



“Minda Industries Limited Q1 FY22 Earnings Conference Call”

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**MANAGEMENT: MR. SUNIL BOHRA – GROUP CFO, MINDA INDUSTRIES
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Minda Industries Limited Q1 FY22 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on 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 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 for an operator by pressing '*' and then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunil Bohra - Group CFO, Minda Industries Limited. Thank you and over to you, Mr. Bohra.

Sunil Bohra: Good evening and a warm welcome to all the participants. I hope that all of you and your loved ones are well and safe. We once again saw challenging times during the last quarter on the rise due to second wave of COVID-19. We as a country, as an industry, and as a company have shown exemplary resilience to such challenging times. We hope you had a chance to have a quick look at our financial results and presentation that is uploaded on the stock exchange as well as the company's website. I will briefly discuss about the business landscape and then update on our performance in the preceding quarter following which we will be glad to respond to your queries.

Health and safety of our people, i.e., our employees as one family becomes the topmost priority during such times. Care for our people like family is embedded in our group's vision statement to be a sustainable global organization. Pursuing our vision, Uno Minda group has always provided unwavering support to the employees and their families. During this period as well, we had taken several measures and initiatives including but limited to proactive testing, vaccination camps, financial assistance, online doctor consultants, medical counselling, etc. We had also set up COVID care centres with oxygen beds at various locations for our employees and their families to provide immediate medical attention in case of requirement of hospital facilities. Unfortunately, we have lost lives of some of our employees to the COVID battle. We stand with their families, and besides additional financial support, we are providing permanent job opportunity to a suitable family member and education support to their children till graduation.

Coming onto financial performance:

I will briefly discuss about the business landscape and then update on our performance in the preceding quarter. On the business landscape, on the national front, data suggests swifter than expected recovery from the second wave slump and this trend continues in early August with fog tail in number of cases across the country. While the COVID-19 cases remain flat around 40,000 a day, the vaccination pace is close to 5 million doses per day which is higher than the

daily rate of 3.9 million in June. There have been statewide divergences on the seroprevalence rate, infection cases, vaccinations, and the lockdown situations. Some states are doubling down on restrictions like Karnataka and Tamil Nadu while others like Maharashtra are easing restrictions. Manufacturing activity in India had rebounded to a 3-month high in July after contracting in the previous month. Factory orders rose amid reports of improved demand and easing of restrictions. Strengthening international demand contributed to the uptick in total order books. New export orders expanded markedly in July following a moderate contraction in June. Automobile retail sales in India came back strongly in July and continues to do so in the month of August with the opening of dealerships across the country as COVID restrictions were eased in the affected states. Besides the low-base effect also continued to play its part.

PV segment recovery is impacted by semiconductor shortage and long wait periods due to supply side constraints continued to persist for the last few months. Dealers are reporting 2 to 4 months waiting on select variants. Besides chip shortage, the delta variant of COVID if it goes out of proportion can be another deterrent and put brakes on auto's retail recovery.

Two-wheeler sales rose 28% in July as compared to corresponding month last year which was a low base. Deeper and wider penetration of the second wave of the pandemic into the hinterland, temporary closures of dealerships, and high channel inventory moderated recovery of 2-wheelers.

Coming to our quarterly financial performance, you may refer to Slide #6:

At a consolidated level during Q1 of FY22, the company reported revenues of 1,603 crores as against 468 crores in Q1 of FY21. Unlike Q1 FY21, it was not a complete lockdown in the recent quarter. Most of the OEMs had restarted production in June after maintenance or temporary shutdown in May. Some of the OEMs had even continued their operations to meet their export commitments. Sequentially, auto industry volumes were down by 36% whereas our consolidated revenues fell by 28% quarter on quarter depicting we had continued our performance even in these challenging times. EBITDA for Q1 FY22 was at 147 crores in comparison to EBITDA of negative 84 crores for the corresponding quarter. EBITDA margins have also decreased from 13.5% in Q4 of FY21 to 9.2% in Q1 FY22 primarily due to negative operating leverage. There were commodity pricing pressures as well which were partly offset by favorable product mix and process improvement during the quarter.

Profit before tax for Q1 FY22 was at 44 crores as against PBT negative of 175 crores in Q1 FY21. Share of profit or loss of associates and joint ventures for the quarter has improved to negative 5 crores from 16.2 crores. Our CNG business and the Minda Westport and infotainment business with Denso Ten continued to do well during the quarter. Our safety systems and seatbelt business with TG and Kosei Minda Aluminum didn't do so well due to the impact of COVID-19 and hence were negative during the quarter.

