"Minda Industries Limited
Q3 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2022 earnings conference call of Minda Industries Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Bohra - Group CFO - Minda Industries Limited. Thank you and over to you Mr. Bohra!

Sunil Bohra: Thank you Rituja. Good evening everyone and a warm welcome to all the participants. I hope you and your near and dear ones are all keeping safe and healthy. On the earnings call today I am joined by my colleague, Ankur Modi. We hope you had a chance to look at our financial results and presentation that is uploaded on the stock exchange as well as the company's website. I would like to run you through the business landscape and then update you on our performance in Q3 and nine months of FY2022 following which we will be happy to respond to your queries.

Before deep diving into business performance let me shine some light on the industry highlights for the period. While the pandemic is not yet over, there is a growing optimism about country's economic recovery. The government's focus on spending more on capital expenditure augurs well for the economy as a whole and we will have significant multiplier impact on the economy. Auto industry is around 7% of the GDP and around a third of manufacturing GDP and there is an old saying when auto industry sneezes the economy catches cold and vice versa. Hence, once overall economy grows, the auto industry is expected to do better. The auto industry like several others was not immune to the drastic impact of the pandemic but is now seeming steady and ready to launch into its next gear. The transition towards electric mobility is underway in two-wheelers and three-wheelers signaling an electric revolution. The government's proposal to implement a battery swapping policy for EVs with better interoperability in standards is expected to benefit the entire ecosystem particularly the electric two-wheeler and three-wheeler segments. While we look forward to the intended regulation being rolled out, once done, this move may help mitigate one of the biggest hindrances to adoption of electric vehicles in India i.e. the upfront cost, range and charging anxiety. The private sector will be encouraged to develop sustainable and innovative business models for battery or energy as a service. This will improve efficiency in the EV ecosystem. The budget also announced the implementation of clean and electric vehicles in the commercial vehicle sector. This move will help increase manufacturing of electric buses and electric commercial vehicles for public transport, thus reducing the dependency on fossil fuel vehicles while providing the impetus to players like us to develop better solutions to serve them.

With the government announcing and implementing various PLI schemes including one for auto and auto components and the recently announced semiconductor manufacturing scheme, the government's support for the industry is evident. We firmly believe this will be a game changer for the country and will help long-term growth of the economy with significant job creation and in turn increase demand as a whole. On auto PLI, we saw overwhelming response from the industry with total of around 115 companies applying for the scheme including us. Multiple products from the company's portfolio are eligible for the same including but not limited to sensors, controllers, ADAS, RPA systems, alternate fuel systems, EV specific products, and more. It aligns perfectly with the company's belief that the next level of change will be not only commodity-driven, but more of technology-driven, and stronger and larger players may be able to capitalize on the opportunities faster. However, since the entire auto supply chain is so closely related, it will help create demand up to Tier-3 and Tier-4 as well.

The semiconductor availability is gradually improving however challenges still persist. We are witnessing gradual improvement in PV volumes month on-month basis. Silver lining is that PV demand remains strong. Along with semiconductor issue, industry continues to face strong headwinds in form of increasing raw material prices and increased input costs since few quarters which continued in last quarter as well. The inputs used in the production across diverse product portfolio of the group for example aluminium, copper, nylon, and brass sheets, etc. The price in the current quarter stands higher by 60%, 22%, 25% and 29% respectively vis-à-vis FY2021.

In terms of auto industry performance during Q3 of FY2022 we saw a production of 8.95 lakh units in passenger vehicles down 12% Y-o-Y and production of 45.49 lakh units of two-wheeler shares down 23% Y-o-Y basis. While Q3 FY2021 saw a strong demand post easing of lockdown to which industry is also capitalized. However due to supply side constraints production numbers in some segments remain subdued in Q3 of current fiscal in spite of healthy demand. The two-wheeler segment however was on different trajectory in terms of demand when compared to PV and is yet to catch up. Higher cost of ownership, tough rural sentiment, work from home, latest threat of omicron, continued to impact sales and consequent production. However overall, we remain cautiously optimistic in the near future and confident of long-term growth potential of the economy enhanced the auto sector.

Moving to key operational highlights you may refer to slide #5. During the quarter we had announced entering into a JV agreement with Friwo thereby enhancing the already impressive EV product portfolio. We are progressing well with separate legal entity already incorporated. We have finalized the location of the new plant for the JV and land acquisition is expected to complete in the current quarter. The new plant is expected to be ready in about 15 months post commissioning of the on-ground activities. The contract manufacturing will also start in H1 of FY2024. When the new plant starts operations, JV will endeavor to serve its orders and contract manufacturing commitment using our controller division facilities in Pune. In addition, during last quarter we have entered into a technical licensing agreement with Dhama Innovations for its temperature controlled automotive seats. Under this agreement Dhama and MIL will launch series of heating and cooling seats for the automobile industry. The Board of the company had also approved a capacity enhancement project of 2 million two-wheeler alloy wheels per annum and 0.36 million four-wheeler alloy wheels per annum thereby further building upon strong capacity foundation. All these have been covered in detail in our special call hence we are not going into any more details. As was informed in our previous post results call, we have been actively engaged with top six to seven new age two-wheeler EV OEMs for supply of EV as well as our traditional products. We are happy to inform that we have secured orders of more than 400 Crores of peak annual sales value from these new age OEMs. The peak sale is expected in FY2025 as they ramp up production with increasing adoption of two-wheeler EVs.

