

May 24, 2023

<b>The Officer-In-Charge (Listing)</b> Listing Department National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Symbol: MINDACORP	<b>Head - Listing Operations,</b> BSE Limited, P.J. Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: 538962
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**Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**Subject: Transcription of Conference Call with Investors/Analysts held on 19<sup>th</sup> May 2023**

Dear Sir/Madam,

Please find attached herewith transcription of Conference call with Investors/Analysts held on May 19, 2023. Kindly take the same on record and acknowledge.

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

Thanking you

Yours faithfully,

**For Minda Corporation Limited**

**Pardeep Mann**  
Company Secretary  
Membership No. A13371

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“Minda Corporation Limited  
Q4 FY23 Earnings Conference Call”  
May 19, 2023



Dolat Capital



**MANAGEMENT: MR. AAKASH MINDA – EXECUTIVE DIRECTOR  
FINANCE & STRATEGY**

**MR. NEERAJ MAHAJAN – GROUP PRESIDENT,  
MARKETING**

**MR. VINOD RAHEJA – GROUP CHIEF FINANCIAL  
OFFICER**

**MR. ANSHUL SAXENA – GROUP HEAD STRATEGY AND  
MERGER & ACQUISITIONS**

**MS. PUSHPA MANI – LEAD INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 FY '23 Earnings Conference Call of Minda Corporation 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 star then zero on your touch-tone 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, Jacob. Good evening, everyone. On behalf of Dolat Capital, we are pleased to welcome you to Minda Corporation's 4Q FY '23 Earning Call. We thank the management for providing us the opportunity. From the management side, we have with us: Mr. Aakash Minda, Executive Director, Finance & Strategy, Mr. Neeraj Mahajan, Group President, Marketing; Mr. Vinod Raheja, Group CFO; Mr. Anshul Saxena, Group Head, Strategy & Mergers & Acquisitions; and Ms. Pushpa Mani, Lead Investor Relations.

Before we begin this, let me mention a short cautionary statement. Some of the statements made in today's earnings call will be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties that may cause actual result to differ from the anticipated outcome. Now we hand over the call to Mr. Aakash Minda for opening remarks, post which we'll have the Q&A session. Over to you, sir.

**Aakash Minda:** So good afternoon, everybody. Thank you, Abhishek and Dolat Capital, for holding the conference call for Minda Corporation. I would like to begin. Good evening, everyone, and welcome to the Q4 & FY23 Earnings Conference Call of Minda Corporation. On behalf of the company, I thank you all for joining us on this conference call and hope all your families are keeping safe and healthy.

In fiscal year 2023, the overall industry experienced double-digit growth across vehicle segments except two-wheeler, where the growth has been sluggish due

to rural demand and under pressure on the back of negative rural sentiments due to inflationary pressures, rising vehicle cost and increasing fuel prices.

Despite the same, Minda Corporation recorded another year of resilient and better-than-industry performance with revenue from operations of INR 4,300 crores, a growth of 45% year-on-year basis. EBITDA margin for the year improved by 83 basis points to 10.7%. We delivered double-digit EBITDA margin for 11<sup>th</sup> straight quarters. Normalized PAT for the year stood at INR 219 crores with a PAT margin of 5.1%.

The growth was driven by addition of new customers and products, premiumization across products, leading to increase in kit value and increasing business with existing and new customers. In line with the company's philosophy to reward its shareholders, the Board of Directors have declared a final dividend of 40% on the face value, that is INR 0.80 per equity share, taking the total dividend for the year to 60%, that is INR 1.20 per equity share.

Now I would like to take you all through the key developments during the year. The company entered into two strategic technology partnerships with Daesung Eltec from Korea for advanced driver assistance system and with LocoNav for telematics software solutions. These partnerships not only make us a complete solutions provider but also place us ahead of the technology curve.

Second, at Minda Corporation, we are continuously committed to drive innovation. The company has filled highest-ever quarterly patent of more than 20 patents across various business verticals, taking the total patent count to more than 250. Third, this year remained a marquee year for the two-wheeler smart key business, which continued to gain traction and clocked more than 10% of the total two-wheeler lockset revenue with key customers, including all the leading names in ICE and EV two-wheeler OEMs globally.

The company inaugurated a state-of-the-art plant in Q3FY '23 and is planning to add other plants as per capacity additional requirements. These plants not only increase our production capacities and keep us closer to the customer, but are also well equipped with advanced machines backed by cutting-edge technology.

Next, in line with the company's focus on its offering in the electric vehicle space, we've added prominent new customers in the electric vehicle portfolio

in domestic as well as export segment. In the financial year '23, EV order book accounts for more than 20% of the total order book.

Our order book remains very strong, in line to achieve 20% to 25% year-on-year growth for the next 2 to 3 years. In the financial year 2023, Minda Corporation generated a healthy lifetime order book of INR 7,800 crores, giving an annual revenue of more than INR 2,000 crores across segments and products. Out of this, 20% came from the EV industry and EV OEMs and platforms representing our various products growing acceptability and readiness for EV mobility going forward. During the year, we made a financial investment of INR 400 crores in Pricol from open market, acquiring 15.7%. We have applied for CCI application for stake acquisition of up to 24.5% at this stage, in line with all governance and compliance requirements.

