Uno Minda Limited
(Formerly known as Minda Industries Ltd.)

Ref. No. Z-IV/R-39/D-2/NSE/207 & 174
Date: 11/11/2023

National Stock Exchange of India Ltd. Listing Deptt., Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051	BSE Ltd. Regd. Office: Floor - 25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001.
NSE Scrip: UNOMINDA	BSE Scrip: UNOMINDA; 532539

Sub: - Transcript of the Earnings Call held on Tuesday, 07 November, 2023 on the Unaudited Financial Results for the quarter and half year ended on 30 September, 2023

Dear Sir(s),

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the **transcript of the Earnings Call** held on Tuesday, 07 November, 2023 on the Un-audited Financial Results of the company for the quarter and half year ended on 30 September, 2023.

A copy of the said transcript is also uploaded on the website of the Company www.unominda.com.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Uno Minda Limited
Tarun Kumar Srivastava
Digitally signed by Tarun Kumar Srivastava
Date: 2023.11.11 12:23:05 +05'30'

Tarun Kumar Srivastava
Company Secretary & Compliance Officer

Encl: As above.

"UNO Minda Limited
Q2 and H1 FY '24 Earnings Conference Call"
November 07, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 7th November 2023 will prevail.

MANAGEMENT: MR. SUNIL BOHRA – GROUP CHIEF FINANCIAL OFFICER – UNO MINDA LIMITED
MR. ANKUR MODI – HEAD, TREASURY & INVESTOR RELATIONS – UNO MINDA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Uno Minda Limited Q2 and H1 FY '24 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 risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunil Bohra, Group CFO of Uno Minda Limited. Thank you, and over to you, Mr. Sunil Bohra.

Sunil Bohra: Thank you. Good evening, everyone, and a warm welcome to all the participants. On the earnings call today, I'm joined by my colleague, Ankur Modi. Our best wishes to you and your families for a very happy and a prosperous Diwali. I hope you have a great festive season.

Moving to the agenda. We have uploaded our financial results and investor presentation for Q2 FY '24 on the stock exchanges and our company's website. We hope everybody had an opportunity to go through the same. I would like to begin by giving some insights on the economics followed by the current scenario in the auto industry and our financial and operational performance for the Q2 and H1 FY '24. Post that, we will open the floor for Q&A.

Amidst a backdrop of global challenges, the Indian economic continues to be a bright spot. India recorded GDP growth of 7.8% during the April to June period of '23, '24, the highest in past 4 quarters on the back of strong domestic demand and double-digit expansion in the services sector, retaining its position as the world's fastest-growing major economy.

Looking at the momentum of economic activity, looking at a few early indicators, the second quarter GDP number is also expected to surprise on the upside. Growth in overall economy is also translating into robust growth for auto sector. With the transition to clean mobility, changing consumer preferences, Pay Light scheme and government emphasis on safety and comfort, the sector is experiencing a significant upside. Overall, the demand across segments remained robust with high volume growth.

Domestic volumes grew by 14% in Q2 in comparison to Q1 of the current fiscal year, even marginally in line in comparison to Q2 of FY '23 despite delayed start of the festival season.

Growth in the PV segment continues to be driven by compact SUV segment. Production volumes for passenger vehicle has been highest ever for a quarter at 12.8 lakhs in Q2 FY '24. OEMs continue to build inventory in anticipation of a strong festive season supported by strong enquiry pipeline. The driving force behind this demand are the new model launches and a growing trend towards premiumization in the market.

The 2-wheeler segment also witnessed positive shift as the festive season approaches. The production volume grew by 14% quarter-on-quarter basis while clocking similar volumes as Q2 FY '23. With the introduction of new models and attractive promotional offers, demand increased, especially in the rural area, fostering improved market sentiments. The growth in 2 wheeler segment is potentially marking the beginning of turnaround in rural markets as well.

On the CV front, the segment continues to outperform driven by healthy demand across most of the underlying industries and healthy fleet utilization levels. During the second quarter of fiscal year '24, the industry achieved an impressive 9% growth in the production volumes compared to the same period in the previous year. CV displayed a remarkable growth of 17% Y-o-Y with both passenger and goods carrier segments contributing to this expansion. The sector's robust order book indicates the potential for this positive momentum to continue.

The domestic EV industry is continuing sales growth in 2023 while reduction of FAME II subsidies did result in flattish volumes for 2-wheeler EV during the quarter ending September '23. For the second quarter of the fiscal, total EV registrations stood at 3.71 lakh unit when compared to 3.72 lakh unit in Q1 of this fiscal year. The total registration of electric 2-wheelers in the July to September quarter were 1.81 lakh lower than 2.18 lakh units in June '23 quarter. 2-wheeler EV domestic penetration now stands at 3.3%.

The decrease in subsidies has led to EV manufacturers increasing prices by up to INR30,000, effectively translating to higher ticket prices as well as longer loan tenures at a higher interest cost. Despite various challenges, we believe that long-term growth prospects for electric 2-wheelers remain optimistic as a greater model mix will drive competitiveness. The cost engineering efforts and the introduction of lower cost models may ensure that adoption rates to eventually improve.

