"Minda Industries Limited
Q4 & FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen good evening and welcome to the Q4 and FY2022 Earnings Conference Call of Minda Industries Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal 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 from Minda Industries Limited. Thank you and over to you Sir!

Sunil Bohra: Thank you. Good evening everyone and a warm welcome to all the participants. On this earnings call today I am joined by my colleague, Ankur Modi. We have uploaded our financial results and investor presentation for Q4 FY2022 on the stock exchanges and our company website. We hope everybody had a chance to glance through the same. I would like to run you through the business landscape and followed by our performance in Q4 and FY2022 following which we will open the lines for Q&A.

Before speaking about the company's performance for this quarter and full financial year, I would like to throw some light on industry front. You may refer to slide #4. The beginning of year 2022 marks the third year of COVID-19 pandemic for India and the world ushering newer challenges for healthcare systems as well as channeling economic growth; however, business continuity coupled with rapid vaccination coverage led to a strong resilience pointing towards the GDP growth of 9.2% FY2022, the highest among the world's large economies.

Moreover, the union budget 2022-2023 gives a focused direction towards infrastructure investments with 35.4% higher capex over the current year's budget. Manufacturing and infrastructure are said to be the growth drivers bolstered by key government initiatives towards improving productivity. Signs of continued economic revival are evident in the healthy growth of indicators including total GST collections, digital transactions, metal and coal production, electricity demand, rail and air passenger, freight traffic and FASTag collections.

Automobile registrations across most categories also recorded an upward trend. As things are settling down PV and CV space is depicting clear signs of revival, with easing semiconductor supply issues, PV segment reported production of 10.5 lakh in Q4 FY2022 which is higher than last quarter and even 2% higher than Q4 FY2021. During the quarter we also see risk getting shifted from past COVID-19 to geopolitical issues i.e. Russian-Ukraine war, rising crude prices and rising interest rate risks. While we do not have direct exposure to Russia or Ukraine, the consequent impact which is resurfaced supply crunch as semiconductor shortage along with high metal and energy prices does impact the operations.

There was no respite from commodity price pressure as if they keep on finding new reasons to increase. Domestic PV continues to see high demand and long waiting period with improving semiconductor supplies and backed by a strong shift towards personal mobility, improved customer sentiments and excitement around a lot of new launches. Chip shortage expected to further ease in the next few quarters as capacity additions by chip manufacturers come on stream helping clear the sizeable order backlog built over the past 6-12 months. Besides inventory buildup from the current low of 15 to 20 days to the normalized levels of 30-35 days will account for about a third of the incremental volume.

Two-wheeler demand remains subdued during the quarter both in rural as well as in urban markets amidst higher fuel prices, a steep increase in the acquisition cost of the vehicle driven by higher commodity prices and insurance cost. However, we have witnessed increase in sales on month-on-month basis in March 2022 and April 2022 with opening up of the offices and educational institutions, festivals and marriage season. Private consumption is regaining traction backed by a recreating contact, intensive services, and rising discretionary spending. Also, Skymet has come out with its normal monsoon forecast. If the same is evenly distributed, it will have a positive rub-off on rural sentiment as farmers will be able to get a better crop realization, thus increasing their disposable income. It will thus benefit two-wheeler sales.

This along with marriage season in coming days will also see a traction in auto retail. The demand momentum for electric two-wheelers remains strong with a massive growth in FY2022 driven by rising petrol prices, new launches and government subsidies. Monthly run rate of E-two-wheeler picked up from 8,000 units in March 2021 to 50000 units in March 2022. Strong growth is expected to continue as most OEMs have strong pipeline of new launches. The CV segment after a long downturn which began post the announcement of axle load norms in 2018 is now witnessing strong demand recovery as all subcategories continue to be edged out. CV demand growth particularly for medium and heavy commercial vehicles is backed by replacement demand because of improved utilization and profitability of fleet operators and government spending on infrastructure.

Light CV is being propelled by a surge in e-commerce and better last mile connectivity while demand for buses is being driven by the gradual re-opening of schools and offices and easing of mobility restrictions, outlook remained positive with double digit growth expectation for FY2023 in CV segment. Recent move by government to impose export tax on steel and iron ore and reduce tax on coking coal is expected to help ease some pricing pressure. Reduction in taxes on fuel prices by center is also a welcome move for the industry and will improve customer sentiments. While we are entering into a cyclically weak quarter which is Q1, the medium-term outlook remains positive as we believe worst of commodity prices pressure and chip shortage are behind us. Domestic auto industry specifically PV and CV are poised for a strong growth in the coming quarters.

Moving on to financial and operational performance for Q4 and FY2022 you may refer to slide #5. We are pleased to inform you that the company had received approval from government for grant of PLI incentive. We have submitted required documents as well as bank guarantee for the same. Our various products like battery management system, onboard and off-board charges telematics, body control modules, vehicle control units, sensors as well as select CNG components qualify for the incentive under the PLI scheme. We believe this scheme will be a game changer bringing long-term investment and facilitating Atmanirbhar Bharat.

We would also like to appraise about the investment announced in last quarter. The company has enhanced its stake in Minda Kosei from 70% to 77.35% by subscribing to rights issue at a face value of Rs.10 per share investing 61.2 Crores. The joint venture partner has renounced their right in our favor enabling us to increase our stake. The company has also completed acquisition cum consolidation of four partnership firms by acquiring remaining stake of promoters. Consequent to this investment, minority interest in profits have reduced, increasing MIL shareholders' profits. The company also completed purchase of remaining 49% stake in Harita Fehrer from Fehrer GmbH. MIL now owns 100% shareholding of Harita Fehrer.

