"Minda Industries Limited Q4 FY'16 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Minda Industries Limited Q4 FY'16 Earnings Conference Call. 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 involved 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 please signal an operator by pressing * and 0 on your touchtone phone. Please note that conference is being recorded. I would now like to hand the conference over to Mr. Sudhir Jain. Thank you and over to you, sir.

Sudhir Jain: Good evening colleagues and friends. I welcome all of you to this investor call. Along with me are Tripurari, Rana and SGA, our IR consultant. I hope you have had a look at our financial results and presentation that is uploaded on stock exchange as well as company website.

I will speak briefly on the industry and give an update on our performance. Following which we would be happy to reply to your queries questions. Now some background about the auto industry. Automotive industry ended financial year 2015-2016 on a positive note growing by 3% year-on-year, this was mainly led by strong growth from Passenger Car segments and Commercial Vehicles. For the Indian passenger vehicles industry in particular fiscal year 2015-2016 was an exciting one with sales crossing 2.7 million unit marks the highest ever. This was mainly driven by flurry of new Car launches across host of segment platforms and price band. This not only honed the appetite of Indian car buyers but also gave a much needed fillip to industry’s growth momentum. This was very much visible in the volume performance which grew by 7.2% which was in line with the industry expectation of 6% to 8%.

Commercial Vehicle segment which comprises Medium Commercial Vehicles, Heavy Commercial Vehicles and Light Commercial Vehicles has started to recover from the prolonged slump that lasted two years, growing by 12% year-on-year during financial 2016. This growth is mainly on account of 28% growth achieved by the Medium Commercial Vehicle and Heavy Commercial Vehicle sector. while the LCV segment could grow only marginally by 2% year-on-year due to slow revival in private final consumption expenditure. However, reversal trend has begun.

Two Wheeler segment recorded tepid sales with Motorcycle struggling to maintain volumes on account of poor rural demand. Scooters were saving grace growing by 11% year-on-year. Overall Two Wheeler segment underperformed industry expectations. The year 2015-2016 was a land mark year for the Indian Scooter Industry as the segment crossed 5 million units for the first time ever. While the Scooter segment will continue to grow Motorcycle volume is expected to pick up depending on the surge in rural demand and new technological advancements boosting fuel efficiency.

Unlike Commercial Vehicles Three Wheeler segment is struggling to maintain growth. During the financial year 2016 it has remained flat. With continuing emphasis on manufacturers on new model launches aggressive capacity expansion and MET predicting normal monsoon. Rural as well as urban demand is expected to increase substantially. Additional demand is also set to come from the payouts of the seventh pay commission.

Before I move on to the financial performance, we would like to highlight that Board of Directors have recommended final dividend of Rs. 4 per share that is 40% of the face value. Along with the interim dividend of Rs. 3, the total dividend for financial year 2016 would be at Rs. 7 per share.

Now, coming to the annual consolidated performance during the financial year, company registered revenue of Rs. 2,527 crores a growth of 13% year-on-year mainly driven by volumes growth across product lines. EBITDA is at Rs. 238 crores growing by 54% year-on-year. EBITDA margin has improved by 250 basis points to 9.4%. We are putting all our efforts in sustaining and improving up the current margin levels.

PBT before exceptional item was at Rs. 134 crores a growth of 112% year-on-year, PAT after minority interest was at Rs. 110 crores of 64% year-on-year from 68% in the previous year with a margin of 4.4% EPS for the year is about Rs. 70 against 42.7 in the preceding year. Cash PAT for the year is at Rs. 204 crores a growth of 35% year-on-year. Debt to equity ratio is 0.76 as on last date of the financial year, our return ratios have also improved during the year ROCEs at 18% plus vis-à-vis 15% in the last year while return on equity has improved from 18% to 26% in the current year.

Now coming to the specific product line, which is contributed about 43% of the total consolidated turnover. India sales accounted for 92% of sales in 2016. International business has increased with PT Minda, Indonesia; SAM Global of Singapore getting consolidated this division grew by 16% year-on-year mainly on account of higher volumes. Overall EBITDA margin is at 10% however, pure manufacturing EBITDA is in the range of 14%. Capacity utilization of this revision is 80%-85%.

Moving to Lighting system division, lighting division contributed 18% to our total turnover. India sales accounted for 92% this division grew by 3% year-on-year in revenue terms. However, management continues to focus on high value, high margin lamps and the same is visible in EBITDA margin improvement to 11% from 8% in the preceding year. This division also witnessed increase international business from PT Minda. Capacity utilization of this division is in the range of 75% to 80%. With the objective of attaining leadership position in the automotive lightening system, we have signed a definitive share purchase agreement to acquire 100% stake in Lighting business of Rinder Group, Spain. Acquisition is expected to be completed in either two weeks to three weeks.

Coming to the horn divisions, horn division contributed 22% in financial year 2016. India horn business contributed 37% to total horns division, a growth of 10% year-on-year. Clarton Spain revenue of Rs. 316 crores. EBITDA margin improved further to 15% in 2016. Clarton's new facility in Mexico has become operational, manufacturing and supplies has begun for Volkswagen, Daimler and BMW. The other product lines have also started contributing in a such manner to the financial performance of the company.

