"Minda Industries Limited
Q3 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Minda Industries Limited Q3 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 Sir!

Sunil Bohra: Thank you very much. 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. Amit Jain to talk about our existing EV portfolio and future EV growth pipeline. Mr. Ankur Modi and Mr. H S Rana. We hope you have had a chance to look at our financial results and presentation that is uploaded on stock exchange as well as the company's website. We 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.

Starting with the industry update as you know the auto industry performance for the quarter from October to December continued its growth momentum with October being one of the best months during the quarter. This was backed by sustained retail sales momentum post festivals, low channel inventory and a soft base and the rise in preference for personal mobility and continued positive sentiments in rural and semi-urban markets. Manufacturing and distribution activities have been getting ramped up gradually since second quarter in line with the rest of the economy. However the impact of the pandemic on the supply chain continues to inhibit a complete return to production normalcy. Nevertheless, most automotive industry segments have reported successive improvement in off take throughout the second half of 2020 on the back of initial bounce provided by pent-up demand followed by the preference for affordable personal mobility and continued rural resilience.

E-commerce and the need for last mile connectivity have served LCV well throughout with trucks being the latest category to rebound amidst pickup in the freight rates and near normal economic activity domestically. On the flip side, segments related to public transport such as buses and passengers' three-wheelers continue to lag heavily due to closure of schools and offices for most part, amid ongoing concerns over social distancing which also has started off easing to some extent. Commodity prices have seen a sharp increase during the quarter and will remain same going forward until the commercial price adjustments are aligned with our customers. The proposed PLI scheme of Rs. 57,000 Crores for the auto sector was also a major development in the latest quarter. With the intent of the scheme for auto sector being furthering the Make in India initiative and making it also export oriented from largely and import dependent industry for some critical components. Overall the demand is expected to be sustained on the back of rural markets which have higher income visibility due to good monsoon, higher Kharif and better MSP**.** The mobility demand surge even as COVID risk is expected to normalize as public transport restarts across regions. Overall the medium to long term outlook looks positive for the industry.

Moving on to budget updates, while we all know about the budget announcements so let me highlight about a few pointers from the budget that pertain to us and the auto industry and I will try to be brief. The voluntary vehicle scrappage policy has been included in the budget. This will encourage the consumer demand towards new and environment friendly vehicles. Similarly the Ministry of Roads and Highways had proposed a green tax on old vehicles for reducing pollution and this highlights the efforts of the government to shift the energy consumption towards the renewable sources. All these are good lead indicators that the reforms are going to broaden the scope of work from Minda Industries. The Finance Minister has also announced that custom duties on specified auto parts like ignition wiring sets, safety glass, parts of signaling equipment etc., will be hiked to 15%. This will certainly promote domestic manufacturing of automobile components in the country and reduce the quantum of imports. Volumes in the CV segment is yet to recover fully from the COVID, and the government has given a welcome push by announcing a new scheme worth Rs.18,000 Crores to support augmentation of public bus transportation services. With Harita Seating in our portfolio, this augurs well for us and we will be monitoring situation closely to see how we can benefit the most from these opportunities. Overall we believe the budget was more focused on building future India with a lot of emphasis on infrastructure building which is a key necessity and ingredient for industry to flourish and create employment opportunities to meet the needs of growing India.

Now I would request our colleague Mr. Amit Jain to talk about our EV products. Amit over to you.

Amit Jain: Thanks Sunil. In line with the trends of what's called CASE - Connectivity Autonomous Shared mobility and Electrification, we at Minda industries have also been tracking these macro trends and more specifically for India looking at how these trends stack up and one of them and the most important for us today is electrification and in this call I will try and mention a few points about how Minda looks at electrification and what we are doing here. On electrification, if you refer to slide #4 in the deck, we have been working to upgrade our existing group products to meet requirements specific to electric vehicles like low energy consumption, light weighting. We have several products in this segment that we have gone into production which includes LED head lamp, tail lamps, side indicators, low current switches and electronic horns. We have also launched a few new products for electric vehicles from our range of products like sensors. We have launched new sensors specific to electric vehicles like APS or Accelerator Position Sensor, brake pedal sensor for regenerative braking, EV battery temperature sensors and also vacuum sensors for EV brake systems. If you refer to slide #5 over the last couple of years we have also been working on a complete new range of products for electric vehicles, which were earlier not a part of our portfolio. These products are synergetic to our group and are mainly in the area of electrical and electronics. These products are mainly focused on the low voltage electric vehicles which are primarily for two-wheelers and for three-wheelers. We believe that this segment of two wheelers and three wheelers will have the largest and the quickest adoption in the electric vehicle segment and primarily because there is less dependency on charging infrastructure and as well as the range of these vehicles would be enough for more city driving conditions. On our focus in these new products for two wheelers and three wheelers include ECU's, DC-DC converters, on-board and off-board chargers, telematics control units and smart plugs. We have also been working on developing battery management systems for lithium-ion batteries along with our technical partner Automotive Power in the US. Out of these range of products ECU's telematics control units and spark plugs are already in production and they went into production this year and a few products like battery management systems and onboard chargers will go into production in the next few months, mainly in the next financial year 2021-2022 for some of the major OEMs in India. We believe the FAME 2 to policy and the entry of established players into a very fragmented EV market currently will see a very strong growth of two wheel and three wheel EV vehicles. Most of our products like ECU's, telematic control unit, smart plugs and battery management systems can also be upgraded for the four-wheel segment. So we see some strong future growth of all our platforms in these segments also. So I think that is all from my side on the electric vehicle outlook from Minda Industries, over to you Sunil.

Sunil Bohra: Thanks Amit. So while we all know that the EV volumes in India are not significant as of now and that most of our products are agnostic to type of energy vehicle operates. This is an important aspect to always stay a top and it will also help us capture additional opportunities the EV segment may provide to us.

