



“Uno Minda Limited
Q3 FY '23 Earnings Conference Call”
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**MANAGEMENT: MR. SUNIL BOHRA – GROUP CHIEF FINANCIAL
OFFICER – UNO MINDA LIMITED
MR. ANKUR MODI – HEAD, CORPORATE FINANCE &
COMMUNICATION – UNO MINDA LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Uno Minda Limited Q3 FY '23 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 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 and 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 of Uno Minda Limited. Thank you, and over to you, sir.

Sunil Bohra: Thanks, Mike. Good evening, everyone, and a warm welcome to all the participants. On the Earnings Call today, I'm joined by my colleague Ankur Modi. We have uploaded our financial results and investor presentation for Q3 FY '23 on the stock exchanges and our company's website. We hope everybody had an opportunity to go through the same. I will first start with industry updates and overview, followed by our financial and operational performance for the Q3 and nine months of the current fiscal. Post that, we will open the floor for Q&A.

Starting with industry update. India continues to be one of the world's fastest-growing economies due to estimated high domestic growth supported by export opportunities on the back of India becoming a manufacturing hub and various government initiatives to encourage Make in India. The automobile industry, specifically PV segment, is also on a growth trajectory, supported by robust demand in both urban and rural sector.

Cool off in metal prices and shortages of semiconductor chips subsiding. According to SIAM, for the first time, India has surpassed Japan in auto sales and become the world's third largest auto market, underlining both India's credentials as the fastest-growing economy in general and the potential of the auto sector in particular. Considering the Indian automobile industry contributes 7.1% of India's GDP and 49% of its manufacturing GDP, calibrated steps are taken to maintain the steady industry growth trajectory and realize the industry's true potential.

During the quarter, we saw highest retail sales in October and November in the history of Indian automobile industry. The demand was well supported initially by festival sales followed by a great Indian wedding season. After two months of adrenaline rush, December '22 was relatively lull due to calendar year and with routine price hikes from OEMs.

In terms of production, we witnessed healthy growth in overall industry volumes during the quarter. PV, three-wheeler, and CV grew by 21%, 13% and 12%, respectively, Y-o-Y basis, while two-wheeler recorded a growth of near 1%. Production volumes declined on quarter-on-quarter basis due to early festival. The related growth was captured in Q2 FY '23 itself.

Production volumes were also impacted due to planned annual maintenance shutdowns at most of the major OEMs.

Now talking about the segment-wise performance. The PV segment has continued to show remarkable consistency in growth during the entire year. PV segment continued to break all records by clocking more than 34 lakh retail sales in calendar year '22. PV production volumes are likely to cross pre-pandemic level and record highest ever annual volumes. Better availability of model mixes, new launches and increase in rural demand continues to keep the segment in healthy growth trajectory.

Increase in the standard of living had led to a rise in the need for premiumization. India has seen a robust year-on-year growth in luxury car sales in CY '22, which reflects the growing appetite for luxury cars and goods in a post-pandemic world. Compact SUV and SUV category, coupled with higher variant models continues to rule, while entry level segment is still feeling the pinch. Apart from this, while waiting period for some models have come down, compact SUVs, SUVs and luxury vehicles continue to witness a minimum waiting of two to three months.

The demand for both ICE and EV variants remains strong across segments accompanied by continuous investments in R&D. Our focus on localization remains intact, and we have been able to increase the wallet share among customers across variants.

Speaking of the two-wheeler segment, the two-wheeler industry saw improved sentiments during the festive and wedding season during the quarter under review, but it could not sustain and continues to face headwinds with industry volumes still below the pre-COVID levels. While sentiments are improving at a snail's pace and are better than what it was a year ago, rural market is yet to fully come to the party as the cost of ownership has shot up.

The trend is specifically observed for the entry level, commuter segment, two-wheelers, implying that the purchasing power of the consumers at the bottom end of the pyramid has been impacted. Two-wheeler exports have also remained under pressure. Near-term challenges persist for two-wheeler. However, medium- to long-term outlook remains positive.

The three-wheeler segment continued to the recovery path with robust growth. The three-wheeler segment, which was completely down during COVID has recovered well and has narrowed its gap when compared to CY 2019. Within the segment, it's the electric rickshaw sub-segment which is showing triple-digit growth, thus pushing the EV market share above 50% mark. The CV segment has continued to grow during the entire calendar year '22 and is about to reach the pre-pandemic levels due to rise in e-commerce, agriculture, infrastructure, mining activities, improving sentiments of fleet owners, replacement of fleet and the new model launches.

The government's ongoing push for infrastructure development, coupled with the increase in demand for LCV, HCV, buses, and construction equipment has kept this sector's growth momentum. The Budget '23 had proposed that custom duty exemption is extended for import of capital goods and machinery required to manufacture lithium-ion cells for batteries used in EVs.

This will provide impetus to green mobility and boost local manufacturing. In addition, funds will be allocated from the central government to scrap old vehicles under the vehicle scrapping policy as described earlier. States will also receive assistance in replacing old vehicles and ambulances.

