May 29, 2024

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Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Subject: Transcription of Conference Call with Investors/Analysts held on 22nd May 2024

Dear Sir/Madam,

Please find attached herewith transcription of Conference call with Investors/Analysts held on May 22, 2024. Kindly take the same on record and acknowledge.

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

Thanking you

Yours faithfully,

For Minda Corporation Limited

PARDEEP MANN Digitally signed by PARDEEP MANN Date: 2024.05.29 14:19:03 +05'30'

Pardeep Mann
Company Secretary
Membership No. A13371

"Minda Corporation Limited

Q4 FY '24 Earnings Conference Call"

May 22, 2024

MANAGEMENT: MR. AAKASH MINDA – EXECUTIVE DIRECTOR

MR. SAMEER SHARMA -- GROUP HEAD, STRATEGY AND M&A

MR. VINOD RAHEJA – GROUP CFO

MR. NITESH JAIN -- LEAD INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to Minda Corporation Q4 FY24 Earnings Conference Call hosted by Elara Securities. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jay Kale from Elara Securities. Thank you, and over to you, sir.

Jay Kale: Yes. Thank you, and good evening, everyone. I welcome you all to the Q4 FY24 earnings conference call of Minda Corporation. We have with us today with the management, Mr. Aakash Minda, Executive Director; Mr. Vinod Raheja, Group CFO; Mr. Sameer Sharma, Group Head, Strategy and M&A; Mr. Nitesh Jain, Lead Investor Relations.

Thank you, management team, for letting us host this call. And I'd now like to hand over the call to Mr. Aakash Minda for his opening remarks.

Aakash Minda: Thank you so much, Jay and Elara Capital for organizing this call. Good evening, everyone. Welcome to Q4 and FY24 Earnings Conference Call for Minda Corporation Limited. I hope everyone is in good health. The Indian economy has shown a remarkable resilience and global challenges, achieving a growth rate of about 8% in CY23.

India has been recognized as a fastest growing major economy underscored by strong demand across various industries. In FY24, the automotive industry saw a robust growth across various vehicle segments. The positive trend was fuelled by strong festive sales, improved customer sentiment and launch of various new products. However, the Tractor and Commercial Vehicles segment saw slower growth due to various economic factors. Despite these challenges, we remain optimistic about the industry's trajectory and we are well positioned to seize the emerging opportunities at Minda Corporation.

Reflecting on the growth and progress of FY2023-24, I am pleased to share that our company has delivered a robust performance during the year. Coming to the financial performance of Q4 FY24, Minda Corporation delivered highest ever revenue of INR 1,215 crores, up by 13.1% year-on-year.

During FY2023-24, Minda Corporation delivered highest ever revenue of INR 4,650 crores marking a growth of 8.2% year-on-year. The domestic OE business grew by 15% compared to the industry growth of 8%, though it was partially offset by subdued export demand, flat aftermarket sales, delay in SOPs due to customer approvals and electric vehicle customers launch and slowdown in ASEAN markets.

Moving on to the profitability. We are pleased to report that the company has delivered highest ever EBITDA of INR 139 crores for Q4, marking a growth of 18.5% year-on-year with EBITDA margin of 11.4% for the quarter. For FY24, the company has delivered highest-ever EBITDA of

INR 514 crores, marking a growth of 11.5% year-on-year with EBITDA margin of 11.1% for the full year.

Profit before tax stood at INR 308 crores with a margin of 6.6%. The normalized PAT for the year was INR 227 crores translating to a margin of about 5%. This was partially impacted by increased finance cost and depreciation due to capacity expansions and technology upgrade and investments, which are essential to fuel the future growth of Minda Corporation.

In alignment with our commitment to reward our shareholders, the Board of Directors have declared a final dividend of 45% on the base value. This brings the total dividend for the year to 70% equating to INR 1.40 per equity share.

Now I would like to take you through the key developments during Q4 and FY24. For the full fiscal year, our order wins exceeded more than INR 10,000 crores lifetime orders compared to INR 8,000 crores in previous year with over 30% attributed to electric vehicle platforms across new and existing product lines.

To meet the growing demand, we are proactively enhancing capabilities and capacities for all our product domains such as vehicle access, electric vehicle products, driver information systems, die casting parts, electrical distribution systems and new technologies. We have entered into 2 strategic technology partnerships during the year. One is with HCMF for automotive sunroof and closure systems and the other is with a global Japanese player for manufacturing of smart vehicle access systems.

These partnerships enhance our technology capabilities and reinforce our position as a comprehensive mobility solution provider. In line with our customer-centric approach, we inaugurated a new smart key facility in Vietnam, strategically positioned to serve our customers in the ASEAN region for the midterm and long term.

