



“UNO Minda Limited Q2 FY23 Earnings Conference Call”

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Moderator:

Ladies and gentlemen, good day and welcome to UNO Minda Limited Q2 FY23 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 * then 0 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 Faizan. Good everyone and warm welcome to all the participants. On the earnings call today, I am joined by my colleague, Ankur Modi. We have uploaded our financial results and Investor Presentation for Q2 FY23 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 the industry updates and overview followed by our financial and operational performance for Q2 and H1 FY23 and some strategic business updates. Post that, we will open the floor for Q&A.

Starting with industry update, government's focus on boosting public infrastructure through enhanced capital expenditure is expected to augment growth and crowd in private investment through large multiplier effects. The second quarter of FY23 witnessed a turnaround in consumer sentiments with demand growth across vehicle segments on both year-on-year and sequential basis. Robust demand easing supply constraints and easing of informative prices are expected to continue providing reliefs. Further, increased focus of the auto industry on localization and the earlier announcement of the PLI scheme by the government will aid in developing India into an attractive alternate source of manufacturing. With respect to the auto industry, specifically for two-wheeler and PVs, the order book continues to prosper, led by multiple new launches and planned capacity expansions by the OEMs.

Domestic two-wheeler production is picking up pace on the back of good monsoon season and improving consumer sentiments in the rural markets. Festive season kept the spirits high and led to a good momentum in demand for two-wheelers which resulted in highest production in last 6 quarters and sequential growth of 17%. Electrification continued to see pickup in two-wheeler segment and is gaining higher market share on month-on-month basis. The demand momentum for electric two-wheelers and three-wheelers remain strong with high growth in Q2. We expect this to continue going forward. PV sales continued to stay strong led by festive cheer and sustained retail outlook post festive sales. The quarter saw volumes of over a million units which was highest ever in the quarter. The outlook and order book from the OEMs is encouraging on the back of robust demand outlook substantiated via bookings and waiting period across segments.

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With the easing off in the commodity prices and shortages of chips and semiconductors coupled with new launches on both ICE and E-vehicles, we maintained a positive outlook on PV sales for the second half of FY23. On regulatory front, the government has extended the anti-dumping duty on alloy wheel to have level playing field for the alloy wheel manufacturers in India. The move is welcomed and is expected to be a barrier to cheaper imports into the country.

On the EV industry front, we continue to believe that this industry is at the cusp of multifold growth. The government had set a target of installing more than 5000 Kerbside EV chargers in the next 3 years. This infrastructure amplification will act as a catalyst for growing EV demand across segments. We are also seeing strong demand from our traditional ICE segment with an increase in the number of first-time buyers and their preference to internal compression engines over EVs due to the high upfront cost for EVs. We are also witnessing increasing premiumization and demand for more premium products across segments. With this, we are able to increase the effective kit value. We are optimistic about the demand scenario from both domestic and international markets. Supported with the diversified product portfolio, increased content for vehicle and cross selling of products to our existing customers, we maintain a positive outlook on revenue growth in the medium to long term. We also continue to deepen our R&D efforts enabling us to seize the opportunity in the automotive segment, especially from the EV space which points to a solid future.

Moving to key operational highlights, we will refer to slide number 5. The company has been in continuous pursuit for new and advanced technologies. While the Company's R&D team has developed several innovative products and solutions in-house in last few years, we have also formed joint ventures to gain access to new technologies to accelerate localization and time to hit the market. As you know, the board has recently approved two sets of joint venture, first with Tachi-S Japan for PV seat recliner mechanisms and second with Buehler Motors for Traction Motors to cater to electric two-wheelers and three-wheelers. We will share more details on these joint ventures in subsequent slides. During the quarter, the company has also announced significant expansion in the four-wheeler alloy wheel, four-wheeler switches and now setting up of a greenfield four-wheel lighting plant to meet the growing demand for these products.

Coming to the financial and operational performance, you may refer to slide number 7 and 8. At the consolidated level, revenue from operations for the quarter increased by 36% year-on-year basis to Rs. 2,877 crores from Rs. 2,114 crores in Q2 of FY22. While revenues increased by a healthy 13% on quarter-on-quarter basis, as the company continues to gain market share and increased its kit value supported by gradual recovery of industry volumes. We have witnessed growth among all our products with the alloy wheel registering phenomenal growth. Recently commissioned additional 60,000-wheel line for PV alloy wheel plant at Bawal is ramping up well, while for two-wheeler alloy wheel plant, all four lines had achieved the rated capacity utilization. We have been surpassing the previous highest quarterly sales for last couple of quarters. We are pleased to inform you that we have surpassed our highest ever quarterly sales

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in Q2 FY23 as well. As guided, we have continued to outperform the industry with our 36% growth against industry volume growth of 12% year-on-year basis. Even after factoring the price increases due to commodity prices, there is a significant delta with respect to the industry volumes.