Apart from this, the capital outlay of over INR 10 lakh crores for infrastructure spending will help aid CV sales, which is already witnessing an upswing. The Union Budget '23 also raises the personal income tax rebate limit from INR 5 lakh to INR 7 lakh. This is likely to provide more disposable income. With such initiatives, we are hopeful of a continued surge in demand for auto industry.

Moving to Auto Expo Components 2023, Uno Minda recently participated in Auto Expo, which is Asia's largest automotive show. We were present in the expo showcasing our formidable product portfolio built around mega trends of personalization, autonomous, connected, and electrified. Personalization was showcased as affordable luxury. The key technologies in lighting, seating, acoustics, and smartphone were integrated to showcase what an Indian customer can expect in his or her car. Autonomous was exhibited by considering Indian driving conditions. Hence, it revolved around driver assistance systems and driver behaviour monitoring. Connected as connected platform to collect, control, monitor and monetize vehicles data.

Electrification. Uno Minda has been convincing -- present in the EV technology across segments with charging and powertrain solutions. The above technologies developed by Uno Minda were very well showcased in the three technology demonstrators of two-wheeler, three-wheeler, and four-wheeler, respectively, to give a real-time experience. Besides the product exhibits, Uno Minda also showcased a new technologies we are working on. We saw overwhelming response at our stall with visits from leading OEMs, media, investors, and other stakeholders. We gave an enthralling experience of our futuristic products and technologies, live technology demonstrators to visitors.

Moving to key operational slides. You may refer to Slide number 5. As was approved by the Board, the company executed the joint venture agreement with Buehler Motors and Tachi-S during the quarter. We are happy to inform the company also received confirmed orders from a couple of two-wheeler EV OEMs for motors in the newly formed joint venture with Buehler Motors. The company has also entered into a technical licensing agreement with Asentec Company of Korea, a leading global supplier of automotive sensors and actuators to design, develop, manufacture and market high-tech wheel speed sensors in India.

Uno Minda had set up separate division for automotive sensors a few years back considering the rising demand of the evolving technology in sensor space. Sensor division has come a long way since its inception with manufacturing of engine and exhaust sensors, transmission and suspension sensors, active safety, and comfort sensors, among others. The current partnership with Asentec will further strengthen its advanced sensors product portfolio.

Uno Minda EV also won incremental order with annual peak value of INR 300 crores, comprising of off board charger, motor controller, BMS and DC-DC convertors. The company strengthened the relationship with marque American two-wheeler OEM with incremental orders for switches as well as heated grips.

Turning to our financial and operational performance. You can refer to Slide 7 and Slide 8. At consolidated level, revenue from operation for the quarter increased by 34% year-on-year basis to INR 2,915 crores from INR 2,181 crores in Q3 of FY '22, while revenues grew marginally as well on a quarter-on-quarter basis as the company continues to gain market share and increase its kit value. We have witnessed growth amongst all our products with lighting and EV alloy will registering phenomenal growth.

As guided, we have continued to outperform the industry with our 34% growth against industry volume growth of 5% on a year-on-year basis. Even quarter-on-quarter basis, while industry volumes have declined by 16%, Uno Minda has registered growth despite softening of some commodity prices impacting the revenues negatively.

EBITDA for the quarter was at INR 338 crores, improving by 44% from INR 235 crores year-on-year basis. The EBITDA margins for the current quarter has improved to 11.6% as against 10.8% in corresponding quarter last year. Operating leverage supported by increased volumes has led to margin expansion. However, higher energy costs and inflationary impact on other administrative expenses had constrained further margin expansion.

Finance costs have remained stable at INR 13 crores in comparison to corresponding quarter last year in spite of rising interest rate scenario. Sequential drop in finance cost is mainly on account of hedge accounting on the unhedged portion of the foreign currency loan.

We see increase in tax expenses from INR 42 crores in Q3 FY '22 to INR 62 crores in Q3 FY '23 on account of higher profits. Sequential increase in tax of INR 55 crores to INR 66 crores is mainly on account of reversal of some deferred tax liability in Uno Minda Europe and some timing differences. The profit after tax which is Uno Minda's share for the quarter was at INR 162 crores as against INR 101 crores in Q3 FY '22, registering a growth of 60% on a year-on-year basis.

Coming to the business segment-wise performance, going to product line, starting with Switch Systems. You can refer to Slide number 13. The segment achieved revenues of INR 815 crores for Q3 FY '23, contributing 28% of our consolidated revenues. Premiumization, leading to increased numbers of switches continued to drive the business growth, along with increasing share of business with Indian and Korean customers.

During the quarter, we received incremental orders from a Korean customer, further strengthening the relationship. In two-wheeler switch business as well, we have won incremental export orders for switches and heated grips from the two-wheeler American OEM. We have also commenced construction of our expansion of four wheeler switch plants at Chennai and Farukh Nagar.

Moving to Lighting business. It has achieved revenue of INR 644 crores for Q3, contributing 22% of our consolidated revenues. Lighting business has grown exponentially over last year with multiple large order wins specifically for four-wheeler lighting. Four-wheeler Gujarat plant had commissioned last quarter and is ramping up in subsequent quarters.

