

November 10, 2022

The Officer-In-Charge (Listing) Listing Department National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Symbol: MINDACORP	Head - Listing Operations, BSE Limited, P.J. Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: 538962
---	--

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

Subject: Transcription of Conference Call with Investors/Analysts held on 04-November-2022

Dear Sir/Madam,

Please find attached herewith transcription of Conference call with Investors/Analysts held on November 04, 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

PARDEE Digitally signed  
by PARDEEP  
MANN  
P MANN Date: 2022.11.10  
09:43:54 +05'30'

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](http://www.sparkminda.com)



# “Minda Corporation Limited Q2 FY23 Earnings Conference Call”

**November 04, 2022**



**Dolat Capital**



## **MANAGEMENT:**

**MR. ASHOK MINDA**  
CHAIRMAN AND GROUP CEO  
MINDA CORPORATION LIMITED

**MR. AAKASH MINDA**  
EXECUTIVE DIRECTOR, FINANCE AND STRATEGY  
MINDA CORPORATION LIMITED

**MR. NEERAJ MAHAJAN**  
GROUP PRESIDENT, MARKETING  
MINDA CORPORATION LIMITED

**MR. VINOD RAHEJA**  
GROUP CFO  
MINDA CORPORATION LIMITED

**MR. ANSHUL SAXENA**  
GROUP HEAD, STRATEGY AND M&A  
MINDA CORPORATION LIMITED

**MS. PUSHPA MANI –**  
LEAD INVESTOR RELATIONS,  
MINDA CORPORATION LIMITED



*Minda Corporation  
November 04, 2022*

**Moderator:** Ladies and gentlemen good day and welcome to the Minda Corporation Q2FY23 Earnings Conference Call hosted by Dolat Capital. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Jain from Dolat Capital. Thank you and over to you sir.

**Abhishek Jain:** Thank you Tanvi. Good evening, everyone. On behalf of Dolat Capital, we are pleased to welcome you to Minda Corporation second quarter earning call. We thank the management for providing us the opportunity. From the management team we have with us Mr. Ashok Minda – Chairman and Group CEO, Mr. Aakash Minda – Executive Director, Finance and Strategy; Mr. Neeraj Mahajan – Group President, Marketing; Mr. Vinod Raheja – Group CFO; Mr. Anshul Saxena – Group Head, Strategy and M&A and Ms. Pushpa Mani – Lead Investor Relations. Now we hand over the call to Mr. Aakash Minda for opening remarks, post which we will start the Q&A session. Over to you sir.

**Aakash Minda:** Hi good evening, everybody and thank you very much Abhishek and Dolat Capital for organizing this call. I welcome all of you to the conference and I request Mr. Ashok Minda to now give the opening remarks. Thank you.

**Ashok Minda:** Thank you Aakash. Good evening, everyone and welcome to the Quarter 2 financial year '23 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.

The second quarter of financial year 23 was marked by improved consumer sentiment across segments, supported by strong urban sales and uptick in rural sales and successful new launches. Despite several challenges the automotive industry has gradually evolved and the second quarter of financial year 23 was marked by industry growing across segments except tractors by more than 12% year-on-year. However, there were fair set of challenges to be dealt with leading to subdued growth in exports.

I am pleased to report that Minda Corporation has continued to deliver strong performance during the quarter. The company achieved its highest ever quarterly revenue of INR 1,147 crores registering a growth of 57% year-on-year. EBITDA stood at INR 124 crores registering a growth of 60% year-on-year with EBITDA margin of 10.8%. PAT for the quarter stood at INR 58 crores registering a growth of 48% year-on-year with PAT margin of 5%. We continue to drive strength from our robust balance sheet with debt-to-equity ratio of 0.06%, strong operating cash flow generation and continued focus on right capital allocation strategies.

I would like to take you all through the key developments:



*Minda Corporation  
November 04, 2022*

The company entered into technology license agreement with Daesung Eltec, Korea for ADAS systems and Solutions. This collaboration will enable Spark Minda to be ahead of technology curve by providing localized safety ADAS solutions for the Indian markets. In all our core products such as lockset, instrument cluster and sensor are going through higher product price and achieving higher market share. We are strengthening our market leadership position in these products further by giving good quality, latest products and winning new businesses. Around 19% of our total order book in first half of financial year 23 constitutes of order from EV segment which we have booked the order for Minda Corporation electric vehicle product is all set to capture the fast-growing EV space with products like smart key, DC-DC converters, battery charger, ITS and telematics. A key successful launch during the quarter were clear of EV transformation on the ground.

The roadmap ahead would be to focus on the core product and growing our share of business with existing customers and onboarding new customers through focus on technological upgradation via inhouse R&D and global strategy tie-ups. We are also working on further strengthening our operational excellence through cost leadership and digitalization of business processes. We are continuing to work upon localization of connection systems to reduce dependency on imports and improve margin. With this I would now like to hand over the call to Mr. Aakash Minda to discuss the financial and the operational performance of the company during the quarter. Over to Aakash.

**Aakash Minda:**

Good evening, sir. Thank you so much for your opening remarks. I would now like to refer to the presentation which is uploaded. I would request you to take a look at Slide #2. This is a snapshot of the Spark Minda Group, Minda Corporation Limited. The company has a revenue of about INR 35,000 million, 16,000 workforce, 33 plants and 8 partnerships, all across the world for different product lines.

