



“Minda Corporation Q3 FY21 Earnings Conference Call”

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MODERATOR: **MR. DHANANJAY MISHRA, SUNIDHI SECURITIES & FINANCE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY'21 Earnings Conference Call for Minda Corporation hosted by Sunidhi Securities & Finance Limited. As a reminder, all participant lines will be in the listen-only mode, and there'll 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. Dhananjay Mishra from Sunidhi Securities & Finance. Thank you. And over to you Mr. Mishra.

Dhananjay Mishra: Thank you, Nirav. On behalf of Sunidhi Securities, I welcome you all for Q3 FY'21 Earnings Conference Call of Minda Corporation Limited.

From the management side, we have Mr. Ashok Minda -- Chairman and Group CEO; Mr. Aakash Minda -- Executive Director & CEO of Business Verticals-III; Mr. Neeraj Mahajan -- Group Marketing Officer; Mr. Sanjay Gupta -- Deputy Group CFO and Mr. Bikash Dugar -- Lead, Investor Relations.

Now I hand over the call to Mr. Ashok Minda to give his initial remark on results and then we will have a Q&A session. Over to you, sir.

Ashok Minda: Thank you, Dhananjay. Good evening, ladies and gentlemen. I welcome you all to the Third Quarter of Financial Year '21 Earnings Conference Call of Minda Corporation.

I would like to thank you all for joining us on this call and hope all of you are doing well.

The auto industry in third quarter of financial year '21 saw both year-on-year and sequential growth in overall demand. The sharp demand in auto industry had its challenges of ramping up the production by the OEMs, but Minda Corporation supported all its customer in the best way.

In light of these circumstances, I am pleased to report that Minda Corporation delivered strong consolidated revenue of Rs.740 crores, the growth in revenue is around 36% as compared to the industry volume growth of 17% year-on-year for the quarter. The higher growth was due to 55% growth in Aftermarket division and also Export from India increased by more than 25%. The content increase in two-wheeler Wiring Harness due to transition to BS VI also helped us. With higher operating efficiencies and cost control measures, company was able to deliver once again improved double-digit EBITDA margin of 11.1%. In this quarter, we have made highest ever profit after tax of Rs.49.5 crores.

Our endeavor remains to continuously reward our shareholders and thus in accordance with our dividend policy, we have also announced interim dividend of 15% on the face value i.e. Rs.0.30 per share

Going ahead, the company is going to give greater focus towards ESG. The company will be giving a greater focus in electric vehicles space by strengthening the team and division to conceptualize design, develop new and unseen products, components and systems. Minda Corporation is poised to leverage its leadership position to grow through its “Customer Connect” as it works on the philosophy of more customer per product and more product per customers.

We remain committed to our customer to provide best-in-class leading quality of products of advanced technology through innovation.

The healthy order book which is being built quarter-on-quarter is testimony of the same. This will be explained more by our Group Chief Marketing Officer, Mr. Neeraj Mahajan.

In this quarter, we also started the production of “Intelligent Transport System”, which is another system solution designed by us for our customers.

Now, I would like to hand over the call to “Mr. Sanjay Gupta -- Deputy CFO to Discuss Financial and Operational Performance of the Company for the Quarter.” Mr. Sanjay Gupta is responsible for group level strategic finance, budgeting, accounting and MIS, and creating an ecosystem of a strong, compliance-driven finance function. Over to you, Mr. Sanjay.

Sanjay Gupta:

Thank you, Ashok ji for introducing me to the investor community. I also would like to thank Sunidhi Securities for hosting our Q3 FY'21 earning call. Good evening to all ladies and gentlemen, who had joined us on this call.

During my presentation, I will be referring to the “Quarterly Investor Presentation”, which has already been uploaded in our website. For the ease of presenting, I will refer to the page number. Now, I will go straight to the Slide #3. On Slide #3 on the left hand side of the slide, it gives a quick snapshot of our company. We are the India's leading automotive component company with over six decades of experience. Our company is well diversified in terms of product offering. Our company is present in all verticals like Mechatronics, Information and Connected System, Plastic and Interior and Aftermarket. We are also present in all the segments of the industry.

All the major OEMs are our customers and no customer contribute more than 15% of our group revenue.

We have 30 manufacturing facilities, which are strategically located to support our customers. We also have dedicated and advanced technological R&D Center in Pune, that is SMIT.

As on date, our market capitalization is Rs.2,314 crores.

The right side of our slide shows the revenue breakdown of nine months for the current year by geography and market and business verticals as compared to the previous year. The outer ring is for nine months of the current year FY'21 whereas the inner ring is for nine months of the last

year. Please note that here both nine months figure of FY'21 as well as FY'20 breakup of revenue without KTSM for apple-to-apple comparison.

By geography we have not seen much of the change and India constitutes around 85% to 87% of our revenue, whereas South Asia, Europe and North America constitute about 5% to 6% and 8% to 9% of revenue respectively.

