



“Minda Industries Limited Q2 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Minda Industries Limited Q2 FY2022 Earnings Conference Call hosted. 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 the 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. 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, CFO, Uno Minda Group. Thank you and over to you, Sir!

Sunil Bohra: Thank you, Tanvi. Good evening, everyone and a warm welcome to all the participants. I hope you and your near and dear ones are all keeping safe and healthy. On the earnings call today I am joined by my colleague Mr. Ankur Modi. We hope you had a chance to look at our financial results and presentation that is uploaded on the stock exchange as well as the company’s website.

I will briefly speak about the business landscape and then update on a performance in the preceding quarter following which we will be happy to respond to your queries. As you know Government of India recently approved the production linked incentive scheme, so called PLI for automobile and auto component industry with total budgetary outlay of around Rs. 26,000 Crores.

As per the scheme minimum qualifying investment for auto components sector is Rs. 250 Crores over 5 years with minimum determined sales of Rs. 25 Crores. The qualifying company also have to demonstrate 10% year-on-year growth on minimum determined sales value. The qualifying companies can avail 8% to 13% incentive of determined sales value. The government is yet to prescribe a list of components qualifying under this scheme. We believe that scheme will accelerate focus and development of advanced technologies locally, increase competitiveness and facilitate rapid adoption of electric vehicles. We as a growing organization will continue to invest in advanced technologies and products; however, qualification of this investment under PLI will depend on final prescribed component list.

Normally, the festive season sales record peak sales during the year, but this year the unprecedented supply chain disruptions, fuel price hikes, and increase in input costs consequent vehicle price hike, etc., marred the September and October sales as a result of

which EV dispatches to dealers were affected because the supply did not equal or surpass the consumer demand. The global semiconductor supply constraint continues to be a challenge, resulting in lower production across the industry. Semiconductor shortage started in early 2021 due to surge in electronic devices especially during COVID-19. With modest capacity addition in last two years, semiconductor was not ready to meet such surge in demand COVID-19 related supply chain disruption along with trade restrictions by some countries further aggressive with the situation.

This resulted in product cut for majority of the domestic and global OEMs consequently adversely impacting auto component industry sales. We are seeing some signs of improvement with easing of supply chain disruption, we believe the shortage may persist well into 2022; however, we do expect gradual improvement. On the optimistic front, consumer demand has been positive across segments, two-wheeler wholesales have improved month on month and commercial vehicle sales are witnessing a gradual recovery. Green shoots can be seen in three segments with increasing traction in multi-axle vehicle along with recovery in freight rates. Current Rabi crop preparations and high reservoir level bodes well for the industry with the boost on rural spending power.

Moving to key operational highlights, you may refer to slide #6, it gives me immense pleasure to inform that the company's determined efforts and COVID led initiatives have led to 100% employees completing the first doses of vaccination and around 96% of employees completing full vaccination, appropriately supported with the best possible safety measures at all our sites across the globe. While we did have headlamp business from Indian OEM, we are happy to inform that we have secured first ever LED multifaceted reflector headlamp from a Japanese OEM for PV which we are expecting in early 2024. We have added two EV two-wheelers/ three-wheelers specific products which are residual current cable or commonly called as RCD cable and acoustic vehicle alert systems. Three products moved from under-development to under production. We have also added new age two-wheeler OEM as a customer.

We are glad to inform of being bestowed upon with Amrop ET Best Board Award for Corporate Governance and Board leadership, such recognitions also encourage us to continuously raise the bar of best practices transparency and corporate governance. Recently Minda Industries has also been certified Great Place to Work, which is the testimony of building and sustaining high trust and high-performance culture of our country.

Moving to slide #8 and #9 on EV, the EV space in India is witnessing unprecedented traction with momentum across all parts of the value chain. Add on incentives by state

governments are helping to bridge the cost gap between ICE and EV segment. This plays in well with company's positioning owing to its EV agnostic portfolio and additionally EV specific product portfolio. The focus, however, remains on the two-wheeler and three-wheeler segment due to expected faster rate of adoption in comparison to PVs. Our EV initiatives have further progressed with three more EV specific products, i.e., on board charger, BCM and BMS moved from 'Under-development' to 'Production' stage. We now have five EV specific products along with smart plug and telematics under 'Production'. With these products moving to production value of products under 'Production' has increased to Rs. 16,500 from Rs. 4,500 in last quarter.

Overall, DC-DC convertor remain under development, we have added two more new EV specific products as we just briefly touched in the highlights, which is RCD cable and acoustic vehicle alert system under development stage, adding another Rs. 2000 as kit value. RCD cable is used to protect against shock, faulty currents and fire hazards during EV charges. The company is looking to completely localize the RCD cable manufacturing. The RCD cable compliments our complete charging solution for EV along with smart plug. Acoustic vehicle alert system generates and plays pre-installed artificial combustion engine sound specific to various modes, different sounds can be calibrated and customized as per customer needs. It will take around a year for development of these products.

Now, our kit value for product under production now with existing products stands at Rs. 25,900 with Rs. 2,400 for product and the development. As we see a paradigm shift in automotive domain for ICE engines to electric and autonomous technologies also there is a drastic shift in lighting technology. Uno Minda is at forefront in driving the changes in automotive lighting technology developed to automate, adapt, enhance the vehicle for safety and better drive. Slide 10 showcase some of products developed by us, which includes - front panel elimination with strength integration capabilities for ADAS, advanced overhead console and smart automotive charger.