I now move to the Slide #3 which highlights the Quarter 2 and first half of FY23 performance. We continue to give growth momentum with highest ever quarterly revenue, double digit EBITDA margin on continued and sustainable basis on sequential-on-sequential basis. PAT increased by 48% to INR 578 million in Quarter 2 FY23 from INR 391 million in Q 2FY23. We secured large orders for TFT clusters in the instrument cluster space from key passenger vehicle OEMs in India. We won businesses across the segments with EV constituting about 19% of the orders won in first half of the year.

I now move to the next slide, which shows the consistent and sustainable market leading profitable growth by Minda Corporation:

On year-on-year basis we increased our revenue by 57% from 7,313 million to 11,471 million, consistent and sustainable market beating growth, highest ever operating revenue. At the EBITDA level on a year-on-year basis we grew by 60% from INR 773 million to INR 1,238 million at EBITDA margin of 10.8%. Quarterly absolute EBITDA of 1,238 million with the



growth of 60% year-on-year basis. At the PAT level Minda Corporation grew by 48% year-on-year basis at 5% PAT margin.

I now move to the next slide. This is a snapshot of the company where we have spread across different verticals, key customers, EV customers are marked in green and on the right side it is just some information on the shareholders as of 30<sup>th</sup> September.

Moving to the next slide in terms of the Indian automotive industry performance:

As we can see in the H1 of FY23 the automotive industry has grown by 22% and the highest increase coming from passenger vehicles and commercial vehicles followed by two-wheeler vehicles. In Quarter 2 year-on-year basis industry has grown by 12.5%, again the highest growth coming from the passenger vehicles and commercial vehicles followed by a subdued demand by two-wheeler vehicles.

Moving to the next slide which is Slide #7; I now come to the consolidated performance from Minda Cooperation Limited on Quarter 2 and first half of FY22-23:

At the operating revenue you can see in the Quarter 2 FY23, your company has done 11,471 million revenue at a year-on-year basis 57% growth, at EBITDA level it's 1,238 million which is at 10.8% EBITDA margin, growth of 50% year-on-year basis and PAT at 578 million at 5%. If I look at first half on year-on-year basis, the operating revenue grew by 57%, the EBITDA margins have grown by more than 100% and PAT has also grown by more than 139%. Overall revenue of 11,471 million for the quarter is up by 57% and 28% as standalone without Minda Instruments Limited. This was driven by operations outperforming the industry by production numbers our domestic front new businesses across segments and increase in share of businesses from existing customers from various verticals. Exports were impacted due to looming energy crisis and geopolitical tensions particularly in Europe. The EBITDA margins stood at 10.8% in Quarter 2. We delivered double digit margins despite premium buying on back of continuing semiconductor supply crunch. Margins are expected to be sustained going forward on the back of easing commodity prices and continuous efforts to increase efficiencies all across.

I now move to the next slide which shows the revenue breakup for the group:

By geography India constitutes to be about 80% to 85%. By end market two-wheelers still remains about 45% of Minda Corporation's top line, followed by commercial vehicles and then after market and passenger vehicles. By business vertical the Mechatronics constitute about 45% and wiring harness division constitutes about 35% and instrument clusters about 20%.

Moving to the next slide is business vertical performances; here if you can see on the top left the Mechatronics division has increased its revenue on quarter-on-quarter basis from 4,203 million to 5,314 million at the EBITDA growing from 13% to 14%. If you look at the half yearly on the right side, 7,462 million has increased to 9,791 million with 11.1% margin to 13.1% EBITDA



*Minda Corporation  
November 04, 2022*

margin. Here the revenue stability was supported on back of strong demand in domestic markets, increasing share of businesses with key customers and new business winning. Exports across division was impacted due to adverse factors impacting industry in Europe, EBITDA margins improving on back of higher productivity and sustained improvement across different areas. In the information and connected systems if you can see the Quarter 2 year-on-year has increased from 311 crores to 616 crores. On a quarter-on-quarter sequential basis because now we have included Minda Instruments in this. The revenue has gone from 533 crores to 616 crores and the EBITDA margin has gone from 8.9% to 8%. On the half yearly basis the EBITDA margin stood at 8.6% at 1,178 crores of turnover. The sales increase on the back of strong demand in domestic market, exports were also impacted adversely here and the EBITDA margin impacted due to the premium buying of semiconductors, majorly in the Minda Instruments.

Moving to the next slide which is the consolidated level position; as at half year I would like to share that our ROCE has increased to 21.1%. Our net debt has increased to 934 crores primarily based on short-term borrowing and working capital and our net debt and debt to equity ratio stood at INR 93.4 crores and 0.06 respectively.

I will now move on to the next slide on the journey of new alliances:

There are several number of alliances which Minda Corporation has but I would like to highlight the right side of the table where we would like to show in the last 24 months how Minda Corporation has focused on strategic alliances as we have already committed to all of you. We started in April '21 by signing the TLA with Ride Vision of Isreal for two-wheeler ADAS systems, followed by signing up a joint venture with INFAC of Korea for antenna Solutions.

Moving next to the September, the equity stake in EVQPoint in Bangalore for battery chargers, in December 21 we acquired Stake of Minda-Stoneridge as well as expanded our technology license agreement with Stoneridge for clusters in sensors. And recently as Mr. Minda highlighted, we have last week signed a TLA with Daesung Eltec for ADAS Solutions of South Korea.