By end market, our share of revenue from Two and Three-Wheeler has increased from 51.7% to 53.7% due to increase in the Wiring Harness Content. The share of revenue in aftermarket has also grown from 13.4% to 16.8%. Passenger Vehicles contributed around 10% of the revenue whereas CV share of revenue has fallen from 25% to 20%.

By business vertical, Information and Connected System consists of 42% of the revenue, whereas the rest comes from Mechatronics, Aftermarket and other which is remaining 58%.

Now, I will move to the Slide #4 which shows the "Major Highlights of Q3 FY'21." Revenue has been growing and has continued to grow better than the industry as already mentioned by Mr. Minda also in his speech. Second consecutive quarter of improved double digit EBITDA margin we have improved from 10.1% to 11.1%, 100 basis points improvement, highest ever quarterly profit after tax by the company fourth is start of the production of another system solution, Intelligent Transport System. And the fifth is a greater focus in the areas related to ESG by strengthening the design and development of the new products and technologies in the electric vehicle ecosystems.

Thus we can say the Q3 FY'21 reflects consistent and sustainable result with focus on the right risk adjusted capital allocation.

Now, I will move to the Slide #5. We show the industry performance for nine months and Q3. In nine months, all the segments has been degrowth other than Tractors which has grown by 14.6%. This has resulted in industry fall by 24.2%. In Q3 of FY'21 all the segment has grown other than Three-Wheeler. This has resulted in growth of 17.2% for the industry.

We saw the quarter-on-quarter improvement in the automotive production as economic activity picks up on sequential basis. Positive attraction comes into the segment due to the unlocking of the economy, preference for the personal transport by people, restocking of BS VI inventory, agriculture sector is growing. But yes, the volume is still impacted by lower consumer sentiment and certain segments like Bus and Three-Wheeler is still impacted by the social distancing norms.

Now, I will move to the Slide #6, which gives a "Snapshot of over Q3 & Nine Months Performance." In Q3, our revenue was Rs.740 crores, which is higher as compared to last quarter as well as last year similar quarter. Our absolute EBITDA came to Rs.82 crores from Q3 of

FY'21, which is again higher as compared to the last quarter as well as the last year similar quarter. EBITDA margin came at 11.1%, which is higher by 100 basis points compared to the Q2 of FY'21. This is the second consecutive quarter of improved double-digit EBITDA margin, which again reflects our commitment for that consistent and sustainable growth. Profit before tax came at Rs.63 crores in the quarter, which is higher both in absolute and percentage terms as compared to the last quarter as well as the same quarter of the previous year. PAT of Rs.49.5 crores is the highest ever profit from operation in any quarter made by the company, which is higher by 91.5% on QoQ basis.

I'm not going into the detail of nine months figures frankly because these figures are not comparable due to the first quarter lockdown. Looking at the performance of the company, as Mr. Minda has also explained, the board has declared the interim dividend of 15% on the face value of Rs.2 which comes to 30 paise per share.

Now, I will move to the Slide #7 which gives the commentary for the Q3 of FY'21. Overall revenue for the quarter is Rs.740 crores, shows the growth of 36.1% which has outperformed the industry growth of 17%. This growth has come from the transition from BS IV to BS VI led by the increased wiring harness content in the two-wheeler category as well as increase in the aftermarket sales and our exports. Aftermarket in Q3 has grown by 55% and exports from India has grown by 25%. EBITDA margin is 11.1% in Q3, which is 100 basis points improvement as compared to the Q2 of current year. EBITDA is positively impacted due to the various cost control measures taken by the company like reduction in the fixed costs. But yes, there is some adverse impact also due to the lack of the raw material indexation, product mix, labor productivity and transition to the BS VI. Net profit of the company for the quarter is Rs.49.5 crores as this is the highest ever profit from the operations in any quarter. as compared to last year similar quarter it has increased partly due to the share of our profit in JV has also improved to 5.7 crores as against 4.8 crores, and further the KTSN which was giving loss to the company has also stopped during the year as well in the quarter.

Now, I will move to the Slide #8 which shows the "Revenue and EBITDA for our Business Verticals." On the Mechatronics and Aftermarket verticals, the growth in the revenue was supported by the higher aftermarket and exports sales, it has grown by 32% year-on-year and 18.4% quarter-on-quarter. EBITDA margin is at 13.8% due to the favorable impact of the aftermarket, exports sales as well as the various cost cutting measures taken by the company across the divisions. But yes, EBITDA margin is also adversely impacted by the lag of raw material indexation and higher cost of operations due to the COVID-19 and some of the division mix.