We continue to be very bullish on the instrument cluster business and as a product segment to grow. We are focused to solidify our market position by providing high-quality, innovative products and securing new business from our customers in our core products, including various products such as locksets, vehicle access, wiring harness, driver information systems, sensors, EV products as well as other products. Moreover, all our products are undergoing premiumization, resulting in enhanced content value.

Now I'll take you through the key highlights of the investor presentation. I request you to please refer to the presentation we have uploaded. I move to Slide 3, which is sharing about Spark Minda Group, Minda Corporation. At the group level, we are reporting about INR 5,000 crores company with 16,000 workforce, 34 plants and having more than 9 partnerships in the automotive space.

Going to the next page. It shares about Minda Corporation's global and domestic presence, which shows a strong foothold on the domestic segment across automotive regions in north, west and south as well as international operations of Vietnam, Indonesia and having an office in Japan.

Moving to the next slide of highlights of quarter 4 and full year performance. For the Q4FY'23, the revenue growth for the quarter continues to outperform the industry performance; double-digit EBITDA margin for 11th straight quarter on a sequential basis; total lifetime order book in the quarter stood at

INR 2,000 crores with more than 11% export orders; highest-ever quarterly patent filing with more than 20 patents filled during this quarter. Two-wheeler continued to gain traction with more than 10% of the total two-wheeler lockset revenue.

For the full year, Minda Corporation's revenue grew 45% year-on-year despite of challenging macro and microeconomic conditions. EBITDA margin improved by 83 basis points to 10.7% on year-on-year basis. We won business across segments and EV, constituting almost 18% to 20% of the order wins. 32 patents filed within the year, total patents in the company now stands at 250-plus, signed 2 technology partnerships for our new technology products like ADAS & Telematics.

Moving to the next slide, slide 6, which shows the snapshot of consistent and sustainable market-leading profitable growth. On the top part, there is quarterly revenue, EBITDA and PAT. If I look at year-on-year, the revenue has grown by 13%. EBITDA has grown from INR 108 crores to INR 117 crores, 9%. And PAT, normalized PAT has grown from INR 54 crores to INR 56 crores, a growth by 4%.

If I look at the annual revenue growth from INR 2,976 crores, the company has posted revenue of INR 4,300 crores, which is a 45% jump, and in EBITDA, from 9.9% to 10.7%, in absolute terms, INR 295 crores to INR 461 crores, which is a 57% jump. And PAT margins go from INR 137 crores to INR 219 crores, which is a 60% jump.

Moving to the next slide, slide 7, which is the key business highlights and order wins across various products. Our new technology products of integrated vehicle assets continue to lead the market. We have won orders for EV die casting products for export as well as domestic OEMs; first time products on wiring harness for OBD2 norms; the new technology products in the commercial vehicle sector as well as two-wheeler segment; and the cluster division in the new technology of TFT and LCD's. These are the marquee businesses starting production in FY '23.

Moving to the next slide, which is showing a snapshot of Minda Corporation. The total number of shareholders are, at the end of this year, about 90,000. The promoters hold 65% and other institutions & retail Shareholders hold the

remaining. On the left, we show the various customers and manufacturing facilities.

Moving to the next slide, on slide nine, which shows the industry performance. Automotive sector grew quarter 4 year-on-year basis by 1.7%, almost flat. Two-wheelers degrew by 3%. On a year-on-year full year basis, automotive industry grew by 12.5%, two-wheelers by 9%, PV by 25%, three-wheelers by 13%, CV by 29%, tractors by 11.5%. Overall, demand continues to remain strong across segments despite of the various challenges on semiconductor and other macro concerns.

Moving to the next slide, which is the revenue breakdown by geography. India continues to remain the largest share with 84% in this year compared to last year. Europe and North America are about the same, 8% from 10%. And Southeast Asia are about 8% from 6%. By end market, the two- and three-wheeler segment continue to be about 44% from 47%. Passenger vehicle is about 14%. Commercial vehicles are about 30% from 23%. And aftermarket is about 12% from 15%. By business verticals, the mechatronics and aftermarket are about 48%. Information and connected systems, which is wiring, is about 36%. And cluster and sensors are about 16%.

Moving to the next slide, which is slide 11. It shows from last year to this year, the vehicle access business continues to be about 26%; wiring harness is about 30%; clusters are about 12%; and DCD, or die casting, is about 17%; and others now 15%.

So, we are still the market leader in two-wheeler lockset and wiring harness, pioneer in keyless entry solutions business. Moving from mechanical cluster to incorporate latest technologies in TFT displays. The company is one of the key players in two-wheeler and CV segment, of late also gaining traction in PV segment. In die casting division, we focus on niche products, which are more margin-accretive.

Moving to slide 11 on the order book status, as shown earlier, we have booked orders worth INR 7,800 crores this year, where replacement business is about INR 3,600 crores and lifetime new business is about INR 4,200 crores. And 20% of this is marked by EVs. More than INR 1,000 crores worth of export orders across various products and segments were booked during this year.