EBITDA for the quarter was at Rs. 318 crores, improving by 40% from Rs. 228 crores on year-on-year basis. The EBITDA margin for the current quarter had improved to 11.1% as against 10.4% in the sequential last quarter and 10.8% in the corresponding quarter last year. Operating leverage supported by increased volume has led to margin expansion, however, higher energy costs and inflationary impact on other administrative expenses had constrained further margin expansion. Finance cost has increased sequentially from Rs. 17 crores to Rs. 19 crores as well on Y-o-Y basis. The increase is on account of increase in debt as well as increase in borrowing cost pursuant to multiple interest rate hikes by the RBI. We see a sequential increase in tax expenses from Rs. 31 crores to Rs. 55 crores as previous quarter had reversal of deferred tax liability on movement from old tax regime to new tax regime for the company with a lower tax rate. The profit after tax which is Uno Minda share for the quarter was at Rs. 170 crores as against Rs. 95 crores in Q2 FY22 and Rs. 139 crores in the previous quarter.

Coming to the business segment wise performance, starting with Switching Systems, you may refer to slide number 13. The segment achieved revenues of Rs. 800 crores for Q2 FY23 contributing 28% of our consolidated revenues. We continue to receive incremental orders from OEMs as the number of switches increased in EV year-on-year basis with increase in features. Consequently, during the quarter, we had also announced setting up of a new four-wheeler switch manufacturing plant in Farukhnagar at Gurugram, Haryana with investment up to Rs. 110 crores in Phase 1. Besides switches, we have recently also received order for heated grips from an American two-wheeler OEM. Domestic customers have also started showing keen interest in developing similar switch for them albeit at much lower cost.

Moving to Lighting business, it has achieved revenues of over Rs. 659 crores for Q2 FY23 contributing to 23% of our consolidated revenues. The lighting business has also been growing steadily quarter-on-quarter basis supported by access to advanced lighting technology from erstwhile Delvis. Building on our patented switch exports, we have now also one order for fog lamps from American two-wheeler OEM. During the quarter, we have also received order for complete lighting solution from a two-wheeler EV OEM.

Moving to our Casting business, it has achieved revenue of Rs. 614 crores for Q2 contributing to 21% of our consolidated revenues. The casting business continues to grow with expanding capacities with increased demand and penetration of alloy wheels. As you can see the percentage of casting business revenue has increased from 15% in corresponding quarter last year to 21% in the current quarter. During the quarter, we had announced another capacity expansion by 60K wheel per month at Bawal with Capex of Rs. 190 crores which is expected to be commissioned

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in Q2 FY25. Total four-wheel alloy wheel capacity now stands at 295K per month (with LPDC capacity of 25K) and another 90K is under construction. For the two-wheeler alloy wheel, all four lines have been fully ramped up as we almost achieved rated capacity production of 9 lakh wheels in Q2 FY23. Starting with our anchor customers, we now supply to three major two-wheeler OEMs and we will supply to two more OEMs in subsequent quarters. Our die-casting business has now also started serving PV OEMs besides two-wheeler OEMs.

Moving to Acoustics, slide number 14, our Acoustic business has achieved revenue of Rs. 181 crores for Q2 contributing 6% of our consolidated revenues. While India business remained stable, our European subsidiary, Clarton remained under pressure with unprecedented increase in energy costs and lower industry volumes.

Moving to our Seating business, which achieved revenue of Rs. 268 crores for Q2 contributed 9% of our consolidated revenues. Revival in CV segment and better volumes from two-wheeler had supported the growth in the seating business. Exports of suspended seats were marginally impacted due to ongoing geopolitical issues.

Moving to other product business which has achieved revenues of Rs. 355 crores for Q2 contributed 12% to our overall topline. Other businesses mainly comprise of Controllers and Sensors, ADAS, Blow Moulding business, Battery, Aftermarket, etc., all of them have reported growth Q-o-Q basis. Sensors and Controllers, we have achieved revenues of around Rs. 120 crores for the quarter. We are ahead of track for our guidance of Rs. 400 to Rs. 500 crores of revenues by FY25. During the quarter, we received export orders for side-stand sensor from Italian two-wheeler OEM as well as export order for wireless chargers. The share of profit/ loss of associate/ joint ventures for Q2 is at Rs. 28 crores against Rs. 21 crores in Q2 FY22. While all our JV associates contributed positively, major contribution came from Denso Ten, Roki, and TG.