Moving to the product lines, you may please refer to Slide #8 and #9:

Starting with switching systems, the segment achieved revenue of 441 crores for Q1 contributing about 27% of consolidated revenues. We have further received orders from Indian OEM for 4-wheeler switches increasing their share of business from 50% to 60%.

Moving to acoustics: Our acoustics business had achieved revenue of 150 crores for Q1 contributing 9% of our consolidated revenues. Impact of COVID-19 on this business has been lower as a major portion of revenues for our acoustics business is contributed by our European subsidiary Clarton. Clarton has also received further orders of advanced electromechanical horns from a European OEM.

Moving to our casting business: It has achieved revenue of 265 crores for Q1 contributing to 17% of our consolidated revenues. We have received further orders from Korean OEM for LPDC 4-wheeler alloy wheel making further inroads in increasing kit value and share of business with them. We have commissioned 3 lines out of a total of 4 lines at our 2-wheeler alloy wheel plant at Supa and the 4th line is expected to be commissioned in Q2 FY22. The capacity expansion for 4-wheeler alloy wheels at Bawal is in progress.

Moving to lighting business: It has achieved revenue of 323 crores for Q1 contributing to 20% of our consolidated revenues. We had received additional orders from India as well as Japanese 2-wheeler OEMs, mainly for LED headlamps, further increasing our kit value with them. Our seating business achieved a revenue of 197 crores for Q1 contributing 12% of our consolidated revenues. The company has received additional export orders worth 75 crores peak annual value from American and European OEMs.

Moving to other product businesses: It has achieved a revenue of 227 crores for Q1 contributing 14% of overall top line. Other businesses mainly comprise of sensors, blow molding business, ICS, battery, etc.

Moving to Slide #10 in terms of our revenue pie for the quarter ended 30th June 2021, OEM business accounted for 92% and aftermarket business around 8% for Q1. Aftermarket share of business is lower than normal primarily due to staggered lockdowns in various states across the country. Our sales from international market, i.e., export from India plus sales from overseas operations stands at 23% of total consolidated revenues. Our international revenue contribution has increased as the impact of COVID-19 in European subsidiaries was lesser relative to India.

In summary, we would like to highlight that Q1 has historically been lower than Q3 and Q4 for the industry as festivity and New Year usually boost sales in Q3 and Q4. Besides, as you know, there are annual price adjustments which contribute to a better profitability in the latter part of the year.

Besides cyclical lower volumes, Q1 was further impacted by the second wave of COVID-19. In spite of challenging times, we have been able to post a resilient performance. We have seen a sharp recovery in the auto industry in July and the momentum is continuing in August. With normalcy returning, we are confident to soon retrieve back to performance levels demonstrated in previous quarters.

Now moving onto a few recent company updates:

First on the Harita merger. As you are aware that we have completed the merger of Harita Seating Systems with Minda Industries pursuant to the scheme. And as per the option chosen by shareholders, we have issued equity shares and redeemable preference shares as part of the consideration. Though preference shares were issued with maturity of 36 months, shareholders had also an option for early redemption within 3 months. Barring few shareholders holding around 10,000 odd shares, all other shareholders have already opted for early redemption.

Moving to QIP: As you know that company has successfully closed its qualified institutional placement of equity shares at an issue price of 720 per equity share for a total of 97.22 lakh equity shares. So, the overall fund raised was around 700 crores. The funds will be utilized for following broad purposes: First is redemption of preference shares issued to shareholders of Harita pursuant to merger as explained above, acquisition of Fehrer stake in Harita Fehrer which has already been announced, repayment of some of the debt, some investment in subsidiary company, and some other general corporate purposes.

In terms of the merger of iConnect, we have made further progress in the merger exercise of Minda iConnect. The scheme has been filed with NCLT on 2nd June 2021. We are now awaiting NCLT for announcing the date of convening shareholders and creditors meeting. We expect the merger process should be completed in the current financial year. Minda TG Rubber as part of our corporate restructuring process post the dilution of 1.1% stake in MTG, it had become a JV company and had ceased to be a subsidiary of the company. MTG is proposed to be merged with TG Minda. The respective boards have already approved the schemes. We will be filing the scheme with NCLT post receiving NOC from creditors.

In terms of EV opportunities, our EV initiatives continue as per plan as earlier communicated with smart plug telematics already under production as commercial sales started. Body control module has also progressed to under production from under development, and as a product line, DC-DC converter, on-board charger, and BMS is under development.

Moving to our cash flows and debt levels, our net debt as of June 30th was 1,227 crores compared to 800 crores as on March 2021. The net debt as at 30th June also includes non-convertible redeemable preference shares of Rs. 229 crores issued to shareholders of Harita pursuant to merger scheme which was part of current liabilities in March 2021 under deferred purchase consideration. Working capital requirement had also increased little bit during the quarter

primarily due to the lockdown situation in May, and we believe that was largely temporary. Our net debt to equity ratio is still healthy at 0.47x.

