"Minda Industries Limited Q4 FY2018 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Minda Industries Limited Q4 FY2018 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 involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sudhir Jain – Group CFO, Minda Industries Limited. Thank you and over to you Mr. Jain!

Sudhir Jain: Good afternoon friends. Warm welcome to all the participants. On the call today, I am joined by my colleagues, Mr. Tripurari Kumar, Mr. H.S. Rana and SGA, our Investor Relations Advisors. I hope you have had look at our financial results and presentation that has been uploaded on stock exchange sites as well as company website.

I will speak briefly on the industry and then give an update on our performance, following which we will be happy to answer your queries.

About the Auto Sector

India's auto industry has a potential to generate about USD 300 billion turnover by 2026, creating 65 million additional jobs and contributing about 12% to India's GDP. The sector is expected to remain in the robust growth horizon over the next five years with volume growth in the region of 6% to 8% every year.

On the onset of the new financial year 2018-2019 automobile sales have shown a robust high double-digit growth in the month of April 2018 over last year. Growth can be largely seen as the low base effect of the previous year same month especially in the two-wheeler and commercial vehicle segments due to the implementation of the BS4 compliance. Sector has grown by 15% year-on-year with all segments contributing positively to this growth.

Industry is expected to witness continued strong growth on factors like forecast of good monsoon, implementation of BS4 and with effect of GST behind us. However, some adverse factors like rising fuel prices and rupee depreciation may pose a threat to the growth to some extent. We are confident that our Company will continue to outperform the industry growth as we will continue to focus on increasing our kit value with all OEMs and increase our product range with the help of innovation and R&D.

Now coming to Minda Industries performance.

At the outset, we are pleased to inform that board has recommended issue of bonus shares to the shareholders of the company in the ratio of 2 bonus shares for every 1 existing equity share held by shareholder as on the record date to be fixed separately subject to the shareholders and other regulatory approvals. The approval of the shareholders is being sought shortly. We are very pleased to inform that Board of Directors have recommended final dividend of 80% of face value, pre-bonus on the face value of Rs.2 per share. Thus total dividend for the year would be 140% of face value (Rs.2), including interim dividend of 60% already distributed.

At a consolidated level during FY2018, Company has registered revenue of Rs. 4,470 Crores, which gives us a growth of 32% over preceding year of revenue, which is Rs. 3,386 Crores.

EBITDA during the period was Rs. 534 Crores, a growth of 43% year-on-year from Rs. 374 Crores in FY2016-2017. EBITDA margin was 12% in the year under reference as compared to 11% of 2016-2017.

PBT before exceptional item in the current year under reference was at Rs. 367 Crores, a growth of 73% year-on-year from Rs. 212 Crores in the preceding year.

PAT attributable to MIL grew by 88% from Rs. 165 Crores in 2016-2017 to Rs. 310 Crores in 2017-2018. Normalized PAT (our share) for the year is Rs. 256 Crores.

During Q4 of 2017-2018 at a consolidated level, Company registered revenue of Rs. 1,371 Crores giving a growth of 53% year-on-year from Rs. 897 Crores of Q4 of 2016-2017. This was primarily driven by:

- Improvement in the performance of Mindarika, Minda Kosei, MJ Castings and Rinders India.
- Standalone business grew 26% year-on-year, which was largely driven by two-wheelers switch and lighting business.

EBITDA was at Rs. 170 Crores, a growth by 62% year-on-year from Rs. 105 Crores in Q4 of the last year. EBITDA margin was 12.4% in Q4 of 2017-2018 as compared to 11.7% in Q4 of 2016-2017. These margins have been achieved on the back of lower raw material cost on a consolidated basis and higher capacity utilization in new businesses like Minda Kosei, Roki Minda etc. We believe these margin levels are sustainable and we have focused on managing our costs.

PBT before exceptional item for the Q4 of 2017-18 was at Rs. 119 Crores, a growth of 85% year-on-year compared to Rs 64 Cr for Q4 of the preceding year.

PAT attributable to MIL grew by 141% from Rs. 56 Crores in Q4 of 2016-17 to Rs. 135 Crores in Q4 of 2017-18. The normalized PAT, which is before exceptional item is Rs.81 Crores for this quarter.