We have continued our momentum for new order value in Q4FY2022 as well with adding new customer almost across all product segments. This is on the back of building strong order book of Rs.400 Crores from EV new-age two-wheeler OEMs in the last quarter.

Our focus on exports is yielding results with considerable export led growth in switch and fitting businesses. UNO Minda is an employee centric organization, always puts our people at the heart of whatever we do. At UNO Minda we believe that the success of organization and its people go hand in hand. Recognizing our people practices, UNO Minda featured in wall of fame of great place to work institute amongst the top 30 best workplaces in manufacturing companies in India.

Coming to financial and operating performance, you can refer to slide #7 and #9. At consolidated level revenue from operation for the quarter increased by 9% Y-o-Y to Rs. 2,415 Crores from Rs. 2,238 Crores in Q4 FY2021, while revenues increased by 10.7% on Q-o-Q basis, in spite of supply side constraints adversely impacting auto industry volume. As you will note, while volume of auto industry declined by 17% Y-o-Y basis, the company reported 9% growth largely on account of ramp up of two-wheeler alloy wheels, growth at all businesses specifically four-wheeler alloy wheels and aftermarket divisions.

The revenues increase also comprises price increases passed on to OEM on account of increase in raw material prices. EBITDA for the quarter was at Rs. 276 Crores improving sequentially by 17% from Rs. 235 Crores last quarter. The EBITDA margins for the current quarter were lower at 11.3% from 13.6% in comparison to corresponding quarter last year on account of sustained raw metal price increase. The upward trend in commodity prices continued in Q4 as well further fueled by Russia-Ukraine war. Energy prices in Europe also saw an alarming increase impacting our acoustic business profitability.

During the quarter, there is an additional employee cost of around Rs. 15 Crores due to ESOP charge. Depreciation for the quarter increased by around Rs. 16 Crores to Rs.110 Crores as against Rs. 94 Crores in previous quarter on account of two reasons. First, higher utilization level in the current quarter and also capitalization of some of the assets. Other non-operating income for the quarter increased to Rs. 21 Crores from Rs. 12 Crores mainly on account of gain of around Rs. 9 Crores from revaluation of investment in Kosei Minda Aluminium post stake increased by JV partner from 70 to 88.

The PAT which is MIL share for the quarter was at Rs.144 Crores as against Rs.140 Crores in Q4 FY2021 and Rs.101 Crores in previous quarter. We would want to appraise that this is highest ever quarterly profit for the company. While we do look at ROCE on annual basis which stands at 16% just for information since Q1 was significantly impacted due to COVID, ROCE for the rest of three quarters which is Q2 to Q4 stands at 19%. On similar lines, the performance for the year ended March 31, 2022 was also higher with revenue standing at Rs. 8,313 Crores in comparison to Rs. 6,374 Crores for FY2021. The EBITDA for the same period in FY2022 is at Rs. 885 Crores in comparison to Rs. 727 Crores in FY2021.

Talking about margins, the EBITDA margins were lower at 10.7% in FY2022 as against 11.4% in nine months of FY2021. We know both the years had impact of COVID, but this year impact of commodity price has been even bigger. Moving to dividend, the board has also recommended a final dividend of Rs. 1 per share which is 50% of the face value reflecting commitment from the company to return value to shareholders on a consistent basis. The company had also paid interim dividend of 0.5 per share in February 2022 making total dividend of 1.5 per share for FY2022 translating into dividend payout ratio of 12%. In order to reward the long-term shareholders, the board has also recommended an issuance of bonus share in 1:1 ratio.

Coming to the businesses, segment wise performance, you may refer to slide #15 to start with switching systems. The segment achieved revenues of Rs. 727 Crores for Q4 FY2022 and Rs. 2,483 Crores for full year FY2022 contributing about 30% of consolidated revenue. We continue to receive orders for new generation switches like sunroof, cruise control, power window switches, panel switches, vehicle stability switches, etc. Export is another big revenue stream which is growing fast specifically in two-wheeler switch segment. After an American two wheeler OEM, we have now received orders from renowned premium Italian two-wheeler OEM. Over the years, switches have also become lot smarter with ability to communicate with other parts with in-built diagnostics, connectors, and boot loaders. The continuing incremental orders for these next generation switches validate our ability to innovate and stay ahead of technology curve.

Moving to lighting business, it has achieved revenue of Rs. 525 Crores for Q4 FY2022 and Rs. 1,826 Crores for full year FY2022 contributing to 22% of our consolidated revenue. Lighting segment has become one of the most exciting segments with very promising growth outlook. After announcing large orders for LED lamps and orders from EV OEMs in last quarter, we have now received a large order for center positioning lamp from an Indian OEM. Moving to our casting business, it has achieved revenue of Rs. 425 Crores for Q4 FY2022 and Rs. 1,339 Crores for full year FY2022 contributing to 17% and 16% respectively of our consolidated revenue.

Casting business continues to grow with expanding capacities. The higher revenues during the quarter is on account of ramp up of two-wheeler alloy wheel business and supplies to Korean PV customers with LPDC technology in four-wheeler segment. Our expansion in four-wheeler alloy wheel business at Bawal and Gujarat is on track with 30,000 out of 60,000 capacity per month enhancement at Bawal being commissioned recently. Moving to acoustics slide #17, our acoustic business had achieved revenue of Rs. 192 Crores for Q4 FY2022 and Rs. 656 Crores for full year FY2022 contributing 8% of our consolidated revenue.

Our European subsidiary Clarton Horns has rebounded with around 30% growth with better profitability sequentially; however, it is still not out of the woods. Russia-Ukraine war may further dent the revival hopes. Locally we have received order for speakers and tweeter from an Indian OEM.