During the year, the company also filed 26 new patents, bringing our total number of patents to over 270. Additionally, we were granted 69 patents this year across various business verticals, the highest ever in an annual year in our history.

Looking forward, our strategic focus will continue to cultivate new customer relationships, expanding market share among existing customers and premiumization of our products. We will prioritize technology advancements through cutting-edge in-house R&D initiatives and global strategic partnerships and alliances.

I will now walk you through the presentation, which outlines the key highlights of our performance for the quarter and for the full year. I now request you to please refer to the presentation, which is already uploaded online.

We refer to page number 4, which shares a snapshot about the Minda Corporation Limited, where we are in present into 5 vehicle domains, our key customers across geographies. We have more than 26 manufacturing facilities and 2 facilities in ASEAN region, more than 17,000 workforce and more than 11 partnerships.

Our R&D capabilities expand to more than 700 engineers across. As a summary on the right, for the full year FY 24, our revenue stands at INR 4,651 crores, EBITDA at INR 514 crores and margin for the full year is at 11.1%. Normalized PAT is at about INR 227 crores and margin is about 5%.

I now move to slide number 6, which is about Q4 FY24 financial and other highlights. Sharing about the Indian automotive industry performance for the quarter and for the full year, the industry in Q4 on year-on-year basis grew by about 19%, where 2-wheelers grew by about 26%, PV grew by about 10%, 3-wheelers grew by about 8%, but commercial vehicle and tractors degrew. On a full year basis, the industry grew by about 8%. 2-wheelers grew by about 10%. PV grew by about 7% and 3-wheelers by about 16% and tractor degrew.

Moving to the next slide of marking the highlights of Q4 and FY24 performance. On the left side, are some of the highlights for Q4. As I mentioned again, Minda Corporation delivered highest quarterly revenue of INR 1,215 crores, which grew by 13.1% year-on-year. We delivered highest-ever quarterly EBITDA of INR 139 crores with EBITDA margin of 11.4%, with a growth of 52 basis points year-on-year.

During the quarter, lifetime order book was booked at INR 2,000 crores where exports and EV constituted to more than 30%. Net debt decreased by INR 235 crores, lowering the net debt ratio to 0.08x from 0.25x, enhanced the production capabilities and capacities at various divisions across the globe.

For the full year, revenue growth at 8.2% year-on-year despite challenging macroeconomic scenarios. We delivered highest ever EBITDA at 11.1%, total lifetime order book exceeded INR 10,000 crores with EV constituting to more than 30% during the full year, forged 2 new strategic partnerships and filed more than 26 patents totalling to 270 for the full year.

Moving to slide number 8, which again is a graphical representation of the financial numbers, again, on the quarter. So, on a quarter-on-quarter basis, we grew from INR 1,166 crores to INR 1,215 crores. On EBITDA, we grew from INR 130 crores to INR139 crores. And at PAT level, we grew from INR 52 crores to INR 71 crores. And at the full year basis, we have grown from INR 4,300 crores to INR 4,651 crores. And at EBITDA, we have grown from INR 461 crores to INR 514 crores. And at PAT, we have grown by 4% from INR 219 crores to INR 227 crores, marking at appx 5%.

Moving to the next slide, slide number 9, which shows a tabular representation of our quarter and our full year numbers on year-on-year and quarter-on-quarter basis. Briefly, moving forward. Operating revenue is at about INR 1,215 crores, grew 13.1% year-on-year and 4.2% quarter-on-quarter. EBITDA margin grew by 18.5% from INR 117 crores to INR 139 crores and on a quarter-on-quarter basis grew by 6.7%. PBT grew from INR 69 crores to INR 92 crores; and on a quarter basis, INR 76 crores to INR 92 crores. And normalized PAT grew from INR52 crores on quarter-on-quarter basis to INR 71 crores.

On a full year basis, which is on the extreme right, we have grown by 8.2% from INR 4,300 crores to INR 4,651 crores. EBITDA margin from 10.7% at an annual basis to 11.1% on an annual basis, with 33 bps increase. And PBT has grown from INR 298 crores to INR 308 crores, marking 3.4% growth. In summary, in Q4, on the domestic plant, Minda Corp grew by 20% led by strong industry growth, however, was partially offset by subdued exports and demand in ASEAN markets.

Moving to the next slide, Slide number 10, which shows the full year consolidated leverage position. Our net worth has increased from INR 1,591 crores to INR 1,981 crores. Long-term borrowing has gone down from INR 235 crores to INR 203 crores. Short-term borrowing has also almost halved from INR 318 crores to INR 145 crores. Gross debt, as an overall, has come down and cash and cash equivalents have gone up from INR 162 crores to INR 192 crores, and net debt to net worth has come from 0.25x to 0.08x. And ROCE has almost been at 21% to 20%.