Now coming to the product specific

Switching System: This segment achieved revenue of Rs. 1,580 Crores for 2017-18 contributing about 35% of the total consolidated turnover of the MIL. EBITDA margin in this segment was around 12% during this year.

Lighting System: Lighting division achieved revenue of Rs. 1,164 Crores in 2017-18 contributing 25% to our total turnover. EBITDA margin in this segment was around 9.9% this year.

Acoustic Division or Horns: Acoustic division achieved revenue of Rs. 717 Crores in 2017-18 contributing 16% to our total turnover. EBITDA margin in the segment was around 8%.

Other product lines have also started contributing and showing good traction as a whole. We achieved a revenue of Rs. 1,100 Crores in 2017-18 from other products including filters, including alloy wheels, Blow molding, aluminum dye casting etc. Several products amongst these consistently achieving higher margins, on a consolidated level we have been able to achieve an EBITDA margin of 15.8% from these other category.

Business update

Plants of Minda KOSEI, which is into alloy wheels, and Minda Rika, which is into switching for 4 wheelers, has started production in Gujarat last week. Investment done is Rs. 200 Crores in alloy wheels and Rs.59 Crores in case of 4 wheelers switch plant.

Minda Onkyo plant in Haryana for speakers has started production in September 2017 in which investment of about Rs.50 Crores has been made. Minda TTE DAPS plant in Haryana for Reverse Parking Assistance System (RPAS) is expected to start production by the end of current financial year, which is FY2018-2019 in which investment of about Rs.35-40 Crores is being made. Minda Industries Limited is in the process of acquiring additional stake about 42% in Toyoda GOSEI Minda Private Limited (TG Minda). With this acquisition, we would be having about 48% stake in TG Minda. TG Minda is a joint venture company with Toyoda GOSEI, Japan. It is expected that the transaction will be completed by end of June 2018.

During the year MRPL, which is into 4 wheeler switches, has become subsidiary of Minda Industries Limited with effect from January 1, 2018. Denso Ten Minda in which group held 49% and Minda D-Ten in which group held 51% has been consolidated with MIL with effect from January 1, 2018 as a JV company.

The company will be hiving off 2 wheeler lighting business located at Sonepat to Rinder India Private Limited, a 100% subsidiary of Minda Industries Limited at book value. The purpose and the idea behind this is that Rinder India which we acquired about two years ago is mainly into 2 wheeler lighting, so our existing plant of 2 wheeler lighting which is part of MIL would be transferred to Rinder India and all of our 2 wheeler, 3 wheeler lighting business would be consolidated in Rinder India.

This is all from our side and now we open the floor for Q&A.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. We take the first question from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Congrats on an excellent set of numbers. Firstly, on the MJ Casting I think we have seen very strong almost 33%, 34% kind of sales growth this year, so what is driven that kind of growth and how do you see the business going ahead?

Tripurari Kumar: Predominantly the growth has been backed by higher prices of aluminium on the London metal exchange and that corresponding led to higher increase otherwise in like-to-like terms tonnage the capacity remains where it was last year. It is a better utilization and we are also serving customer like WABCO where our share of business is increasing.

Ashutosh Tiwari: But we have not seen 34% increased in the aluminium prices I think it must be driven by volumes?

Tripurari Kumar: There is increase in volume plus the increased amount of sales to WABCO which you will see as a higher percentage reflecting in our slide in terms of customer mix so that is the highly engineered aluminium casting that we sell. Capacity utilisation has also gone up by another 5% ,but largely it is driven by the movement in metal prices.

Sudhir Jain: As compared to Q3 around Rs.63 Crores sale was there and in Q4 it is Rs.75 Crores.

Sudhir Jain: Ashutosh, it is a combination of both volume increase as well as core aluminium price increase, so this is a better capacity utilization also in this quarter and of course our sales to WABCO has increased.

Tripurari Kumar: Below 10% in last year now we have moved up to 16%.

Ashutosh Tiwari: It is margin.

Tripurari Kumar: Yes, margin business.