In particular, I would like to highlight performance of Minda Kyoraku which is into blow moulding and MJ Casting which is in die cast part have achieved turnaround. On our new Alloy Wheel plant at Bawal, which has operational in the current year with a capacity of 7,20,000 units for passenger vehicles. Manufacturing and supplies have begun for Maruti Suzuki's Vitara Brezza and Baleno Platforms in the month of May 2016.

Under on-going corporate re-alignment, Company bought Uno Minda stake in JV, making it 30% partner in JV entity. Thus, the company is now India's largest manufacturer of 4W alloy wheels with capacity of 1.44 million units per annum.

To maintain the growth momentum that we have reached, management continues to work with three pronged strategies. 1. Consolidating group structure to simplify group structure under; under this program the company has appointed KPMG to work on the scheme to simplify corporate structure in a most legal compliant manner. KPMG laid out first phase of consolidation and its implementation is currently underway. Under this company has increased stake in JV and other group company. All the investments are being made at book value or close to value as per the valuations obtained by reputed valuers. Details are given in the presentation as well as in the notes to accounts. 2. Technologically driven inorganic growth 3. Continuous organic growth in existing and new product lines.

With this, I would invite any query and will open the floor for Q&A. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Sachin Kasera from Lucky Investments. Please go ahead.

Sachin Kasera: Sir, if you can give some highlights regarding this restructuring that you have done. What will be the incremental turnover that we will get from this three – four companies where we are increasing our stake in FY'17? And secondly, if you could just throw light on the profitability of the horn division and the new Lighting business that we are going to acquire and also your overall for FY'17 and the CAPEX plans also.

Sudhir Jain: MJ Casting is being merged with Minda Industries Limited during the following current financial year in 2016-2017 but it will not affect the top-line and the bottom-line because MJ Casting is already 98% subsidiary of Minda Industries and the financials of MJ Casting are already being consolidated with MIL the only difference is that in H1 it was about 51%

ownership and in H2 it became 98%. As far as PT Minda and Vietnam is concerned, already 51% holding of these two companies is with Minda Industries Limited and in H2 of 2015-2016 to that extent consolidation has already taken place. So the balance 49%, now after this approval of the scheme will happen, which we hope that in 2016-2017 financial year we would be in a position to consolidate 100% of PT Minda as well as Vietnam with Minda Industries Limited.

Sachin Kasera: So, sorry sir to interrupt, so as on 31st March, 2016 the holding is 51% is that understanding correct in both Vietnam and indonesia**Sudhir Jain:** Yes, you are right, yes.

Sachin Kasera: And so what will be the amount that we will have to pay to increase from this 51% to 100% in Indonesia and Vietnam sir?

Sudhir Jain: Yes, under the scheme about Rs. 60 crores - Rs. 65 crores as perthe valuation and this would be paid not as a cash outgo in one time but redeemable preference shares are proposed to issued and these redeemable preference shares would be redeemed as per the scheme over a period of five years.

Sachin Kasera: Rs. 60 crores - Rs. 65 crores, sir, is for both Indonesia and Vietnam combined sir?

Sudhir Jain: Yes, and MJCL.

Sachin Kasera: And MJCL, okay.

Sudhir Jain: Because it is a composite scheme, Yes,

Sachin Kasera: For 49% we will have to pay Rs. 32 crores - Rs. 33 crores in terms of preferential?

Sudhir Jain: Yes,

Sachin Kasera: Okay, Yes, sir. And sir, what will be the contribution you think from Indonesia and Vietnam in FY'17 because of this 100% stake that we will now have in the current financial year?

Sudhir Jain: It would be estimated about Rs. 15 crores at least.

Sachin Kasera: In terms of PAT, that is at the PAT level, sir?

Sudhir Jain: Yes, Rs. 15 crores, Yes, at least.

Sachin Kasera: Sir, if you can give some outlook for FY'17 and the CAPEX plans?

Sudhir Jain: Okay, I think as far as the CAPEX is concerned, on MIL consolidated basis about Rs. 60 crores - Rs. 70 crores is the maintenance CAPEX, okay. And to the subsidiaries, I think, we would be pumping in some cash which would be around Rs. 15 crores, so I will say Rs. 85 crores would be the cash CAPEX investment.

Sachin Kasera: And sir, if you can give us some outlook on this new acquisition that you have done. How do you see that integrating with Minda and what is the type of contribution it can start making to EBITDA and bottom-line is one to two years.

Sudhir Jain: You are referring to Rinder acquisitions?

Sachin Kasera: Correct, yes, sir, on the Lighting side.

Sudhir Jain: Yes, so Rinder acquisition they are having in India they are having three manufacturing plants, they have R&D center in Spain which is the part of the deal and they have got on JV company in Columbia. Total turnover of Rinder is about Rs. 350 crores so, in the coming financial year which is 2016-2017 about Rs. 350 crores would be added to the top-line. The EBITDA in Rinder is about 10% double-digit EBITDA in Rinder India so this will get consolidated after acquisition.