Coming to financial and operational performance you can refer to slides #7 and #8. At a consolidated level, the revenue from operation for the quarter increased by 7% year-on-year to Rs. 2,181 Crores from Rs. 2,031 Crores in Q3 of FY2021. While revenues increased by 3% quarter-on-quarter in spite of supply side constraints adversely impacting auto industry volumes. On other hand, the volume of auto industry declined by 21% year-on-year basis, the company reported 5% growth largely on account of ramp up of two-wheeler alloy wheel sales growth at all businesses including aftermarket division except at acoustic business in Spain and price increases on account of increase in raw material prices. EBITDA for the quarter was at Rs. 235 Crores while the same for the corresponding quarter was Rs. 279 Crores. The EBITDA margin for the current quarter is lower at 10.8% from 13.7% in comparison to corresponding quarter last year. As was explained in last quarter there were two broad reasons for lower EBITDA margins year-on-year basis, first sustained raw material pricing pressure, second excess manpower which we have to keep due to higher indents and to ensure readiness for higher production. While we are largely able to pass on the raw metal price increase to customers in line with various agreements, which usually happens with one or two quarter lag, so while we might get previous quarter or six months' average price the spot prices is higher than average impacts negatively, also the higher denominator which is the sales to an extent is margin dilutive. Interest cost for Q3 FY2022 stood at Rs.13 Crores which was sharply lower than the interest cost in the same period in the previous quarter on account of repayment of part of borrowings from the QIP proceeds. Depreciation decreased by around Rs.2.6 Crores to Rs.94 Crores as well as Rs.97 Crores in the previous quarter on account of MSIP's capital subsidy bandwidth issued during the quarter at our sensor division. The profit after tax at which MIL's share for the quarter was at Rs.101 Crores as against Rs.115 Crores for Q3 of FY2021 and Rs.95 Crores in the previous quarter. While we do look at ROCE on annual basis just for information since Q1 was significantly impacted due to COVID, the ROCE for Q2 and Q3 stands at around 18%. On similar lines the performance for the nine months ended December 31, 2021, was also higher with the revenue standing at Rs. 5,898 Crores in comparison to Rs. 4,136 Crores for nine months of FY2021. The EBITDA for the same period in FY2022 is Rs. 610 Crores in comparison to Rs. 423 Crores in the corresponding prior period. Talking about margin, EBITDA margins were higher at 10.3% in nine months as against 10.2% in the prior nine months. We would want to highlight that both periods of nine months were impacted by COVID waves. First wave there was complete lockdown in Q1 of FY2021 and partial in second wave in Q1 FY2022.

Coming to the business segment-wise performance and moving to the product lines starting with switching systems you may refer to slide #10. The segment achieved revenues of Rs. 638 Crores for Q3 contributing about 30% of consolidated revenues. As was highlighted earlier, we have won orders from two-wheeler new age EV OEMs for switches, we have also commenced production and supply for export order for our marquee American two-wheeler OEM which was announced few quarters back.

Moving to lighting business, it has achieved revenue of Rs. 487 Crores for Q3 contributing 22% of our consolidated revenues. We continue to strengthen our position in LED headlamp with receiving another large order from a Japanese four-wheeler OEM. We have received orders from lighting also from EV two-wheeler OEMs for lamps as well with increased focus on ASEAN we have made good in road with large orders from Italian two-wheeler OEM for tail lamps and blinkers at our Vietnam plant.

Moving to our casting business, it has achieved revenue of Rs. 355 Crores for Q3 contributing to 16% of our consolidated revenues. As is the case in other business segments, we have received large order for pillion grip and alloy wheels from a new age two-wheeler EV OEM. All four lines of two-wheeler alloy wheel plant has been commenced now with fourth line during the quarter and we have started supplies to two more OEMs. In view of the demand, we had announced expansion by another 2 million wheels per annum from two-wheeler alloy wheel plant during the last quarter. Demand and orders for PV alloy wheels is also very promising leading to announcement of expansion here as well during the last quarter. As was informed earlier, supplies to Korean PV customers with LPDC technology has started and we have subsequently received more orders from them.

Moving to acoustics slide #11, our acoustic business has achieved revenue of Rs. 151 Crores for Q3 contributing about 7% to consolidated revenues. Performance of our European subsidiary Clarton Horn which contributes majority of acoustics revenue, remains subdued and significantly impacted by volume drop due to semiconductor shortage; however indents for Q4 are better signaling situation is improving gradually in Europe as well. Locally we have received order for horns as well from the new age EV OEMs.

Moving to our seating business, it has achieved a revenue of Rs. 236 Crores for Q3 contributing 11% of our consolidated revenues. While CV/OR segment remains strong, sluggish demand in two-wheelers impacted the performance, we have received orders here also from a two-wheeler new age EV OEMs for seats as well.

Moving to other product business it has achieved revenue of Rs. 315 Crores for Q3 contributing 14% of overall topline. Other businesses mainly comprise of sensors, blow-molding business, iSYS, battery, aftermarket which is the trading part. Battery and aftermarket division continue to show strong growth with iSYS also reporting higher sales led by product sales. We have received additional orders from couple of OEMs for wireless chargers, which would be positive for our controller division. The share of profit/loss of associates/joint ventures for Q3 is at Rs. 19.5 Crores as against it is roughly Rs. 9 Crores in Q3 of FY2021. All our JVs/associates including infotainment JV with Denso, our safety system JV with TG, our CNG product JV with Minda Westport and Roki have contributed positively with only exception of Kosei Minda Aluminum. Recent announcement relating to mandatory six airbags would be positive for our JV with TG while move to cleaner energy like CNG is aiding good growth.