Moving on just to shed you about the TLA with the Daesung Eltec, so Daesung Eltec is a company from South Korea. The ADAS Solutions will focus on passenger vehicles, commercial vehicles and off-road equipments and off-road vehicles. The products will be advanced driver assistance safety, around the monitoring systems including driver monitoring state systems, lane departure warning, front collision warning, new-ADAS for off-road vehicles. This will help Minda Corporation to become a leader in the ADAS Solutions going forward as we've already committed to focus on safety across the vehicles and passenger segments in India.

Moving next; focusing on the expanding of the manufacturing footprint which is just to share that as Minda Corporation continuously grows we are growing our plants and also consolidating our plants for more economies of scale across divisions.



Moving to the next and I will move a little faster on this:

On the strategic pillars for the group, the focus has always been on enhancing the core which is across divisions of safety, security, wiring harness, instrument clusters, die-casting and others, innovation and technology by focusing on inhouse R&D and joint ventures and partnerships with and alliances across the world.

Electric vehicle growth opportunity: so, I would like to again highlight all the products that Minda Corporation makes are EV agnostic. So, while the EV comes in more the products will have a higher kit value and go through a higher premiumization and strengthening passenger vehicles and other market opportunities such as aftermarket exports and other products.

Moving next; I would just like to share our core products and legacy products are transforming current business lines as per technology trends. If you see on the left side, starting from the first vehicle access locksets and fuel tank caps are start moving to smart vehicle access, door handles, powered gate systems, cyber security etc. Wiring harness and connectors will move to now higher kit value in terms of power distribution unit, battery distribution units, EV vehicle harnesses, junction box, other connecting system. Clusters and sensors are now moving from analog clusters to digital clusters, telematics, integrated and more of human machine interface. On the electric vehicle front the focus has been on battery charges, DC-DC converter and on the development and motor controllers, DNS and other products.

Moving to the next slide is on the electric vehicle growth:

This is just to share on the left side how Minda Corporation products are, all of them are going to fit into the EV two-wheelers. On the bottom part there are just few customers that we are showing whom we've already started supplying as well as winning new orders. On the top right our kit value in the legacy products is about Rs. 4,000 to 4,500, increase in the vehicle access product size and castings will go by Rs. 2,000, increase in connection systems and clusters by about Rs. 2,000-2,500 and EV product size will increase by about Rs. 8,000 to 10,000, totaling our kit value for about 16,000 to 20,000 vehicle penetration.

Moving quick next; these are just the value propositions that Minda Corporation offers to our customers and all the stakeholders:

Moving last part of the presentation would be various focus on the ESG and CSR and awards. ESG is a prime paramount focus for Minda Corporation and its board. We have developed a very strong framework reviewed by our independent directors at the Minda Corporation Limited for looking the ESG policy and this is also on the Spark Minda Group website.

Moving next as our focus on giving back to the society:



*Minda Corporation*  
*November 04, 2022*

There are various initiatives across projects like education, environment, as well as supporting people with disabilities have been a focus and we have put up separate caps all across. Last not the least is our successful awards and achievements and recognition by the customers and various other industry bodies looking at the growth of the organization. In total we have received 56 external awards in this quarter. With this I would like to conclude my presentation and open the floor for questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Khanna from Banyan Capital.

**Mohit Khanna:** My question is pertaining to the Slide #9, wherein the information and connected systems on the quarterly side on left hand side, you can see the EBITDA margins for the segment has come down from the first quarter to the second quarter even though their revenue has increased. What really has been the reason for this?

**Aakash Minda:** So, Mohit thank you for the question. Again, the majority of this reason is due before that, first I would like to share that we have in the presentation clubbed in Minda Instruments into the information connecting systems. Hence the revenue jumped from 311 to 615 crores. But if you look at quarter-on-quarter basis it moved from 532 to 615 crores. The EBITDA has gone down and about majority of the reason is due to the premium buying of the semiconductors in the Minda Instruments Limited and here it is a numerator and denominator effect.

**Mohit Khanna:** One more thing, if I look at the year-over-year comparison, the gross margins have come down for us by around four percentage points. However, the EBITDA margin has held up in fact improved by 20 bps. Just wanted to understand how sustainable is this and what really was the reason? Was it a product mix because I can also see the aftermarket numbers have gone down and the commercial and EV vehicles have gone up. So, is it the product mix that is helping us and is this trend sustainable here?

**Aakash Minda:** Yes absolutely. There are a couple of reasons for this. If you can look at it, the gross margins would be approximately same. If I look at Quarter 2 FY22 without MIL and with MIL again they have decreased by about few basis points. If I look at including Minda Instruments, so there's a drop of about 100 basis points. This is due to the commodity inflation, premium buying of semiconductor as explained and to also share it is again a numerical and denominator effect. Going forward definitely where the raw material prices expected to come down, it may definitely increase going back forward.

**Mohit Khanna:** As the gross margin comes through from here on is it fair to assume that even the EBITDA margins will follow through?

**Aakash Minda:** Yes, you can say so. Again, it all depends on the movement of the RM prices and that is again a major factor in how this will shape up. Of course, if there are premium buyings looking at the overall global semiconductors' shortages, it may vary in this range.