Moving to slide number 14 on Aftermarket and Exports. In terms of our revenue pipeline for the quarter ended September 30th, our OEM business accounted for 91% and aftermarket business at around 9% for Q2. Our aftermarket division revenues were at Rs. 252 crores as against Rs. 225 crores in corresponding quarter last year. Aftermarket revenues have grown 12% Y-o-Y basis and 13% sequentially. Aftermarket continues to grow at a healthy run rate with increased focus and marketing efforts.

Moving to our cash flows and debt levels, our net debt as of September 30th was Rs. 706 crores compared to Rs. 570 crores as on March 31, 2022, and our net debt to equity stands at 0.17. Net cash flow from operating activity for the first half ended September 22 was at Rs. 280 crores even after considering increased working capital requirement on account of increase in revenues. We also incurred capital expenditure of around Rs. 218 crores during the period for various

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expansion projects already announced. During the period, the Company also paid final dividend for FY23.

As we will see the investments and operational fund requirement including dividend had been fully funded through internal cash generation, overall, while the net debt has increased by Rs. 136 crores during the first half which is primarily on account of the investment of Rs. 125 crores in Friwo AG Germany as part of understanding for the joint venture and an investment of Rs. 25 crores in Tokairika Minda for the expansion in Haryana. We have also been making steady improvement in our ROCE which on an annualized basis stands at 19.5% which is highest in last 3 years.

Moving to the strategic business updates starting with the joint venture with Buehler, the board has approved to enter into a JV agreement with Buehler Motors GmbH, a leading global supplier of customized mechatronic drive solutions to develop, manufacture and market traction motors in India and other SAARC nations. The JV will offer traction motors for the battery driven electrified two-wheelers and three-wheelers. UNO Minda will hold a 50.1% stake in the JV while the remaining stake will be held by Buehler. Buehler Motors is 165-year-old organization currently headquartered in Nuremberg, Germany with manufacturing facilities in Germany, Czech Republic, USA, Mexico and China. Their expertise is much beyond DC and BLDC motors, gear motors and pumps. They supply more than 20 million units annually to its customers. They specialize in automotive industry, aviation and many other industrial applications.

For last few years, UNO Minda had built one of the most formidable EV specific product portfolio in the industry for two-wheeler and three-wheelers. The addition of traction motors will further compliment the company's impressive existing EV specific product portfolio specifically the motor controller. UNO Minda has the advantage of motor controller which will help our customers with complete solution. The potential kit value to the EV two-wheeler and three-wheeler will further increase with the addition of traction motor. The company and Buehler had started design, development and production of engineering in parallel and see significant market potential going forward. So, JV plans to incur capital expenditure of Rs. 110 crores including sustaining capex over a period of next 6 years. The investment will be scheduled to meet the demand. The company will be initially investing Rs. 17 crores as equity share of investment in the JV to part finance the above capital expenditure while remaining is expected to be funded through a mix of debt and internal accruals of the JV entity.

Moving to another joint venture, which is Tachi-S as you know during the quarter board had also approved to enter into JV agreement with Tachi-S Company Limited, a global seat system creator headquartered in Tokyo, Japan for manufacturing and marketing of seat recliner mechanisms for four-wheeler passenger vehicle in India. The JV will offer various products including recliner mechanisms in first phase with the intention of expanding into other seating

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mechanism, seat frames and complete seating assembly. UNO Minda will hold 51% stake in the JVs while the remaining stake will be held by Tachi-S. Established in 1954, Tachi-S is an integrated automobile seat manufacturer from development to production. They have 70 facilities in 13 countries and provide products and services to leading OEMs around the world. Their consolidated revenues for fiscal year 22 were 206 billion Yen. UNO Minda is already a leader player in the automotive seating systems for two-wheeler and commercial vehicle. The JV will help expand UNO Minda, its seating systems product offering in EV passenger and PV vehicle as well. In the first phase, the board had also approved initial equity investment of up to Rs. 10 crores in the JV.