As you are aware that we have raised 700 crores through QIP, part of the proceeds as mentioned earlier will be used to reduce the debt. This will further improve our debt to equity ratio and strengthen the balance sheet. In terms of CAPEX, as you are aware, we had announced project CAPEX for setting up additional plants in Gujarat for 4-wheeler automotive lighting and expansion at Bawal by setting up 60,000 capacity for 4-wheeler alloy wheel plant. We had commenced capital expenditure on these projects and have entered around 30 crores. The project's progress is satisfactory and is expected to start operations in first half of FY23.

Moving to ESG, as we all know, ESG has gained prominence in the last few years. However, we have already been working on these areas for the last few years. We have installed rooftop solar installation across our plants, meeting 20% of the energy requirement of these plants. We have recently also invested in 2 entities, i.e., CSE Dakshina and Strongsun which are developing solar power plants and will be supplying power to us on completion. We target to achieve 40% of our energy requirement through solar energy. We have also been working on reducing water consumption, carbon emission, and waste reduction.

As you know, we also run a charitable trust for the upliftment of underprivileged and women empowerment. Today, through our charitable trust, we have benefited over 12,000 people from 18 villages across 7 states in India. On the governance front, we have set up a very robust corporate governance framework with a well-diversified board to oversee the same. We are constantly improving our governance framework and policies by benchmarking the best practices. Our efforts in the field of corporate governance have also been recognized by reputed external organizations like The Institute of Directors by awarding one of the most prestigious awards, i.e., Golden Peacock Award for "Excellence in Corporate Governance 2020". We are committed to continue this journey of excellence. We have also recently appointed one of the Big 4 Consultants to devise the ESG framework to have a more focused approach. We now open the floor for questions.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles. We have our first question from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: On this order of alloy wheels from the Korean OEM including the earlier that we had got from the OEMs, what is the peak order value and the serious value we can achieve on a yearly basis and from when it will start ramping up?

Sunil Bohra: Overall, the volumes, Ashutosh, we now have a visibility of almost like 20,000 wheels a month. When we started, it was like 8000, then it went to 12,000. Now, with all the orders in place, we are looking at an order book of close to 20,000 wheels a month. And in terms of start, we have

already done a trial production at the plant and which is now being audited by the customers. As you know that the production actually is linked with the new model launch for customers which is slated somewhere in Q3 around the festival season. That will be maybe after a year or so.

- Ashutosh Tiwari:** This order is for new model or same model we got extra share?
- Sunil Bohra:** No, it was another model.
- Ashutosh Tiwari:** The new order that we have got is also for another new model or it is for the existing model of the company?
- Sunil Bohra:** We don't know whether it is a facelift or whether it is a new model. Difficult to comment whether it is existing or new because we normally see whatever is the next launch. From that perspective, it might be a facelift or it can be new also.
- Ashutosh Tiwari:** Secondly, if I look at the revenues Other Segment which was around 20% of sales in Q4 around 440 crores and this time you have done 227 crores. What has caused major decline? because the decline over here is more than all other segments put together.
- Sunil Bohra:** You are saying other segments, right?
- Ashutosh Tiwari:** In Q4 of FY21, there was a 20% of the total sales around maybe 440 odd crores. This quarter it is 227 crores. Why the decline over here is larger than what we see in the other segments?
- Ankur Modi:** This would be largely on account of COVID only. I don't think that there is any other abnormal item here.
- Ashutosh Tiwari:** Lastly, on the export on seating, which geography it is strong and basically again in terms of peak value, when we can achieve the full orders value.
- Sunil Bohra:** It is in, as I said, one American OEM and other is the European OEM and both the production is expected to start in FY22-23.
- Ashutosh Tiwari:** So, in FY23, it will also peak-out basically or will peak out in FY24?
- Sunil Bohra:** From this quarter perspective, yes.
- Moderator:** We have the question from the line of Aditya Jhawar from Investec Capital. Please go ahead.
- Aditya Jhawar:** Sunil, a couple of questions; firstly, on CAPEX; if you can break up 1) what is the quantum of the CAPEX that you are planning for 22 and 23 and if you can break up the CAPEX between the money that you plan to spend for the die-casting business, for lighting plant as well as for blow molding, that is the first question. The second question is, a little bit more clarity on the

EV component ones. You mentioned that smart plug and telematic. What we understand is that you are supplying these 2 products to 2 OEMs as of now. And you also mentioned that 1 product went from under development to production. What was that product? Can you please repeat? And are we supplying that product to the 2 OEMs that we are already engaged with them in EVs?

Sunil Bohra: BCM is body control module which has gone into production.