On the other side, Information and Connected System division, the growth in the revenue was supported by the higher content, increase in the two-wheelers due to BS VI, it has grown 42% year-on-year and 5.5% quarter-on-quarter EBITDA margin at 7.1%. It is adversely impacted as I said lack of the raw material indexation, some of the unfavorable product mix, still at some of

the plants labor productivity is a problem and higher cost of operations due to the COVID-19, but positively impacted by some of the cost cutting measures taken by the company. It is worth noting that EBITDA margin improvements seen on quarter-on-quarter basis for all the verticals.

Our endeavor will remain to show consistent and sustainable results in coming quarters and years to come.

Now, I will request to our “Group Chief Marketing Officer -- Mr. Neeraj Mahajan to present the slide of the Order Book, Awards and CSR Activity.” Thank you.

Neeraj Mahajan:

Thank you very much, Sanjay. Good evening ladies and gentlemen. My name is Neeraj Mahajan. We have interacted a few times already now.

So, I think on the back of good results across the board, organization has registered a good number and I would like to thank investors on continued confidence in Minda Corporation.

Let me share “Some Details about Order Book.” This quarter has been one of the very healthy quarters in terms of our order book. For numbers, YTD as of now, we have booked close to Rs.5,480 crores worth of orders from the start of the year. And for the quarter particularly if I look at we are at Rs.1,649 crores, which is very healthy, of that if I break that down between the new and the replacement orders, sure, the majority of chunk is for replacement, almost about 60% is 11,520 million or 1,150-odd crores is replacement business, lifetime order, at the same time close to 500 crores is for the new order which is new programs completely. Now for the bifurcation if I look at it from our four verticals which is Mechatronics, the lifetime order in this is 42% replacement and 58% new business. So, I think this should give confidence to the investors that are focused on the new businesses is coming handy. The value for the lifetime order book is close to Rs.487 crores precisely, in that we have good order book across both from Security Division, our ASEAN business has started to be stable and improving now, our Die Cast business is very healthy though it is CAPEX-oriented and we are taking certain balancing measures on that. And, of course, other Door Handle division from our joint venture partnership of Minda VAST. Information and Connected System has also recorded Rs.1,116 crores of orders of lifetime, of which 86% are replacement and 14% are new. This is one area where we are focusing upon now to strengthen our order book for new businesses going forward. In this we have close to about Rs.1,885 crores coming in on Wiring Harness and for our joint venture business we have for Minda Stonebridge Rs.230 crores of businesses which are being booked between the two entities.

Plastics & Interiors has also started to show positive growth in terms of new businesses because the base is small as far as India operation is concerned, we have booked Rs.31 crores lifetime orders so far and they are coming at good profitability.

In terms of our other businesses, which we are talking about of Electronic Product Development, the order book situation is on a rise and we have done about Rs.15 crores lifetime orders in this case, and some of them in this has been from very prominent OEMs where Mr. Minda mentioned about our focus on the EV side, that's going to be our main focus going forward.

Among them just to give you comfort about how we are focusing on the export in particular, the order book, which we spoke about, for example, for 16,490 million, out of that, two 2,241 million is for exports itself. So, that shows that activity on account of export is strengthening, and we are focusing on this with the strengthening of team we have also taken certain decisions of also considering office in Europe for engineering and marketing, which will come into effect next year, that will strengthen our relationship with our especially customers in North America and Europe.

Just to give you some glimpse of what all businesses we have won. In terms of Security Systems, which is Locksets for example, close to about Rs.119 crores lifetime order is for our Replacement business for our Two-wheeler... very leading two-wheeler maker we have received. Most importantly, in this case, our global growth is one of very, very important customers which is giving us good traction in India and other locations also in DCD. We have booked Rs.100 crores lifetime order with them now, that's for our Compressor Housing and this is very, very important for us because we are becoming a very important player in globe for Compressor Housing businesses among major suppliers, those who are in this space, and our services in this regard are covering all major makers like Audi, VW, Porsche. So, we are seeing our success of this product in that region.

Indian automaker has also shown confidence with the new order, coming in for about Rs.33 crores, lifetime order being booked already. And as I mentioned about improved situation for our ASEAN operation, we have good Lockset business coming in for about close to Rs.50 crores lifetime order on this issue.

So, these are some of the very interesting orders which have come into play. Nevertheless, for the new Wire Harness businesses, for two major two-wheeler makers in India, we have booked Rs.145 crores lifetime orders. So, these are some orders which I thought you should know and we feel the team is doing an excellent job.

Now, on the back of new budget which is being announced, there are few reflections which are very clearly coming into play and we should see that reflecting in our books in subsequent quarters and years later is, one is PLI. But I would also like to caution that semiconductor supply situation is already showing on to both two-wheelers, four-wheelers, and commercial vehicles space because supplies of semiconductor is one of the most serious concerns in the market today. And I'm seeing some softening of indents from some of the vehicle makers on this account. Two-wheeler is also softening a bit, but we are confident that numbers will pick up more towards March at this point of time.