India Ratings have increased our rating outlook to positive and working capital limited limits have also increased from stable to positive IND A1 plus. Moving to the next slide. On the vertical-wise business performance. On the top left is the Mechatronics and Aftermarket division, which has grown from INR 535 crores to INR 590 crores, which is 10% year-on-year increase. In the Information & Connected Systems, it has grown from INR 540 crores to INR 625 crores, which marks at 16% increase. On the annual basis, the Mechatronics division has grown by 9% and the Information & Connected Systems has grown by 7%.

The Mechatronics division has strong demand in 2-wheelers and the PV segment due to premiumization of existing and new products. However, subdued due to exports and aftermarket. In the Information & Connected Systems, the revenue grew by 16% but had challenges when it came to the ASEAN market as there is delay in some customer approvals of the SOPs. Our focus has been on how we can localize components coming to various parts of the organization.

Moving to slide number 12, which shows the trend chart of the key financial metrics. Over the past 4 years, Minda Corporation has registered a revenue CAGR of 25.2%, underscoring our dedication for consistent growth and sustainable growth. So over the past 4 years, we have gone from INR 2,368 crores to INR 4,651 crores.

EBITDA margin on a full year basis has grown from 9.2% to 11.1%, and ROCE has increased from 12% to about 20% to 21%. Net debt to EBITDA has even further improved from FY23 to FY24 to 0.3x. Fixed asset turnover at a group level is about 5.3x and working capital turnover is about 5.3x as well.

Moving to the next slide of Slide number 13, which shows our diversified revenue model by geography, by end market and by products. By geography, India continues to be the major market, which is about 87%. Exports to Europe and North America continue to be about 8%, and our ASEAN countries dependence has come down due to the slower growth in the ASEAN market from 8% to 5%.

By end market, we continue to be leading by 2- and 3-wheeler revenue by about 47%. Passenger vehicles continue to be about 15%. Aftermarket continues to be about 11% to 12% and commercial vehicles, including off-road and off-highway tractors at about 25% to 28%. By products, wiring harness at the group level continues to be about at 30%. Vehicle access products and lockset at about 25% and die casting division about 15% to 16%, instrument cluster about 15% and other new products and technologies to be about 15% to 16% as well.

Moving on to the strategic pillars of growth on slide number 15. Our focus is our enhancing the core in our 5 key product domains, invest in innovation and technology through in-house R&D as well as partnerships with global players, invest and grow in electric vehicle growth opportunity. All of our Minda Corporation products are EV agnostic and of course, strengthening the passenger vehicle offerings. This will lead to complete solution provider for OEMs.

We are focusing on cost leadership in manufacturing and thought leadership in technology. Premiumization and product innovation across business segments and increasing content per vehicle and delivering better than industry growth and improve continuous margin continuously improve margin profile.

Moving on to the slide 16, which shares about the engineering capabilities of our group. We have more than 700 engineer headcount, more than 270 patents. From last year onwards, we are spending now about 3% into R&D of our top line for new product and innovation. We have more than 11 engineering and R&D centres and focusing on our engineering capabilities in the areas of testing, validation, electronics, embedded software and other technologies.

Moving on to the next slide, which is Slide number 17, shows how our products of Minda Corporation are growing in terms of content per vehicle, quick value, premiumization, annual selling price and how Minda Corporation is offering system solutions going forward.

First, a vehicle access or a lockset company, we have moved on to a vehicle access company into smart and intelligent comfort and convenience vehicle access. Second, from a wiring harness and connector company, we are moving into an electrical distribution company, which completes all the factors of electrical distribution in a vehicle.

Third, is from a cluster company towards connected and safe mobility driver information company. Fourth, is on the light weighting and plastic parts in terms of how we can improve the efficiency for the vehicles when it comes to electric vehicle mobility, and last not the least is the electric vehicle as well as the other electronic product lines.

Moving on to the slide number 18 shows our product offering, the presentation in a 2-wheeler where all of the Minda Corporation products are engine-agnostic. So it does not depend on the source of power. All of the Minda Corporation products are going to become premium as an increased annual selling price when the EV comes in.

Below shows our continuously adding new customers in the EV based platform all across the world. On the potential kit value, our current offering in the 2-wheeler space is about 4,000 to 4,500, with the increase in vehicle access products is only going to give us more than INR 2,000 to INR 3,000.

