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Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Subject: Transcription of Conference Call with Investors/Analysts held on 05-08-2022

Please find attached herewith transcription of Conference call with Investors/Analysts held on August 05, 2022. Kindly take the same on record and acknowledge.

Kindly let us know if any other information is required in this regard.

Thanking you.

Yours faithfully,

For Minda Corporation Limited



Pardeep Mann
Company Secretary
Membership No. A13371

MINDA CORPORATION LIMITED (GROUP CORPORATE OFFICE)

CIN: L74899DL1985PLC020401A

D-6-11, Sector 59, Noida – 201301, U.P., India

Tel. : +91-120-4787100

Fax : +91-120-4787201

Registered office: A-15, Ashok Vihar, Phase-I, Delhi-110052

Website: www.sparkminda.com



“Minda Corporation Limited Q1 FY2023 Earnings Conference Call”

August 05, 2022



ANALYST: MR. RAGHUNANDHAN NL – EMKAY GLOBAL FINANCIAL SERVICES

MANAGEMENT: MR. ASHOK MINDA – CHAIRMAN & GROUP CHIEF EXECUTIVE OFFICER – MINDA CORPORATION LIMITED

MR. NEERAJ MAHAJAN – GROUP PRESIDENT – MARKETING – MINDA CORPORATION LIMITED

MR. VINOD RAHEJA – GROUP CHIEF FINANCIAL OFFICER – MINDA CORPORATION LIMITED

MR. ANSHUL SAXENA – GROUP HEAD STRATEGY & M&A – MINDA CORPORATION LIMITED

MS. PUSHPA MANI – LEAD INVESTOR RELATIONS - MINDA CORPORATION LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Minda Corporation Limited Q1 FY2023 Earnings Conference Call hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. 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. Raghunandhan NL from Emkay Global Financial Services. Thank you and over to you Sir!

Raghunandhan NL: Thank you Lizaan. Good evening ladies and gentlemen. On behalf of Emkay Global, we are pleased to invite you for Minda Corporation Earnings Call. We thank the management for providing us the opportunity. From the management team, we are pleased to have Mr. Ashok Minda, Chairman and Group CEO, Mr. Neeraj Mahajan, Group President, Marketing, Mr. Vinod Raheja, Group CFO, and Mr. Anshul Saxena, Group Head Strategy and M&A. We would request the management for opening remarks post which we can open up the floor for question and answer session. Over to you Sir!

Ashok Minda: Thank you Raghunandhan. Good evening everyone and welcome to the Q1 FY2023 earnings conference call of Minda Corporation. I would like to thank you all for joining us on this conference call here today and hope you and your families are keeping safe and healthy.

Despite several challenges, the Quarter 1 of FY2023 was marked by industry growing across segment by more than 46% year-on-year wherein commercial vehicle performed exceptionally well by growing more than 85% year-on-year while two-wheeler and three-wheeler segment saw a growth of 37% year-on-year and PV grew by 33%. However, there were fair set of challenges to be dealt with like inflationary pressures, fuel prices, rising raw material cost, semiconductor shortages, geopolitical tension, etc. Despite these I am pleased to report that Minda Corporation has continued to deliver strong performance with our constant focus on research and development, diversified product portfolio, strong business fundamentals and carefully carved out growth strategies. During the quarter Minda Corporation achieved its highest ever quarterly revenue of Rs.10,102 million with EBITDA of Rs.1,066 million and EBITDA margin of 10.6% registering a growth of 504 basis points year-on-year. PAT margin stood at 5.2% grown by 390 basis points year-on-year.

Updating you on the key developments during the quarter, the company has filed three new patents taking the total number of patents filed and applied to more than 220 out of which almost 40% of the patents are filed in the last five years. Deeper penetration in EV especially two wheelers smart key and high voltage wiring harness and non-legacy products

like power distribution unit, integrated power module and junction box for EV commercial vehicle. Our focus on new order book remains steadfast and in Q1 FY23 also we have won businesses across all divisions with EV constituting more than 20% of the total order wins during the quarter. The roadmap ahead would be to aggressively grow our share of business with existing customers and onboarding new customers to focus on technological upgradation via in-house R&D and global tie-ups. We are also working on further strengthening our operational excellence in cost leadership and digitalization of business processes. We are continuing to work upon localization of connection systems to reduce dependency on import and improve margins. We continue to drive strength from our robust balance sheet with zero net debt, strong operating cash flow generation and continuous focus on right capital allocation strategy. The outlook for the automotive industry remains positive with the introduction of new technology and to support the industry. The sector growth appears to be on rise. Indian automotive demand is expected to remain high due to increased penetration, rising income, significant jump in urban population and continued government support. With this I would now like to hand over the call to Mr. Anshul Saxena, our Group Head Strategy to discuss the financials and the operational performance of the company during the quarter. Over to you Anshul!