Moving to our Casting business. It has achieved revenues of INR 579 crores for Q3, contributing to 20% of our consolidated revenues. The revenues for Casting business has been increasing year-on-year basis with increase in capacity of four-wheeler alloy wheel and commissioning of two-wheeler alloy wheel plant. Last quarter, underlying volumes of both two-wheeler and four-wheeler had declined on quarter-on-quarter basis, along with reduction in commodity price impacting the revenue for the quarter. We continue to be bullish on the Casting business and expect recovery in volumes as well as higher penetrations to lead significant revenue growth in subsequent quarters.

Moving to Acoustics, Slide number 14. Our Acoustics business had achieved revenues of INR 187 crores for Q3, contributing 6% of our consolidated revenues. While India business remains stable, the European subsidiary, Clarton Horn, remains under pressure with unprecedented increase in energy costs and lower industry volumes.

Moving to our Seating business, which achieved revenues of INR 263 crores for Q3, contributing 9% of our consolidated revenues. Revival in CV segment and diversification in customers supported the growth in Seating business. Export of suspended seats were marginally impacted due to ongoing geopolitical issues. Seating business won order from a new two-wheeler EV OEM customer.

Moving to Other Product businesses. We have achieved revenues of INR 427 crores for Q3 FY '23, contributing 12% of overall top line. Other businesses mainly comprise of controller and sensors, ADAS, blow molding business, canister, ICs, battery, and aftermarket. Growth in other revenue can be attributed to blow molding business on commissioning of the Bangalore expansion, our engineering services business in Europe and aftermarket. The share of profit/loss of associated joint ventures for Q3 is at INR 25 crores as against INR 19 crores in Q3 FY '22. While all our JV associates contributed positively, major contribution came from Denso Ten, Roki and TG.

Moving to EV business. During the quarter, we have received incremental orders of off board charger, motor controller, BMS and DC-DC convertor from two-wheeler EV OEMs. As was guided, we have now received orders for motors as well in our new formed JV with Buehler Motors. The annual peak value of these orders is expected to be around INR 300 crores. We would also like to inform you that Uno Minda EV system, our JV with FRIWO, has started supplies of off-board charger for two-wheeler EV OEM at interim location through final assembly and testing, with SOP for three more orders lined up in the next six months.

Moving to aftermarket and exports. You may refer to Slide number 14. In terms of our revenue pie for the quarter ended December 31, OEM business accounted for 89% and aftermarket business at around 11%. Our aftermarket division revenues were at INR 286 crores as against

INR 262 crores in corresponding quarter last year. Aftermarket revenues have grown 9% Y-o-Y basis and 11% sequentially. The aftermarket continues to grow at a healthy run rate with increased focus and marketing effort.

Moving to our cash flow and debt levels. Our net debt as of 31st December was at INR 683 crores compared to INR 570 crores as on March 31, '22. And our net debt-to-equity stands at 0.16. Net debt has increased marginally on account of increased working capital borrowings, consequent increase in revenues as well as due to some incremental borrowings for capital expenditures. We have also been making steady improvement in ROCE. If you see annualized profitability of nine months, our ROCE stood at 20.8%, which is highest in last 3 years.

Moving to dividends. The Board has approved and declared interim dividend of INR 0.5 per share, which is 25% of face value, reflecting commitment from the company to return value to shareholders on a consistent basis. The dividend amount in absolute value will be double the amount paid as interim dividend in FY '21, '22.

Moving to some strategic business updates, starting with Minda Kosei Aluminum. The company continues to identify opportunities for further consolidation and simplifying the group structure, thereby creating enhanced stakeholders -- or shareholder value. In pursuit of the same, the Board of the company has approved acquiring remaining stake in Minda Kosei Aluminum, which is 22.64% currently held by JV partner Kosei to make Minda Kosei Aluminum a wholly owned subsidiary. The purchase consideration for 22.64% stake is agreed at INR 115.5 crores.

Post-acquisition, while JV for MK will be terminated, the company will enter into technical licensing with Kosei to ensure continuity of technology support. The transaction is targeted to be completed on or before 31st of March '23.

The TG Minda business, which is a joint venture between Uno Minda and TG Japan, engaged in business of automotive safety system, fuel cap, weather strip, sealing parts is planning to enhance the production capacity at its main plant, which is in Neemrana, to meet the growing demand for airbags as safety regulations become stricter in India. Driver and passenger side airbags for frontal collisions are increasingly equipped on vehicles in India. The use of side and curtain airbags to protect vehicle occupants inside collisions is also mandatory. In fact, the company has already received large orders for curtain airbags for three-wheelers from one the Japanese OEM.

To meet the accompanying growth in demand, TG Minda India will expand its Neemrana plant and install airbag tools and equipment's. The Board has approved a capital expenditure of INR 175 crores for the said expansion. The commercial production of the expansion is expected to start from December of 2024.

