is a substantial improvement in Rinder also. But at the same time, there is a further scope for improvement, in may be Q3, Q4, lighting will contribute better, both in terms of top line as well as the margin.



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- Arpit Kapoor:** Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Viraj Kajaria from Securities Investment Management. Please go ahead.
- Viraj Kajaria:** Thank you for the opportunity. Just had couple of questions. One was on the TG Minda JV. I see it is not consolidated, so from which quarter should we see consolidation happening and if you can just a bit talk about how the JV performance has been in this particular quarter. I see there are multiple products, airbags and ceilings so if you can just talk a bit on the growth and the margin there and who are the key customers we supply for each of those products?
- Sudhir Jain:** Okay. As far as TG Minda consolidation is concerned, you are right that it has not been consolidated in this quarter. However, all necessary approvals of the respective boards were already taken, announced and communicated. Last activity which is actual transfer of shares and payment is still pending, which we are targeting to complete before September 30, 2018. So, consolidation should start from Q3 of the current financial year.
- Sanjay Walia:** Yes, on TG Minda, as it is not part of top line, bottom line, we have not disclosed as of now because it is not getting consolidated.
- Sudhir Jain:** Because as of now, in Q1, and the situation will remain the same in Q2 also, maybe Minda Industries is holding only 6% of the equity, which will go up to 49.9%. But kindly hold, we are checking still what are the numbers of TG Minda whether consolidated or not consolidated is another issue.
- Tripurari Kumar:** Yes. So the broad number, the TG Minda's quarterly sale is around Rs.120 Crores.
- Viraj Kacharia:** Like, what will be the growth or the margin there?
- Tripurari Kumar:** The margin is around 12% with PAT percentage of around 3.5%.
- Sudhir Jain:** Okay. PAT is of 3% - 3.5%.
- Viraj Kacharia:** Okay and who will be the key customers we will be supplying there?
- Sudhir Jain:** Our key customer is of course is Maruti Suzuki, Toyota and Honda. As you are aware, the product is airbags, body ceiling parts, steering wheel, and airbags are now becoming compulsory from July

2019. So there would further better capacity utilization in this plant, and new plant is also coming up in Gujarat for Suzuki there because airbags are getting compulsory.

Viraj Kacharia: There is timely for airbags or both the products?

Sudhir Jain: So it would be both, airbags as well as body ceiling parts.

Viraj Kacharia: Okay, fine. Is it possible for you give some color on what will be our wallet share or market share for these two product categories across the OEs, which you talked about, I am just trying to understand how does we look at this business, say, for next two, three years in terms of growth.

Tripurari kumar: With Maruti, we will be number two supplier after Autoliv and our overall composition market share is around 23% - 24% in airbags, and we could be supplying to as much as 7.5 lakhs airbags random.

Viraj Kacharia: And for ceiling, Sir?

Tripurari Kumar: Ceiling, it is 30% of the overall revenue. So approximately in Rs.500 Crores turnover, 30% will be out of these weather strips or body ceiling as we call it

Viraj Kacharia: May I know the market share, Sir?

Tripurari Kumar: Yes, here, we will be with Toyota and Maruti we will number one supplier.

Viraj Kacharia: Got it. Thank you very much.

Moderator: Thank you. The next question is from the line Shalu S from Research Finvest. Please go ahead.

Shalu S: Hello Sir. Thank you for taking my question. My question is regarding iSYS acquisition. More you have already answered, but I want to know when this acquisition will take place and when can we see financial impact in the Minda financial, how much revenue will be added and how it will impact on bottom line?

Sudhir Jain: Our target is to complete the transaction on or before September 30, 2018. So we can see the impact from Q3 onward. Again, it is an engineering services company so far, they do not manufacture any component as such or system. So they provide the services. But the real ramp up in this services, we expect will come from calendar year 2019, so Q4 of this financial year and after that.

Shalu S: Okay, Sir. And how much growth are we are like after acquiring i-SYS?