- Moderator:** We have a question from the line of Abhishek Jain from Dolat Capital.
- Abhishek Jain:** First few questions on the Mechatronics and aftermarket business. Have we won any new business in the two-wheeler locking system? Just wanted to know what is the share of business with the different OEMs in two-wheeler locking?
- Aakash Minda:** So, Abhishek thank you for your question. Definitely we have won orders across segments. To speak about the two-wheeler security systems, our order and focus continues to be in the mechanical locksets as well as the keyless solutions going forward. I'm happy to share that in the keyless solutions which is a more of a premium product and going forward into EV, our win rate is more than 80%. Could you repeat the second part of the question please?
- Abhishek Jain:** What is the share of business with the different OEMs?
- Aakash Minda:** The share of business with different OEM or the wallet share what we call is different with each OEM. As a market share, I can say that we are the leaders with the majority market share in India. Again, I will not be able to share a percentage number but it's in the range of 35% to 40% in the middle.
- Abhishek Jain:** What is the current content per vehicles, in the two-wheeler locking system and what sort of the growth you're looking because of the premiumization?
- Aakash Minda:** So typically, if you look at a current lock set, it goes to about Rs. 400 to 500. But going forward as I shared with you in the EV slide or even in the non-EV going in the premium segments, it may range from about Rs. 2,000 to 3,000 depending on the configuration of the product. Now it depends on the customer that what type of a keyless entry solution do they select? If it is a mobile based or if it is a remote based or what type depending on that from 400 to 500 they will go to about Rs. 2,000 to 3,000.
- Abhishek Jain:** Information and connected system what is your revenue growth in the first half FY22 versus first half FY23 in the wiring harness business excluding the Minda Instrument System and margin is still low in this business, what is your plan to expand margin and how do you tackle to mitigate the impact of the rupee depreciation?
- Aakash Minda:** Again, as I mentioned for the Quarter 2, FY23 put together revenue is about 615 crores and if I compare that from quarter-on-quarter basis it has gone up by 16% from the 532 crores here. Here of course the EBITDA margins at wiring harness division continues to be in the range of about 7% and the instrument clusters and the Minda Instruments Limited come to be about 10% in double digit. Going forward as I've already explained in the wiring harness division, our focus continues to be across various avenues. The first and foremost being the localization of the components which we are currently importing majority of it. Second is definitely as I showed in the presentation, is the consolidation of the plants to get better economies of scale. Third is



*Minda Corporation  
November 04, 2022*

operator efficiency and the fourth is of course major impact is on the raw material prices which we get a lag of about one to two quarters from our customers.

**Abhishek Jain:** What is the impact of the rupee depreciation because most of the raw materials are imported now?

**Aakash Minda:** So, I'll ask Mr. Vinod to answer this question.

**Vinod Raheja:** While we know that rupee has depreciated but at the same time Japanese Yen has also depreciated basically and few of the components where the origin is Japan actually. So, net-net it has no sort of impacted. But in any case, all these exchange rate variations are largely indexed with the OEM. Therefore, any variation in that gets compensated to us. Of course, with the lag of one quarter only.

**Moderator:** The next question is from the line of Bismith Nayak from RW Advisors.

**Bismith Nayak:** What would be the order book at the end of this quarter?

**Aakash Minda:** So, for the first quarter or the first half of the year we have done a total order booking of about 4,200 crores in the first half where the first quarter was about 2,500 crores and about 1,700 crores was in the second quarter. This is having a mix of replacement businesses as well as new businesses. About 19% of these new orders come from the electric vehicle segment and end customers.

**Bismith Nayak:** Understood and on the gross margin part I could not understand. Minda Instruments that is having an impact of 100 bps and the premium semiconductor part, can you please help me understand?

**Aakash Minda:** Yes so, I'll ask Mr. Vinod to give you some more details on this piece.

**Vinod Raheja:** Because of the shortage of the IC's and semiconductors basically and considering the long lead time and supply chain disruptions, we had to procure components at port rates basically from available sources. Of course, when we buy these IC's or semiconductors at port prices which are much higher and before we procure, we have the commitment from the customers to pay those port prices which are higher than normal prices actually. And therefore, it is a quick pass through basically but we don't earn any margin on those pass throughs basically. Therefore, in case of Minda Instruments the top line has gone much higher basically because of premium buying basically. That in nutshell while optically adds to our revenue it does not actually help our margins and to an extent it has some impact on the margin which Aakash also mentioned, numerator, denominator impact.

**Bismith Nayak:** So, the premium that we are paying for procurement of the semiconductors on the excess the premium part we are not getting any margin?



- Vinod Raheja:** Yes, because any premium is a pass through basically on a cost-to-cost basis.
- Moderator:** The next question is from the line of Sachin Kasera from Swan Investments.
- Sachin Kasera:** Just two or three small questions from my side. One was the loss from the associates seems to have gone up around 5 crores, so can you give us some more insights why was the loss so high in associates?
- Vinod Raheja:** I think you are referring to the consolidated numbers where the share of profit from associates is next to about Rs. 5 crores and if you would have a look at the note numbers. I will just refer to the note in the consolidated financial statement where in case of one of our associate companies based on a custom classification issue refer to note #8, on our consolidated results basically. So, in case of an associated company based on a custom classification matter they had to expand out about Rs. 16 crores basically and considering we hold about 25% stake in that company, so we have to recognize our share of expense basically. So, this is largely on account of that.
- Sachin Kasera:** This is as of now just the entry of actually the cash expense?
- Aakash Minda:** We can't hear you clearly.
- Sachin Kasera:** I am saying is this just a provision right now or is this something that we have paid?
- Vinod Raheja:** No, it is a provision only. This is our share of expense but so far as our associate is concerned, they have created a provision only as of now actually.
- Sachin Kasera:** Sure, the next question is regarding the cash flow statement. Despite the strong improvement in profits if we see because of the higher working capital and also because of almost 110 crores of CAPEX, the cash flow is not that great and then the net debt has gone up. One if you could give some insight, how do we see the net debt in the second half? What type of CAPEX and working capital requirement we see and will it further go up or will this come down? Because now that you mentioned the prices also stabilizing, so maybe incrementally we may not need to have high levels of inventory.
- Vinod Raheja:** Yes, so let me answer the first part in terms of the working capital. As you would see that our top line has grown significantly. Considering the working capital cycle of about 45-50 days that we have, our working capital in the number of days both on receivables and inventory, actually has improved marginally so far as this quarter end is concerned basically. So, the improvement of points in working capital is largely result of stellar growth in top line. That is part one. Part two on the CAPEX side as you can see the cash flow statement that we incurred CAPEX of about Rs. 110 crores in the first six months basically. You said something?
- Sachin Kasera:** I'm saying so what will be the number for the full year on the CAPEX front?