Aditya Jhawar: And we are supplying this to both the OEMs?

Sunil Bohra: No, one of them.

Aditya Jhawar: On the CAPEX if you can throw some light?

Sunil Bohra: In terms of CAPEX, as we said, the alloy wheel CAPEX is roughly around 160-170 crores, the blow molding was around 90 crores, and the lighting was around 100 crores.

Aditya Jhawar: This quarter if you see sequentially, the performance of the lighting division's decline was higher as compared to the overall decline and we were expecting that ramp-up in the 2 orders from Maruti would mean that the performance of lighting revenues is a little bit better. If you can shed some light why there is a disconnect?

Sunil Bohra: Aditya, as you know that the new businesses what we have secured, the production for them is starting in next year somewhere in the financial year 22-23 and that's why we are also putting a new plant. Anyway, there is no expectation of those new orders' business to start adding anything in the current financial year. And in terms of the overall volumes, they are in line with whatever COVID impact we had. Otherwise, there is no x-factor which we were expecting has not happened.

Moderator: We have the next question from the line of Vimal Gohil from Union AMC. Please go ahead.

Vimal Gohil: Sir, my question is on Harita's margins, if you could just highlight. If you would want to quantify, that will be great, but what was Harita's EBITDA this quarter?

Sunil Bohra: As you know, Vimal, we have stopped giving business-wise profits for the last 2-1/2 years now based on whatever feedback we have.

Vimal Gohil: Can you indicate the trend as to whether the margins have sort of fallen in line with the overall business? That will also help.

Sunil Bohra: Definitely. At a big picture, despite the COVID impact, the seating business was in green; they were not in red.

- Vimal Gohil:** So, basically the margins would have fallen in line with the overall business. That will be a right assumption, right?
- Sunil Bohra:** Not fully, I can tell you upfront because in the seating, there is a bit of commodity price impact and while we have bought from our customers, we have not bought from all. So, to that extent, we have not realized the full potential of seating in Q1.
- Vimal Gohil:** Your gross margins have improved on a quarterly basis. So, I was wondering if that was coming from Harita or I am not sure where is that coming from, but if you are saying that the gross margins for Harita have fallen, then what explains a sequential improvement in gross margins?
- Sunil Bohra:** You are looking from Q4 to Q1, right?
- Vimal Gohil:** That's right, yes.
- Sunil Bohra:** It's primarily on account of mix also. And also, we have been able to get some customers whatever price corrections, but some are still pending. But that also plays its part. I think largely it is a mix which I said a little while back.
- Vimal Gohil:** Sir, in your net debt number, you said that out of 1,221 crores, your preferential debt was about 200 crores, right?
- Sunil Bohra:** 220 yes.
- Vimal Gohil:** So, because the shareholders have opted for after 3 years payment, right?
- Sunil Bohra:** No, that's what I said, Vimal, the preference share is something around 228 crores or 229. There was an early redemption option and majority of the shareholders have opted for early redemption. So, we are expecting that to be paid within this quarter.
- Vimal Gohil:** Your core net debt excluding non-convertible now will be about 1000 crores approximately?
- Sunil Bohra:** Yes.
- Vimal Gohil:** So, this 229 crores, that has already been paid out, right? You have disclosed that on the exchange?
- Sunil Bohra:** No, that will be paid out.
- Vimal Gohil:** By when?
- Sunil Bohra:** Information to exchange on Saturday was that they have opted. So, within I think this month it will be paid out.

- Vimal Gohil:** So, probably I think September's balance sheet it won't be there.
- Sunil Bohra:** Yes, you are right.
- Vimal Gohil:** On your EV components, if you can just highlight maybe if there is any progress that has been made by? We completely understand that you have a very well-entrenched relationship with existing OEMs, but the way things are going right now, especially on the 2-wheeler front, it becomes very important for us to engage actively with the startups and they are sort of gaining ground. If you can just highlight some progress where Minda has made on that aspect?
- Sunil Bohra:** Vimal, as you know that from the new age, I think you are speaking specifically from new-age OEMs because EVs are also manufactured by the existing IC engine manufacturers. So, from their perspective, you are right that from the existing players who are also IC engine manufacturers, we are having a very-very good business already from the EV perspective. From the new-age players, we have been having active discussions. We have got some of the businesses already from them for a couple of our products like seating or something, but we are in the active discussion with them and hopefully within this year, we do expect to get more components from these players, specifically which are EV manufacturers or the new-age EV manufacturers if I may say so.
- Vimal Gohil:** So, the seating products, you are saying that you have got orders from these new-age 2-wheeler OEMs for your seating business?
- Sunil Bohra:** You asked only for 2-wheelers. So, I have responded only for 2-wheelers.
- Moderator:** We have the next question from the line of Siddhartha Bera from Nomura. Please go ahead.
- Siddhartha Bera:** Sir, my first question is on the ramp-up of this 2-wheeler alloy wheels, and sensors & controllers. How will be the revenue we have done for this quarter and how are you looking at the ramp-up say over the next 2 years if you can throw some color?
- Sunil Bohra:** Two-wheeler alloy wheel, Siddharth, in this quarter obviously had an impact again because of COVID. We could not realize the full potential. In this quarter, they would have done something like 40 odd crores of top line which was broadly in line with the previous quarters. In fact, it is marginally lower than Q4 because this May month had a significant impact and our customers obviously had taken a shutdown, so we also had to. Because of that, the Q1 was lower but with now Q2 where we are currently planning to not only ramp-up the existing lines but have also commissioned the 3rd line. We are expecting good increase in Q2 revenue for 2-wheeler alloy wheel project.
- Siddhartha Bera:** On the sensors & controllers, how are we looking at the ramp-up?

