"Minda Industries Limited
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Moderator: Ladies and gentlemen, good day and welcome to the Minda Industries Limited Q1 FY2020 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 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Bohra from Minda Industries Limited. Thank you and over to you Sir!

Sunil Bohra: Thank you very much. Good afternoon and a warm welcome to all of the participants. On the call today, I am joined by my colleague, Mr. Tripurari Kumar, SGA, our IR consultant. I hope you all had a look at our financial results and presentation that has been uploaded on stock exchange as well as company website. I will briefly speak on the industry and then update on our performance, following which, we will be happy to answer your queries.

As we all know that the auto sector is witnessing its weakest demand environment over a decade coupled with depressed volumes and margin pressures. Government has taken pro EV stance in the budget, lowered the GST rate and also incentivized the purchase by providing interest reduction on loan etc. Contrary to hopes, there was no favorable announcement with the exception to EVs in the budget to stimulate the sector, which is still struggling with dealer inventories, which peaked in Q3-Q4 of last year. Most of the OEMs have revised their volume downwards in line with the demand. Regulatory changes relating to insurance, BS4 to BS6 transitions have resulted in OEMs in general announcing fewer models. Industry seems to have deferring on new launches due to various uncertainties. Demand remains weak across segments with hopes of back of good monsoon so far and NBFC resolution looking some green shoots.

In Q1 FY2020, as per SIAM the vehicle volumes in two wheeler segment degrew by 10%, three wheeler were 9%, four wheeler by 12% and off roaders has degrew by 22% year-on-year. After a long time, all the sectors have shown degrowth simultaneously, which is rare. Needless to say, historically one segment has always outperformed when the other segment was witnessing challenging demand environment.

Rural demand has not picked up due to delayed subnormal monsoons, which off late has improved. Favorable movement in foreign currency and commodity movement were positive for the sector. However, most of the benefits have been off set due to lower operating leverage and capacity utilizations. Second half of the financial year could see pre-buying and industry is hopeful of good festive season. Over the medium to long term, we expect the sector to grow in the range of 6% to 8% and long-term growth story of passenger vehicle remain intact despite challenges thrown up by shared mobility and ownership models.

Coming to our performance, you would see that the kind of favorable factors we had which was the robust sales despite industry had volume cuts, supported with cost management and austerity measures, we have been able to keep our cost in control, overheads in check and as a result we have maintained our EBITDA margin despite pressure on businesses.

At a consolidated level, we have continued to post robust sales despite industry had volume cut due to weak demand. Management has taken various initiatives to manage overall cost structure including certain austerity measures to keep the cost in check. We continue to explore opportunities to maximize our kit value. At consolidated level, during Q1 FY2020, the company registered a revenue of Rs.1440 Crores as against Rs.1430 Crores for the corresponding quarter i.e. Q4 FY2019 with a growth of 1%. New products have started to contribute to the topline.

Despite adverse business environment, EBITDA for Q1 was at Rs.172 Crores growing nominally from Rs.170 Crores in previous Q1. EBITDA margin for Q1 is at 12% compared to 11.9% recorded in Q1 FY2019, an expansion of 7 basis points. The margin improvement has been possible due to cost management initiatives, favorable movement of commodity and currency exchange in the quarter under reference. It reenforces our commitment to continuously improve our margin profile. PBT before exceptional item for Q1 FY2020 was at Rs.84 Crores recording a decline of 26% from Rs.114 Crores in Q1 of FY2019. This decline is largely on account of lower operating leverage at certain facilities and partial utilization of certain new facilities in Gujarat resulting in an overall higher depreciation number. The management believes that these investments will keep us geared up for growth in near future as and when the growth returns. The management is very cautious in making new investments and capital expenditures.

Finance cost is higher year-on-year due to increase in total borrowings which stood at Rs.1,119 Crores in Q1 FY2020 as against Rs.546 Crores in Q1 FY2019. These borrowings were taken for investments in TG Minda, iSYS, controllers, two-wheeler alloy wheels, sensor projects etc. The profit after tax attributable to MIL declined by 24% to Rs.53 Crores in Q1 as against Rs.70 Crores in corresponding quarter last year.

Coming to our product lines, switching systems segment achieved a revenue of Rs.532 Crores for Q1 contributing about 37% of the total consolidated turnover. The EBITDA margin in this segment was around 11% this year. Four-wheeler switch business has received business for newly launched Venue from Hyundai. We hope to build on the momentum with Hyundai further. Four-wheeler business is in line with OEM volumes while we improved our share of business in two wheelers.

Moving on to lighting system division, the lighting division achieved a revenue of Rs.339 Crores for Q1 contributing 24% to our total turnover. The EBITDA margin in this segment was around 10% this quarter. The lamp business witnessed better volume due to some new launches supported with higher LED content.

Coming to acoustic or our horns business, the division achieved a revenue of Rs.178 Crores for Q1 FY2020 contributing 12% of our total turnover. The EBITDA margin in this segment is around 6% in this quarter. The domestic business is upbeat despite volume cut. The Clarton Horn Mexico business is under stabilization.