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- Tripurari Kumar:** We are targeting about 25% to 30% growth in this company from 2019, 2020 and onward.
- Shalu S:** Thank you for the opportunity. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Jayasree Ram from Karvy Stock. Please go ahead.
- Jayasree Ram:** Thank you so much for taking my followup question. This is regarding the Kit Value, which you have given. So I just want to know what comprises that kit? What components comprise that kit? And how much of value build you see going forward? Because as you are adding more components per vehicle, so I believe that your value also is going to increase for the kit. So can you explain on these lines?
- Tripurari Kumar:** Yes. So if you look at this slide, we have split it over two-wheeler and four-wheeler, and this includes all the products that we can potentially supply on a model and so for example, it includes airbags, which would comprise 3500 in the A segment and close to 10000 in a B segment car, it could employ 12000 of alloy wheels in a B, C and D segment vehicle, it could employ anywhere between 3500 to 8500 of switches. It could employ the blow molding components, which could be around Rs.570 to Rs.1000, depending on which model it is being supplied to. So there are over 20 components that we supply, and it is sum of all these products, including the reverse parking assistance system. And so for example, if you typically look at the B and C segment cars. The potential that we have calculated is on the basis that if I supply all my components in a car, this is what I will be supplying. And it is very close our natural model that we are supplying without naming that directly.
- Jayasree Ram:** So these 20 components that you have mentioned, this is for a four-wheeler or for a two-wheeler?
- Tripurari Kumar:** For example, switches we do for two-wheeler, four-wheeler both. Horns we do for two-wheeler, four-wheeler both. Lamps we do for two-wheeler and four-wheeler. So most our products are for two-wheeler, four-wheeler both except for certain products like airbags and alloy wheels, which are currently focused at passenger vehicle segment.
- Jayasree Ram:** Okay. So what kind of value increase do you expect from this going forward?
- Tripurari Kumar:** Obviously, we would like to have it grow and both because the premiumization is going to be an important play, and in terms of year-on-year growth, we believe a 10% to 12% number is a good number to look at in terms of growth in used Kit value.
- Jayasree Ram:** Okay, 10% to 12%. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf: Good afternoon. Just another, again, question on the Sensata just a little, but just wanted to understand, is this more way of localizing what we are currently reporting, like you've given an example of ARPA as well, currently you're more doing an assembly and then you're looking to start manufacturing the sensors? Or do you think that you will also make some components with these sensors, because sensors on its own probably you will not be supplying. So I just wanted to understand how is the revenue model? That is mode of cost saving thing by localizing or is that a revenue driver also there?

Sudhir Jain: Okay, I tell you it is a combination of both. Firstly, initially, we import not because we cannot localize or localization is not beneficial, but because the quantity is very limited. So unless until localization and setting a full-fledged facility, just the volume justifies that, we import, and then gradually we shift to localization as the volume of the same component or system will grow. Same is the story with the reverse parking system also. And as now reverse parking system is becoming compulsory, naturally volume will increase. So to be (audio break) 45.49 and then eventually we will shift to localization and complete localization. And that is the very purpose of entering into joint ventures. The idea is not that once we look at any new component or any new system to enter into. We enter into any new systems only when we know at the end of the day and in next two to three years, we should set up full-fledged facility for that and then improve technology through localization. So same thing will happen to ARPAs also, and for that matter, any other product, which we are doing today, or we will do in the near future. Same is with the sensors also.

Mukesh Saraf: Right. So we are not going to looking to supply the sensors alone, as a Tier 2 supplier. We will look to make an entire component using those sensors?

Sudhir Jain: No, but as far as sensors are concerned, there could be possibility of supplying as a Tier 2 also because sensor is such a component which goes into various systems in the vehicle. Again, on this Tier 1 and Tier 2 let me clarify Minda Industries, Minda group is a Tier 1 supplier and will remain Tier 1, and we will not become Tier 2 supplier. However, once we enter into futuristic technology, and receiving a vehicle, then we have to decide how much is Tier 2 and how much is Tier 1, but predominantly, even sensors will be Tier 1.

Mukesh Saraf: Right, understood. And similar logic would apply even for your engineering services business? Or you will directly from the OEM, you might be a Tier 2 that for engineering services?