Coming to our performance, you may refer to slide #8 and #9. At a consolidated level during Q3 of FY2021, the company reported a revenue of Rs.1,802 Crores as against Rs.1,327 Crores for Q3 of FY2020 registering a growth of 36% year-on-year. This as you will note is significantly higher than the overall industry volume growth of 17%. The revenue for Q2 FY2021 was Rs.1465 Crores implying a quarter-on-quarter growth of 23%. We have witnessed growth across almost all of our product portfolio, healthy demand coupled with higher kit value for vehicle is enabling us to continue to outperformance the industry. EBITDA for Q3 FY2021 was at Rs.264 Crores in comparison to EBITDA of Rs.163 Crores for corresponding quarter i.e. Q3 of FY2020. The EBITDA margin also has improved significantly on year-on-year basis from 12.3% to 14.6% in the current quarter due to better operating leverage and sustained cost control. The EBITDA for the preceding quarter i.e. Q2 of FY2021 was at Rs.215 Crores and as you may note, the EBITDA margin is same as in Q2 despite the full impact of manpower cost reinstatement which happened in the current quarter. The profit before tax for Q3 FY2021 was at Rs.164 Crores as against PBT of Rs.78 Crores in Q3 of FY2020 registering a growth of 110%. Depreciation has been higher as new plants of alloy wheels and sensor has been commissioned and capitalized during the quarter. Finance costs has increased marginally quarter-on-quarter basis on account of interest on loan for above expansion which was capitalized till last quarter. The profit after tax which is the Minda Industries share for the quarter was at Rs.108 Crores as against Rs.45 Crores in the corresponding quarter last year an increase of 142%. We are happy to communicate that board has also declared an interim dividend of 17.5% of face value to reward and distribute wealth to its shareholders.

Moving to the product lines, you must please refer to slide #10 and #11, starting with switching system the segment achieved revenue of Rs.631 Crores for Q3 contributing about 35% of total consolidated turnover. Besides industry growth, demand for premiumization in switches continues to drive our growth in the category with new orders received for various switches like training wheels switch, second gear switch, driver side switch from new customers and also some power windows and tool switches etc., so we have been adding new customers for switches which currently we have not been serving. In our two-wheeler switch, we have acquired a new customer John Deere with orders for USB chargers and ignition switch.

Moving to lighting business, it achieved revenue of Rs.426 Crores for Q3 contributing to 24% of our total turnovers. We continue to receive more orders for LED lighting in two wheeler commanding a better pricing with recent order coming from Yamaha. As communicated earlier, we will need to set up a Greenfield plant for meeting increased demand in four wheel lighting business. Our teams are working to build a master plan for the same.

Moving to light metal technologies or LMT business, it has achieved revenue of Rs.270 Crores for Q3 contributing to 15% of our total turnover. On our two-wheeler alloy wheel project at Supa, the third line have also been commissioned. Previously two lines have been commissioned in end of Q2 FY2021, we have also started commercial sales from the line already commissioned with revenues of around Rs.30 Crores in the current quarter. The last and fourth line is expected to be commissioned by March and we expect stabilization to take a couple of quarters thereafter to reach optimum utilization levels.

Moving to acoustics or horn business, the business has achieved a revenue of Rs.188 Crores for Q3 contributing 10% of our total turnover. Our European subsidiary Clarton Horns has received new orders for electronic horns from Korean customers and U.S customers.

Moving to other product businesses, it has achieved a revenue of Rs.288 Crores for Q3 contributing to 16% of overall topline. The other product revenue is mainly comprising of sales from sensor business at around Rs.55 Crores similar amount from blow molding parts business and around Rs.33 Crores from iSYS. We have received orders from a recently commissioned temperature sensor also from Yamaha. For wheel speed sensors as well apart from Korean market we are in process of getting approvals and new orders from the Indian customers. We have healthy order pipeline for a blow molding part business with new orders from another Japanese customer. In fact our current capacities are not sufficient to meet the demand order hence we would be required to enhance our capacity, we will discuss the same in the subsequent slides.

Total borrowings as of December 31, 2020 were at Rs.1,083 Crores compared to Rs.1,152 Crores for Q1 FY2021. While we were able to reduce our working capital as of March 31, 2020 last fiscal year end, which was also positively impacted due to last 10 days being non-operational due to COVID with increased volumes and there has been increase in working capital levels with respect to March 2020 and also addition of new working capital in our alloy-wheel plant we have also invested around Rs.250 Crores of capex in year-to-date. Despite all the same and supported by proceeds from the right issue, the borrowings have reduced and approximately Rs.190 Crores of cash was available as a December 31, 2020 resulting into our net gearing at around 0.37 times.

Moving to slide #12 in terms of our revenue pie for the quarter ended December 31, 2020, OEM business accounted for 86% of total revenue and after market businesses around 14%. Our aftermarket segment continues to see outperformance as mentioned in the last quarter with sales in current quarter improving more than 50% with respect to corresponding period last year. I am happy to mention here that our direct aftermarket sales in the last quarter has reached annualized revenues of close to Rs.1,000 Crores per annum. In terms of segment mix four wheelers have contributed around 52% while the rest is for two wheelers which is at 48%.

Moving on to the next slide in continuation to our update on consolidation of business of Minda TG and TG Minda in previous quarters and to efficiencies of consolidation the board has approved dilution of 1.1% stake in Minda TG Rubber India Private Limited by special issuance of shares to TG our JV partner instead of sale of shares by the company as it was envisaged earlier overall it does not have any impact on the strategy which we have informed in the last quarter.

Moving to slide #14 with regards to Harita Seating Systems, the NCLT Delhi has pronounced its decision for merger this week and we are awaiting copy of the final orders from NCLT Delhi. In NCLT Chennai, the date for pronouncement of decision is yet awaited wherein the hearing has been completed. We expect the date for pronouncement of decision in next few weeks. The Minda Kyoraku capex as we referred little while back our blow molding part business under our subsidiary Minda Kyoraku has been doing extremely well with healthy order books. Considering the orders already won and expected orders we would be required to enhance our capacity to meet these orders further we also need to have an in-house paint shop facility in view of the above MKL will be incurring expenditure of around Rs.87.3 Crores for enhancement of capacity and setting up in-house paint shop at Bangalore in order to ensure we do not have two facilities in Bangalore wherein in the current plant we do not have the space for setting up paint shop in the current location we will be setting up a new green field plant and we will move the existing facility also to the new location should have we will all the operations in one location but with a bigger space and with further potential to increase capacity should the need be in future. This would not require any investment from parent company in Minda Industries as Minda Kyoraku will be having sufficient cash to fund the expansion. The expansion will be completed by April 2022 that is all from our side and now we can open the floor for Q&A. Thank you.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Nikhil Kale from Axis Capital. Please go ahead.

