



“Uno Minda Limited
Q1 FY '24 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Uno Minda Limited's Q1 FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation 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 an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunil Bohra, Group CFO.

Sunil Bohra: Thank you, Carol. Good evening, everyone, and a warm welcome to all the participants. On the earnings call today, I am joined by my colleague, Ankur Modi, Head of Corporate Finance and Communications. We have uploaded our financial results and investor presentation for Q1 FY '24 on the stock exchanges and our company's website. We hope everybody had an opportunity to go through the same. I would like to begin by giving some insights on the economy, followed by the current scenario in the auto industry and our financial and operational performance for Q1 FY '24. And post that, we will open the floor for Q&A.

Amidst the heightened global uncertainty, the Indian economy has proved to be more resilient than many large economies of the world. A conducive domestic policy environment, along with healthy performance of its key macro economic indicators have sustained the growth momentum of the economy. As captured by the Central Bank's Economic Activity Index, the GDP growth for Q1 FY '24 is forecasted at 7.9%. Urban consumption remains robust, while rural demand is improving, though unevenly.

The improvement in demand has translated into an improvement in capacity utilization in many sectors, which will lend further impetus to private capex this year. Above average monsoon so far in large part of the country and sustained buoyancy in services are expected to support consumption, while the government's thrust, moderation in commodity prices and robust credit growth are expected to nurture investment activity. The interest rate pause by RBI is expected to stabilize and in future may bring down cost of capital for India, thus fueling fresh investments and giving private capex a further leg up.

Discussing the auto sector, the Indian automotive industry has achieved a smooth transition to the BS VI Phase 2 norms. Overall, passenger vehicles, 2-wheelers, 3-wheelers and CVs have performed well in Q1, although some sub-segments have shown slight momentary decline compared to Q1 of last year. The passenger vehicle segment has notched up its best-ever first quarter of production in April to June with production of 9.37 lakh vehicles, up 7% year-on-year, though there is a seasonal drop of 6% on Q-on-Q.

The UV sub-segment continues to power the overall passenger vehicle segment, which comprises cars, UVs and vans. UVs contributed 53% of the overall PV segment production, an improvement of 4% year-on-year. Even though the demand for PVs in the entry-level sub-segment has declined, there is significant migration of demand to UVs in the sub-4-meter segment. Holistically, PVs are growing and the segment is doing well. A combination of factors like ramped up production for popular models, which have long order backlogs, improving supplies of semiconductors, new models in the market, positive customer and economic sentiment have helped maintaining growth momentum in Q1 FY '24.

At 48.98 lakh unit of production, the Indian 2-wheeler industry has registered 1% growth year-on-year basis. However, retail sales have clocked 11% growth over the same period, signaling improved sentiments. Production volumes have also grown quarter-on-quarter by 12%. Even though the numbers being substantially lower than pre-COVID levels, the indications are positive.

Based on the anticipated growth in the rural economy, the price increases due to various regulatory norms have impacted the 2-wheeler industry in the past. We expect improvement in demand backed by a low base, lower inflation and increased government spending ahead of election to drive recovery leading to 2-wheeler industry growth.

The central government's FAME subsidy has been cut to 10k per kilowatt hour since June '23. The realignment in the FAME subsidy did lead to certain consumer buying in May '23 and affected E-2-wheeler sales demand in June. Following the scaling down of the FAME II subsidy and the resulted high prices of e-scooters and e-motorcycles from June 1, electric 2-wheeler sales see the 9-month low of 45,734 units in June. June e-2-wheeler retail sales are down 56% on May '23's record numbers, but they also point to gradual maturing of the market as consumer bought around 45,000 e-2-wheelers at higher prices.

The production volumes of CV segment were marginally down by 1% year-on-year, while passenger carriers, both M&HCV and LCV have seen strong demand. The second demand for goods transporting CVs in both sub-segments have proved to be a drag on the overall segment. With India on the move, demand for passenger transporting 3-wheelers is on the upstream. What has given a flip to this segment is the accelerating demand for electric mobility, both for passenger and goods operations. Clearly, the USP of lowest cost per kilometer is a big draw, be it a single owner or a fleet operator.

We remain optimistic of India's auto industry growth prospects in FY '24 with high expectations of overall normal monsoon, which has now covered most part of the country. Coupled with lowering inflation, we expect the economy to continue to grow significantly, which in turn, should help the auto sector. Commodity prices have stabilized, chip supplies are no longer industry-wide issue. And despite the recent concerns of outlets, we are likely to see uniform spread of monsoons, driving the agricultural sector and indirectly benefiting the automotive industry as a whole.

Tracking the industry trends, Uno Minda continues to invest in R&D for new product development and upgradation of existing product portfolio. Our primary focus remains on

increasing our wallet share among existing customers, while also adding new customers by expanding into new geographies and further exploring our current territories. With the diverse product portfolio and increased content per vehicle along with cross-selling opportunities to our existing customer base, we maintain a positive outlook on revenue growth. Our dedication to customer satisfaction and market adaptability will continue to be driving force behind outperforming the auto-component industry.

Moving to financial operational performance for the quarter, you can refer to Slide number 5. The scheme of arrangement of 2 wholly-owned subsidiaries, namely, Harita Fehrer Limited and Minda Storage Batteries Private Limited has been approved by NCLT. Now entire seating business is housed in Uno Minda Limited itself. This is expected to result in better synergy and efficiency for the seating business.