Moving to some recognitions and awards. At Uno Minda, it has been our constant endeavours to incorporate, demonstrate and live up to the highest standards of corporate ethos and governance in all our policies and practices for an all inclusive growth. We are happy and proud to state that Uno Minda has been honoured with the Certificate of Recognition for Excellence in

Corporate Governance in the category of listed medium corporates at the 22nd Annual Institute of Company Secretaries of India National Awards for Excellence in Corporate Governance 2022.

Uno Minda is an employee-centric organization, always puts our people at the heart of whatever we do. At Uno Minda, we believe the success of the organization and its people go hand in hand. Recognizing our people practices, Uno Minda was recognized as a great place to work by GPW Institute India for second consecutive year. We also featured in amongst top 25 best workplaces in manufacturing companies in India for 2023 for inspiring trust among people, instilling pride, creating an environment that promotes camaraderie and delivering a great workplace experience for all our employees.

Beyond business, we are strategically focused on reaching a large number of people in the community and providing more opportunities for holistic development, thus achieving responsible growth by shaping the lives of individuals through new possibilities. There are numerous initiatives which our charitable foundation undertakes to enhance underprivileged people's lives. Recognizing our effort in CSR field, we won prestigious awards such as the Greentech award and the CSR Times Award, which is a gold award in the category of promotion of education at the Ninth Annual Greentech CSR India Awards '22, and for the project Samarth-Jyoti in the category for human empowerment at the Ninth Corporate Social Responsibility Summit, respectively. With this, I would like to now open up the floor for questions.

Moderator:

We have the first question from the line of Siddhartha Bera from Nomura.

Siddhartha Bera:

Congrats on a good set of numbers. So sir, on the switch business, I just wanted to understand that if you look at production that's been highlighted, industry volumes are down on a sequential basis in maybe double digits, and we have managed to grow the business sequentially. So just wanted to understand first, any particular new orders which have started? Or what has led to this performance in this segment?

Sunil Bohra:

Okay. That's one. Any other question, Siddhartha?

Siddhartha Bera:

Yes, I have a couple of them. So, then I'll just go with my questions. So the second question will be, sir, on this EV side, so we have said about 3 billion new orders, but we had earlier also said about, I think, 4.5 billion orders in the initial part of the year. So if you can just help us understand how to look at the revenue ramp up? What is the total order book as of now currently? And how to understand the ramp-up in the next couple of years?

And the third is on the Kosei business. I mean, we saw that it has been acquired at quite an attractive valuation. So just wanted to understand more why Kosei sort of agreed to sort of sell off their stake now and what happens if later -- I mean I understand you have a TLA, but just in case how to understand the business ramp-up scope going ahead for this. These are the initial ones. I have more. I'll come back later from the queue.

Sunil Bohra:

Okay. So switch business, industry volumes are down and how we managed to grow, I think, which has been our sustained endeavour, Siddhartha. If you remember that how we are increasing our kit value with that side stand switch, et cetera, where we have been the leader. So definitely that has added. There has been some addition in the technology and also this export from the American two-wheeler OEMs, increasing our share of business with some of the customers which we have been speaking. I think all of these actions have played their role in terms of achieving the kind of numbers which we have delivered despite the industry degrowth. That's on the switch business.

In terms of EV side, 3 billion new orders and earlier 4.5 billion. How do you look at revenue ramp-up? So this is all incremental orders, and these are all -- what we always say it's annualized peak volumes. And we expect these volumes to be kicking in from FY '25, FY '26 range in terms of the annual numbers.

Then Kosei, why sell off now, attractive valuation and business ramp up is good. So this was a specific request from our JV partner, not that we were not interested. Obviously, we were interested. But they were also maybe having some requirement for funds. So it was a mutual discussion and a mutual negotiation in terms of arriving at this value. Definitely, it's attractive, and I'm sure it's much, much accretive to the shareholders of Uno Minda Limited.

In terms of business ramp-up scope, it goes unhindered because even today, the business was completely run by Uno Minda with sort of a technical support wherever required from Kosei Japan, and that model will continue. So we will enter into a TLA for roughly around 10 years once we terminate this JV. So there will be consistency of the support whatever we have been getting, which will be compensated through the royalty to the Kosei, which will continue as it has been now. So this is the broad structure.

And while Board has given us a timeline of 31st of March 2023 to sort of discuss and agree on the path forward in terms of agreeing on to the technical licensing model and what will be the intricacies of that going forward. So just to make sure that the growth of the business is not compromised. And in fact, we may be put up the business at a faster growth pedestal because now it's fully our baby and we can even go a little more aggressively if need be.

Siddhartha Bera:

So sir, just a clarification on this switch. You said we were sort of ramping up this U.S. two-wheeler switch. So that has come in the current quarter only, Q3 only? Or it is the order which we have got and will come up later?

Sunil Bohra:

No, it has been there for last nine months now, but obviously, the volumes have been improving. So that also helps on a month-to-month basis. And as I said, there have been some incremental orders which we have received that also will kick in the current calendar year.

Siddhartha Bera:

Got it. And what will be the size of these orders, sir, the Korean 4-wheeler switch, and U.S. two-wheeler switch?