Sachin Kasera: Okay. But sir, main thing that we are looking forward is what is the type of benefit in terms of integration and further margin improvement which is possible in our Lighting business or in the business of Rinder itself after the acquisition of Minda?

Sudhir Jain: Yes, understand. So the purpose of the acquisition is not only the turnover and the business but the purpose is also basically to acquire the new technology which Rinder is having and as I refer to we have also acquired as part of the deal R&D Center in Spain, having said that there is good scope for synergizing our operations in Lighting with that of Rinder. Rinder is also having three manufacturing plants in India at Bahadurgarh, Pune and Pimpri. In Minda Industries also we are having plant in north of Delhi, Manesar, Pune and in Chennai. So the study is going on and we are planning to consolidate these operations and re-organize our activity in all these plants. All this should lead to operational synergies and improvements due to better efficiencies and better organization. Exact percentage at this time may be I would not like to guess and share, I would request in case you wait for one or two quarters for that.

Sachin Kasera: But do you see that sir, your market share in Lightening will improve post this there will be on step-up jump because of the acquisition of Rinder but post acquisition do you see further market share improvement possible for Minda in the Lighting business?

Sudhir Jain: Yes, definitely. As you said, immediate the market share will improve because of the acquisition of the Rinder. Today I mean before acquisition Rinder and we compete in the market but now it is part of our stable and in future also with the technology and with the combined strength of both our Lighting and Rinder we are working to increase our market share also.

Sachin Kasera: Okay. And just one last question, sir normally you have been guiding at 20%-25% growth so do you think for FY'17 you can look to achieve 20% plus top-line growth?

Sudhir Jain: Yes, we are looking at more than 20% top-line growth and mainly this will come not only because of the improvement in the sentiments in the auto sector but also because of the acquisition of Rinder. Secondly, as I was referring earlier, our new Alloy Wheel plant at Bawal, has been commissioned and commercial production has started from this month. This plant will also contribute to the turnover during 2016-2017.

Sachin Kasera: And do you see sir, EBITDA margin at least going to double-digit this year?

Sudhir Jain: It is almost there but you are right I mean it should cross 10% and we are working towards that.

Moderator: Thank you. The next question is from the line of Kashyap Zaveri from Capital 72 Advisor. Please go ahead.

Kashyap Zaveri: You have given this break-up of revenue on slide number #33 Switch, Lighting, Horns and Others. Now Others would be what primarily Alloy Wheels or there is something you know what else is included in there? Or I say within that others what would be Alloy Wheels?

Sudhir Jain: You are referring to which slide?

Kashyap Zaveri: Slide number #33.

Tripurari Kumar: #33, one minute. If you look at the consolidated business the Switch, Light and Horns they are the three major products in others they will have MJCL which is the company which is making Aluminum Die Casting products then there is Minda Kyoraku which does Blow Molding component which goes to the AC Ducting, Energy Absorption Pad, Washer Bottle, et cetera, then there is a company called Minda Emer Technology Limited which does CNG kits and those are the three major products which are outside...

Kashyap Zaveri: So what would be Alloy Wheels contribution to this 17%?

Sudhir Jain: Alloy Wheel business last year was nominal because around we did our trading sales in Alloy Wheel. This year if you look at the number, we are hoping that at least 50% to 70% ramp-up that we should achieve these number should be more than Rs. 150 crores. Yes, Minda Kosei is just in terms of top-line. Minda Kosei just contribute around Rs. 20 crores last year which is primarily trading sale and we say that number should be more than Rs.150.

Kashyap Zaveri: Okay. And when you say 50% to 70% that is of 1.44 million units.

Sudhir Jain: Correct.

Kashyap Zaveri: Okay. In this Alloy Wheel segment last two quarters this talk about Anti-Dumping Duty on import from certain countries, has that been notified now or it is still not?

Sudhir Jain: No, it has already been notified and Anti-Dumping Duty is in place as well as the import of Alloy Wheels are concerned. So your observation is right.

Kashyap Zaveri: And in which case what would be now let us say per unit realization when we start our own sales?

Sudhir Jain: Now I will talk of general trend in the market. before Anti-Dumping Duty on an average Alloy Wheel was selling in terms of in case I will tell you per kg about Rs. 300 per kg after Anti-Dumping Duty it is in the range of Rs. 360 per kg - Rs. 370 per kg and sometimes Rs. 380 per kg also.

Kashyap Zaveri: Okay. Second question is in terms of you know, after sales as a percentage of total revenue as of today is roughly about less than about 30%. What is your outlook on in same?

Sudhir Jain: After market is also steadily increasing.

Kashyap Zaveri: Less than 20% of the total what is your outlook

Sudhir Jain: Yes, so as per slide #33 it is about 18% and in absolute terms definitely it is increasing in percentage terms, I think, it will remain about 20% or so the reason being, our OEM sale is also increasing year after year. So relative position of the aftermarket vis-à-vis OEM remains almost same as far as percentage is concerned however, in absolute terms aftermarket sale is increasing, so every year may be we are doing around Rs. 450 crores aftermarket sales. So we can safely assume that it is also growing at 20%-25% year-on-year.