Ashutosh Tiwari: And secondly the standalone margins are pretty good at about 5% and the full year 10.3% for standalone, so how do you see this margin going ahead in FY2019 and 2020?

Sudhir Jain: As far as MIL standalone is concerned, I think we would maintain these kinds of margins in times to come. We do not see substantial improvement in these margins. As I have been sharing earlier also that as of now Minda Industries have got products, which are matured. So volume wise also and market wise also they have already matured products and of course we are upgrading the technologies etc., etc., into these products. Some scope is there for improving margins in lighting and hopefully we can see that if not in FY2018-2019, but from 2019-20 margins in lighting should improve, but to be on a safer side presume that similar margins as of 2017-18 will remain in next one year or so as far as MIL standalone is concerned. Additional margins will come mainly from new components and new joint ventures, which we have entered into in the last three to five years.

Ashutosh Tiwari: Standalone margins would still be around 10.5% right?

Sudhir Jain: 10.5% at least in FY2018-2019, some improvement expected from 2019-20 as I said from lighting and others.

Ashutosh Tiwari: Alloy wheel plant is commissioned now so how do you see the ramp up I think we did roughly Rs.430-435 Crores sales in FY2018, so how would that number looks like FY2019 in Toyoda GOSEI?

Tripurari Kumar: Around Rs.650 Crores for the full year.

Ashutosh Tiwari: Okay and this is primarily driven by Maruti?

Tripurari Kumar: Yes, largest customer continues to be MSIL, but we also sell to Mahindra & Mahindra and Suzuki Maruti Gujarat.

Ashutosh Tiwari: And lastly Rinder how much sales you did in this year, how much growth last year?

Tripurari Kumar: We have captured on the slide #5 where additional sales from Rinder for this full year is Rs.40 Crores around Rs.430 Crores is this year.

Tripurari Kumar: Last year was Rs.386 Crores, now is Rs.426 Crores.

Ashutosh Tiwari: Okay and how do you see this going ahead because in lighting, we are seeing towards LEDs in two wheelers basically and how do you benefit on that and can we visibly growth has been very well because of the extra growth in terms of shift to LEDs?

Sudhir Jain: There is a shift, which is already happening in the LED, and this is opening up opportunity for us also. Just to recollect one of the main reasons for acquiring Rinder was LED technology available with them. So we are getting traction and orders for LED lamp, which we led of course to the topline in times to come and that is why I mentioned also partly because of these partly because of the productivity improvement, which we are trying that margins in lighting we expect to improve from 2019-20 onwards not necessarily in 2018-19.

Ashutosh Tiwari: What is the overall sales of our Rinder in the fourth quarter?

Tripurari Kumar: Rs.110 Crores.

Ashutosh Tiwari: Okay Sir. Thanks a lot.

Moderator: Thank you. Next question is from the line of Jayshree Ram from Karvy Stock Broking. Please go ahead.

Jayshree Ram: Good afternoon to you Sir and thank you very much for the opportunity and congratulations on a great set of numbers. With regards to your EBITDA margin expansion that we are seeing higher utilization rates what levels you think these are sustainable in terms of lighting and switches if you could stress on switches also?

Sudhir Jain: As far as at a consolidated level is concerned, EBITDA margin of 12.4% in Q4 now place into on an annualized basis about 12% plus, so we are sure that these kind of EBITDA margins are sustainable in the coming years rather we are looking that on an annualized basis it should be of the order of 12.5% specifically about switches and lamp.

Tripurari Kumar: Already at 12% it should be on the same line as the growth, so we should move closer to 12.5%.

Sudhir Jain: Lighting is slightly lower than the growth average. I mentioned earlier also answering to as Ashutosh question that there we are specifically looking at and we hope some improvement from 2019-20 onwards.

Jayshree Ram: What would be your consolidated utilization rate?

Sudhir Jain: Consolidated for all the plants put together would be of the order of about 80% having said that new capacity has come up in Gujarat only recently starting this Roki Minda now Kosei Minda which is aluminum wheels and four wheeler switches Mindarika, so they are naturally except Roki Minda other two plants has just started, so that need to be ramped up, so it will take some time.