Moving to the next slide of the consolidated performance for the year. On quarter 4 year-on-year basis, the revenue grew from INR 948 crores to INR 1,075 crores, giving a year-on-year increase of 13.4%. EBITDA grew from INR 108 crores to INR 117 crores with Y-o-Y increase of 8.5%. And EBITDA margin went from 11.4% to 10.9% across various challenges. The PBT grew from INR 72 crores to INR 67 crores. And the normalized PAT was INR 56 crores.

On a year-on-year on full year basis, the total revenue of INR 2,976 crores, it grew to INR 4,300 crores, a 45% jump. EBITDA has grown by 56.7% from INR 295 crores to INR 461 crores. For full year, EBITDA percentage has grown from 9.9% to 10.7%. Normalized PAT has increased from INR 137 crores to INR 219 crores, up by approximately 60% and 50 basis points.

On domestic front in quarter 4 and full year, industry grew by 1.7% and 12.5%, respectively while Minda Corporation grew at 13.4% and 25%. Exports are in line with the top line going forward. It continues to be driven by addition of new customers across geographies. The EBITDA margin was delivered in spite of the commodity prices showing rising trends and semiconductor supply chain easing out. Board of Directors has declared a final dividend of 40%, that is INR 0.80 per equity share, total dividend for the year of 60%, that is INR 1.20 per equity share.

Slide 14 on the consolidated leverage position compared year-on-year. Net worth of the company has increased to INR 1,591 crores. The long-term borrowings stand at INR 235 crores and the short-term borrowing is at INR 218 crores. Gross debt overall has gone from INR 391 crores to INR 553 crores. Overall, the net debt to net worth is at comfortable 0.25x. Capital employed at the group level is about INR 1,530 crores. ROCE has increased from 18.4% to 20.8%.

Moving to the next slide, which is slide 15, on the business vertical performances. If I look at the business vertical, which is the mechatronics and aftermarket, on a quarter-on-quarter basis, sales have gone from INR 547 crores to INR 535 crores and EBITDA margin from 13.8% to 13.9%. Revenue grew by 10% on a year-on-year basis due to increase in share of business premiumization against market growth of 1.7%. Margin declined due to stagnancy of exports, mainly due to geopolitical situation in Europe. On a full



year basis, on the right side, the division has performed better with Mechatronics and others revenue going up from INR 1,687 crores to INR 2,061 crores and EBITDA margin growing from 12.3% in FY22 to 13.5% in FY23.

In the information and connected systems, now consists of wiring harness and instrument cluster and sensors. On the revenue point, it has gone from INR 462 crores in Q4FY22 to INR 540 crores in Q4FY23 and sequentially on QoQ from INR 522 crores to INR 540 crores. The revenue was supported by demand in domestic market. Margins improved due to wiring harness margins continuously on the rising trend due to various factors, such as component localization. Minda Instruments, margins improved mainly due to semiconductor supply chain easing out and better operational efficiency. On the full year, the revenue stands at INR 2,249 crores with 8.2% EBITDA margin.

Moving to the next slide. It shows the journey of new alliances in the recent past. So, this is just to share with you again that in this financial year, we have signed two partnerships in ADAS solutions and telematic solutions to complete our technology edge and focus on offering products and system solutions to the customers.

Now moving to the strategic pillars on slide 18. We continue to focus on enhancing the core. Innovation and technology continue to be the core in terms of our in-house R&D centre and partnering of the global players. First, how we can enhance electric vehicle growth opportunities. And all the Minda Corporation products are EV-agnostic. Strengthening the passenger vehicle offerings with in-house as well as partnerships. Transforming and becoming a complete solution provider, focusing on cost leadership in manufacturing and thought leadership when it comes to technology. Premiumization and product innovation in all business segments continue to drive content per vehicle, and most important, deliver better-than-industry growth and continue improve margin profile.

Moving to the next slide on the engineering capability. We have now more than 250 patents. More than 2% continues to be the R&D spend and the following year will be continuing to increase further. And we have more than 500 engineers all across various technology and products.

Moving to the next slide on the electric vehicle opportunity. This is just showing the various products that we offer in the two-wheeler segment, various old and new customers that we continue to add and the potential kit value going from INR 4,000 to about INR 20,000 in our legacy and products that we are already manufacturing and supply as well as under development.

Moving on to the next slide is the value proposition of Minda Corporation. So just in the interest of time, I will skip this. But the interest and focus continues to be on how we can perform sustainable and grow year-on-year and quarter-on-quarter, delivering our customers and focusing on innovation and technology.

Last not the least is our immense focus on the ESG framework and how to become carbon-neutral in the next years. Minda Corporation has also won various awards from our customers and across various social responsibility campaigns that have been conducted not only in India but across the world.

With this, I would like to conclude my presentation. And now I would like to open the floor for any questions. Thank you.

**Moderator:** Thank you very much. The first question is from the line of Abhishek Jain from Dolat Capital. Please go ahead, sir.

**Abhishek Jain:** First of all, congrats on a strong set of numbers in this tough time. My first question is related to the information and connected systems business. So how do you see the growth going ahead in the wiring harness business? And what kind of the margin guidance you have in this business?