Coming to a financial and operational performance, you can refer to slide #12, at consolidated level revenue from operation for the quarter increased by 30% year-on-year to Rs. 2,114 Crores from Rs.1,632 Crores in Q2 FY2021. The company has managed to display a growth in revenue growth Y-o-Y as well as sequentially with revenue at Rs. 1,603 Crores for Q1 FY2022 while volume growth of auto industry remains flat on year-on-year basis. The company reported 30% growth largely on an account of addition of tool and alloy sales, growth at all businesses including after market event except acoustic business in Spain and price increase on an account of increase in raw material prices.

EBITDA for the quarter was Rs. 228 Crores same corresponding quarter last while EBITDA has remained flat, EBITDA margin for current quarter declined to 10.8% from 14% in comparison to corresponding quarter last year. There are three key reasons, why we believe which has actually impacted the lower EBITDA margin compared to last year, first being sustained raw material and commodity price increase for last 9 to 10 months. While we are largely able to pass on the RM price increase to customers in line with various agreements which usually happens with one or two quarter lag, so while we might get the previous quarter or 6 month average price, spot price will be higher than average impacts negatively.

Second, while we do recover the raw material price increase from customer in absolute value term, it is still margin dilutive as recovery is in absolute amount which increases the sales value to the extent of the cost in terms of cost also increases, so there is also a little bit margin dilutive even though absolute profit is same, in percentage terms it will be little lower.

The third major thing last year as you know we had salary rationalization in place and this year we had normal increases in addition to salaries. Further while production was lower on an account of production cuts from OEMs in the businesses we still have had to maintain some excess manpower due to higher indents originally and to ensure readiness for higher production once volumes come back.

Interest costs for Q2 FY2022 includes Rs.4 Crores of interest provided for RPS issued to shareholders of Harita pursuant to the merger; however, since RPS were redeemed during the quarter itself the same was reversed; however, as per Ind-AS it was booked as other income, so you have interest cost of additional of Rs. 4 Crores and the other income is Rs. 4 Crores. Excluding interest from RPS interest cost for the quarter is at Rs. 13.6 Crores, which is lower than Rs. 18.7 Crores reported in Q2 FY2021 on an account of repayment of part of borrowing from QIP proceeds. Depreciation increased by around Rs. 6 Crores to Rs. 97 Crores as against Rs. 90 Crores odd in the previous quarter on account of higher utilization of certain plants and subsequently charging depreciation and primarily the high depreciation is on account of stabilization of couple of lines in Supa which was not there in the last year. The profit after tax which is a MIL's share for a quarter was at Rs. 95 Crores as against Rs. 86 Crores in Q2 FY2021. While we do look at ROCE on annual basis, just for your information, ROCE for Q2 which we have to analyze stands at 18.1%.

Coming to the business segment wise performance, moving to the product lines starting with Switching systems, you may refer to slide #18, the segment achieved revenues of

Rs. 649 Crores for Q2 contributing about 31% of consolidated revenues. We have further received orders from Korean OEM for 4 Wheeler switches. We have also received export order from an Italian two-wheeler OEM.

Moving to Lighting business, slide #19, it has achieved revenue of Rs. 454 Crores for Q2 contributing to 20-21% of our consolidated revenues. We are happy to report as we have mentioned in earlier highlights as well having secured first our LED order from Japanese OEM. Earlier, we were only with domestic OEMs. We have also received additional orders from a leading PV OEM for LED Lamps and DRL for SUV and Compact SUV. These new order further solidifies our position and will help increase our share of business gradually.

Moving to Acoustics, our acoustic business had achieved revenue of Rs. 154 Crores for Q2 contributing 7% of our consolidated revenues. A large part of the revenues for acoustic business comes from our European subsidiary Clarton Horns where European auto industry underperformed significantly due to semiconductor shortage, which has been a lower volume for acoustics business, so while the Indian business did well, the Spain business was quarter-on-quarter lower by almost 25%.

Moving to our Casting business, it has achieved revenue of Rs. 320 Crores for Q2 contributing to 15% of our consolidated revenues. We have completed trial run of our LPDC line with 15K capacity. Model launch of customers is slightly delayed as SOP is now expected in January 2022. We have initiated trial run for 4th line for 2-wheeler alloy wheel plant at Supa. The new line is expected to be commissioned by next quarter.

Moving to our Seating business which achieved revenue of Rs. 243 Crores for Q2 contributing 12% of our consolidated revenues. Seating business revenues were higher as CV and 2W segment were least impacted by current semiconductor shortage, in fact, we are doing good recovery in CV segment with 25% volume growth during the quarter on Y-o-Y basis. The company also received orders for suspended seats. The suspended seats got better comfort for the driver, in fact considering safety of drivers, certain European countries have also made suspended seat mandatory.

Moving to Other product businesses, which have achieved revenue of Rs. 293 Crores for Q2 contributing 14% of overall topline. Other businesses mainly comprise of Sensors, Blow molding business, iSYS, Battery, and Aftermarket, the trading part. The share of profit/ loss of associate, joint ventures for Q2 FY2022 is at Rs. 21.2 Crores against Rs. 10 Crores in Q2 FY2021. Our infotainment JV with Denso, our safety system JV with TG,

our CNG product JV with Minda Westport and Roki, have contributed positively while Minda TTE DAPS and Kosei Minda Aluminum lagged.

In terms of our revenue pie for the quarter ended September 30, 2021, OEM business accounted for 89% and aftermarket business at around 11% for Q2. Our aftermarket division has done well with revenues of Rs. 225 Crores as against Rs. 173 Crores in Q2 FY2021. Aftermarket was also least impacted by semiconductor issue hence clocked good revenue growth. We continue to strengthen our aftermarket division with adding more products like alloy wheel market. We are also increasing our focus and efforts towards aftermarket branding and marketing. Our sales from international markets, i.e., export from Minda plus sales from overseas operations stands at 14% of total consolidated revenues.

