



“Minda Industries Limited Q4 FY ’21 Earnings Conference Call”

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Moderator:

Ladies and Gentlemen, Good Day and Welcome to the Minda Industries Limited Q4 FY '21 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the belief, 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 participants' 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 '*' and 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, Minda Industries. Thank you and over to you, Sir.

Sunil Bohra:

Thank you Mallika. Good Afternoon and a warm Welcome to all the participants. I hope you all are keeping safe and healthy. These are unprecedented times, please take care of yourself and your near ones.

On the Earnings Update Call today, I am joined by my colleague, Ankur Modi – Head of Treasury and IR, and SGA our IR advisors. We hope you have had a chance to look at our financial results and presentation that is uploaded on stock exchange as well as the company website. I will briefly discuss about the business landscape and then update on our performance in the preceding quarter following which we will be happy to respond to your queries.

As you must be aware, the close of fourth quarter was affected by the second wave of COVID, the intensity of the second wave was much more severe than last year. The announcement of lockdowns in April by the State Governments like Maharashtra, Delhi, Tamil Nadu resulted in many OEMs cutting down production or shutting down their plants all together. This was reflected in the auto sales number for April and May, which have shown considerable degrowth on a quarter-on-quarter basis, but as the new infection cases have started to drop and the pace of vaccination has improved, the lockdown restrictions have started to ease out indicating improved demand and better capacity utilization for OEMs.

Personal vehicle sales might see a swift recovery as the economic activity picks up and preference for personal mobility will further fuel the demand. Also the probability of third wave might make an increasing number of people opt for personal vehicle. The second wave affected the rural areas as well and hence we believe the demand for two wheelers might take some time before it normalizes, but positive indicators like forecast of normal monsoon, higher rabi crop sowing than last year, and financial measures included in this year's national budget will act as a fillip to the rural economy.

The initial few days of June has been much better than May. The supply chain is more robust this time around and a faster recovery of demand is expected. As you are aware that merger of Harita Seating Systems Limited and four holding companies with Minda Industries were completed on April 1, 2021. The merger was effective from April 1, 2019, hence the company has given effect to the scheme as per Ind-AS 103, i.e., business combination in the standalone and consolidated financials with effect from appointed date, that is, April 1, 2019. Accordingly,

the figures of previous period or previous year have been restated to include Harita's financials. Further, the Board of Directors of the company have approved purchase of remaining 49% stake from the existing JV partner, F.S. Fehrer GmbH in subsidiary Harita Fehrer Limited for a purchase consideration of Rs. 115 crores. Harita Fehrer will become a wholly-owned subsidiary of Minda Industries after we purchase 49% shareholding of Fehrer GmbH in the joint venture. As per the accounting norms, we have already considered 100% of Harita Fehrer Limited financials while consolidating the results.

Coming to our quarterly performance:

You may refer to Slide #6, at consolidated level during Q4 of FY '21, the company reported its highest ever quarterly revenue of Rs. 2,238 crores as against Rs. 1,498 crores for Q4 of FY '20, registering a growth of 49% year-on-year. This as you will note is significantly higher than the overall industry volume growth of 31% during the same period. The revenue for Q3 FY '21 was Rs. 2,031 crores implying a quarter-on-quarter growth of 10%. The growth momentum from Q3 had continued in Q4 as well. We were operating at around 85% to 95% utilization at most of our plants to cater to these robust demands. EBITDA for Q4 FY '21 was at Rs. 302 crores in comparison to EBITDA of Rs. 140 crores for corresponding quarter, i.e., Q4 of FY '20. The EBITDA margin has also improved significantly on year-on-year basis from 9.3% to 13.5% in the current quarter due to better operating leverage and sustained cost control.

During this period, the interest cost has reduced from Rs. 22 crores to Rs. 15 crores as debt has come down due to pre-payment of some of the borrowings and also renegotiation of interest rate downward on some of our loans resulting in lower interest expenses. Depreciation has increased from Rs. 89 crores to Rs. 107 crore on account of capitalization of new projects mainly two-wheeler alloy wheel, sensors etc. The profit before tax for Q4 FY '21 was at Rs. 190 crores as against PBT of 33.6 crores in Q4 of FY '20, registering a growth of over 4.x. The profit after tax, which is the Minda Industry's share for the quarter was at Rs. 140 crores as against Rs. 13 crores in the corresponding quarter last year, an increase of 10x and it was Rs. 115 crores in Q3 FY '21, an increase of 21%.

We would also like to highlight that Q4 has been historically better quarter in terms of financial performance. One of the reasons is the price revision and adjustments with OEM during the quarter. Some of our associate JVs have also received retrospective price adjustments during the quarter resulting in better share of profits of associates and joint ventures. Besides our infotainment business did well during the quarter on back of good orders. While most of our businesses have done well, there are few businesses which are under incubation or nascent stage, which have underperformed. Couple of these businesses are Minda Onkyo and Minda TTE Daps. Accordingly as per the accounting rules, we have taken an impairment provision of Rs. 10 crore in standalone results for the quarter. As you know in consolidated financials, the share of loss has already been accounted for.

Moving onto the annual performance:

You may refer to Slide #7, the company reported annual revenue of Rs. 6,374 crores for FY '21 as against Rs. 6,222 crores for FY '20, registering a growth of 2.4% year-on-year. As you can see, Harita Seating Division sales have decreased during the year due to the pandemic and lower recovery on CVs in comparison to two wheelers and PVs. Excluding Harita, our consolidated revenues for the same period have grown by 5% roughly despite Q1 FY '21 significantly impacted due to lockdown. EBITDA for full year was at Rs. 725 crores in comparison to EBITDA of Rs. 672 crores for FY '20. EBITDA margin also has improved for year-on-year basis from 10.8 to 11.4%. The profit before tax for full year FY '21 was at Rs. 325 crores as against PBT of Rs. 244 crores in FY '20 registering a growth of 33%. The profit after tax after minority was at Rs. 207 crores as against Rs. 155 crores in FY 2020. The Board has also recommended final dividend of Rs. 0.50 per share, which is 25% of face value reflecting commitment from the company to returning value for shareholders on a consistent basis. The company has also paid interim dividend of 0.35 per share in February making total dividend of 0.85 per share for FY '21 translating into dividend payout ratio of 11.2%.