- Sunil Bohra:** Again, if I exclude the COVID impact, I think sensor & controller both put together, it was like 50 crores.
- Siddhartha Bera:** In terms of our target which we have for FY23, do you think they have an upside to where adoption in the EVs is happening and maybe gaining share and all?
- Sunil Bohra:** Definitely, we are working on it. I think both of these businesses are sunrise businesses. I don't know what numbers you have factored in FY23, but the target which we have shared earlier for the next 3 to 4 years, I think we are on track.
- Siddhartha Bera:** So, from the next 3 to 4 years, what we are saying is like 5 to 8 billion type of top line for each?
- Sunil Bohra:** Total if I remember was we shared 400 crores of revenue plus.
- Siddhartha Bera:** On the depreciation if I see in the quarter, it has dropped a bit compared to last quarter. Any particular thing which has happened here?
- Sunil Bohra:** Depreciation as you know, Siddharth, normally you will provide as there are double shifts or triple shifts based on the business, but again in May when there was a shutdown period, as per the standards, you provide only single shift, you don't provide double shift or triple shift operation. That also leads to some reduction in depreciation.
- Siddhartha Bera:** So, this should normalize in the current quarter?
- Sunil Bohra:** Yes.
- Siddhartha Bera:** Lastly, sir, on the Harita seating side if you can throw some light on the CV part of the business which we have been trying? Any ramp-up in revenues which we are looking and in terms of new orders, can you share something on that?
- Sunil Bohra:** Harita, as I said, we have actually got a couple of businesses - export orders of peak value of 75 crores a year. From that perspective, I think it continues to do well, but specifically on the domestic front, we all know CV is yet to pick up. While we are all hearing that CVs are the next in line to sort of catch up, but it's not coming honestly, and Harita half of the revenue comes from the CV business. So, definitely, the challenges again are industry driven because if vehicles don't get manufactured, then our destiny gets linked with the vehicles being manufactured.
- Siddhartha Bera:** Sir, I actually wanted to know about the passenger vehicle side. We are pushing seats in the passenger vehicle side as well.
- Sunil Bohra:** No, not yet Siddhartha. I think we spoke earlier also. As of now, we don't have a ready product available from PV side. What we have got secured business are only primarily like headrest or center armrest like that but not specifically seating for PV and in fact the target which we have

also shared last time of doubling the revenue, that doesn't factor any PV seating actually. If that happens, that will be additional.

Moderator: We have the next question from the line of Ronak Sarda from Systematix Group. Please go ahead.

Ronak Sarda: Sir, my first question is on the other expenses and the employee cost line item. Is there any one-off in the quarter? And related is, given the major impact on margin is more of operating leverage, how has the utilization been and let us say July and half of August, are we inching back to let us say Q4 levels?

Sunil Bohra: No, employee cost definitely.... it's purely operating leverage play because there is nothing exceptional. Only additional is the increments because last year when employees have all contributed voluntarily for contribution or a salary cut if I may use that strong word, this time I think company has also been, I would say, proactive in terms of handing out increments which we gave in April itself - a lot of people did not - and we also increased a little bit of quantum of those increments. That is the only thing which is additional if you see from a quarter-on-quarter perspective.

Ronak Sarda: How has the utilization been in, let us say, July and August? Are we inching back to Q4 levels?

Sunil Bohra: Yes, definitely. As I said, July was very good. August, again, as you know, we just heard from a couple of our customers, primarily Maruti also where there are some challenges because of electronic components. So, I think, barring that, we should be on track to at least sort of reach close to the top line what we achieved in previous quarters.