Anshul Saxena:

Thank you Ashok Ji. I will now take all of you through our earnings presentation which will provide you a brief of the Q1 FY2023 performance of Minda Corporation. I am on slide number three right now which provides a brief of Spark Minda group. As of FY2022 the Spark Minda across all its entities have total turnover of around Rs.35,500 million employing more than 16,000 people, we have 33 manufacturing units and offices in India and across the world and we operate 7 partnerships with various international companies which are providing us technological advancement in various product divisions.

Moving on to slide number four which provides a brief of the highlights of Q1 for FY2023, we are continuing our path towards the growth momentum and we are very pleased to announce highest ever quarterly revenue of Rs.10,102 million. The double-digit EBITDA margin for eight straight quarters on sequential basis is a testament towards our continuous efforts of operational performance. PAT margin stood at 5.2% growing by 390 basis points year-on-year as compared to Q1 of last financial year. In terms of R&D we are continuing with the same momentum and we are pleased to announce that we have filed three more patents during the quarter and with this our total patents filed are more than 220 plus. In terms of order book and new order wins our momentum is continuing. We have won significant businesses across all segments and electric vehicles EV now constitutes 20% share of all the orders that we have won in Q1 FY2023.

Moving on I am now at slide number five. In terms of revenue as we mentioned the revenue of Rs.10,102 million for Q1 FY2023 which grew by 80% year-on-year basis and EBITDA

in this quarter is at Rs.1,066 million which is basically in terms of absolute value 246% higher year-on-year basis as compared to Q1 of last financial year wherein we would like to mention that despite rise in commodity prices which has given a numerator/dominator impact which basically is a pass through of the raw material prices increase we have maintained double digit EBITDA Margin. PAT we are pleased to announce PAT margin of 5.2% total Rs.525 million of profit after tax which has grown much more significantly close to six-fold from the last year Q1 on a year-on-year basis.

Moving on I am at slide number six so in terms of key business verticals that we operate we operate five business verticals Mechatronics, which includes our security system division, information and connected systems in which wiring harness is our key product, interiors and plastics, aftermarket and electronic manufacturing excellence in which we provide all the new age products to various OEMs. Key customers all I can say is that we are proud to be associated with all the leading OEMs in India and across the world as our customers and the green ones are the EV related customers wherein the key is that apart from the traditional OEMs Minda Corporation is also associating with the new age EV OEMs. For Research & development we have SMIT that is Spark Minda Technical Centre which has teams which specialize in R&D across various product divisions.

Moving on I am now on slide number seven which provides a breakup of the revenue. By geography in this Q1 the domestic sales constituted 85% of the sales, exports and overseas markets constituted around 15%. By end market two-wheeler and three-wheeler constituted close to 44% of sales, commercial vehicles and tractors 30% and passenger vehicles close to 15%, the rest coming from aftermarket. By business verticals Mechatronics and aftermarket provided 58% of overall sales and information & connected systems 42%.

Moving on I am now at slide number eight. To provide a brief of how the Indian automotive industry performed so the first chart is a year-on-year comparison of Q1 FY2023 versus Q1 FY2022 well the last year Q1 was a bad quarter impacted by second wave of COVID, hence all the segments tractors, commercial vehicles, three wheeler, passenger vehicle, two wheeler grew significantly on a year-on-year basis and as we can see overall auto industry grew close to 37% in Q1 as compared to last year Q1. On a quarter-on-quarter basis basically comparison with the last year Q4 almost all the segments PV, CV, three-wheeler was down whereas tractors and two-wheeler registered growth, so overall on a quarter-on-quarter basis the domestic industry grew by 6.5%. What we believe is as it was mentioned by our Chairman, Mr. Ashok Minda also that there are supply chain constraints still persistent in this industry, long-waiting periods for semiconductors, rising commodity prices, but in spite of that we are confident about the consumer demand which continues to remain robust. The entry-level automotive sales are under pressure due to rising commodity prices but overall improvement across all the segments due to Government steps to ease

inflationary pressure, reducing excise duty and various other initiatives taken by the Government we are confident that the demand would continue to be robust. So, while the industry is grappling with numerous challenges we remain cautiously optimistic about the domestic demand.