Moving to our cash flows and debt levels, our net debt as of September 30, 2021, was at Rs. 388 Crores compared to Rs. 800 Crores as on March 2021 and our net debt to equity stands at 0.11.

Moving to slide #26, on strategic business update, first thing merger of Minda iConnect with Minda Industries, the schedule was filed with NCLT in Q1 FY2022 announcing the date of convening shareholders and creditors meeting expected to be scheduled by end of December 2021. The merger is expected to get completed in next 6 months or so. Second being Europe restructuring, we are undertaking corporate restructuring of our European subsidiaries, i.e., LSTC Spain, iSYS RTS GmbH and Delvis entities could derive synergies and realign product and engineering business separately. Under corporate restructuring it is proposed to merge iSYS RTS into Minda Delvis and subsequently create two separate entities under merged entity. First entity for carrying our product business and second entity to carry out engineering business. The corporate restructuring will help create distinctive businesses for product in engineering purpose and remove any overlap of businesses between these two entities. Third being Minda TTE DAPS. The company had formed a joint venture with TG Taiwan to localize controller and electric sensor in India, however, since localization could not be achieved, I think we have been discussing in past calls as well, the business continued more as a trading since we do not require a separate JV entity for trading, we are transferring all the business of Minda TTE DAPS to the company which is MIL. The company is also entering into sale and purchase agreement with TTE to ensure business continuity. Pursuant to the sale we will also dissolve the said JV and reduce the cost of separate legal entity and related comprises. We, however, continue to work on various ADAS products and have also secured a large camera business from a domestic OEM.

Moving to slide #29 and #30, we first start with ESG, as we all know ESG has gained prominence in last 2 years; however, we have been working on these areas for more than a decade now. We have installed rooftop solar installation across our plants which along with solar power plants which is meeting almost 20% of our energy requirements at this time and that in year 2025, we are targeting to achieve 40% of our energy requirements through solar energy. We are also running water conservation projects across plants. We have already reduced our water consumption by 10%, which can increase further in coming years.

A green belt plantation drive unit across plants, we target to have 40% green area in all our plants. We also run a charitable trust for the upliftment of underprivileged and women empowerment. Today, through our charitable trust, we have benefited roughly 12,000 people from 18 villages across 7 states in India. We have programs that support more than 150 self-help group women for earning their livelihood through mask making, work making and sale of other products. That is all from me. We now open the floor for questions.

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

Ashutosh Tiwari: Thanks for the new PPT format, I think it's much easier to read numbers in more detail. On the question side, the first is that in this alloy wheel, the casting division what is the sales of two-wheeler alloy wheels and four-wheeler alloy wheels in the quarter?

Sunil Bohra: You are asking what is the two-wheeler sale in the quarter?

Ashutosh Tiwari: In the alloy wheel sales category what was the two-wheeler alloy sales in the quarter?

Sunil Bohra: Two-wheeler in the quarter was roughly Rs. 70 Crores or so.

Ashutosh Tiwari: So, it ramped up very well. Okay, and four-wheeler?

Sunil Bohra: Four-wheeler was roughly around Rs. 190 Crores or so.

Ashutosh Tiwari: Secondly, we also seen a good ramp up improvement in profitability of associates in this quarter it has gone back to Q4 levels, so which associate has contributed more to than this, this improvement?

Sunil Bohra: I think as I said, Ashutosh, all of them have worked better, what has helped also is that some of the entities, which were actually in red have lower or improved profitability, so we have actually seen the share of profits increase almost across the board barring in fact as I mentioned while the couple of entities which were in loss, like we did mention TTE and KM, even there relative loss has been lower, so all this has helped.

Ashutosh Tiwari: There is no element of price increases that we see for previous quarters in this?

Sunil Bohra: No, that is a running loss, while we would have received little bit price increase for previous quarter, there is little bit of price increase in Q2 also, which would have spilled over to next quarter so if you see on a net basis there is no significant impact.

Ashutosh Tiwari: Lastly on this lighting order that we have received now basically in terms of this order that you receive in total, what would be the potential revenue say in FY2024, all orders put together?

Sunil Bohra: All these new orders put together are as of now more than Rs. 300 Crores.

Ashutosh Tiwari: This is mainly headlamp orders, right?

Sunil Bohra: No, earlier what we have been getting overall LED tail lamps. We have got one headlamp order which was the domestic OEM, now we have got from a Japanese OEM.

Ashutosh Tiwari: This aftermarket revenue which we have seen a good improvement last year, even this quarter we have seen good jump including that to say last year Q3 levels, is it like can we see here further quarter-on-quarter improvement in Q3 as well or how do you see the aftermarket ramping up over the next three to four quarters?

Sunil Bohra: If you see, Ashutosh, aftermarket on an annual basis we'll definitely continue to grow in double digits, quarter-on-quarter, it is little difficult to comment because normally what happens in Q3 you tend to have sales little bit lower than Q2 because in Q2 because of festive season all that, there are a lot of refreshes and all the pass through, etc., and in Q3 normally the sales are little lower than Q2, but what we are internally working is we should actually see some improvement in Q3 as well and if you see on an annual basis, we have pretty aggressive plans and as I shared also we are going to sort of start a big branding campaign specifically targeting the aftermarket segment.

Ashutosh Tiwari: Thanks a lot, and all the best.

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

Mukesh Saraf: Good evening and thank you for the opportunity. Firstly, is on your EV products that you have given some details on, it is good to see that you have more products now under production as well as underdevelopment. First question is on the BMS and BCM that now you have started under production, could you give us some sense on initially would we have more of imported components that you have to work with and probably later look to localize some of those, so how does this work in terms of costing and margins for us?