Ronak Sarda: The other question was on the alloy wheel expansion, primarily in the Bawal plant, let us say for the non-Korean OEMs. The expansion looks slightly small given how the industry is quickly migrating to alloy wheels. Is it that the plan is to do the CAPEX or expand capacity much slower than what the industry would grow or it is more of a cautious approach? Just trying to understand that because we could have done a larger expansion in one go.

Sunil Bohra: I think you are referring to the Bawal expansion, right?

Ronak Sarda: Bawal.

Sunil Bohra: Why 60 was based on whatever current orders visibility we had. That was something like 30k, and we thought because we have multiple of the 30 lines, we are putting up 2 lines because we could accommodate those 2 lines in our existing plant. If you had to go beyond that, then we might have to go to another land acquisition and putting up another building and all that. So, what these 2 lines are being put up is in the existing plant and in the adjacent building which we had put up in the past but we could not expand there. So, because of definitely, a) the visibility of business we had at that point in time, b) considering the space available, we sort of opted for

60k. Definitely, if business grows, we will keep our options open to see if how do we expand further.

Moderator: We have the next question from the line of Mumuksh Mandlesha from Emkay Global. Please go ahead.

Mumuksh Mandlesha: Sir, on the other products revenue, what could be the revenue for the ICS, CNG, and blow molding this quarter?

Sunil Bohra: CNG does not get consolidated. CNG is a JV with Westport. So, that revenue does not get consolidated. I think sensors & controllers was, as I said, roughly around 40 crores: blow molding another 40 odd crores, Delvis another 30 odd crores, battery another 25 odd crores.

Mumuksh Mandlesha: Sir, can you just talk about the TG Minda South India, what is the growth prospect for this business? And similarly, you can talk about the TRMN (Tokai Rika Minda), what is the growth prospect for this segment also?

Sunil Bohra: Both these are joint ventures. TG definitely with airbag whatever made mandatory, it will in fact benefit may be around 40-50 crores of additional revenue per year based on whatever business we had in hand. That is on the TG. In terms of TRMN, as of now, the business is stable. There is nothing additional which we have got in the last couple of months.

Moderator: We have the next question from the line of Nikhil Kale from Axis Capital. Please go ahead.

Nikhil Kale: Sir, if you could just help me with the share of loss of associates and JVs, if you could just maybe share some numbers on the bigger JVs, what kind of profit or loss they have given this quarter?

Sunil Bohra: I think overall it was 5 crores. And as I said, I think a couple of JVs like Minda Westport and infotainment business were in the profit, but a couple of others like TG Minda and Kosei Minda, I think they were in red. If you see the significant part of that 5-crore loss was coming from TG Minda.

Nikhil Kale: Sir, just on a medium to longer term perspective, I think we have got significant orders in both on the LED lighting side as well as on the alloy wheel side. Just from an industry perspective, I wanted to understand how are you seeing the penetration increasing in both these segments - LED penetration as well as the alloy wheel penetration on the PV side. How do you see the numbers will shape up over the next 2 to 3 years? Any numbers on that side?

Sunil Bohra: I think, from that perspective, the biggest move we are seeing from market perspective is more on the alloy wheel side where there is a faster adoption of alloy wheels. On LED lighting, yes, it is moving, but it is not moving at that pace, but gradually we do expect that also to grow. So, in terms of alloy wheel, there is market around 30%-odd penetration compared to the total wheel - steel vs alloy - which is expected to grow in the next few years. Just to refer, I think the global

benchmark is almost like 80% to 90% in the developed regions. If you have to reach there, then this cycle has to continue for many years. But you asked question from a 2 to 3 years' perspective, I personally believe that this 30% should go to maybe 40% plus in another 3 years' time frame. And in terms of LED for PVs, my numbers are a bit dated. So, maybe we will look into these numbers and comment upon rather than just throwing in the air. Give us some time, LED I will come back because my numbers are a year backdated.

Nikhil Kale: On the QIP proceeds, I think you mentioned that there will be redemption of preference shares. So, overall, by the end of this year, this net debt which is maybe around 1000 crores approximately today excluding the preference shares amount, how do you see that reducing? What kind of numbers are you looking at by the end of the year - what should that number reduce to?

Sunil Bohra: Our net debt to equity is something I think around 0.5. That should be around 0.3 at the end of the year or between 0.2 and 0.3.

Moderator: We have the next question from the line of Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf: My first question is more on the overall business. Most of the products that we have seen, growth is coming from new launches, probably in the next 3 months or 4 months. And in general, we get from the OEMs that the chip shortage is going to kind of impact production, probably even impact the timelines in terms of new launches - there are some delays there. In your conversations, are you getting kind of fixed production targets from OEMs or do you think it's very fluid right now? How are you seeing the next 6 months panning out because of this chip shortage?