Increase in wiring harness and instrument cluster business should give us about INR2,500. And new product innovations in terms of EV is going to INR 8,000 to INR 10,000 and other products under development at about INR 6,000 to INR 7,000. And the total kit value offered in a 2-wheeler mass production segment should be about INR 22,000 to INR 27,000.

Moving forward, I will quickly move to the group profile, where it shows about the Board of Directors of Minda Corporation, marking the strong governance. Next slide shows about the leadership team, which is driving and striving for growth across Minda Corporation. And next slide is on the number of partnerships that Minda Corporation has forged in the past few quarters and past few years.

Moving on to the last slide of the presentation, which is on the ESG, CSR and awards. Minda Corporation continues to focus on the sustainable growth, marking the sustainable mobility all across our plants. We are focusing on 5 key areas of sustainable operations, care for people, ethical businesses, inclusive growth and responsible value chain and the details are as under.

We also continuously keep participating and putting up camps across India and overseas for our corporate social responsibilities in the areas of limb fitment, vocational training, education and women hygiene. Moving to the last slide, which is showing the awards and achievements given by our customers -- prestigious customers to Minda Corporation across businesses and across product lines for various types of awards in innovation, in cost reduction, in technology, in operational excellence and management support.

With this, I would like to conclude our presentation and open the floor for any and all questions. Thank you.

Moderator: The first question is from the line of Raghunandhan from Nuvama Research.

Raghunandhan: Congratulations, Aakash Sir and team, on a strong set of numbers. Just a clarification, sir, before my queries. In the presentation, net debt is shown as INR 156 crores. This would be without factoring the cash and cash equivalent, which is the current investment of INR 291 crores. If we factor that, then we are a net cash company. Would that understanding be correct?

Aakash Minda: Yes. I will ask our CFO to answer this question, please.

Vinod Raheja: Yes, that understanding is correct that the net debt of INR 156 crores does not consider the investments of INR 291 crores in mutual funds.

Raghunandhan: So coming to my first question, strong revenue performance was there despite a couple of limiting factors that you mentioned. On overseas demand on aftermarket segment, how do you see the outlook ahead? You also indicated order wins in overseas? Also on certain SOPs that have got delayed, can you indicate any colour on what product category? And when do you see them commencing execution?

Aakash Minda: Yes. So your first question on the aftermarket front, definitely, we have been hearing and seeing an industry-wide slowdown. However, for the upcoming year, we are optimistic and with our various new initiatives that we are taking to grow the aftermarket division not only in India, but overseas, we should see some blue ocean strategies coming out of this segment.

When it comes to the delay in SOPs, we have seen that various customers, particularly to our EV customers, which are new age OEMs have, in many cases, not got approval from the ARAI or government authorities, which is marking delays for our start-up production. And in many cases, in this respect, also, there are customer approval delays for our testing validation because their end products have also been further delayed.

Raghunandhan: And the export/overseas, how do you see the outlook for FY25?

Aakash Minda: So overseas market, where we are present, particularly in the ASEAN, we do not see a growth in this year as the industry itself is down. So that is where we still continue to face challenges. And while other companies also who have presence there, we have also seen that particularly on the export side, due to the 51% of the world is going through a re-election this year. And of course, there are various geopolitical concerns, so we are cautious to be very honest for the exports for the full year in FY25.

Raghunandhan: On sunroof, can you indicate any incremental details on product readiness, orders, capacity or investment, anything you are planning to announce this year?

Aakash Minda: Yes. So we are going to be investing into a greenfield facility for our joint venture. And this will cater to the new product lines, like you have now mentioned. We are under discussion with various customers from all over India, again, all 4-wheeler OEMs to launch this product. We have been working on a couple of RFQs.

So yes, we are in the phase of closing some of the businesses and setting up something within the, let's say, Q2 or Q3 of this financial year.

Raghunandhan: Got it, sir. Wishing you all the best on that. You also spoke about localization of wiring harness. If you can indicate the steps of the progress and also reiterate the targets you have over the next 2 years, also the benefits on cost side.

Aakash Minda: Yes. So as our commitment, we have always shared that we are focusing on localization of the connectors and the components, not the wiring harness. So when it comes to the connectors, we have now been able to localize about 15% of our connectors within Minda. And further, we continue to look at growing this buy from the connectors coming out of Minda Corporation Tractor division. So as we've already committed, this chart will grow with more and more approvals from customers coming in, in the next few quarters.

Moderator: The next question is from the line of Pranay Chatterjee from Berman Capital.

Pranay Chatterjee: So first few data questions. For the domestic 2-wheeler sector, would there be a range of number for the growth that you are building in FY25, if yes, if you could share that? And for your lockset revenues, which is 25% of your revenue or around INR 1,100 crores for the year, how much of this would be coming from domestic two-wheelers? And how much of this INR 1,100 crores is actually smart lock systems?