Moving on I am now at slide number nine wherein we are providing consolidated performance for Q1. As we mentioned earlier the operating revenue for this quarter Rs.10,102 million highest ever in the history of Minda Corporation on a quarterly basis it grew significantly 81% year-on-year and around 6.6% from last year Q4. EBITDA margin at 10.6% Rs.1,066 million which grew significantly from last year Q1 year-on-year basis herein as compared to Q4 the EBITDA margin was 11.4% as I mentioned earlier we are glad to maintain a double digit EBITDA margin because this quarter also showed rise in commodity prices which gave us a double impact of rise in RMC cost as well as given the numerator/dominator impact wherein the RM price is a pass through reduced the percentage, so in spite of that a 10.6% EBITDA margin is being reported, PBT of 7%, and profit after tax Rs.525 million at 5.2% which is much higher than Q1 of last year where it was 1.3%. The last year Q4 included a one timer of Rs.220 million so barring that also the PAT margins are almost at the same level. We are glad to announce that operations have outperformed again the industry production numbers which is due to new businesses acquired and production during the quarter as well as gaining share of business. Our die-casting business led by PV and two-wheeler segment along with exports continue to give us a good impetus in the revenue increase and EBITDA margins we talked about that though there was impact due to commodity prices but our sustained productivity and operational efficiency drives are going on which are giving us a double-digit EBITDA margin on a continuous basis.

Moving on I am now at slide number 10 wherein a brief about the business verticals performance. The Mechatronics, aftermarket and others business verticals registered revenue of Rs.4,920 million at 12.6% EBITDA margin and information & connected systems registered Rs.3,620 million revenue at 7.1% EBITDA margin. Therein also as we saw in the last slide across both the divisions the EBITDA margin was much better improved as compared to Q1 of last year though from Q4 of FY2022 which was an exceptional quarter due to rising commodity prices the pressure is seen in terms of the EBITDA margin. The key focus in Mechatronics remains EV segment apart from our traditional base of two-wheeler another increasing share of business wherein wiring harness we are actually struggling with the semiconductor supply crunch issues but we are still ensuring a productivity improvement drive.

I will now talk about the future strategic aspects of the group and with this I move on to slide number 12 of the presentation wherein in terms of future strategy we have very clearly

identified four pillars on which our growth strategy is built upon. The first one focus on enhancing the core wherein we are continuously working to inculcate new technologies into our legacy products like security systems, wiring harness, instrument cluster, die casting which will give us an edge in terms of premiumization of our products and also ensuring that we remain in sync with the latest technological changes. The second pillar is innovation and technology wherein apart from in-house R&D which is at SMIT Pune and as well as across the business verticals we are also always on a lookout for partnership with global players for expected technological needs so that it can give us an edge in terms of better time to market. The third pillar electric vehicle growth opportunity while we are glad to say that almost 95% of our revenue comes from products which are ICE to EV change agnostic still having said that we are keeping a very close eye on the way electric vehicle market is developing. We are constantly working towards introducing new products which is increasing the content per vehicle and the fourth pillar is strengthening the passenger vehicle offerings. We are now at around 15% of our sales coming from passenger vehicles and through various products like control systems, sensors, interior plastics we are assuring that we grow this pie.

Moving on I am now at slide number 13 of the presentation. This is just to give a glimpse of how we are targeting the electric vehicle market so from Rs.4,000 to 5,000 content in an ICE two wheeler which includes the locksets, wiring harness clusters, mechanical clusters and others through just premiumizing our own products so basically which means from a normal lockset to a Key Less solution from mechanical to a digital cluster from a low voltage wiring harness to a high voltage wiring harness we have been able to double our content per vehicle so from Rs.4,500 we are now at Rs.8,000 to 9,000 content per vehicle for EV two wheeler and on top of this we have introduced and developed various new products in the market like DC-DC converters, battery chargers which are already being offered in the market and already the production has started we have added another Rs.8,000 Crores to Rs.10,000 content per vehicle so from a Rs.4,000 Crores to Rs.5,000 Crores content in an ICE two wheeler we are now with Rs.16,000 Crores to Rs.20,000 content in an EV two wheeler. The bottom part of the slide shows the EV customers and here again the message is very clear that apart from traditional OEMs who have moved in from ICE to EV we are constantly working to be associated also with the new age EV OEMs like OLA Electric and Ather so as to make sure that we are associated with all the key OEMs in this business.

Moving on I am now at slide number 14. The summary of our value proposition again we are pleased to say that high value, technologically advanced products with global presence, cost leadership in manufacturing combined with thought leadership in technology, offering advanced technology products in light weighting, safety, connected, electrification is basically which are in sync with the technological change happening in the auto OEM

industry, technological tie-ups with global players, well diversified customer base, low leverage which is providing us a significant flexibility in terms of financials for organic or inorganic growth, good governance structure and a high focus on sustainability, so these are the value propositions which are driving our growth in the future.