Sunil Bohra: Mukesh, as a said a little while back, definitely this chip shortage is an issue which I think as an industry, we are all working together, and so far, we have been able to sort of stand strong. Yes, there are challenges and I think we spoke earlier also that this shortage issue is going to remain till maybe early next year - early 2022. Before that, it is very difficult to say whether it is behind us. So, it is going to be there. I think we have to find ways and means to get some solutions and that's what everybody is working towards. Whether it can delay product launches, I think I am not the right person. I think OEMs are in a better place, but even if it has to, the existing models will continue. It is not that the overall production will get impacted if a new model is not launched. So, from a customer perspective, I think demand is there and to whatever electronic components whatever we have, whether it goes into existing model or a new model, I don't think it should impact from the overall volume perspective in terms of this new model I would say, specifically.

Mukesh Saraf: My question was regarding most of these new orders that you have got like probably the 4-wheeler alloy wheels or the seatings business, even for exports, if they are largely linked to certain new model launches, those can get delayed potentially?

Sunil Bohra: Yes, you are right, Mukesh. Like we just spoke about the example of Korean OEM LPDC. If the product launch gets delayed a little bit, definitely it is going to get impacted as well.

Mukesh Saraf: But right now, you don't see that delay is what I was trying to find out.

Sunil Bohra: You are right.

Mukesh Saraf: The second thing is probably on UZ Chasys any update there on that acquisition?

Sunil Bohra: We are in discussion with UZ Auto Motor. UZ Chasys there was a transaction we did with the government. There were some conditions precedents. As you know that being a new country, we wanted to go very-very carefully and we had some condition precedent which is signing of agreement for all the terms and conditions with Uz Auto Motors who is the customer. For both of these entities, the owner was the government. So, obviously, that was a comfort which we drew when we bid for. We are in discussion with them and there are some challenges from that perspective, but we are trying to see if we can find some solution and come to a common ground. That still is, I would say, in works.

Mukesh Saraf: But your target completion date is still this year end, sir, or any change there?

Sunil Bohra: Yes I think we said 30th of November. Ideally if it happens, it should happen before that.

Moderator: We have the next question from the line of Vimal Gohil from Union AMC. Please go ahead.

Vimal Gohil: Just one more thing. I wanted clarity on the revenue decline that we are seeing in the Others segment. If you can just highlight which sort of products segment saw a higher decline and possibly if you could just highlight the reasons for the same?

Sunil Bohra: You are saying from previous quarter to this quarter?

Vimal Gohil: Yes, that's right.

Sunil Bohra: The biggest was our aftermarket. While the basic components which get manufactured are part of the respective segment, but a lot of products which are traded that comes in Others. And the Others drop was in lighting is in the same segment, then I think controller and sensor both, again primarily because of COVID. Nothing I am seeing which is out of normal.

Vimal Gohil: Assuming there is a normal production ramp-up and notwithstanding the kit shortage challenges, you do expect the growth to come back in the next quarter. Is it?

Sunil Bohra: Absolutely.

Moderator: We have the next question from the line of Nikhil Kale from Axis Capital. Please go ahead.

Nikhil Kale: Just one follow-up question from my side. If you could just help us with the total CAPEX and investments that you are planning for this year and some indication for the next year as well?

Sunil Bohra: Nikhil, you know that CAPEX as we shared last time, the number will remain the same. The project CAPEX was something around 350 crores considering all the 3 projects which we just spoke about which is alloy wheel project, lighting project, and the blow molding project. In terms of the brownfield growth or a sustaining CAPEX, we are expecting to be around 200 to 250 crores this year, and from next year onwards.... As of now there is no certain visibility on the growth CAPEX, yes, we might have some requirement currently which is in the works - not something which can be announced today but there might be something on the growth CAPEX next year, but not to the quantum which we are doing this year, and sustaining CAPEX should remain in the same range.

Nikhil Kale: Another question on the alloy wheel. Assuming that maybe 2-3 years down the line that the demand continues to improve, you mentioned that the space is a constraint in the existing facility. If we do decide to go ahead and put up a greenfield, what kind of investment would you entail for say a capacity of maybe 60k or 120k per month?

Sunil Bohra: Broadly, 60k should cost something around 200 to 220 crores. Why it is costing less because of it is in the existing infrastructure and building was already there. So, if you double it, 120 should be around 400 crores kind of range.

Moderator: We have the next question from the line of Basudeb Banerjee from Ambit Capital. Please go ahead.

Basudeb Banerjee: My questions might be repetitive I missed out. The whole Harita deal value plus the residual stake purchase and the investments like Uzbekistan whatever you are doing, all these things are largely getting funded by this QIP. Am I right sir?

Sunil Bohra: You are right.