Moving to our seating business which has achieved revenue of Rs. 227 Crores in Q4 and Rs. 902 Crores for full year FY2022 contributed 9% and 11% respectively of our group revenues. Revival in CV segment and better volumes from two-wheeler had supported the growth in seating business. We continue to see good traction from EV space with additional orders from another two-wheeler EV OEM.

During the quarter, we also received orders from a leading EV bus OEM as well. Export for seating business also remains robust with start of export for suspended seat in Europe aftermarket. Moving to other product businesses which have achieved revenue of Rs. 341 Crores for Q4 and Rs. 1,130 Crores for full year contributing 14% of overall topline. Other businesses mainly comprise of sensors, blow molding business, Minda systems, GmbH, battery, aftermarket etc. The aftermarket division continues to show strong growth with Minda Systems GmbH also reporting higher sales led by product sale.

Further, developing on our relations with two-wheeler American marquee OEM we have received orders for accelerator pedal position sensor. On EV front we have received incremental orders for chargers from pedestal EV OEM. The share of profit/loss of associate joint ventures for Q4 is at Rs.29 Crores as against Rs.21 Crores in Q4 FY2021. All our JV's associates including infotainment JV with Denso, our safety system, JV with CG, our CNG product JV with Minda export and Roki have contributed positively.

Moving to Aftermarket and Export slide #22, in terms of our revenue pie for the quarter ended March 31, 2022, OEM business accounted for 90% and aftermarket at around 10% for Q4. Our aftermarket division revenues were at Rs. 225 Crores as against Rs. 215 Crores in corresponding quarter last year. We continue to strengthen our aftermarket presence with launch of new product as well as new branding and marketing initiatives. Our sales from international markets which is export from India plus sales from overseas operations stand at 16% of total consolidated revenues. International sales growth was led by Minda Systems GmbH having strong quarter with its innovative products in European market.

Moving to a cash flows and debt levels, our net debt as of March 31, 2022 was at Rs. 569 Crores and our net debt to equity stands at 0.15. Moving to slide #23 on strategic business update, the board has approved merger of Harita Fehrer Limited and demerger of domestic business of Minda Storage Batteries Private Limited with the company. Both these companies are 100% subsidiaries of the company and no further share will be required to be issued on merger. This merger is in line with our stated objective of simplifying this group structure and achieve the economic uptake. The proposed amalgamation will lead to elimination of multiple administrative functions and enhancing operational efficiencies, thus resulting in reduced compliance and administrative costs.

Harita Fehrer Limited and Seating division of the company already have common premises at three of their plants and are sharing resources. Merger will help in better synergies and efficient operations. HFRL also supplies one of its products such as PU foam which are required for manufacture of seats by seating division of MIL. Hence consolidation of HFRL by way of proposed amalgamation would lead to synergy benefit like smooth functioning and to manage operations effectively, efficient utilization of capital and help to achieve a streamline structure by eliminating multiple entities. The proposed amalgamation is expected to lead to greater efficiency in fund management and deployment for the combined entity and unfettered access to cash flows generated by the businesses which can be deployed more efficiently for funding growth opportunities to maximize members' value.

Moving to Capex and expansion announcements, first at Vietnam, we had announced that our Vietnam subsidiary MIVCL has received a business from Italian two-wheeler OEM for blinkers and tail lamps, it is proposed to expand our MIVCL plant in Hanoi to serve this order. As of now MIVCL manufactures only switches, with this expansion they will have a big entry into lighting products local manufacturing which so far has been exported from Indonesia. The total capex is around Rs. 37 Crores and additional facility is expected to be commissioned by March 2023.

Next being Mindarika expansion, the company is also expanding its four-wheeler switch plant under Mindarika Private Limited at Chennai to serve new order received from Japanese and Korean OEMs. Total capital expenditure for expansion is around Rs. 73 Crores and additional facility is expected to be commissioned by end of March 2023. Tokairika Minda, the board has approved investment of up to Rs. 25 Crores in TRMN for their new plant to be set up in north with a total investment of almost Rs. 160-170 Crores. Moving to technology, while we are expanding our operational capacities, we have also been enhancing our R&D capabilities, we are expanding our engineering team at all locations of our flagship R&D center CREAT which is in Pune, Gurugram and Hosur.

We recently also shifted our flagship R&D center CREAT in Pune to a much larger which is double the size. We intend to double the number of engineers at that location. At new office besides EV components, we have also set up new labs for material science and ADAS. We recently also held our annual event called Innovation Meet at the new office, around 50 shortlisted teams from all our group companies participated, showcasing innovation and led conversation around the future and emerging technologies. We also invited some of our customers, investors and analysts to the facility. We would like to take this opportunity to also thank all the investors and analysts who visited our facility and participated in the Innovation Meet. We are also progressing from just component supplier to a system supplier with robust software capabilities, majority of the component today has embedded software for ability to communicate with various systems and diagnostic purposes. CAN FD switch supplied to American two-wheeler OEM and our pioneer connected car platform in the iConnect are classical examples of our embedded software capabilities.

Recently developed intelligent transport systems comprising of camera, switch, speaker, control unit and driver console is another example of full system offerings from UNO Minda. We are also first in India to certify an intelligent transport system as per BIS 16833 Annexure D. As we all know effective corporate governance is the foundation upon which our organization is built. In line with our commitment to set industry benchmark for corporate governance we have further strengthened our board of directors by inducting one more Independent Director, Mr. Satish Borwankar. We have now five independent directors out of total nine, having served Tata Motors for 45 years he brings vast experience in product development, manufacturing operations, quality assurance, etc. We also have Mr. Rajiv Batra joining the board as an Independent Director during the last quarter, a seasoned finance professional with over four decades of experience in financial accounting. With this, I would like to now open up the floor for questions.