Moving to another strategic initiative which is the setting up of a new four-wheeler lighting plant. As what guided earlier, the company had been winning significant new orders and gaining market share in the lighting business. The company has achieved increased traction with both Japanese and Indian OEMs. In order to meet the increased demand, the company plans to set up new lighting plant with a total capital expenditure of Rs. 400 crores to withstand over a period of next 5 to 6 years in a phase manner. The initial outlay, which is phase 1 for setting up the plant will be Rs. 230 crores to spend over a period of the next 2 years. The remaining will be spent as sustaining capex thereafter based on the envisage the new business. Phase 1 is intended to be commissioned by Q4 of FY24. The company is evaluating various locations to set up the plant and is expected to finalize within a quarter.

Another strategic initiative was the merger of iConnect and Harita Fehrer. We would like to update the progress on a couple of merger schemes which is iConnect and Harita Fehrer and Minda Storage Batteries, demerger of battery business and merger into UNO Minda. The merger of iConnect is expected to be in the last stage of approval with its next hearing scheduled on 17th of November 22. The merger scheme for Harita Fehrer and the battery business of Minda Storage Batteries was also filed with NCLT. NCLT heard the first promotion application and the order is there for pronouncement. It is expected to be completed by March 23.

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

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

Ashutosh Tiwari: Congrats on decent numbers, on this alloy LMT side, we have seen a very solid ramp up in this quarter as well versus first quarter, so can you share the revenues that we had done in the passenger vehicle and two-wheeler alloy wheel? And secondly, because obviously we have announced all these capexes in the switches and lighting as well, how do we see the capex and investment in '23 and '24?

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Sunil Bohra: Thanks, Ashutosh, thanks for the compliment. In terms of alloy wheel two-wheeler that is almost operated at the capacity in Q2. The actual revenues during the quarter were around Rs. 150 crores.

Ashutosh Tiwari: And passenger vehicle?

Sunil Bohra: You are referring to the entire, I would assume the casting?

Ashutosh Tiwari: Yes.

Sunil Bohra: So, Minda Kosei, it is roughly Rs. 325 crores during the quarter.

Ashutosh Tiwari: And current capacity is 295,000 wheels per month, so it was operating around what level during the quarter on an average, like an?

Sunil Bohra: We have commissioned the last expansion of 60K, don't have that number readily available, but I think that can be taken offline if you are okay.

Ashutosh Tiwari: Sure and CAPEX guidance for this year and next?

Sunil Bohra: Ashutosh, I think you know very well, normally we don't give capex guidance, so only we normally give at the Q4 call, so most probably we should be able to give visibility in May, because for us, lot of our expansions, while we are currently in a phase of expansion of our switches, wheels and recently light also, but lot of our capex comes through a brownfield or an incremental capex which gets finalized only when we do our budgeting exercise. That is what we normally, as you know comment on that only in the April, May.

Ashutosh Tiwari: For this year?

Sunil Bohra: So, this year, I think we have been sharing that number, we are sticking to that number and with this increase, which was I think Rs. 600 odd crores plus the 3 projects which we have announced, earlier it was wheel for Rs. 190 crores, 110 was Mindarika and now for Lighting, so all these will have some expenditure this year. From this lighting project perspective, this year we might have primarily amounts going towards land and also may be some advances, not beyond that in the next 4 months.

Ashutosh Tiwari: So, the CAPEX number should be slightly may be ahead of Rs. 700 crores in this year, right?

Sunil Bohra: Maybe around that number.

Ashutosh Tiwari: And you mentioned in the comment about this energy cost and inflation and all this, obviously as of now OEMs have not been passed through, but recently in the March concall we had talked

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about maybe some of these inflation being passed on in Q4 and all, so what kind of margin impact you are seeing from this side especially energy cost, if you have any rough estimate of that?

Sunil Bohra: Your voice was not very clear; I could hear the energy prices you are talking about.

Ashutosh Tiwari: I am just trying to understand what is probably rough estimate of this energy cost inflation in our margin.

Sunil Bohra: It is very difficult to comment Ashutosh, because the biggest impact we have on energy cost is primary in the casting business. I was referring to the energy cost impact more so from the European business, which was Clarton, so there we have got significant impact because of energy costs and inflationary impacts and also the lower volumes. That is what I was referring to that our Clarton which is a Spanish business remains under pressure.

Ashutosh Tiwari: And lastly sir, obviously we have seen very strong ramp up in our profit from associate and you did touch a bit that probably Roki, Denso and TG Minda are doing well, but even last year, Roki obviously was impacted a bit, may be even 1-year last year, but generally they have been doing well, but this year in say, Y-o-Y which company has seen strongest growth in terms of profitability among these three or four?