- Vinod Raheja:** As thumb rule we spend about 3% to 4% of our top line as CAPEX and by that perspective about INR 160-170 odd crores is the number that we look at actually.
- Sachin Kasera:** Which means in H2 this CAPEX will be lower than H1?
- Aakash Minda:** Yes, you can say so in terms of numbers. But of course, as the year goes forward, we are also bound to look at growth related CAPEX is more also. Yes, you can say broadly they would be the similar lines or could be lower.
- Sachin Kasera:** My last question is with the Slide #17 where you have mentioned that as we progress going ahead, our kit value will move from INR 4,000 to 4,500 to 16,000 to 20,000. Can you give us where are we in this journey? In the sense in the last 1 or 2 years have we seen this improvement? I know this 20,000 will take some time but what is the type of increase we have seen from this INR 4,000-4,500 to where are we today and what is your sense? Will it take us like 2-3 years or 5 years to reach this INR 16,000-20,000 potential kit value?
- Aakash Minda:** So as I mentioned again from the current product offering of about 4,000-4,500 this is going to go to 16,000 and this is going to happen all across our product lines. If I speak about the key less entry and the other mechatronics related products, the increase will be from about 1,000 to 2,000 to 3,000. When it comes to the wiring harness, instrument clusters and other such connected and devices such as sensors and all, this will further increase by about Rs. 2,000 to 2,500. Speaking about the EV product lines which is a battery charger, DC-DC converter, motor controllers etc. would be about 8,000 to 10,000. Now out of all of these products that I have mentioned to you about only except motor controller and battery management system which are under development, rest all are under mass production. Whether it is a cluster, key less entry, wiring harness, sensors, battery chargers, DC-DC converters. Also, to share with you in the last about 18 months or so we have one order book to the tune of about 2,000 crores from the EV customers and platforms to which you can start seeing from 2 years from now showing that into our top line.
- Sachin Kasera:** So directionally we should start seeing improvement in kit value per vehicle as we go ahead. Some improvement in '24 and good improvement in kit per vehicle in FY25?
- Aakash Minda:** Yes, absolutely but again I would like to always caution here on the uptake of the EV industry. Of course, while the EV is growing month-on-month and quarter-on-quarter but there are various challenges in terms of cost of ownership, fire issues and other such issues which relate to demotivation of customers. But hence our focus is to of course win most and most amount of orders from our customers and when the EV penetration increases so will Minda Corporation's revenue also.
- Sachin Kasera:** Just one last follow up on this itself. If you could give us some sense on because a lot of this is to do with the R&D and the new product development. So, what type of R&D budget we are



*Minda Corporation  
November 04, 2022*

running in the current year versus last year and what are our overall thought process, how do we want to spend and how do we want to increase the strength of the R&D team?

**Aakash Minda:** Of course, engineering and R&D is core of our business. On an average we have been spending about 2%-2.5% of our revenue into the R&D. Going forward you can expect it to be in the similar lines.

**Sachin Kasera:** And just lastly on this R&D bit itself. We are seeing that the world is gradually moving more and more towards the software side on the vehicle and most of the parts are getting some sort of embedded software involved in them. We have also mentioned that we want to move if we go to the Slide #16, we also have mentioned that how we are trying to bring more and more electronics and intelligent smart systems in all our products. Are we looking at significant investments in building capabilities in terms of how do we have some more software-based products and what are future projects we are launching?

**Aakash Minda:** Yes absolutely. We are focused on developing our capability in software. All the products that we are going to be manufacturing and designing, we will need a strong software base and pillars. Again, our technical center in Pune and further growing and expanding is definitely enhancing the capabilities across various competencies that are needed including software.

**Moderator:** The next question is from the line of Pankaj from Affluent Assets.

**Pankaj:** I just wanted to understand what is the thought process behind means I would like to understand where do you see the company going forward maybe 2 years down the line? Currently on an annualized basis our top line is around 4,000 crores odd with EBITDA margins of around 11%. Well, the margins have been consistent for last 3 years but if I remember well, you had mentioned that the wiring harness connectors are majorly imported. What's the progress on indigenization and where would we see the margins going forward as the share of indigenization increases?

**Aakash Minda:** So, Pankaj our focus is delivering consistent and sustainable numbers and again thank you for highlighting. In the last more than ten to eleven quarters we have been consistently delivering double digit EBITDA numbers and our focus is on capital allocation as well as delivering consistent and sustainable numbers going forward and gradually increasing. Our interest going forward is to of course beat the market. So, if the market is growing at 10%, we would like to grow at about 20% so that we are always ahead of the market and we have again plans in order to do so. The major areas of growth would be of course premiumization of our products, addition of new geographies and new customer segments. Of course, the market itself growth and definitely more customer per products and more products per customer. Going forward in terms of the wiring harness connection systems so currently about 85% connectors are imported and currently our own indigenous products are about 10% to 12%. By the end of this year and about middle of next year we plan to move to about 20% to 22% of indigenize components coming from our own division which will take our EBITDA to higher single digit numbers.