Nikhil Kale: Thanks for taking my question. Firstly congratulations on a very good set of numbers. So my first question was on the Top line I think in terms of the segment the switch division gas clocked almost 40% plus kind of YOY growth so if you could just provide more color on what has given this growth is it more on the **PV** side or on the two-wheeler how do you see this going forward?

Sunil Bohra: So the growth is which is Nikhil, as you rightly mentioned it is north of 30-35% and the growth is primarily in both in four and two wheelers also and this is supported with new customer additions as you would have noted in past few quarters you have been referring to me for two new customer additions in four-wheelers and also in two wheelers, we have added a lot more components A, definitely it has benefit of BS-VI and B, it also has benefit of new products like the side stand switch which we have speaking about some time back, which has started gradually now so with all these there has been also improvement in our share of business with some of the customers so I think all of the factors have helped.

Nikhil Kale: Okay and just on a related part there you mentioned a few new orders on the switch side so I mean by when can we expect those to kind of move to revenues in the next couple of quarters and what would be the quantum is there any significantly big order there?

Sunil Bohra: So first of all Nikhil all these businesses which we speak about for the orders, normally they are like 18 to 24 months ahead because once you get a business normally for the new production line and in terms of value, the various components which we just spoke about this was primarily it is not that they are new products but they are like products which we got business from another customers whom we have not been supplying say for example Mahindra or MSIL, some of the switches which we are earlier or supplying they have been added and total order value for this component is roughly around Rs.60 Crores a year.

Nikhil Kale: Okay thank you and my last question was on the margin transfer again on the margin front I think it is been a very good performance and I know that you do not get into segment-wise details, but just if you could just provide some qualitative color, have you seen a broad-based improvement in margins across all segments and specifically on the PV alloy wheel you have mentioned in the past that margins there which were in the high 25% plus kind of margins they will now sustain and they would normalize so had that started to happen I believe we had some pricing on certain products that we were supplying to Maruti so has that started to happen or is it still somewhere down?

Sunil Bohra: Yes so that is it started to happen but with increase in volumes if you observe Nikhil that there is definitely a operating leverage which helps so with the significant growth in sales while there have been efficiencies which were bought in the system by reducing the operating cost or reducing the what you call the prices of the material we procure to whatever extent we could do there have been efficiencies which we have been able to bring I think I touched this last time also in terms of specifically alloy wheels. So alloy wheel in terms of operating cost, we will be actually in the top decile in terms of global operating costs I think we are being benchmarked by others, the way we run our alloy wheel plant so that also gives a lot of advantage in terms of the margin and in terms of overall number it still enjoys the kind of margin you spoke about despite the new businesses which are coming at the competitive pricing.

Nikhil Kale: And just about the other segments also are you seeing another implement there?

Sunil Bohra: No other segment also if you see the overall margin profile has improved, but if I may have to pick a segment, which still there is scope for improvement is our lighting and acoustics.

Nikhil Kale: Thank you.

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

Ronak Sarda: Hi thanks for the opportunity and congrats on a great set of numbers. Sunil first question on the LMT segment, I mean if I knock off the Rs.30 odd Crores incremental topline from two wheeler front, Y-o-Y growth is largely flat here so is there some kind of supply chain constraints are we facing because Maruti's product mix has largely normalized during the quarter?

Sunil Bohra: No so if I see only four wheel, so four-wheel segment which is Minda Kosei right so Minda Kosei compared to last year has done significantly more. I think their total sales is higher by more than 30%, it is actually 33% to be precise.

Ronak Sarda: Okay.

Sunil Bohra: Maybe we can cross check the numbers separately.

Ronak Sarda: I will see that so the four-wheeler segment has been almost 33% growth, perfect okay and secondly on the balance sheet side and cash flow side if you can help us understand what are the kind of capex you are looking for current year and next year now given have added the blow molding capex to it and would we kind of generate free cash flow during the year or what is the sense given the working capital normalization so how do you see the cash flow side for the full year?

Sunil Bohra: So Ronak as I said a while back that in terms of first the capex I will take your two, three questions one by one. So current year we have done a capex of roughly around Rs.240 Crores and I think overall for rest of the years should be around Rs.300 plus minus few percentage points and that is what I think we have been guiding earlier. We are not cutting our growth capex because large part of this capex is growth capex primarily sensor and alloy-wheel project. As far as your future capex goes for normally we comment on it along the annual results because we have just started our budgeting exercise so while I may not be able to give you a broad number now, but definitely we will be free cash positive in the next year and also in the current year I am pretty confident that despite we have got working capital, which has sort of taken back so if you see our last year we had a huge free cash flow as I said primarily because the last 10 days of lockdown I am sure every company has been a little conservative in releasing the payments, so while there has been receipts, the payments were little controlled so that had led to maybe abnormal situation at the end of the year which led to some better free cash flows, but that cycle has A, reversed. B, with the increase in volumes that is also taking a little more working capital and also when you start a new plant like Supa which is like a huge plant then also you need a working capital both in terms of debtors and inventory so all these things have taken a lot of money, but if I have to take out my project I am pretty confident that end of the year we should be free cash flow positive.

Ronak Sarda: Sure looking at the EV product portfolio what is there for the next three years could just be in terms of contribution to overall topline, do we have a target in that sense and will it be equally profitable to the current margins or should we see this as slightly dilutive in the near term?

Sunil Bohra: I completely understand the logic of asking this question but if I may say so honestly it will be a bit premature for us to comment on the kind of revenue we have, the kind of margin we have for future because the EV market itself is evolving and as you see today it is almost negligible so I am sure next four to five years, the market will evolve in itself and why we have sort of chosen to show up this picture today is that we all know that most of our products are going in almost all the EV barring filters almost all of our products will go into EV or non-EV, there are additional opportunities which we are working and that is what we thought we share upon. Maybe I would request Amit to share his thoughts on what does he sees three-year hence.

Amit Jain: Thanks Sunil so I think from my perspective the focus of products that we have in terms of EV have been in places where we believe that there is enough government push to discourage imports, right. So there is now these OEMs who are wanting local products and we focused on some of the high value products if you look at it we are not looking at low value products but we are looking at high value products and we believe that the margins in these should be decent as Sunil said cannot comment too much about it right now because they also are under pressure from Chinese suppliers and stuff and we are evolving, we are adding more features and we are trying to make sure that we are able to give better value to some of these OEMs and I think at the same time the whole EV scene is going to evolve with trying to find more value of people investing in EV, which is today more expensive than their IC equivalent. So there is this whole evolution happening with respect to price, features and what the customer would demand, but our focus is look at the traditional OEMs and their entry into EV, look at high value products than low value products and also look at where we can counter the imports through the subsidies and others that the FAME 2 policy is pushing for. So I think that is what I can share right now.