Sunil Bohra: I will not comment on costing and margin, Mukesh, as of now because I think we are at a stage where the volumes are obviously very, very low. The volume are not very, very significant, but I can say in terms of localization as you know our always endeavour has been to sort of see gradually we localized most of the components, but we all know that the biggest components in all the electronics is the semiconductor, which we continue to import as a country and even if somebody has to setup the capacity, it takes two to three years, so in the medium term we have no choice, but to continue import of semi-conductors.

Mukesh Saraf: Apart from the semiconductor most of it is localized is what you are saying?

Sunil Bohra: Yes, we will be localizing gradually because initially you have little bit of components like magnets, capacitors that also we are trying to see how we can gradually either localize or diversify our supply chain as well.

Mukesh Saraf: Right, understood and related to this when we say products under development, is it fair to say that we are working and wherein the OEM is already working with us on that product?

Sunil Bohra: Yes, normally as you know, Mukesh, whatever products we invest in, we always try and have an anchor customer, so we do have anchor customers for products which are under development.

Mukesh Saraf: Right, understood that and when I look at the other segment you have now touched close to Rs. 290 Crores odd and in last quarter I think you had mention that sensors and controllers out of that was around Rs. 40 Crores odd, how would that number be at this time, Sir?

Sunil Bohra: You are referring to in this quarter, how much is sensors and controllers?

- Mukesh Saraf:** Yes, correct.
- Sunil Bohra:** Sensor and controller, do not have the controller number readily available with me unless Ankur, sensors I remember it was around Rs. 55 Crores and sensor and controller put together is around Rs. 68 Crores.
- Mukesh Saraf:** That is again ramping up back to the earlier levels and on price hikes, I think specifically last time you had mentioned that seating was an area where it was getting slightly tough to get the entire price hikes for the commodities, now with some improvement in commercial vehicles and some of the other areas that we are supplying. Has that situation improved for the seating systems in terms of price hikes?
- Sunil Bohra:** Yes, partly yes and partly no, Mukesh, I am trying to be honest, so as I was saying that while we would have got the price for some of the customers for previous quarter or previous 6 months, but spot unfortunately in lot of the components in seating is mostly steel while there has been softening, but it is not significant, it is still either at the average or above average price so that continues to impact the seating business and we do expect the seating business to have gradual improvement in coming quarter in terms of its margins.
- Mukesh Saraf:** Understood and just last question, you have said that by November 30th, 2021, you will want to get some update on this UzChasys acquisition, any updates there at all?
- Sunil Bohra:** I think that we had been having tough negotiations with the sellers, so things are little in grey area now. I would not say it is certain, but we will confirm that, but probability is reducing actually.
- Mukesh Saraf:** Got this. Thanks for this. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Amin Pirani from JP Morgan. Please go ahead.
- Amin Pirani:** Thanks for the opportunity. My question was mostly related to slide #11, which you have given very detailed breakup of the EV kit value, just a question, so I mean basically Rs. 28,300 is the potential EV kit value that you can do after all the products under development come into production, is that a correct way of understanding that?
- Sunil Bohra:** Yes.

- Amin Pirani:** Rs. 7300 is what you are already doing for ICEs and that can be fitted into EVs, is there anything that you are doing right now, which could get replaced, is there any ICEs that you are doing right now or all your ICE is only compatible with EV as of now?
- Sunil Bohra:** Actually, Amin, we used to one slide, which we have removed from this presentation, if you want we can separately share with you, so there is a slide it is also there in the website, Ankur, if you can send separately Amin as well, so we have made a slide, which shows all our components, today which goes into ICE engine, what will go into EV and what will not, so as of now if you see for Minda Industries consolidated perspective, amongst the products which are there in MIL will go into EV. We have couple of joint venture, one is filter for Roki Minda for which revenue does not get consolidated and other is Minda Westport which makes the CNG kit, so these two products, these two entities, revenue anyway does not get consolidated in MIL because they are joint venture and these are the two components, which has obviously no requirement of EV both filters and CNG. So other than that, almost every product will be agnostic to the type of energy it runs on.
- Amin Pirani:** Understood, so the starting point of Rs. 7,300 is basically a net, which actually all of that?
- Sunil Bohra:** It is all of that.
- Amin Pirani:** Understood and just one more clarification which is related to slide #8, so basically you are saying that battery management system is something which is a new product, so when you supply battery management system, so how does it works, have you developed this or is the IP lying with the OEM and they had shared it with you and you are just manufacturing, how does the arrangement work on this?
- Sunil Bohra:** If you see in this slide, there is a small word mentioned AMP, AMP is our technology partners based of US, it is a niche technology player. It is very boutique firm and this product is developed along with AMP and Minda Industries in our R&D center at CREAT, so the product is developed fully by us.
- Amin Pirani:** So, OEM it is basically taking it from you and fitting it into their overall system?
- Sunil Bohra:** That is right, but obviously whatever OEM needs customization that has been there.

Amin Pirani: So, this also means that you can do the same thing and we can scale it up to other OEMs with just minor customization, we do not have to develop it again for a different OEM basically?

Sunil Bohra: Absolutely.

Amin Pirani: Understood, that is very helpful, Sir. Thank you. I will get back in the queue.

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

Nikhil Kale: Thanks for taking my question. My question is first on the lighting order win, so you mentioned about LED multifaceted business so if you could just throw some more colour on this, what is this, how is this product different from the existing lights content wise, what is the difference and also in terms of any numbers or volume that you are looking at this order?