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

Ashutosh Tiwari: Congrats on good numbers. Firstly, we are seeing good improvement in profit from associate over the last few quarters and this quarter was highest ever, can you highlight which are the JVs or associates which have done better and seen a lot of improvement in profitability versus earlier profits and also is it sustainable?

Sunil Bohra: Yes, Ashutosh you are right. I think this has been the continuous trend which we have been observing. In the past, we had some of the associates which were in red, they have moved to black or reduced the losses I think that is a straight positive plus also as I have mentioned a little while back there are four to five key joint ventures which is Westport is doing pretty well to start it because the CNG business has been doing pretty well then our airbag business with TG has been doing pretty well and also our JV with Denso and Roki I think in all these businesses we have been seeing significant traction and we believe that the growth which we have seen should be sustainable in future.

Ashutosh Tiwari: So even like Minda Onkyo is now break even?

Sunil Bohra: Minda Onkyo is break even but I think I missed in my talk track, so just to tell you, the Onkyo which is our JV partner Onkyo Japan has filed for bankruptcy, so there while we have got a turnaround in the business there has been uncertainty around the technical support so what we have done is we have on-boarded some experts from Onkyo onto our payroll to see that we get continuous support on the technology and we make business sustainable; however, as a conservative practice we have taken provision for impairment of investment value in standalone, you would not see in consolidated because the share of losses in past has already reduced the investment value, but in standalone you will see an exceptional item which is primarily for provision in the investment in Onkyo.

Ashutosh Tiwari: Okay and this TG Minda also is doing pretty well, is it a good contributor to profit now, some color on that?

Sunil Bohra: Yes, TG is very good, in fact from previous quarter it has done pretty well in this quarter. Actually, if you see the last quarter of FY2021 it was into negative, which has come into positive sustainably now for the last two quarters.

Ashutosh Tiwari: Okay and Sir, minority interest as well declined a lot, is there like the profitability has come down in like Kosei or Mindarika and all, any other reason behind that?

Sunil Bohra: As I said Ashutosh a little while back that a) we have increased our stake in Minda Kosei which is the most profitable I would say that is very from 70% to 78% almost and also there are a couple of partnership firms where we are holding only half of it. They have also been consolidated from January 1, so accordingly you are actually reducing the minority interests in some of the companies which in turn increase your effective ownership.

Ashutosh Tiwari: So it got effected from January only, okay that is right and the switch segment we have highlighted new order wins or supplies for the sunroof, cruise control, panel switches and all, can you throw some color that how is the content increasing in the switches business especially in both four-wheeler and two-wheeler versus earlier because these are new switches which probably were not supplying earlier and basically which are increasing in the cars now. Can you throw some color on that?

Sunil Bohra: You are right; the content has been consistently improving in almost all the segments. Primarily there are two to three key reasons. One, if I exclude the commodity price impact there have been a lot of electronics-led increase in almost all the electric switches, lamps, etc. and also this migration which we have been seeing from a normal product to premium product and also as a country we have seen transition from A segment car market to a B segment car and also these high platform cars or we call mini SUVs there the kit value is normally higher than obviously the lower one, so I think all this also has a positive impact. So overall if we see the kit value for two-wheelers I think across the board we have seen improvement by almost like 10% to 20% in various categories, be it economy, executive or premium.

Ashutosh Tiwari: Okay, in cars specifically.

Sunil Bohra: In two-wheelers, you asked right?

Ashutosh Tiwari: Both I am saying, both two-wheelers and four-wheelers.

Sunil Bohra: In four-wheelers also, there is an increase of similar range.

Ashutosh Tiwari: Okay and can you just throw lastly two-wheeler alloy wheel sales for the last quarter and full year also four-wheeler alloy wheel sales?

Sunil Bohra: The last quarter the two wheeler alloy wheel sale is roughly around Rs. 90 Crores and for full year is roughly around Rs.280 Crores.

Ashutosh Tiwari: Okay and four-wheelers?

Sunil Bohra: Four wheeler alloy wheel which is Minda Kosei right, it is roughly around Rs.250 Crores revenue and for full-year around Rs.800 Crores.

Ashutosh Tiwari: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Nikhil Kale from Axis Capital Limited. Please go ahead.

Nikhil Kale: My question was you mentioned that there were certain price increase benefits that you have got, can you just maybe quantify what was that benefit and was there some part related to prior quarters both in the main company and also in the JVs?

Sunil Bohra: If I could not understand clearly you are saying, what was the price increase during the quarter and was it somewhere related to previous quarters?

Nikhil Kale: Yes, correct.

Sunil Bohra: That is normal, Nikhil I think which we see every year phenomena, normally the PI is always with some lag, so that is why we say normally Q1 is lower and Q3, Q4 are better because by the time you start discussions with your customers, it takes some time so definitely in Q3 and Q4 there has been some positive PI which relates to maybe Q1 and Q2.

Nikhil Kale: Okay and would it be possible to quantify that number?

Sunil Bohra: Not really because now we have over 32 businesses and to now start capturing this is difficult. I can give you a very broad number which I remember that number was roughly around if I see at a very high level, what was the previous quarter numbers which we have got or PI we got in this quarter is roughly around Rs.14 to Rs.15 Crores for which we have got in Q4 this is broadly same as last year also I think it was a similar number.

Nikhil Kale: Got it and on the lighting side I just wanted to understand going forward for the next couple of years, what is the kind of order book that we have now? I think we have been talking about a lot of orders, so what is the order book that we have and how do we see that ramp up over the next couple of years?