Sudhir Jain: Okay. Engineering services, we will make eventually controllers, electronic controllers in-house. The idea of acquiring is, engineering services, and it will continue to provide engineering services to the OEMs also directly, Rolls-Royce and BMW. We are not going to stop that. But ultimate aim is that,



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whatever drawings and designs they make, we make controllers in-house, again, depending upon the volume.

Mukesh Saraf: Understood. And so even in the domestic OEMs here you will want to get to the level finally? **Sudhir Jain:** Already, we are setting a facility for making controllers in-house at Pune.

Mukesh Saraf: Right. But that is okay, understood. That is under the stand-alone entity, Sir? Standalone Minda Industries?

Sudhir Jain: Minda's standalone entity itself, even this will be part of Minda Industries, but consolidated, yes.

Mukesh Saraf: That was the question from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Vijay Sarthy from Anand Rathi. Please go ahead.

Vijay Sarthy: Thanks for the opportunity Sir. Could you help me understand what could be the size of controllers and actuators in the next three years in line of sensor business? How should we look at this as a combination? That is the first question. Second question is, with a lot of players in the sensor market, I know, at least we have four or five players in the market today, given that OEMs' sales will also go up. How do you see the market share in the sensor market, say, two years, three year later? And of course, the profitability per sensor. These two questions that will be great help.

Sudhir Jain: As far as controllers are concerned, we are targeting Rs.300 Crores to Rs.400 Crores turnover in three to four years. Most controllers which we will make in-house. We may provide drawings and designs for other controllers also, which we may not make but Rs.300 Crores to Rs.400 Crores turnover will come from the controllers, which we will make in-house, so that is the plan. As far as sensors are concerned, please, we are working on that, it is a very wide subject for us. And maybe, we need another two to three months' time. And the sensors we make in-house, how much we trade with Sensata, etc, but Tri Kumar will explain.

Tripurari Kumar: Just to add to what Sudhir has said. What happens is these sensors market potential is calculated, basis what is their end use and application design. So for example, I could be making a position sensor or a distance sensor, but a distance sensor, could have five applications and those five things could move with a different rate of growth. So that is why the rate ultimate could be different from what which we will give for a simple position sensor.

Vijay Sarthy: So among the players, could there be any product or sensor that only a particular company can manufacture and another cannot do or does he have a competitive advantage? Is there anything of that sort? Or is it that all sensors can be manufactured by anybody given some time?

- Sudhir Jain:** Okay. A sensor is very sensitive and safety product. Actually, what it is doing, it is collecting information within the vehicle and then sending signals to some other part of the vehicle. In case there is a malfunctioning, I mean, again, there could be an accident. So neither the manufacturer nor the OEMs can compromise on the 100% perfection of any system and sensors, etc. So to that extent, everybody and anybody cannot make it. Only the players, who have got the proven technology, acceptable to the OEMs globally, can make it. Yes, whosoever have that kind of technology, that level of technology can make it.
- Vijay Sarthy:** Okay, sure. Finally Sir, could you help me understand about this Cockpit Electronics that you have talked about in your slide 14. How big is this opportunity? I thought we already have infotainment system and other things. So what is different in this Cockpit Electronics?
- Tripurari Kumar:** So what happens, example, in a normal B segment, C segment, you will see, between three to five ECUs. ECUs are electronic control units. Now for example, I would get a new ECU, which would control your ambient lighting, so there could be ECU for that which could give you, let us say, if you want to have a starry night experience in your car, a sensor would do and ensure that the Cockpit Electronics adjust it accordingly. Second, is for example in your door panels. Now when you are opening a door and there could be a controller, which could give you a sense of whether there is movement happening or something is obstructing it or not, so automatic door closing, door opening. That could be assistant thing, which would happen in future. We have talked about our boot opening, so which could be sensed and it could be controlled right at the cockpit level, which is in your dashboard. So that could be another example of there, you will find high applications of these controllers.
- Vijay Sarthy:** When do you foresee all these things being implemented in India. Is it in next two year or probably beyond a two-year story?
- Sudhir Jain:** Okay. I think this will come within two years, and step-by-step, these things and facilities are coming, but volume is the real issue, when the volume will come. And because in India, still a vehicle of Rs.7 lakhs to Rs.8 lakhs or 10 lakhs, the volumes are higher. But eventually, all these facilities and systems will come into these range of vehicles also.
- Vijay Sarthy:** Okay. Sure Sir. Thank you.
- Moderator:** Thank you. We have the next question from the line of Ashish Diwan as an Individual Investor. Please go ahead.