Moving onto light metal technology business, the division achieved a revenue of close to Rs.200 Crores for Q1 FY2020 contributing 14% of our total revenue. The EBITDA margin in this segment was around 26% this year. This segment benefitted from better operational efficiency, favorable commodity movement and improved customer mix.

Of other segment, the product lines, which we have added last year have also started contributing and are showing good traction. As a whole, we achieved revenue of Rs.190 Crores for Q1 FY2020 from other products. Most of the products in the segment are sunrise or nascent businesses. We have been able to achieve an EBITDA of about 11% in this segment. Katolec and iSYS have further added to the growth of the segment. RPAS and front airbags are mandatory with effect from July 2019. However, as you know these segments do not get consolidated to our topline.

Coming to other business updates, the merger of the four wholly owned subsidiaries, the merger scheme has been filed with exchanges and it is expected to be filed with NCLT in the next week or so. The secured creditors consensus are being procured and we expect the merger to be consummated by end of this fiscal year. Another acquisition and subsequent merger, which is Harita Seating Systems Limited, the scheme has been approved by the exchanges and SEBI has also approved and forwarded this scheme for further action. Here again we are waiting for the consent of secured creators which we expect to happen in a couple of weeks from here and thereafter we will file the scheme with the NCLT.

In terms of major order wins, which is the new customers, sensor business has received new orders from Kawasaki and PSA which is engine and speed and oil temperature sensors. Minda Kosei has been nominated business value of around Rs.87 Crores from OEM which is the new order.

In summary, while the near-term challenges remain in the sector, we remain cautiously optimistic about revival of the sector. We will continue to engage with our customers to work on emerging technologies and enhance our offerings. That is all from our side. Now we can open the floor for Q&A.

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

Ashutosh Tiwari: Hi Sir, it looks like a decent performance in this environment on operating side. Firstly, we have seen a major hit at PAT level because of the pressures in interest cost. Can you share what kind of utilization level we are currently operating at key verticals like two wheelers, four wheelers switches and lighting, alloy wheel and TG Minda so that we would know how much capex we need to do going ahead?

Sunil Bohra: Ashutosh your point is right, so if you see while on quarter-on-quarter, our revenue has been marginally higher. We have done a lot of capex in building new capacities, the investment was primarily in Gujarat to start with which was alloy wheel, Mindarika ,Roki Minda and Minda Kyoraku,. The capital utilization there has been sub 50%, so that is in terms of new facilities.

In terms of the existing business, it has been a mixed bag. Our four wheeler lighting has actually done very well. The utilization has been excellent, it is almost close to 85% and we have got some new businesses in lighting like the XU300 all the lamps are ours, which has helped done very well in last quarter. Even in Harrier, we have got some lamps, so all these have actually helped our four wheeler lighting to do much better compared to the other businesses. In our two wheeler lighting business, it definitely has been impacted in line with the drop in volumes, but our drop has been less than the industry drop. While the industry average drop has been around 10%, we are around 6% lower in two wheeler lighting. Our capacity utilization there again is around 80% to 85%. In terms of alloy wheels, it has been sort of flattish revenue. Again, if you ask the capacity number, in terms of Bawal plant, we were operating at around 70% and at Gujarat plant we are less than 50%.

Our acoustic business has been flattish, we have not done any new investment in acoustics last year, so acoustic utilization remains closer to 90%. In fact, there are points where we are actually increasing shifts even on Sundays where we do not operate, so acoustic is also doing very well.

In terms of switches, first is four wheelers. Mindarika has been almost directly impacted with the drop in OEM volumes. There the volumes are mostly mirroring the OEM numbers, so there the capacity utilization again in Manesar or other plants in Chennai, they are around 75%, whereas in Gujarat it will be sub 50%. In two wheeler the capacity utilization is around 80%.

I hope I have covered most of the major businesses.

Ashutosh Tiwari: So basically looking at it, except lighting most of the places utilization level is quite low so there is no need to invest capex per se in these verticals let us say for next one to one and a half or may be two years also?

Sunil Bohra: Absolutely, apart from some small replacement or routine capex, we don't require any large capex or investments in these businesses.

Ashutosh Tiwari: You shared that we have got four wheeler switch order from Venue, so can you provide some color on the content that is supplied to it and also what kind of a share we have got, it is a full 100% share or is it lower than that?

Sunil Bohra: So as you know that whatever switches you get, you get 100% because now a days people do not keep two suppliers for a component or a switch. So, whatever switches we have got, it is not 100% but whatever we have got, it is full. May be we will share separately a content value off line.

Ashutosh Tiwari: Also, can you share some color on the sensor and controller division and how that business will grow going ahead in the next year when BS6 becomes applicable, so how is the revenue in that particular segment grew and also can we include the KPIT related business that would come through, so overall what kind of a revenue growth we will see from there for FY2020-2021?

Sunil Bohra: They are two different businesses; as you rightly said one is sensors and the other one is controllers which is the KPIT related**.** Sensor business again has done very well in this quarter. They actually performed better than projected in our Q1, so sensor business has done well, so our annual revenue of sensor is expected to be somewhere around Rs.120 to Rs.130 Crores, this is based on the existing plant. The new plant which we are putting for sensors for which the technology we have acquired from Sensata, that should be up and running sometime in second half of the year. Overall in medium term, which is around two to three years, the sensor business we expect it to be north of Rs.300 Crores.