One important activity which we are focusing upon right now is to improve our cross-selling and new technology introduction in our customer. And we will discuss more about that in coming quarters, how we are going to expand in our product portfolio, which we are investing a lot through SMIT and also the new facilities we are establishing.

I just wanted to share a small bit of information on what we are doing on the group side because I think it is very close to the key shareholders family heart as well we feel that commitment to the society. So, on the last sheet which is page 11 if you may see, we have started to not only strengthen our CSR initiative as a commitment giving back to society, but as an organization, we have started to be present in the right forums like ACMA, SIAM, various industry magazines and communications where either Mr. Minda himself, our technology chiefs, our business verticals, our finance leaders, and myself, we are all communicating gradually inside about providing the key information, how industry is moving, what businesses we are thinking about so that investor also gets a impression about what is organization thinking which we can not only hear during investor calls, but also through these reliable bodies and activities, which are happening on periodical basis. We have done a bit on COVID where group has distributed 20,000 plus masks around, we have gone ahead about doing various ration kits and blanket distribution activity through CSR. And we feel that this is a very small way for Minda Corporation to give back to society. Sorry for just jumping in, in between. But these were some of the glimpse I wanted to share apart from the blood donation camps, safety drives and various other initiatives, which group has strengthened its position into. Thank you very much once again.

Moderator: We will now begin the question-and-answer session. The First question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Hello, sir. I have three questions. One, you know, based on the growth rates that we have shared for the quarter, in terms of the various vehicle and our businesses, if I'm just trying to figure out what is the content led growth on account of the BS VI in the Wiring Harness and the absolute value based on the back-of-the-envelope calculation, I am trying to understand that the content addition which we thought earlier or which we communicated earlier on BS VI for two-wheeler hasn't materialized so far. And my reference to content is we were about 350 to 400 crores of two-wheeler wiring harness business, which was supposed to double, which means we add incremental Rs.100 crores, but when I'm looking at the numbers, it seems that we have only added about Rs.50 crores. First, I wanted to understand whether these calculations are right and if they are right then why is the content addition so lower?

Bikash Dugar: So, the content increase which we have communicated earlier that in BS IV to BS VI will be 2x for two-wheeler that we are absolutely seeing in our supply which we are doing as such. And that's why if you look at year-on-year, there is a jump of 42% but not entire wiring harness content two-wheeler, we have commercials vehicle also, in commercial vehicle also we supply equally and we also supply in tractors. And there is not much content increase. Tractors is zero

and commercial vehicle hardly 15% to 20% and commercial vehicles has degrown as compared to two-wheelers, that's why the jump is only 42%.

Pritesh Chheda: Sir I did the calculation. What I come to a figure is about Rs.45 to Rs.50 crores for the quarter. So even if you look at your presentation in slide 8, which shows the Information Connected System, where most likely I think that's where you guys must be booking the Wiring Harness piece. If you look at the jump in revenue on a YoY basis, it's about 80, 90 crores and when you try to strip that for the volume-led growth, then the content Increase will be about 60-crores odd number. So then that doesn't add the math, idly it should be about Rs.100 crores. So, my reference was these numbers.

Bikash Dugar: The industry has moved from BS IV to BS VI norms. But the export which is happening from India, that still continues to be BS IV because OEMs like Bajaj Auto, TVS, they are exporting it to African countries where they are still selling BS IV. So 78% of the industry has moved to BS VI in terms of production and 22% still continues to be BS IV. So, we'll get back to you on the calculation.

Pritesh Chheda: Okay. My second question is on the new order wins, which you are putting in a slide and I think that totals at about something like Rs.450 to Rs.500 crores, rest you classified also as replacement business. So, this Rs.450 to Rs.500 crores how much of it is executable in year one and year two from FY'21 for us to understand what will be the incremental revenue growth that Minda Corp would generate over and above the natural volume-led growth on account of the OEM? Is it a couple of percent, is more?

Bikash Dugar: Generally, the order book which we get right now, that starts getting executed from 15 to 18 months from now. So, most of the orders which we are executing today, we might have received those order books and maybe 15 months earlier or 18 months earlier. I will ask Mr. Neerav Mahajan to throw more light on this.

Neeraj Mahajan: Thank you very much for throwing this question. This is a very constant question in every investor call I have come across and my answer to this is wire harness is the shortest lead time we normally produce with, is about nine months time. So there could be a small incremental revenue improvement for the orders which are booked in this quarter. We can come back to you about the exact number. As far as Die Cast or the Security Division is concerned, as my colleague has just mentioned, typically between 15 to 18 months is the cycle. So, to put it very candidly, the majority of revenue impact is going to be in subsequent year financial books.