You can move to Aftermarket and Export slide #13. In terms of our revenue pie for the quarter ended December 31, 2021, OEM business accounted for 88% and aftermarket accounted for 12% in Q3. Our Aftermarket division has done well with revenues of Rs.262 Crores as against Rs.223 Crores in Q3 FY2021. The Aftermarket division continued its growth momentum in Q3 as well. We are also increasing our focus and efforts towards aftermarket branding and marketing. Our sales from International markets which is export from Minda India plus sales from overseas operations stands at 14% of total consolidated revenues. International sales growth was led by iSYS and Delvis, both having strong quarter with the innovative products in the European market.

Moving to our cash flows and debt levels. Our net debt as of December 31, 2021, was at Rs. 413 Crores compared to roughly Rs. 800 Crores on March 2021 and our net debt to equity stands at 0.11. The net debt has significantly reduced on account of prepayment a part of our borrowings from QIP proceeds.

Moving to slide #14 on strategic business update. First, merger of Minda iConnect with Minda Industries. The meeting of shareholders and creditors is scheduled to be held on February 16, 2022. We had to file to Appellate Tribunal to amend the initial order requiring 10% of shareholders' presence and voting which was not practical causing couple of months delay in convening the meeting. For this meeting it will take another three to four months to complete the merger process. Additional investment in Minda Kosei Aluminum, the Board has approved subscription to right issue of Minda Kosei Aluminum at a face value of Rs.10 per share and issue price also is 10 per share. The joint venture partner has renounced their rights in our favor enabling us to increase our stake in Minda Kosei Aluminum from 70% to 77.35%. Total amount to be invested by way of rights issue subscription is Rs. 61.2 Crores. Minda Kosei Aluminum has significant growth opportunities with increasing penetration of four-wheel alloy wheel. While penetration of alloy wheel is also increasing however still remains low in comparison to developed countries providing ample growth opportunities. With capacity expansion announced both at both the plants which is Bawal and Gujarat, capacity is expected to increase from current 210,000 wheels per month to 330,000 wheels per month by FY2024 The third being consolidation of partnership firms. As you all would remember the company had initiated the consolidation exercise a few years back as part of which the stakes owned by the promoters of the group in various entities were transferred to Minda Industries Limited at or close to book value. While all group companies were transferred to Minda Industries Limited in the last two years there were four partnership firms where promoters held some stake along with the third party. The company is now consolidating stake in these partnership firms by acquiring remaining stake of promoters effective from January 1, 2022. The aggregate investment of around Rs.17.5 Crores for buying remaining stake, to note here the additional attributable profit from this entity is for FY2021 which was a year back was around Rs.20 Crores per year. In line with their commitment the transaction is being done at book value by promoters. The move will further simplify the holding structure and improve transparency with significant reduction of related party transactions. This concludes our consolidation exercise with all group companies with all auto component businesses have now been brought under the listed entity barring the joint venture with Nabtesco, which the group is planning to exit in near future. With this I would like to now open up 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 Aditya Jhawar from Investec Capital. Please go ahead.

Aditya Jhawar: Hi! Thank you for the opportunity. I have two questions. First is clearly if you can break up the order book of that 400 Crores on EV components into the components which are engine agnostic like conventional products, switches and LED and the new age EV components that is the first question, the second question is that on continuing with the same topic if you have to look at the profitability on EV components as well as the current component like switches and lights supplied to EV, how different it is from the base segment profitability?

Sunil Bohra: This breakup of Rs.400 Crores honestly we have not shared as of now, but it includes both as I mentioned in some of the categories as well it includes both the existing components and the EV specific components as well. Maybe once we are mature enough and start having separate segments maybe, for EV that time we can share little more in-depth information, but as of now it includes both and I am sorry we are not able to share at this stage the split of how much is the EV specific components and how much is EV agnostic components and in terms of profitability, profitability is broadly in line with our existing margin be it for EV components or be it for our traditional components or the old agnostic components which is switch, light so broadly I would say in the same range of the existing margin plus minus percent so not very significantly different.

Aditya Jhawar: That is very encouraging to hear. The final question is on capex so if we have to look at the capex for the next three years what should be our total capex and specific capex that you have chalked out for EV order wins that we already have to be executed over the next two years?

Sunil Bohra: You know that we normally do our budgeting exercise in February and in March and then along with our annual results we share the next year Capex, but broadly I can share the directional numbers. So we had a lumpiness in our capex few years back when we had six new plants in Gujarat and Chennai and Hosur for our two-wheeler lighting, four-wheeler lighting, but definitely if the kind of growth we have sort of stated for ourselves in future we would need to have at least one or two plants in the near future almost every year to see that we are able to meet those growth, but in terms of sustaining capex at our current level of operations it will be roughly around in the existing range across Rs.300 Crores which includes not only sustaining but also includes the incremental brownfield capex, so it will be Rs.300 plus minus some 10% here and there.

Moderator: Does that answers your question Mr. Jhawar?

Aditya Jhawar: Yes, final question on the RM side are you seeing some directionally things started to improve from Q4 and possibly the worst of RM pressure is behind?

Sunil Bohra: If I have to see only January and February so far based on whatever we are discussing looks like things are still going north specifically for some of the resins and some electric components which are still there is continuous price increases, but in some of the commodities the messages we are getting is that things might stabilize here too early to say whether they will cool off, but what increases we have seen in last two quarters we might not see in the current quarter.