- Sunil Bohra:** So Korean four-wheeler switch, while the number may not excite you, it is INR 40 crores annually. But if you see from business perspective and a strategic point, it's sizable. Considering the Minda Rika revenue itself is like INR 900 crores to INR 1,000 crores, it's almost 4%, 5% of the revenue incrementally. And it will help us increase our share of business with the Korean customers, which is what we have been discussing for quite some time now.
- Moderator:** We have the next question from the line of Ashutosh Tiwari from Equirus Securities.
- Ashutosh Tiwari:** Firstly, congrats on good numbers. Just -- on this Kosei, you mentioned that royalty, which is already you're paying, only that will continue after TLA as well. There is no increase in that?
- Sunil Bohra:** No. That's what I said that the current mechanism of compensating for technical support will continue. The only thing is, as of now, it is through a JV. So JV will have to be terminated, and we will need to enter that into a TLA. So our principal agreement has been that the same terms should continue, though we will sit across the table and make sure that the support services, whatever we have been getting on case-to-case basis, that continues and there should be two impacts on that. And in terms of timeline, as I said, we'll target to close in the next 2 months.
- Ashutosh Tiwari:** And you mentioned on this electric two-wheeler orders almost INR 800 crores, INR 900 crores we have won so far that you have declared in Q1 in this quarter, that all will peak out in '25. Is that correct what I heard?
- Sunil Bohra:** Yes, like in '25, '26 the time frame based on the -- and this is based on the...
- Ashutosh Tiwari:** Volumes that you got...
- Sunil Bohra:** By the customers. Now obviously, it can be earlier, it can be later based on the industry adaptation of the EV.
- Ashutosh Tiwari:** And what was the revenue from this two-wheeler or four-wheeler alloy wheels in this quarter?
- Sunil Bohra:** So two-wheeler, four-wheeler alloy will always, definitely is impacted compared to the last quarter. So two-wheeler volume has been mainly lower. So the commodity price itself impacted almost like INR 30 crores of -- INR 35 crores of revenue in this division in the last quarter versus Q2. On top of it, the volume has been lower in primarily the two-wheeler business. So put together if I see two-wheeler a-- and you said four-wheeler alloy wheel, right?
- Ashutosh Tiwari:** Yes, yes, I said that. Yes.
- Sunil Bohra:** Yes. So both put together is roughly around INR 400 crores for the quarter.
- Ashutosh Tiwari:** INR 400 crores and -- sir, can I get individually in two-wheelers and four-wheeler?
- Sunil Bohra:** Can you leave it, if don't mind?
- Ashutosh Tiwari:** Sure. And lastly, two more questions. One is that this TGMINDA capex of INR 175 crores, what kind of sales it can generate for us?

- Sunil Bohra:** So this can generate sales of almost INR 350 crores a year.
- Ashutosh Tiwari:** Towards asset. Then okay. And lastly, on the margin side because we -- like you mentioned that gas prices have remained high, probably you've not got compensation from OEMs. So can we get that directionally from Q4 and all so margins can improve further from here?
- Sunil Bohra:** So we have been -- honestly, two things. We're discussing consistently with our customers for compensating the gas price. Though we have been getting positive ears, but it has to yet get concluded. That's number one. Number two, in terms of margin, I would say, yes, it will definitely have an impact on a quarter-to-quarter basis. We have been guiding for a margin on an annual basis. So we still hold on to that margin range of 11%, 12%. And if you see first nine months, we are within that range only. So even if we get that, hopefully, we will be a little above the average what we have been so far.
- Moderator:** We have the next question from the line of Mukesh Saraf from Avendus Spark.
- Mukesh Saraf:** My first question is on the alloy's wheels business. You've obviously mentioned that the revenues are down also because the pricing has come off as the material cost has come off. Is that under recovery that we have seen? I mean, has the pricing come off only to the extent of how other costs are coming down on the RM side? Or is there an under recovery there, sir?
- Sunil Bohra:** So this is down. Primarily what we are talking, Mukesh, is the aluminium prices only, nothing else.
- Mukesh Saraf:** I'm asking you regarding the aluminium prices. So have our costs also come down to that extent on the same extent as the pricing?
- Sunil Bohra:** Yes, absolutely, Mukesh, so with obviously a little bit of lag. So like some customer it is -- we have got now monthly price adjustments, somewhere it is quarterly. So customer to customer, it does get impacted. So somewhere it would have got in Q3, somewhere it will get in Q4.
- Mukesh Saraf:** So it hasn't been -- I mean, our margins in terms of per ton have been -- are still maintained, is what you're saying?
- Sunil Bohra:** Yes. Actual margins per ton, as I said, has been impacted primarily because of the gas prices. Had that not been there, it would have been much better.
- Mukesh Saraf:** And secondly, on -- in the other segment, you had mentioned that blow molding has been one of the reasons why the growth is quite strong sequentially. So does this mean that the Bangalore facility is already up and running? Is that right?
- Sunil Bohra:** Yes, Bangalore facility is up and running.
- Mukesh Saraf:** The new one, the new one?
- Sunil Bohra:** Yeah.