Pritesh Chheda: You have mentioned about 5,500 crores of order one year to date FY'21 in which about 450 to 500 crores are new business, residual is the replacement cycle orders which you get. This Rs.450 to 500 crores new business will drive your incremental extra revenue growth, right, because the balance order is a replacement order of your existing order, right. So, the Rs.500 crores new

business, is it that something like 40, 50 crores might flow in next year and on a base of 2,400 crores of our top line, it means extra 2% revenue. So, I was looking from that calculation angle.

Neeraj Mahajan: It is possible, you are right to say that but which you are saying Rs.500 crores I have to break it down exactly to share that what is going to be executed next year itself because this is only for this quarter, which is being booked. So, I think your assumption is not wrong.

Pritesh Chheda: My last question is on the depreciation side. Before the Minda KSTM was sold, there was certain depreciation number and at the time of transaction, we were communicated that the depreciation number will be low by about 35 crores to 40 crores. Now, what I see as reported for nine months is not that much lower versus last year when the Minda KTSM was there. Is there any reval of any certain asset or any CAPEX which have been done because of which the depreciation number has not come down to the earlier communicated number or is there any other communication which you would want to give on this?

Bikash Dugar: Again, when you are looking at a one page, this is apple-to-apple comparison. So in last year, we have restated the numbers and the restated numbers doesn't include KTSN. So last year when KTSM was there, the depreciation was around Rs.30 crores and now this year when KTSN is not there, our depreciation had come down to Rs.24 crores for the quarter

Pritesh Chheda: So I'm referring to that which means it's Rs.6 crores per quarter which means about Rs.24 crores lower number. The number which was guided at the time of Minda KTSN transaction was a Rs.40 crores lower number. So, this 16 crores differential, is it because of any asset that we have added or we have certain assets which are revalued or any other thing or that Rs.40 crores number communicated itself was not the number which eventually panned out.

Bikash Dugar: No, we are adding CAPEX every quarter as such, we're adding CAPEX on DCD, we are adding CAPEX on Plastic division in India...

Pritesh Chheda: What is the CAPEX spend for FY'21, that would be helpful?

Bikash Dugar: So far we have spent around Rs.92 crores in the nine months.

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

Ronak Sarda: The first question on the capacity utilization across different segments which you are operating now, especially fees, how is that changing, so, what was the number in Q3??

Aakash Minda: Aakash this side. So across different products and segments, we have different capacity utilizations. For example, our die casting division, we were running about 85% capacity utilization, for locking systems for two-wheeler it's more of about 75% to 80%. And wiring harness for two-wheelers and tractors have different capacity utilization, is about 80%, 85%.

Now, it's difficult for us to share on quarter-on-quarter capacity utilization, but all I can say is that the way the revenue growth has been in our plants, of course, the higher capacity utilization has been there, for example, in tractors where one of the highest growth is there, we are now consuming about towards 100% of our capacity utilization.

Ronak Sarda: Did you mentioned commercial vehicles, Aakash, how would that change be because that's coming up from a very low base, so more actually interested in how the utilization levels have changed there?

Neeraj Mahajan: Commercial vehicles annually would be close to about 60% at this point of time I guess, because both Three-Wheeler and commercial vehicles is still on a slow lane, while they are on the recovery path and the way budget have been announced, we will see a lot of traction. So, we are ready to cater to that demand which we have started to see improved indents now in Q4 also.

Ronak Sarda: Aakash, how does the profitability change with improvement in CV because we are market leader there in both the products which we supply, so, is that also a lever for margin expansion going into Q4 and then FY'22?

Neeraj Mahajan: You have answered the question yourself. We are very happy to see the improvement in the CV segment. Three-Wheeler is not as profitable as CV segment is comparatively, but we are very hopeful that number should look better moment CV starts to pick up on consistent basis.

Ronak Sarda: Neeraj, question for you, on the new order of Rs.500-odd crores in the quarter, the big orders are in the Security Division, so, which are the products which we talk about, or the customers when we discuss the new orders in which are over and above the replacement order, are these more product-driven or is it more new customer-driven?

Neeraj Mahajan: I will not get into specific customers at this point of time because of confidentiality. But I would say this is I think which is a very consistent approach we are trying to bring in on board. Mr. Minda has been extremely, if I may say, vocal about this message to build stronger relationship. In these difficult times we have seen that the new customer orders which may take next two or three years time is going to be more painful because profitability is there, the volumes there are questionable. So, our strategy at this point of time is to sustain and improve our relationships with our existing customers. Some of them have gone through some tough periods, but I would say safely that everyone has come out of it right now. And my order book from the security and the DCD side is for both exports in case of four-wheeler, in case of two-wheeler, all measures for locksets and also in case of starter motors, we also have global orders. So, I would say that, we are in a healthy situation there when we talk about new orders.

Ashok Minda: Ronak, we are not looking only the revenue part but very important is that growth should always value accretive implying and revenue growth should drive more or higher EBITDA margin and ROCE growth, this is very important.