Aakash Minda: Okay. So multiple questions, I'll take one by one. So out of the INR 1,100 crores or INR 1,200 crores of our lockset division per se, about -- I would say, about INR 870 odd crores come from domestic and the remaining is coming from exports. From the 2-wheeler side, you asked for the smart key revenue. So the smart key revenue is somewhere to the tune of about, INR 130 crores to INR 140 crores.

Pranay Chatterjee: This is entirely domestic revenues?

Aakash Minda: No, this is including exports as well.

Pranay Chatterjee: Okay. How much of the domestic part of this, if possible?

Aakash Minda: Sorry, that's a little confidential. So if you don't mind.

Pranay Chatterjee: No problem. And if you could just comment on if you guys are cancelling in specific growth rates for the 2-wheeler sector in India for FY25?

Aakash Minda: So as what we are seeing, the industry should be somewhere about -- at least about 10% to 15% growth for the full year, particularly speaking about 2-wheeler per se. That is why customers have been giving us a 12-month forecast, so to say. We are again fully geared up and fully ready to outperform this number in terms of the order wins that we have had on account of various product lines across customers and across segments of 2-wheeler.

Pranay Chatterjee: Got it, sir. In India, so this is what you just said, would it be a fair statement to say that the penetration of smart keys or smart locks in Indian 2-wheelers is actually quite low or probably single digits today. And first of all is that right thing to say, is there any reason why we should believe that, that number should materially increase in future?

Aakash Minda: Yes. So currently, we believe for the numbers that we have, currently, the penetration of smart keys into the 2-wheeler is somewhere about only 3% to 5%. And why this is expected to increase is simply because of the comfort and convenience factor. Now we have various order wins as well as from all customers across India and overseas. And there is a clear trend that this is a comfort convenience feature where all these 2-wheeler bikes or scooters are adapting.

And there are, again, various and probably many customers which have this product line, whether ICE or EV 2-wheeler segments from that top end model and this is going to come down to the mass commuter segment in the next years to come. So definitely, the penetration is going to happen once we reach the economies of scale and once the customers start adapting more and more of the comforts in near future.

Pranay Chatterjee: Got it. Sir, One last question. Regarding your lockset division. I'm specifically referring to the mechanical ones, which used to be primarily what you supplied, let's say, 3 years, 4 years back. Is it possible for you to signal out, how much could be the steady state EBITDA margin in mechanical lockset business? And when you keep getting into incrementally smart system, how that margins get affected?

Aakash Minda: So sorry, I will not be able to share the EBITDA margin numbers per segment. I'm sure you understand the reason. But all I can say is that they are in double digits. And when the smart keys are coming in, that is where we expect to further increase because the content per products and content per vehicle also grows up. So for example, as the traditional lockset is to the tune of INR 400, this makes the per product to about, let's say, average INR 2,000 to INR 3,000. And of course, there are multiple components and multiple factors into it. So yes, that is why the reason is of the profile should go up.

Moderator: The next question is from the line of Nishant from Elara Capital.

Nishant: Sir, firstly, on the order book, you mentioned that we had an order book around INR 10,000 crores. So could you just help us understand, I mean, say, what period are we looking conversion of these orders into revenue?

Aakash Minda: So Nishant typically in the auto industry, when we speak about the lifetime orders, they are about to the range of about 4 to 5 years life time. And typically, when we win the orders, the start-up production happens about 18 to 24 months after of winning the order. And typically, in that, the peak year is somewhere about 2 years or, let's say, 2 years after the SOP.

So once you win an order, let's say, about 3 years from then, you get deep peak value and lifetime is again divided into 2 areas. So let's say, 50% is replacement business and 50% is new business. So replacement business is, let's say, very important for us in order to continue our sales, and the growth will come from the additional new businesses for the new platforms and the new technology products that customers keep launching throughout the year across segments.

Nishant: Understood. Secondly, on the electric 2-wheeler side, could you just help us understand, I mean, what is your reading of the current market situation with subsidies being reduced and the OEMs are launching more affordable variants. So does that in any way answer the premiumization story of entire 2-wheeler space, especially the electric 2-wheeler front?

Aakash Minda: Yes. So if you see for the full year, last year, somewhere about 930,000 electric vehicle -- EV 2-wheelers were sold. So that's a big number compared to the FY22. So definitely, in the long run, the electric vehicle 2-wheelers are going to definitely take the larger part of the interaction. I personally believe that currently, the EV industry is at the bottom part of the S curve.