**Aakash Minda:** Yes, Abhishek, wiring harness continues to be the nervous system of the vehicle. And if you see the latest trends from BS-IV to BS-VI and in various segment such as electric vehicle mobility, more-and-more premiumization happening in the car. The content of the wiring harness is set to grow forward and even more. It depends on the segments as well as on the ICE or EV type of a vehicle. But technically, again I would not be able to give you a number on the particular growth. But it is going to be in line or even better than the industry growth, having more-and-more content per vehicle, such as connected systems in the electrical vehicle mobility and others.

On the margin front, we do not give future guidance. But again, our endeavour is to continue to improve the performance on the wiring harness due to the various initiatives that we have been continuously taking on manpower productivity, component localization, strengthening our plants and production process.

**Abhishek Jain:** So as the semiconductor prices is going down, can we see a double-digit margin in the wiring harness business?

**Aakash Minda:** So, semiconductor is more related to our electronics business, which comes to the clusters and sensors and now the keyless solutions and the electric vehicle mobility. In wiring harness, yes, there are some semiconductors, depending on the end application and the products. But wiring harness is not too much invested when it comes to the semiconductors. It is the other product lines where we have more electronics.

**Abhishek Jain:** Okay, sir. And in wiring harness business, how was the rates in FY '23, two-wheelers, CVs and the passenger vehicles and Off Road?

**Aakash Minda:** So largely, it remains in line with the group overall segmentation. So about 50% comes from the two-wheelers, about 25% to 30% comes from the commercial vehicles and the remaining comes from off-road and other segments.

**Moderator:** Thank you. The next question is from the line of Radha from B&K Securities. Please go ahead.

**Radha:** Sir, my question was on the mechatronics division. So, with respect to the locksets, I wanted to understand what is your share of business with top customers like Bajaj, HMSI, TVS, Hero, Suzuki?

**Aakash Minda:** So, ma'am, I will not be able to share the exact numbers. That is the confidential information. But largely wherever and whichever product Minda Corporation works in, either with the customer or in the segment, we are one of the leaders, having more than 30% or 35% share of business across segments. In the two-wheeler lockset, which is higher, we have more than about 40%, if I may say. All customer segment level, it may vary from different customer-to-customer.

**Radha:** Understood, sir. But could you tell us where the share of business is higher, from which customers and from which it would be lower? Like maybe, higher from Bajaj and lower from TVS, is that the case?

**Aakash Minda:** Ma'am, I think you are putting a question in just another way. As I told you, at the industry level it is more than 40%. I will not be able to give you a breakup due to confidentiality with our customers on the customer breakup.

**Radha:** Okay, sir. No worries. Sir, that Honda Activa, the new series scooter launched by HMSI. So, I believe they have a different kind of lockset. I'm not sure whether we can call it smart locks, but maybe an advanced lock system. So, are we supplying that product to them?

**Aakash Minda:** Ma'am, as I said, I cannot disclose a particular customer name for the products. But yes, Honda is one of our customers for the keyless solutions.

**Radha:** Okay, sir. So then from the industry perspective, I believe in your opening remarks, you mentioned that 10% of the revenue is from smart locks. And in the industry, you are talking about, I mean, what is the penetration of smart lock in the industry today? And how do you see it in the next three to four years?

**Aakash Minda:** Ma'am, currently, the industry in India is about 5% to 7% in the penetration of the smart access solutions. Of course, with exports and the large premium bikes and the EVs coming in, the penetration is much higher compared to the lower-end segments and the commuter bikes.

**Radha:** 5% to 7%? So that is including the...

**Aakash Minda:** Yes, that is right. For the two-wheelers, I mean, the next mid-term to long term, this definitely will be increasing from two perspectives. One, when the premiumization across verticals is happening, customer demand is focusing more on personalization and convenience and comfort moving from high end to the lower end of these vehicles. And of course, the export market continues to grow as well.

**Radha:** Sir, how much do you see this 5% to 7% in the next few years?

**Aakash Minda:** Ma'am, it depends again, but technically, we can say in the next mid-term to long term, about 30% to 40% should be the target that we have in mind.

- Radha:** Sir, any models that you can name, which are having 5% to 7%, I mean, which we can call as smart locks. You may not be supplying to them, I'm not asking about your supplies. But I mean, what are the models that are currently using smart locks in the two-wheeler industry in the Indian market?
- Aakash Minda:** For example, there's Ola Electric, there is Hero VIDA. There are some TVS products. There are Bajaj Chetak. So, we have some of the models.
- Radha:** Okay. Sir, Bajaj Chetak will call that as a smart lock, wouldn't they? The button and -- they have that button system okay, understood, sir. And sir, what would be the price difference you said between normal locks versus smart locks?
- Aakash Minda:** Ma'am, a normal lockset is about INR 300 to INR 400. And the smart lock, where the locks are keyless ignition, can depend on the various configurations. But the average rate price is about INR 2,000 to INR 3,000.
- Radha:** Okay, sir. And sir, lastly, what would be your maintenance capex per year?
- Aakash Minda:** Ma'am, typically, our depreciation is about 4% to 5%. And typically speaking about maintenance for regular capex is typically about 1%.
- Radha:** Maintenance capex, 1%.
- Aakash Minda:** Yes. Maintenance and other regular capex, not particularly maintenance capex.
- Radha:** Sir, 1% of what?
- Aakash Minda:** The revenue, ma'am.
- Moderator:** Thank you. The next question is from the line of Dhananjay Kumar Mishra. Please go ahead, sir.
- Dhananjay Mishra:** Congratulations on a decent set of numbers. Sir, just wanted to understand in the EV segment, this kit value, which you have mentioned. So, from traditionalized ICE vehicle, then we are close to I mean, we can provide the kit value up to close to INR 8,000 to INR 10,000. So, have we reached this kit value for any of the customer as of now or where we are in terms of kit value with a particular customer?