**Pankaj:** Higher single digit I mean right now we are having at low double digit, right?

**Aakash Minda:** We are currently at of around 7%.

**Pankaj:** For that specific connectors.

**Aakash Minda:** For the wiring harness division.

**Pankaj:** You mean to say we were from 7% we will be moving towards 9% odd, right?

**Aakash Minda:** Right, that's our target.

**Pankaj:** What is the tentative timeline for the same, if you could help me with that?

**Aakash Minda:** As I have already mentioned it's about 18 months around plus-minus.

**Pankaj:** From now?

**Aakash Minda:** Yes.

**Pankaj:** Secondly if I did not miss the number, our EV share in our top line is around 19%. Are we focusing only on Indian OEMs or we are trying to explore opportunities outside India as far as EV is concerned?

**Aakash Minda:** It's of course India and overseas. We have also started winning orders from overseas customers in EV segments particularly coming from Europe.

**Pankaj:** Europe?

**Aakash Minda:** Yes, domestic and overseas.

**Moderator:** The next question is from the line of Abhijeet Kumar from ShareGiants.

**Abhijeet Kumar:** I have noticed in results the other expenses have gone up. If you can help me what are the major heads of the other expenses and what are the reasons for its increase?

**Vinod Raheja:** See the other expenses have increased marginally on account of two-three reasons. One of course the energy prices as we know have been going up like the PNG prices or even the grid power rates have gone up; that is part one. Secondly, as we know that almost all the previous quarters were impacted by COVID and therefore in terms of our say travel related expense also has gone up. These are the two assignable reasons. Rest otherwise it is largely in line with our growth in top line.



*Minda Corporation  
November 04, 2022*

**Abhijeet Kumar:** Just on this follow up. How do you foresee in future the other expenses these heads to pan out? Will it normalize or it will continue to remain elevated for some time?

**Vinod Raheja:** It is function of like Aakash mentioned that our target is to do at about 7%-8% more than the industry. Till the time we can have a growth of more than 15% I think as a percentage, other expenses as a percentage to sale should remain under check and should come down slightly.

**Abhijeet Kumar:** Also, on the recent sharp increase in the commodity prices earlier and now recently we have seen a trend of cooling off on the commodity prices. So how does it impact your margin like do you have any kind of inventory gain or losses which translates into volatility in margins or how do we look at or model our earnings from that sir?

**Aakash Minda:** We have back-to-back arrangements with our customers for most of the raw material largely aluminum, copper, zinc etc. If you see in the last 24 months the prices have been increasing and coming from this quarter, we can see some relaxation in that front. We typically have about 3 to 6 months lag and agreements with our customers. If the prices are going up, we start getting an impact and if the prices start coming down there's a positive impact across the following quarter and so on.

**Abhijeet Kumar:** Recently also we have seen lot of geopolitical tension. You have also highlighted in the presentation and press release about that. How do you see the scenario going forward in the next 1-year, will the things get normalized and how our growth plans will foresee along with it?

**Aakash Minda:** See I cannot comment on geopolitical issues. We are running an automotive company so I would like to refrain from that.

**Abhijeet Kumar:** I was looking at more on impact on you like how much impact you will have on that?

**Aakash Minda:** I'm coming to that. Of course, when you come to the order book, all across our division and products for the export markets are very healthy and strong. If you really look at our exports going forward, our exports have grown by about 10% on a year-on-year basis and again across all divisions and segments. There is of course some products like the starter motor which is having an concern due to the exports on the Ukraine-Russia aftermarket side.

**Abhijeet Kumar:** We also see you have a significant amount of cash in books of more than INR 300 crores. If you can throw some color like what are your plans on utilizing this amount?

**Aakash Minda:** If your question is more towards the inorganic and M&As and all. We raised this QIP couple of years ago and so far, again we have been having such a strong cash balance and of course increasing in growing due to the focus on the free cash flow. But important here to mention is that we are always evaluating opportunities when it comes to the M&As but it has to be a very right fit to our organization. We have created norms internally on what we will do and what we will not attempt or do. Based on those norms we are very clear how we will take it forward. So,



I mean the cash is there of course but we don't want to spend and do M&A just because it is lying there.

**Abhijeet Kumar:** Just a connection question on that. What is your capacity expansion plan and what is your current capacity utilization?

**Aakash Minda:** So, our capacity utilization is different across different products and divisions and plants. So again, typically about in our safety and security division is about 60%, wiring harness division is about 80%-85%, diecasting division is about 80% and similarly electronics because still it's growing up it's about 50% to 60%.

**Moderator:** The next question is from the line of Neha Sharma from Pearl Globe Investment.

**Neha Sharma:** Can you please help me like how do you feel would be the electric vehicle do in the future? What are your thought processes on the same?