Sunil Bohra: Lighting as I said is the most, what you call optimistic business we have and we are very, very positive on this business. Our order book is much, much more than what we said last quarter we shared something around Rs. 250 Crores, Rs. 300 Crores as we speak it is more than Rs. 350 Crores, Rs. 400 Crores, we added more than Rs. 100 Crores in last business. As I said one of the new business which we have added I shared about that center lamp that itself is around Rs.60 Crores.

Nikhil Kale: Okay, so would it be fair to assume that most of this business will come into the top line maybe FY2024, FY2025 would that be a right number?

Sunil Bohra: It will start coming in 2023 because we will be commissioning our Gujarat plant maybe in couple of months max, so once it starts we should start seeing, initially it will be more of testing and validation for our customers because the new business which will start from this new plant, so the process which most of the OEMs follow. We might not have any significant sale immediately, but yes you are right, we will have material sale coming in from next financial which is 2023-2024 and then 2024-2025 definitely.

Nikhil Kale: Okay and just lastly, I think a couple of more projects announced in terms of CapEx, so what would be the capex guidance for this year maintenance as well as the project capex that we are looking at and the total investments in subsidiaries and associates?

Sunil Bohra: Broadly the investment we are looking at is same Nikhil, so this year we would have done capex of almost like Rs.600 Crores which is broadly around Rs.260 Crores in sustaining investors growth, for next year this is the similar number we are looking at.

Nikhil Kale: Okay and investments in subsidiaries or associates?

Sunil Bohra: Nothing which is what we call on the annual as of now other than this Rs.25 Crores we just spoke.

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

Mumuksh Mandlesha: Thank you so much for the opportunity Sir. Just on an update on the EV plant, so company planned to set up an EV plant, so what is the update on that Sir?

Sunil Bohra: First of all, we said last time that currently we have a controller business in Pune. The initial volumes which are obviously at a low level will be supported from there. The new plant which we have to set up in north, we have got the land, the CLU has all been done, board has also approved the capex as in past, so our target is to commission it by end of this financial year.

Mumuksh Mandlesha: What would be products that would be focused for this plant Sir?

Sunil Bohra: All the products I think what we spoke be it the BMS, be it the charger and all those, so all the specific two-wheeler EV components will be from this JV.

Mumuksh Mandlesha: Can you give update on the Tokairika Minda business, what is the growth happening there, what is the investment for?

Sunil Bohra: TRMN currently has a plant in Bangalore which does a revenue of roughly around Rs.550 Crores a year and we have got a new business from Japanese OEM in north, for that we will need to put up a new plant, this new plant will have investment of roughly around Rs.170 Crores odd and we are expecting incremental revenue of close to Rs.400 Crores kind of a number in next three years.

Mumuksh Mandlesha: Which products would drive that business?

Sunil Bohra: Same product what we have be it the seat belt, there is a product with a smart key, so today we manufacture the key sets in Bangalore, in this new plant we will have the smart keys which will be the future trend coming so that also will be manufactured here in addition to some of the products which we do.

Moderator: Thank you. The next question is from the line of Noel Vaz from Asian Market Securities. Please go ahead.

Noel Vaz: Thank you for the opportunity. Just one question is regarding the exposure to Europe exactly how much of revenue are we earning from the European operation, I just want to know what exactly is the revenue exposure to Europe?

Sunil Bohra: I do not know how do you see Noel, I believe that you are looking at manufacturing from Europe right or you are looking at export also from India to Europe?

Noel Vaz: If you could give both that would be very nice.

Sunil Bohra: Export from India to Europe is difficult number to be given immediately off the top, but I can tell you what revenue we are generating from Europe, we are doing roughly around Rs.400 Crores from what we call the Delvis which has been restructured. If you remember around six months back we had announcement of restructuring our European operations, so roughly Rs.400 Crores this is from that and around Rs.400 Crores is from Clarton Horns, so in all around Rs.800 Crores kind of number from these operations in Spain and Germany.

Noel Vaz: Okay, yes that answered my question. Second question is actually relating to our exposure towards the various segments in India, regarding two-wheelers versus four-wheelers versus three-wheelers, what is the current mix and has it changed over the past one year and is this more due to the change in mix more due to the fact that change in sales volumes for those particular segments or has there been some wins and some segments that have grown the share from the previous year?

Sunil Bohra: Okay, from segment perspective, our two-wheeler revenues if you see for the quarter is roughly around 45% and for full year is around 47% and historically if you see that has been a trend, some quarters it is plus, minus 3%, 4% so but broadly the range is 45% to 55% for two-wheeler and four-wheeler, in three-wheeler we are not that big as so is CV, so if you see from that perspective I would say broadly on an annual basis it is maybe between 45% and 55%.

Noel Vaz: Two-wheelers and three-wheelers right?

Sunil Bohra: Two-wheelers and four-wheeler. You can refer to slide #20 on the presentation.

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

Siddhartha Bera: Thanks for the opportunity. Sir, on this EV side, possible to highlight what will be the order book currently any new customers if you have had any more inputs there?

Sunil Bohra: From EV side, we said last time that we had shortlisted some of the key customers because we do not want to get into multiple customers and not able to serve them properly, so we have not increased our customer base, but the existing shortlisted customers we have been able to get newer products which is basically you can say a deeper penetration of EV products and also the existing components.

Siddhartha Bera: Okay, so if I look at the kit value what will be the kit value we have currently and we have orders which we are supplying in the current year? Just to understand will it be more of chargers and other smaller components or you have any added anything more there in terms of components?

Sunil Bohra: We have not added any new component, so this year if you are looking from 2022, 2023 perspective we will have sales from almost all the components except may be a battery pack which still is in the works, otherwise most of these components you will see production in 2022, 2023.