The company has also taken management and operational control of the Kosei entities, KMA and KMM, with effect from 1st of April, '23. Consequently, both entities are also consolidated from the current quarter. A new 4-wheeler lighting plant in Gujarat has commissioned in March '23. It has ramped up well in the current quarter, reporting around INR30 crores of revenue in the first quarter of operations itself. The order book continued to grow for 4-wheeler and 2-wheeler lighting, alloy wheel business, wireless chargers, infotainment as well as for EV specific products.

Coming to the financial and operational performance, you can refer to Slide number 7 and 8. At consolidated level, revenue from operations for the quarter increased by 21% year-on-year to INR3,093 crores from INR2,555 crores in Q1 of FY '23. As we continue to gain market share and increase the kit value, the auto industry production volume has grown by 2% during the same period.

The company continues its significant outperformance in the current quarter. We have witnessed growth amongst all our products led by EV products, lighting and PV alloy business. The consolidated revenue grew by 7% even on a quarter-on-quarter basis as increase in 2-wheeler volumes are offset by decline in 4-wheeler volumes.

EBITDA for the quarter was at INR330 crores, improving by 24% from INR266 crores on Y-o-Y basis. EBITDA margins for the quarter also has improved to 10.7% as against 10.4% in the corresponding quarter last year, primarily driven by benefits of operating leverage, part of which gets offset by cost escalations like employee salary increments, annual increases in admin expenses, services, etcetera.

Finance costs have increased to INR25 crores in comparison to corresponding quarter last year on account of incremental borrowing for land bank at Pune and working capital. Borrowing costs have also gone up following series of hikes by RBI, which is being passed on by banks in a staggered manner. The profit after tax, which is Uno Minda's share for the quarter was at INR173 crores as against INR139 crores in Q1 FY '23, reporting a growth of 24%.

Coming to the business segment-wise performance, starting with switching systems, you may refer to Slide number 12. The segment achieved revenues of INR839 crores for Q1, contributing

27% of our consolidated revenues. While the increasing number of switches and technological advancements have been positively impacting the business, we have also been increasing our share of business on a quarter-on-quarter basis with lesser served Indian and Korean OEMs. During the quarter, we received more orders from the Korean customers. Our rigorous efforts, perseverance along with superior product technology and quality has helped us to deepen our relationship with those customers.

In 2-wheeler switch business, better domestic OEM production has favorable effect, offsetting the lower exports due to slow pick-up in newly launched model of the American OEM, along with the signs of slowdown in Europe. Our expansion of 4-wheeler switch plants at Chennai Farukhnagar are going on as per plan and is expected to commence operations by Q2 and Q3 FY '24 respectively.

Moving to lighting business, it has achieved revenue of INR710 crores for Q1, contributing to around 23% of our consolidated revenues. 4-wheeler lighting plant, as I said earlier, has been commissioned in the last quarter and is ramping up well. Last few quarters, we have done extremely well in terms of new order wins for passenger car exterior lightings. We have received incremental orders for the exterior lightings in the current quarter as well. Within interior lightings, tail lamps have seen remarkable shift in technology and aesthetics. In fact, some of the tail lamps orders received by the company is more remunerative than head lamps in terms of kit value.

The company has also been working for other innovative lighting technologies like logo projectors and logo illumination. We have also secured orders for illuminated logos, which you would see in upcoming model of the leading OEMs. Besides exterior lightings, we have also built strong capabilities in interior lighting.

We are already supplying ambient lighting and star moon lights to OEMs in Europe from our operations in Germany. We have now received orders for ambient lighting in India as well. The 2-wheeler lighting business has been growing well. During the quarter, we have secured orders for head lamps and rear combination lamps from a leading new-age EV OEM.

Moving to our casting business, it has achieved revenues of INR621 crores for Q1, contributing to 20% of our consolidated revenues. The growth in casting business revenue is led by alloy wheel 2-wheeler business on account of incremental volumes from new customers added in the last quarter as well as better volumes from our other customers. As was advised in the last earnings call, the company is also consolidating KMA from current quarter pursuant to business strategy agreement.

The company has also started working on turnaround plan for KMA by investing in refurbishments of assets, evaluating, exiting non-profitable export business and centralizing procurement along with MKA. The ongoing expansion of 2-wheeler alloy wheel plant at Supa is on track and is expected to commence operations in phased manner by Q3 FY '24.

Moving to acoustics, Slide number 14 you may refer to. Our acoustics business had achieved revenues of INR208 crores for Q1, contributing 7% of our Group revenues. Both India business

and European subsidiary, Clarton Horns, reported stable growth. We have added Korean customer for acoustic business as well for trumpet and disc horns.

Moving to the seating business, we have achieved revenues of INR273 crores for Q1, contributing 9% of the consolidated revenues. We are seeing a early trend of customers focused on comfort and safety in commercial vehicle as well in India. The Indian government has approved draft notification to mandate the installation of air conditioning systems in the cases of trucks, signalling focus on comfort and safety. This is a very positive development for us providing opportunity to offer better design and technology products with a higher kitvalue in that segment.