Moving to the product lines:

You may please refer to Slide #9 and #10. Starting with switching system, the segment achieved a revenue of Rs. 575 crores for Q4 contributing about 26% of total consolidated turnover while the revenue for full year was Rs. 1,804 crores contributing to 28% to the full year revenue. For two wheeler switches, we have acquired new business from an iconic American motorcycle manufacturer, which has been a big breakthrough for the company. For two wheeler switches, we have received orders for self-designed, anti-pinch power window and sub-switch power socket and order also from a Korean OEM for supply to Russia and Indonesia market and also complete switches order which is the 30 number of switches for a model for Japanese OEM in India.

Moving to the lighting business:

We achieved revenue of Rs. 486 crores for Q4 contributing to 22% of our total turnover. The full year contribution was also 22% amounting to Rs. 1,417 crores. We have received orders to supply lights to traditional two wheeler OEMs and now looking to increase volumes there. We have also got first time entry into global European automaker for supply of four-wheeler light.

Moving to our casting business:

It has achieved revenue of Rs. 319 crores for Q4 contributing to 14% of our total turnover. The full year contribution was 12% amounting to Rs. 748 crores. The two wheeler alloy wheel project, three lines have been commissioned and the fourth line is set to be commissioned in Q2 of FY '22. The capacity expansion for four wheel alloy wheel at Bawal is under progress.

Moving to acoustics business:

The business has achieved revenue of Rs. 167 crores for Q4 contributing 7% of our total turnover while it contributed 10% to the full year revenue amounting to Rs. 607 crores. Our European subsidiary, Clarton Horns, has received new orders from Japanese and American OEMs.

Our seating business achieved revenues of Rs. 252 crores for Q4 contributing 11% to total revenue and Rs. 650 crores for FY '21 contributing 10% to the full year revenue.

Moving to other product business:

It has achieved revenue of Rs. 440 crores for Q4 contributing 20% of overall top line. These businesses mainly comprise of sensors which delivered Rs. 64 crores, Katolec at Rs. 34 crores, and blow moulding business at Rs. 54 crores, and lastly, the battery business at Rs. 38 crores. The revenues for full year from other businesses was Rs. 1,138 crores contributing 18% mainly comprising of sensor at Rs. 171 crore, Katolec at Rs. 102 crores, blow moulding at Rs. 158 crores, and battery business of Rs. 115 crores.

Moving to Slide #11, in terms of our revenue pie for the quarter and full year ended March 31, 2021, OEM business accounted for 89% in Q4 and 88% for the full year of total revenue and aftermarket business around 11% for Q4 and 12% for FY '21. Our sales from international market, i.e., export from India plus sales from overseas operation stand at 16% of total consolidated revenues. With increased focus on exports, we endeavour to increase the same in coming years. Our aftermarket channel continues to record strong performance and has achieved a revenue of Rs. 235 crores during Q4 FY '21, which is an 74% increase year-on-year. Annual sales for FY '21 from aftermarket channel stands at Rs. 741 crore as against Rs. 558 crore in FY '20 registering a growth of 33%. Alloy wheels had been added to the product portfolio and we are planning to add seatings this year. Over the years, we have built a strong network of 40,000 plus retailers for our aftermarket channel. Aftermarket is also exporting its product to SAARC, ASEAN, LATAM, MENA, and Africa markets. We have leadership position in all our major products category.

Moving to Slide #16 on the EV:

In line with global macro trends of connectivity, autonomous, and shared mobility and electrification, Minda Industries has also been tracking the macro trends for India and electrification is now one of the focus area from a technology perspective.

Moving to next slide, focusing on the EV trend and evaluating our product portfolio, almost all our products can be supplied to EV as well as barring few like fuel caps, CNG kits, canister etc. We have well-diversified hedge product portfolio for EV trends. In fact EVs will create incremental business opportunities for us in terms of premiumization of existing products like LED lamps and sensors along with opportunity developed new EV specific products. We have been working to upgrade our existing group products to meet requirements of electrical vehicles like low energy consumption and light weighting, for example, LED headlamps, tail lamps, side indicators, low current switches and electronic horns. We have also launched few new products

specifically for EV range from our existing divisions like sensors, example, accelerator position sensor or a brake pedal sensor or EV battery temperature sensor.

Moving to Slide #19, for the last couple of years we have also been working on a completely new range of products for electric vehicle, which were not as part of our product portfolio. These products are synergetic to our group products and are mainly in the area of electrical and electronics. These products are mainly focused on low voltage electric vehicles like two wheelers and three wheelers. We believe that this segment of the market will have the largest and quickest adoption of EV primarily because of less dependency on the charging infrastructure. Our focus on new products for two wheel and three wheelers EVs include ECUs, DC/DC converters, onboard and offboard chargers, telematic control units and smart plugs. We have also been developing battery management system for lithium ion batteries along with our technical partners in the US. Out of these range of products, ECU and smart plug went into production this year while ECUs, battery management system, DC/DC converter and onboard charger are under development stages. We are also evaluating motor controller as product and same is under study as of now.

Moving onto next slide, these new products along with our existing products for EVs have potential kit value of Rs. 33,000 of which Rs. 7,300 comprises of existing products and Rs. 2,000 pertaining to positive impact on light sensor. Product under production has potential kit value of Rs. 4,500 and remaining from product under development and study. We are already well entrenched with traditional OEMs and have already been supplying parts to their new EV launches and have also received orders from leading OEMs for products under development. We can continue to leverage our relationship with these OEMs for supply as the volume increases. Besides, we are also positively engaged with all new age OEMs and have shortlisted top four to five to engage in supply directly to them. We also plan to supply our EV products to our aftermarket channel.

Moving to cash flows and debt levels:

We had healthy cash flows during the year in spite of substantial increase in working capital requirement post lockdown. It may be noted that there was substantial release of working capital, which is over around Rs. 200 crores during the last quarter of FY '20 due to lockdown. The same was required to be redeployed in subsequent quarter once the business resumed. During the second half of the year, the working capital requirement also increased due to increased business activity and also the working capital in newly commissioned two wheeler alloy wheel business. We incurred total Capex of Rs. 276 crores during the year comprising of two-wheeler alloy wheel business and sustaining CAPEX. We have also invested around Rs. 112 crores in subsidiaries joint venture mainly comprising of TRML and TG Minda for acquisition of TGSIN. As you know, we had raised Rs. 241 crores through rights issue in September '20 and majority of the proceeds were utilized reduce the debt. Accordingly, net debt as of March 31, 2021, were at Rs. 798 crore compared to Rs. 856 crore as on March 31, 2020. Our net debt to equity ratio is at a healthy rate of 0.3 compared to 0.4 in March '20.