Ashutosh Tiwari: You said Rs.130 Crores was revenue in this year, what it was last year FY2019?

Sunil Bohra: Last year it was around Rs.110 Crores.

Ashutosh Tiwari: This does not include KPIT related business?

Tripurari Kumar: I will come there, so this is on the sensor. KPIT is separate, it is a controller division, it is a technology for AIS 140, but as you know the transaction took some time to close, it closed sometime in the end of June. So, this year KPIT may not contribute significantly to the topline, but on a full year basis, it will be something like Rs.50 Crores or so.

Ashutosh Tiwari: In FY2020-2021 you are saying?

Tripurari Kumar: FY2019-2020.

Ashutosh Tiwari: Next year it would be growing?

Tripurari Kumar: Yeah, next year it should be Rs.100 Crores plus.

Ashutosh Tiwari: We had other controllers also right, through iSYS, so any color on how that will ramp up?

Sunil Bohra: That is stable as of now. Whatever we have been doing in iSYS, it is stable. The revenue quarter-on-quarter is also flat. So as you know they are very high tech controllers. As of now we are working on seeing that how do we bring the cost down to make it affordable in India.

Ashutosh Tiwari: Lastly, anything we have got from MG Hector?

Sunil Bohra: Nothing material.

Ashutosh Tiwari: Okay Sir, thank you.

Moderator: Thank you very much. The next question is from the line of Siddharth Bera from Nomura Securities. Please go ahead.

Siddharth Bera: Thanks for the opportunity and congratulations on the good set of results. The first question is on the demand outlook side. Given the slowdown we have seen in the near term, any color if you can give for our existing businesses, what kind of growth we are looking at if we assume that the OEM continue to decline for the whole year FY2020 and if you can help that separately for four wheeler and two wheeler businesses.

Sunil Bohra: Siddharth, it is a very tricky question to answer on behalf of OEMs. I am sure the OEMs are better placed to answer this question and I am sure you would have asked this same question to them also, but having said that, if you see that Q1 is to be replicated, In Q1 the OEMs has seen an average degrowth of around 10% to 11%, two wheelers was around 10% and four wheelers were around 11.9% to be precise. Despite that, we have been able to maintain our revenue, which means that in an essence we have outperformed by around 11% to 12%, so that is what the numbers I can sort of say we should be able to continue with that momentum in terms of out performing the industry.

Siddharth Bera: Sir, I have just come to understand that you have also indicated that there are some new businesses which have started in the quarter, so if you can tell us what are those and what is the quantum we get started in the quarter?

Sunil Bohra: If you compare Q1 FY19 and Q1 FY20, we acquired iSYS in end of September, so iSYS has added Rs. 14 Crores in this quarter. Then Katolec has started, while it is mostly for internal consumption, it also started selling to Panasonic which is a small amount, roughly Rs.3 to Rs.4 Crores, so that also brings the credibility in terms of quality of the business. Another business, which is added is MITIL. MITIL has also done well in terms of last year versus this year. These are the two to three things which have actually added delta, which was not there in Q1 of last year other than the normal business growth.

Siddharth Bera: Revenue from the Telematics has not come yet?

Sunil Bohra: Very small, this was just started in end of June. I think we closed only on June 25, so there is nothing material in Q1.

Siddharth Bera: This will annualize to how much for this year, in FY2020?

Sunil Bohra: Telematics, it should be something around Rs.50 Crores for this year.

Siddharth Bera: I thought that it was closer to Rs.100 Crores in Telematics?

Sunil Bohra: Yes, that was based on two assumptions. You were right, initially we were hoping that it should be around Rs.90 to Rs.100 Crores, but there were two things which have changed. When we announced this acquisition, this transaction was supposed to close in March, we were delayed by a quarter because of various reasons or compliances and secondly you know the industry volume itself have dropped, so that has been a factor, because these are mostly commercial vehicles and CV has seen bigger impact. So both of these have been factored in when I say Rs.50 Crores.

Siddharth Bera: Okay, but can we assume a growth next year for FY2021 or ….

Sunil Bohra: I am expecting it should be around Rs.90 to Rs.100 Crores.

Siddharth Bera: For FY2021?

Sunil Bohra: Yeah, Rs.80 Crores should be safe.

Siddharth Bera: Any change to the capex plans for this year and next year?

Sunil Bohra: We are doing a lot of work in terms of optimizing capex. So while whatever is the Greenfield capex on new products, that goes untouched barring some optimizations, some further reductions and whatever re-negotiations we could do in terms of price or market environment which is the two wheeler alloy wheel project, the sensor project and controller project, that continues. So we said at the beginning of the year, the capex should be around Rs.350 Crores in all these three projects which should happen plus or minus Rs. 20 Crores in this year. Another delta is that we said at the beginning of the year of sustaining capex and Brownfield of around Rs.200 to Rs.250 Crores, there we should be able to reduce the capex roughly by Rs.100 odd Crores so we should be ending the year at Rs.125 to Rs.150 Crores.