Siddhartha Bera: Okay and if you can share the revenue numbers for the sensor and controller also for the quarter and what do you expect for the current year?

Sunil Bohra: Sensor I think we spoke last time also it has been a lot of stabilizing at a revenue level of roughly Rs. 50 Crores a quarter, stable there, and controller if I see because we started looking at small EV also part of this, so that is around Rs.15 Crores so all put together it is a quarterly run rate of Rs.65 Crores for both sensor and controller put together.

Siddhartha Bera: How to look at the ramp up going ahead for the next two years?

Sunil Bohra: We are still sticking our guns to the target which we spoke last year for five years of Rs.500 Crores. I think we are on top; in fact we are confident we will be able to do even before that.

Siddhartha Bera: Okay and the last thing on the margins, we have sort of reached about 11.5% margins, there has been a lot of cost pressures in the last one year, now with price hikes being taken and sort of as expecting commodities do not go up significantly from current levels, what do you think you will look to target for your margins in the coming quarters?

Sunil Bohra: Quarter is always difficult to guess, we know that Q4 is normally better versus Q1 but if you see on an annual basis we are pretty confident of maintaining the range we spoke last time which is between 11% and 12% on a full-year basis.

Siddhartha Bera: Okay, any particular segment there has been a significant cost pressure and because of which you expect that margins will be in that range or will it be possible to sort of keep the higher end of that band?

Sunil Bohra: If you go back in history two years back, we have been clear that our margins actually should be around 12% only because there was no Harita which was a single digit margin and some of the new businesses which were not there at that time are still not into what we call breakeven level like alloy wheel and all that, so considering there are a lot of nascent businesses and also addition of businesses with low margin, I think we always looked at around 12% but only with this commodity prices, the range might have shifted maybe 50 basis points and not much, so we are still holding our guns despite what we call increase in the commodity prices and all these cost pressures, etc. We are still working to see that we maintain this range of margin on a full-year basis.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union Asset Management. Please go ahead.

Vimal Gohil: Thank you for the opportunity. Just a couple of data points. If you can just highlight what is the revenue for Minda Rika for FY2022?

Sunil Bohra: It is roughly around Rs.830 Crores odd.

Vimal Gohil: Okay and if I am not wrong it was around last year it was around Rs.660 right.

Sunil Bohra: Rs.630 Crores.

Vimal Gohil: In the other revenue if you can just highlight what was our revenue from controller, sensor and telematics for FY2022?

Sunil Bohra: I think we just spoke about controller and sensor and telematics put together, last quarter revenue was at Rs.65 Crores, but if you are looking at a full year number it is something around Rs.260 Crores.

Vimal Gohil: This is the total FY2022 revenue for all three products right.

Sunil Bohra: Yes.

Vimal Gohil: Okay and so lastly I missed the capex number, you said this year around the number will be around Rs.600 Crores right?

Sunil Bohra: Rs.550 Crores to Rs.600 Crores is what we are looking at overall including all the growth capex either announced or we are expecting may be in a month or so.

Vimal Gohil: For this Rs.25 Crores investment in Tokairika Minda, this revenue of around Rs.550 Crores what is the PAT margin this company generates approximately right now or is it breaking even on PAT level?

Sunil Bohra: TRMN is a very old entity and it is into profit. I do not have their profit actually handy maybe we can get back to you if you do not mind Vimal on that.

Vimal Gohil: No problem, okay. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Mukesh Saraf from Spark Capital Advisors. Please go ahead.

Mukesh Saraf: Good evening and thank you for the opportunity. Most of my questions are answered, but just wanted to understand this Rs. 1,000 Crores enabling resolution for debt, so could you kind of put some sense on what are our further plans of capex or investments, etc. for which you might require more funds?

Sunil Bohra: Every year we take some enabling approval from shareholders, so it is only enabling. As of now there is nothing on the annual, quite possible we might not need any significant investment barring any timing gap because if you see even last year our EBITDA is around Rs.880 Crores and we are expecting much higher in the coming years and with the capex of around Rs.550 to Rs.600 Crores and tax around Rs.150 to Rs.200 Crores we are more than internally funded for any internal capex needs, so from that perspective we are fairly placed. As of now this Rs.1000 Crores whatever approval you are seeing is more of enabling, so that in case there is any requirement, we need not every time go back to shareholder and spend one-and-a-half months' time for getting approval.

Mukesh Saraf: This also means that most of our restructuring plans related to group entities. etc., is all now done with all of them getting now part of the **listed entity**.

Sunil Bohra: Absolutely.

Mukesh Saraf: Okay and just one last thing is last time you had mentioned some targets for the FRIWO JV business, so could you kind of just reiterate some of that now that you have more clarity, could you give some more sense on how that that entity could evolve?

Sunil Bohra: The target remains same which we spoke what Rs.1,500 Crores of revenue in six years, another investment also which we has spread out of Rs. 380 Crores, everything is as it is and there is no change in that.

Mukesh Saraf: Thank you for this.

Sunil Bohra: If at all we are seeing only upsides, no downsides.

Mukesh Saraf: The reason for the question was also that if you think Rs. 1,500 Crores is very easily achievable.

Moderator: Thank you. The next question is from the line of Anupama Bhootra from Arihant Capital. Please go ahead.

Anupama Bhootra: Thank you Sir. I wanted to know can you elaborate more on this PLI scheme, like how much investment would be needed and what all products would be covered under the scheme?