Ronak Sarda: Now, still early days, but productions have now stabilized. So, if you can help us understand on the wiring harness division, so, what are our localization plans at BS VI, initially was margin-dilutive, so, any progress there, when can we go back to the old profitability, if you can share some details on that?

Ashok Minda: As you know, this localization of the wiring harness we mentioned in the last year also that this is one of the areas which will reduce our costs or which will increase our EBITDA margin. And we have so many projects to localize. The special team is working for localizing the terminals and connectors mainly in the wiring harness for BS VI. Although, it is not a quick process, because a lot of approval from the customer is required for that. So, our team is working for that, Ronak, continuously. And this is one of the most important focus areas to improve our EBITDA margin.

Neeraj Mahajan: I'll just add to that what Mr. Minda mentioned. I think Ronak, you know well that copper is going to be a dampener for all of us in this quarter and next quarter also because the prices are still climbing and customer index sessions are not going to help us much on that subject and we possibly will have some challenges. It is very evident also from our recent especially in F'19, F'20 learning of wire harness order gain or loss, that unless we are going to focus on value engineering, value addition and localization, Minda Corporation Wire Harness division is not going to exhibit the results what we expect to. And today also if you see the number, wire harness surely is a challenge. So, as Mr. Minda just mentioned, our localization and our value engineering, value addition activity is the primary driver, which is going to bring profitability, but I would put that as Q3 of next year, where we will start to see more results of its improvement.

Ashok Minda: And we are very confident and very sure that you have seen in the last quarter versus this quarter, the improvement in wiring harness, and it is very clear to us that how continuously we will improve month-by-month, quarter-by-quarter.

Moderator: Thank you. The next question is from the line of Raghunandan from Emkay Global. Please go ahead.

Raghunandan: My first question was on order book. If you can indicate the share of new business orders or in other words in absolute terms if you can provide what is the pending new business orders which is there currently, I mean to say for the quarter, you have got about Rs.500 crores worth of new business orders, if you can indicate, of the pending order book, how much would be the new business orders in YTD and even relating to the earlier period, what would be the total pending new business order book which is remaining and just to get a sense by how much company can outpace the industry in the coming year?

Bikash Dugar: We have been outperforming the industry and that has been driven by our aftermarket growth, that has been driven by our export, that is driven by increase in our share of business and also

adding new products. And this order book which you can see in this quarter, which we have booked in which Rs.500 crores is new business, that means, either we have gained market share or we have introduced new products, so that will always drive our growth better than the industry.

Raghunandan: For this YTD number of 5,500-odd crores, would you have the breakup between new and replacement?

Bikash Dugar: That I'll provide you. We don't have right now readily with us.

Raghunandan: So, my second question was you alluded to PLI, like, if you can broadly indicate what are the areas of investments being explored, how large can be the investments, how much benefits are likely, I mean, just some bird's eye view on how you think this particular scheme coincides with your strategy and how can the opportunities or benefits be in the future?

Aakash Minda: Absolutely, PLI Scheme is something that we all welcome as the automotive industry as well as the auto components industry focusing on the Atmanirbhar Bharat. Of course, we as an organization are qualifying all the minimum requirements that the government has set for PLI Scheme. So, currently till the scheme is not rolled out completely, we will not be able to exactly quantify, we have done some workings, but it would be wrong on our part to share any numbers with you right now. But what I can say is we qualify, we are doing internal workings, as soon as the complete report comes out, we'll be applying for the same.

Neeraj Mahajan: I think we should be able to answer this question better in next quarter. That's I think would be safe to say that because by then in next three months, we will have not only working available with us, but also the programs on which we are going to work on the budget. But we are we are qualifying ourselves for this is our clear intent, and surely there is going to be benefit to the organization as well as push for exports both ways.

Raghunandan: In terms of CAPEX, could you remind target for FY'21 and '22 and also areas where that investments will go?

Aakash Minda: As Bikash mentioned, we've invested about Rs.90 crores in this year as CAPEX. Some of these CAPEX on our Brownfield expansion towards expanding our capacities. We are again coming up with the facility in Gujarat. Remaining CAPEX is for maintenance and more towards R&D for expanding and growing our competency. Going ahead, we will be doing about 4% to 6% of our revenue as CAPEX what we've traditionally been doing. And the focus of the organization is to sweat all the assets more and more as most of our existing facilities are flexible in nature. So this is our endeavor going forward.