Kashyapb Zaveri: And the margins between the two segments how would you split margins?

Sudhir Jain: I mean the statement would be as in aftermarket margins are better. Having said that considering the volumes in OEM overall volumes. I will say, both are at par and aftermarket premium also we can command, in case, we are the leader in the OEM for our products. So both goes hand in hand and complement each other.

Moderator: Thank you. We will take the next question from the line of Pankaj Bobade from Axis Securities. Please go ahead.

Pankaj Bobade: Just as you said in answer to earlier question you mentioned that Rinder would be contributing Rs.350 odd crores to the forthcoming year. So currently as we have Rs. 2,500 crores of consolidated top-line so if I include Rinder, it will be around Rs. 2,850 crores and assuming 20% growth in that. Would it be safe to assume that we will crossing Rs. 3,500 crores of top-line next year and at a roughly 10% EBITDA margins?

Sudhir Jain: I think your estimate is okay that is what we are aiming and we are working for unless and until there is unavoidable, unforeseeable circumstances assuming the auto sector Passenger Car will grow at the rate of 7%, Commercial Vehicle about 15% to 20% and Motorcycle 3%-4% plus additional Rinder sale, we should aim for 3,500.

Pankaj Bobade: Right, sir. Since we have already had our EBITDA margins expanded to 250 basis points so do we see growing at this level to or we will be growing at a bit flatter pace I mean in EBITDA Margins.

Sudhir Jain: I would say, there should be some improvement.How much very difficult to forecast and predict. Let us wait for two quarters.

Pankaj Bobade: Great. Sir, just wanted to understand what is the position of Gujarat plant of HMSI?

Sudhir Jain: No, that plant has been set-up and production has started in HMSI Gujarat plant.

Pankaj Bobade: Right, sir. How much do we source from HMSI Gujarat plant?

Tripurari Kumar: We are currently servicing HMSI Gujarat through our production facilities in Manesar which is being warehoused in Gujarat currently. Once there is sufficient volume which Picks-up then we will set-up the facility there.

Pankaj Bobade: So as Mr. Sudhir Jain said that HMSI Gujarat plant started but we are servicing them though Manesar plant, right?

Sudhir Jain: Yes, you are right.

Pankaj Bobade: Sir, last question sir, just wanted to understand what is the debt position right now? how much debt do we have?

Tripurari Kumar: The debt will be consolidated debt position will be around Rs. 365 crores - Rs. 370 crores.

Sudhir Jain: To be precise, let me tell you the debt equity ratio as on 31st March is 0.5. Against net worth of Rs. 600 crores the debt long-term short-term all kinds of debt is about Rs. 380 crores, we are borrowing some funds for the immediate needs to finance the Rinder India which we have already done even after considering the acquisition of Rinder India the debt equity position would be 0.75.

Pankaj Bobade: Okay, so this year in FY'17 we will be increasing our debt over and above this Rs. 380 crores?

Sudhir Jain: Yes, there would be some increase in debt but at the same, I mean due to Rinder financing and to be precise Rs. 380 crores of debt will become about Rs. 480 crores, a Rs. 100 crores increase but having said that there would be repayment of the existing debts and installments also during the year. So the net impact on debt-equity that it will income it will become 0.65 to 0.75.

Pankaj Bobade: Okay. And how much of that is INR and how much of that is in USD terms?

Tripurari Kumar: Close to 5 million to 6 million of borrowings is in million Euros.

Pankaj Bobade: Okay. And at what cost of debt?

Tripurari Kumar: You know our weighted average cost of borrowing in the Euro currency currently is around (+2.6%).

Pankaj Bobade: Okay. And what is the cost of debt for Indian debt?

Tripurari Kumar: Weighted average number would work around 11-11.5%.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments Managers. Please go ahead.

Pritesh Chheda: Yes, so just to reconcile your numbers on consolidation, so basically next year the MJ Casting and I am referring to your presentation MJ Casting has a PBT of about Rs. 14 crores. this MJ Casting PBT would have half year of 100% consolidation. Then which has Indonesia and Vietnam my guess is, we will see half year extra consolidation in FY'17 because it was let us say 51% in FY'16 and it will become 98% in FY'16, so there will be some up sides on this 14 plus 17 so, about Rs. 31 crores of PBT number, right on consolidation?.

Tripurari Kumar: I will tell you on guidance, last year both the company including the PTMA and Vietnam and MJCL, they were not reflected in the same manner till July and in case of MJCL it has happened only in August so, the number that you see in this financial year is a reflection of nine months and that to in case of PT Minda and Vietnam you see it only for 51% so that reflection will become a 12 months' number which will translate into which will be Rs. 12 crores to Rs. 15 crores of PBT next year.

Pritesh Chheda: Okay, this is MJ Casting plus ASEANput together Rs. 12 crores to Rs. 15 crores extra.

Tripurari Kumar: On a full year basis.

Pritesh Chheda: Yes, on a full year basis, then there will be another Rs. 15 crores on account of Rinder?