I will now in my last section of the presentation talk briefly about the ESG the environmental and sustainable initiatives, CSR and the awards that we have received in this quarter. I will refer to slide number 16 of the presentation. This is our environmental social governance sustainability framework in which the five key pillars of growth which is working with the local communities, customer satisfaction, care for people, ethical business practices, and sustainable operations, sustainable operations is now a very key focus area for us and responsible value chain and on each of these pillars we have very clearly identified the action plan which is ensuring that we are in sync with the way environment is changing.

I refer to now slide number 17 of the presentation the corporate social responsibility as we have communicated always corporate social responsibility plays a key role in the way we conduct our business because we strongly believe in giving back to the society and continuing our efforts there are various initiatives that we did in this quarter like a Pan India cycle enrollment drive, medical distribution, plantation drive on the world environment day so these are some of the initiatives which we have taken in this endeavour of corporate social responsibility.

I now refer to slide number 18 of my presentation which is the last slide. We are pleased to announce that we have received 38 awards during Q1 and these awards are divided across all business divisions and the details are in the slide. The key thing to note is that we have received these awards from various prestigious forums like ACMA and CII wherein these forums continue to appreciate the work that we are doing in various areas. With this now I come to the end of the presentation and we can begin the question and answer session. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Khanna from Banyan Capital Advisors LLP. Please go ahead.

Mohit Khanna: Congratulations for a good set of numbers in a difficult environment. I was just pointing out that the level of disclosures has actually sort of gone down with this presentation so if you could just provide more color on the order book to begin with and then when we speak about the EV order book that is now constituting almost 20% can you point out with regards

to the slide number 13 wherein which components are the maximum selling components for you in the EV side?

Anshul Saxena: Thanks for the question so in terms of the order book details yes from this quarter we are not providing an overall number and that is mainly because, as we have mentioned in the past we calculate our order book details based upon the projections given by the OEMs at the time of business award and once it comes to the production sometimes there is very much variation from that. We have also received the feedback that it leads to confusion but to answer your question in this quarter as mentioned we have received very healthy order book, overall the order book is close to Rs.25,000 million lifetimes, but again this is as per the projections provided by the OEMs that we have won the order. Coming to your specific questions of EV order book which is at around 20% so herein both the products that is the DC product also which is let us say wiring harness so high voltage wiring harness as well as our numerous products like the battery chargers so both the products have constituted our order book for EV so which basically is smart key, wiring harness, die-casting as well as the new age products like the battery chargers and DC-DC converters play a key role.

Mohit Khanna: Fair enough. Sir if you could just provide a breakup of that and my second and last question would be could you just give us more details of how you are seeing the two-wheeler market recovery, July data was up 9% but then how are you seeing it with your orders on the production side?

Anshul Saxena: Thanks, we would provide the details to you a later upon on this and in terms of two-wheeler yes, we have seen the recovery in this quarter as compared to Q-on-Q basis as compared to last quarter. As you mentioned we continue to be cautiously optimistic about all the segments in the market in terms of the growth because we believe that the demand is robust and hopefully the challenges which are there in terms of supply chain **constraints will** go down and the overall industry across all the segments should continue to grow.

Mohit Khanna: Okay Sir I will come back into the queue.

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

Jay Kale: Thanks for taking my question and congrats on a decent set of numbers in a challenging environment. Sir my first question is regarding your smart key solution product if you can just speak a little more about how is you in that journey in terms of new orders, the acceptability of this product in various new model launches that you are seeing given that it does come with a price so not all OEMs may want to add that cost but it also adds to the

feature list of the products so how are you seeing that response from the customers if you can just throw some light on any new orders you won on that particular product?

Ashok Minda: What you are saying is very right. Yes, there is a cost difference between mechanical and smart key as you know that we have started our developments three to four years back and now almost we have started getting the business award mainly from the EV vehicles most of the EV vehicles are using this smart key.

Anshul Saxena: We all know that there is a significant cost difference in terms of the traditional lockset versus the keyless solution so yes Jay your point is valid there and the second point that Ashok Ji mentioned that what we have seen that majority of the customers who are trying the keyless solution are EV related customers wherein the price increase can be absorbed in the overall manufacturing cost of the vehicle and we have around 14 to 15 different programs which are under development in this solution so the traction in the market is high when compared to EV vehicles and of course in the ICE vehicles it will depend upon how the traction covers and how ICE makers are able to absorb the overall cost increase which comes from a traditional lockset to smart key but we are confident that it will grow continuously in the years to come much more at a much more higher pace.

Jay Kale: Understand. Would your competition also have developed earlier you are the only one you still have 100% share of the business in this product and also just to add on in terms of your raw material cost in your numbers we have seen the gross margins have contracted significantly on a sequential basis how do you see the raw material side going forward in Q2 and Q3 do you expect reduction from Q2 itself or you think that it will spill over to 2H FY2023 where you will start seeing meaningful reduction?