Moderator: Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

- Prateek Poddar:** Hi, could you talk a bit or help me understand the Information and Connected System business, how much of the margin got impacted because of lag in RM?
- Bikash Dugar:** So lag of RM has impacted our EBITDA margin by 100 basis points.
- Prateek Poddar:** And will that now straight away flow through in the next quarter, because obviously, it's a lag I understand, but at least some part of it you will be able to recoup, is that a fair understanding in the next quarter and maybe after two quarters, entire bit of RM inflation will get covered as you pass it on to the OEMs?
- Bikash Dugar:** Yes, the thing is that since the commodity are not stabilizing in Q3 and start of Q4 also we're seeing increase, so, whatever increase happened in Q3, we will get that from the OEM till the commodity prices are rising. So, we think there might be some more impact which we might see in Q4.
- Ashok Minda:** And just to explain that, we have the back-to-back arrangement with most of the customers, but we are seeing that how to modify that some of the customer it is on the higher side, so we reduce that period, so the impact will be less and then we are also working and talking to our supplier, that instead of monthly indexation with them, can we have more quarterly indexation so that it gives a natural hedging and overall without an impact.
- Prateek Poddar:** What is the sustainable margins of this business if you can just help me understand on the Information and Connected System, like you talked about in Q3 next year, we will see some localization benefits, I am just trying to understand where do you see sustainable margins of this vertical?
- Ashok Minda:** We have shown our EBITDA at 7.1%. There is improvement, but if you see the BS IV last year, so, our margin was higher than this. So, first, our target is to reach that margin, which we used to do it in Q4 and then subsequently, there is a lot of good potential for localization, what I mentioned over and above that, the localization is going to an import reduction, import will give further benefit in the EBITDA margin.
- Prateek Poddar:** Last year, same time you had closer to 9% margins as I can see in your presentation. So, you will read that by Q3 F'22, which is one year from now and post that you will start or localization efforts will come into bearing or into tools and we will see further margin expansion, right, is the takeaway?
- Ashok Minda:** Quarter-by-quarter you will see the improvement in the margin. As I mentioned, there are two major important items; commodity pricing is the one impact, second impact is the localization which we will be continuously working and the third measure is the productivity, because the BS VI after the COVID, lot of inefficiencies are there, so that we are also continuously

improving month-by-month, both will give a good result, and we will improve month-by-month and quarter-by-quarter EBITDA margin of the connected systems.

Neeraj Mahajan: I will only add to this point. More than anyone we are very eager to improve this. But unfortunately, there are certain circumstances which are at this point of time, taking a bit of time to come back to that, but we are very, very committed for improving this subject.

Prateek Poddar: You have continuously mentioned higher cost of operations due to COVID-19 pandemic. I think there were a lot of relaxations by government. So where did we incur these higher cost of operations or what is this really?

Bikash Dugar: We are still plying our buses with a 50% capacity, bus transport because we need to carry our casual workers from their home to our factories. So there are certain factors which are still impacted. But nonetheless, the team is working on reducing other fixed costs so that the EBITDA margins improve quarter-on-quarter. The demand from the OEM also ramped up drastically to support them. We have to incur premium freight.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Swan Investment Managers. Please go ahead.

Sachin Kasera: I had two, three questions. One was just again a follow up on some of the various questions they've been asked on the margins. From what I understand that there are certain one-off costs that we're incurring, whether it is lower indigenization right now in the wiring harness, or some of the costs related to raw material or COVID. And secondly, I think we are working a lot in terms of improving efficiencies. So as things normalize, is it fair that we can aspire to be 13.5%, 14% EBITDA margin for the company over the next two, three years?

Ashok Minda: We all want this for our Information & Connected Systems. If we compare this with our other vertical, there we are showing nearly what is your expectation, but definitely, there is a good potential of the improvement. And our first target is how to convert this EBITDA margin to the double digit. And then subsequently, we will improve regularly.

Sachin Kasera: Second question was in terms of the relationship that we just had last quarter, bringing in a financial investor and you had a separate call for that, and you indicate there are quite a few areas where they could add value to us. So it's been close to three months. So, if you could just update us how that partnership is going, any key visible benefits we have seen or helping us in terms of getting some good acquisition targets, that will be really helpful?

Ashok Minda: Yes, as I mentioned to you in the last discussion about the reasoning of they will help us or they will support, they will align us for the right EV strategy and to support the company for enhancing the environmental, ESG. From the technology perspective, the association has already

started and the brainstorming is done and we are very much in progress with them, and you will see the result in near future.

Sachin Kasera: Can you give us some update on acquisitions because now we're sitting on cash for some time, and also with this pandemic coming, I believe there will be some correction in terms of expectations. So, are we starting to see some attractive acquisition opportunities now or we're still not finding something very attractive?

Ashok Minda: First of all, the last the full year was nothing for that. However, as I always mentioned that the most important is the norm has to be fulfilled, whether the norm from the technology perspective or the norm from the financial perspective and we are continuously working on exploring our inorganic opportunities into three areas and these inorganic opportunities, does not mean only the merger and acquisition but also the TA and JV, all this will be done in the adjacent area where we always think that to support or from the customer alignment in terms of technology and so on. So, we are very judiciously seeing the allocation of the capital for the inorganic opportunity to create the value of all the stakeholders.

Moderator: Thank you. The next question is from Yash from Mandawewala Enterprises Limited. Please go ahead.