Siddharth Bera: So Rs.350 Crores plus Rs.120 Crores for this year?

Sunil Bohra: So at the beginning of the year we said it was Rs.350 Crores plus Rs.200 Crores to Rs.250 Crores, but now we are saying Rs.350 Crores to Rs.325 Crores something like that plus Rs.125 Crores to Rs.150 Crores.

Siddharth Bera: Okay Sir, got it. Thank you.

Moderator: Thank you. The next question is from the line of Basudeb Banrejee from Ambit Capital. Please go ahead.

Basudeb Banrejee: Thanks Sir and congrats for the good set of numbers in bad times. A few things, one as you mentioned that cost cutting initiative, so if I look at it, revenue being flat and the high margin alloy wheels revenue not adding on to the revenue, so if you can highlight few sustainable steps on how you manage to keep margin intact despite no benefit from operating leverage and mix also seemingly not improving?

Sunil Bohra: So Basudeb if you see that last year, during the year we have added a lot of new plants. The fixed cost which we have increased because of those plants that itself was like Rs.8 to Rs.10 Crores, so we have been able to absorb all those fixed cost and still maintain our revenue and EBITDA. So that is the magnitude of the actions which we have taken and you see the results there. It is may be cutting in terms of overhead, it may be in terms of negotiations, re-negotiations of commodities etc., so we have been able to absorb all those cost increase and maintain that margin, otherwise it would have been very difficult to maintain those margins with the increased fixed cost of newer plants.

Basudeb Banrejee: Basically Sir, where I am coming from is, if I look at July numbers of production or wholesale to reduce inventory, all the large OEMs are instead of this 10% to 12% decline which you said in Q1, in Q2 the decline is far sharper. So, in that case, how to look at the margin in Q2 per se, are you confident that it will remain at this levels or one can expect a shocker or it is too early to say?

Sunil Bohra: I think we are actually working on it , I will not say we will give a shocker, but we are working to see that we maintain and sustain this kind of range we are. We should not be way off from this.

Basudeb Banrejee: Surely, when if full year your revenue remains flat, a 12% margin would be very much welcome. Second thing Sir, in our annual report, I say Unominda as a group entity Rs.8,000 Crores revenue where listed entity consol revenue was Rs.5,900 Crores, so with stake of Mindarika, TG Minda those two large entities are already being transferred, so which are the large entities in that remaining Rs.2,100 Crores and any plans of similar shift down the line?

Tripurari Kumar: Basu, if you look at the numbers of the Rs.8,000 Crores, Rs. 5900 crore is reflecting as a subsidiary or the standalone entity. Entities like TG Minda which has around Rs.500 Crores of turnover, Roki Minda which has another Rs.400 Crores turnover, and another Rs.400 Crores at the Denso Ten, which is the infotainment company, so if you add these three together, they are like Rs.1,200 to Rs.1,300 Crores business, so these entities are large entities which cover close to the next Rs.1500, there is only entity which is TR Minda which is not part of the group as of now, and that has a turnover of around Rs.600 Crores, where the promoter holding is just sub 12%, so which will anyways not get added up in the topline.

Sunil Bhora : But there also why we show is that we have as part of our road map, which we announced two years back, that is part of the plan to bring it under MIL umbrella with overall 30% holding, so that discussions are on with Tokairika Japan, and we are hoping that this should get consummated in the next three to four quarters because the time length for that is March 2021.

Basudeb Banrejee: Your supply for Venue was full on from the beginning of the quarter, or it was more skewed in the second half of the quarter?

Sunil Bohra: From the start of the launch.

Basudeb Banrejee: Okay. Thanks.

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

Ronak Sarda: Hi Sir, congrats on decent numbers. Sir, a couple of questions. If I look at your large subsidiaries, Mindarika and Minda Kosei, can you just breakup between what was the volume growth and value. So if I look at Mindarika, it is 7% decline year-on-year, but what was the volume decline there and similarly for Minda Kosei as well?

Tripurari Kumar: Last year Mindarika or this quarter you are talking about?

Ronak Sarda: This quarter.

Tripurari Kumar: This quarter if you look at Mindarika we have done Rs.180 Crores as against Rs.200 Crores of last year

Sunil Bohra: Roughly 10%.

Ronak Sarda: Okay for Minda Kosei?

Sunil Bohra: That is flat, Rs.145 Crores to Rs.150 Crores, flattish about 3% growth.

Ronak Sarda: If I look at the segment wise EBITDA margin, Minda Kosei comes to around some 27% EBITDA margin, this is the light metal technology EBITDA margin. How sustainable is that and what led to this large bump up, is it largely commodity led, I mean decline in medium cost has optically increased the margins?

Sunil Bohra: There is definitely an impact of commodity prices because the pricing is lag of a quarter, so Q4 LME you get in Q1, Q2 and so on and also I said in the last meeting also that the more sustainable margin for LMT will be around 20% because when you enter into a new business, you get a better price from the OEMs and you agree for some reductions in the future years, so I think sustainable margin should be around 18-20%.