Ashok Minda: Regarding your first question of the competitor for the smart key, at the moment there is no Indian competitor in our notice there is nobody so far but they are all dependence on the outside technology and outside development. The second one is the raw material I will request Vinod Raheja to explain.

Vinod Raheja: Your observation is correct that in Q1 our raw material cost as a percentage to sale was higher than the sequential quarter. We should keep two things in mind that number one in Q4 we had because of year end higher customer recovery and also in Q1 the commodity prices continue to rise particularly in April 1 and May actually. Why we have back-to-back agreements with OEMs but we do not get any margins so far as commodity price increase is concerned therefore optically our raw material cost as a percentage to sale goes up whereas in absolute terms our EBITDA remains the same but thankfully now with commodity pricing is easing actually while you have back-to-back agreement this

numerator/denominator impact should be low and we can sort of look at normalized EBITDA margin.

Jay Kale: Understood and just one last question or if I may squeeze in couple of more questions so first is on your mix if we see your CV revenue for Q4 to Q1 has increased and I am talking sequentially not Y-o-Y in terms of absolute revenues is that correct and if yes then what would have led to that because normally in production wise Q1 is a lower quarter than Q4 in terms of CV production and the second is on your motor controller strategy if at all from the EV product side how do you see adding new products apart from the ones that is already under development, do you see you are doing it in-house or partnering with someone or inorganic expansion how do you take this route?

Vinod Raheja: I will take the question number one actually. If we really see in terms of the automotive production volumes Q1 vis-à-vis Q4 that is the preceding quarter industry volume grew by about 6% actually. While the topline growth was also around 6% but our OE business grew at about 10% actually. Our exports were slightly lower because of the geopolitical tension and one seasonal customer that we have and also similarly so as far as our aftermarket business is concerned Q4 is always the highest quarter because distributors do the heavy lifting to earn annual incentives. Net-net our OE business in Q1 grew by 10% outperforming the industry production volume growth of 6%.

Ashok Minda: We have developed DC-DC converter for the EV segment, battery charger, there are other products also we are working and we have so many products in our basket which we have introduced. Now the real work is that how to increase them vertically each product so we are also working for the EV products some of the tie-ups like we have invested in the EV about two quarters before so this is a continuous journey and we are regularly working on that and take vertically high to all the products which we have introduced.

Jay Kale: Understood. Thanks, and all the best. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Thanks for the opportunity and congrats for a strong set of performance. Sir my first question is related with the wiring harness business so what was the revenue bid in terms of the two-wheeler, passenger vehicle and CV and as the copper prices has gone down quarter-on-quarter basis how is the outlook for the margin in wiring harness business will it touch around 10% in the coming quarters?

Vinod Raheja: Yes I will take the second question first so far as the copper prices are concerned actually we have back-to-back arrangement so far as our customers are concerned and similarly our vendors basically so as far as procurement of copper is concerned actually so any variation in the price of commodity of copper is unlikely to have any impact on our EBITDA margins and as regards to the product mix of our wiring harness division two and three wheeler contributed about 50% of the revenue and commercial vehicle at about 40% actually. I hope this answers your question.

Abhishek Jain: So, you want to say that the wiring harness business margin would remain at around 7.1% or 7.2% it is hiked by strong revenue mix in this quarter that is the CV contributed around 40% so just wanted to understand what could be the driver for the wiring harness business going ahead?

Ashok Minda: We have also explained that we are doing a lot of localization which the import content at the moment is quite heavy and this is a process itself. The approval requires a lot of time at the customer end so one is as Vinod as mentioned about back-to-back arrangement which secured us not to have any impact. Secondly if the localization of the component and third which will impact is our improvement in the productivity continuous improvement in the productivity because you know the wiring harness is labor intensive work so that will quarter-on-quarter and year-on-year will improve the EBITDA margin of wiring harness.

Abhishek Jain: So, what is the current localization in the wiring harness business?

Ashok Minda: Before BSVI that was in BSIV we were almost more than 90% was our localization but now I think somewhere around 20% is localized and 80% we are importing from Japan, Europe and United States and so on.

Abhishek Jain: There are a couple of questions from the Mechatronics business so we are seeing a strong traction in the die-casting business so what was the revenue in the Q1 and what was the mix to say that two wheelers versus the four wheelers?

Ashok Minda: Die-casting in two-wheeler it is very insignificant. Some of the products we are giving in two wheelers majority is our export and for the domestic customer for die-casting. Total die-casting revenue is about Rs.152 Crores in Q1 FY2023.

Abhishek Jain: So, you are almost at a peak utilization level so just wanted to understand your capex plan for the future in the die-casting business?