During the quarter, we have also received an order for pneumatic and mechanical suspended seats. In the last earnings call, we had informed about order wins from new customers, which is an established OEM. We have started supplies to them in Q2 FY '24 recently. Seating business is poised for healthy growth going forward with SOP of at least 3 new 2-wheeler EV OEMs in next 6 months. These are in line with our customer diversification strategy and advice at the time of setting business acquisition.

Moving to the other product businesses, we have -- which have achieved revenues of INR440-odd crores for Q1, contributing 14% of the overall top-line. The growth in other product business is mainly on account of EV products, controllers and sensors. Uno Minda was the first company in the country to have localized wireless chargers. And today, you will find the same in models of leading OEMs. During the quarter, we have received incremental large order for our wireless chargers for our BEV and ICE program of an Indian OEM.

Moving to the electric vehicles, as you will see, revenues from EV 2-wheeler OEMs have increased to INR148 crores in Q1 as against INR78 last quarter. EV 2-wheeler OEM revenues as a percentage of our 2-wheeler domestic revenue stands around 12% for Q1 as against EV penetration for 2-wheelers at around 4.5%. The revenues from EV 2-wheeler OEM has been steadily increasing with SOP of previous new businesses. Our new EV systems plant at Farukhnagar for joint venture with FRIWO had started with few assembly lines. It will gradually increase the number of clients with SOP of more orders in second half of FY '24.

New orders from EV OEMs continue to swell with order wins for EV specific components as well as existing products. During the quarter, we have received new orders having annual peak revenue of around INR600 crores. The total annual peak revenues from these orders stands at INR2,500 crores plus. I would like to highlight that we have been communicating only annual peak revenue potential from these orders. The lifetime value of these orders are significantly higher. As you can see on the slide, these orders are from diverse vehicle categories.

Moving to the share of profit loss from JV and associates, which for the current quarter is at INR30 crores as against INR22 crores in Q1FY'23. While all our JV associates contributed positively, major contribution came from Denso, Roki and TG Minda. Denso Ten has received large orders for infotainment from -- for the Japanese OEM during the quarter. Expansion in TG Minda for airbags and TRMN systems like seat belts, etcetera, is on track and is expected to complete by end of FY '25 and H2 of FY '26 respectively.

Moving to the aftermarket and international revenue. In terms of our revenue pie for the quarter ended June 30, OEM business accounted for 92% and aftermarket at around 8%. Our aftermarket division revenues were up at INR249 crores as against INR223 crores in the corresponding quarter last year. While aftermarket business has been growing in absolute terms, OEM business has been growing at a faster pace and the effective share in the revenue pie of aftermarket is low in the current quarter. Our debt levels as of June 30 were at INR1,090 crores of net debt compared to INR1,078 crores, almost flat versus March 31.

Moving to the strategic business update, the first being completion of mergers of Harita Fehrer and demerger of the battery business from MSBPL with Uno Minda. As informed a while back, we are pleased to inform you that the scheme of arrangement has been approved by NCLT.

Moving to the Kosei entities acquisition. Last quarter, as you know, the Board of the company had approved acquisition of 81.69% stake in Kosei Minda Aluminum and 49.9% in Kosei Minda Mould from JV partner Kosei Japan. The acquisition is planned through a composite scheme of merger with Uno Minda through swap of shares. The scheme was filed in stock exchanges for seeking NOC. While the merger will be subject to various authorities, Uno Minda has started managing the business and operation of these two entities with effect from first of April. Consequently, the financials of these two entities are getting consolidated. We would like to inform you that the order for merger of Minda IConnect merger with Uno Minda is reserved by NCLT for pronouncement.

Moving to ESG, incorporating social and environmental accountability into everything we undertake is a fundamental aspect of our corporate identity. We firmly believe that the long-term economic prosperity of any business in today's world depends on responsible actions and securing social approval. We are actively taking conscientious measures to reduce carbon emissions in our operations and transition towards renewable energy sources.

In the last 2 years, we have installed rooftop solar panels at 25 plants along with solar open access projects at 6 locations, increasing our renewable energy share at 18%. We have also set ourselves an ambitious target of meeting 40% of our energy needs from renewable energy by '25. We are pleased to inform you that our ESG rating by Sustainalytics has improved from medium to low risk. This is our first formal integrated reporting in FY '22.

Moving forward, moving to the rest of next year, the outlook remains very promising with supporting industry volume guidance, commissioning a ramp up of multiple expansions, mainly EV plants, 2-wheeler alloy wheel expansion, 4-wheeler switch plant at Farukhnagar and Chennai, etcetera, with our existing and diversified portfolio and new product technologies, we are confident of sustained outperformance.

With this, I would like to now open up the floor for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Jhawar from Investec.

Aditya Jhawar:

Congrats on good set of numbers and good order wins. My first question is that if you look at our presentation, there has been an increase in kit value for 4-wheelers, electric vehicles,

specifically by 50,000 in 2023. So if you can highlight or remind us that what are the product addition in EV which resulted into this increase by almost 50k this year?

Sunil Bohra: Your question is kit value in the last presentation?

Aditya Jhawar: Yes, yes. So kit value increased for EV 4-wheelers by 50k this year versus last year. So what are the incremental products for 4-wheeler EV we have added this year?

Sunil Bohra: Where are you referring to, Aditya? I may be missing something.