We continue to extend our offering towards both ICE variants as well as the EV variants. We, at Uno Minda, find ourselves well-placed to ride this shift providing premium offering across both variants. That being said, our ICE segment continues to exhibit strong growth supported by numerous new launches in our pipeline.

The near to medium-term outlook for the Indian auto industry is very promising with ongoing festival season bringing with it a promise of renewed customer interest and potential demand surge. On long-term outlook also, the automotive industry is experiencing a significant upswing driven by several key factors, including improved customer sentiment and increased spending.

In this favorable landscape, we find ourselves in a strong position to leverage these trends through our strategic investments in research and development, aimed at topping new product development and enhancing our existing product portfolio. Our diversified product portfolio, combined with the rising content for vehicles and the ability to cross-sell our existing customer base instill confidence in our optimistic revenue growth outlook.

Our unwavering commitment to customer satisfaction and our ability in adapting to changing market dynamics remain the driving forces behind our ability to consistently perform -- outperform, I would say, within the industry.

Moving on to the financial and operational performance for Q2 FY '24. You can refer to the key operational highlights on Slide Number 5. We are happy to inform you that Uno Minda has achieved highest ever quarterly production in 4-wheeler as well as 2-wheeler alloy wheel on account of commissioning of capacity expansion and robust OEM demand. We have also commissioned both our EV components and systems plant, while new EV system Farukhnagar Haryana under the JV with FRIWO was commissioned in Q1. Supplies from this plant had already started and is expected to further ramp up in coming quarters with start of production of more orders received.

In August '23, we commissioned a second EV system plant under the JV with Buehler motors. The plant will manufacture traction motors, BLDC motors for EV two-wheeler and three-wheelers. The JV has already received orders from OEMs and is expected to start supplies by Q4 FY '24.

During the quarter, the Board has also approved increasing its stake in Minda Westport Technologies Limited from 50% to 76% by acquiring additional 26% stake from the JV partner, Westport Fuel Systems, Italia. The purchase consideration for 26% stake is approx. INR15 crores. Uno Minda and Westport are also amending its JV agreement to include future hydrogen components in addition to CNG and LNG, LPG components and kits in JV territory of South Asia, comprising of India, Bhutan, Sri Lanka and Nepal.

By integrating Uno Minda manufacturing and engineering expertise with Westport's Technologies and Products, this partnership with cement Uno Minda as market leader in alternate fuel systems to tap the ever-growing Indian automotive market.

Technology and innovations are two pillars, which lays the strong foundation for Uno Minda. Over the years, we have filed more than 390 patents and have registered 344 design registrations. Last year, we were chosen as 50 innovative companies by CII, not only auto component sector, but across all sectors. To add to this achievement, Uno Minda has recently been awarded National Intellectual Property Award 2023 in the design registration category.

The National IP Award is organized by Office of Controller General of Patents Designs and Trademark, the DPIIT, under the Ministry of Commerce and Industry of India. The award is conferred to recognize and reward the top achievers of the industry for their IP creations and commercialization, which have contributed towards strengthening IT ecosystem in the country and an encouraging creativity and innovation.

Considering the growth potential of four-wheel alloy wheel business, the Board has approved setting up of new Greenfield plant with a capacity of 1,20,000 wheels per month. I will discuss this further in subsequent slides. We would also like to inform you that we have now completed acquisition of our land bank of 86 acres at Pune, Khed City. We are also in discussion for acquiring three more land parcels in North, West and South for our future expansions.

As was guided earlier, the revised strategy will serve dual purpose. First, it will expedite future expansions as it will eliminate any delay on account of land acquisitions. Secondly, we can build bigger plants as well as consolidate our existing plants wherever possible into one location to be able to better manage our operations and achieve economies of scale.

Coming to financial and operational performance, you can refer to Slide number seven and eight. At consolidated level, revenue from operation for the quarter ending September '23 increased by 26% year-on-year to INR3,621 crores from INR 2,877 crores in Q2 FY '23. As we continue to expand our capacities and capabilities along with gaining market share and incremented value. The auto industry production volume for the quarter has largely remained flat on Y-o-Y basis, while our revenues grew by 26%. The company has continued to demonstrate significant outperformance in the current quarter as well.

We have witnessed growth amongst all our products led by EV products, lighting, switch and EV alloy wheel business. Even on a quarter-on-quarter basis, the consolidated revenue has grown by 17%. EBITDA for the quarter was at INR402 crores, improving by 26% from INR318 crores on Y-o-Y basis. The EBITDA margin for the current quarter stood at 11.09% in spite of having recently commissioned multiple plants, which are in ramp-up phase wherein they are yet to reach optimal production levels to fully absorb the fixed and semi-variable costs.

Finance costs have increased to INR27 crores in comparison to corresponding quarter year on account of incremental borrowing for capex. Borrowing costs have also gone up following series of hikes by RBI, which is being passed on by the bank in a staggered manner. We believe the interest rate costs are near peak level and hence, we have ensured a large part of our borrowing from floating rate wherein we will be able to quickly capture benefit in case of any improvement in the interest rate.