- Mukesh Saraf:** Because it is expected to start, I think, in the fourth quarter, if I'm not wrong. So but it's already started there?
- Sunil Bohra:** Yes, it has just started and also started supplying, because the key business what we have got was for the new model of one of our Japanese OEM, which has started getting into SOP in December.
- Mukesh Saraf:** And so that's the primary driver of that other segment going up. So the reason I'm asking is...
- Sunil Bohra:** There have been a lot of improvement. I won't say that's the primary driver, honestly, Mukesh, because a lot of other businesses like sensors have done well, controllers have done well. So I think a lot of them are chipping in. And I won't say it's entirely because of alloy wheels.
- Mukesh Saraf:** Sir, it's quite a strong growth there sequentially. So could you just highlight or if you could probably give a sense on what could be -- if at all, the EV revenues that we have so far, I think last time you had mentioned that you will probably give that number later. So is there some colour you can give there?
- Sunil Bohra:** Yes. So that number maybe we'll start reporting from the next fiscal. Let the numbers be a little more meaningful. As of now, it stands at 3%, 4% in terms of the EV number. And our two-wheeler revenue is also less than half. So from that perspective, it won't make a significant impact. So maybe from first quarter onward we will evaluate if we start giving purely EV numbers separately.
- Mukesh Saraf:** And just lastly, any colour on the capex that we plan for the upcoming year, FY '24? And sort of give a breakup of that capex across the years?
- Sunil Bohra:** So that maybe -- as we said, normally, Mukesh, we update in the annual -- along the annual -- we just started our budgeting cycle, and the entire February and March actually goes into our budgeting planning, etcetera, capital allocation and all that. So we will have a better visibility when we speak about the entire annual figures.
- Moderator:** We have the next question from the line of Aditya Jhawar from Investec.
- Aditya Jhawar:** Congrats on a good set of numbers. A few questions. The first question is on airbags. The incremental change that is the mandatory six airbags. So what kind of incremental opportunity are we seeing in this?
- Sunil Bohra:** Yes. So as I said, the incremental opportunity, which is almost -- the confirmed order in hand is more than, say, around INR 350 crores. And that is why we are expanding these facilities. Some of it we can achieve through our existing capacity, but definitely, it will need a lot of investment because the kind of facilities we have for airbags, and you might have seen when we had a visit to our Gujarat plant. It's a very-very hi-tech plant in terms of airbag manufacturing, automated cutting, stitching, etcetera, a lot of things. So there are highly automated machines. And that's why we did these kinds of capex to achieve in that business.

Aditya Jhawar: So this facility would be ready in December '24, but this is becoming mandatory from October '23. And our largest customer has a large portfolio dependent on the entry segment car. So do you foresee that we would be losing market share in the first initial couple of years?

Sunil Bohra: I won't comment on market share, Aditya, as of now, because while we all know the current date is October, I think a lot of water still needs to flow under the bridge. So as of now whatever guidance we have got from customers, we are working based on that. So I'm sure it will not impact our share of business because whatever models they are associated, these are the findings given to us by our customers.

In case customer ask us to prepone, we'll be happy to do that because it's not that we will need two years to set up these equipment and start supply. In case they want six months earlier, we will be able to do that with some sort of a preponement. But as of now, the December '24 timeline is what we have been given by our customers linked to the SOP of their models.

Aditya Jhawar: And on gross margin front, this quarter, we saw a very good expansion. So if you could help us understand that what is the benefit of lower RM price. Was there a lag effect of a price escalation? And what could be the contribution of product mix change? And is there some price escalation pending which can accrue in Q4?

Sunil Bohra: So Aditya, it's a very good point. And in fact, this is what, if you remember, we had been discussing when the commodity prices were going up. So there is always a quarter lag impact. So when prices were going up, we were seeing some sort of a negative impact. So now when prices are going down, obviously, there is some positive factor which is coming in Q3. But it may not be, what you call, forever, because once you go into Q4 and buy spot prices, then you get the Q3 prices. And that is the reason why we talk of the annual margin guidance rather than looking at quarter-to-quarter.

And second, whether it will have any, you said, long-term impact. Answer to that is no, because -- when we say the commodity price indexation is aligned with almost all our customers with 95% of commodities being indexed. So while we might have some quarter-to-quarter movement, but on an annual basis, things get passed through to our customers. So from that perspective, we have tried to insulate the business from the volatilities of the commodity.

Aditya Jhawar: And is that coming from impact of product mix change? So you can quantify?

Sunil Bohra: Product mix change.

Aditya Jhawar: Like change, for example, switches or lighting. Any comment on...

Sunil Bohra: So not a -- if you see the segment volumes, Aditya, I don't see there is any significant structural shift which is happening in our, what you call, volumes.

Aditya Jhawar: Now a couple of just bookkeeping questions. So this EV revenue now will be accounted in two entities, that is Uno Minda EV systems as well as the -- there's a JV we have for traction motor with Buehler, right?