Aditya Jhawar: No problem, I'll take it offline. My second question is on the 2-wheeler alloy wheel side. What is our current market share? And with the capacity addition, what is the aspiration of market share by end of the year?

Sunil Bohra: So in terms of market share, Aditya, while it is a little, I would say, premature, but I can tell you our current market share based on the capacity. So our capacity is roughly 3.5 million wheels, which is as of now in this quarter is fully operational. And with the total industry demand of roughly around 35 million, 36 million wheels so far, we are roughly at around 10%. And with the additional capacity we should be around 16% of the total domestic demand.

Aditya Jhawar: Yes. Okay. That's very helpful. Next question is that if you look at opex and employee expenses, there has been an uptake on a Y-o-Y and Q-on-Q basis. So we did not see any benefit of operating leverage. So was there any one-off in these 2 heads or is this a recurring rate we should expect going ahead?

Sunil Bohra: Yes. So fair point, Aditya. So in terms of manpower costs or employee costs, if you would have seen versus last quarter, there is a general increase of roughly around 10% or so. There also -- there are 2 factors. One, definitely is your annual increments which gets I'm sure everywhere rolled out from 1st of April. And also, there is increase in a little bit of variable employee costs because of increase in volumes.

As you would have seen, even quarter-on-quarter basis, there is a 7% increase in volumes. So there, obviously, our manpower cost, which is directly related to operations, also has an impact. So to answer to your point, I would say, this is more sustainable and there is no one-time impact in this cost.

Aditya Jhawar: Okay. That's helpful. The final question is that if you can guide us for capex and the investment in subsidiaries we expect in FY '24?

Sunil Bohra: Okay. So capex is the same I'd say what we spoke last time, which was roughly around INR600 crores to INR700 crores for the current year. And investment in subsidiaries, as of now, there is nothing which is planned or in pipeline.

Moderator: The next question is from the line of Ashutosh Tiwari from Equirus Securities.

Ashutosh Tiwari: So firstly on this EV specific component orders, we had order book of around INR1,350 crores, which is INR400 crores increase versus the March quarter. So in this order book, what would be largest product for us? I believe it's chargers only, but how much would be that?

Sunil Bohra: It's a mix of product clusters. There are chargers, there are BMS, controllers, like it's all products, including the EV motors.

Ashutosh Tiwari: Okay. But largest would be chargers only, right?

Sunil Bohra: I'm not saying specifically from that, but I would tend to agree so because there is a large -- with charger upward -- charger business also from the LCV segment as well.

Ashutosh Tiwari: Okay. So both 2-wheelers. And so this INR1,350 crores kind of orders that we had a peak revenue potential, this will be achieved likely in which year?

Sunil Bohra: No, no, this will be based on the customer indication. As of now, it is for '25-'26.

Ashutosh Tiwari: '26 typically. Okay. And so we have been mentioning about this Korean OEM order wins in the switch segment for last few quarters. What would be, like say -- I mean, based on this order, what would be our share maybe 1 or 2 year down the line in the Korean OEMs?

Sunil Bohra: Look, obviously, we are expecting and so as you'll appreciate a very aggressive way to win consistent new business. So when we started, we started with 1 switch. And now as we speak, we have already got 6 to 7 switches. And in the vehicle, we would have like 19 to 21 switches based on the model-to-model. So we are still working on. There is a huge scope for growth. And some of the repeat orders we have got, they are what we call in the business which we have already sort of supplying, but it's a new model.

Ashutosh Tiwari: Okay. So these are multiple orders -- multiple models for which we'll -- we've got orders now?

Sunil Bohra: Yes.

Ashutosh Tiwari: And last on this alloy wheel side, KMA would have contributed how much to revenue this quarter?

Sunil Bohra: Sorry, come again.

Ashutosh Tiwari: This Kosei Minda alloy wheels, it would have contributed how much to alloy wheel sales in this quarter?

Sunil Bohra: Kosei Minda during this quarter?

Ashutosh Tiwari: Yes.

Sunil Bohra: Okay. So that is roughly around INR50 crores.

Ashutosh Tiwari: Sorry?

Sunil Bohra: Around INR50 crores.

Ashutosh Tiwari: INR50 crores. And then 2-wheeler would have contributed how much? 2-wheeler, 4-wheeler separately?

Sunil Bohra: 2-wheeler and 4-wheeler revenue?

Ashutosh Tiwari: Yes, separately.

Sunil Bohra: So 2-wheeler is I think something around INR140 crores. Ankur, do you have 4-wheeler number?

Ankur Modi: Yes. 4-wheeler is somewhere around INR300-odd crores.

Ashutosh Tiwari: INR300 crores. Okay. So INR350 all put together -- both put together?

Ankur Modi: Correct.

Moderator: The next question is from the line of Siddhartha Bera from Nomura.

Siddhartha Bera: Congrats on a good set of numbers. Sir, first question is again on this EV side. So like you have said by FY '26 we should largely be close to these numbers. How to think about the ramp up current year and next year? And entirely, everything will come in FRIWO or there will be some part which will come in the existing company also?

Sunil Bohra: No. So the way this is, Siddhartha, the JV with FRIWO has only 2-wheeler EV components and that to the products which the JV specifies. Like, for example, even for 2-wheeler, there is this sound box or what you call artificial awaaz, what we call. That is not part of the JV, that is part of our controller business. So a lot of the EV business which is outside of 2-wheeler, like if I talk of the LCV or 3-wheeler and all, they're all part of controller business, they're not part of the JV. So they will come in the parent, Uno Minda division.