- Aakash Minda:** So, as I mentioned, this is the potential maximum kit value that we can offer. Currently, if I say that we are offering somewhere between INR 10,000 to INR 12,000 is what we have currently reached and which is under mass production.
- Dhananjay Mishra:** Can you repeat? I didn't get the numbers.
- Aakash Minda:** INR 10,000 to INR 12,000.
- Dhananjay Mishra:** And that is a potential we can -- but are we -- have we got order from any customer to get this much kit value for a particular model?
- Aakash Minda:** Yes, we have. I cannot name the customer or model, but...
- Dhananjay Mishra:** No, I was just asking, I mean, whether we -- because you have increased this mechatronic, we have increased our -- this thing by INR 2,000 to INR 3,000. And then in information and connected systems, we have increased to INR 2,000. So, we can provide INR 8,000 to INR 10,000 kind of products for EV. So that's what I ask. And in terms of just for the earlier cost, what was the total capex put together in FY '23 and whether it be maintenance or new capex, or what is your plan, if you can give for FY '24 as well?
- Aakash Minda:** So, for the last year or the full year FY '23, it's INR 250 crores.
- Dhananjay Mishra:** Okay. And breakup you can give, specifically in which segment we have?
- Aakash Minda:** So, breakup is generally, if I may say, is about 2% to 2.5% growth in the engineering and R&D, about 1% to 1.5% growth in the regular and maintenance capex, about 1% to 2% growth in our plant upgradation or new plants or other such things. So, this is the breakup of the 4% - 5% of the capex.
- Dhananjay Mishra:** So, for growth, we don't need to increase capacity for a particular plant capacity. This is regular maintenance and this will do will take care of growth for next two, three years?
- Aakash Minda:** So, different plants and different product lines have different capacity utilizations. So, mechatronics or business vertical 1 in the keyless solution or in the lockset, have about 55% to 60%. In the wiring harness, again we are about 58% or 60% capacity utilization, in interior plastic about 80% and EV division is currently is still near about low 25% to 30%.

This is just some of the numbers that I'm giving you as we're coming up with the new plants, new low-cost automation as well as we focus on, with current infrastructure, how we can increase our revenues and having flexible lines and other such innovative ideas on how we can sweat our assets more and generate more-and-more revenues & profitability.

**Dhananjay Mishra:** Okay. And lastly, one question with this die casting, if you could give the quarterly revenue number for die casting and for the full year also, how it has grown?

**Aakash Minda:** Yes. For the quarter 4, for the die casting, INR 185 crores. For the full year, for the die casting, about INR 730 crores. On a full year basis from -- in FY '22, it was INR 522 crores. So, on a full year basis, it has grown about 40%.

**Dhananjay Mishra:** Okay. But just one more question with the investment to Pricol. So, we have shown intent to increase our stake in the company. So, are we also in talks with them, I mean, any advanced talk is happening or you're just stated the Board approval?

**Aakash Minda:** It's a financial investment in terms, Dhananjay. And we have applied for CCI full governance and compliance. So that's where it basically stands as of now.

**Moderator:** Thank you. The next question is from the line of Mihir Desai from Pendulum Investments. Please go ahead.

**Mihir Desai:** Sir, I had two questions on the macro front. So, I just wanted to check with you, how has the global market landscape impacted your company's performance?

**Aakash Minda:** So, besides India, if you look at various reports, like the next 10 years are India Inc., and due to the various concerns of geopolitical issues, COVID etc., of course, the other markets are under pressure, whether it's America or Europe or other such countries. So, coming to Minda Corporation, definitely exports for this particular quarter are under pressure. But our interest and focus is always to be winning new orders. So, even when there is a pressure from the export market, we try to outperform them.

**Mihir Desai:** Sure, sir. Sir, also, I just wanted to check what are the steps that we are taking to address the supply chain challenges and disruptions?

**Aakash Minda:** So, there are various activities or actions and strategies are in place. First, commodity inflation or indexation, we have back-to-back agreement with our customers. And we have strategy, strategizing with our suppliers as well in terms of time and amount. That's number one.

Number two, of course, there are various strategies when China Plus One de-risking or that are happening. So, we are looking at localization of our components to our various suppliers and supply partners. As an organization, now we are heavily working on various important topics such as the quality, cost and competitiveness with our business partners. So as a group, we want to take up our supplier partners the way our OEMs have taken and groomed up and grown up over the years. That's our strategy so that we grow with us to support the next generation of technologies and the requirements that are there from a financial perspective, financial health perspective, quality, operations and, of course, all compliance perspective, including ESG as well.