- Sunil Bohra:** In two systems -- EV revenue, yes. So there will be three places, actually. So as of now, you are right that motors for two-wheeler will go into Buehler. EV components which are part of the JV will go there. But there are some products which are not part of JV, like there are some EV components for CVs. There are EV products like telematics, things like that, they are part of the controller division. So you'll have actually the EV revenue coming into -- and this is for only EV specific products I assume you're talking. Otherwise all the other products will get accounted where they are.
- Aditya Jhawar:** Yes, EV specific products only.
- Sunil Bohra:** Yes. So it will be 3 places, not 2.
- Aditya Jhawar:** And just can you please repeat the net debt number?
- Sunil Bohra:** So our net debt number for Q3, right? Or -- so Q3 was INR 683 crores on 31, of December, the net debt.
- Moderator:** We have the next question from the line of M. Mandlesha from Emkay Global.
- M. Mandlesha:** Mumuksh here. Congratulations on a good quarter. Sir, if possible, can you share the others revenue breakup? As it has gone up 20% Q-on-Q, some of the key growth drivers there?
- Sunil Bohra:** So can this be taken offline with Ankur if you don't mind in terms of the data for modelling?
- M. Mandlesha:** Sure, I will take that. Sir, sequentially other expenses has also gone up by 11% versus 1% revenue growth. What led to the increase, sir?
- Sunil Bohra:** Yes. So in others, as I said, there are two, three key factors at play. One is the consumable, which is the gas price. Then other is, in the last quarter, you have this annual maintenance shutdown. So there are some shutdown expenses which come there. Plus with the opening of the economy, the travel has kicked in. So this advantage which was there maybe a year back also. So obviously, some of those -- the costs are, as expected, coming back in the system. So these are the, I think, three or four key reasons why the other expenses are higher.
- M. Mandlesha:** And sir, sequentially, and how we see the gas prices, sir?
- Sunil Bohra:** So gas prices in terms of the major businesses where they are consuming is in the casting and also in Europe. We are not seeing any signs of softening as of now.
- M. Mandlesha:** Sir, at the auto company expo you showcased the camera-based systems and already company has some orders. Can you share some medium-term plans or targets for this camera-based systems, what they need, like autonomous, sir?
- Sunil Bohra:** Yes. So we are working to set up a camera manufacturing line, because we've got already assured business for more than INR 200 crores for camera. So currently we're working on to set up the project for camera manufacturing.

In terms of the autonomous, you see there are a lot of products which we are working in terms of ADAS. So as of now, what we have got -- assured business which we're supplying is primarily towards your sensors, your rear-view cameras, your buzzers, et cetera, the ARPA system, etcetera. This is what currently we are doing, but there are a lot of new approaches we are working. As you said, you have rightly mentioned that we have showcased in our expo. So obviously, these things take time to get traction. Good thing is that we have got a very good feedback from our customers and the engagement has started. But as you know that the engagement to getting business also is a couple of years' journeys, which we have to do with you.

Moderator: We have the next question from the line of Nishit Jalan from Axis Capital.

Nishit Jalan: Many congratulations on a good set of numbers. I have three questions. Firstly, in the LMT segment, I think you mentioned INR 400 crores of revenues from alloy wheels. So seems like our casting business has scaled up very significantly, right? I assume the number was closer to INR 100 crores from a quarter earlier. So some colour on that.

Secondly, on the TGMINDA capex expansion and the capex of INR 175 crores, what kind of top line can we get from that capacity utilization in that plant? I just wanted to understand the kind of ramp-up we can see.

And thirdly, if you can just guide us for the overall capex and investments that we are planning to do in FY '23 and FY '24 because obviously you're seeing a lot of growth and a lot of new clients are coming up as we are buying stake in a couple of the subsidiaries also. So just wanted an update on that.

Sunil Bohra: So in terms of LMT segment, you asked that we have done very good revenue in casting segment. Can you just be a little elaborative on that? What do you mean by that?

Nishit Jalan: So in LMT, your total revenue was INR 530 crores, right? And your alloy wheel revenues you mentioned was about INR 400-odd crores. So I assume the remaining is the aluminum die casting revenues? So I just wanted to understand, it seems like the aluminum die casting revenues was around INR 180 in this quarter. And what I understand was the run rate at the previous quarter was limited to INR 100-odd crores. So just wanted to understand if that's correct, and what has led to such kind of a strong ramp up? And if you can share alloy wheel numbers for the nine months also that will be helpful?

Sunil Bohra: So I don't have that number, Ankur. Can you help him?

Ankur Modi: Sure. Nishit, on casting, I'll come back to you.

Nishit Jalan: Sure. No worries.

Sunil Bohra: Then TGMINDA, INR 175 crores of capex. How much of top line can we do? I think I answered to somebody else's similar question. You can get -- expecting to add at least INR 350 crores of additional revenue from this capex. And overall capex and investment for FY '24 also I think we

spoke a little way back, that maybe we can give you a better number, visibility when we speak about our annual results, because we just started our budgeting exercise, and this should be over by end of March. It's a long process for us. With multiple businesses, it takes almost like roughly six weeks from start to end. We just started that process. So hopefully, when we interact next time, we should have a better visibility in terms of what is the capex going to be for FY '24.