Sunil Bohra: I think from that perspective, Minda Onkyo which was last quarter in loss is into profit, so if I see last quarter, Minda Onkyo was roughly Re. 1 crore of loss whereas this time Rs. 3 crores of profit, so there is a clear delta of Rs. 4 crores in Minda Onkyo.

Ashutosh Tiwari: And this is because of the volume improvement or this is because of some price passthrough from OEMs?

Sunil Bohra: No, there are two reasons, one is definitely volume, another is if you remember when we had been discussing couple of years back there was a huge pressure and delay in terms of localization of parts, so I think that has all been done now and that is what is clearly showing that impact in terms of the performance.

Moderator: Thank you. The next question is from the line of Aditya Jhavar from Investec. Please go ahead.

Aditya Jhavar: Congrats on new JV and new order wins, my first question is on the lighting business, so Sunil if you can tell us what is the split of two-wheeler and four-wheeler in the lighting business and secondly, the recent order wins in four-wheeler lighting, how different are the margins and ROCE profile as compared to company average?

Sunil Bohra: First, so in terms of Lighting, the two-wheeler lighting business during the quarter did something like Rs 250 odd crores and four-wheeler lighting did somewhere around Rs. 200 odd crores of

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revenue during this quarter. That is the domestic business. Then you asked about the new orders for four-wheeler, how is the margin and ROCE. So, as you know, the board has today only approved this DPR and the ROCE and margin, etc., they are all as per our group norms, so it will be in line with our average or may be marginally better.

Aditya Jhawar: Marginally better than the company average?

Sunil Bohra: Yes, for ROCE perspective, may not be from the margin because of may be little better asset turn.

Aditya Jhawar: And secondly on our joint venture with Tachi, if you can help us understand what is their global market share, what are the key OEM relationship globally which we can benefit from in India?

Sunil Bohra: So, Tachi-S, Aditya as I said is a very large company with almost close to \$2 billion in terms of revenue which is manufacturing in 13 countries. They have a relationship with almost I would say all the OEMs. For more details, we can inform separately, you can also refer to their website, it is a listed company in Japan, so all the information is in public domain. In terms of India business, so what we have done and as I said as of now, we have got a business for a recliner mechanism, it is a very small component, so as I said it is a foot in the door work into PV manufacturing, so this is just initial phase. We are working to develop a DPR for a full seating mechanism, as of now it is only the mechanism for seat, so it will be a gradual and may be a little slow entry, but at least now we are getting into PV seating which I think has been a long expectation from all of you guys as to when are we going to get into the PV seating, so yes, it will be a slow journey, but good thing is yes, we are putting foot in the door.

Aditya Jhawar: And if you can share like last quarter what have been the EV order wins in Q2 and if you can break it up into EV component and non-EV component?

Sunil Bohra: We normally have been giving every 6 months, Aditya because quarter to quarter, we normally don't capture this information. Last we gave and last quarter before that we gave, I think in December, so December and then June, so may be in the next results, we will give you for the half.

Aditya Jhawar: And the final question is on the RM side, is it fair to assume that most of the under recoveries are now behind and we should see a sequential uptake in gross margin from here on?

Sunil Bohra: I wish Aditya, I think our endeavor you know has been very clear and that is what we have been able to achieve also is whatever is the price commodity volatility we should be able to pass on to our customers and we have been saying consistently for last one year that we have been more than satisfied in terms of passing through that quantity wise movement to our customers. So, if the prices go down that also I have to pass on to him, I can't keep it with me, right, so it works both ways. It is not only when prices go up, even when prices go down I have to share, give it

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back to my customers, so from that perspective, while you might not see any benefit, but at least good thing is you will appreciate, it insulates us from any such movement in future because like in short term we are seeing there is a drop, but this can again turn the tide around, so whenever this happens, we will not have any significant impact, yes, timing wise there can be some plus and minuses on quarter to quarter basis, but on a full year basis, we don't expect any gain or loss.

Moderator: Thank you. The next question is from the line of Mumuksh Mandlesha from Emkay Global Financial Services. Please go ahead.

Mumuksh Mandlesha: Congratulation on the good performance and progress on new businesses. Sir, if continue on the margin question, how do we see the two-wheeler alloy plant has been fully ramped up now sir, has it reached the normalized margin or move efficiency you expect in coming quarters? And can you also indicate on the PV alloy wheel has the debt stabilized considering the competition pressure was there in that segment?