**Aakash Minda:** Yes, so Neha again electric vehicle mobility is the buzz around and it's something that we being an automotive are really looking forward for it to happen sooner than later. I mean I would appreciate the government's push on account of FAME policies and PLI schemes and other such government related specific incentives for everybody to push the EV manufacturing as well as production and sales of course trickling down to the Tier I components of manufacturing system solutions like us. There are definitely concerns when it comes to total cost of ownership, battery prices, infrastructure etc. but I think all government as well as customers OEM manufacturers, Tier I are doing a lot of work in order to see a boost in EV coming forward. I may not be able to give some numbers but first is definitely going to be two-wheeler penetration followed by commercial buses and then passenger car and commercial vehicles.

**Neha Sharma:** How the EBITDA margins will evolve with more EV sales?

**Aakash Minda:** Definitely top line is going to increase because again our products are going to go through a premiumization route depending again on the kit value and the configurations that a customer select because all of our power products will be personalized as well as premiumized on the bottom-line front of course our focus is to keep the margins at sustainable numbers and grow steadily.

**Neha Sharma:** Could you please help us explain a bit in detail about the TLA with the Daesung Eltec and what are the synergies it will bring in to Minda?

**Aakash Minda:** This company is called Daesung Eltec from Korea and they are into in vehicle infotainment systems as well as ADAS solutions primarily focusing on four-wheelers, commercial vehicles and offroad vehicles. We have signed a TLA with them where they will give us technology and we will be offering the same and manufacturing the same to our OEMs in India. This is in line with our commitment in order to offer safety related solutions across India. While we already





*Minda Corporation  
November 04, 2022*

offered a two-wheeler ADAS solutions, this is another feather in the cap in order to offer the complete solutions to ADAS customers.

**Moderator:** The next question is from the line of Anil from Dhanvarsha Investment.

**Anil:** I would like to understand how is the DCD division doing and do you have any CAPEX plan for DCD?

**Aakash Minda:** Did you mention about the diecasting division?

**Anil:** Yes, diecasting division.

**Aakash Minda:** If I look at the diecasting division we have increased or grown the diecasting division by about 50% year-on-year basis and quarter-on-quarter basis to the tune of about 5% and this is primarily due to the export going down in Europe as I mentioned. The focus here is definitely to look at light weighting solutions and products going forward. We are currently one of the leaders in the turbocharger housing and going forward we are looking at EV penetration for domestic market and exports.

**Anil:** Do you have any number for CAPEX that you have in mind for this division?

**Aakash Minda:** So, diecasting definitely is a higher CAPEX business so I don't have a particular number in mind. We can get back to you.

**Anil:** What is the EBITDA margin for MIL and ICS? Do you have it separately?

**Aakash Minda:** Yes, so at Minda Instruments the EBITDA numbers are increasing year-on-year and quarter-on-quarter. If I look at about EBITDA percentage, it's about to the tune of 10%-10.5%. On year-on-year they have grown by about 100 basis points and on quarter-on-quarter they have also grown by 12%.

**Anil:** I also see that the wages have gone up to a certain extent. Do you have any figures around how much are the wages increasing?

**Aakash Minda:** Of course, wages being in a more on the wiring harness front have gone up again due to various aspects when it comes to our plants and business orders and other such things. There are various factors for this but this is not sustained growth in terms of numbers. It happens variation from month-to-month and quarter-to-quarter.

**Moderator:** The next question is from the line of Shridhar Kallani from Axis Securities Limited.

**Shridhar Kallani:** I would like to understand that you just mentioned the TLA with Daesung Eltec it's for Indian OEMs. Is there any restrictions to you with regards to manufacturing and selling it and exporting these items?



*Minda Corporation*  
*November 04, 2022*

- Aakash Minda:** No, see there is no restriction at all but of course the focus is on the Indian market. We don't want to export them. We want to bring in technology from Korea and focus on the Indian OEMs as well as international OEMs present in India but the focus in Indian market.
- Shridhar Kallani:** And are these TLAs exclusive to you or can they also intend to with any other manufacturers?
- Aakash Minda:** No, this TLA is 100% exclusive to Minda Corporation.
- Shridhar Kallani:** You also have the TLA with Ride Vision last year. How is the order book for that segment currently?
- Aakash Minda:** We are in the process of localization and indigenization of the product. Of course, the market is evolving right now because the regulations and other such things for the two-wheeler ADAS are yet to see light and of course the government bodies are focusing on that. We are already in discussion with couple of customers for testing and validation the products and then of course seeing them soon in the market.
- Shridhar Kallani:** These are mainly for the electric vehicles or for the IC engines also?
- Aakash Minda:** Both. The application can be both for IC and EV.
- Shridhar Kallani:** Going ahead what can be the market size for these segments?
- Aakash Minda:** Great question because it differs going forward. I mean two-wheeler has a different market. I mean once we include the aftermarket side, the volume may increase and similarly when you come to the four-wheeler side, we expect it our serviceable side to be about 1,500 to 2,000 crores by 2030.
- Moderator:** The next question is from the line of Sachin Kasera from Swan Investments.
- Sachin Kasera:** This TLA with Daesung Eltec; what is the type of investments we'll need to do?
- Aakash Minda:** I will not be able to give you some numbers right now. As a first phase there are multiple phases of this. So, the first phase is of course understanding the technology and developing it here indigenously and then of course once we start marketing it and validating with the customers then there'll be investments for majorly for testing validations. When it comes to the manufacturing, we already have the electronics division which will be capable enough to manufacture this but as the electronics division is growing so as a general as an electronic division may need a CAPEX for growth.
- Sachin Kasera:** And when do we intend to start, probably serious level of commercial production?
- Aakash Minda:** So, first step is definitely engagement with the customers which will begin immediately and once this is a very critical safety product so the testing validations may take time; somewhere



about 2 years as well. Hopefully once we start winning orders, we should start seeing this in somewhere about FY25-26.