Moderator:

We have the next from the line of Rishi Vora from Kotak Securities.

Rishi Vora:

Congratulations on a good set of numbers. First is, sir, alloy wheel. So how should we think about Kosei Minda JV? So will it continue? Or over the next few quarters, we should also look at some consolidation happening in that JV?

Secondly, in this quarter, we have set up two fully owned subsidiaries on the auto component side. Can you give us some colour on what it is pertaining to?

And thirdly, on TGMINDA. You announced a capex of INR 175 crores. So it's completely borne by the company? Or it would be split between Toyoda Gosei and Uno Minda? And lastly, sir, just capex and investment numbers for FY '23? If you could guide us that would be helpful.

Sunil Bohra:

Yes. So in terms of, Rishi, starting serialized. So alloy wheel. As you said, Kosei Minda JV, obviously, will get terminated and we'll get into a technical licensing agreement. Even today, we are sort of having the services only on a lead-based requirement, whatever -- for any support we need. So that will continue. And the same kind of setup what we have in form of JV will get passed -- set in into our TLA. Only thing is they will not have equity partnership. Otherwise, whatever technical support we are getting, that will continue.

And whether this JV will consolidate or no, I can't comment today, but we will note your suggestion in terms of further simplifying the structure. Because once it becomes 100% subsidiary -- I think that's a good suggestion that we look at the appropriate time in the future.

The two wholly owned subsidiaries, they are more of enabling things. As you remember, even last time when we have opened two subsidiaries, which we have got registered into our PLI scheme. So this is more groundwork which we do. We have a couple of entities ready for any potential such opportunity or a potential JV for which we might need. But as of now, there is not going to be any operations in these two entities.

The TGMINDA capex is going to be fully funded by the company through a mix of debt and equity. There is not going to be any equity infusion either by TG or by Uno Minda.

And last, capex FY '23. I think the numbers which we guided last quarter, that remain of around INR 600-odd crores -- INR 600 crores to INR 700 crores kind of a capex for FY '23. And just to sort of update you, the TGMINDA capex if you'll do, that will not appear into our capex because the capex guidance which we give that is what we see in the consolidated financials, and TG is not consolidated. It is accounted as a JV- associate. So this capex will not figure in our annual capex.

- Moderator:** We have the next question from the line of Karan Kokane from AMBIT Capital.
- Karan Kokane:** Just wanted some clarity on this Buehler Motor's order. So in the presentation you have mentioned that you're doing a capex of INR 110 crores. So what would be the revenue potential? And is this a part of the INR 300 crores? Or this is on top of that?
- Sunil Bohra:** No, the INR 300 crores was the business and then INR 110 crores is capex. So I think, if I'm understanding correctly, they are two different numbers. INR 110 crores of capex is what we have announced, but it can generate potentially capex of INR 400 crores to INR 500 crores over next four to five years. This is what we said last quarter when we have entered into the JV. Yes. So anything else?
- Ankur Modi:** So that is on top of it.
- Sunil Bohra:** That is separate. So that is capex, and this is revenue. So they are two separate things.
- Moderator:** Thank you. Due to time constrain, that was the last question. I would now like to hand the conference over to Mr. Sunil Bohra for closing comments.
- Sunil Bohra:** Sorry. I think maybe we could take one more question. I think we have still two, three minutes.
- Moderator:** Sure, sir. We have the next question from the line of Komal Ladha from YellowJersey.
- Komal Ladha:** Firstly, congratulations for the good set of numbers. I just wanted to ask, like the two-wheelers hasn't growing that much. So what might be the reason? And what can we expect in coming quarters?
- Sunil Bohra:** It's very difficult, Komal. We normally don't comment on what the industry volumes are going to do. I think it's best answered by our customers. So we will not like to comment on behalf of our customers in terms of the industry volumes. I hope you won't mind it. You can take one more. It's okay.
- Moderator:** We have the next question from the line of Shashank Kanodia from ICICI Securities.
- Shashank Kanodia:** Congratulations. Always outrunning your expectations. Sir, I just wanted to check. So is there any element of inventory being stocked up at the customers for any of the products that we manufacture. So going forward, will our growth rate be at par and plus the OEM growth rates? Or there could be a lag effect to that?
- Sunil Bohra:** There is no possibility, Shashank, that our customers will be stocking our product. I don't think our product at our scale customers will build inventory. Our customers they have milk run. Some of them take supplies 2x, 3x a day. So I won't say that our customers will be stocking up inventory for our products at all.
- Shashank Kanodia:** So there could be no lag effect to the OEM growth going forward. So obviously, we do outperform them content-wise, but there should not be any lag effect, right?

Sunil Bohra:

Absolutely. Thank you, everyone. So I would like to thank everyone for joining on 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 us.

Moderator:

Thank you. On behalf of Uno Minda Industries, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.