The profit after tax, which is Uno Minda's share for the quarter was at INR225 crores as against INR170 crores in Q2 FY '23, registering a growth of 32%. I would like to highlight that, we have once again crossed the highest ever quarterly revenues and profits. We have crossed net attributable profit of more than INR200 crores for the first time ever. We have been creating new milestones every quarter with our revenues and profitability.

On a first half year basis for FY '24, we have achieved consolidated revenues of INR6,714 crores for the half year ending September '23, registering a growth of 24% on a year-on-year basis. The EBITDA for the period grew by 25% at INR732 crores and the profit after tax, which is Uno Minda's share for the half year was at INR398 crores as against INR309 crores, registering a growth of 29%.

Coming to the business segment-wise performance. Starting with switches, you may refer to Slide number 12. The segment achieved revenues of INR933 crores for the quarter, contributing 26% of our consolidated revenues. The growth in switches business can be attributed mainly to growth in four-wheeler switch business on account of better industry volumes and increasing share of business with our OEM customers and the export in two-wheeler switch has also done well.

At Auto Export 2023, we had demonstrated our capabilities for advanced technology switching and capacitive touch-based switch. We are extremely happy to inform that we have now also received first orders for capacitive touch-based switch with from an Indian four-wheeler OEM. Our expansion of four-wheeler switch plants at Chennai is commissioned in October '23. The Greenfield project at Farukhnagar is going as per plan. The commissioning of Chennai plant expected to boost revenues in subsequent quarters.

Moving to lighting business. It has achieved revenues of INR834 crores for Q2, contributing to around 23% of our consolidated revenues. The technology advancements in both head and tail lamps has completely changed the automotive lighting industry. Uno Minda has been forefront in leading this technological and premiumization wave in automotive lighting. In fact, some of Uno Minda's products like cornering bending lamps for two-wheeler and connected tail-lamps for four-wheeler has been highlighted as key differentiated factors by the OEMs during the launch of the new models.

Increasingly, the passenger car is being considered as the third living space, which is leading to significant changes in the interiors of the car as well. Following last quarter, we have won order for ambient lighting during the current quarter from an Indian OEM for its EV model.

We would like to inform you that expansion of lighting facilities in MIVCL, Vietnam has been completed. Consequently, we expect better revenues in coming quarters. Further, with respect to new four-wheeler lighting plant at Khed City, Pune, land acquisition was completed and ordering of key machines have been done. The expansion is on track to be commissioned in phased manner starting from Q2 FY '25.

Moving to our casting business. It has achieved revenues of INR753 crores for Q2, contributing to 21% of our consolidated revenues. The growth in casting business revenue is led by four-wheeler alloy wheel with ramp-up of 30K line in Gujarat for our four-wheeler alloy wheels. The customer mix has also contributed to the growth where some of our OEMs customer volumes were better than industry growth.

The two-wheeler alloy wheel business has also grown with commissioning of two lines aggregating to additional 1.4 million capacity out of two million planned. The first line started in July '23, while second plant started in August. The third plant is expected to start commissioning in coming quarter. The customer and product diversification strategy is also playing out well with increase in alloy wheel supply for scooters and increasing sales to new customers.

Moving to Acoustics on Slide 13. Our acoustics business had achieved revenues of INR210 crores for Q2, contributing 6% of our consolidated revenues. Both India business and European subsidiary Clarton reported stable growth. The volumes at Clarton remained lower due to lower industry volumes.

Moving to our Seating business, which achieved revenues of INR289 crores for Q2, contributed 8% of our consolidated revenues. As was guided in previous earning calls, we have started supplies to new customers which is one of the new two-wheeler EV OEM. The export of seats has also been steadily increasing. We had also informed about the order win from a new two-wheeler customer, which is an established OEM. We are expecting to start supply to them in Q3 FY '24.

Seating business is poised for a healthy growth going forward with SOP of at least three new two-wheeler EV OEMs in the next three months to six months. These are in line with our customer diversification strategy advice at the time of seating business acquisition.

Moving to the other product business, which have achieved revenues of INR601 crores for Q2 contributed 16% of overall top line. The growth in other product business is mainly on account of EV products, controllers and sensors, blow and machine moulding business. Our controller business has been growing tremendously in the last few years and have a great future potential. The wireless charger has become one of the key products of the controller business. We have received incremental orders for wireless charges from four-wheeler OEMs.

Revenues from EV two-wheeler OEM increased to INR143 crores in Q2 as against INR136 crores in last quarter, in spite of 17% decline in volumes. Two-wheeler EV penetration has also come down to 3.3% in comparison to 4.5% in the previous quarter. The revenues from EV two-wheeler OEM is expected to continue to increase with SOP of new models.

Our new EV components plant at Farukhnagar has started with few assembly lines in Q1 and is gradually increasing number of clients based on SOP of model orders. During the quarter, we have received new orders having annual peak revenue of around INR475 crores from new OEMs, out of which INR350 crores pertains to EV specific products comprising of off-board chargers and DC-DC converters. Total annual peak revenue from these orders now stand at around INR3,000 crores.