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Ashish Diwan: My question is regarding the strength of OEM relationship which we have. Just want to understand whether the OEM buys individual parts or do we have any relationship where they buy entire kit from us?

Sudhir Jain: Okay. This entirely depends upon the OEM policy. What we have seen in the past is that sometimes they start with complete system, but then eventually they disintegrate and starts buying parts, which happened in the case of CNG, LPG case. In some cases, they start buying components and then they eventually shift to system. So naturally, it is their policy, they have to decide about their vehicle. As far as we are concerned, as of now, practically the supply as far as two-wheeler is concerned, complete handlebar system. When I say, my switch sales, it is actually complete a handlebar system which we supply where our handlebar, switch, grip, etc which we assemble in-house and then supply it to the two-wheeler. And similarly, in the vehicle of course, as far as light is concerned, complete system is supplied, sometimes including with the headlamp leveling motors, etc. This can vary with OEM to OEM also. Some will buy only headlamp and not headlamp leveling motors, some will buy combined the two things, etc. But as far as we are concerned, more and more opportunity is given to us to supply as a system rather than disintegrated part.

Ashish Diwan: Thank you.

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

Ronak Sarda: Congrats on great set of numbers. Two questions. Sir, first of all TG Minda, now it is 48% stake. Do we have opportunity to make it a subsidiary or this is the maximum we can have in the company?

Sudhir Jain: No, as of now, I mean, as per our understanding, it will not become a subsidiary. We can go up to 49.9%. As of now, 48% but may be another 1.9% we can acquire in times to come.

Ronak Sarda: Sure. And this would be consolidated as per equity method and not line by line.

Sudhir Jain: Correct. Yes.

Ronak Sarda: Right. And Sir, on slide 30, you have highlighted customer wise and company wise, segment wise, customer's contribution. But overall, if I look current quarter's turnover, who would be our top five customers and what would be the contribution?

Tripurari kumar: Top five customers. As you can see in Maruti or MSL is the largest customer. In four-wheeler or in two-wheeler among the largest customers that we have is Bajaj, TVS, HMSI, and we also serve to Mahindra...



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- Ronak Sarda:** Can you just give me top five contributors?
- Tripurari Kumar:** I will give you a mix separately, because we give that on an annual basis and not on a quarterly basis.
- Sudhir Jain:** So Ronak, we will forward it to you.
- Ronak Sarda:** Sure. Okay. Because this now how consolidated turnover will look like, right? Because now all the others companies will be consolidated under JV method or there other companies which will become a subsidiary in the future consolidations, please?
- Tripurari kumar:** No, not out of consolidation.
- Ronak Sarda:** Right. So this would be like the entire top line now in which we are looking, right?
- Sudhir Jain:** Yes.
- Ronak Sarda:** I will connect with you offline. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Sudhir Jain for closing comments. Thank you and over to you Sir.
- Sudhir Jain:** Yes. Before I close I would like to mention, as consolidation part is almost over except one or two companies, the issue comes about the future growth and rate of growth in future as far as top line is concerned. Our internal target is to grow double the rate of the sector growth. In case sector is going at 10%, my top line should grow at least 20%, and in case it is 15%, then 30%. And this double rate of growth is going to come, of course, from our existing products, premiumization of the existing products, we are adding more value to the existing components and systems, plus the new systems and components, which we are adding continuously to our product offering. And you can see the additions made in last three years and six years and nine years and this process will continue in the future and times to come. So at the end of the day, what we are looking at is the Kit Value. How my kit value is increasing year-on-year? And that Kit Value gets translated into the top line. So having said that, let me thank all of you for joining the call, and I hope we have been able to respond to most of your queries. Few information which we have promised, we will forward it to you. And you are most welcome to ask us and come to us for any further queries through SGA, kindly contact us. And with these remarks, once again, thank you. Thank you for all support.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Minda Industries that concludes this conference. Thank you for joining us. You may now disconnect your lines.