So it is probably going to flatten out soon where we are seeing globally that the 4-wheeler customers globally have kind of halted their investments and other such things. And in future, it is bound to pick up. So coming to India, yes, 2-wheeler is definitely going to be going into EV. But our expectation is by 2030, let's say, somewhere it should be to the tune of about 30-odd percent.

Nishant: And secondly on that, I mean, more and more OEMs trying to launch affordable variants of the electric vehicles. So does that I mean, do they have to compromise on the premium features or anything of that sort? Or if you can give some flavour on that.

Aakash Minda: So I believe that the customers will always need multiple products and multiple models. So they will have to keep coming out and offering multiple platforms, so to say. I see in any of the OEMs and customers right now, they are all having many, many models in each variant. So moving forward, of course, all customers are going to try and expand the product portfolio once the overall market and the volume increases.

So since the current volumes are very low, it probably also does not justify for customers also to come up and launch new models. So regarding premiumization, when all sorts of high-end and mass models are going to be getting EV, they are going to adapt the new and new features coming out of the 2-wheeler because now the world has seen the new technology products, which is definitely bound to come to the mass segments as well, irrespective of EV and ICE vehicles.

Moderator: The next question is from the line of Shridhar Kallani from Axis Securities Limited.

Shridhar Kallani: Congratulations on the good set of numbers. Sir, my first query is on the order book side. So firstly, I would like to understand that a lot of companies like Bajaj, Hero, and TVS also, they'll be coming up with multiple launches over the next 2 to 3 quarters, and Bajaj has also launched its 400 cc motorcycle, Bajaj Pulsar; and Hero is also there in 125cc. TVS will also be coming out with a range of EV-related scooters. So could you just help us understand in which products we are existing currently?

Aakash Minda: So is your question regarding the product premiumization across customers? If you can clarify questions, please.

Shridhar Kallani: So the launches that these companies have made and will be making in the next 2 to 3 quarters. Just wanted to understand how much are we present in those models?

Aakash Minda: Yes. So again, I will not say we are present in all models. So definitely, when we are winning businesses, we have to see and what we obviously track is the number of models and platforms that each customers are launching, whether it's a premium bike or whether it's a mass commuter bike.

So as an organization, we completely track the model mapping and what part of products are with that. So, to answer your question, our premium products in terms of the TFT clusters or keyless solutions or various sensors, etc, are already there in many of these customers' new models, which were launched before or are currently going to be launched. So in that case, our products are simply horizontally deployed to their new launches as well. So that is how we are present either from before or from the new model launches, whether from high-end or from low-end segments.

Shridhar Kallani: Okay. And, sir, my second question is, I just wanted to have a little bit more clarity on the profit that we had on pricol instead of accounting it in P&L, we have accounted it in OCI. So I believe that we have already realized these gains. So just wanted to understand the accounting over here?

Aakash Minda: Okay. So I'll ask Vinod to please take up this question.

Vinod Raheja: Yes. See, as per the IND AS, at the time of acquisition of an investment, one has to make a choice that whether the gains or losses are to be routed through P&L or through other comprehensive income. When we had acquired this investment in February 2023, at that time itself, being a financial investment, we had chosen the option of routing the gains and losses through other comprehensive income and consistently quarter-on-quarter basis, we have been doing this.

On a net-net basis, we realized a gain of about some INR 237 crores on a gross basis and net of tax about INR 197 crores in a period of about 11 months or so.

Moderator: The next follow-up question is from the line Raghunandhan from Nuvama Research.

Raghunandhan: Sir, on the order wins of INR 10,000 crores plus during the year, can you provide some details how much would be the share of new and replacement orders? And also, how would you break it up between Mechatronics and ICS divisions?

Aakash Minda: Yes. So typically, it's about 50-50, Raghu, where, again, 50% of this is replacement businesses and 50% of this is by new businesses. But that is how it is. And it is spread across all segments. So the 5 product lines that we have, it is, again, into the vehicle access space.

The second comes from the die casting area. The third biggest aspect is the wiring harness division, across the cluster division per se. And the last, not the least, we are seeing the biggest amount is from the exports and the EV platforms of this area.

Raghunandhan: Got it. Sir, on the R&D spend, the focus is increasing, and if you can highlight a little bit about the efforts in terms of new products, which would be the key segments you look to, where you want to strengthen the portfolio?

Aakash Minda: Yes. So we have been typically spending about 1% to 2% of our top line into R&D in the past few years. But in the last year, we have topped it up to the tune of about 2% to 3%. And from this year onwards, we are further bumping it up to about 3% to 4% for the full year. So typically, our areas of our focus is our 5 key product domains, which is into the vehicle access, second is into the electrical distribution system, third is into the driver information system, fourth is into the light weighting and fifth is into the electronics and electric vehicle mobility. These are our 5 key areas.