Ronak Sarda: Thanks a lot and all the best.

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

Ashutosh Tiwari: Congratulations on a strong set of numbers it is really amazing number that you are delivered. I am asking that if I look at the switch growth that you have mentioned both four-wheeler and two-wheeler has grown very strongly especially in the two-wheeler switches what is exactly the content increase because of this you mentioned the side stand switch and BS-VI related increase in the switching?

Sunil Bohra: Ashutosh that this exercise we normally do at the end of the year in terms of what is the product-wise kit value increase so I am sorry I will not be able to share exact details as of now.

Ashutosh Tiwari: But question is because I mean we have seen almost 35%-40% percent growth in the switches vertical Y-O-Y and obviously industry has not grown so much so I mean is it addition of switches or the same switches basically I mean there is a content increase over there.

Sunil Bohra: Okay as I said I think last time also we said that we have added some switch like a gear shift switch which was not there earlier so we have been adding more switches, which increase the kit value also and also addition of newer customers so it is both which has helped.

Ashutosh Tiwari: And switch is generally compared to lighting is high margin businesses that is why probably getting some benefit in margin as well?

Sunil Bohra: Yes.

Ashutosh Tiwari: And Sir on the two-wheeler alloy wheel side, we did Rs.30 Crores last quarter going to next year what kind of revenue you can assume from there based on whatever ramp we are seeing in the segment also we mentioned a new order so is it from same OEM or new OEM we added?

Sunil Bohra: So we have actually been talking to other OEMs and we have been sort of almost at the verge of closure and so I think as of now while our capacity is 4 million and this will get ramped up as I said by middle of next year to capacity almost September so if you see six months we should get a peak revenue, which should be something around Rs.230 to Rs.240 Crores plus a six month if I take an average of around Rs.150 Crores then we should see a revenue next year in the range of Rs.350 Crores to Rs.400 Crores and also in terms of capacity, the kind of response we are getting from new customers we might look to pull forward our second phase which we said that we will announce maybe after a year or evaluate, but considering the various requests from customers for the two-wheeler alloy wheel, we actually are evaluating internally we have not taken a decision and that is why I did not cover initially. We might look to prepone our second phase of the Supa plant which goes from 4 million to 6 million.

Ashutosh Tiwari: Okay and Sir in this basically we have mentioned a new order from Mahindra, and Renault I believe so that is related to switches or lighting?

Sunil Bohra: Mahindra is for switch, Renault I do not think I mentioned. It was John Deere.

Ashutosh Tiwari: And Sir lighting I mean the increase is mainly driven by the new orders that we got from Maruti and also LED content right?

Sunil Bohra: No so the new orders as we said will get commercialized only in FY2022-2023 and as I mentioned that the kind of orders we have won I think last call also I mentioned that current scenes were like Rs.400 odd Crores and the new business itself is like Rs.200 odd Crores so we will need to expand our capacities and the team has been working as I said little while back and we might need to set up another facility in Gujarat, people are working on it as of now it has not been put up to board for consideration which is still on the papers, but most likely we will need to sort of set up a facility for meeting the increased demand which is definitely I am sure you will appreciate is a good sign that the business is sort of getting new sort of volumes to grow.

Ashutosh Tiwari: And Sir lastly on this on this four-wheeler alloy-wheel order from Korean OEMs when will that delivery will start?

Sunil Bohra: So that as you said this four-wheeler alloy-wheel I mean, not two-wheeler so that is expected to start somewhere around this year, it is linked to their model launch, which is selected for this festive season upcoming calender year 2021.

Ashutosh Tiwari: Okay thanks a lot and all the best I mean Sir keep on surprising on the numbers.

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

Siddhartha Bera: Hi Sir thanks for the opportunity and congrats on a great set of results. First question again on the EV side so will it be possible to share per vehicle how much content will we be making including the products which we have shown?

Amit Jain: It is hard to tell, but because I think it is various combinations there but on an average three wheeler for example I am hoping to see anywhere from I mean if I include all the group products maybe it is a larger number right over Rs.15,000 but I think on the new products that we possibly adding would be in the Rs.7,000 to Rs.10,000 ranges I mean I am talking of kit value where we would be contributing to that particular vehicle, but still in the work so this is just very broad directional.

Siddhartha Bera: Understood and what all things have you included here the sensors, LED light switches and the components?

Amit Jain: No I think when I am mentioning that what are new products in the range of anywhere between Rs.5,000 to Rs.10,000 I am talking of products that we do not make in the company today, but we would be looking at introducing going forward.

Siddhartha Bera: Okay understood so basically the product under development which we have shown in the slide that is probably indicating. So we will be having our own IP for this product is that the correct way to understand?

Amit Jain: You said own IP?

Siddhartha Bera: IP right, intellectual property right so we will have the IP right for these products also?

Amit Jain: Yes we would these are all homegrown products for which yes we would have the intellectual property right.

Siddhartha Bera: Understood and anything on the passenger vehicle side also you are looking, or this will be largely focused on the two-three wheeler segment?

Amit Jain: I think as I mentioned some of these products when I look at say things like smart plugs things like battery management systems or I did mention like TCUs or telematics control units could be used both for two wheel, three wheel as well as four wheel, other products like chargers and others would need considerable amount of redesign to be used for four wheelers so that is something that we have in our roadmap, but it is too early for me to talk about their development.

Siddhartha Bera: Understood Sir and lastly on the overall I mean directionally the three categories which we have shown production development I mean some timelines we can you share like when we will start booking revenues for these products in the next five years?

Amit Jain: So I think a few of the products that I have already mentioned I think if you look at the font colors which have already gone into production so we did some volume this year obviously all these OEMs are just picking up so they are not doing great set of numbers for me to talk about, but some of the other projects which I said are under development which were highlighted all go into production in 2021-2022 so by mid of 2021-2022 they would go into production, products that I have mentioned under steady I believe are a year and a half out right now.

Siddhartha Bera: Okay great Sir lastly on the sensor side Sir we have been and indicating that sensors is likely to ramp up much strongly so are these sensors for electric vehicles in addition to the ones which we are already planning to ramp up or this is included in the sensors, which we have talked about in the past?