Ronak Sarda: Sir, just a clarification on the two wheeler alloy wheel business, when would that come in and how would we disclose that, will it be a part of standalone business or is it through Minda Kosei itself?

Sunil Bohra: That is part of standalone because Minda Kosei globally is only a four-wheeler manufacturer, they do not have two-wheeler in their kitty. We actually wanted to do there, we offered to partner with us in two wheeler also, but since they do not have globally two wheeler, they chose not to partner in that business and that is why we have done it as part of Minda Industries, so it will be a division of MIL. Secondly to your point on start of production, currently our plan is to start production somewhere in April of 2020. So next fiscal we will be having it up and running.

Ronak Sarda: So, there is a slight delay in commissioning?

Sunil Bohra: Last time I said 2020 only, so it will be April 2020.

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

Mukesh Saraf: Hi Sir, good evening and thank you for the opportunity. The first question is actually on the light metal technology business. So, as highlighted in the previous question, the margins are up significantly this quarter, what I see it is in FY2019 it was 23% and this first quarter it was 27%, so close to 400 basis points improvement in this quarter in LMT and despite the LMT revenues being down Y-o-Y as well, you had mix also apart from raw material cost, so could you just explain this, because I thought 80 to 85% of this business was Maruti?

Sunil Bohra: There are two things. One is revenue is not lower revenue, it is higher than last year plus another major point is that in LMT we have two businesses, one is alloy wheel and another is casting which is MJCL, so MJCL actually the volumes are lower significantly than last year. It is almost 15% lower which is in line with some of our customers whom we are directly supplying. So, there it is partly less, if you see the weighted average, the businesses which are contributing less margin has dropped more, so that is what pulls your average margins.

Mukesh Saraf: Understood, and you also mentioned that you see 20% broadly as more sustainable for the alloy wheel business?

Sunil Bohra: For the domain.

Mukesh Saraf: For the LMT itself. Okay. By when do you see, because from 27% coming to 20% is a good decline, so when do you see?

Sunil Bohra: First of all, 27% or 26% what you are saying is not the right number to set as a base. Last year it was 23%, then moved to 26%, it was for various reasons and I just explained. So you should see it as 23%

and not 26% or 27% first. Second 23% to 20% also is not such a big decline considering that we have been able to maintain this kind of margin which I am sure is the highest in the industry in this segment.

Mukesh Saraf: Yeah, I appreciate that totally Sir. Actually, it was quite surprising to see the margins increase when probably the OEM production is down, so that is why I asked that question.

Sunil Bohra: It is a mix of four issue which we just talked about.

Mukesh Saraf: Secondly Sir, there were two entities which I saw in the annual report. One is JV which is Minda Onkyo where the losses actually went up in FY2019 and secondly an associate which is your Kosei Minda, the 30% stake. There as well moved from profit to losses in FY2019, could you give some sense on both of these Sir?

Sunil Bohra: There were actually three entities which were in losses last year. One is you rightly said Kosei Minda, another was Onkyo and third was DAPS. So of these three, DAPS has turnaround in this Q1, Q1 DAPS is in profit. In terms of speakers, Onkyo we are confident of turning this around somewhere in Q3 of current year, KMA the business is a little tricky, because there it is mostly supplied to Toyota etc., where the price increases are annual plus there are some P&L issues because of which you see there is a big delta in profitability of KMA versus MKA, so we hold only I think 30% in KMA.

Tripurari Kumar: Unlike our company where we hold 70%, there is no pass back clause there.

Sunil Bohra: And we have no management control actually there like in DAPS or Onkyo we are directly managing those companies, it is only KMA where we have no direct intervention.

Mukesh Saraf: Just my last question, as I was looking at the mix of revenues between OEM and after market, and surprisingly I saw that OEM mix continues to be in fact slightly up Y-o-Y, it was 91% last year this quarter, now it is 92%. I was expecting may be after market to actually gain some share there, but any color on after market business if you are seeing some impact there as well?

Sunil Bohra: Yes absolutely Mukesh. If you see in the country, entire consumption industry is under pressure. If staples are under pressure, I am sure we should not be surprised with after market.

Mukesh Saraf: It should be better than the OEM at least?

Sunil Bohra: Not necessary because what is happening, let me be upfront and honest, so because there is volume pressure across the board, even OEM rightfully so they are also having a lot of focus on their after market sales, so that also has some barring in market.

Mukesh Saraf: Understood Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Harshal Patil from BNP Sharekhan. Please go ahead.

Harshal Patil: Thank you Sir for the opportunity to ask the question. Sir I have two questions. The first one is, Sir, I just wanted to know what would be the impact of Ind AS 116 standards that you have adopted from April 1 on the EBITDA?

Sunil Bohra: So in terms of Ind AS 116, the total impact on bottom line is roughly around Rs.70 lakhs and EBITDA is marginally positive and reversal is in appreciations.

Harshal Patil: So Sir, marginally positive as in like if you could just you know have a quantification to it.

Sunil Bohra: Roughly Rs.2 to Rs.3 Crores.