Our objective is that how to cannibalize our own products and with the mega trends of case and lace or pace, we would like to make our products more personalized, comfort, convenience, more and more electronification, more and more electrification and more and more individualization is going to happen into these products.

So how we can offer these kind of products to our end customers? So we have a typical spend for each of these divisions on how we can move into a system solution offering and then a multisystem solution offering from the current or the previous compiled solution offering.

So now if you see the more and more software is going to be coming in and now we have more than 700 engineers focusing on the engineering aspect across the group, which are not only for the product development or the existing orders, but for the new and advanced technologies, which are innovating or inventing, if I may say, for the first time, not only in India, but for the first time in the world as well. And so this is how we are investing further and further into our R&D centre into coming up and launching the new products, which are core to Minda Corporation.

Raghunandhan: And sir, a follow-up on the smart keys, what you indicated earlier that smart keysgiven the higher realization and there is also a good profitability at double-digit margin. So just one clarification. Compared to the mechanical locksets, would smart keys, would they have a similar margin? Or would the margin be better given that smart keys are a more value-added product? There will be lesser competition here and you would be in a position to have better profitability.

Aakash Minda: So yes, as I mentioned earlier, Raghu, the profitability is better from the current mechanical locksets. Again, for the reasons primarily as we are the only company in India to have this with the mass expertise homologated in more than 65 countries and exporting as well as in the domestic market. We have invested huge in terms of this particular product line and our core. And definitely with more and more components and more and more software and more and more system offering to the customers, it gives us a higher or a better margin profile.

Raghunandhan: Got it, sir. And on the smart keys side, how would be your market share? I mean, in comparison to the 40% market share that you would have on the mechanical locksets, would the smart key share would be as high as 80% or higher?

Aakash Minda: Yes, you are right. I could even say a little bit higher as well because we are the first movers in this technology and not from now, for the last 2 to 3 years. And we continue to have the leadership position when it comes to this technology across ICE and EV products and platforms and customers. So our customers are from new age as well as existing large customers in India and overseas.

Raghunandhan: Got it, sir. And with reference to clusters, within that, how much would be the share of digital? And how do you see the share going up in the future?

Aakash Minda: Yes. So we classified the clusters into 3 baskets. One is mechanical, digital and then is TFT based. So again, I would not be able to share the 3 buckets per se, because they are then further classified into 2-wheelers and other vehicle segments. But currently, mechanical and electromechanical is the large part of it or a majority part of it and TFTs are small just because of the cost per se, to the end consumer.

But yes, eventually, the TFT clusters are going to be leading the product segment because you can see them across customers. In 4-wheelers, we are already supplying that to various customers and in 2-wheelers, also, we are applying to Indian OEMs as well as exporting our TFT clusters from India across the world. So this is, again, a comfort, convenience and a premium factor that is going to come into the 2-wheelers, and again, having multiple advanced technologies like touch or infotainment or other connectivity into the cluster.

Raghunandhan: Sir, the other segment, which we have that others would roughly be around INR 700 crores revenue for full year FY24. Within that 2 main parts are sensors and EV specific parts. Could roughly sensor revenue be around INR 200 crores and EV parts around INR 100 crores? If you can give some approximate numbers?

Aakash Minda: Yes. So they are in those lines. And plus, of course, we have our Interior Plastics division. So that is also, again, in the similar about INR 150 crores range as well. So yes, and there are other product lines, for example, the antenna business, which we are now in the startup phase, for example, and there are other electronic components such as the telematics, our intelligent transportation system, etc, that constitute to the others basket.

The next question is from the line of Jay from Elara Securities Private Limited.

Jay: Sir, one of my questions is basically, if you see our order book for Q4 FY24, you mentioned INR 2,000-odd crores. And out of that, that's very encouraging, the 30% is export. And at the same time, you mentioned that the near-term outlook for exports, at least in FY25, still seems to be muted. So if you can just throw some light when these orders will start getting executed and should we see a huge bump up in maybe FY26, irrespective of the market being weak, maybe because of new orders started to getting executed? So if you can just throw some light on the timelines of these SOPs starting.

Aakash Minda: Yes. Sorry, and thanks for pointing out that. And we apologize, that's a typo error. It is not 30% exports; it is 30% EV. So please pardon and apologies for that. So but to answer your question, when it comes to the exports, yes, this year has been lower than last year. I would not even say muted, and this is one of the biggest reasons why our overall growth has been impacted.