The share of profit/loss of associate JV for Q2 stood at INR53 crores as against INR29 crores in Q2 FY23. While major some contribution came from Denso, Roki and TG, Westport, Minda Onkyo has also turnaround performing in the last few quarters, resulting in healthy growth of profits from JVs. We had actually received some actualization during the quarter in one of the JV, which includes amount relating to previous quarters.

Moving to the Aftermarket and International revenue. We can refer to Slide number 14. In terms of our revenue pie for the quarter ending September 30, OEM business accounted for 93% and aftermarket at around 7%. Our aftermarket division revenues were up at INR259 crores as against to INR249 crores in the past quarter last year. While aftermarket business has been growing in absolute terms, OEM businesses has been growing at a faster pace. Our international Sales has contributed around 13% of the revenues. Again, while international sales has been growing, the domestic business has been growing at a much faster pace.

Moving to our debt levels. Our net debt as of September stood at roughly INR1,190 crores as compared to around INR1,100 crores as of March 31, 23. The company had incurred capex of

INR542 crores, including capex on land bank of around INR110 crores during H1 FY24. While sustaining and growth capex has been financed from business cash flows, expenditure on land bank has went the incremental debt of around INR100 crores. Our net debt to equity at 30th September stood at healthy 0.25.

We have achieved ROCE of 19.3% based on annualised profits of H1 FY24. Kindly, note that capital employed is considered for calculation and it does include the capex for land bank as well, which is currently not generating any returns. ROCE would have been even higher if we were to exclude these non-deployed assets.

Moving to a strategic business update. We would like to inform you that the merger of MTG, Minda TG with TG Minda has been approved by NCLT in October. The subsequent formulary filings order with ROC will be completed in the next few weeks.

The merger of Minda Iconnect with Uno Minda is also at final stages with order approval, the scheme expected to be pronounced on next hearing 25th November. With respect to merger Kosei entity with Uno Minda, we have now received NOC from stock exchanges and are proceeding with filling of scheme with NCLT in the coming weeks.

Moving to the four wheeler allow wheel expansion business. Expansion, as we have been guiding, we see immense potential in four-wheeler allow wheel business in view of increasing penetration of allow wheels in the passenger car. We expect the penetration level to increase by 2x to 3x in the next six to seven years. We have been increasing our capacities in our current two plants at Bawal and Gujarat to meet the current demand. However, our current capacities are now fully booked requiring for additional capacities.

In view of the above, the Board has approved setting up of a greenfield plant with capacity of 1.2 lakh wheels per month in a phased manner. The location is expected to finalized in the next three to four months. We have also received LOI from customers for supplies from this new plant. We are in discussions with the government for allocation of large part of land from of around 100 acres in which will be partly used for proposed expansion of this four-wheeler alloy wheel and remaining will reserved for future expansion and projects for the growth.

The plant will be set up in three phases comprising of purchase of 60K wheels per month and 30K wheels per month in second and third phase each. The total cost of the project is expected to be around INR542 crores to be incurred over the next five years, bsis the phased expansion.

Moving to the rest of next year, the outlook looks very promising with supporting industry volume guidance, commissioning a ramp-up of multiple expansions, namely EV plants, two wheeler extension, four wheeler switch plants at Farrukh Nagar and Chennai etcetera. With our existing diversified product portfolio and new product and technologies, we are confident of sustainable outperformance.

With this, I would like now to open up floor for the questions.

Moderator: The first question is from the line of Siddhartha Bera from Nomura. Please go ahead, sir.

Siddhartha Bera: Congrats on a good set of numbers. Sir, first question I'll take on the new order of capacitive switch, which you have indicated. Possible to highlight, how much will be the content compared to, say, a normal switch? And how to look at the value and the profitability for these type of switches?

Sunil Bohra: Siddhartha, thank you very much. In terms of profitability, we are expecting it to be in line with the existing products, but as this is being made for the first time. We have to maybe wait until the actualization because the product will go into development, etcetera, and then you know that there is a development cycle.

So while as of now, at our initial quote level, we do expect it to be in line. But we will see closer to the development cycle, we'll have a close watch. But overall expectation is that we should be able to maintain our margins. And despite the kit value is expected to be higher

than the existing switches.

Siddhartha Bera: Okay. And second, sir, on the alloy wheel side, you have talked about increasing the penetration levels over the six to seven years. So first is what is the penetration level currently? And how much can it go up to when you say that -- see the potential?

And secondly, if you look at the capacity expansion, I mean, it seems much smaller than the potential which you are sort of expecting. So I mean how are you thinking about that?

Sunil Bohra: Yes. That's a very good question, Siddhartha. In fact, and I address both the questions. So first current application factor of alloy wheels is roughly around in the range of 42% to 44%, and it has been growing steadily over the past few years. We've been discussing, I think last year we were discussing around mid-30%, 30%, 34%. Now it has increased almost 10 basis points. And globally, we know that the application of alloy wheel is almost have 95% impact.