Siddhartha Bera: Okay. And would it be possible to talk about the customer mix here? Because after some of the subsidies, there's a lot of polarization in the demand. So how will be your customer mix for these orders and the risk to the ramp up in case the volumes are lower?

Sunil Bohra: So we have across the Board customers, Siddhartha, and we will expect that even the -- some of the customers who are taking that headwind in the subsidy matter, they are also our customers and also the -- some of the newer OEMs and also the old established players who are also in the IT. So we have been working across. So if you ask me who is -- how much, it will be difficult to answer. But yes, it is spread across many customers. It is not -- there is no concentration of a customer with a major business.

Siddhartha Bera: Okay. And sir, lastly, I mean, if we see the interest costs, they have gone up also quarter-on-quarter, while you had said the debt levels are largely similar. So why is that? And second is the profit in associates also is much higher, so if you can just picture the key entities where the profits have gone up?

Sunil Bohra: Yes. So finance cost is higher, Siddhartha, by roughly INR4 crores during the quarter versus earlier quarters. So as you know that there are 2, 3 things. One is that the INR80 crores of additional borrowing which we have done for this land at Pune, part is yet to be paid. Plus there has been capitalization of a couple of projects, which obviously earlier interest cost was

capitalized. These are small things, but definitely adds up. So that is the growth. So it's not very good. But yes, on a quarter-to-quarter basis, there's a INR4 crores increase.

And your second question was on the JV. So as I said, the couple of JVs, which is the TG and Denso, they have done pretty well in the quarter and that's why you're seeing a little bit better profit. But this is -- there is no one-time profit in this and we do expect this profitability to sustain.

Siddhartha Bera: Okay. So possible to share the number of TG or TR Minda for the quarter?

Sunil Bohra: Sorry, come again.

Siddhartha Bera: What will be the profit for TG or TR Minda coming from the current quarter?

Sunil Bohra: Can I take it offline, if you don't mind, Siddhartha?

Siddhartha Bera: Okay. Sure, sir.

Moderator: The next question is from the line of Ashish Jain from Macquarie. As there's no response from the current participant, we'll proceed with the next question from the line of Raghunandhan N.L. from Nuvama Institutional Equities.

Raghunandhan N. L.: Congratulations on good numbers. Sir, among the EV products, where do you see the potential of achieving market leadership or be among the top 3 players?

Sunil Bohra: When you say where do you see potential, you are talking about specific component, is it?

Raghunandhan N. L.: Yes, sir.

Sunil Bohra: So we definitely have what you call a sizable business in off-board, on-board charger. I'm talking because they are high-value products also. Off-board, on-board charges, we have a very significant business, then we have got a sizable business visibility in BMS and also the motors. They are all, what you call, high value, followed by motor controllers and some of the other components.

Raghunandhan N. L.: Got it, sir. And...

Sunil Bohra: Sorry, I'm adding, Raghu. As of now, it will be difficult to say that there is one major or other because, as you know, that market is still evolving. And we also have the customer spread across various businesses. So I think if you ask me what is my strength, strength will be all. But in terms of business, I think it's still sort of continuous and we do expect significant business addition also in the coming quarters. So maybe we'll be in a better position to answer that after a year when we have even better order book.

Raghunandhan N. L.: Got it, sir. But generally, you would have a benchmark, right? Like when you get into a category or a segment, you would want to have a minimum amount of market share over the medium to long-term?

Sunil Bohra: So that's what I said, Raghu, that yes, our aspiration has always been to that 25%, 30% kind of market share. But the products which currently we are, even the OEMs are in the stage of evolving, right? Some of the OEMs are doing in-house, some of the OEMs are outsourcing to people like us. So market also is not like in a stage where you would expect to be, right? And I think we spoke to this in the past also on other call that the ICE market is more than a century market -- century-old market where this market is still evolving.

So maybe we need to maybe give some time to this industry to sort of stable and sort of decide what role it adopts going forward. So with that caveat, I would say that there are a lot of customers who are still working to see that things get outsourced to players like us because we bring lot of know-how, lot of skill set when you talk of specific components because we will have visibility across the board, we will invest in R&D for every product, whereas there will be limitation in terms of customer investing in that.

And number 2 -- and you will appreciate that after our launch in -- of this 2-wheeler in the Auto Expo, which we have fully developed up in-house, we are actually working with a couple of OEMs in order -- in terms of designing a full 2-wheeler EV vehicle for them. So we do expect a significant business opportunities going forward considering the penetration and the depth of relationship we have with these customers.

Raghunandhan N. L.: Very helpful, sir. And as the ramp up happens on the EV revenues and having 12% exposure to -- of domestic 2-wheeler from EV is a very good achievement compared to industry penetration. So as this ramp up happens, would you expect PLI scheme incentive boost to come through this year? How is any progress in that regard?

Sunil Bohra: So you know, Raghu, that government has still been giving those requirements, they have issued the formats only in this quarter. And accordingly then you have to get the certification from ICAT or ARAI, whatever. So there is a significant delay from that perspective. But once it's sort of settled down, we definitely do expect getting into those benefits. But as of now, we have not accounted for any such potential benefit into our financials. Whenever it comes, obviously, it will be an additional advantage.