Amit Jain: I think this would be included in the sensors that we have talked about in the past, but these maybe right now not a great deal of volume to be able also talk about as a separate set, but I would imagine if Sunil mentioned numbers this would be included in those.

Sunil Bohra: Yes it is there as you have been saying so sensors actually have done I think one of the best in the segment so compared to last year says Q3 versus this Q3 sensor sale is almost double in terms of revenue.

Siddhartha Bera: Okay and so annualized how much will be doing sensors and how should we look at the ramp up now?

Sunil Bohra: From annualized number of Rs.120-Rs.130 Crores we are over Rs.200 Crores now.

Siddhartha Bera: Okay and that should go up to what level?

Sunil Bohra: As we said over three to five year period our overall objective has been to take it to a range of Rs.400 to Rs.500 Crores.

Siddhartha Bera: Okay great and thanks a lot Sir. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union AMC. Please go ahead.

Vimal Gohil: Thank you so much for the opportunity and congratulations on a great set of numbers. My first question is on LED, you seem to be doing really well out there despite some of the competition over there is extremely high and we already have some well entrance suppliers in large OEMs like Maruti and I am talking about Japanese suppliers so how do you intent to counter that that is my first question. Second one is on P&L I see a sequential decline in the share of associates so what should we read over there and if you could just comment on your gross margins that despite the raw material pricing pressure, your gross margins were in good stead was it because of mix or is there anything else to read into it and last one being if you could just make your comments on the PLI, how is Minda Industries looking to capitalize on the impending opportunity going forward?

Sunil Bohra: Thank you Vimal. I think you have four questions and let me try and answer all four of them one by one going by the same sequence you said how do we counter the LED business and there is a lot of new entrants so as we have been speaking Vimal for past couple of years that the lighting is the most competitive business in India where we have all the global majors in the country. We talk of Lumax with Stanley or Motherson with Magneti Marelli or IJL and Koito etc., you take the name and I think almost all the global lighting manufacturers are there in the country and everyone has some technological tie-up overseas globally, but we have been holding our fort without any global tie-up based on our own and that is why if you remember last year when we have acquired Delvis, the whole strategy for acquiring the Delvis was to fill that technology gap which we have been observing and once we filled that gap last year, you would have seen that the kind of businesses we have won and they are all competitive businesses in the country so we are in a competitive landscape where we have to deal with not only the new players but also the existing players and I am happy to say that we have handled that pretty effectively and efficiently to increase our share of business in the lighting segment and garner newer business which is also primarily from the Japanese OEMs that is on the LED. Secondly your question was on share of associates why it is going down, yes in associates last quarter Rs.10 Crores in this quarter roughly Rs.9 Crores. There is a drop of a Crore there, this is primarily because of a couple of businesses again we have faced some challenges as in past we have seen some improvement but with a couple of business were because of the sudden demand etc., we had to air lift material there has been a significant logistic cost and some material price hike which is primarily in two businesses which is Minda TTE and Minda Onkyo so these two businesses we have faced some challenge in terms of profitability and maintaining the supply and demand and also had some significant costs via air lift of the material that is on the associate. In terms of gross margin yes your point is right that we have been able to withstand the storm primarily because A, if you see the kind of inventory in the pipeline is almost like 30 days or so which does help you and as I said in the beginning we do have this kind of headwinds going forward in Q4 because the price adjustment with the customers normally has a lag of a quarter or half year or a year with some customers so adjustment either happen in January or in April so going into next quarter we do expect to face some headwinds and currently we are working on it, how to neutralize those headwinds, how do we address proactively request the customers for price revision but specifically on Q3 yes we have been able to sort of face the challenge of spike and as you know the spike actually happened gradually so it is not that the full quarter we have seen the price increase from day one, yes we exited because of a very high price so there definitely is a benefit of a the low cost inventory to enter into the quarter and also the kind of some negotiations or renegotiations we have been able to do and also some inventory which we have been able to procure on a timely manner to sort of clear the price hike coming on our books so that is on the gross margin. In terms of PLI first of all definitely I can confirm that whatever are the boundary lines which have been drawn for PLI we qualify almost all the conditions, we are all waiting to see what are the contours of the scheme but definitely the three, four key parameters or policies components of the scheme which is maybe a global champion scheme or the export oriented scheme so we are already there and once these schemes are announced I am sure it will give a bump up to all the companies in the country not only Minda Industries where it will enhance the competitiveness globally. So while the government is giving a subsidy I am sure the idea for that subsidy or support is to be more globally competitive yes part of it you would like to retain to your bottom line but I am sure some part of it we try and see to garner more business globally and we are working with a lot of our customers irrespective of the PLI scheme so how do we make India as an export hub. We have set up our marketing team and enhanced our marketing efforts in Asean region and now we will be soon setting up another office in Thailand and we have what we call increase our marketing efforts in Europe as we mentioned earlier and we are working on restructuring our marketing team in Europe so to see how do we get more pie of export because we have long term relationships with our customers in Europe and Asean, but somehow we have been limiting ourselves to only few products. The strategy is now not only to get new customers but whatever existing customers we have how do we sort of market them more and more products and instead of catching new customers existing customers who are already there, the idea is to be competitive there and provide the quality what they are looking for and export from India, but as I mentioned this is something which you start today and you work with the customers and you get into the business cycle for the new model. It takes something like two years to three years so it is not something that today PLI schemes comes and tomorrow you start supplying, but it will have its own timeline so that is the overall a big picture on the export and the PLI scheme.

Vimal Gohil: Fair enough Sir just one last question I missed out on the gross debt numbers that you came could you just repeat that for me?

Amit Jain: I think it was Rs.1,080 Crores or something.

Vimal Gohil: Okay fair enough and that has come down right as compared to what we had in March because…

Amit Jain: Around Rs.100 odd Crores.

Vimal Gohil: Okay thank you so much Sir all the very best and keep surprising.

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

Mukesh Saraf: Thank you for the opportunity. Firstly so the question is in general on the capex intensity that we have seen in the last three years and obviously our ROCE is kind of dipped in this year significantly so what is the kind of thought process there because the plan what you have been telling us so far is to now sweat out these assets and get the ROCE back on track so is there any change given that now we are looking at again capex around the MKL and probably some of these new products that you have shown especially on the EV side of it that there are some of the product under development and under study so is there any big change in this next to three years capex plans and how the ROCE kind of improve again?