Sunil Bohra: I would not want to share volumes as of now, Nikhil. You know very well that, if I share volume you will be able to guess who is customer, so let us park that because that is also depending on customers reach, model, etc., but ballpark I can share that we are expecting revenue of that plant annualized peak revenue is more than Rs. 50 Crores of that one lamp. In terms of why it is important for us is that first of all if you remember a couple of years back for us, it was very difficult to even get a Halogen headlamp business, we are mostly into all other lamps, but the headlamp. Now today we have reached a situation where you are getting not only headlamp, but we getting the top technology headlamps primarily in LED space as well and we have actually got earlier headlamp LED business from the domestic OEM, this is the first with a Japanese OEM, so it makes a significant milestone for us, because then it also opens the door for future vision because gradually every vehicle is moving from Halogen to LED and this will sort of establish ourselves as a full technology provider, which has got everything what customer wants in fact I think I have shared earlier also our technology company which is in Europe it also already has a laser lamp, so which is the way ahead of time, we do not know whether when the laser lamp being produced, but that is where we are in terms of technology and today we are very happy that it actually now cements our position in the PV headlamp business.

Nikhil Kale: Secondly on the seating side, if I look at the revenues, revenues are broadly similar to Q4 levels despite if I just compare the production for three wheelers and two-wheelers, CV production and yet we have tied up back the revenue on that term, so are there any new

orders of the customers that we have started supplying or is it within the prices increases so what is driving that?

Sunil Bohra: As I said, Nikhil, we have added one new customer for seating and it is primarily that is also for suspended seats, just to tell you suspended seat is almost like 4x of the traditional seat because it has got the suspension; suspension are normally two types one is mechanical and one is pneumatic, but for both of them the cost is significantly higher than the traditional seat and that we got from an off-road customer, so we are actually gradually adding new customers to seating business, we already have almost like three or four, I do not remember exactly new age EV players also, where we are providing seating to them, so we have been adding customer in our seating business.

Nikhil Kale: Just one more question on the lighting side, what would be the Delvis revenue for the quarter?

Sunil Bohra: In lighting side what is the Delvis revenues?

Nikhil Kale: Yes.

Sunil Bohra: Delvis revenues for the quarter were roughly around Rs. 55 Crores or so.

Nikhil Kale: Thank you.

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

Raunak Sarda: Thanks for the opportunity. My first question on the alloy wheel business given how the production of alloy wheel customers were restricted in the quarter, so how was the alloy wheel revenue let us say in Q2 last year versus this year, so is there any significant decline, you mentioned Rs. 160 Crores for this quarter, right or did I hear correctly?

Sunil Bohra: You are referring to?

Raunak Sarda: Four-wheeler alloy?

Sunil Bohra: So, four-wheeler alloy is more 190+, last year four wheeler was in same quarter was Rs. 122 crores.

Raunak Sarda: What explains this very strong given now the production was also constrained this quarter, so this is driven by both of new orders and this is like price escalation also has led to this sharp jump?

Sunil Bohra: There is a component of price escalation. You are 100% right, head on, but even if we exclude that price escalation, there is a significant growth in the PV business. This is primarily because of not only new orders, but also the increased penetration that we had been talking for past years, the consistent increase in penetration of alloy wheel versus the steel wheel that has been creating the demand and also despite the volume being lower, we have been consistently almost like close to the capacity and we might actually have to now work on increasing our capacities further because we have been fortunately getting more businesses so very soon we may have to increase our capacity in PV alloy wheel as well beyond what we are doing at Bawal, so we might have to extend in Gujarat as well.

Raunak Sarda: The second question was on EV component, you have highlighted the content, but if I see your current product portfolio we are the market leader in most of the component we supply, how do you see the market share stabilizing in the new age component for electric vehicles and what would be your target market share where you see you know which would give more or great business to be in?

Sunil Bohra: Definitely a very good question, Raunak. In terms of target we all know I think we have communicated very clearly in the past that whatever business or product we enter into our target always used to have a minimum 30% size of the cake in terms of market share, we do not want to be a fringe player of single digit percentage as then we have no choice, but to then be dependent on what our competition does with us, so our target always remains at least 30% share in whatever business we are. Now specifically what is our share of business today I think it is very, very difficult to comment because what is happening is that the volumes are so low normally only. Also you have to appreciate they cannot have multiple sources when the volumes are low because then you have to have two-two development costs, etc., we see the volume itself are so low, it is very difficult to sort of guess what is going to be our market share going forward, but I think we are sticking to our target whatever products we are in our target remains undiluted.

Raunak Sarda: Right, but based on the current production whatever it is you know maybe around a lakh units will the market share be in double digits right now based on your understanding?

Sunil Bohra: Honestly, we have to get back on this, Raunak, we have not calculated that.

- Raunak Sarda:** Sure, thank you and all the best.
- 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 the EV side we see that we are also considering other larger probably opportunities like the motor controller or so, some thoughts were that given that this is sort of a slightly higher technology expertise side and we have many players here again are making these things, how do you assess your strength to make and supply these components, do we look for a partner here or where are we in terms of the planning, so just a bit on that?
- Sunil Bohra:** Siddhartha, I think again a very good question. So motor controller definitely we have been working in-house so that is something our teams are working for quite some time and we hope that we should be able to do our work. In terms of motor definitely we might need some technical support, so as of now the teams have been working in R&D, we are also looking parallelly for some technical support from a technology partner.
- Siddhartha Bera:** Based on your assessment probably how soon can we start or look for this moving into production any timelines you can share on that?
- Sunil Bohra:** I do not want to speculate, Siddhartha, once we have got full visibility let me come back to you and it will be in the near future. It would not be too far.
- Siddhartha Bera:** Got it and Sir, on the ADAS side I mean there are a lot of opportunities there I think in TTE DAPS we used to do only the R-Patch, so any thoughts here anymore products we can add or we are working on this side?
- Sunil Bohra:** As I said, we have recently won a large camera business and the annual peak value is more than Rs. 100 Crores for that business and that is something which will step forward in terms of that all-round what you call, that 360 view and all that stuff so we are working on it even the camera addition was a big step forward which is the revenue given much more than what is the existing business of Minda TTE, so we are very, very positive on ADAS, products well and we see from that original path what we have taken with TTE, yes, there was a step back in terms of local manufacturing, but that relationship definitely contribute so as and when a lot of market demands we will be ready for production, initially we have to do a little bit of trading, but gradually we will see once volumes increase how do we have our local manufacturing as well.