Harshal Patil: Sir, the second question would be on the topline. As you rightly said that you know the outlook given the slowdown in the industry is like a bit difficult to predict, but having said this, we kind of looking to outpace the industry and most of the OEMs are guiding for a very weak outlook and all, so would it be fair to assume kind of flat kind of growth for this year, for FY2020 on the topline?

Sunil Bohra: Very difficult to comment Harshal. We just spoke about this in the earlier question, but I must tell you that whatever we are talking, this is all without considering any consolidation impact of Harita, so if we are able to close the Harita transaction in January then that revenue will be additional in Q4.

Harshal Patil: Okay Sir, that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Priyaranjan from Antique Stock Broking. Please go ahead.

Priyaranjan: Thanks for taking my question. First of all congrats for the good set of numbers despite challenging environment. Just on Sir, in terms of the crash norms related application, do you see some kind of bump up going ahead in the coming quarters, apart from the AIS 140 which we have already probably have captured some of the delta?

Sunil Bohra: We do not have any direct impact because of this crash test and norms. The only thing which I can say is we are working in terms of one of our blow molding business for any potential opportunity there.

Tripurari Kumar: Like energy absorption pads ,the content could move up.

Priyaranjan: In terms of the lighting business, can you throw some light on what is the share of LED and non-LED part this quarter, how do you see that this going ahead in a couple of years?

Tripurari Kumar: This year, or this quarter in particular we have key models that we have supplied which is the Harrier or the XUV3, these are all LED in terms of four wheelers. In two wheelers there is Activa or the RTR 310 these are all LEDs. So there is good mix between two wheelers and four wheelers. In two wheeler LED will be around 40%.

Priyaranjan: Still early days, but I mean any development on say Harita getting other businesses, I mean from four wheeler or other side of the business if you have taken over the business?

Sunil Bohra: No, we have not taken over, so it will be too premature for us to comment on their behalf.

Priyaranjan: Okay that is all. Thank you.

Moderator: Thank you. The next question is from the line of Prasheel Shah from Capgrow Capital. Please go ahead.

Prasheel Shah: I have a question regarding your topline. So, you have been able to maintain your revenues, so when you compare that with your peers or your OEMs, OEMs have been cutting production, so that impact still has not come on your revenues, so what have you done differently from others vendors that you have been able to stabilize them at the current level?

Sunil Bohra: Prasheel, the impact has actually come on us. I do not think it would be right to say there is no impact of reduction of OEM volumes on us, if that reduction would not have been there, we would have grown by 15% to 20%, 15% at least.

Prasheel Shah: When I said no impact, I meant compared to your peers, the impact was less, so what have you done differently that you still have been able to outperform the industry?

Sunil Bohra: I think we spoke about all those reasons. What has contributed to our revenues, where we have done better, in some of the businesses, we have improved our share of businesses. Some of the businesses have added more revenues, some of the businesses which were in nascent have started adding some volumes, some businesses which we have acquired last have added some revenues, so it is a mix of various things.

Tripurari Kumar: There is a slide also in the presentation where we have given breakup of various segments.

Sunil Bohra: We have given a waterfall chart in the presentation, it is there on slide number 7. So if you see the complete waterfall there, what is added and what has actually pulled down. So, if you see, the lighting others are plus, whereas the other three were actually minus.

Prasheel Shah: One forward looking statement, I am not sure if you will be able to comment anything, regarding your revenues going forward, assuming that Harita does not go through, so organically what do you think, how the trajectory will be?

Sunil Bohra: Prasheel I think, it is a question I do not want to repeat the answer for the fourth time. We are actually quite confident that market will bounce up because monsoon so far has been good, the cover up of monsoon is good across the country. The festival season there is a lot of hope, because last year it was not good, so it is unlikely that you will have two festival seasons back to back very poor, then there is expected to be some pre-buying or people who are delaying the purchases to come to market in second half before the BS6 launches, and last thing is I think we also saw a lot of focus from government in terms of passing on the interest rate cut benefit to the end borrower and again RBI also reduced the rates today by 35 basis points, so all these factors put together, I think we are fairly confident that business should look up only from here.

Prasheel Shah: Okay, thank you Sir.

Moderator: Thank you. The next question is from the line of Vijay Sarthi from Anand Rathi. Please go ahead.

Vijay Sarthi: Thank you gentlemen and good numbers. Just wanted to understand how Roki Minda did in Q1 in terms of topline growth and PAT and how do you see competition in that segment. We hear that a lot of companies are also coming in and trying to establish, that is the first question?

Sunil Bohra: You asked for Roki is it?

Vijay Sarthi: Yeah.

Tripurari Kumar: The quarter will be close to Rs. 100 Crores .

Sunil Bohra: It is flat compared to last year.

Vijay Sarthi: And earnings have fallen?

Sunil Bohra: No, they are almost the same.

Vijay Sarthi: Could you help elaborate more about this blow molding as to how, so there have been Rs. 75 Crores capex in Gujarat, I want to understand how will this get commissioned with addition of M&M and Tata as you indicated last time, so where is this in terms of scale given that there is a slow down on both customers, so how do you think your capacity utilization there and therefore how will your current revenue look like?