Many times, we have to struggle to find a car with a steel wheel. It -- normally you will get in the big because -- not trucks, but the car trucks what we see normally, so very heavy duty vehicles normally have those steel wheels, otherwise mostly you have alloy wheels. So we do expect this trend to sort of catch up in India and everybody today now wants car with alloy wheels.

And the reason being that if you see that the kind of alloy wheel, which are being sold in aftermarket and even the expertise through the OEMs has been increasing gradually, which means that consumers may not want to pay price for the top model which comes with alloy wheel, maybe they want a base model itself with alloy wheel and that's what at lot of OEMs have now also started working in that expectation.

So we do expect this to reach -- if not to 95%, at least to, I would say, 70%, 80% of application factor in next seven to eight years as you would have at that stage. In terms of capacity, yes, I appreciate that this capacity of 120K will definitely not be enough. And you know that almost every year, we have been expanding this. We will soon come out with, we are working on this, but we don't want to basically have all the capacity at one place.

So while at this new location, what currently we're discussing, we will have the land purchased for incremental capacity beyond 120K. I would say beyond 120K, another 120K sort of flexibility will try and retain. And we are actually working on some other locations as well, which will come in due course.

So to your point, yes, this capacity look smaller versus the competition level, which are expected over the next few years. But we're also trying to time our investments in such a way that we don't invest entire capex upfront and have the assets which are lying idle for utilization.

Siddhartha Bera: Okay. So this capex of INR540 crores, this includes the land cost as well, is it, because capex and all looks higher compared to the last 60K which we have done from INR190 crores.

Sunil Bohra: Yes. So the way you have to see Siddhartha is first is it is not linear when we compare with last 60K because what happened, the last 60K, what we announced, there are some capacities available for painting and machining. So when we say 60K, it is not the entire plant on its own. It has some facilities, which are being used or optimized from the existing. So like the paint shop and machining, as you said, was to be used from the existing and you put two additional lines of casting, etcetera. So A, that is one factor.

Number two, when you do a new total new plant, you have to start from scratch, right? So you have nothing. You have no common utilities, no paint shop, no leverage of existing facilities. So greenfield plant versus a brownfield will always have a delta.

Number two, the costs have definitely gone up over the last few years. In fact, the land itself is very, very expensive and the construction costs have been going up. So yes, the cost has been higher. So we are endeavoring still that the kind of ROCE, which we have been talking has been our basis for approving the capex, and Board has looked into that and when it has been approved. So yes, the capex is a little bit higher, but it is not apple to apple compared to 60,000 and 120,000. When we do another, beyond 120,000 limits of capex, it will not be proportionate.

Siddhartha Bera: Got it, sir. So lastly, if you can share the alloy wheel revenue for the two-wheeler and four-wheeler?

Sunil Bohra: So alloy wheel revenue for four-wheeler of the quarter has been roughly around INR370 crores. Ankur, do you have two-wheeler?

Ankur Modi: Yes, two-wheeler is INR175 crores, and for four-wheeler around 370 crores for MKA and KMA also there was another INR60 crores.

Sunil Bohra: Yes, KMA also we start consolidating, yes, sorry, my bad.

Moderator: The next question is from the line of Raghunandhan NL from Nuvama Institution Equities. Please go ahead.

Raghunandhan NL: Congratulations on excellent numbers and best greetings to you. Just firstly, on the capex side. For first half, the capex has been over INR500 crores. How do you see the number for the full year? And on the debt rate in the INR400 crores, when do you expect that to be completed?

Sunil Bohra: Yes. Raghu, capex of INR540 crores, as I mentioned, includes payment for land from INR110 crores. So if you exclude that, the capex, actual land bank is somewhere around INR430 crores. And as we guided at the beginning of the year, the capex of around INR700 crores to INR800 crores, we are still looking at that kind of rates. Only now delta will be this new project, which has been approved for alloy while, that capex whatever gets spent in the next few months will get added, that's number one.

And number two, this debt of INR400 crores, as of now, we are sort of expecting this land what we spoke of around 100 acres, which we are discussing with the government. We are wanting to sort of align this with the payment linked to the accusation of the land. So otherwise for our operational and other capex, there is no fund requirement. This is only for that strategic investment, and we will time it accordingly. But directionally we are expecting it in this quarter.

Raghunandhan NL: Got it, sir. Sir, In revenue in the other segment, there is a very strong 70% growth Y-o-Y or INR250 crores of delta. Within this, how much would be the sensors, controller revenue would be? Would it be over INR250 crores? Would we be on track to achieve full year number of INR800 crores this quarter?

Sunil Bohra: Yes. I think the controller and sensor revenue was roughly around INR230 crores for the quarter.

Raghunandhan NL: So we should easily achieve that full number of INR800 crores, possibly higher than that?

Sunil Bohra: Yes, yes.

Raghunandhan NL: And on the EV side, sir -- electric vehicle, EV side -- so this year, at the current run rate, we should easily cross or go closer to INR600 crores for the full year. So would you look at the EV revenue going over INR1,000 crores by FY26?