**Mihir Desai:** Sure, sir. Thank you. Sir, also, I just wanted to check, what is the progress on ongoing research and development initiatives?

**Aakash Minda:** As I said that we continue to focus on our own core products and areas and technologies. The idea is that how we can focus on the case or case which is connected, autonomous, shared and electrification. So, all the products are going through the premiumization route and using the comfort, convenience and individualization and personalization. So, we are now focusing on how all our products can be moved and can be taken shaped with these requirements and trends.

So, we are making all our products into electronics and adding with our own design centre for how we can focus on personalization in different processes and different types of thing on that aspect. We continue to also have multiple new R&D and innovation products and projects, which are totally advanced, and new for not only India but for the world, which are under the incubation phase or are in the R&D phase for various technologies in our own product line and how we can look at into new technology and new partnerships perspective.

On the electric vehicle space as well, on electric vehicle mobility, we continue to add products in-house as well as through partners, through technology



partners as well as engineering centers on the product capability. Also, as an organization from our R&D center, we are working on filling more-and-a-greater number of patents and how to improve the design quality within automotive and coming up with new trends and technology that you will see in the new vehicles available in two-wheelers or four-wheelers.

**Mihir Desai:** Sure, sir. Thank you. Sir, lastly, one broad question, which I wanted to ask you is that, sir, as an investor, say, currently five years down the line, what would be the strategy of a company and from current where we are? How do you look at the company, say, five years down the line, sir?

**Aakash Minda:** So, at a very large level, we would like to move from components to complete system solutions provider. All the product lines and the domain, what we are doing is we would like to develop our different technologies and complete system solution offering with respect to the three or four product lines and the product domains, which we are into, currently running many products, and how we will be consolidating and integrating them to offer a system solution.

From that perspective, also having a downstream plan in terms of our operational excellence and becoming a cost leadership in that respect. And of course, all the value chain, when it comes to the people and employees and partners. On the numbers front, of course, we would like to move ahead of the market. If the market is growing flat, we would like to be higher by about 10% to 15% and which we have consistently showed over the last 2.5 years, three years. And also, in the remarks, I also mentioned that I would like to -- we would like to have an organization committed to grow above 20% to 25% year-on-year at Minda Corporation. Most importantly, it has to be a sustainable and a growth journey quarter-on-quarter.

**Moderator:** The next question is from the line of Harish Shah from HS Investments. Please go ahead.

**Harish Shah:** So, this is basically with regards to how do you see operational efficiency kicking in? Are we taking any digital transformation initiative? And the second question is with respect to expanding our international footprint, if you can provide any steps that we have taken for that?

**Aakash Minda:** Yes. So again, we are into the manufacturing business and automotive. So definitely, operational excellence is the most important forty for us. And

especially with the ongoing setups and technology changes and the customer demand, we have to fall much faster in line.

For those initiatives, we are, firstly, setting up and providing our state-of-art plants and improving end-to-end traceability, low-cost automation, robotics, business excellence, IoT and all such digital control in the process. And we are partnering up, and already we have partnered up with various external companies to strengthen this. And also, we have a very strong internal team to continue on the group business excellence, what we call. Sorry, can you maybe repeat the second question, please?

**Harish Shah:** Sir, my second question was with regards to strengthening our international and global presence. If you can just provide any update, any direction towards that aspect?

**Aakash Minda:** Yes. So of course, there are two cores to that. We are based in India. What we are focusing on how we can, firstly, increase the exports content and products from India to all over the world, looking at the various good opportunities that are coming across the Indian continent. That's number one. We do not have plans to acquire any companies which are having large operation based overseas. So, our focus remains on how we can be in India and work for the exports and have a larger share of revenue from the export businesses in the next years to come.

**Harish Shah:** Okay. And my last question is with regards to our mechatronics division. How do you see the margin panning up in the coming quarters?

**Aakash Minda:** So, the mechatronics division in our presentation also we had showed at about 13% to 14% EBITDA. While, of course, we want to grow this and we will see in upcoming quarters and there will be increase in the content electronics, etcetera, first and most important is to stabilize this. And then we will continue to improve its year-on-year. We're changing technology, we need to first utilize our capacities, get adjusted to the new volumes and the customer demand, deliver most importantly and then focus on how growing year-on-year.

**Moderator:** The next question is from Saral Seth from Indsec Securities & Finance Ltd. Please go ahead.

**Saral Seth:** Sir, my question pertains to how do we plan to increase our content per vehicle from here going ahead over the next 2 to 3 years across segments? Because we are seeing decent premiumization, which is happening across the board. So, do we still feel that there is room for further penetration in our products to increase content per vehicle?

**Aakash Minda:** Yes, absolutely, it is not even the beginning, if I may say, Saral. As you see the bike, cars, etc., are all going through premiumization. And if I speak about our products for vehicle access, so from a traditional lock and key, as I mentioned earlier, we're now moving to keyless solutions. And this is only the 5% to 7% penetration as of now. Going forward, of course, it is only going to increase.

When it comes to the wiring harness content and increasing kit value, as I had mentioned earlier as well, the increasing number of connection systems, high-voltage cables, more complex wiring harnesses are definitely going to lead to increase in the content per vehicle. In the instrument clusters and space analog clusters are moving to digital and TFT clusters with more of personalization and comfort and convenience which is more of a dashboard or a cockpit and more driver information system and connected.