Tripurari Kumar: Rinder PBT number we have not given as of now but believe it will be a 10% EBITDA that should come from this.

Pritesh Chheda: Okay. So Rinder will get added. Clarton was of full year as a part last year itself.

Tripurari Kumar: Yes, you are right.

Pritesh Chheda: Okay. And last Minda Kosei Alloy, now I am just wondering you have a capacity of 1.44 million wheels and when I looking at your presentation you are putting a revenue number of Rs. 20 crores. Is it this is 30% consolidation of Rs. 20 crores or actually Minda Kosei Alloy's revenue is Rs. 20 crores?

Tripurari Kumar: For the last financial year FY'15-FY'16, the number that you see of Rs. 20 crores is trading sales which Minda Kosei bought from a third-party which is now a part of our company and sold it to Maruti. so there was no production last year.

Sudhir JainTripurari Kumar: So let me clarify, one minute, I think your observation regarding 30% is correct in the sense. Today we have got two companies for Alloy Wheel, what you are talking is the new company which is Minda Kosei Alloy Wheel which has been commissioned in the month of May. This Rs. 20 crores turnover is from Minda Kosei which is a trading sale. And this material was procured from the plant in south. The plant in south is Kosei Minda Aluminum in which Minda Industries hold 30% equity. So, actually there are two plants one in south, one in north. In south plant, Minda Industries own 30% and Kosei our JV partner owns 70%. In the north plant which is Minda Kosei the Minda Industries own 70% which is a reverse of 30 and Kosei owned 30%.

Pritesh Chheda: So now I will ask this Chennai 720,000 unit, so how much is the utilization there and this 720,000 unit in Haryana my guess is there the production has started in May 2016, right.

Sudhir Jain: Yes, you are right. You are very right. Now as far as the south plant is concerned the capacity utilization is about 95%.

Pritesh Chheda: Okay. And that does now get consolidated in this P&L which you are reporting on consolidated basis?

Sudhir Jain: You are right because Minda holds only 30% equity. That is according Indian Accounting standard that is an associate company.

Pritesh Chheda: Now if you could tell us in Haryana this 7,20,000 capacity that you have how much will be the utilization in FY'17? what kind of revenue can it generate? and what kind EBITDA can it generate for FY'17?

Sudhir Jain: I have already indicated earlier this is one of the first year of its operation so we hope that the revenue will be more than Rs. 150 crores at least and on the EBITDA guidance I think 6% to 7% EBITDA this year considering this is the ramp up year for us.

Pritesh Chheda: And this 150 crores corresponds to what utilization if you could tell us or what volumes?

Sudhir Jain: Currently the capacity which is commissioned is 30,000 by month of we will see this capacity ramp up to 60,000. so, therefore you can look at an average number of utilization at the rate of 50% for the full year.

Pritesh Chheda: Okay. So basically let us say 3,50,000 wheels and Rs. 150 crores revenue with 7% margin.

Sudhir Jain: Yes.

Pritesh Chheda: Okay. And we have already invested the capital which is needed in this business?

Sudhir Jain: Yes, it is already done.

Tripurari Kumar: For 60,000 wheels it has already been done, Yes, you are right.

Pritesh Chheda: It is done because the presentation refers to investment of Rs. 200 crores in Phase-I of production so that is invested.

Tripurari Kumar: Yes,

Pritesh Chheda: How much equity did you invest on this Rs. 200 crores?

Tripurari Kumar: 40% on the equity mix of which 70% was financed by Minda Industries Limited. So out of 200 crores, 140 crores are the total equity in the company.

Pritesh Chheda: Okay, in which 70% is yours.

Tripurari Kumar: Is ours and 30% is Kosei JV partner.

Pritesh Chheda: Okay, Rs. 56 crores basically.

Sudhir Jain: Yes, you are right. Of which we have contributed as land also which is worth Rs. 25 crores - Rs. 30 crores.

Pritesh Chheda: Okay. So basically cash outgo might be Rs. 25 crores - Rs. 30 crores then.

Sudhir Jain: Yes, you are right.

Moderator: Thank you. The next question is from the line of Basudev Baneerjee from Antique Stock Broking. Please go ahead.

Basudev Baneerjee: I joined a bit later in the call I might have missed it. Few questions one, if I see your full year revenue in the switching system growing handsomely compare to the Lighting system revenue broadly remaining static but despite that your switching margin has remained static on the other side Lighting system margin has improved 300 basis points so, how to look at the scope of improvement in switching segment margin and sustainability of the Lighting segment margin.

Sudhir Jain: As far as Lighting is concerned firstly, your observation and analysis is correct. Now I will start with the Lighting. During the year there is a considerable improvement in Lighting operations. I have mentioned in the past calls that in Lighting, we invested in last two years expanded our capacity in Manesar also Pune also. And we set up a child plant in Chennai also. So during the year, we could improve the capacity utilization as well as considerably improve the operational efficiency of all these plants including the new investment and that is the result of improvement in the bottom-line in Lighting.

Vasudev Baneerjee: But sir, your Lighting revenue is broadly static year-on-year?