Sunil Bohra: Ideally, next year.

Raghunandhan NL: I believe next year. That's wonderful to hear. And on the license side, we had a very strong growth of 27%. So any new projects here or notable increase in the LED share? Just trying to understand what has led to the strong growth.

Sunil Bohra: Yes. So lighting, if you remember, Raghu, we had, I think few months back commissioned our new plant at Gujarat and that was also linked to the new model launch by one of the OEMs. So that volumes have kicked in fully in this quarter plus there is one more product SOP. So it is primarily -- these two things have driven the growth in the 4-wheel lighting business.

Raghunandhan NL: Got it. And this also aligns with the increase in content, which you indicated for taillamps with that...

Sunil Bohra: Because the new products which we have launched are LED. Typically has been significantly higher than the traditional ones.

Raghunandhan NL: And the taillamp kit for these new projects will be higher than that of headlamp?

Sunil Bohra: Yes, actually, in one of the businesses, which is yet to go into SOP. Fortunately, I think there is a lot of complexities and technology advancements, which are happening in taillamp. And one of the businesses, which we secured, the taillamp value is actually higher than headlamp because the taillamp is entire end to end almost like 4.5 feet with lot of, what you call, the welcome gestures, color change, etcetera, etcetera. So the taillamp lighting has been actually getting more and more complex versus headlamp.

Raghunandhan NL: That's good to hear, sir. And on the lighting side, would it be fair to assume that you continue to gain market share given all the new orders?

Sunil Bohra: Yes. So we have been gaining market share, no doubt about it. But in terms of actual percentage, how much is year on-again, maybe -- there's an annual exercise, so we might be able to tell you at the end of the year.

Raghunandhan NL: Got it, sir. And on the margin side, given the strong growth plant additions, new product additions, so some costs are getting added and margins compared to last year are broadly similar. How do you see the triggers ahead on the margin?

Sunil Bohra: No. Margins has been broadly, Raghu, in line with what we have been saying. In fact, we said at the beginning of the year itself before that, like we expect margins in and around 11% plus/minus maybe 0.5 percentage point range. So we continue to be in that range, and this is all as expected. There is no surprise. So based on this, and there have been some new business, what we have secured at a very, very competitive pricing.

So while that has ensured that we continue to grow very, very strongly on the top line, it does have some impact on margins, but it's a calculated decision that we are taking because at the same margins on an average if you able to maintain, we obviously would look for a calculated growth, not that we are taking business at a loss, but even business are at less margin, we have been sort of accepting that. And that is what reason of we guiding of that 11% on an average range for the full year.

Moderator: The next question is from the line of Nikhil Kale from Invesco.

Nikhil Kale: Congrats on a very good set of numbers. So my question is on the alloy wheel side. So the new capex that you have announced certainly is it being driven almost entirely by Maruti or also -- or are you also seeing kind of new inquiries or kind of alloys coming in from some of the newer customers and other OEM which you have to think?

Sunil Bohra: Yes. So I don't see, Nikhil, a newer customer, but definitely other OEM as well. So in South in Kerala -- you know that we have been servicing the customers like Toyota, Honda, Renault, and Nissan. And there also we have been getting good business traction and we have been willing to debottleneck capacity there. Hopefully, we'll come back to you, to the Board maybe in the next couple of quarters.

In North, you know that we have been servicing only two major customers, which is one you took, another is Mahindra, so these two major customers we are servicing from our north plants. I'm sorry, I missed, we are also servicing the Korean customers from the West plant.

Nikhil Kale: Correct. I was coming to that one. So again, there you have some LPDC capacity, but now again, you're talking more about on the JDC side. So would there been any -- any progress or maybe getting more share of business or more orders because at LPDC don't seem to be increasing capacity?

Sunil Bohra: So, Nikhil, business is there to be taken, but at what price is always the question because once you go for fresh investment, you have to also see whether the business is remuneratory enough to justify the fresh capex I think that's where the dilemma has always been there. We have been very, very calculative in terms of new investment. And we don't want to make a new investment commitment with significantly low margins. So I think we have been discussing with the customers. They are very, very positive. The business is there to be taken. But it is the price which is currently being discussed.

Nikhil Kale: Okay. And the secondly, on the margin. So a couple of entities that caught my eye, one is on Kosei Minda also which is something that you have kind of recently gotten full control. What is the target over there? I mean, over the next maybe couple of years? Where do you see the margin stabilizing at Kosei Minda? And secondly Minda Kyoraku, last year, we've seen significant margin contraction. So have you seen any kind of an improvement coming up in the first half, so again there and we see margins?

Sunil Bohra: Yes. So KMA, I think I'm happy to communicate, Nikhil that in the last quarter, we were in loss in terms of EBITDA. This quarter, we have actually turned into the green not at the bottom line, but at least EBITDA is positive. And in Q1, it was negative. So our first goal is to be PBT positive, which will take some time because you know that the plant which you have taken was into losses deep losses in fact it has a huge carry forward losses of more than INR100 crores. And it's a tough task because it was a second hand plant, which was built up, put up by our JV partner and it takes lot of upgradation, etcetera.