- Siddhartha Bera:** Got it and will it be possible to share the profit for Roki and TG Minda in this quarter at least?
- Sunil Bohra:** Normally you know, Siddhartha, we have stopped sharing quarterly profit because of sensitivity from customers and other competencies.
- Siddhartha Bera:** No issues, thanks a lot. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Suraj Fatehchandani from Compound Everyday Capital. Please go ahead.
- Suraj Fatehchandani:** Thank you for the opportunity. My question was how much revenue we would have lost because of the semiconductor shortage issues?
- Sunil Bohra:** How much of revenue we have lost?
- Suraj Fatehchandani:** Due to the semiconductor shortage issue you said in the introduction that we had demand but there was supply shortage because of semiconductor issue?
- Sunil Bohra:** No, we all know that, I will give you an example, while we had broad indication from customer for rolling three month basis and I think we all would have read in news also there is speculation that Maruti is planning to produce 180k volume in a month, but for the component shortage they had to limit it to 120k or 130k so that is the kind of delta we have seen with some of customers impact because of semiconductor shortage now if I have to put a number to it, it is very difficult because it is a mix of that it differs with customer to customer, so customer it was like 30%, some where it was on the 20%, somewhere little more, but definitely there was a significant impact because of the semiconductor shortage because I think you also know as a layman, if we have to go to market to buy a vehicle the wait time is almost like up to six to eight months.
- Suraj Fatehchandani:** Got it, and lastly the current debt levels should we assume that these are the common peddlers that we would like to maintain?
- Sunil Bohra:** No, so we have said very categorically for last I think many years now, our max debt to EBITDA level is 1:1, today we are fortunately very, very low primarily because of the QIP and the decisions we took during the second stage because nobody knew what will happen post second COVID whether the third wave of COVID or no, so as we discussed in the last call that there was conscious call being taken by the board to stay fit and that is why this QIP was done, otherwise our balance sheet was even handy without that, the

whole purpose we have taken a decision maybe in hindsight one can say we could have avoided, but that time the market was little different, we all knew that the country had suffered very badly in second wave and we have taken decision that point in time that it is better to stay fit and reduce some of the debt and that is why we have done that QIP but in no way we are saying that what will reduce our target because if you have to consistently grow and we have to grow more than what the industry grows which we used to seen in this quarter while our growth on topline is 30% even if we exclude the impact because of the commodity price increase we have grown north of 20% where the industry overall volumes are flat, so if you have to continuously grow the business you might have to consistently invest in the capacity we also share for example that for a PV alloy wheel while we are currently in expansion mode in Bawal we might have to go for the expansion in Gujarat so fortunately we have been getting good businesses and to meet those kind of aspirational growth you might have to consistently sort of reinvest in our business.

Suraj Fatehchandani: Got it, Sir. That will be all. Thank you.

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

Mumuksh Mandlesha: Thanks for the opportunity. I just want to understand this Other products it is growing 63% Y-o-Y, so other than sensors how much growth is blow molding, PCB and lead batteries?

Sunil Bohra: Other than sensors, how much is for growth in blow molding?

Mumuksh Mandlesha: Yes, blow molding, PCB and lead batteries?

Sunil Bohra: So, blow molding growth is almost like 10% plus on the quarter-to-quarter basis. Battery and all also have done actually very well, so while it is part of our aftermarket because that Battery mostly we are selling through our aftermarket division that it has grown almost 20% or so compared to the last Q2.

Mumuksh Mandlesha: And so PCB?

Sunil Bohra: So, Minda Katolec also has grown significantly. I think last year to this year they have grown more than 50% because we have added some capacity and now we are also adding more capacity this year so Katolec has grown more than 50% on year-on-year basis.

Mumuksh Mandlesha: Sir, how do we see ramp up for the two-wheeler alloy wheel and the sensors over the next three years considering this is lower production so how do you see the ramp up for both these division?

Sunil Bohra: Two-wheeler alloy wheel as I said we should actually what you call after we commission this fourth line we should be almost at capacity by end of fiscal.

Mumuksh Mandlesha: And for sensor, Sir?

Sunil Bohra: Sensor, has actually been doing very well, so sensor business if you see last year versus this year I has grown more than 20% to 25% and today we are at run rate of almost like Rs. 220 Crores odd even if the central control put together it is like Rs. 270 Crores to Rs. 280 Crores run rate, when we have shared a couple of years back we said our annual target is almost like Rs. 500 Crores to Rs. 600 Crores in the next four year or so, and we are sticking to that target.

Mumuksh Mandlesha: Great, last question on the capex and investment plan for this year?

Sunil Bohra: So, as of now there is no change in capex plan than what we shared earlier. We might have to expand a little bit of capacity but definitely will come back once it is recommended to the board and approved.

Mumuksh Mandlesha: Thank you so much, Sir.

Moderator: Thank you. The next question is from the line of Bibhishan Jagtap from Canara Robeco AMC. Please go ahead.

Bibhishan Jagtap: Sir, thanks for taking my question. So, my question is on Minda Kosei, I think you earlier highlighted that the production to start from the quarter four of FY2022 onwards, so are we still on the schedule?

Sunil Bohra: You are referring to LPDC or the Bawal expansion?

Bibhishan Jagtap: Yes, correct from 120 to 180.

Sunil Bohra: That is the Bawal expansion. We are sticking to that target of end of the year starting of the commissioning.

Bibhishan Jagtap: So, when the commission production will start?

- Sunil Bohra:** There would not be much gap maybe a month or so here and there.
- Bibhishan Jagtap:** Sir, secondly on lighting business, the new plant which you are setting up for the four-wheeler which is in Gujarat so are we done with it?
- Sunil Bohra:** That has just started, that will take little more time. Ankur, what was the timeline we said, originally it was before September, next year?
- Ankur Modi:** Yes, this was September next year.
- Sunil Bohra:** Because we just started the project work there few months or a month or two back.
- Bibhishan Jagtap:** Sir, at the beginning you mentioned that the RM probably the increase was largely passed on, is it possible for you to quantify, how much we have taken or how much is yet to get?
- Sunil Bohra:** We have not quantified, we cannot share this kind of numbers, but I can tell you whatever was the increase due, as per contract we have received, broadly.
- Bibhishan Jagtap:** That is it from my end, thank you.
- Moderator:** Thank you. The next question is from the line of Peter Uday from Hema Wealth Management. Please go ahead.
- Peter Uday:** Good evening. Sir, my question is that in the last few years in terms of Indian domestic numbers, the SIAM numbers are highest in 2019 about 24 million for two-wheelers and over 4 million for passenger vehicles, so I want to understand for FY2022 and FY2023 as a company what numbers are you guys working with? Are you taking the high watermark of 2019 can be breached, two consecutive years given the constraints on the demand situation, as the company what is your view for the next two years?
- Sunil Bohra:** I do not think our view matters much because it is different for different customers because we all know that everybody has been impacted because of the semiconductor issue and as we said we are expecting it well to go into the middle of 2021-2022 but for this semiconductor shortage impact has not been there, what internally we had been sort of working on that definitely industry volumes of the previous peaks the expectation is we should see that again 2022-2023, so that is the broad thing we are working. But when we see internally, we see a lot more than that the industry volumes is one reference point, our target normally is how do we increase our share year-on-year because even if the industry volume remains same and if I look at the increasing share of business, we will continue to grow, so our normally internal target is irrespective of whatever industry

volumes are going to happen, are we growing our share of business year on year, so that has been the target for our businesses and our marketing teams.

Peter Uday: And would this be similar to your strategy in Europe as well?

Sunil Bohra: Absolutely.

Peter Uday: Thank you, Sir. That is all from my side.

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

Raghunandhan NL: Thank you, Sir for the opportunity. Most of my questions are answered. Firstly, considering the improvement in chip supplies, how do you see the increase in production schedules for you in Q3 compared to Q2? Secondly many ancillaries are trying to get into EV related parts would there be pricing pressure given your aspiration of 30% market share and also if you can share how many customers does the company have in electric two-wheelers in domestic market?

Sunil Bohra: I think you have asked three or four questions, noted all, so first you said, I will start from bottom, two-wheeler EV customer segment we have almost four or five large EV customers, to whom currently we are servicing. Then you said 30% share of business does it pose any challenge because a lot of people getting into ancillary business? I must tell you, Raghunandhan, if you see we are already more than 30% in most of our businesses be it lighting, be it acoustic, be it switches, be it wheels so most of our major businesses we are already 30%.

Raghunandhan NL: I am talking about EV side?

Sunil Bohra: EV side, yes, you are right, a lot of people are working on getting into, but it is I think easier said than done, because even if you are a core player, I do not want to take any name, but if you are our existing OE player or even the new age OE, we will always like to have a reliable partner and not only cost as a driver so from that perspective Minda has got a credibility and experience of more than six decades and with almost, at least the existing OEMs we have been working for more than at least a decade if not less; maybe some of them, we are working with more than 3 decades so if you see from that perspective we got that credibility and delivery established fully so if at all I think we should be the supplier of choice rather than any newcomer on the block and our strength has always been technological led products and also just in time delivery in

manufacturing, etc., what you call QCDD- Quality, Cost, Delivery and Development, so even though if you might have competition as a customer, you will always like to have a reliable supplier because if you cut corners and there is some supply shortage from your vendor partner, entire line stops, so nobody will take the risk of live stoppage; so from that perspective, I think we are very, very well placed and even with the new age OEMs we are finding that traction, yes, initially a year back we were little late, but I think we have caught up and we are there now with the new age EV players, so to cut the long story short, there might be challenges and having said that in the existing products, we have enough challenge, but I think we have time and again proved our results and we have stayed to our commitment of delivering to our customers, so I think all in all we are too much worried of the competition because of the existing because there is a hell lot of competition.

Raghunandhan NL: Thank you for that reassurance. That gives a lot of confidence on the EV side and just that other question you know like on the PV side, how are you seeing the increase in production schedules for Q3 versus Q2?

Sunil Bohra: Honestly, not much of improvement, because still there is a significant impact because of semiconductor shortages. So overall if you see Q3 to Q2, I am personally not expecting any significant volume growth because there is one more factor, in Q3 we have a couple of shutdowns also, you have festive seasons which just started for Deepavali then we will have again the holiday post Christmas, there is annual shutdowns, so that also has some impact on volumes.

Raghunandhan NL: Got it, Sir. Thank you so much for that.

Moderator: Thank you. The next question is from the line of Nagendra from Growthx Capital. Please go ahead.