Raghunandhan N. L.: Got it, sir. And on the margin side, ramp-up of new facilities would have some fixed cost impact in near-term. But how do you see the catalyst in coming quarters to take the margins to 12%?

Sunil Bohra: I wish, Raghu, 12% margin, definitely, that will be a wish in the medium-term. But I want to stay my -- keep my foot on the ground because we know the market is very, very competitive. We also appreciate that our margins have been in the top quartile, if not top docile in the industry. And the kind of investments we have been doing in R&D, I really can't comment about others, but we have been making significant investments in R&D. And all those costs are fully sort of charged up to revenue. We are not capitalizing and then amortizing or all that. So that costs are also baked into this current margins.

So having said that, we do -- I think, as we spoke in the last quarter also, we do expect to sort of in the short-term maintain our margin profile on an annual basis what we delivered last year. Quarter-to-quarter, you know that there can be some ups and downs. But on an annual basis, we

do expect on to hold on. And gradually, as we move to future and as you rightly mentioned, when the new facilities stabilize, that benefit definitely will accrue to the margins. But how much, difficult to comment at this point in time.

Raghunandhan N. L.: That's very helpful. Just last question. Any update on the airbag business? Expectation on implementation date? Any improvement in order traction?

Sunil Bohra: No. So as we spoke before, the last call also, there has been a lot of traction with the customers. We have been securing lot of new businesses. And I think we also shared last call that about our personal view, it may not be a vetted view that 1st October deadline what we have, definitely that might need to be sort of shifted and there might be some sort of midway being recommended. But what that will be, difficult to comment. But if you ask me whether 6 airbags will effectively be implemented from 1st of October, might not.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi.

Mumuksh Mandlesha: Congratulation on good numbers and increase in EV orders. Sir, on the EV specific component order book now has increased to 13.5billion. So we have earlier target of 15 billion to 20 billion revenue target in next 5 to 6 years. So how -- the way it is ramping up, should the upper band of the range be achievable?

Sunil Bohra: That's what we are working for, Mumuksh. We have not given 2,000, but I remember we have said INR1,500 crores of revenue by FY '26 when we did the JV with FRIWO. But yes, you are right, the way where we are today, we definitely do expect to sort of do much better than that.

Mumuksh Mandlesha: Right, sir. Sir, can you talk about the charger revenues currently? And what would be over the next few years?

Sunil Bohra: We don't normally give product-wise revenue, Mumuksh. But I think, normally, you guys do ask what is our sensor and controller overall revenue. So the last quarter, if it helps, it is roughly around INR200 crores.

Mumuksh Mandlesha: And for full year, what would be the guidance, sir, for sensor controller?

Sunil Bohra: So with this pace, if you regularize, you will see INR800 crores, but I think it should be much more than that.

Mumuksh Mandlesha: Right. And sir, on the casting alloy wheel segment, what could be the revenue expected for the full year, sir, both 2-wheeler and PV?

Sunil Bohra: So again, difficult to give a revenue number, Mumuksh, because our product commodity is fully passed through to our customers on a monthly basis. But if you ask me on a volume basis, our capacities are fully booked and we do expect the plant to sort of operate at 100% of the capacity for the full year.

Moderator: The next question is from the line of Rishi Vora from Kotak Securities.

Rishi Vora: First on this quarter performance, sir, in the others segment, we have seen 15% increase in revenues on a sequential basis. So can you give us some color on which segments have done well during the quarter?

Sunil Bohra: So as I said, Rishi, if you would have noticed, controller is one of the segments which is part of others. So definitely that has done pretty well. So that has helped a lot in terms of the outperformance during the quarter.

Rishi Vora: So that's the only one segment?

Sunil Bohra: Yes. That is almost -- quarter-on-quarter almost double the revenue what it was in Q4 and what it is in Q1.

Rishi Vora: And what has driven that new order ramp up?

Sunil Bohra: Sorry.

Rishi Vora: What has driven the doubling of revenues basically?

Sunil Bohra: So it's part -- primarily on the EV components and if you see that slide also is presented, right? So the controller and the EV components put together, the revenue are almost double, which is all part of others. So I don't remember the slide number. Ankur, do you remember the slide number?

Ankur Modi: Yes, I'll take a look.

Sunil Bohra: Yes. If you refer to Slide number 17, you will get an indication because that has grown from INR78 crores to INR136 crores where that is primarily -- large part is in others.

Rishi Vora: Okay. Understood. And on margin side, you are guiding for kind of maintaining the last year margins for full year, right? As of now?

Sunil Bohra: Yes.

Rishi Vora: And for you to, let's say, reach 12% in the medium-term, what will drive those margin expansions? It's just operating -- basically capacity utilization levels improving for us, is it?

Sunil Bohra: No, there are 2, 3 things, as you rightly mentioned, Rishi. While, as I said, 12% is the number, we are also working internally from a management perspective, but not for this year. That's why I'm not committing that number. But in the medium-term, definitely, that is the aspiration. And the lever for that will be a few levers.

A, as of now, we have got multiple projects running so that once they commission in immediate short-term, what happened first year is like a drag. As you spoke well back, we have 9, 10 projects currently ongoing. And when they get into production, you don't get profit in the first year. So there you have all the fixed costs starting from minus 1 actually to build teams even before the plant gets commissioned.