Sunil Bohra: Kyoraku has actually started , end of March. But as you know that it has direct correlation because there is no after market, there is nothing else possible to do in blow molding etc., so it has a direct correlation with the OE sales. If you see this Q1, actually they have done pretty well than last year. Last year their sales for first quarter was like Rs. 32 Crores, and this quarter they have done Rs. 40 Crores.

Tripurari Kumar: There is a new business in Baleno , which is leading to growth.

Sunil Bohra: So it has grown almost like 25%.

Vijay Sarthi: The expanded capacity assuming that this growth remains, the expanded capacity utilization will fall above 70% only FY2022 or you are confident that you will be able to turn your asset much before FY2021?

Sunil Bohra: If you are asking specifically on MKL, we are working on various other opportunities because blow molding is a large business application even outside of auto comp, to use our assets to utilize better, the teams are working to see where we can sweat the assets and get more businesses. It is a huge business potential outside of auto comp as well. We are hopeful that we should be able to get something in the coming quarters.

Vijay Sarthi: Finally Sir, on sensor side, I saw in your presentation that sensors is Rs.131 Crores business in FY2019 and you have guided for Rs. 120 Crores to Rs. 130 Crores in FY2020, so I am trying to understand of the growth?

Sunil Bohra: So, sensors if you see again has a direct correlation with the OEM production, so its market is dropping by 15%, I should ideally drop by 15% because there is no after market for sensors.

Vijay Sarthi: You have indicated that you have got some orders for oil sensors and speed sensors for Kawasaki, there is some amount of increase?

Sunil Bohra: Yeah you are right, but the value wise, they will be like in the Rs. 5 Crores to Rs. 8 Crores, it would not be that significant. This is excluding the new project which we are putting for sensors which is expected to get launched in the last quarter.

Vijay Sarthi: So FY2021 should yield higher?

Tripurari Kumar: These are sensors which will find application in BS6 products and these will start production in the April month of 2020.

Sunil Bohra: Even if you see, sensor business last June 2018 versus June 2019, actually it has improved by around 7%, so this is again because of the new sensors or the new products which we have added. Otherwise, ideally, last Q1 was Rs. 30 odd Crores, ideally it should have moved down, whereas actually we have done Rs. 34 Crores.

Vijay Sarthi: Finally on two wheelers alloy is it on plan or it is being postponed?

Sunil Bohra: It is on track, the commissioning was in April 2020 and we are on schedule.

Vijay Sarthi: Okay thank you Sir.

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

Vijay Karpe: Thank you for giving me this opportunity. My question pertains to the LMT division. So, is it possible to give the breakup of the Rs. 200 Crores between alloy wheels and aluminum dye cast.

Sunil Bohra: It is a single business, normally we do not give the splits of the segments.

Tripurari Kumar: We do not see them as different product line and that is how it is.

Vijay Karpe: What was the sales volume of alloy wheels unit wise and tonnage wise for Q1?

Tripurari Kumar: No, we do not have unit wise numbers.

Vijay Karpe: In the margins, which we get in the LMT division, they are more than 25%. So, if I look at other companies from the alloy wheel segment, they have margins between 5% and 11% so how do you go about this differently and get those margins of 25%?

Sunil Bohra: Look, I cannot comment of what others do or how do others run their plant, but we said very clearly I think I tried to explain, but I am happy to explain again if required. Last year our average margin was 20% to 23% for the LMT domain. This time it is 25% to 26% this is generally because of two to three reasons. One is the lower prices, then what all new businesses which we have got plus efficient operations where we have been able to reduce our wastage by almost 3% to 4%. We have just put a chip melting plant so there we have been able to extract lot of value from the scrap which is being generated during production, plus there is a mix also itself which is there wherein the other casting business has not done that well, so because of that also, the weighted average number is a little better.

Vijay Karpe: Last question, so we will be starting our two wheeler business in April 2020, so which are the clients that you are targeting for this two wheeler plant?

Sunil Bohra: We are targeting all the two wheeler OEMs. We are discussing with all of them, but if you ask me who is the anchor customer, the anchor customer is Bajaj.

Vijay Karpe: Okay, thank you so much.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Yes Securities. Please go ahead.

Prayesh Jain: Good evening Sir and thank you so much. Sir, I have a few questions. Sir, the first one on Maruti is scheduled to do a couple of launches, the XL6 and Espresso, are we there of any of the product Sir?

Sunil Bohra: Once they are launched we will let you know because we normally do not discuss anything which is in pipeline.

Prayesh Jain: With regards to the order flows coming in from OEMs, how is the order flow for the next couple of months. You will have some indication right now as to what kind of order flow are there for August and September probably?

Sunil Bohra: I think it is same as it was in our last quarter, secondly as you know that now a day, the indent cycle which earlier used to be monthly, it is now weekly and in some cases it changes even bi-weekly. So the cycles are very less as it continues to be shorten because OEM also try to manage their inventory as efficiently as they can, so while you would expect the coming month of September to be good, because that is the month prior to the festive season. We have not got any numbers for September, September numbers you will get most probably in end of August or first week of September. August numbers are same broadly as July.