Aditya Jhawar: Okay perfect that is it for me. Thank you.

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

Ronak Sarda: Sir first question on the alloy wheel. Firstly, what was the production for two-wheeler alloy wheels during the quarter how is the run rate now and second on the entire stake increase means Kosei renouncing its rights towards Minda Industries so how is the relationship developing because you have seen in the other JV Kosei Minda there have been impairments there as well so are we looking to increase the stake to almost 100% and again a touch on the technology side have we fully absorbed the technology and how the things should look going forward?

Sunil Bohra: First on alloy wheel production during the quarter for two-wheeler is roughly around 60% to 65% of our capacity from the three lines, fourth line has just been commissioned so that is on the capacity for two-wheeler alloy wheel. In terms of stake increase definitely the relationship is very, very strong and I think if you remember in last year in Kosei Minda Aluminium we had reduced our stake from 30% to 25% and Kosei which is the KITIC Japan, had put equity in Kosei Minda, which obviously that time we chose not to participate in that fund raise, so the same amount sort of we have raised in Kosei Minda where they have done renouncing of their rights in favor of Minda Industries, so overall what happened because of this is that exactly from independent shareholder perspective and the loss making the subsidiary you reduced your stake whereas in a relatively better company we have been able to increase our stake from 70% to 77% and that too at Rs.10 a share which I am sure the delta versus the fair price what it could be and in terms of relationships I can assure you the relationship is very, very strong and there is no iota of doubt on our relationship in fact both have been supporting each other very, very strongly for every product, every business even in fact if you remember that two, two-and-a-half, three years back we had set up another subsidiary called Kosei Minda Mould which is the mould manufacturing JV locally I think that shows the confidence of the JV partner otherwise normally they do not do that in other JV relationship because that is where the heart of the technology also retains which is already we have a subsidiary next to the casting plant in India.

Ronak Sarda: Just wanted to understand the increasing stake in a much smaller company and reducing their stake here so that is what I want to understand so just a clarification on the two-wheeler alloy wheel production is 65% of these 3.6 million capacity?

Sunil Bohra: No, the three lines because fourth line has been commissioned so obviously not much of production from the fourth line.

Ronak Sarda: The run rate looks to inch up again?

Sunil Bohra: Yes, as I said in addition to the key customer we all know about that Bajaj so we have also started two more customers sort of starting uptake from that plant in fact as we have been discussing we have been very fortunate to get a lot of orders in that business and we know that as a country we are importing almost 50% of our requirement in two-wheeler alloy wheel. There is a huge potential and that is why to meet that kind of demand the Board had approved in last quarter increase of capacity from 3.6-4 million wheels to almost 5.6-6 million wheels obviously the number of wheels depend on the weight of the wheel but in terms of the casting capacity is from 13,000 tons to almost 19,000 tons now.

Ronak Sarda: The other question was on the financial side if I look at a couple of things we have won on the RM side you answered it partly, but this is one of the highest RM for sale for us in almost five, six years so is it there is some under recovery as well which would kind of get settled in the fourth quarter or this should be the run rate going ahead that is one and the tax rate also looks we are pretty large almost 30% odd so if you can guide on that because last year we were at around 25%?

Sunil Bohra: First on the RM Ronak as you know that this as I just said the prices continues to bump up in the last quarter also so even though we would have got from our customers the average commodity prices for Q2 the Q3 spot being higher had a big impact on financials for the quarter same what we saw in the previous quarter so once we see the prices stabilize for consecutive two quarters then actually we will see what is the real RMC because if the spot is higher than what you are getting from customers that obviously hits your RMC so that is one of the major factors and with prices for commodities still sort of little bit inching north and not sort of cooled off significantly you might have some impact further in Q4 but once there is a stabilization this we will see some improvement in terms of RM as a percentage of total revenue. In terms of tax rate, yes you are right it is high the key reason being the overseas subsidiary which has Clarton in losses so obviously that had a negative impact in terms of the overall tax rate so your profit reduces but tax does not and also because of our accrued MAT we continue to remain in the old tax regime as we have not yet opted for the new tax regime.

Ronak Sarda: Sure okay thank you.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Hi Sir, congrats on new orders. Couple of questions, one is on the PLI scheme so can you talk about what all products we have applied for PLI schemes and also clarify whether the products under Friwo JV also will be, will we have applied for?

Sunil Bohra: Yes, so we have applied for the PLI for all the products which are currently eligible and obviously the products which will be manufactured by the JV also because there was an option to apply PLI scheme either at a standalone entity level or at a consolidated level. So obviously we have applied for at a group level so all the subsidiaries of the group even though they might not have the capex of Rs.250 Crores or so they would still be entitled or eligible for the PLI scheme, so accordingly the components which will be manufactured in Friwo JV that are also being eligible and applied for.

Jinesh Gandhi: Based on this application any sense on what kind of capex are you looking to commit there?

Sunil Bohra: Yes, capex is obviously is only for those components so be it sensors, controllers, advanced driving assistance systems, reverse parking assistance systems, alternate fuel systems, EV products, so all that put together definitely is more than the minimum requirement of Rs.250 crores over next five years not very big, but I am sure you remember that the government also has indicated that they will be coming up with the second list of components which is yet to come so we are waiting for it and hoping that we might have a little more components from a group profile to be eligible for the PLI scheme so that is where we are in terms of the PLI.

Jinesh Gandhi: Got it. Secondly what would be our revenues from EV, the pure EV components saying nine months FY2022 would it be fair to say on absolute basis that number would be very negligible currently?