Yash: Most of my questions have been answered. Just a couple more. So one is on the aftermarket sales. So what has led to the strong growth there? And do these numbers are sustainable on the aftermarket side?

Aakash Minda: So of course, in the Q3 the aftermarket industry has grown by about 15% to 20%, but our growth has been around 50%. There are a couple of factors which has helped us grow better. And some of them are focused approach, a target market for demand generation, working on minimizing regional disparity of sales, maximizing sales at potential cities, maintain good connect with the overall market, customer-friendly policies, and of course, adding new markets in terms of exports. Of course, going forward, we may not really see 50%, but definitely it will be on the north of about 20% and above.

Yash: The margins on the aftermarket side, they are slightly superior to the overall business margins. Is that correct?

Aakash Minda: Yes, absolutely. And more importantly, the aftermarket business gives more profitability to our business verticals, somewhere about 100 to 200 basis points is what they support in our overall EBITDA perspective.

Yash: In the presentation it mentions the launch of Intelligent Transport System. Can you just elaborate a bit more on what exactly is it?

- Aakash Minda:** Intelligent Transportation System is majorly for the public transport. In true terms, if I can say the detection boards and the bus stop boards that you basically see, is what we call Intelligent Transportation System. So it's one stop solution where we are offering a complete system solution from the mobile app to PC connectivity to video surveillance and other topics. So, this is how where we started with a couple of, bus manufacturers, and this is an SOP this quarter
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** During this quarter aftermarket jumped 55%. So, have you added some new products in your portfolio which is yielding better results? Just wanted to know how is the export and domestic mix in aftermarket?
- Aakash Minda:** We are continuously adding more and more products in our aftermarket. Of course, the industry and India will also get to know our offerings as and when they are launched. Again, primarily, it is the Indian market as of now. We've expanded into Asian markets last year, and we are growing towards the rest of the world in terms of Latin America and Africa as well for adding on the new markets. But of course, this we will see year-on-year basis.
- Ashok Minda:** For the last quarter there is no product addition in aftermarket, but as Aakash explained, other areas, the penetration and all that has increased substantially.
- Abhishek Jain:** So how is the export and domestic mix in aftermarket?
- Bikash Dugar:** Right now nearly 98%, 99% is domestic only 1% or 2% is export. But going ahead, we are also targeting export markets, mainly Latin America, Africa and Southeast Asia.
- Ashok Minda:** We have started giving focus in this area of aftermarket export.
- Abhishek Jain:** In last nine months how much growth is in die casting YoY?
- Sanjay Gupta:** It's not a comparable number, frankly speaking, because that first quarter is impacted by the COVID.
- Abhishek Jain:** Despite that factor, what is the growth or degrowth?
- Sanjay Gupta:** Despite of that only, we degrew by 6%, we did somewhere Rs.293 crores in 9M FY'20, against that we did Rs.275 crores in 9M FY21.
- Abhishek Jain:** What is your near-to-medium term target for revenue and margin both for this business?
- Bikash Dugar:** For die casting business, we are getting good traction not only from export market but also from domestic players. As Mr. Neeraj Mahajan also said that in this quarter we got additional lifetime

business of Rs.100 crores from our existing customer. So, export like aftermarket is also value-accretive, and it gives more EBITDA, so, that is helping us. So Die Casting business as it grows, it will drive our profitability higher.

Ashok Minda: To your specific question, if we forget this nine months-to-nine months, we will grow die casting year-on-year above 20%, that is what we are planning.

Abhishek Jain: For die casting, as the order book is around Rs.100 crores, most probably the next year growth would be around 25% to 30% for FY' 22?

Ashok Minda: As I mentioned you that in the past, we have grown about 20% to 25%. We feel we will continue to do it in the same manner.

Abhishek Jain: Sir my last question is related with the share of profit from the JV, that has increased in last nine months. So can you throw some light on it that how much profit from the different JVs?

Sanjay Gupta: On the PAT side, Minda Stoneridge has given 8.1% and Minda Corp. has given 0.3% and Furukawa has improved as compared to the sequential quarter to 1.57%, in the second quarter Furukawa was negative of 24.7%.

Moderator: Thank you. Ladies and gentlemen due to time constraint, that will be the last question for today. I will now hand the conference over to Mr. Ashok Minda for closing comments.

Ashok Minda: So thanks for participating in the call. And we are cautiously optimistic that in the new year ahead, I once again like to reiterate that the cost control measures taken and focus on allocating the capital in right project will not only help us in bringing cost-effective technological advance solution for our customer, but will also result in increasing the well-being of all the stakeholders, plus the efforts what we are doing to continuous improvement in EBITDA margin and the sustainable growth and sustainable achievement in quarters to come. Thank you, everybody for joining once again.

Moderator: Thank you very much. On behalf of Sunidhi Securities & Finance Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.