Jayshree Ram: And EBITDA margin decline in and acoustic system any reason?

Tripurari Kumar: In CLARTON Mexico, there is a expansion going on and that is the reason there is some pre-operating costs that we have incurred and that is why you have overall slightly lower EBITDA margin. The second line is under construction. Hopefully next year they should close around 8-9% EBITDA margin.

Jayshree Ram: So you expect this is sustained at 10% levels right now is 8%, so can we consider this?

Tripurari Kumar: About 9%, should move up.

Jayshree Ram: Last question regarding the kit size of your components when you see that the kit sizes, kit value is higher for 4 wheelers and if you also look at your composition, your 4 wheeler revenue has substantially grown up, so going forward is that in terms of value how much of it is going to contribute in terms of operating profits?

Tripurari Kumar: In terms of sale mix we will see almost 50:50 split between 2-wheeler and 4-wheeler, 4-wheeler will also include passenger and the commercial vehicle because largely the other businesses, which we have consolidated this year, are focused on 4-wheeler business.

Moderator: Thank you. We take the next question from the line of Arpit Kapoor from IDFC Mutual Fund. Please go ahead.

Arpit Kapoor: Thanks a lot Sir and congratulations for great set of numbers. Sir just on the switches part so this quarter I believe we had integrated the numbers of MINDA RIKA and if I do rough cut calculation, the margin for that part of the business comes around 16%, so would that understanding be correct and to that extent for the full year next year also the four wheeler switch margins should help you get to 12.5% margin guidance that you have given.

Tripurari Kumar: No I think MINDA RIKA business on a full year basis because of Q4 numbers are higher it appears slightly big but overall on a full year basis we do almost 13% EBITDA and we believe on a blended basis 12.5% should be sustainable.

Arpit Kapoor: In terms of the other thing was the TG Minda part, so that JV since we have formed, there will be no impact on the sales, but we get proportionate profit addition in the bottomline?

Sudhir Jain: Yes, you are right. So topline will not increase because that we cannot consolidate so only proportionate profit will come.

Arpit Kapoor: What kind of opportunity do you see going into 2020 with regulation coming in so what kind of an opportunity or revenue potential can that business have?

Sudhir Jain: We see it is a great opportunity and two key products, which are coming is airbags getting compulsory, RPAS getting compulsory so as you are aware TG Minda is already into airbags, already we have got two plants, one in Neemrana, one in Bawal, which is already set up running since last now more than two, three years. The third plant is coming up in Gujarat, so by 2018-2019 end that is also likely to start. So airbag is one opportunity, which is coming out of BS VI, second is of course RPAS for which we have already tied up with TTE, Taiwan and already we are supplying to Maruti Suzuki and others. So these regulations are growing up and we are availing this opportunity.

Arpit Kapoor: Last one on book-keeping, what you alluded on the lighting part, the 2 wheeler business will go to Rinder, so whatever numbers we report on standalone to that extent the numbers would go down given the fact that are 2 wheeler lighting business would go to Rinder?

Sudhir Jain: You are right, to that extent MIL standalone numbers will go down, but by the same number consolidated Rinder will increase and once we consolidate Rinder with MIL on a consolidated level there will not be any change in any number from the lighting 2 wheeler, overall it will remain the same, the only objective of doing it is that my all 2/3 wheeler lighting business is under one entity, which is Rinder.

Arpit Kapoor: Right, so we should not get scared given the fact that standalone is getting?

Sudhir Jain: On a consolidated level it will not make any business rather we feel that there should be some synergies in case everything is under one roof.

Arpit Kapoor: All the best Sir and I will come back in the queue.

Moderator: Thank you. We take the next question from the line of Basudeb Banerjee from Ambit Capital. Please go ahead.

Basudeb Banerjee: Thanks Sir for taking my question. Couple of questions, Sir as you alluded in the call earlier overall six of these new businesses getting added, how much of the revenue growth one can largely take from commodity inflation and how much has been the normalized volume growth?