Sunil Bohra: As a percentage of total revenue yes it would not be very, very significant if you see at a group revenue of roughly a consolidated of around Rs.8000 Crores I am excluding the revenues which we do not consolidate because of accounting rules so since our revenue is roughly around Rs.10000, Rs.11000 Crores whereas what we see quarterly it is only Rs.2000 crores which is roughly around Rs.8000 Crores, so of that currently if FY2022 obviously there are not many EV specific products and not volume also we did have production of BMS and Smart Plug, etc. but because the number of vehicle is so small I am sure you will factor it you can make out how much will be the percentage of total revenue, but what we have also charted out is that the products which will be manufactured from the Friwo JV and the number we spoke about in the last call to be more than Rs.1,500 Crores over the next four to five years based on our current assessment the belief is that we should be actually able to do even better than that.

Jinesh Gandhi: Lastly any sense on the increase in kit value on the airbag side if it actually increases from two to six?

Sunil Bohra: Yes, so in terms of airbag as a opportunity it is definitely very, very big, it will be almost if I remember correctly roughly Rs. 3,000 Crores of additional revenue for the industry and we are targeting a market share of almost 25% so that will be the potential opportunity for us in the airbag business additional.

Jinesh Gandhi: But any sense of the kit value how it will go up?

Sunil Bohra: In terms of kit value you are referring to I believe from two to six airbags the kit value will expand to almost Rs. 3000 for a PV, which currently I think stands at roughly maybe one third of that or less than one third.

Jinesh Gandhi: Got it. Thanks I will come back in queue.

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

Sunil Bohra: I am sorry just one thing I think on the previous Jinesh instead of kit value I shared revenue number so kit value will be roughly around Rs.6500 additional. Sorry go ahead.

Ashutosh Tiwari: Firstly, on these aftermarket sales I think we are seeing very good ramp up this quarter Rs.262 Crores 17% growth versus last year same quarter despite high base so is it this year growth is driven by more new product addition or it is still the older products which are giving us more revenue end of the growth as well and also in terms of the network where we are today versus what we will say versus March?

Sunil Bohra: Ashutosh you are right I think we have been very aggressive in our aftermarket I think we have been speaking for almost a year, year-and-a-half now. Our aftermarkets which is a B2C sale continues to do very, very good it is driven by two key factors first is as you rightly mentioned because of addition of new components which is seating and alloy wheel and let me tell you alloy wheel actually we could have done better but because of our existing capacity itself is able to sort of meet OEM demands and running almost at capacity we maybe lost some opportunity for aftermarket but we are with the additional capacity we will be able to even increase our sales in alloy wheels in aftermarket. Seating also there is a big opportunity we have just started a few months back so we are onboarding the dealers for that gradually and also the increase is also because of a little bit of gains in the share of business in our traditional components which is lights and switching and also some bit of exports. So I think it is in all corners little bit contribution is there and that is why we have been able to hold on to our guidance of double-digit high teens growth and going forward as I said that we are undertaking a huge branding promotion exercise so with that we expect or we plan to sort of even increase our growth year-on-year in the near future. So as of now we are almost if I say rate number two in B2C sales in the country and our target first is to be number one in terms of B2C sales.

Ashutosh Tiwari: You mentioned that alloy wheel sort of capacity you mean to say that last quarter about 240,000 capacity per month we operated almost close to full?

Sunil Bohra: Yes, for four-wheeler we have been almost running close to capacity.

Ashutosh Tiwari: The next leg will come where basically the additional capacity in four-wheeler?

Sunil Bohra: So the initial expansion which we announced of 60 KT per month in Bawal that should be up and running in the first quarter.

Ashutosh Tiwari: So from there you will see this further ramp up and this you also mentioned that you are supplying to this Korean OEM so this is I think the extra capacity right this is at Gujarat?

Sunil Bohra: Yes, that is the LPDC one.

Ashutosh Tiwari: Yes, LPDC one, so that utilization over there must be lower?

Sunil Bohra: No that also has started now and in fact there also utilization is almost I would say 80% of the capacity and there also with this new business we will be able to utilize the capacity maybe in six to ten months from now and because the new orders obviously as you know is linked with the upcoming volume, upcoming model.

Ashutosh Tiwari: So it seems like the way things are going maybe you need to announce another expansion in next one year?

Sunil Bohra: Yes, for LPDC I think that is the target. I think we shared initially also that as of now we are putting a very small line of 25,000 wheels per month for LPDC and as business grows we will see how we sort of cater that demand because currently that is put up in Gujarat which is primarily only the casting line but entire machining, painting everything is common aligned with the GDC facility so as volume grows we will see how do we sort of meet that incremental demand.

Ashutosh Tiwari: Lastly I want to understand on this wireless charger what would be the content per car basically and can we share the revenue that you are deriving from there?

Sunil Bohra: I am not sure a wireless charger specific we have shared content in past Ashutosh let me check back.

Ashutosh Tiwari: Can it become a sizable business because I think…

Sunil Bohra: Yes, absolutely so this is part of our controller business and it definitely has a huge potential, we have already got business from wireless charger from two large OEMs and it has been increasing from one model to two model and we are seeing a good growth in that business.

Ashutosh Tiwari: Sure. Thank you, thanks a lot.

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

Mukesh Saraf: Yes Sir, good evening and thank you for the opportunity. My first question is on the PLI scheme could you give some sense of on what products have you applied for and how would the investments pan out there for that PLI scheme?