Sunil Bohra: Thank you for your compliments. So, in terms of margin, as I said Q2 we have had very stable performance from the alloy wheel business, because of very significantly higher gas prices of both, as I said casting business primary is a gas consumer, because in casting you used mostly for melting gas only, so there had been some impact, but if you see from the margin perspective, definitely it is little below our group average from a two-wheeler perspective, but four-wheeler is still above our group average.

Mumuksh Mandlesh: Sir, can you talk about the regulation changes happening related to airbags, seat belts and acoustic alert systems, any plans or investment to tap this opportunity, sir?

Sunil Bohra: In terms of airbag, we all know that this airbag of 6, the mandatory has been, implementation time has been extended or deferred you can say so, but we are ready, whenever customer demands, I think we should be able to service them. In terms of seat belt, there has been a regulation recently post the unfortunate incident happened I think a month or two back, so there has been a regulation now that all the front facing passengers in a car, irrespective of number of rows, even if you are second row or a third row, passengers who are sitting, facing the front need to have mandatory seat belt warning buzzer. If you are not wearing the seat belt, obviously the buzzer will sound. So, that has become mandatory that is effective sometime next year and from the acoustic vehicle alert system, AVAS, we already have a product for AVAS for EVs and we are already working to service one of our customers, we are working on developing that product. As of now, obviously, volumes are very low, so once that volume increases, we will also see our volumes getting aligned, so yes, I think from a regulatory perspective, all these things are positive for us.

Moderator: Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

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Siddhartha Bera: Sir, just wanted to check first on this JV with Buehler, if you can throw some more light on how is the product portfolio in terms of the voltage which they already have and by when do you expect this JV to start and if you have any anchor customers as of now, so some more color on this progress on this JV?

Sunil Bohra: Siddhartha, while I would give you a brief as you requested, but maybe for more information, you can also refer to their website. It is a very old company, they have roughly EUR 300 million plus kind of revenue, it is a 150-year-old company, family owned company and their 90% business comes from auto and 5% from aviation and 5% from others. So, they do manufacture lot of motors, so jointly with them we are working to develop motors for EV specifically to start with, two-wheeler and three-wheeler EVs. Our intention is to start production in the second half of the next fiscal year and from an anchor customer perspective, we are at the last stages of finalizing two anchor customers, hopefully within this quarter itself. So, we should be able to give that confirmation in our next call, we are at the last phases of maybe just getting the alloy.

Siddhartha Bera: And these motors will be tough 3–4-kilowatt range or?

Sunil Bohra: Yes, it is up to 6-kilowatt range and we will be working to take it up to the 9 in the first stage and then maybe think of taking further.

Siddhartha Bera: And then on the other JV which of the seat JV which you just discussed briefly; would you be able to share the value of the components if you can potentially make over a period when this ramps up in the future?

Sunil Bohra: So, as of now, as I said Siddhartha the components which we are manufacturing is very small, it is the recliner mechanism, it is not even a full recliner and we are currently in discussion with Tachi-S to come up with the full-fledged DPR for complete recliner which we have promised to the board to come back in next 2 quarters, so may be by May, we should be able to give you a better visibility. As of now, it is very small, it is not very big and as I said a while back, it is primarily put in the door, but we are not going to stop here definitely.

Siddhartha Bera: And we also do some EV specific components already, so would you be able to share the revenues which we would have done for some of these components in the quarter?

Sunil Bohra: So, not having handy Siddhartha, sorry for that.

Siddhartha Bera: No issues and sir, lastly on this margin again, if I look at the last like 7-8 quarters at least on the other expenses side, we have not seen much operating leverage coming through despite significant improvement in the revenues, so just how to understand this, should we expect that the percentage of revenue should be similar for other cost or shall we expect some amount of operating leverage also probably to come in at some point?