Sunil Bohra: The PLI scheme investment required is, I do not know if you have seen the policy, around Rs. 250 Crores of capex over five years. Our capex is much, much more than those thresholds, so we are not going to do any specific investment only for the PLI. We are doing investment purely on merits and obviously the scheme does give you that edge in terms of competitiveness for any domestic and also exports, so that is on the capex and in terms of products I also spoke initially about what all products which are eligible be it sensors, be it telemetics, be it all the EV products we are doing, some of the CNG components, so there are multiple products which are eligible for the PLI benefit.

Anupama Bhootra: Okay and Sir one more question, has there been any increase in the EV kit value like in last Q4 on Q-o-Q basis or Y-o-Y basis if you can give some information?

Sunil Bohra: No increase in last quarter Anupama.

Moderator: Thank you. The next question is from the line of Peter from Ksema Wealth Management. Please go ahead.

Peter Agnel: Good evening. My first question is that you had mentioned that the alloy wheel sales was Rs. 250 Crores in this quarter and Rs. 800 Crores for full year. Was that for four wheelers or four wheelers and two wheelers together?

Sunil Bohra: It is for four-wheelers.

Peter Agnel: Okay, so two-wheelers is Rs.90 Crores and Rs.280 Crores.

Sunil Bohra: Yes.

Peter Agnel: What are the major raw materials that you are using and what is the raw material basket cost you are incurring right now?

Sunil Bohra: Major raw materials obviously are all commodities be it aluminium, be it steel, be it all the plastics, resins, I am not sure what you are actually looking at or looking for?

Peter Agnel: Sometimes, some companies will give a raw material basket cost this quarter it was this much it has increased this much, on that line.

Sunil Bohra: We are very, very diversified unfortunately Peter, we have 32 lines of businesses. It will be a herculean task to even think of calculating average basket of commodity prices because it is not only computing about average it is also about your consumption is different, your growth is different business to business, and at the end of the day I am not sure what will be achieved by putting those kinds of efforts.

Peter Agnel: About major cost reduction initiative, how much margins to protect?

Sunil Bohra: No Peter, we used to have a specific cost reduction initiative a couple of years back when we had the outset of COVID, so what we are trying to do is we are trying to sustain some of those cost reduction initiatives in spite of market sort of coming back and I think that is what has helped us sort of cover up some of the pressure on the margin and we are trying to see that whatever good work we have done in past that should not go away and we are trying to sort of maintain the benefits of those initiatives which you have taken in past.

Peter Agnel: That line item purchase of stock and trade as a percentage of sales it has increased comparatively to the last quarters or last year and the year before, so any color you can throw on that? It has gone to 16% this quarter compared to it used to be in single digits in some of the quarters in the year and the years before?

Sunil Bohra: Cost of material?

Peter Agnel: Purchase of stock and trade just that line item?

Sunil Bohra: No, we have to see in totality Peter, you have to see cost of material consumed and stock in trade, we cannot see in isolation.

Peter Agnel: I thought maybe that is specifically some new materials that you are importing or something component which increased the cost.

Sunil Bohra: What normally we do is we look at in totality, so it could be from that perspective. Last quarter, the total RMC cost is roughly around 64% and in last year Q4 was also 64%, so broadly if you see on an annual basis last year it was 63% and now it is 64%, so broadly in that range, so there is no material difference if you see from that perspective.

Peter Agnel: Finally, can you tell me that what was the price hike you have taken in last quarter, last fiscal year FY2021?

Sunil Bohra: So that question is more relevant for OEMs Peter, not for us.

Peter Agnel: There is a lot of CV demand, so any exposure you plan to have in the future on CV market?

Sunil Bohra: No, we do not unfortunately have any specific plans for expansion in CV, what we have been working is that if you remember when we have acquired Harita seating systems so this is having significant share of business with CV because from Minda perspective earlier we were not having so what it has done is that we have got entry into a lot of CVs which we were not serving and now backed on the business we had for seating, we are sort of approaching them for all other products be it switches, be it lamps, acoustics, etc., and that is how we are trying to increase our business with the CV player.

Peter Agnel: That is all from my side. Thank you for your time Sir.

Moderator: Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sundar Sriram: Good evening. Thanks for taking my question. My first question is on the seating business, we have delivered close to Rs.900 Crores odd of revenue this year, how do we see the ramp up here by FY2025 in three years' timeframe and approximately what should be the margin that we can take here? I understand this year we would have had cost pressures, but if you can give some sense on that per se?

Sunil Bohra: If you remember from January 1, we got effective control of Harita Seating Systems Limited and even though the revenue for preceding year was Rs. 650 Crores odd we said no when we announced the acquisition the revenue was Rs.750 Crores and our target was clear to double that revenue in five years' timeframe and I am pretty confident that we will be able to achieve even before that, so if you see this year itself we have done Rs. 900 Crores so one year gone by I do not think we will take another four years to reach Rs. 1,500 Crores. I am sure we will be able to do in maybe two to three years now, so from that perspective we are very, very optimistic on the seating business and I would say we will be able to deliver better than what we have promised.

Shyam Sundar Sriram: And on the margins for seating?

Sunil Bohra: Margin also if you see that despite all the cost pressures, in fact seating from a CV perspective has got a very big impact of commodity prices, because steel is the main RM there which prices we have seen almost more than doubling for steel and where you do not get a pass through, so if you see from that perspective what happens and for example in the past also that whatever commodity price increase even if you are able to take from customers, it is margin diluted, so if you do nothing and you just get your absolute margin protected, it will mean that in terms of percentage it will reduce, but despite that we are pretty confident that we should be able to get into a double-digit zone which it was a single digit even before our acquisition.

Shyam Sundar Sriram: Okay, so double digit when we reach Rs.1 ,500 Crores kind of revenue Sir?

Sunil Bohra: Yes.

Shyam Sundar Sriram: Steel is not a pass-through in seating Sir, is that what you are mentioning?