Ashok Minda: As I mentioned in my speech very clear and the capital allocation is a very important area for us and die-casting is a capital-intensive business so we are always very careful and we

always calculate our returns by investing in die-casting business so it depends on each product-to-product which product we have to capture and then only we decide our investment.

Abhishek Jain: My last question is related with the deleveraging plan you still have around Rs.400 Crores kind of debt in this situation while the interest is going up so just wanted to know your plan for the deleverage of the balance sheet and what determined plan for FY2023 and FY2024?

Vinod Raheja: If I have understood your question correctly you are saying that we have debt of about Rs.400 Crores but this needs to be also seen in the context of the cash that we have in our balance sheet which as on March 31, 2022 stood at about Rs.335 Crores so net- net we have only a debt of about Rs.60 Crores on our books basically and in terms of our net debt to EBITDA it is 0.05 only.

Abhishek Jain: If we see the numbers especially the interest cost you are paying around Rs.8 Crores to Rs.9 Crores every quarter and that in turn you are gaining around only Rs.4 Crores so arbitrage is not in favor of you so are you not looking to pay the entire or partial rate and deleverage your balances?

Vinod Raheja: Well first of all I do not think that this would be the kind of differential that is being talked about the spread that we are talking about is not more than 1% to 1.5% differential between the rate that will be deployed and that will be borrowed actually so that is not material but like we want to have sort of cash in our balance sheet so that we can use it at opportune time for any opportunity.

Abhishek Jain: Okay Sir thanks and that is all from my side.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Thanks for the opportunity. Sir only one question I had or rather two questions. One is in the revenue is there any recovery of the earlier quarters that we received?

Vinod Raheja: Our topline grew by about 6% in this quarter vis-à-vis the preceding quarter that includes about 2% on account of recoveries because of increase in the price of commodities so we can say that our real growth in this quarter overall business put together was about 4% but like I mentioned earlier our Business grew by about 10% which includes about 2% to 2.5% on account of recoveries so the real growth in our OE business was about 7.5% to 8% actually.

- Chirag Shah:** These recoveries pertain only to last quarter or it is a cumulative?
- Vinod Raheja:** No, you would know that in terms of our contracts with customers the prices are revised quarterly and, in few cases, only half yearly basis so effective say April 1 the prices are revised based on the variation in commodity prices of the Q4 so these are regular phenomena that we have.
- Chirag Shah:** Would it be right to assume that in Q2 this recovery number would be higher given that cost pressure raw material cost has seen an upward trajectory in Q1?
- Vinod Raheja:** Yes.
- Chirag Shah:** The way we construct our structure would it be right to assume that the recovery number could be higher in Q2?
- Vinod Raheja:** Like I mentioned yes the price of commodity has been easing since I think towards end of June and now but as I mentioned earlier that our contract with our customers and suppliers are largely mirrored therefore that sort of ensures that our EBITDA margin sort of remain in the range; however, as and when the commodity prices goes up that has optical impact on our EBITDA margin because we do not get any margin on increase in price of commodities.
- Chirag Shah:** Second question was if I look at your other expenditure absolute amount has seen a reduction on sequential basis despite a better value as well as volume anything specific to note over there either Q4 has any one-off item and one-off lumpy impact or is there anything to note?
- Vinod Raheja:** Well if I have understood your question you are saying that the other expenses are showing a declining trend actually.
- Chirag Shah:** So, versus Rs.101 Crores of Q4 it is around Rs.98 Crores despite our revenue being higher Q-o-Q.
- Vinod Raheja:** Yes, the numbers you are reading are correct and it continues to be a focus area for us to control our general administration expenses and conversion costs, by productivity improvement in these areas innovative sort of thinking yes this is the main focus area through which we are able to drive value particularly when commodity prices are on the rise.
- Chirag Shah:** So, there is nothing lumpy **that is** have got postponed or something of that sort?