Basudeb Banerjee: Also, other than internal cash flows, this year, your project CAPEX was 350 crores?

Sunil Bohra: Yes.

Basudeb Banerjee: And maintenance CAPEX will be 150 to 200?

Sunil Bohra: 100 to 250, I said. The same number as last year. We have not increased it the year.

Basudeb Banerjee: And the year-end debt-equity which you said in the call earlier is after considering all the expenses and the QIP money raised?

Sunil Bohra: Yes.

- Basudeb Banerjee:** The next question sir I think we have discussed what has been the Harita's margin this quarter? Though obviously being the COVID quarter this is not the benchmark margin but still?
- Sunil Bohra:** As I said Vasudev I think somebody else also asked this question but we are not giving business wise margin actually but I said it is in green it is not in red.
- Basudeb Banerjee:** Any Outlook from Harita perspective you can highlight from the next 2-3 years prospective?
- Sunil Bohra:** You are right Vasudev in terms of outlook while it is very difficult to comment because half of Harita's revenues is on CV and CV continues to see the volumes where we all know about it that is number 1 number 2, what we are having in control is while we have launched this Harita Seating into aftermarket but we don't expect that to be very-very sizable in the first year. Maybe second or third year onwards it may become more meaningful. What we are also working is in terms of addition of at least one two-wheeler customer this year and we believe that we are on track for that. We should be able to add one two-wheeler customer to Harita Seating which has not been there earlier. So to see that how do we increase the customers and the overall share in the two wheeler seating business plus Harita has actually honestly doing very well in the export market. In export market they continued to sort of secure businesses. They have also secured businesses from some of the EV players for seating. So seating as a business we are very confident that we should be able to achieve our target what we had shared in the last call.
- Basudeb Banerjee:** What percentage of its revenue now in exports? What percentage of Harita would be exports now?
- Sunil Bohra:** Harita export is 100 odd crores currently, we are expecting that to grow significantly in the coming years.
- Basudeb Banerjee:** My last question like Ola launched its model yesterday and some other launches also happening. So BMS or motors if you can specify any such orders we are getting from such new players as such?
- Sunil Bohra:** Not from Ola honestly.
- Basudeb Banerjee:** Anything you were supplying to Ola as of now?
- Sunil Bohra:** No.
- Basudeb Banerjee:** And anything to the likes of Ampere or Hero Electric, etc.?
- Sunil Bohra:** Yes, to other players we are supplying some of the components. So we are in the discussion with including Ola with almost all of them because what was happening so far you know that because of the small volumes they have been primarily importing now with the volumes increase and also if you have to get the benefit under the FAME Scheme you have to localize. So now

everybody is in discussion for localizing the components and we are in discussion for all our components with all the new age players, existing we are anyway there. In the new age players, also, we have got a couple of components already and we are in discussion for more. Hopefully within this current financial year we should be able to secure more businesses from these players.

Basudeb Banerjee: Will it be right to assume that you will be confident of securing LED light orders from Ola?

Sunil Bohra: I won't comment specifically Vasudev. Obviously, we would like to.

Basudeb Banerjee: That is the large opportunity as such.

Sunil Bohra: Definitely, I think every component is large opportunity for us because every business is independent. Our focus is not only that our focus is all the businesses whatever we can secure I think that will be great.

Basudeb Banerjee: One last question sir, on one side many experts or articles are saying that BMS is a very imported integral part of EV two-wheeler and it should be an inhouse process as such and on the other side many components players including you and others are seeing that BMS is one of our key part of portfolio which will get outsourced so if you can explain like how do you see that management system going ahead?

Sunil Bohra: Vasudev you are hundred percent right for BMS as of now it is I would say broadly a split strategy. A few players are having announced few players are having outsourced. Like you said there are other players also but we have got our anchor customer for BMS. We should get into production within this year. So yes, it is a mixed approach. Not necessarily everybody will manufacturer in house and that is how we have been able to get business from one customer.

Moderator: Thank you. We have the next question from the line of Vijay Kante from Bernstein Investment. Please go ahead.

Vijay Kante: Sir you mentioned that four-wheeler alloy wheel currently at 30% I missed the number where do you expect this to go to and by when?

Sunil Bohra: That very difficult to comment Vijay. What I said was that developed of market penetration is almost like 80% to 90%. Over a longer term I think as a country we should also reach closer to those numbers but that may be many years from now. In terms of three years plus scenario, we are definitely expecting this share to cross from 30% to 40%.

Moderator: Ladies and gentlemen that was the last question. I would now like to have the conference over to Mr. Bohra for closing comments. Over to you sir.



*Minda Industries Limited
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Sunil Bohra: Thanks 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 get in touch with us. Stay safe stay healthy.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Minda Industries Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines