



“Minda Industries Limited  
Q2 FY2021 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Minda Industries Limited Q2 FY2021 earnings conference call. This conference call may contain forward looking statements about the company, which are based on beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Bohra, Group CFO from Minda Industries Limited. Thank you and over to you Mr. Bohra!

**Sunil Bohra:** Thank you Aisha. Good afternoon and a warm welcome to all of the participants. I hope you and your near and dear ones are all keeping safe and healthy. On the earnings call today I am joined by my colleague, Mr. Tripurari Kumar. We hope you have had a chance to have a quick look at our financial results and presentation that is uploaded on 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.

The performance of the auto industry for the second quarter ended September 2020 has progressively improved with each passing month with September volumes being best in the first half of the fiscal. Further the October month continued to witness strong growth in the volume on the back of channel filling, upcoming festivals wherein certain OEMs have also reported highest ever monthly sale. Strong demand was experienced during

the festive period of Navratri, Durga Puja and Dussehra. A very good monsoon, higher Kharif acreage and continued government support has ensured a very robust rural and semi-urban demand for two wheelers and entry-level passenger cars. Urban markets, which were lagging in demand, are now fast getting up as well. The market demand sentiments were further supported by the preference for personal mobility. Tractor sales volumes are expected to grow this fiscal over the previous year primarily driven by a strong rural income going to solid adding of harvest. Moreover government initiative in the form of a hike in minimum support price for kharif crops and increased budgetary allocation under MGNREGA are supporting rural income. The auto loan interest rates are below 8% the lowest in a decade and that should also engage customers to purchase new vehicles.

During the second quarter the auto sector volumes declined by 8% as against the volumes recorded for Q2 FY2020. The two-wheeler segment declined by 7%, three-wheeler by 50%, four-wheeler by 8%, and CV segment declined sharply by 24%. According to SIAM passenger vehicles auto volumes increased by 14% Y-o-Y in October following an increase of 26% in September and 14% in August. The inventory levels for two-wheeler and passenger vehicle are also within a comfortable zone with four-wheeler inventory around 30 days and two-wheeler inventory around 45 days. With the festive season continuing into November the sales volumes are expected to remain strong. OEMs are also offering various festive discounts to further supplement the demand. As you know the GST collections for October were at an 8-month high and crossed 1 lakh Crore mark and the service sector grew for the first time in eight months in October. The above factors augur well for the economy in general and the auto sector in particular in the ensuing years.

Coming to our performance, you may refer to Slide 5 and 6 at the consolidated level during Q2 FY2021 the company registered a revenue of Rs.1465 Crores as against Rs.1360 Crores for Q2 FY2020 registering a growth of 8% year-on-year despite the industry volumes in negative territory for the quarter. The revenue for Q1 of FY2021 was Rs.417 Crores. Our product portfolio, kit value

enhancement and customer mix has supported in performance of Q2. EBITDA for the quarter was at Rs.215 Crores in comparison to an EBITDA Rs.162 Crores during the corresponding quarter at the end of FY2020. EBITDA loss for the preceding quarter was at Rs.71 Crores, the EBITDA has been positively impacted by short-term cost reduction initiatives and better operating leverage. The temporary salary reductions have been reinstated with effect from September 1, 2020. During the quarter we had foreign exchange gain of around 8 Crores in other income, which is not part of EBITDA, but part of other income. The finance cost is lower on account of reduced interest rates and utilization of cheaper sources of funding like commercial papers. Depreciation has been higher due to amortization of intangibles related to acquisition of Delvis and commissioning of new alloy wheel plant at Supa. Accordingly, the profit before tax before exceptional items for Q2 FY2021 was at Rs.129 Crores as against profit before tax of Rs.69 Crores in Q2 of FY2020. The growth in PBT is largely on account of better operating leverage and lower interest costs. Our tax rate for the quarter is at around 34% primarily due to the reversal of deferred tax credits generated in the first quarter, which was at the full tax rate, lower book depreciation versus tax depreciation and non-extension of R&D tax benefit. For full year we expect our tax rate to be around 24%, our profit after tax, For the quarter it was at Rs.81 Crores as against Rs.49 Crores in the corresponding quarter last year.

Moving to the product lines you may refer to slide 7 and slide 8. First to start with switching system the segment received revenue of Rs.471 Crores for Q2 contributing about 32% of total consolidated turnover. We are localizing sunroof gear shifters and neutral switches for passenger vehicles. Our kit value has also been positively impacted in two-wheelers due to change over to BS-VI and additional features like USB and switches.

Moving on to lighting businesses it has achieved revenue of Rs.363 Crores for Q2 contributing 25% of our total turnover. Our two-wheeler business has received new orders from RE, Meteor, TVS iQube and Honda. In four-wheeler we have for the first time received an order from HMSI for LED tail lamp with rear lamps.

Moving to light material technologies on LMT business it has achieved revenue of Rs.180 Crores for Q2 contributing 12% of our total turnover, the LPDC wheel under commissioning stage and we should be ready for customer in Q4 of FY2021. On our two-wheeler alloy wheel project at Supa two lines have been commissioned out of four lines, the remaining lines are expected to be commissioned by March and we expect stabilization in a couple of quarters thereafter.

Coming to our acoustic horn businesses, the business has achieved revenue of Rs.167 Crores for Q2 contributing 11% of our total turnover. The Indian business received first ever order for electronics in India from M&M PV division.

Moving to other product businesses, it has achieved revenue of Rs.283 Crores for Q2 contributing 19% of overall topline. We have started supplying sensors with wheel speed sensor to our Korean customers of if you set a high level for Rs.283 Crores it largely consists of Rs.50 Crores of sensors, Rs.45 Crores of blow molding and Rs.30 Crores of Isis. Total borrowings as of September 30, 2020 were at around Rs.1152 Crores compared to Rs.1159 Crores for Q1 FY2021 approximately Rs.298 Crores of cash was available as of September resulting into a net debt of around Rs.853 Crores.

Moving on to slide #9 in terms of our revenue pie for the quarter ended September 30, 2020, OEM business accounted for 86% of total revenue and aftermarket business is around 14% and in terms of segment mix four-wheelers have contributed around 52% while for two-wheelers it is at 48%.

Moving to slide #10 TG Japan and Minda have agreed on consolidating all its business under one umbrella with MIL playing a significant role in the joint venture. Minda has already increased stake only in TG Minda to 49.9% in September 2018 you might be aware of it and TG Minda has been acquired with 95% stake so TG Minda has acquired 95% stake in TG SIN from TG Japan in September 2020. With an objective to consolidate entire TG and Minda business in India under one umbrella the Board has in principle approved the merger of Minda TG with TG Minda to ensure that the shareholding is identical post merger Board has approved the sale of 1.1% stake in Minda TG held by MIL to TG for a consideration of Rs.0.56 Crores. Due to above transaction line by line consolidation will be discontinued for Minda TG as it will become an associate company. In another transaction MIL Board has approved purchase of approximately 13% in Tokairika Minda Private Limited as you call this TRMN for Minda Finance Limited as part of our committed group consolidation exercise for a consideration of Rs.22.5 Crores. TRMN will now become an associate company of MIL and will be consolidated by equity method. As you might know TRMN is engaged in business of seat belts, gear shifters, locks and safety devices for automotive application. In FY2020 TRMN reported a turnover of around Rs.600 Crores.

Moving to slide #11 Harita Seating Systems the merger scheme is now placed for final hearing on November 16, 2020 and as you know the right issue of Rs.242 Crores has been successfully completed and it was subscribed by 1.2x and the company has largely used the money to repay its bet obligation and investment in TG Minda for acquisition of Delvis. That is all from our side and now we can open the floor for Q&A.

**Moderator:**

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

- Ashutosh Tiwari:** Congrats on a good set of numbers. Firstly on the two-wheeler alloy wheel plant you mentioned two lines of commission so what kind of revenue do you expect in this year in the second half and then any colour of next year what we are looking at?
- Sunil Bohra:** We have just commissioned the line in September and in the month of September the sale was almost I think around Rs.3 Crores so the lines are now gradually being sort of stabilized and we will be commissioning our another two lines so for next year which is 2021-2022 our capacity based on our total peak revenue of around Rs.470 Crores we should be roughly around 60% to 70% of our capacity levels and definitely we will have better clarity maybe by the time we speak maybe in February or March.
- Ashutosh Tiwari:** You said peak revenue Rs.470 Crores?
- Sunil Bohra:** Yes, the full revenue was expected to be around Rs.470 Crores based on the total investment.
- Ashutosh Tiwari:** Okay and on sensors, Sir you mentioned some numbers part of other sales I missed that number can you provide that?
- Sunil Bohra:** The quarter was something around Rs.50 Crores.
- Ashutosh Tiwari:** I am saying that this Rs.50 Crores is from the new plant that you commissioned?
- Sunil Bohra:** No that is total.
- Ashutosh Tiwari:** The new plant got commissioned?
- Sunil Bohra:** No, new plants have got three products, the first one which is the high temperature sensor has been commissioned, and the wheel speed sensor is expected to be commissioned in the last quarter.
- Ashutosh Tiwari:** Okay and what kind of numbers we can look at from these new sensors next year basically or overall sensors next year?
- Sunil Bohra:** We will give better clarity if you do not mind in the next call on this.
- Ashutosh Tiwari:** No issues and secondly on this employee cost this quarter is around Rs.4 Crores and you mentioned that there was salary cut in others so on normalized basis this number should be how much on a quarterly basis?

- Sunil Bohra:** So if you see the benefit in the total cost for a month was roughly around Rs.6.5 Crores on a monthly basis.
- Ashutosh Tiwari:** On a monthly basis roughly Rs.13 Crores would have been the benefit in the current quarter?
- Sunil Bohra:** Yes.
- Ashutosh Tiwari:** We also saved a lot on the other expenses there was a decline Y-o-Y will some part of that will sustain when things normalizes going ahead?
- Sunil Bohra:** Definitely some part of it should sustain because as you know the industry we are in there is a lot of expenses, which goes towards traveling and admin and like that and I think we are still away from getting to a normal situation so there is definitely a good saving that we expect to control that is number one and number two even on the rentals wherever we have we have actually negotiated for a full year reduction so those savings will continue and in fact to continue forward because we have actually reset the base so whenever we give next year's increase on the profit it will be on the lower base so this reduction actually is what we call I would say a long term reduction, which we have achieved and also the negotiations, which were done on various administrative and overheads like consultants, etc., they have all been negotiated for the full year basis so we do expect those things to continue.
- Ashutosh Tiwari:** Even if they remove that Rs.13 Crores saving on employee cost and then also margin 13.7% despite the fact that in this quarter LMT sales are lower so your alloy wheel sales would have been declined Y-o-Y in this high margin despite that margins are pretty good and lastly on the profit from associate front there is a significant jump for last year Rs.10 Crores numbers so which of the entities are contributing more right now in terms of profit from associates?
- Sunil Bohra:** No, if you see the improvement in profit from associates is actually proportionate almost to the profit increase, which you see in Minda Industries so it is I think generally in the in line with the group whatever the sales growth and business growth plus what are the efforts we have taken from cost aspect I think every business has contributed broadly proportionately.
- Ashutosh Tiwari:** Okay and last question if I may ask you mentioned that this TG the association reorganization that you are doing you will have a bigger role going ahead so I think despite if you look at TG Minda despite having a good big sales numbers I think the profitability is a bit lower, so will we looking at increasing profitability at that entity a lot over the next two to three years?

- Sunil Bohra:** Definitely Ashutosh I think that is the plan that once we consolidate entities into one definitely you get immediately the savings of various overheads and common costs of common functions that is number one. Number two we are having very strong focus on improving our margin profile in TG and with our more and more active involvement we do expect to improve its profitability profile going forward in fact if you see even in this year actually we have done better than the last year in TG, so that impact is visible and completely equal that going forward we should be in a better trajectory from where we are today.
- Ashutosh Tiwari:** Okay Sir thanks a lot. I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** First question is again on the income from associates and JV's part of it Rs.10 Crores this quarter is quite strong, could you give some sense of some benefit or some improvement you have seen and these were two entities where you had mentioned last time where you have a lot to probably improve that?
- Sunil Bohra:** We have seen sort of margin profile improvement across. There is a good improvement in ROKI and TG also, which was I think a negative number earlier, which is now being into green so I think all of them put together and make this movement from 6 to 10 and also it is still actually for the quarter in red because of some operational issues then I am sure once we see that coming into green that will further improve this number going forward.
- Mukesh Saraf:** Okay so we can probably expect it to continue to kind of develop from here this Rs.10 Crores number and obviously based on OEM volume but broadly it can continue?
- Sunil Bohra:** Yes.
- Mukesh Saraf:** Second question is on the capex so if I look at your net debt numbers from March till now we are largely the same probably if we done the rights issue so our capex seems like we are probably at about Rs.160 Crores, Rs.170 Crores so far in the first half so how do we see that going forward because we were also expecting some kind of a debt to come off with the rights issue that we were doing?
- Sunil Bohra:** Mukesh you are right what we have done is whatever funds we have generated from the rights issue part has been as I said invested into our subsidiary associate JV company, which is TG Minda for acquisition of TGSIN and rest has primarily been utilized in dependent of that actually around Rs.100 Crores has been used actually in October and that is when we have completed our full utilization, so it is not that the entire thing was closed in September the part has also gone into October that is number



one. In terms of capex and other things because of the business volume growth definitely a little bit amount of working capital also has increased and that is where I think the net debt is broadly. while it is in same range the amount which we have raised of around Rs.240 Crores has probably been utilized primarily in debt repayment some of it, equity and also capex and working capital.

**Sunil Bohra:** Got it and the last question is on this TRMN they acquired a 13% stake I think in the past you have mentioned that you did not want to get a smaller stake and you are looking at probably a larger stake so is there any immediate plans to increase it further from 13%?

**Mukesh Saraf:** So I cannot commit on the next step, but that is definitely part of the overall plan so the first step was to as if you remember our long-term commitment that whatever fell outside of Minda Industries we need to transfer everything into Minda Industries and this was the last piece, which was left out that we got into Minda so with this we actually complete that exercise so whatever holding was there that moves to Minda Industries and that holding actually we had an option to increase our holding from 13% to 30% so that we will definitely be discussing with our JV partner and we will try to see if we can close it within this financial year.

**Sunil Bohra:** Could you give some other numbers for TRMN apart from the revenue which you mentioned is about Rs.600 Crores could you give an EBITDA and PAT number?

**Tripurari Kumar:** I do not have it, but I will answer it in the subsequent answer.

**Mukesh Saraf:** Sure Sir. No problem and I will get back in the queue. Thank you so much.

**Moderator:** Thank you. The next question is from the line of G. Vivek from GS Investments. Please go ahead.

**G. Vivek:** This is regarding the Harita merger and it is a case of when will it get completed and what value addition are you expecting from Harita merger and what value can it add to Minda Industries and top and bottomline?

**Sunil Bohra:** We all know that because of pandemic we had less hearings initially and the last hearing we had, we had been advised by the NCLT to publish and add for any objections if at all so that has all happened so we are pretty hopeful that on the next hearing, which is on November 16, 2020 and I believe even the Chennai NCLT hearing for Harita Seating system is scheduled in the current week. So hopefully we should have this transition course during this financial year and secondly in terms of the advantages what we have said earlier also that there are two advantages, which is first Harita seating, but obviously while they have been very strong in CVs and tractors of course in terms of two-wheeler seating they have been servicing only two to three customers, which are TVS and RE and once it

comes into our front we definitely are confident of adding one or two more customers and we have been actually working on that with them passively not very aggressively because we have to appreciate also in the listed company so until the transaction is closed obviously we have to maintain that distance and we cannot have active involvement in the operations of the company. We have also started to work, which we said initially also that to launch the Harita Seating Systems into our aftermarket channel. We have a very strong aftermarket channel, which is with 600 plus dealers so we are working with them, already we have started work now to launch their products into our aftermarket to see that we give a better growth to them so overall our target has been that we should be able to double that company's topline and outperform the industry growth and maybe in four to five years and that is the growth I think the company has also been expecting so if you talk to the local management they have always been sort of getting that shadow of OE because of it they have been untouchable with others, so we are pretty confident that we should be able to add significant value to Harita. Now secondly what our customers Harita has some of these customers we do not have like for tractors and like John Deere they are the global suppliers, etc., so there we do expect to work with them and see that we add those customers to their customers into our productivity, how do we sell our products like lights, switches, horns, etc., so we do have opportunity of cross selling to each other's customers and I think that is a bigger picture strategy behind Harita acquisition.

**G. Vivek:** What about Harita Fehrer the subsidiary?

**Sunil Bohra:** So that is also is part of the transition, it is part of the list of entity so it will come as it is.

**G. Vivek:** Is it that is also an attractive proposition for Minda Industries?

**Sunil Bohra:** Actually two-wheeler seating part larger business is in Harita Fehrer.

**G. Vivek:** Okay and coming to the Minda Industries business how do you foresee after the setback of COVID everything is on the recovery mode, the opportunity size and it keeps on increasing so what is the growth rate we can expect on time to come for Minda?

**Sunil Bohra:** I wish I would have a clear answer. It is like almost shooting in the dark to guess what the numbers could be looking at the markets are doing to because while we are seeing a very, very good demand momentum and the market we all know has been suppressed for the last two years because of various reasons and one large reason being migration from BS-IV to BS-VI, so definitely in the past there has been a lot of demand, which was I would say artificially or whatever reason suppressed so that demand also is expected to come to the market. Second because of pandemic there is a very good demand, which we believe is there in the market currently because of personal mobility and preference for owning own vehicles obviously affordability is the key, so all these factors are

definitely giving a good momentum to the industry, now how long this continue I think it is anybody's guess but what we have been saying is very clear and that is the trajectory we have been working on because end customer sale is not in our hands so obviously I would not like to go into prediction what the end consumer demand will be, but if you see this quarter the OE volumes absolute volumes have been lower by 8% whereas our topline is higher by 8% so there will be a clear outperformance of almost 16%, so our aspiration or our endeavor has always been to sort of outperform the industry growth and that is what the path we have been in last year when we do believe and we are confident that in the next few years we should be able to continue on that path of outperforming the industry growth whatever that growth is we should be able to do more than that.

**G. Vivek:** Okay Sir. Thank you keep up the good work.

**Tripurari Kumar:** This is for Mukesh. For TRMN last two years the gross margin has been in the range of around 25% and 26% and EBITDA is at around 8%.

**Moderator:** Thank you. The next question is from the line of Vijay Karpe from Bryanston Investments. Please go ahead.

**Vijay Karpe:** Thank you for giving me this opportunity and congratulations on a strong set of numbers. My question pertains to the alloy wheel division out of the 3.6 million two-wheeler capacity how much is coming in this year?

**Sunil Bohra:** Vijay as I said I think it is very difficult to put a number because when you are in a startup phase and in a ramp up phase there are a lot of challenges that come, so we are not currently in a situation or a stable situation where one can actually commit or comment on the absolute number and then get question on that at a later stage so I think the way we have been working I wish that this pandemic ends soon and we should be able to organize a trip for all the investors. We have built a state-of-the-art very high-tech plant and I think you have to see to believe it I would very confidently say this is the best plant, which you will find in the country very highly automated plant. Having said that to stabilize definitely takes a little bit time because all these things automation, which you have done in the country has been done for almost I would say the first time so there will be challenges enroute but once we stabilize as we said we should be able to stabilize we should be able to commence all the four lines by end of FY2021 take roughly around couple of quarters to stabilize the plan post that I think it will be fair for you to expect us to do some stable number until then I would like to sort of stay away on committing any absolute numbers.

**Vijay Karpe:** Alright then anything regarding on Kosei Minda I think we are not subscribed to the rights issue right?

- Sunil Bohra:** Yes you are right.
- Vijay Karpe:** My last question now Maruti has started the third line in Gujarat so how would that benefit our alloy wheel plant?
- Sunil Bohra:** First of all I do not think they have started, my information is they are going to start in next year, but whenever they start this will definitely have a very positive impact on Minda because I think we were among the first ones to move to Gujarat and we have set up five plants there dedicatedly for Maruti while we are also serving customers, other customers from there, but Maruti has been the anchor customer why we set up and had a large investment in Gujarat, so once we see any volume uptick I think we should be able to ramp up our volumes very fast, but if you see in terms of alloy wheel as of now we are almost 100% of our capacity currently if you see in September and October. So we are currently in process of putting another 30,000 wheel per year line there so our capacity will increase by that so as of now install capacity is 120 at Bawal and 60 at Gujarat so we will be sort of increasing that 60 by another 30 so to be prepared before Maruti commences the third line, we should be able to have capacity to sort of support their demand.
- Vijay Karpe:** Best of luck.
- Moderator:** Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.
- Siddhartha Bera:** Thanks for the opportunity and congrats on a great set of results. Sir first question was again in the other part of the business where we have seen a very good improvement compared to last year like 54% of Y-o-Y, you indicated that there will be sensors, but I would assume that sensors will some part of it be in the last year also so if you can just help us understand how this strong growth is coming in the other part which is driving demand here?
- Sunil Bohra:** Sensor has done well with addition of one new product. Another business Minda Kyoraku, which is our blow molding business, that has also seen a good growth and last which is the biggest is our aftermarket division, which earlier used to be in the Minda distribution services it is now Minda MIL after merger has seen a very good growth if you see on the quarterly basis the aftermarket growth what we have seen is more than north of 30% so that is also giving a lot of growth to that segment.
- Siddhartha Bera:** Got it Sir so this sensor what will be for the new sensor business, what should be the ramp up how to understand say in the second half and in the next year how much ramp up can happen any color if you can give them?

- Sunil Bohra:** Siddhartha again I think this is same like two alloy wheels, actually we are still to commission the plant in the fourth quarter so once we commission we should be able to give you a better clarity in terms of volume for next year. Current year we may not have any significant revenue from these two new products.
- Siddhartha Bera:** Got it Sir and lastly on this Harita business I think a lot of our customers in the CV segment are launching new platforms and new models under BSVI so have we seen any I mean material improvement in our realizations per product for these new products any colors?
- Sunil Bohra:** I would not be able to comment on Harita honestly Siddhartha.
- Siddhartha Bera:** Okay Sir Thanks I will come back.
- Moderator:** Thank you. The next question is from the line of Basudeb Banerjee from Ambit Capital. Please go ahead.
- Basudeb Banerjee:** Congratulations for a good set of numbers, few things as new businesses continue to get added and there is some shifting from associate to subsidiary so just wanted to understand this 8% Y-o-Y revenue growth is a clean growth or it is on addition of some new entity coming as a subsidiary from associate as such?
- Sunil Bohra:** There is no entity which we have made from associate in subsidiary in fact once this merger is done and this merger will take some time TG Minda and Minda TG because it will be a court approved merger so once this merger is through then almost like Rs.70-odd Crores of topline will reduce it will not increase from that perspective. Once it becomes associate, we will start consolidation.
- Tripurari Kumar:** In this quarter, there is one delvis which was not there a year ago
- Sunil Bohra:** Yes you are right.
- Basudeb Banerjee:** And how much Delvis delivered in terms of revenue, you mentioned in earlier comments I suppose?
- Sunil Bohra:** It was around Rs.50 Crores.
- Basudeb Banerjee:** And Sir some participant earlier said that despite alloy wheel mix coming down overall margin has moved up so it is primarily led by good maintenance of other expenditures and as Bohra Sir was also saying that this reduction is structural and permanent irrespective of revenue moving up so if you can explain like how and what are the stuff you did in last six months to reduce this as such?

**Sunil Bohra:** So we have done a lot of actions in the past obviously when we are talking of other expenses, there is a big aspect of traveling, so travelling in this pandemic has almost like negligible another is your various rents which our rental expenditure almost annually is around Rs.80 Crores or so because of various warehouses and various locations spread out the country. We have a good reduction there, we have lot of consultants, auditors, advisors, everywhere there is reduction and wherever we have reduced mostly we have tried to ensure that we do for full year so that is what I was saying that the large part of the other expenses or other reduction we have seen in Q2 ideally should continue broadly moving to the next couple of quarters as well.

**Basudeb Banerjee:** Okay Sir as input commodity prices have been increasing for many OEMs as such so your gross margin is also largely stable, do you see any risk to your pricing for you in the forthcoming quarters as such?

**Sunil Bohra:** So there is I would not say a risk but definitely when a price increases, there is always a lag between a pass through because most of the contracts we have whenever there are major contracts like alloy wheel and all it is a pass through with a one-quarter lag. On a conservative basis we do not account for that increase unless we have a approval from the customer so there might be a possibility in an increasing scenario that you may have a little lower or higher cost in the quarter and that gets recovered in the coming quarter but on a full year this is because most of our contracts are structured in such a way that either we have a quarterly price adjustment or some half year and some annual, so on an annual basis it should ideally average out and we should not have any material impact to our financials.

**Basudeb Banerjee:** That is great Sir and in your presentation as per the cash flow statement where first half investing cash flow is around Rs.160 odd Crores and how much of it is in investment and how much is in the capex?

**Sunil Bohra:** So large part is in capex and also with investment in TG Minda so we have equity inclusion of almost Rs.44 odd Crores into our associate company and I think almost Rs.150 Crores in our capex which is primarily into alloy wheel project and sensor project and also plus some small sustainable capex or replacement capex to play around which includes in the Rs.150 Crores of around 50 Crores of such capex.

**Basudeb Banerjee:** So what should we see in the year end with total investment and total capex this year?

**Sunil Bohra:** So on an overall basis we should be somewhere around Rs 250 Crores because the large part of alloy wheel capex while it has happened in first half, a little bit is still pending because fourth line we have just ordered and yet to arrive which will come in may be around January so putting that in total we should be somewhere around Rs.250 Crores for the full year.

- Basudeb Banerjee:** And the investment?
- Sunil Bohra:** Investments as I said this TRMN which were just announcement Rs.22.5 Crores will come and we started talking to partner and to take stake 30% to be a meaningful partner and have active role in the joint venture. We already have agreed for having our position in that company TRMN from Minda so we will be having active roles so once we do that if that happens then that investment in TRMN should be around Rs.65-odd Crores in total.
- Basudeb Banerjee:** So then full year can be 120 overall?
- Sunil Bohra:** Assuming there is nothing else.
- Basudeb Banerjee:** Sure and last question if I can ask so Maruti production and one can see how it is up year-on-year for last few months and you are one of the key suppliers also so how is the indent continuing beyond October if you can highlight that will be great?
- Sunil Bohra:** Things are definitely looking good Basudeb but you know that the indent are all months forward so if you see November definitely is looking good but then you do have your festive season holidays for a week roughly that you have to factor in and December again you have annual shutdowns around Christmas, post Christmas for three to four days as we know that Maruti did some sort of preponement of their shutdown somewhere in May during the lockdown period, but assuming they do take some sort of maintenance because normally we know that the Indian thought process is once we go to buy a vehicle in January so everybody wants to have a 2021 manufacturing because the year gained has an impact so because of which we are in November and December volumes are normally little lower than October, but if you see an indent basis definitely things are looking much better if you see on a year-on-year basis.
- Basudeb Banerjee:** That is a great thing because it is anyhow seasonally weak but as you started your initial comment that it is more of channel feeling so whether post channel feeling there is a larger decline in production outlook on that so. Thank Sir.
- Moderator:** Thank you. The next question is from the line of Ronak Sarda from Systematix. Please go ahead.
- Ronak Sarda:** Hi just a clarification did you mention that almost Rs.100 odd Crores of the QIP money was received in October because ...
- Sunil Bohra:** Not Received, it was utilized.

- Ronak Sarda:** Utilized you mentioned because I have seen cash flow statement that the entire money was factored in the first half.
- Sunil Bohra:** Yes it was utilized, it was not fully utilized by end of September but will be utilized by I think October 7, 2020.
- Tripurari Kumar:** We have to give some notice for the members, so that is why it has taken some time.
- Ronak Sarda:** Second alloy wheels for the Korean manufacturer the new technology which we had bought last year so now I mean since it is almost close to production can you highlight how much is the order book there?
- Sunil Bohra:** So as I said it is not close to production first of all we will start commissioning activities now and post that there is a customer validation checking etc., which we expect in fourth quarter. So hopefully production should start thereafter and maybe then we will be able to have better visibility because we have got both the Korean customers **wheel orders** and as you know this is not a big project it is a part of our existing plant in Gujarat to optimize and to have this learning curve. We are putting addition line which will use a lot of common, what we call common sub plants within the plant like your paint shop, like us a little bit else the existing plant will get used and what we are putting is a very what you call a small Rs.40 Crores, Rs.50 Crores worth of investment for this 25,000 wheels per year capacity so as of now if it is a very small investment and once it is successful we are talking to them and we might to see a bigger investment in future if successful.
- Ronak Sarda:** This is 25000 wheels per month?
- Sunil Bohra:** Yes capacity.
- Ronak Sarda:** Okay and also if you can explain this Minda TG and TG Minda deal so TG Minda I understand is in the airbags and seatbelts, what does this Minda TG do?
- Sunil Bohra:** Minda TG is a very small company where we had 51% holding and used to consolidate it, it makes fuel hoses and brake hoses, channel revenue is roughly around Rs.60 Crores to Rs.70 Crores and that is almost like a 10 year old company and we have been hardly into sometimes green sometimes marginally well and the strategy has been that we have been discussing with TG that TG also had two entities in India one is with TG Minda, which is airbag and bodybuilding etc., but TG also had a entity in South which is called TG South India so everything now comes under one umbrella so TG Minda acquired TG South India and now once Minda TG also gets merged, it all comes under one



umbrella of TG Minda so that is the overall plan and as we said it should bring synergies immediately in terms of your operational synergies and also maybe utilizing some of our tech also.

- Ronak Sarda:** Sure and what product would TG South India manufacture is it again airbags?
- Sunil Bohra:** Primarily into your plastic body parts like your bumpers and all.
- Ronak Sarda:** Practically three products plastic body parts, fuel and brake hoses and the airbags and how would be the total revenue size of this with three put together now?
- Sunil Bohra:** So Minda TG was roughly around Rs.600 Crores TG Minda roughly around Rs.350 Crores and this all put together it will be Rs.1000 Crores.
- Ronak Sarda:** Rs.1000 plus Crores and this will be accounted on equity.
- Sunil Bohra:** Yes.
- Ronak Sarda:** Sure and just on the switches business I mean despite Maruti seeing a volume growth for the quarter, we have actually seen a decline in revenues what would be the reason for that is it like non-multi customers more on product mix?
- Sunil Bohra:** I would say there are two reasons, one definitely is a product mix because we know that lower end products are sold more than the higher end as of now and also the uptick in four-wheeler switches has been literally lagging, so if you remember the volumes change in July, two-wheeler was doing better than four-wheeler in the initial part of the quarter, but off late both of them have done better so I think it is to do with the late catch up by CV and going forward I think we should be okay.
- Moderator:** Thank you. The next question is from the line of Nikhil Kale from Axis Capital. Please go ahead.
- Nikhil Kale:** Thanks for taking my question. Congratulations on a good set of numbers so my question is on the lighting orders that you mentioned both on the two-wheeler side as well as four-wheeler side the Maruti order bit as well as the Delvis order so if you could just throw some more color on it mostly if you could just highlight the potential revenues that these orders could add and also the timelines?
- Sunil Bohra:** So definitely post acquisition of Delvis last year, we have seen a very positive traction in our four-wheeler lighting and I think that has been the key reason, the factor behind acquisition of the Delvis. We have actually almost every quarter we have been adding at least one business from lighting perspective and it is all high values business because there are LED lights so initially we have got from two different variants then we again got from Maruti now we again got from Maruti tail lamp so

in terms of total business side if you see all these put together, four projects there will be north of I would say Rs.200 Crores on annual sale at peak revenues and this definitely I think it might need putting little more investment in our lighting business in Gujarat which we currently do not have. We are currently working on it to see what is the best way to do it so to realize this Rs.12 Crores what you call potential we might need to do some capex as well, we do not have any proposals as of now, our teams are working once we have it then we will let you know.

**Nikhil Kale:** Okay. Thank you. On the two-wheeler side can we expect these orders to come in two-wheeler side?

**Sunil Bohra:** It has already started so September; you are saying two-wheeler alloy?

**Nikhil Kale:** No the Toshiba lighting order.

**Sunil Bohra:** They are all what you call a year or two ahead so ordering cycle even the lighting when I said Rs.200 Crores of peak revenue, the revenues normally would start from 2020-2022 onward FY2022-FY2023 so you have one-and-a-half to two years of cycle before it goes into actual production.

**Nikhil Kale:** Okay and the Delvis order that you have mentioned, if I am not wrong Delvis is not really into a lot of manufacturing right, are these orders more or less on service side for the products and if so are we also planning to manufacture them?

**Sunil Bohra:** As of now Delvis does not have any manufacturing and while our endeavor will be to see that we make India as an export hub but usually whatever the products are, they are currently getting manufactured through contract manufacturing and in terms of orders, they have a mix of both service and product.

**Nikhil Kale:** Okay secondly on 2 wheel alloy plant you mentioned that it has been commissioned for a couple of months so that the lines have started just wanted to understand there have been some impact on the margin front as well as because the revenues would not be there and we have incurred certain labor or expenses so would that in fact material can you just throw some color in there?

**Sunil Bohra:** So this plant was commissioned sometime in September so if you see on a full quarter basis you would not have any material impact in fact depreciation for the whole quarter for this effectively has been roughly around a Crore, not that big, but yes going forward in Q3 and Q4 both will impact of this plant because it will be under ramp up mode and we should not be expecting this to generate profits in the first two quarters once it is stabilizes.

**Nikhil Kale:** Okay and just then last question you mentioned that lighting it is in good order and that might require certain investments also on the two allow wheel you have talked about second phase possibly in two to three years any other big capex that you could incur on some of the other segments if the demand kind of sustains or you see good double digit kind of growth going forward in FY2022 and then that containing FY2023 as well?

**Sunil Bohra:** So if you see that we have actually done a lot of capex in last three years and for any revenue growth for up to 20% we should be able to, I am talking on overall numbers while some of the businesses are already reaching at around 100% capacity but on a global basis for another 20%-30% kind of sale increase we should be able to absorb with the existing plants but wherever the business growth is much more like for example if you see lighting, a lighting four-wheeler entire annual sale is around 400 Crores and on 400 Crores if you have add Rs.200 Crores of sales more I am sure that you will appreciate that putting four plants for this 400 Crores worth of sales, now when you talk of adding another Rs.200 Crores you will appreciate that we will need some kind of investments so whenever we have a exponential growth then we will see on a case to case basis how do we optimize that if you see a lumpy capex, I do not think we expect any lumpy capex as we have seen in past because of primarily moving to Gujarat and at the same time we have also coincided two more plants which also of lighting four wheeler plant in Chennai and also lighting two wheeler plant in Hosur so in the period from I would say 2017 to 2019, we had a huge capex which had happened and we do not expect that kind of capex cycle to come soon.

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

**Ashutosh Tiwari:** Sir you mentioned that this alloy wheel plant is operating at full from September onwards, this is only for the Gujarat or Bawal including?

**Sunil Bohra:** Both are operating at full.

**Ashutosh Tiwari:** So like say you also mention earlier that they were some down trading earlier in the quarter by customers basically so now I think because alloy wheels are mainly used in the upper variants and mid upper variant so are you seeing that thing normalizing now?

**Sunil Bohra:** I did not get it full so what is the downward trend I did not get your point?

**Ashutosh Tiwari:** See in between in the passenger vehicle segment by different OEMs, there was shift to lower price vehicle and all by customers so are you seeing a trend that I mean alloys are mainly used in the upper

variant and middle variant of these cars, are you seeing a demand uptick over there also in terms of shifting to upper variance and compared two to three years back?

**Sunil Bohra:** No actually alloy wheel if you see actually are going into lower and also like even in some of the A segment car, we will find alloy options so actually penetration of alloy wheel has been improving . From a moral perspective segment A or B segment more than C or D and it does have a direct impact on switches but because alloy wheel we do not have so much of penetration and the penetration is now improving and that is why I said we are currently now in process of installing the another 30000 wheels a month line in Gujarat, which we already have in construction mode and we should have that up and running in a couple of months time so before the customer demand increases you should have our available capacity and whatever demand we see our capacity we see currently is on a six day basis so if required then we also have that seventh day which can be straightaway add to your 10% to 12% to the capacity so from that perspective I do not think we should have any capacity constraints and Minda as a group we always try and be ahead of the demand curve to make sure that the customer demands are met well on time and we have that facility available.

**Ashutosh Tiwari:** Okay got it. Secondly we also mentioned in the switches segment we got new orders of sunroof and gear shifter switches and all so I mean just kind of throw some light what content of these switches in the vehicle and any color or what kind of extra revenues it can provide?

**Tripurari Kumar:** So orders put together it will be around 500 per car.

**Ashutosh Tiwari:** 500 per car okay and then gear shifter what exactly I mean...

**Sunil Bohra:** Gear shifter switch.

**Ashutosh Tiwari:** Gear shifter switch...

**Tripurari Kumar:** Basically now the switches are not manufactured by us and largely imported and going forward we are localizing them and we will start with Maruti and then we will add another customer.