And that takes time because we need to do upgradation in running plant. It's little bit complex and time taking exercise, but the good thing is that directionally it is moving in a positive direction. And as I said, our first goal is to be PBT positive and gradually take it closer to our -- group profitability.

It definitely will remain a little lower in terms of margin, and everything versus our North plant because, as I said, it's a very old plant. And it has its inherent disadvantages and the cost structure in South is little more than the cost structure in North.

So all those structures do play back but we are working on it, and hopefully, this will be in black soon. Another you have asked for Minda Kyoraku. So Minda Kyoraku also has been doing stable operation over the past few months. The Bangalore expansion, which was started sometime last year has been now at a stable level. And so -- but in terms of profitability, I think team has been working very, very rigorously, very aggressively.

But still this quarter also has been in loss, and we are expecting a significant improvement in the coming quarters. And Q4, we are expecting to be significantly in green. So directionally, things are improving there. But if you see for last 2 quarters, it is in red.

Nikhil Kale: Got it. And just to follow up there, sir, there, I think the gross margins have come down. So was it just because of, say, inflation because -- or was it more related to the ramp-up?

Sunil Bohra: No, it is primary related to the margins, gross margins, because the new business and etcetera, what you have taken -- somewhere the actualization cost has been more than what we had anticipated. So that's what we've been trying to talk to our customers, if possible, to get some price increases.

In addition, we are also doing cost optimization and cost reduction exercises at the business level, which have also yielded some results. But yet this is initial journey, it will take maybe another couple of quarters, and hopefully, we should be in black soon.

Moderator: The next question is from the line of Mukesh Saraf from Avendus Spark.

Mukesh Saraf: Yes. Sorry about that. So first question is on the controller business. Obviously, that's right now part of the stand-alone entity. What I do remember that there was some commentary that once the EV plant starts at the JV level, there will be some -- either there will be related party transaction between the stand-alone and the JV? Or there'll be a move of some of these products into the JV? So could you just remind us of how that's going to work, sir?

Sunil Bohra: Yes. So as of now, the -- all the new business which we are getting stays in controller. We have not yet moved to the JV and we're not expecting any significant shift or significant business to move from controller to JV at this point in time, if it will be, it will be very, very nominal.

Mukesh Saraf: Okay. So the motor controller revenue that we -- or the orders that we have, that will be made separately at the JV level?

Sunil Bohra: The motor controller is anyway part of the JV.

Mukesh Saraf: Right, right. But these controllers, you will not be moving. The existing controller business will remain in the stand-alone business?

Sunil Bohra: Yes, yes, yes.

Mukesh Saraf: Okay. Okay. And second is, when I look at the number of new plants that are going to start for you, I mean, there's a lot of SOPs that are coming up second half this year as well as first half FY '25. So do you envisage some kind of a margin hit for us given that there'll be some fixed cost that might start hitting us while obviously, these plants can take some time to ramp up because it seems like a lot of it is getting bunched up in the next, say, 6 months odd?

Sunil Bohra: So you are right, Mukesh, and that has been one of the reasons why that -- despite a significant growth in topline, we are not able to see significant growth in EBITDA, in fact, it looks like all the costs are fixed. So while there has been increase in the RMC and has impacted our gross margins, another reason as you rightly mentioned, is with all these new plants where the fixed costs are not absorbed or they are maybe marginally into that like the JV with TACHI-S or Buehler or some other products.

They are actually margin dilutive. So to your point, yes, there will be this near-term thing for maybe two quarters, three quarters. But as I said, the margin on an average of around the guidance what you are giving of 11% plus-minus some delta bakes into that kind of cost.

Mukesh Saraf: Okay. That already bakes into that. Okay. Got it. And then lastly, if you could provide some time lines of this 86-acre plot that we have now kind of look back for in Pune, so I do remember that you had mentioned that there is some kind of a consolidation that you're looking at. Now that you are also looking at more land parcels across other regions of India. So I mean, what could be the broad time lines on when we can start expecting some consolidation of your plants in some of these large locations?

Sunil Bohra: Yes. So Mukesh, the idea is that we don't want to sort of rock the boat unless it is required. So when I say that I mean if, for example, I have a running plant in that region. We have around 12 plants, 13 plants in Pune. So as long as the incremental growth is met by the existing plants, we don't want to spend more in building new plants unnecessarily get into the more capex and consolidate for the sake of it.

Whenever they need more capacity, like for this lighting four-wheel plant in Pune, the team actually came up with another plant in Pune and that's what -- that's when we said no, we can't allow two plants in the same region. Build a bigger plant and move the existing plant also there. So what we are doing is, on one hand, we are creating a land bank. And on the other hand, we are creating -- keeping that flexibility so that whenever there is a new business, normally customer also ask do you have capacity before awarding a new business?

So we can always go and say, now we have a land bank. If we get more business, which needs more capacity, we'll put a bigger plant and move the existing also there. So the point is, we have got a bigger land bank. We have got -- we have negotiated some better incentives from the state government. But the capex of constructing new plant, we will time it based on when the business need is, not just start consolidation and spending money.