Sudhir Jain: Lighting revenue, it has moved up, I think, the figure from Rs. 265 crores to Rs. 300 but anyway having said that the whole emphasis was on operational improvement and with about 10% growth in revenue only. As far as, Switch is concerned, there is some improvement in the margin but not much. what has happened that because of this lack of growth in the Motorcycle during this year which is 2015-2016 practically Motorcycle has not grown so, whatever was our estimate of the turnover which we could not achieve. Actually we have achieved about Rs. 50 crores less than what we were aiming at in Switch and additional capacity was also created earlier, not in this year in the past, Switch in Hosur and as a result of the less sale, due to less Motorcycle growth. We are not able to improve much in the bottom-line in case of Switch.

Basudev Baneerjee: But in Switch sir, export revenue seems to have increased substantially.

Tripurari Kumar: Yes. This is around 9% of export volume.

Basudev Baneerjee: And third thing sir, your Horn system, Acoustic revenue broadly seeming flat for almost last five- six years as per the presentation.

Tripurari Kumar: In Acoustic, what has happened in fact if you look at our press release that you have given out we will see that long waited inroad in Maruti has been achieved. We will see substantial movement this year in terms of businesses that we are going to do with Maruti and we have already started supplies with our another model which is called YM3 so which will bring at and bring about Rs. 8 crores of sale and then we have further order from Hyundai as well so that should look at positively given an impact on the acoustic division.

Basudev Baneerjee: Sir, this fourth quarter if I see your standalone margin on sequential basis remaining broadly flat, whereas your consol margins have improved substantially almost 200 basis points, so simple maths suggest ex-standalone margin has improved significantly by almost 400 bps sequentially, so how much is the sustainability of that and what were the reasons or any one-off?

Tripurari Kumar: No, I think, no it is not on-off case. We are targeting to improve the margin levels from the current financial year that we have closed, so that number should see an incremental growth of anywhere between 0.5% to 1% before the year closes.

Basudev Baneerjee: So you mean ex of standalone 13% margin is sustainable?

Tripurari Kumar: Yes

Basudev Baneerjee: And Rinder will be a significant chunk of ex-standalone revenue and that is around 10% margin?

Tripurari Kumar: So we are looking at a 10% EBITDA because that business is still to be integrated with us but last year the indication that we have . it reflects that they have done achieved 10% of EBITDA with their operations and we hope to be able to increase it further.

Basudev Baneerjee: Sure. And any outlook on Alloy Wheel margin sir?

Sudhir Jain: Alloy Wheel I think considering south plant is already profit making, north plant which is currently in first year of its operation, we hope to achieve the stable numbers in EBITDA by close of FY'17-18.

Vasudev Baneerjee: So what can be a potential margin one should look out for…

Sudhir Jain: I was saying that in terms of margin we hope this number will be around 7% for EBITDA.

Vasudev Baneerjee: 7% in 2017?

Sudhir Jain: For the north plant, for the new plant, yes.

Vasudev Baneerjee: And south existing?

Sudhir Jain: Existing, it is already profit making it is more than 12%.

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

Raghunandan: Sir, just wanted to understand what would be the share of bought out goods or traded goods in our revenue and whether that portion can come down going ahead and how can be the positive impact on margin? Secondly, if you can give some light on or give an update on the battery business and how do you see the ramp up going up? That is, it from my side, thank you.

Sudhir Jain: As far as the trading business is concerned, out of Rs. 2,500 crores about 10% to 12% of this would be from trading. But when I say trading business, it is not simple trading. In our Switch division, when we say Switch sale, actually we manufacture Switches, we assemble Switches and we supply complete handle bar assembly. Handle bar assembly means we buy the handle bar and some other products and fitted with our switch grips and other components we supply to the OEM. So we are the system supplier to the OEM and switches, grips, levers are one of the part of these. So trading sale means because we buy handle bars and some components which we fit on the handle bar, we call it a trading sale. So in the total turnover about 10% will be trading sale, but in this handle bar assembly also there is a value addition. This is as far as the trading sale is concerned.

Raghunandan: Come down sir, is there any chance that this portion can come down actually I had visited your plant at Pune I had seen the handle bar assembly happening for the Bajaj Vehicle.

Sudhir Jain: Good, very good. So I do not think it will go down much because we are focusing on our core products as far as some backward integration whether we will make handle bar in house so of now there is no such plan. But I will take it as a suggestion and we will see in case something can be added in house. Your second question was on the battery.

Raghunandan: Yes, sir, how do you see the ramp up happening in that business sir?

Sudhir Jain: As far as battery is concerned yes, there is a JV and we are in the process of executing that JV and in the meantime, let me tell you this JV is with the Panasonic. Panasonic and we together have already upgraded our battery manufacturing facilities at Pantnagar. As per the understanding and the original plan about Rs. 90 crores cash were to be invested for setting up Four Wheeler battery lines as well as industrial battery lines, which has been done.Trial productions are going on together. In the meantime, what has happened that Panasonic globally is in discussion with Yuasa Japan to hive off its automotive lead acid battery business. So their discussions are also going on and we hope that in next two or three months' time, the picture would be clear as far as the alliance between Panasonic and Yuasa globally is concerned. Having said that, as far as our plant in Pantnagar is concerned, we hope to start production somewhere from July or August. Initially, we will start in a small way and then ramp-up, so the real impact is expected only second-half of FY16-17.