- Vinod Raheja:** No.
- Chirag Shah:** Thank you very much Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Pankaj from Affluent Assets. Please go ahead.
- Pankaj:** Thanks a lot for taking my question. Well Sir taking ahead the question by earlier participant wherein you had mentioned that the margins for wire harness are low because of the high import content but I just wanted to compare with the market leader who is earning more than 12% margins and ours are 7% to 7.5% the high differential between the two players and is import content the only reason for that and if it is so I would like to understand is there a roadmap which you would have had so that which would guide us to narrow the margin differential in the industry?
- Ashok Minda:** If you see in the past when it was BSIV our margin was in wiring harness was double digit and we have to bring back over a period and one of the important as I mentioned to you that good percentage of imported components our imported connection system in wiring harness and this will definitely bring us to that our earlier level but quarter-on-quarter and year-on-year there will be improvement; however, productivity is also very, very important as I mentioned to you so that will also give us a benefit in wiring harness margin.
- Pankaj:** So, can you give any timeline say may be by next year or two years or one year where we can have a vision when we can reach that if not double digit if not that coveted 12% or 12.5% at least lower double digits or 10%?
- Ashok Minda:** As I mentioned to you, you will see we are continuously doing efforts you will see at the end of the year there will be a further improvement and it is going to show you the higher continuous improvement in the EBITDA margin for the wiring harness.
- Pankaj:** Sir second question I would like to understand about EVs what is the current situation from the OEM after this fire related incident for many of these OEMs and central government pushing some regulatory reforms in that so what is the current condition, how is the demand scenario, how are they interacting with you on ground and what is the future order book which you have had with them especially the EV front?
- Ashok Minda:** First of all this is my understanding that EV is going to be 20% to 25% may be after five, six or seven years of the total population vehicle and the two wheeler because the total production is increasing the percentage of the EV and ICE will be of that ratio; however, in two and three wheeler will happen very fast, four wheeler will be little later and in tractors

and in the heavy commercial it will take very longer time so it is continuously to improve and definitely such type of hurdle is going to come like what we were mentioning such instance and every OEM sees improving the products every OEM is doing work for improving the product and I do not think so that any market impact is going to happen because of such episode.

Pankaj: No I get your point I just wanted to understand what is the current scenario at ground level, actually I myself had booked a two wheeler and I am getting a delivery after 10 odd months so it seems that there is ample of bookings out there but the production is not happening or there may be some reason for that so just wanted to understand despite these hurdles how are OEMs thinking and what is the order book shaping out for you?

Ashok Minda: I will request Neeraj as the marketing champion to reply to this question. Neeraj over to you!

Neeraj Mahajan: Sorry can you please repeat the question I was at a low signal zone just now.

Pankaj: Sir just wanted to understand despite the EV especially the two wheelers industry is grappling with this fire related incident despite that there has been a good demand as I understand because I have myself have booked a vehicle and I am getting the delivery after 10 months of booking and even central government has come up with some regulations in that so just wanted to understand what is the ground reality, how are the OEMs talking about their future road map and what are the order books for you in that correction?

Neeraj Mahajan: Thank you very much for this question. It is a very intelligent and exciting opportunity for me to share this important aspect. I think the matured and established OEMs like for example global ones like Honda, Yamaha and Suzuki they are still making their final plans to come into the EV journey and some of them like Bajaj and TVS and Hero they have already made their plans declared to the market but EV space for two wheelers is first disrupted by the let us say the new unicorns which have come into the play like OLA, Ather and various others into this space. Now you have to agree with me one thing that the maturity of testing validation which is there in the first two groups versus the unicorn is limited. Now they are going through that process of let us say learning curve and we are hoping that this learning curve including the strict regulations which the government is putting at place are going to be completed in the next three to six months time so this is going to have let us say cleaning up. To me there are about 25 EV players those who are in the market and as an organization we have made a very clear strategy of only focusing on price rate where we have made a very detailed study to understand who are going to possibly sustain or survive and rest those who are not going to be there so in the next three to six months time you will see that these unicorns are going to be turning good numbers.

We are already doing more than double digit numbers, some are doing even in double X or triple X numbers of what they were doing last year. The next two or three months possibly they will clean their house, bring the required technology confirmation at place and they will be back on the space. Mind it gentleman the numbers which are likely to come from EV space especially from unicorn and also from the established players whether they are Indian and later part by the global ones are likely to occupy the largest replacement space in our opinion in the next three years time so we may see easily 2x or 3x numbers coming from EV space in the year 2022-2023 and 2023-2024 could be even larger one so this is a very temporary blip nothing more than that.

Moderator: Thank you. The next question is from the line of Amarnath Bhakat from Ministry of Finance, Oman. Please go ahead.

Amarnath Bhakat: I just wanted to know the company is doing so much of things, activity, productivity, and efficiency but at the end of the thing our EBITDA margin is lie between 10% and 11% we were not able to cross that particular benchmark, now whatever the mix you are doing in the business either in the Mechatronics side or the information system side so how we look at this particular business on an overall global terms that it will only give us the absolute EBITDA higher and the percentage will remain the same between 10% and 11% because as a result if you see your return on capital employed is one of the lowest being the similar type of the company because if only the revenue side is growing the EBITDA margin somehow has not been growing whatever is the reason I just need to understand what pricing power what we have or what is the strategy of the management including of this EV to increase the EBITDA margin or we are happy with our EBITDA margin of 10% to 11% and return on capital employed is below 15%, how are you going to improve that?