So our overall exports is down by about 14% for the full year basis and primarily due to the global scenarios whether we are exporting various products to Ukraine and Russia region, that is a very significant part of it. Others in terms of the 2-wheeler exports, our customers are facing a downtrend. So those are the factors which are not in our hands and further moving in terms of the other product lines in terms of die casting and other assets. Again, there is a shift between the ICE and EV in fact. So the customers there are also seeing a global downtrend when it comes to America and Europe.

On their side, we have a strong order book, which we continue to acquire businesses in ICE and more importantly, the EV aspects across business segments. So in FY25, also, we believe that this exports should be muted, if not below. But yes, in FY26 with the order book that we continue to have, this will definitely go higher.

Jay: Understood. And also, if I see your revenues by products, of course, instrument cluster has been stuck from 14% to 15% this year. And one would assume that the incremental orders translating into revenues will only accelerate from FY25 going forward. Is that a fair assumption? And should one think about this being one of the highest growing segments over the next 1 or 2 years? And also because the share of exports within this segment is much lower. So that also helps in terms of overall growth rate versus the other products.

Aakash Minda: Sorry, which segment did you mention?

Jay: Instrument clusters.

Aakash Minda: Instrument clusters. Yes. So again, instrument clusters, there are a couple of factors when it comes to the instrument clusters. Now we have a market leadership position in various segments, such as road and tractors as well as 2-wheelers. Now as a future growth, we are moving one into the premiumization of the products from a mechanical to TFT-based cluster, number one.

Number two, in line with our commitment to grow into the more and more 4-wheeler or passenger vehicle space, we have started getting orders as well as next few quarters, there will be a ramp-up of production for our 4-wheeler TFT, instrument cluster businesses in that space. And we continue to export the instrument clusters overseas as well. So there are multiple factors when it comes to the growth of the instrument cluster business. One is, again, exports. Second is the premiumization of the product line. Third is, of course, more cross-selling and winning more market share across customers.

Jay: Understood. Just a couple of questions more from my side. One is if you can just throw some light on the capex of FY25. And on the wiring harness business, how should one think about EV orders in the wiring harness, where are we in that curve? Any wins over there?

Aakash Minda: So on the wiring harness, EV front, again, it's to the tune of about 30%, similar to that line like at the group level. So this is, again, across segments, primarily in the 2-wheelers as well as the non-tractor segments per se, which is where we are getting orders in the EV space. Sorry, what was the first question, please?

Jay: Capex for FY25?

Aakash Minda: Yes. So for the capex of FY25, typically, we spend about 5% of our revenue into the capex per year. And for the next year as well, it is going to be in the similar lines. So again, we are focusing on 3 areas. One is, again, in the tune of about 2% to 3% on the regular and replacement capex, about the full capex is somewhere about INR 170 crores to INR 200 crores on the capacity expansion when it comes to the production as well as the more capacity is land is also what we are planning to invest as well as in the capex front on the engineering is something that we are now looking to invest to the tune of the full capex of about 1.5% to 1%, 1.5% on that front.

The next question is from the line of Radha Agarwal from B&K Securities.

Radha Agarwal: I wanted to understand what is the order book in terms of smart locks in hand as on date? And what is the execution timeline you have for that?

Aakash Minda: So ma'am, I will not be able to share the exact number of the smart key business that we have because this ranges again, largely from the 2-wheeler segment, and now we are further getting into the 4-wheeler smart vehicle access businesses. Further, there are multiple components.

So the customer can source as a product or as a component as well. So this is why I will not be able to give you an exact detail on that number. But in the terms of the 2-wheeler penetration of the smart key is somewhere about 2% to 5%, and this is expected to grow up. Our target is that by FY2030, this penetration should be to the tune of about 20% plus in terms of the smart key solutions.

Radha Agarwal: Okay. So also from which plants are we manufacturing the smart keys in India. And I think outside, it's in Vietnam. So in India, which plants and the Pune plant, when is it expected to start?

Aakash Minda: Ma'am, the productions are already started 2 years ago. One is in Noida, and one is in Pune. So they're already manufacturing and exporting for the last 2 to 3 years. And for the Vietnam, we have established a new line for our customers in ASEAN countries in this year.

Radha Agarwal: Sir, lastly, how much market share does Chinese have in smart keys in India?

Aakash Minda: I would probably say zero because it is a platform development and engineering development done with customers in India. And we are engaged with almost all customers in India and for this particular high-end technology where Chinese are not present.

Moderator: Ladies and gentlemen, we'll take this as the last question. I now hand the conference over to Mr. Jay Kale from Elara Securities Private Limited for closing comments.

Jay Kale: Thanks, team for the presentation and the insights on the call. Thank you, team members for joining us. Thank you.

Moderator: Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.