So all those costs generally drags. But once you see them stabilizing, they definitely helps, a. number 2, with the kind of growth, we are able to sort of deliver almost 20% plus kind of a growth. We do expect some bit of operating leverage also to support, as you would have seen in the current quarter also.

And also some of the costs which are in the nature of depreciation and interest costs, we don't expect them to increase in the proportion of revenue, as you rightly mentioned, a little bit better utilization, etcetera. On all these factors, we do expect to help going forward. Yes, some of them are not part of that 12%, like depreciation and all. But yes, they might be coming to the bottom line.

Rishi Vora: And just lastly, on PLI scheme, where are we on that? And when -- do we expect that to come through this year?

Sunil Bohra: Definitely, we do expect that to come through this year, Rishi. So we will be filing our application within this quarter because the forms have only been rolled out by the government in the last quarter. So we are pretty optimistic that, what we call, in this year, government should then fastrack once the application, etcetera, are submitted. So by end of the year, we should have complete clarity on how much will be the additional sort of benefit flowing it through the income statement. And that can also be one of the trigger for that 12% because that is not currently factored in.

Rishi Vora: And just lastly on that. Do you expect to retain the all benefit of PLI or you expect OEMs also to take some part of it?

Sunil Bohra: Let us take something for a time. Obviously, if you ask me, I would like to keep everything. But I think we are in business, so we have to sort of find the win-win.

Moderator: The next question is from the line of Ashish Jain from Macquarie.

Ashish Jain: So my first question is on the switches business. For the last 3, 4 quarters, switches business has been flattish in that INR800 crores to INR850 crores band. So what is the outlook here from a gross point of view?

Sunil Bohra: So Switch business, you know that, first of all, we are one of the largest player in the country. We hold almost like 60% kind of a market share in 2-wheeler and almost 50% kind of a market share in 4-wheeler segment. And that is why -- and also the kit value has increased significantly in the past few years. If you see last 4 quarters, you are right, that the revenue is roughly around INR800 crores to INR850 crores. But what is to be noted is if you see quarter-on-quarter, last Q1 versus this Q1, there is a significant jump of more than 15%. That's number 1.

Number two, this is despite some of the headwinds, our American and the European customers are facing. So that has also been factored in. So once you see some sort of an improvement in those businesses, that also will show some an uptick, plus we are also working on some new customers in terms of exports for 2-wheeler switches. So all in all, we do expect that also to grow in the coming quarters.

- Ashish Jain:** Right. But sir, what would be the growth for the India business within this? Can you share that number?
- Sunil Bohra:** So India business, as I said, Ashish, it is like, obviously, you try working to hold on to the fort. So share of business gains, you will appreciate is not easy once you reach more than 50% kind of market share in the country where there are multiple players. It is not like Uno Minda, you have all the global majors also in the country like then. So everybody, right. So from that perspective, the market share gains why we are still pushing.
- There are packages of opportunities like the foreign customers in 4-wheelers and there is one customer in the domestic market as well, which we are working. So you will see the growth. But because the other businesses are doing pretty well, that is getting little bit shadowed. So it is almost like 27%, 28% of our total revenues. So the base also is very high. But we are pretty optimistic considering the increase in kit value, exports and patches of customers where there is improvement of higher penetration.
- Ashish Jain:** Right. Sir, secondly, just one housekeeping question. You shared this number, the break-up of the castings revenue for this quarter. I think I have got something wrong. Can you just speak that 2-wheeler, 4-wheeler within casting?
- Ankur Modi:** Yes. Ashish, for 2-wheeler alloy it was INR140 crores. For MKA and KMA both included somewhere around INR350 crores.
- Moderator:** The next question is from the line of Karan Gupta from Varanium Capital.
- Karan Gupta:** My first question related to the wallet share of the various products we are catering to various brands. So on the brand-wise, if you are comfortable, so you can share the wallet share of our products.
- Sunil Bohra:** Sorry, come again.
- Karan Gupta:** Wallet share of our products.
- Sunil Bohra:** For?
- Karan Gupta:** For the brands.
- Sunil Bohra:** What do you mean by brands?
- Karan Gupta:** So the companies we are serving. So what is the wallet share of our products in that -- in the company's wallet?
- Sunil Bohra:** Karan, I think we have to take this question offline.
- Karan Gupta:** Okay. So content per vehicle, if you can share?

Sunil Bohra: That is there in our presentation. If you refer to our last presentation, it is there for different categories of vehicles, both for pass car and also for the 2-wheelers. I think it's there in the presentation also, if you refer to Slide number 27.

Karan Gupta: Okay. For the last year?

Sunil Bohra: Yes. We do annually, we don't do quarterly. So up to March '23, it is there on Slide 27.

Karan Gupta: Okay. On the capex side, in the last 5 years, we have done around INR3,000 -- more than INR3,000 crores of capex, if I'm right or wrong, I'm just getting the rough data. So I think more than INR3,000 crores of capex. So this -- and this year also, we are doing INR600 crores to INR700 crores of capex. So basically, you are building up the plant and machineries or what? Because the free cash flow is not there.

I'm not seeing the free cash flow in the last 5, 7 years. So we are -- is that correct, we are not utilizing the assets? What's happening here? Just give more idea. There is a cash tranche in our half financials of FY '21-'22, the issue of cash collection here.