Sunil Bohra: Thanks Mukesh for your questions. So first of all as we have been saying that we will be reaping the benefits and I am sure once you see analyze the results of this quarter in detail you will actually observe that obviously with a caveat that Q3 is not a certainty or assurance for full year, but if you have to just analyze the Q3 numbers the ROCE for this quarter is over 20% so this definitely gives you a comfort that we have been sweating our assets but once you keep on increasing sales and if you remember we have said that for additional 20%-30% sales we are already there and if you see we are actually in that region and now in some of the businesses which is not all businesses, but some of the businesses because of the new what you call the growth which we are seeing it will need some money to be invested like example which we took of Minda Kyoraku we actually if you have land we would have actually done in the existing plant a brownfield expansion, because we had to not only cater to the increased need but we had to set up a paint shop, but because of lack of space we have no choice but to shift this plan to a new location. So I think what it does it gives us an opportunity to not only move to a new location but also maybe a little bigger location maybe they did not have that thought process that in future we will need so much of land so once we go to a new location now we will keep some additional land for even further growth in our hands and so this I would say it is not something which is a huge surprise it was definitely if business is growing you have to make sure that there are infrastructure to support the business and it is primarily I would say while we are spending some money it is more a plant expansion and business expansion rather than going to a totally greenfield location while it looks apparently so and the other thing which we spoke about light I am totally appreciate if we have to grow from where we are to increase SOB, I am sure existing plants you will not design to give you a 50% higher revenue so but I can assure you one thing that the kind of lumpiness we have seen in capex, personally I am not sure if you will see that, but whatever growth comes if this growth is backed with customer commitment I am sure you would be more than keen to see that growth than us and we will be very prudent in investing our money. In fact if you remember in alloy wheel two-wheeler we said that we will wait for a year and then take a call on the phase 2 expansion, but we have so much of requests from customers for additional volumes we are going back to our drawing board and see how early we can expand that plant because then it will be a brownfield expansion and your delta normally for any brownfield extension returns are much better than a Greenfield expansion so we will be definitely prudent Mukesh and thanks for raising this question it also emphasizes that we have to be very, very cautious about spending capex so that is very clear. In terms of your new products, you asked whether there will be going to a big change in capex plan, as of now it is unlikely Mukesh because these products which Amit has also shared they are mostly aligned as he said to some of our existing products Amit you may confirm if I am not right and it might not necessarily every product will need a greenfield plant.

Amit Jain: Yes that is right Sunil I think we are not talking of new plants or major expansions I think our current controller division and our EMS company are capable to handle this.

Mukesh Saraf: Sure understood thank you for that and second question is on the raw material cost itself and given that we have such a large mix of products including a lot of plastics etc., how much would steel if you could just give a ballpark how much of steel be as a part of our raw material costs I mean steel.

Sunil Bohra: I do not think it is significant because we never speak about steel honestly because it is primarily what you call press battery parts which are not very significant in value, Amit do you have any idea about how much of steel do we use normally in our products?

Amit Jain: I did not catch the question how much was?

Mukesh Saraf: Steel?

Amit Jain: I think not much I think except maybe Harita that is where we use a lot of structural steel but otherwise I do not think we use a lot of steel.

Mukesh Saraf: Sure understood and just I mean because you brought up Harita and we have seen significant growth in Harita numbers in the third quarter, is there any comment you can give is it the existing business for Harita or any new business that they have kind of started serving there?

Sunil Bohra: Mukesh I would say maybe we will speak about Harita in the next call because I hope by then we have everything in our control.

Mukesh Saraf: Sure I look forward to that. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Aditya Jhawar from Investec Capital. Please go ahead.

Aditya Jhawar: Thanks for the opportunity, just one clarification the two wheeler alloy wheel plant in Supa, you mentioned that the capacity is about 4 million so that does it mean that for the new OEM, the order will as start executing once we add the capacity and the number of Rs.400 Crores peak revenue there is an upside to that considering the new order that we have won?

Sunil Bohra: Okay so we are trying to balance even new customers from the existing capacity as you know Aditya 4 million wheel is based on certain weight as we spoke earlier it is based on the melting capacity of the plant which is something around 13,000 tonnes a year so it is based on the weight of the wheel if the weight of the wheel is higher the number of wheels may be a little lower maybe 3.5, 3.7 million and if the weight of the wheel is less it can go up to 4 million views a year so in terms of annual revenue at 4 million wheels our expected topline is roughly around Rs.450 Crores that is what the plan was and we intend to start our new customers also with some small volumes from the existing four million so that we do not wait to add another customer till the phase two is started and commissioned because that will take another maybe a year and a half.

Aditya Jhawar: Okay just one small clarification so we have a line of sight of 4 million from the existing customers?

Sunil Bohra: More than that.

Aditya Jhawar: Okay and just on the gross margin part I mean do you would have seen commodity inflation has been quite sharp and you mentioned that some of the customer contracts are between three months to one year so since we are in middle of the next quarter is there a number that you can share that what percentage of contracts you have been able to negotiate so that the difference between the contract size and spot price comes down and what would be the likely impact of commodity inflation in the near term?

Sunil Bohra: So Aditya you have noted that we have a lot of commodities a lot of customers and also it is different for different customers like one of the customers we will be able to have this price adjustment from first of the year itself wherever there is a quarterly price adjustment where there is longer as of now you will appreciate we are more in a request mode because if you go by contract obviously customer also has a pricing pressure and we have to appreciate it, we are trying to find a win-win where the pressure of the commodity price increase can be balanced. Overall definitely in Q4 we will see some of such impact to be absorbed by the company. As of now I do not have a number overall for the global average because you will appreciate we have 30 businesses and every business has got multiple customers so as of now, I do not have that number handy as to how much will be in percentage term on average impact for the quarter, but definitely there is going to be some impact.

Aditya Jhawar: Okay and the final question will you be able to share the revenue contribution of Maruti for nine months FY2021?

Sunil Bohra: We do not track on a quarterly basis not even comment honestly so this confidential data it is not advisable to share.

Aditya Jhawar: Okay thanks that is from my side all the best.

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

Basudeb Banerjee: Congrats for the good set of numbers I came late in the call, just going by the numbers prima facie first question came to my mind is the sequential 23% revenue jump and your margin is still the same whereas gross margin impact is yet to see through the P&L so anything which I missed out earlier in the call if you can explain Sir?