Sunil Bohra: No, steel is passed through for some customers, for example on 100 is the steel price increase…

Shyam Sundar Sriram: I got that math numerator denominator math that I understand.

Sunil Bohra: That is it.

Shyam Sundar Sriram: Understood and one other point on the PLI you said our capex will be definitely higher I understand that, just to get a little bit more clarity here while we are investing in multiple product segments that qualify under PLI, what could be the eligible capex under PLI from Minda Industries per se if you can give some perspective that will be helpful Sir?

Sunil Bohra: I would not give a number at this moment Shyam specifically. It will be more than Rs.250 Crores which is required, but based on whatever interactions we have been having with the government we believe that the second list if you remember as government promised while announcing the first list should be on the anvil, once we have that list I am sure we might have maybe one or two or three I do not know what all additional products which might get what you call eligible, if not then obviously there is no change. If it does then maybe that is the right time we tell you what will be the actual investment for components or products which will be eligible under PLI, but as of now I can tell you it is more than Rs. 250 Crores.

Shyam Sundar Sriram: Understood, the incentives that we get under PLI will that be actually a pass through to the customers per se or will we try to retain some part of that?

Sunil Bohra: It is a very tricky question Shyam, if I am investing then ideally I should have this entire margin with me, but what happens is that you are in a competitive world and if your competitor also has got the benefit somehow it will reflect in the price itself so it is quite possible that even though you might get the PLI and for example 8%, it is quite possible that competition eats up into that margin. What it does it gives you a big advantage when you have an export because there with other competitors you do not have that challenge, but domestically it will give you an edge over somebody else who is not qualified under PLI otherwise even your competitor has got this incentive then you are actually on the same footing so somewhere what it will do is it is quite possible it might not end up fully to flow to the bottom but it will end up increasing the share of the business in the country and also secondly because OEMs also multiple have qualified in the PLI, there is a general expectation that India gradually will also have increase in exports which means that if there is a vehicle being manufactured in India for export, the components which are being sourced through the current sources will continue, so overall it will be increasing the size of the industry itself.

Shyam Sundar Sriram: Understood. One last question Sir, in the alloy wheels while we are doing extremely well from revenue and a ramp up perspective, now aluminium prices just like you mentioned even in the case of steel has gone very substantially upwards, so approximately what would be the margin range for two wheelers and four wheelers, because when we started I think in two wheelers we were thinking of a 15% kind of a margin band and four wheelers we were upwards of 20%, what would be for FY2022 any broad range if you can just provide that will be helpful.

Sunil Bohra: I remember this specific discussion the two wheeler we said we will give you absolute margin profile once we see the plant stabilized, only thing which we said was that it will be higher than our group average margin and that we are still holding to that view that it will be higher than the group average margin, but let the plant fully stabilize and have a full year of stable operations and in terms of four wheeler also if you remember we have been consistently saying that 20% margin is not sustainable and that was when the prices were low. For example, you were able to retain that absolute margin just because aluminium has doubled this will come significantly down, so I hope you understand that math as you just mentioned.

Shyam Sundar Sriram: But will it be at least 10% band in four wheelers and something close to that in two wheelers?

Sunil Bohra: As I said it will be higher than the group average.

Shyam Sundar Sriram: Even in FY2022?

Sunil Bohra: Yes.

Shyam Sundar Sriram: Okay, got it. Thank you very much. I will fall back in the queue.

Sunil Bohra: For four wheelers and not for two, because two as I said it still as a stabilization it is not yet in green, not in black.

Moderator: We move on to the next participant. The next question is from the line of Vikash from Healthtech Services. Please go ahead.

Vikash: In the balance sheet side, on the current liability, the total outstanding dues in a micro and small enterprises it still is Rs.180 Crores is there, any major default happened or it is a timeline whatever the guidelines of the MSME with respect whatever the guidelines is, there is 45 days?

Sunil Bohra: There is no delay in MSME payments but just to clarify Vikash, it is not MSME 45 days it is only MS not MSME and also purely manufacturing not anything else.

Vikash: There is no issue.

Sunil Bohra: Anybody who is a micro and small and manufacturing there you have to make sure that you pay within 45 days, if not then we have to pay interest that is very well understood and we are very, very clear, we pay in fact a few days before not with any delay.

Vikash: It is good and one another part is there in the asset side, if the goodwill is increased by Rs.281 Crores to Rs.284 Crores, there is a slightly increase of Rs.3 Crores?

Sunil Bohra: Okay.

Vikash: Any specific reason or what is the mechanism to write off this goodwill item?

Sunil Bohra: Goodwill is not written off, it is set for impairment, so the impairment testing has been done and auditors have also been convinced about the current value of the goodwill and the intangibles which is the in-house created technology that is being amortized over the life of the technology which has been generated.

Vikash: Okay, so every year the statutory auditor will assess whatever the life of the intangibles and the goodwill?

Sunil Bohra: As I said intangible is normally amortized and goodwill is tested for impairment.

Vikash: And that is for impairment and what is the life considered right now?

Sunil Bohra: It is different for different products because what happens is that, when you say intangible, it is not only one product. You will have multiple technology investments, multiple patents and products, so if the life of the product is five years you will amortize over five years, if it is eight year you will amortize over eight years, if it is 10 years you will amortize over 10 years, there is not a single number.

Vikash: It is not possible to average out the amortization and the testing period there, it depends on the product and the life of the patent is there, correct?

Sunil Bohra: Yes, you are right.

Vikash: Thank you.

Moderator: Thank you very much. I now hand the conference over to the management for closing comments.

Sunil Bohra: Thank you 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.

Moderator: Thank you very much. On behalf of Minda Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.