Prayesh Jain: But July was actually bad than the Q1, so July and August would be much worse as compared to the Q1 that is what your understanding?

Sunil Bohra: Yeah, broadly it is business to business, some of the OEMs are actually better, some of the OEMs are not, like if you take two wheelers, two wheelers we do not see that kind of cuts which you see in four wheelers.

Prayesh Jain: With regards to Harita consolidation, you mentioned that possibly you will close it in Q4 right, so will it be a full year consolidation or it will only be for the quarter?

Sunil Bohra: It will be point forward.

Prayesh Jain: So point forward from the date you get it, so if it happens in Q4 only one quarter gets added in this fiscal?

Sunil Bohra: That is right, we will follow the IND As guidelines on the consolidation. While we may give a pro-forma account separately had it been for the full year, what the number would have been, but legally it will be in Q4.

Tripurari Kumar: Effective date of merger would be the date of consolidation as well.

Prayesh Jain: Okay and Sir a final question, the EBITDA margin for the acoustic division, that business seems to be seeing a lot of volatility in terms of margins, like it was 6% this quarter and been at 9% also in the previous quarters and what is the volatility there for and what is the sustainable margin in that business?

Sunil Bohra: You are right. In terms of margins, the EBITDA margin for acoustic is normally in India is around 9%-10% and our global operation which is twice the Indian operation is roughly around 6%, but what happened in this quarter is we started our Mexico facility as well, so obviously you will have some initial cost of starting etc., which has pulled back the margin a little bit. So, hopefully in coming quarter this 6% should be better only.

Prayesh Jain: So for the full year we can get in closer to 7% level?

Sunil Bohra: Yeah.

Prayesh Jain: Alright, thank you so much Sir.

Moderator: Thank you. The next question is from Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Hello Sir, on this TTE, how do you see the revenue ramping up in the current year?

Sunil Bohra: So TTE we do not consolidate; the volumes have started happening. Q1 TTE has obviously turned around with a profit of almost like Rs.80 lakhs or so if I remember correctly. Q2 they are looking to do much better than Q1. So this quarter their sales was roughly around Rs. 20 odd Crores.

Ashutosh Tiwari: And for full year how much can you do?

Sunil Bohra: This quarter to be precise, Q1 was almost 15 and Q2 is expected to be Rs. 25 Crores.

Ashutosh Tiwari: So we should see profit from 2Q?

Sunil Bohra: Yeah.

Ashutosh Tiwari: Onkyo had made losses in Q4, how do you see for a full year, will that subsidiary turn around?

Sunil Bohra: It continues to be at the nascent stage and needs a lot of support. We said a little while back we are expecting it to turn around somewhere in Q3 of this fiscal. Q1 again it was in red.

Ashutosh Tiwari: Lastly on Rinder margin, if it look at FY2019 despite very strong sales growth of 25% to 26%, margins have declined Y-o-Y, so how do see that with the margins ramping up in the current year, are we doing some cost cutting over there as well?

Sunil Bohra: That definitely we will do everywhere, but lighting you know is the most competitive space in the country where you have most of the global players operating. So there have been obviously pressure on pricing from day 1 in this business plus also there have been push back of the new launches from the OEM which we were expecting to get a better share, so once that comes on track, we will see some improvement there as well.

Ashutosh Tiwari: If I may ask one more question, on this alloy wheels that you mentioned Rs.87 Crores of new orders, so these are mainly the new models that we get or may be the replacement of the older models also included in that?

Sunil Bohra: These are new models.

Ashutosh Tiwari: Okay, thanks a lot.

Moderator: Thank you. The next question is from the line of Harshal Patil from BNP Sharekhan. Please go ahead.

Harshal Patil: Sir, thank you for the opportunity once again. Sir, just one clarification I need. Despite of the slow and muted sales going on around the industry, OEMs have been resorting to quite a lot of cost cuts and all, so my question is towards the lighting division, do you see some of the OEs moving away from LEDs and all those things?

Sunil Bohra: It is very difficult to comment. I do not think even OE will be able to comment, it is just my personal view, I may be wrong, because it again depends on the end customer what he/she wants. Because if the customer wants an LED and if the price delta is not much, obviously they will go for it. At the end of day it boils down to what is the price delta and we all know that price delta between a normal light to halogen light to an LED is almost like three times. We have big delta in two wheelers and big delta in four wheelers.

Harshal Patil: Okay Sir, thank you.

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

Siddharth Bera: Hi Sir, thanks for taking my question again. Sir just you have indicated a new order for sensor for Kawasaki and PSA, what is the quantum of that order and when will we see that revenues coming in?

Tripurari Kumar: We will see this only in April 2020 and quantum I will revert separately, because they were for new products, I thought it would be meaningful to just convey it in the release.

Siddharth Bera: Okay and will it be possible to indicate how much as Mindarika revenues done in the quarter?

Tripurari Kumar: Rs. 180 Crores.

Siddharth Bera: Okay that is it. Thanks.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Sunil Bohra: I would like to thank everyone for joining on the call. I hope we have been able to respond to your queries adequately. For any further information, request you to please get in touch with us. Thank you.

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