Sudhir Jain: Now auto sector has grown last year in case I see 15% year-on-year, production of automobiles whether 2 wheeler, 3 wheeler, 4 wheeler, on a totality 15% growth is there in 2017-2018 vis-à-vis last year, so minimum 15% growth is coming from the volume growth, but actually it is more than that due to additional businesses of the new models, which we are getting, so our share of business overall is increasing from different products with different OEMs, but at least 15% is coming from there. As far as raw material price increase is concerned, I do not see there was an abnormal or very high increase as far as RMC is concerned, but still assuming that 4% to 5% increase is there, which we also pass on to the OEMs, we can safely presume 3% to 4% coming from there, so 15% plus and 3%, 17%-18% and rest of the turnover comes from the new products and capacities added for the existing products and in which I will again mention the contribution is coming from alloy wheels, die casting parts, blow moulding parts, filters, etc., etc.

Basudeb Banerjee: Sure Sir that is nice to hear. Second question is like after the much awaited this rejig in the stakes from promoter owned entities and small, small JVs which we have done, so now with bulk of those things getting down, what is the plan for inorganic growth down the line and what would be the size overall you have planned?

Sudhir Jain: Yes in the beginning of this year we are now focusing on inorganic growth also and for that there is a special team being formed that to look for inorganic growth and any good opportunity coming our way in any of the existing components or products plus new generation products, we are interested in and we are looking at. As of now anything, which is at an advanced stage that is not the case, so we at a very, very early stage. As far as size is concerned we look at, there is no limit as such, but we would be more guided by the nature of the product, territory, geography is coming along with technology, so what we will look at is technology and the markets, so in case we get technology or markets or both we would be keen to go ahead with that opportunity.

Basudeb Banerjee: That is great Sir and last question, any update on battery business as you were looking out for partner and last time you said we are very close to getting it, so any update on that?

Sudhir Jain: Now we are closer. We want it close it before March, but yes we are at a final stage and I am quite hopeful that next time when we meet by that time we will share it.

Basudeb Banerjee: That is great Sir. That is all from my side. Thanks Sir.

Moderator: Thank you. We take the next question from the line of Ronak Sarda from Axis Capital. Please go ahead.

Ronak Sarda: Congrats on great set of numbers, Sir couple of questions one on alloy wheel, if you can just highlight your expansion plans there?

Tripurari Kumar: On the alloy wheel side we are already 120,000 wheels at Bawal, we have 75,000 wheels under JV company called KOSEI Minda, which is operational, now 60,000 wheels at Gujarat has achieved SOP, so that bring us up to 250,000 wheels approximately per month and there is expansion plan of another 60,000 in Gujarat, which will come up eventually after we achieved the ramp up in the first 60,000, so 2018-19 or 2019-20 that should be done first half.

Ronak Sarda: Any expansion in Bawal the 120K or that is it?

Tripurari Kumar: There could be possibility of another 60K there.

Sudhir Jain: Yes there is an opportunity, we are evaluating it and nothing has been frozen, but there is an opportunity for further expansion at Bawal, but so far we were more focusing on Gujarat, which has become operational now, so may be another 2-3 months we would like to see the performance and then decide about expansion in Bawal.

Ronak Sarda: If you can just help us to understand the share of business on RPAS and airbags we are pretty close to the mandatory application now, so there would be certain orders which are freezed and so if you can just help us understand how big these two products can become for Minda Industry?

Tripurari Kumar: In TTE DAPS currently there is a mix of imports as well as local manufacturing and our share of business for new platforms being rolled out it is around 70% for Maruti.

Ronak Sarda: So for Maruti you mean to say all – the entire 2 million, let us say 2 million production of DAPs will be 70%?

Tripurari Kumar: Currently the application will happen only after July 2019, so once that happens we will contribute at least – currently we are doing 70% and we want to maintain that share.

Ronak Sarda: How do you take 70% of what base?

Sudhir Jain: Ronak I tell you as far as RPAS is concerned still it is early stage, of course we have got first mover advantage, but we know that lot of other companies are also looking at it, so what Tripurari was telling that 70% of the new business we target to get from Maruti Suzuki, so actually it could be slightly more or slightly less that time will only tell and similarly in the airbags also – airbags as of now we have been mainly supplying to Maruti Suzuki and Toyota volume and 26% of the total market share we have got, there also we have increased capacity in last two years at Bawal new plant was setup and now in Gujarat, so there also there is a good scope for increasing the share of business also.