Sunil Bohra: Sure, Karan. So first of all, I don't know about INR3,000 crores, that this number is right or -- number 2, we are in a business for more than 6 decades. And I'm sure that even without growth, there will be some sustaining and replacement effect. It's roughly annually to around INR200 crores to INR250 crores to INR300 crores based on year-to-year.

So if you take 5 years, INR1,000-odd crores will anyway go into replacement capex or the marginal growth what we have in this space? And number 2, 5 years back, our top-line was INR6,000 crores. Today, if you see the run rate of INR3,000 crores, we are already at INR12,000 crores. So 2x of the revenue.

Obviously, I'm sure you appreciate that in the industry where we operate, the asset turn ratio is roughly 2. So if I have gone from INR6,000 crores to INR12,000 crores revenue, it would have need at least INR3,000 crores to INR4,000 crores of capex. You will not be able to increase the size of the balance sheet without investment. So you have increased the size of the business by investing. So -- and we always ask investors as to what do they want? Do they want money as dividends or do they want money to be reinvested where we can get 20% pre-tax proceeds? And always, the answer has been that the second one.

So we have been working on that how to consistently outperform, how to grow the business, how to increase the size of the business so that eventually and end of the day we create value. So it's all difficult versus taking a call on whether you want to preserve cash and dividend it out. So we have got a very strong capital allocation policy. And within that policy, we reinvest money only when there is a detailed project report, which can give the visibility of those kind of returns and that only we invest. So I think that is the broad structure.

So what normally we also do internally, we look at free cash flow before project capex, because project is something which is growing your business and sort of being scale of operations, increasing size of business, creating new verticals, creating new plants, new businesses, etcetera.

So if you see from that perspective, the business has consistently been generating free cash. And that's why if you see the debt levels are the same over the last few years.

Yes, one would say that we have done a QIP, but that was more for equity-to-equity investment which is for acquisition. Otherwise, all the capex has been primarily through internal accruals. So I think that the way you want to see, you want to see is that cash -- free cash flow negative or if you see that free cash flow generated, invested, still business is increasing the size of the business. It's the way we want with glass half empty versus glass half full.

Karan Gupta: Yes. So I just wanted to see the debt level decreasing by -- increasing your free cash flow. So anyway, that's a good thing if you're investing in your asset and also stable at around -- as per my calculation around 3 to 4. The second -- last question is...

Sunil Bohra: Sorry, I didn't get it. You said asset turn is 4?

Karan Gupta: Yes, average.

Sunil Bohra: Which business?

Karan Gupta: Not business-wise, overall.

Sunil Bohra: Our average asset turn is 1.9.

Karan Gupta: Okay. Anyway, my last question is relative to consolidation of our auto ancillary businesses. So in the overall industry, do you see in the auto industry -- in the auto ancillary industry, you are the big player now after Motherson Sumi. So you are seeing some kind of consolidation of the small players who are working in a niche kind of products like alloys wheels, steel wheels, lighting businesses. So you are planning acquisition kind of thing?

Sunil Bohra: Sorry, Karan, for anything inorganic, there are, you will appreciate, various things which the companies work on. And unless anything certifies, we normally don't communicate.

Moderator: The next question is from the line of Rohit Chawla from New Vernon Capital.

Rohit Chawla: Yes. My question is -- our castings revenues have gone up by 15% on Q-o-Q basis, which is our overall revenue of 7% Q-o-Q. So the margins have been slightly on the lower side. So yes, our margin trajectory would remain at similar levels, but typically, our castings and alloy wheels piece is a higher margin piece. So shouldn't we expect an increase in margins from here as well?

Sunil Bohra: So Rohit, you are right that directionally we do expect the casting business to be a better margin business, but first is, you'll appreciate, that for 2-wheeler business, A, it's a low margin business than normal 4-wheeler business. B, it has now recently now getting into stabilization phase. Margins are not in line with the pass-car business.

So there are multiple things due to which -- and also I think we said in the last call also that some of the new business which has been added were at very significantly lower prices. Now -- pressure getting eased because as the capacity of competition everything gets full. Now we are seeing that the new business which is now we are getting at maybe marginally better price.

The impact of that you will see only 2 years down the line. So in short-term, there is some pain in terms of the margins in this segment because of the new business, which was added at a very, very high prices. And this is something which we have already I think guided the markets also, I think we've been saying for the last 3 years.

Rohit Chawla: Okay. Got it. So you mentioned that we are operating at 100% utilization. So we are expecting how much commercialization in this year from the expanded capacities?

Sunil Bohra: So the Supa business, the expansion we are expecting to get completed by end of calendar year. So then gradually if we go into the commissioning phase. So you might not see any significant revenues flowing into this year. Whatever it is, it might be in the Q4. And the alloy wheel business, the expansion at Bawal is yet to start because of the land related challenges. We have not yet have land in our possession.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for their closing comments.

Sunil Bohra: Thank you. I would like to thank everyone for joining the call. I hope we have been able to respond to all your queries adequately. For any further information, we request you to please do get in touch with us. Stay safe, stay healthy, and thank you once again for joining with us.

Moderator: Thank you. On behalf of Uno Minda Limited, we conclude today's conference. Thank you for joining us. You may now disconnect your lines.