Ashok Minda: A very good question. This question comes to our mind day in and day out every time we discuss we see how to achieve better EBITDA Margins. One thing is very, very important in that is the product mix you will see in different products the margins are different like wiring harness is having 7.1% EBITDA margin and there are other products which is higher EBITDA margin which are getting us at 10.6% EBITDA margin so one is we continuously should do the 80:20 analysis that which are the products having high margin and which are the products which must get the maximum share of business or this is one area. We have to continuously to improve the EBITDA margin through VAVE. We have to continuously improve the EBITDA margins by localization. One is the variable cost another is the fixed cost so to work on both the areas so that is a very important debt and regular exercise we must keep on doing for this improving EBITDA margin from the variable cost as well as from the fixed cost perspective. Your return on capital as I mentioned there are some businesses in which asset turnover ratio again is very high, while in some it is low and wherever our assets turnover ratio is high or the division is capital intensive like die-casting

we have to be very, very careful what amount we have to invest. Third for the EBITDA improvement the product premiumization is also very important and the moment we will obsolete our own products and bring new technology with premiumization that will also give us a benefit of EBITDA margin improvement. Overall, I would say it is a continuous exercise which we are doing and we have to do continuously and constantly.

Amarnath Bhakat: I just wanted to know whatever you have explained so far it is telling you that what is the reason of whatever is happening now we as a long term investor we just need to know whatever you have said has been going on in this company for the last many years but as a result we are not seeing any improvement in the EBITDA margin I am sure the company must have been doing whatever you are saying for the last many years so just wanted to have an assurance that in future going forward when this vehicle market is going up electric vehicle. Whatever you said Mr. Minda is well understood but whatever steps you take it has been done in the company for many years but we still are not seeing the improvement in the margin and improvement in the capital so what assurance you can give to the investor that going forward that something will be improved because we are not getting any guidance it will be 12%, 13% what exactly you are going to do because theoretically I understand whatever you say but in numbers when we can see that?

Ashok Minda: If you see for the last two years our EBITDA margin percentage versus for the last four quarters percentage there is a significant improvement as some of the products or businesses which were not giving us the results we have come out from those. The main purpose of that was to improve our EBITDA margin simultaneously. we have to use our bandwidth in which areas to improve the company's performance and that is what I said the purpose is to improve the EBITDA margin and regular improvements must see even though the commodity prices increased so heavily which should have impacted heavily on the EBITDA margin but even though in such a situation we consistently managing the EBITDA or improving the EBITDA.

Moderator: Thank you Sir. We will move on to the next question that is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Sir just a small clarification on the order book side I just wanted to know what is the amount of order that we got in Q1 FY2023 and also what is the backlog value as things stand if you can clarify?

Anshul Saxena: So, as I mentioned at the start of the call in terms of Q1 FY2023 the total lifetime order book won which is calculated based upon the projections provided by the OEM is close to Rs.25,000 million this is the lifetime order book and of which around 20% comes from EV and EV related vehicles and it's a healthy mix of products between new and replacement

business across all the product segments so our endeavour towards order booking with current customers as well as new customers go steadfast.

Vignesh Iyer: Sir if I am right in understanding it, Rs.25000 million is your cumulative order book as on Q1 right if I can understand?

Anshul Saxena: This is the order won in Q1 of FY2023 but this is the lifetime order book so lifetime order book is based upon it is multiplied by the product life also and it is based upon the projections provided by the OEM.

Vignesh Iyer: Fine I got it. Sir this is the clarification I needed. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will be taking the last question that is from the line of Abhijit Kumar from Share Giants. Please go ahead.

Abhijit Kumar: Thank you Sir for taking my question so I would like to seek some guidance on the kind of inorganic opportunities you are looking for further accelerating the growth path?

Ashok Minda: I have already mentioned earlier that we have decided certain norms and we have also explained that all our cash available is in the company that is Rs.350 Crores but unless and until our norms in the form of EBITDA margin or there are various norms unless and until that will not be fulfilled we are not going to look after any of these things which will impact again our EBITDA margin or other performance that we are looking very, very carefully; however, we are continuously in the process to indentify that but any inorganic growth we will be very careful to allocate the capital allocation in such a place where we can get the good return. We have so many products already available with us and again I will mention you that we have to take those products also vertically and we have to double up and invest in our existing product also so we are in the process of inorganic growth but subject to our fulfillment of the norms.

Abhijit Kumar: Thank you Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Ashok Minda for his closing comments.

Ashoka Minda: Thank you very much to all of you and we are very confident that there will be continuous and consistent performance in the company. From all the investor side we are regularly working on improving your company's performance. With this I would like to thank all of you who have joined us in this earnings conference call of Q1 FY2023. Thank you very much to all.



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Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference call. We thank you for joining us. You may now disconnect your lines.