Ronak Sarda: Other than Maruti?

Sudhir Jain: 26%, 27% of the market share, which in any case we enjoy as of now.

Ronak Sarda: But on rear parking sensor any update Ex Maruti because 50% of the industry is Maruti?

Tripurari Kumar: I will come back to with more business orders.

Sudhir Jain: We are in touch with others also some of the others, but as of now our first focus is Maruti Suzuki.

Ronak Sarda: Perfect Sir and capex plan overall, given breakup for different units but overall capex like the way you used to guide for next two years or maybe annual capex if you have the number ready for FY2019?

Tripurari Kumar: Maintenance capex, which will be around Rs. 200 Crores plus the capacity expansion or the acquisition that we have announced for TG Minda which is another Rs. 130 Crores, so that could be between Rs. 350 and 400 Crores overall including the consolidation.

Ronak Sarda: Rs. 400 Crores including everything consolidation, maintenance and growth capex. Sure Sir. Thanks and all the best.

Moderator: Thank you. We take the next question from the line of Bharat Gianani from Sharekhan. Please go ahead.

Bharat Gianani: Good evening, Sir. Thank you for the opportunity and congrats for good set of numbers. I have two questions, one is the consolidation exercise, which you had planned, so is that successfully completed, what I am trying to understand is, is any other group company left out for consolidation into the financials or majority of it is already done?

Sudhir Jain: 95% already done, two main companies, which is TG Minda for which necessary resolutions, approval have been obtained, we have to just to implement it, but the impact of that will come from Q1 or Q2 of the 2018-19, another companies Tokairika Minda, for which necessary resolution etc., need to be passed, so TR Minda, Tokairika Minda is the second company, which we hope to do all necessary formalities by this calendar year, so basically as of now Tokairika Minda is the one, which is left out, which we hope to bring in by December 2018.

Bharat Gianani: So for FY2019 there would not be very much left for consolidation okay and second question is, Sir if you can just guide for the tax rates going forward because they have been consistently in the range of about 25%, 26%, so will you be in the full tax rate or is this kind of tax rates sustainable for consolidated basis for FY2019, so any colour on that would be really helpful?

Sudhir Jain: I think up to 2020 we would be able to maintain the rate and then it spans what kind of situation is there as far as tax laws are concerned, certain incentives are available to the industry overall everybody as of now, which we are also availing and most of the Company's new investments are at 25% rate now, earlier one depending upon the size at 33%, 32%, but after 2020 really it will depend what is the tax laws applicable or tax rates applicable at that point of time.

Tripurari kumar: R&D reduction also will not be there after April 1, 2020.

Bharat Gianani: Thanks Sir. That is all from my side. All the best.

Moderator: Thank you. The next question is from the line of Navin Kumar Dubey from Narnolia Securities Limited. Please go ahead.

Navin Kumar Dubey: Thanks for the opportunity, Sir what kind of revenue are we targeting in FY2019 and 2020?

Sudhir Jain: I have been mentioning earlier also, I will tell you on a very safe side, whatever is the sector growth, which of course we can track month-on-month, so I see double the rate of sector growth should be our topline growth and this we are able to achieve in last three years, two years and one year and similar growth, we expect in coming one or two years at least. I will repeat two times of the sector growth, so last year May 2017-2018, overall sector growth was 15%, our topline has grown by 32%.

Navin Kumar Dubey: Sir another question is on the inventory side, we see the inventory has gone up to Rs.418 Crores in FY2018, is there any particular reason behind that?

Sudhir Jain: Partly it is because of the consolidation of 4 wheeler switch, which is in Mindarika Private Limited, so Q4 includes the financials of Mindarika, so that balance sheet consolidation is there in Q4.

Tripurari Kumar: Q4 has been slightly bigger in terms of sales as well compared to the previous three quarters, so that is why you see it higher.

Sudhir Jain: But your observation is correct, in Q4 net current asset has gone up.