Raghunandan: Sure, sir. And it will be mainly for the replacement margin, right sir?

Sudhir Jain: Yes, I will say yes, we will cover the OEMs also but as you know in battery the margins are better in replacement market than in OEM but in the long run we will try to maintain a ratio of 65-35, 65% in the aftermarket, 35% in the OEM.

Raghunandan: And sir, last question. Can you give a broad mix between batteries that is Two Wheelers, Four Wheelers?

Sudhir Jain: May be with your permission I would like to share the specific data on this next quarter. So as I mentioned that production is likely to start somewhere in July and August.

Tripurari Kumar: The mix will be bias towards four-wheeler and Two Wheeler invertible batteries also.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Lucky Investments. Please go ahead.

Sachin Kasera: Just one again follow-up on this battery business, you said that Panasonic will be going to drive this business from hereon. Does Panasonic have strong relationship with any of the Japanese OEMs which can be leverage to at least enter the OEM business in India, sir?

Tripurari Kumar: Just to give you a brief Panasonic is already supplying to Maruti and Toyota in India, it is currently exporting from its plant in Thailand and it is exporting and is supplying to Toyota and Maruti. And we are planning to have major place in aftermarket and 40% will be towards OEM.

Sachin Kasera: So as far as your arrangement with Panasonic, this imports still happening from Thailand will be replaced from the production facility in India.

Sudhir Jain: Yes, you are right, as soon as the production will start from our plant in Pantnagar, then battery from Thailand will stop. So basically we will ramp up and we will reduce the quantities there.

Sachin Kasera: But any sense that we have from Toyota and Maruti, sir what is the share of business we can get on the OEM from them?

Sudhir Jain: Again I think, I will just repeat, I would like to share the specific may be in the next quarter, no, as I said also what is happening simultaneously that this plant is ready for production which will go in the month of July but at the same time Panasonic and Yuasa are also into discussion at a global level. So the picture would be very clear may be in two months' time.

Sachin Kasera: Sure, sir. Sir, one question on the Clarton, if we refer to your Slide #34, the PBT margin is 1.8% - 1.9% for Clarton which much lower than the company's standalone as well as consolidate average margin. So what are the specific steps we are taking to improve the margin at Clarton or you think this 1.7%-1.8% PBT margin is what is sustainable?

Sudhir Jain: No, I think just to conclude that number, what has happened this year is Clarton expanding out of Mexico this year. So this year has been a ramp up year there. A lot of capital expenditures have happened and sales have been only for last three months, so that is the reason why the margins have been slightly sluggish. In the next year, the margin at the PBT level should be at least around 3% to 4%.

Sachin Kasera: And how do use the revenue for Clarton with the ramp-up of Mexico facility?

Sudhir Jain: Approximately €6 million of sales will be added with Mexico capacity.

Sachin Kasera: And on this MDSL, which is your distribution company for aftermarket, there also your margins are probably 0.5%, the PBT so do you think is hope to improve margin there also?

Sudhir Jain: What has happened there is, we have been expanding our channels to enable and supply other products including battery so there is some sort of cost that has been witnessed in MDSL this year.

Sachin Kasera: Okay. Sir, one final question regarding the restructuring you in the presentation mentioned that the Phase-I is now under implementation, once this is done. Is there also a Phase-II that is going to be implemented in the next two - three years?

Sudhir Jain: Yes, I think as soon as this is over, we will file the scheme in the High Court after shareholders' approval, so this would be a continuous process and parallelly we will take up few other products and company which are not party of MIL and that will also be brought under MIL.

Sachin Kasera: Sir, just to give us a sense after this Phase-I is completed Minda Industries would be representing what percentage of the UNO MINDA Group sir?

Sudhir Jain: It would be next year, the turnover of Minda Industries should be after Phase-I about Rs. (+3,500) crores out of the total group turnover of say about 4,500.

Sachin Kasera: Okay. So another 25%-30% is something that will come in over to the next.

Sudhir Jain: And that we would be targeting to consolidate in another 18 months from now.

Sachin Kasera: So hopefully in FY'20 all the entire UNO MINDA will come under Minda Industries.

Sudhir Jain: I think by March 2018 the whole group companies would be under MIL.

Moderator: Thank you. We will take the next question from the line of Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Sir, on the MJ Casting if I look at nine-month and 12-month number for MJ Casting, the sales in nine-month was Rs. 99 crores and its Rs. 163 crores in the 12 months reported so that means as a host of the revenue is around Rs. 64 crores on that number is that correct?