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- Sunil Bohra:** Definitely Siddhartha, actually we are also expecting a good operating leverage from this, but the entire electricity cost including gas is part of the other expenses, so from that perspective, if I see the wheel business alone and I know somebody else have asked for quantification of that and I said we don't have this number, I did up for all, but I can tell you from wheel business alone, at the current prices we have versus the last year prices the impact is more than Rs. 25 crores to Rs. 30 crores a year. In addition, we have large amount in Europe, so all that had hit our expenses, if that has not been there, I am sure you would have seen that operating leverage benefit.
- Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** First is, one the casting business, we have mentioned that we are getting to passenger vehicle side as well, could you give some sense on what components are we going to get into there for the passenger vehicle business?
- Sunil Bohra:** Mukesh, as of all, you know that we have been primarily serving the two-wheeler and one of the PV customers, but we are not having any EV customer from casting, so recently we have secured a business from one PV customer, the SOP is expected in the next financial year, so initially it is very small. I think the annual revenues is going to be roughly around Rs. 15-Rs. 25 crores, but again it is going to get onboarded with the customer and definitely that entire bouquet opens. The annual business potential is around Rs. 25 crores, not Rs. 20 crores which is a business....
- Mukesh Saraf:** It would be for ICE components, sir?
- Sunil Bohra:** Yes, you are right.
- Mukesh Saraf:** And secondly, I think there was a question on this earlier, but just trying to recheck on the two-wheeler alloy wheel business, last quarter you had mentioned that it is probably just about stop burning cash there and as we have achieved scale we will kind of turn EBITDA positive, so just wanting to check there and you did mention that we are slightly below company average, but does that mean that we have significantly scaled up the EBITDA there?
- Sunil Bohra:** No, I think my bad alloy wheel two-wheeler definitely has achieved our target EBITDA, which is little above our, what you call company average. My apologies I have answered to somebody else earlier a little below I was referring to the lighting two-wheeler, I missed it was wheel, not light.
- Mukesh Saraf:** And one the four-wheeler alloy wheel business, in the past in the Mindarika entity has been at about 26-27% EBITDA margin and last year I think it came down to about 21%, is there a trend here and would this kind of keep coming off may be close to 17-18% or is that only because of

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raw material cost, aluminum cost especially going up and we are saying we can maintain 20% plus kind of margins there?

Sunil Bohra: No, I think Minda Kosei, you are referring to, right?

Mukesh Saraf: Yes, Minda Kosei.

Sunil Bohra: So, Minda Kosei, I think we said last year also that there have been two impacts, one because of the sheer commodity price increase which is even though we have been able to pass on the commodity price increase to our customers, the denominator itself had increased, so in terms of percentage it is dilutive, that is number one and number two, I think consistently that we do expect margins to come down gradually from 22% odd level to around 15-16% which is still well above our company average, so that was number two and number three, this also as I said it also had an impact of significantly higher gas prices. So, all these factors have impacted Minda Kosei profitability in terms of percentage and somewhere in terms of value also.

Mukesh Saraf: As coming to the 15-16%, how long will that take, sir and this is going to happen year-on-year or?

Sunil Bohra: I am saying Mukesh, it is actually below 15-16%.

Mukesh Saraf: It is already below 15-16%, got it.

Sunil Bohra: Whatever you are saying is already factored in.

Moderator: Thank you. The next question is from the line of Rishi Vora from Kotak Securities. Please go ahead.

Rishi Vora: Just a follow-up on our strategic JV for Traction Motors, so will we be working also closely with Friwo JV because I think in that JV we manufactured motor controllers and in this we will be manufacturing traction motors, so if an OEM requires both the products, will we be working together to supply that product or how will be the arrangement over there?

Sunil Bohra: So, definitely Rishi, as customer wants, we will work, we have both the products, if customer wants jointly, we will be happy to give them a product which is motor controller plus motor, but in case customer wants separate, obviously we will be open to give them separate as well.

Rishi Vora: And sir, just on the traction motor front, given that the market itself is very competitive, there are many players who have already developed this product, so what will we be doing to differentiate ourselves from the competition?