Navin Kumar Dubey: Sir one more question on the debt equity do we see this to stay at the same level or is it going to taper down?

Sudhir Jain: Taper down would be difficult. I think already we are at a consolidated level 0.6 debt against 1 equity, but we also do not see any substantial increase also in debt equity meaning thereby we do not foresee any big increase in the debt as of now.

Navin Kumar Dubey: Thank you Sir. That is all from my side.

Moderator: Thank you. We take the next question from the line of Karthik Mehta from IDFC Mutual Fund. Please go ahead.

Karthik Mehta: Hello Sudhir Ji, hello Kumar Ji, thanks a lot for the opportunity, congratulations for the great set of numbers. How are you Sir?

Sudhir Jain: Fine. Thanks. How are you?

Karthik Mehta: Fine Sir, just two, three qualitative aspects I wanted to touch, one is that I am happy to know that you are saying that the Q4 margin of 12.4% is going to be sustainable on full year basis next year, which would be still 50 BPS higher than the reported number, so there the point is that the segment reported on the others we have seen the margin erosion compared to the beginning of the year, the momentum, so is it that we are going to take the price hike or we have just taken the price hike in Q1 and it would reverse back or these other segment margins are probably going to remain at the same level what is there in Q4?

Sudhir Jain: There will not be any price reversion, etc., but what we expect is that the continuous productivity improvement, which is going on across the board in all the plants, we will also contribute positively to the further margin improvement in the coming year and because of that we would be able to maintain 12.5% or 12.4% EBITDA level as Minda Industries at a consolidated level.

Karthik Mehta: But particularly in other segment we have seen some sort of margin pressure in Q4, so what is your thought process on that, which involves your alloy wheel and recently we have seen a phenomenal rise in the aluminium prices, so other segment margins are going to remain at the reported level in Q4 or there will be some improvement with scale benefit and also some price advantage you might have taken?

Sudhir Jain: No, first I tell you as you know also we are into various segments, all segments, 2 wheeler, 3 wheeler, 4 wheelers then our products range is very wide and all these products are at a different level of evolution or maturity and what happens as a particular product gets matured then there is a limitation to also increase or sustain margins, but what we do there by the time any new product or any existing product is getting matured, we introduce other products into system and then they take over and grow and 12%, 12.5% at the end of the day weighted average of all the components, some improve, some do not improve and some even lag behind, so overall what we say is that 12%, 12.5% we would be in a position to maintain, within that there could be some churning, the components or the products, which are at a low level, lighting is also one of them can improve and some products, which are already touched the peak may slightly go down, there is a possibility, of course we would like to delay that process, resist that process, but practically it can happen, but overall we would be in a position to maintain what we are targeting.

Tripurari Kumar: If you look at the others we are almost at 16% vis-à-vis group average of 12% this year in terms of EBITDA.

Moderator: Thank you. We have lost the line for the current participant. We will take the next question. It is from the line of Anirudh Singhi from IDBI Mutual Fund. Please go ahead.

Anirudh Singhi: Good afternoon, I just wanted some clarity on TG Minda, so of Rs. 481 Crores how much would be from airbags?

Tripurari Kumar: Approximately 70%.

Anirudh Singhi: This third plant in Gujarat how much will that add in revenue?

Tripurari Kumar: Additional Rs. 250 Crores to start with by FY 2019-20.

Anirudh Singhi: What would be the margins that you make in airbags?

Tripurari Kumar: Around the group average number 12% to 13%.

Anirudh Singhi: Thanks. That is all.

Moderator: Thank you. We take the next question from the line of Jayshree Ram from Karvy Stock Broking. Please go ahead. Jayshree Ram

Jayshree Ram: Thank you for taking my follow up question. Just a small observation in terms of lightening we were supplying Bajaj Auto and TVS Motor at about 16%, 13% coming from them, but in the presentation you have given you have not reported any substantial revenues from those two OEMs?

Tripurari Kumar: We have done 2 wheeler and 4 wheeler combined, larger volumes have gone to Bajaj as well, TVS is also there.

Jayshree Ram: That is there in others.