Sunil Bohra: I did share Mukesh initially let me repeat that in terms of what products were applied so basically it is the sensors, controllers, ADAS, RPAS, and the EV specific products, and also as I mentioned that we do expect this second list to come out soon and hopefully if there is a little more than those components will also be added and in terms of investments as I mentioned that the minimum requirement was Rs.250 Crores over five years for these eligible components even though our capex is much more, but these eligible components we will be having investment more than this that even only when the Friwo JV investment was more than the level also we will be meeting those guidelines.

Mukesh Saraf: This scheme does not really specify that it should be for exports or it could be both domestic and exports?

Sunil Bohra: Yes, it does not specify it has to be export it is basically or a base year how much incremental you are producing and selling so there is no demarcation of domestic versus export, in fact on exports you actually have a better incentive.

Mukesh Saraf: Next is on the airbag thing, given that it might come into effect from October is any sense of the kind of orders you are already starting to get on this and again here any capex in the TG Minda entity that you might have to do?

Sunil Bohra: Yes, we definitely would need to do some bit of capex there but let me tell you frankly while government has set a target of October 1, 2022 what we hear from our sources that people are obviously not ready for, not everybody is ready for this October 1, 2022 because it is not only about fitting of airbag it also means a lot of design changes, power, a lot of infrastructure in the car have to be upgraded, so I believe people have been approaching government I am not sure formally whether or not but we might see some relaxation in this date, but over a medium-term this regulation is going to be there it is October 1, 2022 or April 1, 2023 would make a big, big difference, but it is a big decision from government towards passenger safety and it is good for our business, so we are very positive on this.

Mukesh Saraf: Just the last but just a clarification of the partnership firms that now we are investing in do they largely generate all their revenues only for Minda Industries right now?

Sunil Bohra: Yes, that is what I would think that it is a) being done only at very clearly book value and b) it will reduce related party transactions very, very significantly.

Mukesh Saraf: I want to check if they have any other external revenue at all.

Sunil Bohra: Nothing material maybe a little bit but not very sizable.

Mukesh Saraf: Right, that is it from my side. Thank you.

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

Nikhil Kale: Thanks for taking my question. My first question was on the LED headlamp order can you just put some more color on the order size of at least the OEM if you could just provide some details on that?

Sunil Bohra: I am sure you appreciate we do not take customer names normally, but yes I can share the quantum so this LED business once it gets into SOP I believe in FY2024 the annual value from only this one model will be roughly Rs.60 Crores per year.

Nikhil Kale: The existing order book, has that started getting into production or it would start in FY2023?

Sunil Bohra: You are referring to this order or you are referring to generally the LED products?

Nikhil Kale: The existing LED order book I think we had orders from a couple of Japanese OEMs.

Sunil Bohra: Yes, I think Nikhil is that all these LED businesses we have got in the last 10, 12 months they are all linked to the upcoming model launches for all our customers, which are created FY2023-2024 onwards, so obviously it will be productionized as and when the customer is ready for its model launch and also we are putting a specific plant for meeting this demand in Gujarat which is under construction hopefully that plant should be ready by end of June this year.

Nikhil Kale: My second question was on the airbag side, so can you just help us who are the key customers there is it spread across the customers that we have or there is couple of main ones let us say Maruti or Toyota those are the few customers there and also on the airbag side the content that you mentioned if the order size is Rs.6,500 for the incremental four bags is that correct?

Sunil Bohra: Yes, you are right.

Nikhil Kale: So that is the entire airbag that we manufacture and supply right or are we doing this a few components there?

Sunil Bohra: No, so entire airbag we give along with the inflator airbag the entire kit value so this is done in our TG business where we do fitting in the steering wheel, it is already fitted with the airbag inflator and everything, but obviously for other things you have to supply with the fitter and the airbag. So in terms of customers obviously we are working with almost four or five key OEMs in the country be it Suzuki, be it Toyota, be it Tata, be it Mahindra so I think we are working with all the major ones domestically.

Nikhil Kale: Broadly overall in the industry what would be our kind of market share?

Sunil Bohra: As of now our market share obviously is very less and I am being very candid about it, our market share is roughly around 13%, 14% and we are targeting to take it to north of 25% in the next three to four years.

Nikhil Kale: Thank you.

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

Mumuksh Mandlesha: Thank you so much for the opportunity. In the first nine months what is the revenue for the two-wheeler alloy wheel and what are you expecting for FY2023?

Sunil Bohra: If I heard correctly you are saying what is the revenue for two-wheeler alloy wheel and then it was just a pause?

Mumuksh Mandlesha: Two-wheeler alloy wheel in first nine months and what is the expected revenue in FY2023?

Sunil Bohra: First nine months our two-wheel alloy wheel revenue was roughly it is Rs.200 Crores. Ankur let me know if I am wrong, I think it was roughly Rs.200 Crores for first nine months and you mentioned for next year.

Mumuksh Mandlesha: Yes, next year.

Sunil Bohra: So next year since this fourth line is now commissioned I think we are definitely going to target between 90% and 95% of our capacity in next financial year which should be more than Rs.450-500 Crores between that.

Mumuksh Mandlesha: Similar for sensors, also what was the revenue say of a nine month and expected revenue in FY2022?

Sunil Bohra: So sensors last quarter if I remember correctly revenue was roughly Rs.50 Crores for the quarter and for nine months roughly Rs.140 odd Crores and you are asking next year right?

Mumuksh Mandlesha: Yes, next year.