Sunil Bohra: I do not think you have missed out anything so there are two to three things which has helped us Basudeb in terms of maintaining our margins. First is as you know that we have reinstated our man power cost from September 1, 2020 so there definitely is a negative impact to that extent in the quarter compared to the preceding quarter but because of the volume growth I am sure there is some support because of operating leverage and also as we mentioned last time that some of the cost reductions which we have been able to negotiate for the full year so the benefit of that cost reduction exercise we continue to reap. In terms of the RM price increase, as we mentioned that definitely there is a support when you move into the quarter from October 1, 2020 to December 31, 2020 the price increases have been gradual so definitely when we see today the prices are at a very elevated level but when we entered the quarter you do have some inventory owned surplus inventory plus we have been able to buy some inventory to hedge against the expected rise in the community prices so that also has helped in terms of balancing the overall material cost and managing the sale.

Basudeb Banerjee: So for example if I see other expense line item Rs.164 Crores moving to Rs.212 crores sequentially which is almost 30% again 23% revenue growth so is it because of the two-wheeler plant getting commissioned on a meager revenue and the fixed costs are full blown up how to look at that Sir?

Sunil Bohra: So definitely that is one of the aspect Basudeb when we see what we call quarter-to-quarter delta but if I see specifically from the other expenses cost, there is definitely a higher cost because of a lot of air freight being incurred for the sudden ramp up it is almost like if I remember correctly was Rs.6 Crores was impact in the quarter because of air lifting of material because of the sudden rise in the demand which somewhere you have to absorb, somewhere you share with the customer but the net impact was roughly around Rs.6 Crores is normally you would not see and this continues even in the current quarter. There have been higher expenses towards power and fuel etc., because with the volume increase all these expenses also in get increased, some of the travel costs etc., which was not happening previously all those things have gradually picked up with the opening of the economy so that has been I am sure the reasons for this cost increase, which is and in addition as you rightly mentioned about the commissioning of the Supa plant so all these things put together has led to the other expenses increase a little more than the share in the revenue.

Basudeb Banerjee: Understood Sir so almost you can say Rs.10 Crores to Rs.12 Crores other expense could have been lower if things were relatively normal so that would have added on to the margin with this level of revenue?

Sunil Bohra: You may say so but with higher activities I think it is better that to have more things.

Basudeb Banerjee: Salary revamp getting normalized, so it seems Q-o-Q 20% jump so is it 20% salaries reinstatement or some temporary additional labor because of ramp up in production so how to look at it?

Sunil Bohra: So as Basudeb that almost half of our operators we keep try to keep on a variable cost basis to adjust to the volume volatility so with the increase in volumes you have to increase the temporary manpower which you must call temporary, but it is actually a sort of a semi permanent which is off-roll employees you can say contract manpower so to take care of the volume volatility so once you increase the volumes to produce those kind of numbers and most of our products like switches, lamps or horns, they are all assembly line operations so the increase in volumes actually your manpower cost increases proportionally so the large part of the increase of the 20% comes from operators cost or blue collar cost.

Basudeb Banerjee: Simply with Q4 being seasonally better quarter for cars, look out at Maruti's production outlook or even for two wheelers so with further revenue ramp up potential in Q4, how should one look at again the same employee cost and other expense as you highlighted employee cause one should prorate with revenue ramp up because of the contractual level, how to look at other expenses for Q4 as such should it remain static with revenue moving up or how should one look at?

Sunil Bohra: First of all it would not be fair for me to comment whether revenue for Q4 will look up because in last quarter October has been a record number for most of the OEMs and those numbers are yet to be seen so without commenting on whether Q4 will be higher than Q3 which looks a bit challenging, but in case if it were to be some of the costs which are there in others or employees will see increase because to the extent they are variable in nature like fuels, power and consumption etc., there are some variable costs which will increase in case the volume were to increase from there.

Basudeb Banerjee: Okay Sir thanks.

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

Anubhav Rawat: Congrats on a good performance. Just a couple of questions so Sir this quarter could you just throw some light on which associates, and subsidiaries did well for us, and which ones lagged?

Sunil Bohra: So as I said a little while back I think the only couple of things JVs which have lagged or associates Minda TTE Daps and also Minda Onkyo, these are the two JVs which have actually pulled us a little bit down compared to Q2.

Anubhav Rawat: Okay on a year-on-year basis?

Sunil Bohra: I think on year-on-year basis almost all of them have been okay let me tell you exactly about these two entities also which is TTE and Onkyo compared to last year Onkyo is almost same and other was TTE that is also almost in line with the last Q3.

Anubhav Rawat: Okay it is flat basically for both of them and Sir going forward so how is our order booking I mean in the near future how do you see production ramping up?

Sunil Bohra: Most of our products are linked to the destiny of our OEMs and with the volume increase, but additional what is important for us is how do we increase our share of business, how do we increase our stick value and how do we sort of deliver on our new products so on all these fronts I think we have been working very, very positively and aggressive. In terms of new products they will continue to add to topline which is the alloy-wheel, sensors etc., in terms of existing products also we have seen the new kind of switches we have added or the

LED whatever we added, we expect this momentum what we have built in Q3 to stay in the coming quarters.

Anubhav Rawat: All right just one last question Sir so what is the actual scenario on this alloy wheel import I mean is there a ban or is there ADD so I mean how will it affect us going forward just want to know?

Sunil Bohra: So there is no ADD for alloy wheel on the four-wheeler theoretically there is, but practically I would say no because while there is an ADD but the three large exporters from China on them the ADD is negligible it is $0.8 per kg which is almost I would say zero and on two wheelers there is no anti-dumping duty so on alloy-wheel practically there is no anti-dumping duty as of now.

Anubhav Rawat: Okay and there is no imposed ban also right.

Sunil Bohra: No.

Anubhav Rawat: Okay despite that we will continue to grow.

Sunil Bohra: Yes.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Congratulations for a stellar performance. Sir I have just three main questions. First, we have grown ahead of the industry right so you yourself mentioned that 17% kind of a volume growth since it was roughly 36% so is there some element of inventory being jacked up at the OEM level of the component that we manufacture during a lockdown or any temporary destruction in manufacturing activities. Second is, we have this is the second quarter of sustainable 14% and 14.7% EBITDA margins because pressures now coming in play, what is a sustainable range of margin trajectory that we are seeing in future which you could guide us and third with PCB in shortage in the global market as well as domestic do we have any role to play, can we play any role in that?