Moderator: Thank you. The next is from the line of Raghunandhan NL from Nuvama Institution Equity. Please go ahead.

Raghunandhan NL: Thanks for the opportunity again. Sir, firstly, on the associate profit, you indicated that there was some amount relating to the previous quarters. Was it a material number? Can you share that number?

Sunil Bohra: Yes. It's not material overall thing, but if you see INR53 crores it is material. So it does include almost like INR7 crores, INR8 crores, which relates to the previous period.

Raghunandhan NL: Got it, sir. And secondly, EV specific capex under Buehler Uno Minda EV systems, how would be the gross asset turnover here currently at the company level, you have 2.5x?

Sunil Bohra: FATR, you're asking? It's too early, Raghunandhan, to look at FATR, too early, the plant is yet to have SOP. Actually, the motor -- as I said, SOP will only be in January and the EV has just started in last quarter. So I think let us give some time, and I would request we look at FATR only from FY '25 and FY '26, because until then, we will have all then capex done and you will not realize the full potential.

Raghunandhan NL: Got it, sir. And just lastly on the PLI scheme incentives, just wanted to understand any time line you see for getting those benefits? I mean, that could also add to the margins?

Sunil Bohra: Nothing we are expecting in current financial year, Raghu.

Moderator: Thank you. The next question is from the line of Sabyasachi Mukerji from Bajaj Finance AMC. Please go ahead.

Sabyasachi Mukerji: My first question is, you have grown revenue for the first half, around 24% Y-o-Y. What's your outlook on H2? Are we looking at a similar growth? Or will there be some slowdown?

Sunil Bohra: So Sabyasachi, we normally never comment on the top line because our destiny is linked to the OE volumes. Our endeavor always has been whatever is the industry growth, how do we outperform the industry growth? And as you would have seen in the first half here, this is the full year numbers of industry volumes are flat, yes, there is some improvement in PV but not so improvement in two-wheeler, etcetera. On an overall basis, that is flat, but our revenues are better by almost 25% for the first half.

So our long-term guidance has been whatever industry grows, industry grows by 10%, we grow by 15%, or if industry grows by 8%, we grow by at least 12%. So 1.5x is the floor, which we have kept a target for our growth versus the industry growth. So coming to the second half, if the momentum remains where it is, we do expect the similar numbers for the rest of the year. But yes, as I said, the entire question is the industry volumes. So if industry volumes remain robust, we do expect for the same trend to continue.

Sabyasachi Mukerji: So sir, I was asking that given the conversations you are having with the OEMs, probably we understand that there could be some bit of channel filling done in the quarter 2, just ahead of the festive and there could be a production a bit lower in the Q3. What's your conversation, based on your conversations, how does the Q3 and probably the Q4 look like? Just in sense I was trying to understand?

Sunil Bohra: So normally, Sabyasachi, we do get indents which are on a rolling two-month basis but the indents many times get firmed up only at the end of the month for the next month. And within the month also, there are some changes. So while the rolling two months to three months numbers look attractive, it looks better than what they were last year, the sheer reason is that this time, the festive season has been delayed by almost like three weeks.

So there will be some inventory build-up which continues to happen in October as well, but we are now in the festive season and this is the week where the maximum delivery of the vehicle happen, yes. The numbers will take some time to come out. But on the current rolling three month basis, we do expect a little better than what they were last year.

Sabyasachi Mukerji: Got it, sir. Second question is in terms of margins, I understand that few of new plants are getting commissioned and also you are getting new EV orders at competitive prices that you have called out. But as we progress, do you see some improvement coming in probably three quarters, four quarters, five quarters down the line when things get settled down and probably you have a better handle on the cost? Can you see some improvement coming in the margins?

Sunil Bohra: Well, definitely, we have been consistently working on to improve our margin profile. But as I said, we are in a competitive world. And there has been some business which we have taken at a very, very, I would say, increased competitive prices. So that does have some impact on the margins. But yes, from medium to long-term, we continue to work on improving our margin profile, but how much is difficult to communicated today, but maybe I will be better placed to answer your question for next year, maybe when we discuss for the Q4 numbers.

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

Siddhartha Bera: So just wanted the clarification on this other business, we have seen like about INR150 crores Q-on-Q jump. And you said INR230 crores from sensors and controllers. We already did INR200 crores last quarter. So how -- does it still add-up increase? Can you just explain what -- any other things which are also jumped in the current quarter?

Ankur Modi: Yes, Siddhartha. So blow moulding business with their new plant has also done well. So there is an increase there. Then I think our Friwo plant has started. The revenue is coming from there. Aftermarket business has also grown. So all these other components have grown. So even our PCB business catallact, their outside chain is also better. So all of this has contributed to this growth.

Siddhartha Bera: Okay. So Friwo contributions will be how much in the current quarter?

Ankur Modi: We'll take that offline, Siddhartha.

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

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

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

Tarun Kumar Srivastava
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