**Sachin Kasera:** One question on if we see for the current quarter as well as for the first half, our growth rate is very strong and much higher than the industry growth rate. Will you be able to give us some sense on if which means that we definitely gain market share. Now if you could at least give us some data, is it like which products are we getting market share or any specific customers that we are getting in market share, that would be very helpful?

**Aakash Minda:** Sachin, our interest and focus is to grow ahead of the industry. Again, all of the products and Minda Corporation most of the products that we work in, we have the largest market share and somewhere between 35% to 40% or in that bracket. Most of the products that we speak about be vehicle access, information connection systems, clusters or other products. Most of the products enjoy and if we really don't reach that market share then we are already at the receiving end so our focus is always to be ahead in the market respect. Of course, we do a lot of spending time with the customers to grow along with them so all the customers are very important to us.

**Sachin Kasera:** In the last 2 years because of the strong growth in lot of the products, our market share has gone up quite a bit. So, from here onwards if we have to outgrow the industry, we still have headroom for market share in the same product or it has to either primarily come from new customers, new geographies or new products. What is your take on that?

**Aakash Minda:** It's a mix bag. There is no one clear, it's a mixed bag. It's for more products, more kit value, more customers, more wallet share of each customer across geographies in terms of domestic as well as exports so it's a mixed bag and this is where our focus with being close to the customer and focusing on the domestic and the export markets will come into play.

**Sachin Kasera:** Lastly if I see the revenue breakup between aftermarket exports and OEM, OEM pricing share has gone up. So, what is your outlook on aftermarket and exports for the next 2 years?

**Aakash Minda:** So, aftermarket and exports will continue to also help in the growth story of Minda Corporation. Exports as I mentioned is somewhere about 10% to 11%. As a long-term vision, we would like to grow this in strengthening our actions and areas with respect to such opportunities. When it comes to aftermarket, our focus is again on our core product lines and continuously adding new and new product lines. We have recently added lubricants, helmets and other such product lines. We are doing a lot of analysis state wise, how we can move from do-it-your-own-method to do-it-for-me and vice versa. Expanding into multiple geographies, we have recently entered into Bangladesh and Africa. Some of the areas where we will see growth in exports and aftermarket.

**Sachin Kasera:** Just last thing on the margin. At one point of time, we still have aspirations of higher double digit or closer to mid-teens type of EBITDA. Do you think next 2-3 years we can aspire to reach that type of numbers or you think maybe more like 11%-11.5% margin, what a sustainable margin?



- Aakash Minda:** Repeat the question, your voice is not very clear.
- Sachin Kasera:** I'm saying at one point of time we used to have some aspirations of being higher double digit or closer to mid-teens type of EBITDA margin in the medium term. Now we currently closer to around 11%. Do you think that over the next 2-3 years we can aspire to have this type of improvement in margins or you think over the next 2-3 years a more sustainable number would be more like 11%-11.5% type of EBITDA?
- Aakash Minda:** So, I would say more sustainable numbers. That's our focus like I have always explained in the last few quarters, our prime focus is sustainable and consistent delivery of all across our platforms and areas. The focus is going on sustainable numbers and growing gradually and increasing that quarter-on-quarter.
- Moderator:** The next question is from the line of Abhijeet Kumar from ShareGiants.
- Abhijeet Kumar:** My question is on the other financial assets. Is there significant increase in other financial assets over the last year? What could be the reason for this and what are these financial assets, if we can get some color on this?
- Vinod Raheja:** So, the other financial assets increase in the cash flow statement by about some Rs. 40-45 crores odd because in a rising commodity cycle when the pass-through commodity prices happen with a lag, it is unbuild revenue against which we have received the purchase order but we are in the process of raising invoices that is part one. Part two is the security deposits in respect of power connections etc. These are largely two things basically which have gone into this.
- Abhijeet Kumar:** So, it is a part of the business only?
- Vinod Raheja:** It is part of the business and I think in next quarter this should get normalized.
- Abhijeet Kumar:** As you have significant amount of investment also, so is there a possibility of monetizing some amount so that you can become debt free at even the gross debt level, the borrowings and all?
- Vinod Raheja:** No, which kind of assets you mentioned for monetizing?
- Abhijeet Kumar:** You have investments also under your assets, financial assets?
- Vinod Raheja:** No, we don't have any such plans with regards to that.
- Abhijeet Kumar:** Another question on receivables. Compared to last year there is a significant decrease in receivable. If you can help me in modeling what could be the reasons and what could be the trend going forward?
- Vinod Raheja:** Majority of our supplies are to OEMs and while the number or the amount of receivables appears to be higher but if you calculate it in terms of number of days that largely remains the same. It



*Minda Corporation  
November 04, 2022*

is mainly because of a very a high growth in top line, I think if I were to look at the numbers in terms of YoY basis the number is pretty high so it is only on account of that.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

**Aakash Minda:** Thank you very much everybody for joining the call today. I would like to summarize that for the quarter ending, Quarter 2 we have given our 57% growth on year-on-year basis on top line and at the EBITDA level we have given 60% growth year-on-year basis at 10.8%. Our focus is to deliver consistent and sustainable performance year-on-year and quarter-on-quarter. We look forward for your support and thank you very much and if you have any questions, you may reach out to Pushpa Mani, our lead Investor relation. Thank you.

**Moderator:** Thank you. On behalf of Dolat Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.