Sunil Bohra: So next year we are definitely targeting roughly around Rs.250 Crores kind of range for FY2022-2023, but maybe I can give you better precise number once we are through with our budgeting cycle in the next couple of months.

Mumuksh Mandlesha: Is it possible to share what kind of a price hike was taken in Q3 in terms of value-wise?

Sunil Bohra: Overall how much is the price increase, it is roughly around 8-9% of total revenue.

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

Siddhartha Bera: Hi! Sir, thanks for the opportunity. First question on the margins, just wanted to understand has there been any difference between these segments, if I look at the segment wise margins of four-wheeler and two-wheelers given that two-wheeler as industry volumes have been under pressure over the last few years has there been any structural change in a margin profile for you the components you will supply currently between these segments?

Sunil Bohra: Sorry I did not hear very, very clearly, so I let me repeat if I understood correctly as you correct me. You are saying that what is the impact on margin because of the two-wheeler volumes versus four-wheeler volume is that right?

Siddhartha Bera: Yes, because four-wheeler industry has not grown so the ability to raise prices to achieve our sustainable margins of 12% so has there been any sort of difference or sort of resistance to raise prices between these two segments?

Sunil Bohra: Not really, what happens is that yes there might be a pushback but because we have got very clear agreements with our customers it is not linked to volumes so whatever is the price increase pass through as per agreements I think we have secured almost from all the customers. Yes, you are right that from industry perspective quarter-on-quarter also there is a declining volume so I think last quarter as an industry we produce something like 2 million four-wheeler wheels per annum whereas this quarter it was 45K so almost 14% drop quarter-on-quarter, but that does not mean that there will be any impact in terms of the price increase which we have to sort of get it from our customers so no impact from that perspective.

Siddhartha Bera: Second is on the sensors business so if you look at the last few quarters we have done in that range of Rs 50-55 Crores every quarter so what will be the driver from here which will lead to a strong growth in the revenues?

Sunil Bohra: So there has been a new business what we have secured which are getting broadly in line or in production from the next year and also there is expectation that the volumes also will be better next year compared to this year so I think these two will be the key drivers for our sensor business.

Siddhartha Bera: Because PV revenue volumes actually on a quarter-on-quarter have gone up but our sensor revenues have remained flat so just wanted to understand it.

Sunil Bohra: Not really, actually sensors revenue quarter-on-quarter is almost down by 10% so previous quarter we did Rs. 55-56 Crores, this quarter would be Rs.50 Crores it is almost like Rs.5 Crores lower in Q3.

Siddhartha Bera: So any lumpy new order win which is there which will come from FY2023?

Sunil Bohra: Yes, that is what I am saying there are some new business which will get in line sometime from next fiscal year which will provide additional revenue growth versus the industry volumes.

Siddhartha Bera: Okay got it. Thanks.

Moderator: Thank you. The next question is from the line of Vishal Shrivastava from Swan Investments. Please go ahead.

Vishal Shrivastava: Hello Sir, thank you for taking my question and congratulations for decent set of numbers in this challenging scenario. My question is regarding the alloy wheel business what has been the gross block invested in four-wheeler and two-wheeler and alloy wheel business so far?

Sunil Bohra: I do not have that numbers handy I am sorry maybe Ankur can share with you offline if you do not mind. Two-wheeler I can share with you because two-wheeler we know it is roughly Rs.325 Crores of total capex which we did for the plant, but four-wheeler has been continuously within sort of having investments so four-wheeler we can share you offline.

Vishal Shrivastava: My second question is regarding can you share what would be the breakup of four-wheeler alloy wheel capacity in the industry for LPDC and GDC?

Sunil Bohra: Yes, I think we have it again maybe offline if you do not mind.

Vishal Shrivastava: Sure Sir, No problem, Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Bibhishan Jagtap from Canara Robeco Asset Management. Please go ahead.

Bibhishan Jagtap: Hi! Sir, good afternoon thanks for taking my question. My question is on four-wheeler alloy wheel business, so how much has been per pair cost now for the four-wheeler alloy wheel business and after seeing that 60% increase which you mentioned in the presentation?

Sunil Bohra: Per wheel cost?

Bibhishan Jagtap: Yes, per pair four-wheeler cost.

Sunil Bohra: Very difficult to answer because every model will have different cost because it depends on the weight of the wheel not the wheel cost per se, so the bigger the wheel the more the metal it is linked to how much of alloy goes into the casting of the wheel, so very, very difficult to say how much will be the cost so if a wheel is weighing 10 kg and a set is like

40 kg wheel will have very, very different pricing versus a wheel which is weighing 60 kg so there is no standard number for that I am sorry for that.

Bibhishan Jagtap: How is the penetration now for the industry currently for four-wheeler alloy wheel?

Sunil Bohra: Penetration is very good in fact when we started this business five, six years back with Minda Kosei in north the penetration was roughly 12%, 13%, which today is more than 30% currently and I think we have been talking on this earlier also that in the developed markets the penetration is almost like 80% to 90% so there is huge room for growth for next few years.

Bibhishan Jagtap: When it comes to the two-wheeler how is the import is coming down now for the industry?

Sunil Bohra: The imports are still there fortunately because obviously the domestic production is catching up I do not have those numbers readily available last which we saw a year back was almost like 50% plus kind of numbers being imported, but recent data I think we need to pull it out.

Bibhishan Jagtap: Just lastly if it is possible to give a broad breakup of that other segment that is sensor I think you already shared the number for the sensors but for the other segments like controller and the other division?