So, this is how the clusters are now moving, which all of us would like to get connected to our phone and others. That is again a very less penetration. And all these technologies are into the only high-end vehicles, whether in two-wheelers or four-wheelers. And slowly, they will rather pass. They will come into the low-cost commuter segments, which is where the volume lies across India. Other product lines that we're also continuously adding is again in terms of sensors, increasing the portfolio.

Interior plastic division, we've added many products such as ADAS, Shark fin antenna, flush door handles and other various technologies, particularly in the EV space and electronics of telematics intelligent transportation, there is a vast array of products, which are now moving from a traditional car or a two-wheeler to a high-end connected, personalized and advanced vehicle. So, this is how the penetration will increase and more and more kit value for Minda Corp will increase.

**Saral Seth:** Right, sir, that was very detailed answer. Sir, my second question is on the aluminium die casting. How do you see the business shaping up over the next

2 to 3 years? We have done well to ramp up this business. But do you see any competition in this business? Or do you feel that there is enough room for growth?

**Aakash Minda:** There is definitely a lot of opportunity when it comes to the light weighting aspect. Because when more and more electric vehicle mobility is coming in and the world is speaking about emission systems and the other such things, which is where the aluminium casting or the die casting comes in. And as I would like to again share, Minda Corporation die casting division has a 40% year-on-year growth in this last year and more and more exports coming in going forward.

So definitely, there is a room for growth. We would like to continue to focus on our domestic as well as export market. We have a strong team with excellent amount of technology to cater to the need. We are well placed in the next 4 to 5 years with respect to any technology that is needed in the light weighting solutions.

**Saral Seth:** And sir, this aluminium die casting, how much would be domestic and how much would be export, sir, if you can share that number?

**Aakash Minda:** So technically, you may say about 60% is domestic and about 35% - 40% is exports.

**Saral Seth:** And would it be fair to assume, sir, that the margins in this business are higher than the blended margin, sir?

**Aakash Minda:** Yes, of course. But I would like to also highlight that the capex and the below EBITDA number just in terms of depreciation are also higher in this business compared to others because it is a highly capital-intensive business.

**Saral Seth:** And sir, any new product launches, which we are doing in aluminium die casting wherein we can gain market share or take new orders?

**Aakash Minda:** Yes. The focus is definitely on electric vehicle mobility. There are various players and there are many opportunities that are coming in again from the motors or battery package housing or other converter businesses. So, there are various product lines that we are working on for the EV die casting products.

**Saral Seth:** And sir, my final question, if I can squeeze in, sir, what is the -- I mean, there were questions about margin trajectory. But I would like to understand what are the levers for margins going ahead? Is it like sustained cost optimization? Or are its raw material tailwinds? Or is its better realization-led operational efficiency which could come in, sir?

**Aakash Minda:** So, I think you answered all your questions you had asked. But it's the mix of all. And again, while there are pressures from the raw material, wage increase to various states like we have seen all across, the margin definitely continues to be under pressure. But as an organization, our focus is on how to gain cost leadership in the manufacturing from in-house all the way to our suppliers.

So definitely, the indication with our partners, how we can focus on increasing productivity and manpower productivity improvement, more and more dependent on automation and robots is something that we will be looking at in the future. As well as the products that we are going to be working on and are working on, of course, we'll be needing much more automation rather than manual lifting, which will be reducing the manpower dependency and increasing the quality as well as productivity and efficiency and profitability.

**Moderator:** The next question is from the line of Radha from B&K Securities. Please go ahead.

**Radha:** Sir, my question is on the aluminium die casting side. So, just wanted to understand, I believe that as we move on from aluminium to zinc and to magnesium, so I mean, the value content or the product improves. So, is there a margin difference if we are providing aluminium die-casted products versus zinc and magnesium die-casted products? And what would that be?

**Aakash Minda:** Very challenging question. But again, we are primarily into aluminium casting. We are not into magnesium casting. Of course, there are more pros than cons when it comes to the technology per se. But more importantly, the application of each of the zinc or aluminium or magnesium casting plays an important effect. Honestly, I cannot comment on the profit margin across all three.

**Radha:** Okay, sir. And sir, I mean, if we see the magnesium die-casted product, I mean, is the industry -- or do you believe the industry can slowly start moving to the magnesium die-casted products at least in the premium vehicle? And this year,

what is the penetration now? And I mean, if the industry moves towards it, will it start with the passenger vehicles and so on?

**Aakash Minda:** Magnesium casting is a very critical process. And it is very safety-critical if I may say, compared to zinc or aluminium, by the nature of it. So, there are not too many players in India who do that. But yes, as a technology, it does exist. But immediately, the application needs to be Validated and tested, which will take many years to come, in my opinion, as an individual?

**Radha:** And lastly, out of the components that we make in the aluminium die-casted products, I mean, what percentage of that we would be making for products that are in Engine subcomponents or transmission subcomponents and components that will not be required in the EV engine? And what would be our strategy to when the industry replaces those products, what would be our strategy to cover that part of the revenue?