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- Sunil Bohra:** I think our USP has been very clear, in addition to whatever strengths which Minda brings in terms of QCDD, our endeavor is to if I have used a simple language or a single line to bring in German Engineering at Indian cost.
- Rishi Vora:** And just to confirm, like clarification, you said capex for this year broadly would be Rs. 700 crores?
- Sunil Bohra:** Yes, between Rs. 600 to 700 crores, I think this question was raised earlier by Ashutosh, he was saying could it be around 700, I said yes, it will be around that number.
- Rishi Vora:** And investments for 23, any guidance?
- Sunil Bohra:** Investment, what is in the investment?
- Rishi Vora:** As investments in subsidiaries and all or it is a part of capex?
- Sunil Bohra:** As of now, there is no plan to infuse any additional funding, whatever is announced like today it was also announced of around Rs. 15.3 crores investment in Minda Ketolac so with that as of now there is no request from them for any growth funding which they may need.
- Rishi Vora:** So, first half plus Rs. 15 crores, so that would be your guidance, right?
- Sunil Bohra:** Right.
- Moderator:** Thank you. The next question is from the line of Peter Agnel from KSEMA Wealth Management. Please go ahead.
- Peter Agnel:** Sir, my first question is, can Minda maintain this run rate of Rs. 2,500 crores plus per quarter given that you mentioned that commodity prices get passed on, so can we expect this run rate to continue going forward? And also then, what is your market share you have in the EV space and two-wheelers and three-wheelers and Q2 what was the export revenue share and do you witness any softness in demand in exports?
- Sunil Bohra:** So, run rate of Rs. 2,500, Peter, definitely we are working to do much better than that, but that our destiny which is 90% of our revenues are linked with the OEM volumes, so as long as volumes remain in this region, we would definitely be able to do this and even more. In terms of market share, I think it is too premature to calculate market share for EV because even if you see the EV numbers, there is a list which gets published every month as to who had produced how much in terms of OEMs, lot of them you will find they are just assembling, they are buying the kits from China and outside of the world and they just assemble it. So, as of now, market is still very premature and at a stage where there is no what you call right data available, so in the essence of that it won't be fair for us to comment on market share etc., but whosoever are the

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larger players, we have been working with I think almost all of them, be it a new age EV players or the traditional ICE players who are also into the EV. In terms of export revenue, our total global revenues from export from India and also domestically in the overseas location is roughly around 16-17% of our total pie during the quarter. In terms of demand, definitely there is impact as I said for suspended seats which we primarily export to, so there has been some demand impact which led to little lower volumes for the suspended seats, but the exports which we are doing to US like of seating, etc., as of now there is no significant impact there.

Peter Agnel: Sir, so this last two quarters of Rs. 2,500 plus crores run rate, out of that what percentage would you attribute to higher raw material cost, due to that it went up that much like growth versus?

Sunil Bohra: If you compare versus last year, I think this data point also we shared last year, roughly around 8% is primarily because of the commodity price increases.

Moderator: Thank you. The next question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: On this casting side, you mentioned that the revenue from passenger vehicle alloy wheel is around Rs. 325 crores and Rs. 150 crores is your two-wheeler alloy wheels, which is Rs. 475 crores, we have reported around Rs. 614 crores revenue in this vertical, the remaining Rs. 139 crores is that such a large amount erstwhile MJ Casting?

Sunil Bohra: Two-wheeler is 160, not 150.

Ankur Modi: Ashutosh, yes, casting, die casting is contributing to some around that number, yes.

Ashutosh Tiwari: And in the previous quarter, it was only around Rs. 84 crores, right, let us say Rs. 300 crores was passenger vehicle, Rs. 100 crores was two-wheeler, then Rs. 84 crores was that casting, so casting has jumped so much on quarter-on-quarter basis?

Ankur Modi: Yes, casting has seen a good improvement.

Ashutosh Tiwari: And this is that MJ Casting only, right?

Ankur Modi: Yes, that is in MJ Casting.

Ashutosh Tiwari: And this is only driven by I think, as of now two-wheeler and that we had some CE brake related business, right?

Ankur Modi: Yes.

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- Ashutosh Tiwari:** And sir, on the lighting side, you mentioned that Rs. 250 crores is the two-wheeler lighting revenue right?
- Ankur Modi:** Yes.
- Ashutosh Tiwari:** So, remaining Rs. 400 odd crores roughly out of 659, Delvis will be how much?
- Sunil Bohra:** So, four-wheeler lighting is roughly around Rs. 200 plus, maybe around 210 odd number is for four-wheel, two-wheel is roughly around 250, so that is about 460, yes balance is for Asean and Delvis because we have lighting in Asean as well.
- Ashutosh Tiwari:** So, you include Asean plus Delvis put together is remaining?
- Sunil Bohra:** Yes.
- Ashutosh Tiwari:** And the switches segment, in the quarter-on-quarter improvement, is it that we have seen bigger improvement in Mindarika or it is two-wheeler also has done very well?
- Sunil Bohra:** Quarter-on-quarter, two-wheeler has improved by roughly 20% plus in Q2, in fact the Q1 to Q2.
- Ashutosh Tiwari:** Sir, how much is the four-wheeler revenue in this, out of Rs. 800 crores, this is Mindarika essentially?
- Sunil Bohra:** Mindarika quarterly something around Rs. 210 crores.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Sunil Bohra for closing comments.
- Sunil Bohra:** Thanks Faizan. 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. Thank you once again for joining with us.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of UNO Minda Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.