**Moderator:** Thank you. The next question is from the line of Anubhav Rawat from Monarch Network. Please go ahead.

**Anubhav Rawat:** Just quick two questions so Sir on the lightening front just wanted to know what is our share between four-wheeler and two-wheeler?

**Sunil Bohra:** You are talking about market share right?

- Anubhav Rawat:** No revenue split any broad number how much would we be doing from four-wheelers and two-wheelers?
- Sunil Bohra:** Yes so broadly it is like 45-55 in favor of two-wheelers.
- Anubhav Rawat:** So what will the margins be same in business?
- Sunil Bohra:** Broadly it is same.
- Anubhav Rawat:** Okay and we would be third largest in this overall lighting segment?
- Sunil Bohra:** Yes we will be.
- Anubhav Rawat:** And Sir just wanted to know this telematics and SAC business, sensors and accelerators does this fall under switches and does this fall under other category of our revenue?
- Sunil Bohra:** Delvis is part of others, you said another is what?
- Anubhav Rawat:** Sensors.
- Tripurari Kumar:** Sensor is not SAC, so SAC earlier used to be controller; sensor is part of other business.
- Anubhav Rawat:** Okay so sensor and telematics others right?
- Sunil Bohra:** Yes.
- Anubhav Rawat:** Okay so would that be a major chunk of others or is it small part?
- Sunil Bohra:** No it is a significant part.
- Anubhav Rawat:** Okay understood and Sir just one last question so this acoustic so similarly how much would be our domestic revenue and what would be coming from Clarton, a broad percentage?
- Sunil Bohra:** One-third in India and two-third from outside India.
- Anubhav Rawat:** Okay fine and just one last question so on the RM front Sir, what are we doing to increase the localization and how much of RM do we procure domestic?

**Sunil Bohra:** If you see RM perspective the large part of import is alloy that we are currently working on creating a local source, one of the large major primary producer but that will take some time because while we have got some local source alloy we are currently in the testing phase so that is the bulk of it, but if you exclude that our imports will be something around 8% to 10%.

**Anubhav Rawat:** Understood. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Swapnil Shah, an Individual Investor. Please go ahead.

**Swapnil Shah:** Thank you for the opportunity. I would like to ask two questions one is would you just brief about the new products which maybe under development and second could you please elaborate on the internal controls and risk management especially in this lockdown phase how did you achieve robust internal controls and risk management that is it for my side?

**Sunil Bohra:** As a strategy we normally do not comment on products which are under development because some might see light of the day some might not we have a R&D center in Pune under a brand called Create and we also have a lot of R&D happening in all our plants and then I am sure you will appreciate all those R&D projects some might get commercialized, but majority do not that is the key reason we normally do not sort of comment on what are the products under development because until it is developed there is no point in sort of building an expectation which might have materialized and in terms of internal controls, as I could understand your question correctly you said internal controls during lockdown so yes I appreciate that internal controls need to be there forever nothing relating to lockdown so definitely we have not done anything as an exception for improving internal controls in the company just because of the lockdown. We continue to work on strengthening our internal control systems and processes and there is no correlation which I could do with specifically for lockdown and internal controls.

**Swapnil Shah:** Specifically I wanted to ask how did you ensure continuity and ensure robustness of internal controls during this tough phase that is what I was asking?

**Sunil Bohra:** I am still not clear if you could guess about how do we correlate internal control in lockdown?

**Tripurari Kumar:** I think now you answered it, there was nothing which was done specifically to highlight that of control because I think as a corporate we have very robust control systems in place whether it was lockdown or not, when there was lockdown lot of things got facilitated online and for which we worked relentlessly and control systems and risk management is factored through all our processes and it is a standard thing so nothing specially done in the lockdown.

- Swapnil Shah:** Okay fine that is it. Thank you very much.
- Moderator:** Thank you. The last question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Thank you for the opportunity again. Just one question from my side I was looking at the alloy wheels business numbers last year Minda Kosei number and the EBITDA margins was close to 30% in the past when you are done 25%, I think you are generally guided that it will be tough to maintain 25% but 30% last year is there a one-off how sustainable is that?
- Sunil Bohra:** There is no one-off Mukesh if you are referring to the numbers for 2019-2020?
- Mukesh Saraf:** Yes 2019-2020?
- Sunil Bohra:** There is no one off so what happens is Mukesh you will appreciate that when we are put to this plant, we put with our anchor customers and initially our capacities have not been fully utilized whereas we have agreed for a price based on the install capacity and there were annual year-on-year price reduction I think the customer has been kind enough to accept our request to defer some of the price reduction for next year so that is why you see some good profitability in 2019-2020.
- Mukesh Saraf:** Okay so that 30% in that way not sustainable because you will take those reduction this year?
- Sunil Bohra:** Yes that is one and what is happening is that as time progresses more and more models which we are doing, they are at a very, very competitive rate and we are not at a normality rate which was there when we installed the plant.
- Mukesh Saraf:** Okay got it all right understood thank you.
- Moderator:** Thank you. That was the last question. I would now like to hand the conference over to Mr. Sunil Bohra for closing comments.
- Sunil Bohra:** Thank you gentlemen. Thank you and I would like to thank everyone for joining the call. I hope we have been able to respond to all your queries adequately. I wish you a very happy festive season and a safe Diwali. For any further information we request you to please get in touch with us. Stay safe, stay healthy. Thank you.
- Moderator:** Thank you. On behalf of Minda Industries that concludes this conference. Thank you all for joining us and you may now disconnect your lines.