I would like to cover some of the announcement that we have made in last few months since our last Earnings Call:

With regard to our CAPEX, we have announced an additional capacity at Gujarat for four wheeler automotive lighting business to cater to our increased demand for four wheeler automotive lighting. Total capital expenditure for this new facility in Gujarat is Rs. 90 crores, but now it is expected to commence operation by quarter ending March '22. We have also announced the capacity expansion at four wheel alloy wheel business, the expansion will be at the plant at Bawal and it will add 60,000 wheels a month to cater to increased demand. The additional capital expenditure for the aforesaid capacity expansion will be around Rs. 167 crores. The expanded facilities are expected to commence operations by quarter ending March '22 and are expected to stabilize by June '22. Besides we had announced CAPEX of Rs. 57 crore for our blow moulding business for setting a plant in Bangalore. We have planned these CAPEX to augment the future demand being generated by the shift in the lighting industry towards LED for lighting, customer preference towards alloy wheels, and customer demand for blow moulding products. Out of the above-announced CAPEX plus some spillover CAPEX of sensors and two-wheeler alloy wheels, around Rs. 350 crores will be incurred in FY '22 and part of it may spill to the next financial year. We have also been as you know, controlling our maintenance CAPEX for last three-four years considering the downturn in the demand as industry growth was also muted. Considering low maintenance CAPEX in the last three years, we will be incurring around Rs. 250 crores of sustained CAPEX in FY '22.

Moving to organization business transformation:

We have also undertaken a realignment of business domains based on similar technologies under one domain to drive synergies between related business. As a part of this initiative, we have focused on Strengthening of our board, realignment of our business verticals to drive synergy among the similar product and technologies. We have recalibrated certain functions like procurement, R&D and marketing to bring in increased control and efficiency. More emphasis will be given to international and export sales and we are exploring certain steps like to open offices in international locations that is closer to the global OEMs and helps establish better understanding and relationships.

In terms of strategic business update, I will just brief about Fehrer wherein we will be acquiring 49% stake at Rs. 115 crore and as part of our corporate restructuring process post dilution of 1.1% stake in Minda TG, it has now become an associate company and cease to be a subsidiary company. Additionally, we have made further investment in Tokai Rika Minda, and increased our stake from 12.8% to 30%.

I would also like to highlight that during the year, the group has taken lot of initiatives, which are expected to have environmental benefits and improve sustainability of the organization. We have been working to reduce the energy consumption, water consumption, CO2 emission, and waste reduction reduce operational cost. We have set up green belt plantation drive covering 40% green area for new plants. We are also undertaking water consumption projects with an aim

to reduce water consumption by 10% in '21-22. With an aim of reducing our carbon footprint, we have been investing in renewable energy. We have now installed 8.4 megawatts of roof top solar cells across 20 plants contributing 10% of power requirement of the group. We target to further increase renewable energy to 15% by end of FY '22. That is it from us, I would like now to open 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: Sir, congrats on strong set of numbers. Firstly sir, we mentioned that we had done almost very well in this aftermarket area almost Rs. 740 crores and in fact Q4 and you said is Rs. 230 crores from a run rate of say around Rs. 570-575 crores on annual basis gone to obviously Rs. 900 crores revenue per year, so what have you done differently this year in terms of, is it driven by network expansion in aftermarket or addition of new products, what has driven this strong growth in FY '21?

Sunil Bohra: Thanks Ashutosh, there are two-three factors which have helped us deliver the excellent growth in aftermarket, so first and foremost is our focus on addition of quality dealers. We have been aggressively adding dealers without taking any credit risk and going towards into areas where we had not gone earlier. We have also launched some of the products which have not been part of this aftermarket channel, four wheel alloy wheel is one of them which obviously you know is high value item. Then another battery segment has done pretty well in the aftermarket as we shared the revenue numbers also and also we have added some of other components like air brakes etc. from our other JV into aftermarket, so we have been working on all fronts to see that we have what you call lot of emphasis on not only the aftermarket sales but also adding products and also going to newer areas like we spoke about SAARC, MENA, outside of country also, so we have been going very aggressively on our aftermarket channel and we will be taking further actions even this year and see that how do we further capitalize on the aftermarket demand because we all know that aftermarket is a business which is not, A, dependent on the direct OEM sales plus also here because it is a sort of B2C business, there is a lot of stability and as number of volumes grow on the street, definitely the replacement and aftermarket needs or the components also grow in the same proportion, so from all perspective aftermarket is a vertical where we are all working aggressively to see that we grow this to maybe taking double from where we ended last year in next three years.

Ashutosh Tiwari: Sir, this alloy wheel has it contributed significantly to this Rs. 230 crore number last quarter for the full year, is it like more than Rs. 100 crores for full year?

Sunil Bohra: No, as a country also we do not have so much of aftermarket sale, so aftermarket sale roughly for the last quarter we can get you the exact numbers, my understanding is it is not more than Rs. 10-15 crores for a quarter.

Ashutosh Tiwari: So it is more driven by the other products that we had earlier and probably expanding network so far and probably going into severe alloy wheel further grow and even you are saying that you

will add, so this will grow faster. Secondly, the question is on others in your segmental, I think you mentioned some breakup of that, but on a quarter-on-quarter basis, the revenue has gone for almost like Rs. 288 to Rs. 450 crores -470 crores, so what drove this strong growth quarter-on-quarter in other segment and is it sustainable numbers?

Sunil Bohra: In others you see that there are two-three key businesses which are doing pretty well and expected to do that, so sensors we have been growing very aggressively, so sensor has done almost 64 crores in the quarter, previous quarter was I think below Rs. 50 crores, it was Rs. 47 or 48 crores, then Katolec has also done almost Rs. 10 odd crores better, blow moulding has done little more than that, battery business has done also more, so almost every business has actually contributed in the other segment.

Ashutosh Tiwari: So this other segment revenue is kind of sustainable barring Q1 impact of COVID basically, so if you remove Q1 I think it will be?

Sunil Bohra: Absolutely, excluding the COVID impact obviously we all know that our destiny is linked to the number of vehicles being sold, so assuming the same number of vehicles, we should have this kind of numbers.

Ashutosh Tiwari: Sir, lastly this Harita I think is for last quarter you operating around say 10% kind of EBITDA margin, so how we plan to improve this further in this segment, also now that we acquired full company is now under our control, how are we looking growth in Harita?

Sunil Bohra: Growth in Harita, Ashutosh, we know that when we acquired and we have been talking for last one year, so year before while this year has revenue has been Rs. 650 crore, year before it has been Rs. 750 crore and we have been very clear that we want to double this company in four to five years, and we are pretty confident that we should be able to reach that target of doubling from Rs. 750 crores, not from Rs. 650 crores but from Rs. 750 crores we should be doubling in next three to four years max.

Ashutosh Tiwari: Okay, and also margin should also improve?

Sunil Bohra: Focus as of now definitely is on increasing sales and if you are able to increase sales definitely the operating leverage does help in improving margins a bit.

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

Siddhartha Bera: Sir, thanks for the opportunity and congrats on a great set of results, my first question is on this kit value which we have shown, if we see this is some clarification I mean if I compare it to the last year FY '20 the kit value has been brought down and '21 we have given a number, so just wanted to understand first what all things are included here and why this low number for the last year?

Sunil Bohra: Which sheet you are looking at Siddharth?

Siddhartha Bera: Sir, the kit value of the two wheeler and PVs which we have shown this time at Slide 13 of your presentation?

Ankur Modi: Siddharth I think last year there were few items which were considered in last year itself, which was primarily two wheeler alloy wheels as well as seatings business, but in actual these divisions have come into operation this year, so we have just moved these items from a last year kit value to this year kit value and that is causing the increase as well, primarily the kit value is increasing because of the mainly due to product segment which we have added.

Siddhartha Bera: Sir, from these levels which we have reported now, so what are the future drivers of growth from here on, if you can just throw some light on the components which we plan to do in the next couple of years which can push this even more?

Sunil Bohra: Siddharth I think on our existing businesses while we are working consistently to increase kit value like additional side stand, switch or touch switch, the switches which are currently lever based might go to touch base switches, but there are technologies which are road ahead and can increase the kit value of existing products, so unless you add more products which we are not very, very aggressive on I think we also mentioned few quarters back that the focus now is more on vertical growth than the horizontal growth which means that we actually increase the sales of our existing products rather than adding newer products, so that might not help in maybe increasing the kit value because where the position we are, we already have lot of component, lot of businesses and the focus is to grow vertically, not horizontally, that is number one. Number two in terms of also the future growth as I think we have shared on the EV slide, the kit value is growing multifold based on whatever components we are currently working on. Now, obviously it is like anybody's guess how deep will be the penetration of EVs whether it will be 1%, 4%, 5% in next two-three years, so definitely subject to that we are working now putting more energy on the technologies or product for future that is the EV.

Siddhartha Bera: Sir, but for now would you have some visibility on the order book which you have for the EV products which are under development, which have highlighted in the presentation?

Sunil Bohra: Yes, we did share the kit value, so number of vehicles are not that big, so obviously there is no point as of now in pointing out absolute numbers, but if you see in terms of the kit value, it is pretty sizeable.

Siddhartha Bera: Any idea about the client Sir which we are planning to cater to on the EV segment in the two wheeler side?

Sunil Bohra: As we mentioned, Siddharth, little while back that we are actually in discussion with all the existing OEMs, we have got very, very strong relationship with them and some of them we are already suppliers to their EVs and we are also positively engaged with the new age OEMs and as I said we have shortlisted four to five key OEMs which have shown some significant future promise for growth and we are discussing with them to see how we get the lion share of business from existing products also and EV products also, but that is as I said, it is work in progress and

we are already supplier to some of the existing OEMs which also manufacturers non-EV vehicles.

Siddhartha Bera: Sir, last question is on this share in profit of associates, we have seen a big improvement in the quarter any particular company if you can highlight which has led to this sharp improvement?

Sunil Bohra: You are referring, share in profit of you mean JVs?

Siddhartha Bera: Share in profit of associates which we report which is Rs. 21 crore in the quarter?

Sunil Bohra: I was expecting that Siddharth, thanks, so let me tell you what has happened in last quarter is almost all our associate joint ventures even TTE and Onkyo actually have done very well. Even TTE and Onkyo, if you see Q3 versus Q4, both of them also had lower loss like in Q3 TTE was Rs. 2 crore loss, now it is Rs. 1 crore Onkyo, Rs. 3 crore loss now it is Rs. 1 crore, but otherwise almost all the businesses have done better in terms of profitability be it Roki Minda, be it METL, I think we also spoke about METL which is now Minda Westport, earlier it used to be Minda Emer, now name is changed to Minda Westport because of the promoter, so they are also doing very, very well. The growth there is almost like 80% to 100%, which is the CNG kit. Roki Minda has been doing pretty well, even our Denso Ten which manufactures the infotainment system has done phenomenally well, TG Minda also has done well, so almost all the companies which we have, have done pretty well in last quarter and some of them as I said have also got the price increases retrospectively.

Siddhartha Bera: Sir, any particular number if you can highlight for this Roki and the other one which you indicated for the quarter?

Sunil Bohra: Siddharth normally you know that we do not give that kind of split.

Siddhartha Bera: But Sir this Rs. 21 Cr number is more sustainable you think or you think this will normalize depending on how the commodity prices?

Sunil Bohra: As I said it does have an component of some retrospective price increases, so to that extent obviously it may not be sustainable, but that component is not more than Rs. 5-6 crores of that Rs. 21 crores.

Moderator: Thank you. The next question is from the line of Ronak K. from Systematics. Please go ahead.

Ronak K.: Thanks for the opportunity and congrats on great results. My first question is on the Harita Fehrer acquisition, did you mention in your opening remarks that we have already consolidated that 100% when we report the numbers, did I hear that correct?

Sunil Bohra: Thank you, yes, because maybe if you want to understand the accounting side requirement. Since April 1, 2019, it has been consolidated fully and it has also been considered as part of financials.

- Ronak K.:** Okay, so the Rs. 252 crores does not have, it is the 100% top line across the standalone Harita and the JV?
- Sunil Bohra:** It has 100% top line.
- Ronak K.:** The other question I was checking the profit from associates of this Rs. 21 crores does not include anything from Harita Fehrer that is what I wanted to know, there was a sudden jump?
- Sunil Bohra:** No, that is a subsidiary Ronak, that was even prior to that with 51% ownership it was anyway a subsidiary, so it is just holding for 51% to 100%.
- Ronak K.:** Again on CAPEX and investment, you highlighted CAPEX will be Rs. 350 crores for growth and Rs. 250 crores maintenance, anything on investment how much are we targeting on the investment side, subsidiaries and JVs?
- Sunil Bohra:** As I mentioned Ronak, the current plan is only Rs. 115 for increasing of share in Fehrer. Outside of that as of now we do not have any firm plans which we can share today.
- Ronak K.:** I mean one thing which you have highlighted is the end segment mix of passenger vehicle and two wheelers which is mainly on our top line right now, but if we have to include our JVs as well which because of Ind-AS we are not doing, what would be an approximate contribution from passenger vehicle because I believe all the majority of the JVs are focused more on passenger vehicle which I think have a better demand or they have better stability right now versus the two wheeler segment, so would you have a ready number for FY '21?
- Sunil Bohra:** It is a mix of both Ronak actually maybe we can take details of number offline, but I can share this at a very high level, like Roki is primarily two wheelers right, which is having a lion share in '21. Then similar to that profitability is Denso Ten which is in four wheelers. If I see the rest majority you see is four wheeler, you are right it will be tilted more towards four wheelers and less towards two wheelers.
- Ronak K.:** The other question was on sensors, now if we take Rs. 64 crores as the run rate which we achieved in Q4, could you highlight what are the other sensors which are getting added now, all the sensors which we had planned to you know start manufacturing have happened?
- Sunil Bohra:** So all the sensors which we started a year or two back Ronak, have all been commissioned and we have seen the revenue from one of them in last quarter. Only additional thing which we are working on as we also shared are EV specific sensors which we are currently working on and as you know that the volume for them while it may not be significant but once it grows, it will add to that overall portfolio.
- Ronak K.:** Just one feedback, the JVs profitability has become substantial at 20 crores even if we take 15 to 16 crores run rate, so if you can share some annual numbers, you said you will not....we should have it at annual level if we can share those numbers because...?

- Sunil Bohra:** Absolutely, annual number anyway we have to share Ronak because that is the least we do, so Ankur maybe once we have annual numbers, I am sure they are already there, so we can share it with them whomsoever wants.
- Ronak K.:** Prior to the annual report release if we can have those numbers that would be really helpful.
- Sunil Bohra:** We will do that Ronak.
- Moderator:** Thank you. The next question is from the line of Vimal Goel from Union Mutual Fund. Please go ahead.
- Vimal Goel:** Thank you for the opportunity and congratulations on a great quarter, Sir my question was on your EV portfolio, just wanted some clarification when you say that some of the products that are in development, are these products indigenously developed or are they co-developed along with some of the OEMs that you work with?
- Sunil Bohra:** Vimal so most of the products if you see the Slide #18 and #19, are developed indigenously, only one component which is the battery management system that is with our joint venture partner, AMP, who are based out of US.
- Vimal Goel:** Sir, when you say that your talks with some of the new age two wheeler electrical OEMs are in progress, so what gives us the confidence that you know we will be able to sort of have a similar breakthrough with these new age OEMs as we have sort of broken through with some of the existing OEMs so well over the past few years, so if you could just highlight what gives us that confidence?
- Sunil Bohra:** Vimal, it is a very good question and I am sure you also track more than what we do, so what we know and our knowledge maybe limited that some of the OEMs primarily are currently manufacturing the EVs with the import content being significant. Now, we all know that what happened 20-30 years back when Maruti started or Honda started, majority of the component has been imported and gradually they all have been localized to make sure that they remain competitive, so we do expect all these people who are currently importing the components gradually go under localization and once we localize that obviously we are being one of the largest player, obviously would expect the business to be secured and that is why we said we are in dialogue with them to convert maybe some of their imports or some of the other supplies, how do we localize and how do we create win-win and create a value to them.
- Vimal Goel:** When you say you are having a dialogue, does it mean that some of your products are being tested as a pilot or the talks on that level?
- Sunil Bohra:** I do not want to be too specific Vimal, I think as I said if you see the existing EV is already in the market, I do not want to name it, we already have products for both specific EVs and traditional components both are being going in the existing EVs, which are already running on the road.

- Vimal Goel:** Some of your existing non-electric vehicle specific portfolio like sensors or switches, those also would stay relevant for the electrical two wheelers or three wheelers or four wheelers, right?
- Sunil Bohra:** Yes, if you see Slide #17 Vimal, you will get a perspective, what will go in EV and what will not from our existing business. We try to sort of give transparently the clear picture.
- Vimal Goel:** Just last one question, I think you mentioned kit value increase in this year in scooters and mopeds and other areas was led by, one was seating, what was the other area if you can just repeat?
- Sunil Bohra:** Two wheeler alloy wheel.
- Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Sir, Good Evening and thank you for the opportunity, first question is on the Harita Seats, with the portfolio currently being largely commercial vehicles, how do you see this change because I think initially you had kind of mentioned that with Minda being running the business, there are some low-hanging fruits there two wheelers etc., so could you give some sense on how soon we can tap on to that market?
- Sunil Bohra:** There are two aspects Mukesh, thanks for these questions. First of all Harita is not actually heavy on CV, so if you see Harita seatings is in primarily into CV, off roads and other stuff and Harita Fehrer is primarily into two wheelers, so there actually last quarter or last year, HFL revenue and performance has been much better than the seating business and also if you see from the revenue split perspective from the actual part, CV is maybe around 30 odd percent of the total sales, so it is not majority, majority is others and in terms of Minda, I think we also shared few quarters back that we have actually first of all being maintaining transparency and making sure of higher standards of governance, so we that we do not have any cross information sharing and plus if the transaction is approved by the authorities, but despite that we have been trying to help them to see and create a win-win that may cut the time of introducing them to our customers and they introducing them to our customers, so based on that we have already secured some of the businesses from the Japanese OEMs for Harita whom earlier they were not even getting an entry and also one bus manufacturer which they were not supplying and we also have got entry into one of their main customer John Deere for supplying switches, so there has already been work on accessing each others customers which were not there and which has already been converted into actual business.
- Mukesh Saraf:** So this Rs. 750 crores going to Rs. 1500 crores, this will be because of all these things, so the question I was also asking is that we got a sense that Fehrer was also helping us or in terms of technology at least they were helping in the passenger vehicle space, so now with acquiring Fehrer stake do you think we are still kind of on track to get business even in the passenger vehicle space for seats?

Sunil Bohra: Obviously once we went much, much deeper, Fehrer is not into passenger vehicles, so they are part of the bigger Honda Group. Honda Group has another entity which is into four wheelers, so as a group they do have that technology, but Fehrer who is our partner because we know that all these entities do keep full arms length and they do not talk to each other unless required, so Fehrer while they are our partners, they were not into four wheel seating, but their parents, maybe you can say their sibling has had their technology which was not part of Fehrer.

Mukesh Saraf: Okay, so your acquiring this stake, it does not really change your prospects now in the passenger vehicle space as such?

Sunil Bohra: No.

Mukesh Saraf: My second question is on the sensors and controllers business, I think maybe last year or a few quarters back, you had mentioned that it could be the potential market there or the opportunity there could be as high as Rs. 600-700 crores in a few years, so now that we are at Rs. 60 crores kind of quarterly and you say that we have kind of commercialized most of those sensors that we were initially working on, so any update on now what do you think can be the potential opportunity there for sensors, controllers together including this EV opportunity now that we have?

Sunil Bohra: Mukesh sensors and controllers put together let me tell you this Rs. 64 crores I think it is only sensor business, I have two-three controlled, controller actually has done around Rs. 10 crores in last quarter so if you add both of them, it is already Rs. 75 crores which is almost like Rs. 300 odd crore of run rate and based on the lot of products which we just saw which are primarily into controller business like your wireless charger or things like that, we have got significant business or AIS 140 the connected vehicle business, so we are confident still of that number what we spoke about of Rs. 500-600 crores in next few years. We may actually be achieving that target even earlier than what we said in past.

Mukesh Saraf: Last just a bookkeeping one, this Harita merger now any sense on what percentage shareholders have opted for the RPS, redeemable preference shares, and what percentage have opted for the equity shares of Minda?

Sunil Bohra: There were two different timelines, one for the promoters and another for the minority shareholders, so promoters have all opted for preference shares. Minorities I think the timeline has expired I think last week only two days back, so a team will be I think working on it, hopefully we should know that in next couple of days, but as far as my information goes, majority being opted for equity.

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

Nikhil Kale: Thank you for taking my question and congratulations on a very good set of numbers, my question is you mentioned that there was a benefit of price increases, so would it be possible to quantify what was that benefit for the quarter and also for the full year?

Sunil Bohra: Nikhil the way it works I think that all our agreements wherever we have a price adjustment clause or price increase clause for input cost increases, when we start the discussion with the customers, definitely it is as per the agreement, but by the time you get the actual PO, there is a lag and it spills over to maybe the quarter actually when we get it and as per the accounting rules, we cannot book the revenue unless we have a PO in our hand, so that is the key reason why you see that. Historically, if you analyze for last five-seven years, our Q4 is always one of the best quarter because the price settlement normally even though it starts in Q2-Q3 in some of the cases, it actually goes to Q4, so when you get a price adjustment in Q4, part of it also relates to the previous quarter then this is the normal industry practice and this is not something which has happened first time. Now, in terms of actual amount I honestly personally do not remember it, maybe Ankur you can check separately and talk to Nikhil.

Nikhil Kale: Thanks, and on the lighting division I think it has been another quarter of very strong performance, so I just wanted to understand I think we talked about orders worth almost 2.5 billion if I am not wrong in the past, so just wanted to get an understanding of is that order book started to produce that or is it still in the books and when do you expect that to be commissioned and start coming into our books?

Sunil Bohra: Yes, Nikhil, the large part of that will come from somewhere in '22-23 start coming from, you know that the order to development or the product cycle is somewhere one-and-a-half to two years and that is the key reason we are setting up a new plant in Gujarat also for lighting business, so the large part of that additional revenue of Rs. 200 crore plus will start flowing in into income from somewhere in '22-23 and maybe peak in '23-24.

Nikhil Kale: My last question is on the CAPEX part so you highlighted that we will require almost Rs. 600 odd crore kind of CAPEX and maybe even market Rs. 120 odd crore kind of investments, you also talked about that utilization levels in Q4 was around 85%-90% across the different plants, so assuming that things open up well during the year and the recovery kind of kicks in, we might be hitting those kind of utilization levels again in the second half, so I mean we have been talking a lot about growth, we are seeing a lot of traction in terms of new order wins, so would it be fair to assume that primarily our focus right now is on growth and also how do you kind of balance return ratios because those will kind of be impacted given that you will maybe require to again some CAPEX for switches or some of the other divisions maybe not this year, but maybe FY '23 or so?

Sunil Bohra: The sustaining CAPEX which we spoke about for 250 crores, that also considers some of our Brownfield expansion which when I say Brownfield expansion like existing plant if I have to put a new line, if I have to develop a new product, if there is a new tooling required, they are all part of Rs. 250 crores which we have already considered as part of our budgeting exercise based on the annual volumes which we get from our customers, so any further growth which we all know from the OEMs at the beginning of the year, the CAPEX need for that has all been baked in, so we do not expect any additional CAPEX beyond that.

- Moderator:** Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.
- Vivek Ramakrishnan:** Thank you Sir, congratulations on your numbers, my question has to do only with working capital, you had also mentioned that you had to buildup working capital last year, do you expect in the next one year the working capital levels remain at the current levels or is any tighter control possible?
- Sunil Bohra:** Thanks Vivek, in terms of working capital as I had mentioned that 10 days of last year there was definitely a release from working capital which went back once the unlock happened. Additional working capital has gone into the new businesses like the sensor business, additional or maybe the alloy wheel business, so obviously if you have to grow by whatever percentage points, your working capital the number of days remains same, you will have additional deployment in maybe inventory or maybe in debtors and some of it in creditors also which will offset, but on a overall basis at a current level if we were to assume, we will not need any significant additional working capital.
- Moderator:** Thank you. The next question is from the line of Basudeb Banerjee from Ambit Capital Private Limited. Please go ahead.
- Basudeb Banerjee:** Thanks, Sir few questions, one you said Harita revenues Rs. 750 crores was down to Rs. 650 crore because of various segments in decline mode last year, so Rs. 650 crore is the FY '21 revenue for Harita, is it right?
- Sunil Bohra:** Yes, you are right.
- Basudeb Banerjee:** So just wanted to understand that if the number Harita used to be high single digit as such, so in Q4 direct Rs. 650 crore of Harita revenue being accounted and reported margin is still 13.5%, so how to understand whether existing business margin shot up significantly or Harita margin improved because despite improving Harita it is 13.5% so how to segregate that Sir?
- Sunil Bohra:** Let me try and explain you Basudeb, so last quarter Q3 if you remember our margin was 14.7%, that time there was no Harita, so if we have to take apple to apple for Q4, our margins would have been 14.4%.
- Basudeb Banerjee:** So one can understand what is the margin for Harita as such?
- Sunil Bohra:** Yes, that is the delta you are right.
- Basudeb Banerjee:** Second thing Sir the payments for residual Fehrer stake has that been accounted in FY '21 balance sheet already?
- Sunil Bohra:** It has been accounted.

- Basudeb Banerjee:** Last couple of things, two wheeler alloy wheel plant which got set up so how much has been the full year revenue and what is the outlook for next fiscal, and as you were saying already you are planning to set up the next Brownfield there, so what is the update on that?
- Sunil Bohra:** Alloy wheel two wheeler last full year we did around Rs. 80 crore worth of revenue and our next year target is if I remember correctly is around Rs. 250 crore plus, but obviously with this Q1 impact, we have to adjust that.
- Basudeb Banerjee:** When you are expecting that to be at full and you are targeting for the next phase?
- Sunil Bohra:** It is on schedule, so we said if I remember '22-23 to achieve the full revenue at Rs. 450 crore plus because you will appreciate that the fourth line actually will go under commissioning in the next quarter and that will also have sometime to stabilize like we are having for existing lines, so that we are expecting that entire plant to get stabilized by end of this fiscal so you have full revenue in the next fiscal.
- Basudeb Banerjee:** Lastly Sir since how is the progress of the European car light business which we acquired and our revenue on a small base was improving, so now this semi-conductor issues etc., so what is the health of the business there?
- Sunil Bohra:** Did not get it Basudeb, can you be little specific?
- Basudeb Banerjee:** The European car lighting business?
- Sunil Bohra:** Delvis?
- Basudeb Banerjee:** Yes, so how is the revenue panning out because on one side semi-conductor issues has been impacting European companies so far Delvis how has been the progress and Delvis coming into India the progress as you were seeing earlier, so how that is happening?
- Sunil Bohra:** Delvis also as you all know that like the entire Europe it has had a significant impact in the initial part of the year, so for last full year they have done something like Rs. 220 crore worth of revenue and last quarter if I remember was around Rs. 55 crores, it is almost like in Q4 they had some impact because of this semi-conductor shortage with the OEMs and some demand what you call movement, otherwise business has been stable and we do expect that trend in terms of the run rate to continue. We are not expecting any significant jump up in Delvis revenues, but yes the other business which is the next door is iSYS, so iSYS has been doing pretty well and as I think we also mentioned in the presentation, they have been getting newer orders so iSYS has done almost like Rs. 110 crores worth of revenue last year, which was almost if I remember year before that was around Rs. 75-78 crores, so they have grown almost 40%-50% in iSYS.
- Basudeb Banerjee:** Lastly, Sir if you can repeat I missed out, so what was your guidance for FY '22 CAPEX plus investment?

- Sunil Bohra:** You know that we have already announced three plants which was alloy wheel plant 60K expansion in Bawal and the lighting plant in Gujarat and blow moulding in Bangalore which is the movement of existing plant plus the bigger plant and some spillover of AW to 2W and we might have some spillover from these new plants next year, but overall this year maybe around Rs. 350 crores for these additional capacities and in terms of existing sustaining CAPEX plus we are talking little while back about the Brownfield expansion which means putting additional line or tooling etc., all that put together is Rs. 250 crores.
- Basudeb Banerjee:** So around Rs. 600 crores maintenance Brownfield plus new plants?
- Sunil Bohra:** Yes.
- Basudeb Banerjee:** Investments or M&A over there and above that?
- Sunil Bohra:** Yes, that is Rs. 115 crore which is for Harita Fehrer.
- Basudeb Banerjee:** Rs. 115 crore, that got accounted in FY '21 or that will be coming under '22?
- Sunil Bohra:** No, it has been accounted for Basudeb because we have already consolidated, so once you consolidate, you have to book for the liability also.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Bank Limited. Please go ahead.
- Shashank Kanodia:** Good Evening Sir and thanks for the opportunity, I just wanted to ask on the raw material cost front, so because of increasing raw material prices so that has come up on 70 basis points sequentially including Harita numbers, so going forward is it expected to further deteriorate or we have reached the maximum that it could impact us?
- Sunil Bohra:** Shashank your point is very valid, so most of the customers we have already agreed or in process of agreement for the price adjustment for the commodity prices, but what happens that once you do that, you have clauses for something like quarter average or half year average and things like that, so while you will agree that even if you get the average price if the spot is higher it may impact little bit negatively or the spot is lower, you may actually gain, so say for example if you have an annual rate contract and you have agreed for X price and the spot is higher, it may negatively impact, but if the prices corrects, then you actually benefit, so from that perspective, if everything was to remain same then yes, large part of it is already sort of aligned with our customers.
- Shashank Kanodia:** Okay, secondly Sir on the employee cost front we reported Rs. 297 odd crores this quarter, so roughly this Rs. 300 crore is a sustainable rate for us or they can be given even more markups going forward?

Sunil Bohra: Obviously you will appreciate that for last year there were no increments impact, there were some rationalization done initially which has been restated sometime in end of second quarter, so you will have an increment led increase in '21-22, otherwise all of that has been accounted for.

Shashank Kanodia: Sir, lastly why the enabling resolution for further equity issuance, do we have any inorganic acquisitions in mind or if you can throw some light on that?

Sunil Bohra: No, we normally do that Shashank, if you remember last year also, we took same Rs. 700 crores and for issuing rights you do not need this Rs. 700 crores, anyway that was done prior to that, so we always try and keep some enabling resolution in hand, so in case there is any need for the business which needs recapitalization, we do not sort of spend time on approvals and things like that, so it is more as of now enabling approval, as of now there is no proposal for any specific fund raising.

Shashank Kanodia: Sir, lastly on the free cash flow front, obviously you are a growing company and you intend to grow ahead of the industry, Sir any focus that you have on FCF and any sustainable FCF that we should generate by FY '23 onwards or anything, any color on that front?

Sunil Bohra: There is definitely a very, very strong focus on free cash flow and we all have what you call the business heads and CEO KPIs which are linked to generation of free cash flows because there is no point that this business do need to grow, but at the same time you need to hold your belt tight so that only the required amount is spent, in fact we have got a very, very strong focus which are system driven controls on inventory and debtors so in case for example there is any increase in number of days, there is automatic lock in the system where you cannot even generate invoice for that customer where there are over dues, so we have got a very, very robust and strong control on free cash flows. Now, where business needs for future growth definitely we have to see that we do that and do not compromise on the medium to long term growth of the business. In terms of FY '23, as of now we are not having a clear strategy plan, we have made three years back but with this pandemic everything you know has got reset, so we will be working on our next five year plan somewhere middle of this financial year so maybe after that once we do then we will share with you what is our long-term plans for our growth and accordingly the cash flow as well.

Shashank Kanodia: Sir, I think you must appreciate this Sir for last five years, we have hardly generated any FCF right and with that heavy CAPEX announcement for FY '22 even that is bleak for next year as well?

Sunil Bohra: No, last year actually we had a very strong free cash flow. If you remember in FY '20, we were significantly free cash flow positive, I can share the number also. Last year our free cash flow was almost Rs. 500 crore plus. The free cash flow which I am talking right it is before project CAPEX, so if you even put your project CAPEX of Rs. 150 crores last year, we were Rs. 350 crore positive.

Shashank Kanodia: Sir, on the gross debt, what is the gross debt as of FY '21 and FY '20, if you can share the numbers?

Sunil Bohra: Our gross debt for consol March '20 was around Rs. 1,200 crores and March '21 is around Rs. 1,050 crores.

Moderator: Thank you. The next question is from the line of T. S. Vijay Sarthy from Anand Rathi Group. Please go ahead.

T. S. Vijay Sarthy: Thanks for the opportunity, Sir just wanted to check, if you look Harita Seatings in 2013-14 there is Rs. 500 odd crores revenue moving all the way to Rs. 875 crores, we had seen EBITDA margin just being flat at 8%, what is that Minda is doing that Harita could not do to improve margin that is one question? Second is now that historically you pointed about alloy wheels pricing have to be, margins are unsustainable, when do we expect that, that is one so combining this how does one look at margins going forward, that is one question? Second question is now that Fehrer is out as you said they are also through Hyundai in India and we are also hearing that they have made inroads in tractors and CVs, so how do you see prospects for Harita given that there is hit on both top line and....

Sunil Bohra: Your first point was on Harita, what was your point?

T. S. Vijay Sarthy: Yes my point was Harita was stable margin at 8% in the last seven-eight years, so what is that you are doing that they could not do?

Sunil Bohra: Vijay, I think we have got control of this company you will appreciate only from April 1, 2021, and we will know in the last how tough they have been on the entire country, so I think we have to take it with a pinch of salt, but in terms of Harita margin as I said little while back, our first focus is to grow the business because once you grow the business, then obviously the operating leverage etc. comes and helps you in terms of margin enhancement, so our focus first is not only on margin enhancement, but primarily on business growth and that is how we have been working with them and sort of introducing them to our customers whom they do not serve, somewhere we have successes, somewhere the discussions are going on and in terms of growth, we just I think shared also that we are working to see that we double this company in next three to four years. Initially, we said five years but when we are saying now we should target that in three to four years, and not '20-21 revenue which is Rs. 650 crores but the previous year revenue which was '19-20 revenue of Rs. 750 crores, so we are targeting around 1500 crore worth of top line in another four years, that is on Harita and its growth.

Then you asked about AW margin being sustainable, I think this point also we have been discussing that the more sustainable margins for 4W, alloy wheel four wheel will be around 18% to 20% because as the time is moving, gradually the old orders or the old orders which were at the premium pricing because of the import substitution volumes have been reducing and all the businesses we are getting are at the competitive rates. Now, I am sure the question is always when we see others, the margin are even not in that range, so if you see from our operations

perspective, we have top decile cost globally, I think I shared this point last time also that we have been asked by joint venture partner to give training to their other plants to how to run the plants and our wastages and our efficiencies are among the top decile and that is what is helping us maintain that kind of or guide that kind of margin, so that is on the alloy wheel four wheeler. Then you mentioned the Fehrer is out I could not get your point about tractor and PV because we continue to serve all those customers, in fact we are the preferred suppliers for one of our global customer, but if you can just elaborate a little bit you said Fehrer is out but they are in India, I did not get that point.

T. S. Vijay Sarthy: Through Hyundai they are also applying automotive fabrics and we hear that they have also got orders of some of the tractor players and also making inroads?

Sunil Bohra: We are not into fabric right, we do not manufacture fabric.

T. S. Vijay Sarthy: Not into fabric, seating also, they are also making seating, they also got orders for seating.

Sunil Bohra: We will check it out, that is a point for us.

Moderator: Thank you. Due to the time constraint, this was the last question. I would now like to hand the conference over to Mr. Sunil Bohra for closing comments.

Sunil Bohra: Thank you, many thanks everyone for joining us today. I wish you and your near and dear ones the best of health and happiness, stay safe, many thanks.

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