Sunil Bohra: So I will take first two and for the third I will pass on to Amit to share his thought. So first of all in terms of inventory your point was whether there is any customer who is increasing inventory the answer to that actually is reverse. The customers have actually asked us to keep little more inventory normally we keep three days of finished goods and now some of the customers have asked us to keep 7 days of finished goods sort of save ourselves from any supply destruction and that is also one of the reason for higher levels of inventory, I missed to mention that in the beginning so customers normally if you see they are always want just in time delivery and most of the customers are taking supplies more than once a day so customer adding inventory is not an option as of now because it is a delivery which goes straight on the line so that is on inventory being built up at the customer end. Second your question was in terms of EBITDA margin at 14.7% in the quarter despite cost pressure is it sustainable, yes it is a definitely a very, very big challenge to sustain this kind of margin because until last year our average margin profile has been around 12% and from there we have moved to 14.7% and with the economy opening up some of the fixed costs as I was talking a little while back, some of the fixed costs we will see sort of getting in as we see normalization with the vaccines sort of working and the fear factor going out with the travel increasing etc., etc., so some of the costs we do expect to increase. In terms of RMC yes there are pressures so in immediate quarter yes we might see some pressure because of the higher raw material cost and in terms of medium to long term, long term I would suggest that we maybe wait for a quarter please bear with us maybe we give you better clarity once we talk for the full year because by then we will be through with our annual budgeting exercise, but I can communicate directionally we are working to see how do we sort of try and maintain this 13% to 15% kind of margin profile for the sustainable future.

Shashank Kanodia: On the PCB front?

Amit Jain: Yes I could but I just would like to understand the question better do you mean how does global PCB shortage impact our business, or could we do something about global PCB shortage what was like?

Shashank Kanodia: More of can what can we do regarding the global PCB shortage so is it a line of action for us wherein we can expect us putting on capacity or do we have the know of it and secondly consequently with less probably PCBs in the system does it also impact the electronic content that we supply to the OEs.

Amit Jain: Okay so I think this is more of not a lot of detailed analysis from our side, but maybe my viewpoint right now is I think one we have never looked at manufacturing bare PCBs, we do assemble PCB board so that means we buy bare PCBs and then populate components and actually convert that into products but we do not manufacture bare PCBs. Bare PCBs is a market that is very stiff in terms of competition has its own challenges with respect to like environmental pollution and other even other issues so right now no we are not looking at getting into bare PCB manufacturing, but we do convert PCBs into final assemblies. Your second question that you asked, can you just repeat yourself?

Shashank Kanodia: Whether the global shortage limit the content of electronic content that you supply to OE?

Amit Jain: No it actually it does not I mean an OEM if it is using a particular ECU today and if we supply the ECU then we will have to supply the ECU otherwise the vehicle does not work so I do not think it is an it is an optional product when you talk about an electronics in the car and I do not see the content that we supply change and I believe the whole PCB shortage is a short-term impact and we do not see any of our businesses getting immediately affected due to PCB shortages right now.

Shashank Kanodia: Harita seating merger is pending for quite some time right so every quarter we get almost the next date of hearing so is there any point of contention because these are different line of businesses vis a vis the Minda standalone entity?

Sunil Bohra: Your point is valid so as I said that this week this Monday actually NCLT Delhi has pronounced its decision for merger which was positive, but one is the pronouncement of decision and another is getting the actual copy of the document, which hopefully we should get I hope by tomorrow or Monday and NCLT Chennai should also follow suit. We do not know why it got delayed because hearing have been completed long back it was just waiting for decision to be pronounced and I am sure you will appreciate when things are in NCLT there is no way to even put a request there to expedite but having said that definitely there is no issue which anything which you are aware of because NCLT Delhi has already pronounced its decision it is just a matter of getting the copy of the order.

Shashank Kanodia: For next quarter, can we expect consolidation of numbers for Harita Seating?

Sunil Bohra: Absolutely in case once we get what you call the order from both Delhi and Chennai then I am sure we will have to consolidate it.

Shashank Kanodia: Thank you so much Sir.

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

Nishit Jalan: Thank you for taking my question so if I just look at your third quarter revenues you mentioned that industry growth was 17% and we grew 30% plus but if I look at nine months revenues industry probably declined by about 17% to 18% and your decline was about 11% and this also still includes Delvis acquisition this year, so just wanted to understand outperformance compared to industry has been much higher in this quarter while if I look at nine-month basis, the outperformance is obviously still there but it is at a moderate level so I just wanted to understand what happened specifically in this quarter or how should we look at it going ahead?

Sunil Bohra: I am not sure on the nine month number where delta is only 7%-8% but in terms of Q2, I think we all appreciate that there has been new products which have been added there has been this two-wheeler alloy-wheeler also being consolidated plus some of the new businesses which we have won from our new customers that also have helped and as that is what I said that we expect this momentum which has built to continue because this is the result of getting more business and customers last year because there is a lag of almost a year and a half till you actually get the sales realization and also some of this impact of BS-VI also has helped us in the current quarter where there are some new products which have commercialized along with this festive season.

Nishit Jalan: Okay and this one last small question on two-wheeler alloy wheel we given the plant as we started was there some operational loss in this quarter or we are a profitable right in the first quarter itself?

Sunil Bohra: No you cannot be profitable in the from first quarter.

Nishit Jalan: So what kind of operating loss has been incurred in this quarter?

Sunil Bohra: This quarter I think our total PBT loss was something around Rs.10 Crores to Rs.12 Crores because it has a component large component of depreciation and interest so if you have to exclude that then operating loss would have been like Rs.4 Crores to Rs.5 Crores.

Nishit Jalan: You mean EBITDA loss right?

Sunil Bohra: Yes.

Nishit Jalan: Okay thank you so much.

Moderator: Thank you. Ladies and gentlemen that would be the last question for today. I now hand the conference over to Mr. Sunil Bohra for closing comments. Thank you and over to you Sir.

Sunil Bohra: Thank you. I would like to thank everyone for joining on the call. Thanks for appreciating and it definitely builds lot of expectations for us to do more. I hope we have been able to respond to all your queries adequately. For any further information we request you to please get in touch with us. Stay safe, stay healthy. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Minda Industries that concludes today's call. Thank you all for joining us and you may now disconnect your lines.