Tripurari Kumar: Okay, let me just give you the assessment of MJCL. What has happened is, last two quarters of MJCL have been profitable in comparison to the first-half of the financial years. Usually over the last quarter what happens is that we have able to consolidate with our OEMs in terms of if there is any possibility of price increase or price decrease that has to be passed through so usually that happens in the last quarter. Our benefit has been achieved to some extent in the last quarter for MJCL and otherwise speaking in general MJCL has really gathered pace with the orders that have increased from WABCO. So we hope that the production in company in the next month.

Ashutosh Tiwari: But no what kind of margins you delivered EBITDA margin how much how much in the fourth quarter Rs. 163 crores?

Tripurari Kumar: EBITDA margin in the fourth quarter you want to know?

Ashutosh Tiwari: Yes, fourth quarter, Yes, because the PBT numbers look too high in 64 crores of sales for the fourth quarter.

Tripurari Kumar: In MJCL we are looking at EBITDA margin of around in the last quarter we have achieved close to 19%.

Ashutosh Tiwari: 19%. But sir, the PBT number if you look at Rs. 14 crores on sales of 64 crores something like 22% PBT margin something missing over here or what?

Tripurari Kumar: Come again, Ashutosh.

Ashutosh Tiwari: See in 12-month period MJ Casting revenue reported Rs. 163 crores and...

Tripurari Kumar: If you can, just understand one process which is price increase which is usually passed on by OEM to the auto component supplier like us, what happens is price increase given in the last quarter it is for the entire year.

Sudhir Jain: Ashutosh, as Tripurari was mentioning that this price increase or decrease, in this case MJCL case price increase has come in the H2 and particularly the Q4 of this year and this price increase is given after negotiations for the full year.So part of that also relates to the sales made in Q1, Q2, Q3 of 2015-2016 and naturally it would be carry forward as it is once the prices is increased in the subsequent quarter.

Ashutosh Tiwari: Okay. On normalized basis, how much EBITDA margin will you make in the MJ Casting for next year and what is your revenue target over there?

Tripurari Kumar: So we are expecting that it will be more than 15%-16% in MJ Casting.

Ashutosh Tiwari: 15%-16%?

Tripurari Kumar: Yes.

Ashutosh Tiwari: And how much revenue roughly we will target?

Tripurari Kumar: Revenue should be between Rs190 Crores to Rs200 Crores.

Ashutosh Tiwari: Okay. And secondly, as you said Minda Kyoraku fourth quarter looks very good, there also how much margin we can deliver next year?

Tripurari Kumar: No, I think we are likely to maintain that margin in MKL because we have already have a paint shop which is operating at a good capacity utilization so we should be able to maintain that margin.

Ashutosh Tiwari: And how much…

Tripurari Kumar: 14% to 15% in that band.

Ashutosh Tiwari: And lastly on Clarton, Clarton also in the fourth quarter Rs. 96 crores of revenue and Rs. 5 crores of PBT so what are the margin for the last quarter, Clarton?

Tripurari Kumar: So if you look at Clarton what has happened it is expanding in Mexico. So last quarter our line has been shifted. Initially we were working on an assembly and completely knock down basis from the month of November but the line was being commissioned so that line is now commissioned they should be able to start production at their own facilities now. So from April onwards, the production has started. So last year, there was some pre-operated expenses which were booked in the Clarton, that is why the margin is slightly lower but next year we should be able to revive this number.

Ashutosh Tiwari: But if you look at the fourth quarter numbers the margin looks very good Rs. 96 crores of revenue Rs. 5 crores of PBT.

Tripurari Kumar: This is also you know all this some reflection of the foreign currently factor also.

Ashutosh Tiwari: Okay. How much is normalized margin now for Clarton?

Tripurari Kumar: We are looking at a PBT of around 4% to 6% depending on which quarter last quarter we have achieved around 6%.

Ashutosh Tiwari: Okay. And on this stake in PT Minda and Vietnam business Rs. 60 crores - Rs. 65 crores will be spent for 49% or just the total value of the company?

Tripurari Kumar: Come again what 65 crores in?

Ashutosh Tiwari: Rs. 60 crores - Rs. 65 crores that is pending for this PT Minda and…

Tripurari Kumar: This is for 2% stake in MJCL, there is a debt which will also be transferred so which is approximately some 3% to 4% of debt of these entities also because of some demerger exercise that we are doing PTMA and MJCL some debt will also be coming. So debt will be swapped for a preference debt and equity will also be swapped with the revenue and preference share. So in all, as a composite scheme will be paying around Rs. 65 crores to Rs. 70 crores.

Ashutosh Tiwari: This will be only for the remaining stake?

Tripurari Kumar: 49% is in PTMA, 49% in MIVCLand 2% in MJCL along with certain debt that is yet transferred to these entities to that extent they will put all valued around Rs. 66 crores.

Moderator: Thank you. Ladies and gentlemen, that was the last question, I would now like to hand the conference over to the management for their closing comments.

Sudhir Jain: Okay, thank you for joining the call and we hope we have been able to respond to your queries adequately and if you have any further queries you can get in touch with us or SGA who is our Investor Relations Advisor. Thank you. Thanks once again

Moderator: Thank you very members of the management team. Ladies and gentlemen with that we conclude this conference. Thank you for joining us and you may now disconnect your lines.