Nagendra: Sir, good evening. Thank you for the opportunity. Sir, just one question on the JV side that Minda TTE DAPS (P) Limited, so that JV is going to dissolve in some time, so I just wanted to know how much topline it was contributing and post that entering into this main company, what are your targets from this JV?

Sunil Bohra: So, first question was, how much of revenue is, Minda TTE has been contributing. So definitely it has not been consolidated in Minda TTE first of all it was a joint venture, the revenue was not consolidated, but irrespective of that I think last quarter they did something like Rs. 14 Crores to Rs. 15 Crores worth of revenue.

- Nagendra:** What is the goal with this target JV if it is consolidated into the main company?
- Sunil Bohra:** See, what we said is that as of now Nagendra we will move the entire business from M-TTE to Minda Industries so business continues as it is, it just moves from JV entity to a parent entity and we move in terms of simplification with the structure, we will get out of entity because we are not adding any significant value there and whatever business we have in pipeline like we just adding the camera business also that all will come in MIL, we continue to work for growth of this ADAS business. So our focus remains irrespective of whether JV is there or not. In fact, now we have got better flexibility also because when you are having this JV, we were also bound by the JV project where obviously we had exclusivity with TTE which we will no longer be having once we move to our trading business, so it will also give us a lot more flexibility and maybe getting into little maybe if required another technology support, etc.
- Nagendra:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Good evening, Sir. In your opening remarks, you mentioned about adding two more new age EV OEMs in the portfolio, so could you name them, or could you share some more about the customers who you are supplying the EV products?
- Sunil Bohra:** Normally, we do not name customers.
- Shashank Kanodia:** Sir, to be specific have we on-boarded Ola Electric?
- Sunil Bohra:** No.
- Shashank Kanodia:** Second, Sir, on the long-term basis you are always maintaining the margin guidance of 12% to 14%, so that still remains true, or is there a scope for upward revision over there?
- Sunil Bohra:** I would not upward revision. We are sticking to our 12% plus kind of guidance, but what has happened is if you have seen and I think I also tried to explain, even though the cost escalation, cost increases we have been able to sort of pass on with the customers based on the different agreements we have, it actually dilutes.
- Shashank Kanodia:** Absolute cost pass through the point that you are making, is there Rs.100 increase in cost, probably you have increased that in realizations as well, so mathematically the margins optically look less. So that is the question where I am coming from?

- Sunil Bohra:** Absolutely, we are able to maintain, actual profit, but percentage wise it will drop.
- Shashank Kanodia:** Understood, Sir. That is all from my side. Thank you.
- Moderator:** Thank you. We will take the last question from the line of Vijay Karpe from Bryanston Investments. Please go ahead.
- Vijay Karpe:** Thank you for giving me this opportunity. Sir, you talked about improvement in penetration of alloy wheels, so the aluminium pricing has shot up drastically, so is that not impacting the affordability of alloy wheels and is that impact the in case in penetration in the short to medium term?
- Sunil Bohra:** To answer to a point straight, Vijay, it does not impact immediately. Yes, you might be right that in the medium to long term it might impact little bit of demand where the penetration would have expected to go from say 35% to 50% here it might be less, but today whatever is the volume line up normally it is very difficult to just shift from alloy wheel to a steel wheel and secondly today alloy wheel is something which a customer is asking, so if an OE does not provide it actually might impact the eventual sale of the vehicle so yes, OEs can give an option because the costs are going up of alloy versus steel, but we are pretty confident that the penetration continues to grow and the reason for our confidence is that our alloy wheel in the OE SPD - the spare part division continues to grow, which means that people whosoever are even buying the steel wheel maybe after some time going for a replacement of steel to alloy, so it is also driven a lot by what customer prefers to buy so if customer's willing to shell out that money for fancy alloy wheel, definitely that draws in the minds of the customer as well in terms of the OE customer. Now just answer to a point also if you see globally the alloy wheel penetration in developed market is almost like 80% to 90% and we are still in 30%, when we started we were in 15%, we were in teens, so we have been catching up but there is a long road to catch up and we are pretty confident that despite this whatever price rise we will continue to see the increase in penetration of alloy wheel versus steel wheel and that also is proving in some way the way we have been fortunately figuring from businesses and expanding our capacities.
- Vijay Karpe:** My last question is pertaining to the reconfiguration of the four-wheelers, in consideration of the four-wheelers alloy capacity at the end of FY2021, I mean Bawal we had 120,000 wheels and in Gujarat we had 60,000 wheels, so by end of FY2022 what would this move to?

Sunil Bohra: Bawal will be around 180,000 hopefully assuming the project comes on-line on time, Gujarat will be 60,000 plus maybe another 20,000 which we are trying to debottleneck, add capacity here and there and plus another 15,000-20,000 of the LPDC so overall Gujarat maybe close to 100,000 and Bawal will be 180,000 so around 280,000.

Vijay Karpe: Then you also talked about we will require more capacities, so what will be the capacity like and when will they come?

Sunil Bohra: As of now there is no proposal which has come to the board, but we are actually working on our drawing board that we might need to expand our capacity in Gujarat because we have been fortunate to get more businesses and to meet that business we will have to expand our capacities, so normally what we have been growing is a multiple of 30,000 in LPDC, 30,000 capacity per month so if at all, the minimum expansion will be 30,000.

Vijay Karpe: Great. Thank you so much and best of luck.

Moderator: Thank you so much. I now hand the conference over to Mr. Sunil Bohra for closing comments.

Sunil Bohra: Thank you. I would like to thank everyone for joining on the call. I hope we have been able to respond to 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, Sir. On behalf of Minda Industries that concludes this conference. Thank you for joining us. You may now disconnect your lines.