**Aakash Minda:** So firstly, again these are both types of products that we make for either ICE engine or, then there are EV batteries are motor-related. And then there are products which are EV-agnostic or Indian-agnostic, which does not matter whether it is a car engine. So, there's a variety of mix and across segments. Export is also again on the IC engine side as well, which is also growing. But we are very clearly launching new EV die casting products, which will not hamper our IC engine product in the casting step.

**Moderator:** The next question is from the line of Monika Arora from Share Giant Wealth Advisor. Please go ahead. As there is no response, we will move to the next question. And the next question is from the line of Rajesh Kumar from Reliance Wealth. Please go ahead.

**Rajesh Kumar:** My first question is on the working capital. How do you see in future your working capital days to evolve? What are the company's strategy on that?

**Aakash Minda:** So, the challenge in the automotive industry is definitely continuously increasing the working capital. Like one of the key matrix's that we also monitor and working towards that. And hence, as I mentioned, one of the important factors in that is our suppliers or our creditor partners. This is where we are working with them on how we can strategize to decrease our inventory days as well as their payment term results. And there are, of course, MSME

norms which the government has set of 45 days and all. So, this is one aspect that we're working on across various segments.

Number two is, of course, on our work-in-progress inventory and Finished Goods inventories that we look at. So, inventories definitely are an important aspect with more and more imports due to the electronics now coming in and the customers mandating and requiring us to have a high number of lead time items in our inventory. That is where the inventory number of days go up.

When it comes to the customer aspect of it, definitely, there are sector norms. Customers are good paymasters and are traditional ones, there is no issue in that. But yes, where in some cases, we manage them appropriately if in case. But we are constantly reaching out to them on how to reduce our debtors' days on that aspect. So of course, if you see, yes, our working capital days has gone up from 30 to 40. But we are working on these fronts, as I mentioned, to come down significantly.

**Rajesh Kumar:** Sir, my next question is we have entered into two strategic partnerships in FY '23. Can you help us in giving some colour how this has panned out so far and their potential impact on the business going ahead?

**Aakash Minda:** So, when it comes to the Daesung Eltec, it's concentrated on the ADAS solutions. So, this is a company from Korea. And what we are here targeting now we basically L zero application in India from that point. So currently, our team is working with our Korean counterpart on the application for the Indian environment as well as the Indian end customer usage. That's what we are continuously working on. Because the products that they have developed are for international usage. That's one.

On the second side, of course, we are working on the customers and demonstrating our samples, putting onto their vehicles to get more and more interest into that front. When it comes to the telematics, LocoNav company. Minda Corporation is offering on the hardware and LocoNav is offering the cloud and the software solution to that. So, as a joint system solution offering, we are working with various partners or with the customers to offer them a complete solution on this aspect. So of course, our products are in the market, which is on the vehicles, whether in EV or in IC engine across segments.

**Rajesh Kumar:** Sir, my next question is how about your targets for the strategic partners and especially post pricol? How will you be able to finance it?

**Aakash Minda:** So again, this is a financial investment. So, we will see when the opportunity comes what will be done and what can be done. But of course, we are much more confident on our performance and our balance sheet than ever. With the way we've already said before is that you can see the numbers and the next year targets are also much, much higher for us and we as an organisation are committed to deliver more and more free cash flow. So, you will see when the opportunity comes, whether it is any and all JVs or TLAs or M&As. And we will evaluate them at the right course of action.

But as an organization, we are focusing on bringing in new partners through JVs and TLAs for completing our system solutions and offering advanced technologies. And we will come back to the market and to you whenever there are developments, which will be soon. Of course, when it comes to M&As, we are open to all opportunities that come our way. We have the full bandwidth and have developed the management capability to grow further through M&A route as well.

But yes, we are very clear on what we are not going to do. We are not looking at any companies which are outside India and are also in the product range or product lines of Minda Corporation, which are the domains that we are already working in. So, there are some clear norms that we have set up for M&A as well as technology assistance and partnerships.

**Rajesh Kumar:** Sir, on ROCE, what is the level you are targeting in the long run? And what are the strategic levers or your strategies to achieve the same?

**Aakash Minda:** So, our ROCE is again currently moved from -- if you see over the last few years, we have gone from 15% to 20% this year in the last 3 years only. And if you look at the FATR of the organization, we are somewhere on the 4.2x to 4.5x. And this year, we have done about 5.4x. So, with the nature of the products and our product line strategy, this is how we continue to invest in the products, which are going to continuously give us high ROCE numbers. And this is a key parameter in the metric before any capital allocation that we do for any new project or even a new partnership or a plant.



**Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Aakash Minda for closing comments.

**Aakash Minda:** So, thank you very much. Going forward in FY '24, we are very confident of growing better than the industry or performing the industry with our own capabilities and technologies and customer engagement. We continue to focus on delivering numbers and performance on consistent and sustainable basis. And we are developing our ability to navigate the market challenges by relentlessly focusing on new products, R&D, innovation and strategic tie-ups to cater to the evolving demand of the automotive space.

Our strategic approach will remain on fortifying our core products and expanding our products and customer base both by attracting new clients and deepening our relationships with existing ones. We are fully poised and confident of margin-accretive growth in the next years to come. Thank you for your support.

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