Tripurari Kumar: They are in others.

Jayshree Ram: Okay, just wanted to know because your reporting numbers does not show?

Tripurari Kumar: We are trying to report top 3, 4 and that is the reason it may not been there.

Jayshree Ram: What is your average cost of borrowing?

Tripurari Kumar: At the standalone entity this could be in the range of around 8% to 8.5% in the Indian rupee and outside the standalone at the sub level it could be between 8.5% and 9%.

Jayshree Ram: You have reported alloy wheels and die casting at about 710 Crores, how much were die casting out of that?

Tripurari Kumar: Rs. 274 Crores.

Jayshree Ram: All right. Thank you so much.

Moderator: Thank you. We take the next question from the line of Karthik Mehta from IDFC Mutual Fund. Please go ahead.

Karthik Mehta: I just got disconnected. I could not hear what you are saying. So my question on the margins and just wanted to highlight one thing that in the switches segment we have seen a 12% margin in this year and this is despite of the fact that we have only seen the one quarter impact of Mindarika, which is supposed to high margin business, and in the next year we see the substantial improvement in the margin in the switches, this is one aspect and another thing about Minda Industries, which is very good thing, it is that while there is a concern in the sector that with the input cost going up, there will be difficulty in passing with OEMs, but given we have multiple products, multiple segments and also few of the businesses are in a threshold level and we will have a positive operating leverage that is the advantage what we probably carry on and that is why probably we are pretty confident of sustaining the margin or rather improving the margin by 50 BPS, is this the fair statement?

Sudhir Jain: Yes Karthik. This is very fair and this is what I was explaining you got disconnected that overall basis we would be able to maintain because of the new products coming and all those things and operating leverage even financial leverage advantage will come to us. As far as switch margins are concerned yes it will improve, once we see the full year impact of 4 wheeler switch, but I think 1%-1.5% improvement overall in switch margin should be there, due to consolidation.

Tripurari Kumar: But revenue wise like Sir said 2 wheeler if you look at this full year number also, two-wheeler comprises 1300/1500 number and so the weight of two-wheeler will continue to be almost two times same that of Mindarika.

Karthik Mehta: On a cash flow front that we have been generating operating cash flow, but when you look at the free cash flow because of the high capex it is still negative, but hopefully next year we would be slightly turning around in terms of free cash flow on a positive side and thereafter in FY2020 we would have a substantial improvement in the free cash flow, is it the fair statement?

Sudhir Jain: Yes, I think this is a fair expectation and particularly in this year 2018-2019 we do not see any high capex because substantial capex has already been done and finished in March 2018 or may be something in April. These plants in Gujarat are now operational. Having said that as I have been sharing earlier also we are very optimistic about auto sector, we are looking at that lot of opportunities are coming and will come. Gujarat is becoming our main auto hub, there of course already investment has been made, any good opportunity coming our way, we would like to avail it, but we will evaluate it on merit and we are also not in a hurry to make investment, in any case our plate is also full, we need to first harness the investment already made in last two years.

Karthik Mehta: Fair point Sir. Thanks a lot and best wishes.

Moderator: Thank you. We take the next question from the line of Harshid KS, Individual Investor. Please go ahead.

Harshid KS: Good afternoon Sir. You are saying you will be giving a double the industry growth in the coming year, so can we expect a topline to be around Rs.5800 Crores this year?

Tripurari Kumar: We do not give guidance on the topline,.

Sudhir Jain: But anyway in case we do the double digit growth and whatever number is coming that is our target, we hope to reach that, we are working towards it diligently.

Harshid KS: Fine. Thank you very much Sir.

Moderator: Thank you. Well ladies and gentlemen that seem to be the last question, I would now like to hand the floor over to Mr. Sudhir Jain for his closing comments. Over to you Sir!

Sudhir Jain: Thank you all. Thank you very much, interesting questions and with all of your support and guidance we are trying to do better every time and hope to meet your expectations. For any other query etc., kindly get in touch with SGA, our Investment Relation Advisors. You can directly contact us also. Once again thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Minda Industries that concludes this conference. Thank you for joining us. You may disconnect your lines now.