Sunil Bohra: The sensor controller put together this controller is very small as of now sensor and controller put together is roughly around Rs.65 Crores, so last year the controller will be only Rs.15 Crores then you wanted for the other products right?

Bibhishan Jagtap: Yes.

Sunil Bohra: So, if you do not mind can that number be shared offline?

Bibhishan Jagtap: Yes, sure no problem, thanks.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from Alfaccurate Advisors. Please go ahead.

Rajesh Kothari: Good evening Sir, I have two questions. My first question is you mentioned that the raw material prices your contract versus the spot prices so what is our raw metal procurement policy normally?

Sunil Bohra: So the raw material which we buy is different for different commodities so what we try and do is we try and match ours versus customer but that is at times is not possible we will try and do it for maybe alloy but what happens is that if you are buying a resin if you are buying any other material so you have inventory of maybe roughly 15 days, 10 days to 30 days based on component to component, so if you are sitting in November you will end up buying at the spot price versus the customer giving you the previous quarter average, so that is how you actually end up having that delta of what you get from customer versus what you pay during the quarter and that is part of the cycle so when things goes on a price increase trend you get negatively hit and when things soften up you also would get a positive impact of it.

Rajesh Kothari: So are you trying to say that if the current price is let us assume for a moment that it remains same then fourth quarter when I say same means not equal in the third quarter I am saying as of now where we stand because we are already in kind of a mid Feb then do we see fourth quarter improvement in margins or you think to come back to the normal margins may take a few more quarters?

Sunil Bohra: Yes, as I said initially, still the prices are a bit higher in fact electronics is significantly higher still prices are going north and also for some of the commodities so as of now we are not in a steady state situation so there will be some impact but might not be same as what we saw in the previous quarter.

Rajesh Kothari: My second question is with reference to the industry size is it possible for you to share what is the total industry size of say sensor industry and I do not know when I say in a normal market FY2021 of course first quarter was not working so I do not know how to put it but on a quarterly annualize kind of a number what would be the size of the industry?

Sunil Bohra: For sensors?

Rajesh Kothari: Yes.

Sunil Bohra: Very difficult to say because again here sensors while we can give you for the components or the sensors we produce there are multiple types of sensors which go into vehicle now, if you see the sensors have been increasing almost on a quarterly basis or annual basis in every model launch for a customer because that is what a common man wants so today a top end vehicle has more than 100, 150 sensors it is very difficult to say what is the overall value of sensor but if you want if you are interested we can share with you separately what is the industry size of the sensors we produce that can be shared.

Rajesh Kothari: No worries I will take it offline. Last question if I can squeeze. Sir your FY2020 revenue was roughly about Rs.6000 Crores 2021 of course was impacted, 2022 also partially impacted so can we see that by FY2024 this Rs.6000 Crores can become like

Rs.1200013000 Crores kind of revenue in terms of the overall target estimate because you have already have the order books and the new customer and expansion so is it that a safe assumption broadly?

Sunil Bohra: I think if we spoke on this earlier also it is very difficult to say absolute number because our endeavor always has been to outperform the industry growth so if industry remains where it is right then our idea or our strategy is always how do we increase our sales which can be through multiple sources either exports or maybe increasing our share of business or increasing kit value so we have been working all that and that is why if you see for the last quarter the industry volumes were down 21% overall whereas our revenue is up 9% yes some component is also because of price increase but even if you exclude that I think we have grown significantly compared to the industry growth so if that trend continues I have not done the math but if it relates to that number we should reach that.

Rajesh Kothari: Great Sir, thank you Sir. Wish you all the best.

Moderator: Thank you. The next question is from the line of Deepak Khatwani from Girik Capital. Please go ahead.

Deepak Khatwani: Thanks for the opportunity my question has already been answered.

Moderator: Thank you. The next question is from the line of Suraj Fatehchandani from Compound Everyday Capital. Please go ahead.

Suraj Fatehchandani: Thanks for the opportunity. Sir actually on the unaudited results on page #14 if you can turn to that and the 7th point in auditor's report I am seeing that the sales are Rs.2.11 Crores in four of your subsidiaries and profits are around Rs.9 Crores am I missing something here?

Sunil Bohra: I do not have that handy Suraj unfortunately in front of me what is Rs.2 Crores you are saying and Rs.9 Crores?

Suraj Fatehchandani: Yes, the report says that for four subsidiaries interim financial results revenue Rs.2.11 Crores and total net profit after tax of Rs.9.73 Crores.

Sunil Bohra: So there might be a typo we will get it correct and also highlighting it, but not possible that we have Rs.9 Crores profit on Rs.2 Crores revenue.

Suraj Fatehchandani: Yes, no issues so secondly I wanted to ask so I have been following this company recently so would you be able to tell me what was the investment for the stake of 70% in Minda Kosei and in which year?

Sunil Bohra: So Minda Kosei was a fresh company it was not an acquisition so it was a company established afresh so it was not acquired actually.

Suraj Fatehchandani: What would be the amount of the capex this year?

Sunil Bohra: I think we just spoke about that Suraj I think somebody else has also asked how much is the capex we have done so far in four-wheeler and two-wheeler alloy wheel so two-wheeler as I said roughly be Rs.325 Crores, four-wheeler we can share with you offhand because continuously we have been investing in that business so I do not have that number handy so if you do not mind we can share that offline.

Suraj Fatehchandani: Okay no issues Sir. Thank you.

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

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

Moderator: Thank you. On behalf of Minda Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.