"Uno Minda Limited

Q2 and H1 FY '25 Earnings Conference Call"

November 12, 2024

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MANAGEMENT: **MR. SUNIL BOHRA – GROUP CHIEF FINANCIAL OFFICER**
MR. ANKUR MODI – HEAD, CORPORATE TREASURY & COMMUNICATION

Moderator: Ladies and gentlemen, good day, and welcome to the Uno Minda Limited Q2 and H1 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal 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 Chief Financial Officer, for his opening remarks. Thank you, and over to you, sir.

Sunil Bohra: Thanks, Sejal. Good afternoon, everyone, and a warm welcome to all the participants. On the earnings call today, I am joined by my colleague, Ankur. We have uploaded our financial results and investor presentation for Q2 and H1 FY '25 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 industry, followed by our financial and operational performance for the quarter and the half year FY '25. Post that, we will open the floor for Q&A.

Starting with the automotive industry, for the quarter ending September '24, the industry recorded 9% year-on-year increase in production volumes. This growth was primarily driven by the 2-wheeler segment, while the passenger and commercial vehicle segment faced some headwinds. In Q2 FY '25, the passenger vehicle production volumes totalled 12.7 lakh units, marginally down year-on-year by 1%. Production volumes for 2-wheeler increased by 12.5%, totalling 62.6 lakh units.

Meanwhile, the 3-wheeler segment achieved year-on-year growth of 6%, reaching to around 3 lakh units. In Q2 of FY '25, the CV sector faced a 13% decline in production volumes, a slowdown in infrastructure project execution and a general decline in fleet utilization cost by an erratic distribution of rainfall led to year-on-year decline in the CV segment. The electric 2-wheeler segment remains the biggest volume driver for the EV industry in India.

EV 2-wheeler sales revived during the quarter with extension of EMPS 2024 subsidy scheme till September end, and eventually to be subsumed in form of the new PM E-Drive scheme. EV 2-wheeler segment witnessed retail sales of 2.87 lakh during the quarter, growing by 58% year-on-year and 29% quarter-on-quarter. The E-2-wheeler penetration has improved to 7.2%

in comparison to 4.9% in the last quarter. E-3-wheeler registrations grew by 26% quarter-on-quarter and 11% year-on-year, reaching 1.87 lakh units with a market penetration of over 50%.

Moving to current quarter. The festival season saw a strong growth across all segments, with rural outpacing the growth in the urban market. We remain highly optimistic on long-term growth prospects of auto industry, and have been preparing ourselves by investing in capacity expansion, research and development, new technology trends and key resources like land and people.

Moving on to financial and operational performance for the quarter and half year FY '25, you can refer to Slide Number 7 and 8. We have delivered yet another quarter of strong financial performance and achieved highest ever quarterly revenues. Our group revenues grew by 17% year-on-year basis to INR 5,112 crores. The consolidated reported revenues also grew by 17% year-on-year to INR 4,245 crores, driven by a broad-based growth across multiple product lines, notably lighting, alloy wheels, switches, EV components, sensors and controllers.

EBITDA for the quarter was INR 482 crores, reflecting a 20% year-on-year increase. EBITDA margins improved to 11.36% in comparison to 11.09% in the corresponding quarter previous year. Finance costs for the quarter increased to INR 46 crores due to higher borrowings to fund capex, land acquisition and increased working capital. Depreciation also rose in line with capitalization of new projects.

The company's share of profit from associates and joint ventures is INR 48 crores in Q2 FY '25 in comparison to INR 53 crores in corresponding quarter previous year. The share of profits from associates, joint ventures was lower primarily on account of Minda Westport becoming subsidiary and their profits being consolidated. This also partially led to higher minority share.

Besides all joint ventures, namely Denso Ten Minda, Roki Minda, Tokairika Minda, Toyoda Gosei Uno Minda JV entities have reported strong operating and financial performance. Uno Minda's PAT increased by 9% year-on-year to INR 245 crores in Q2 FY '25, reflecting the overall robust financial performance. This included exceptional income of around INR 8 crores, primarily due to accounting of increased share of Uno Minda JV with Westport.

Financials for H1 for FY '24, we have achieved consolidated revenues of INR 8,062 crores for the half year ending September '24, registering a growth of 20% year-on-year. The EBITDA for the same period grew by 22% at INR 890 crores. The profit after tax, which is Uno Minda's share for the half year, was at INR 444 crores as against INR 398 crores in corresponding half year, reporting a growth of 12%. Coming to the business segment-wise performance, starting with switches, you can refer to Slide Number 11.

Our switching systems segment demonstrated exceptional performance in Q2 FY '25 generating revenues of INR 1,057 crores contributing 25% of our consolidated revenues, which represents a year-on-year growth of 13%. This is despite the exports being hampered by down trade in the European market.

On manufacturing front, we have started manufacturing of components from our new Uno Mindarika plant at Farrukhnagar, Gurugram. During the quarter, we have also announced capex for shifting existing manufacturing plant from Manesar to Farrukhnagar in second phase by Q3 FY '27. This will help in consolidating our operations in the region in one single large part with some space for commodity future growth.

Moving to lighting. The lighting business continues to be one of the key growth drivers, contributing significantly to company's performance. In Q2, the segment generated impressive revenues of INR 970 crores, representing a 16% year-on-year growth and a substantial 23% share of consolidated revenues. The 4-wheeler lighting segment has been particularly strong, driven by success of our long tail lights.

The commissioning of our new 4-wheeler lighting plant at Khed in Q3 FY '25 is expected to further bolster our capabilities in this segment. We have also secured orders from PV OEM in Indonesia for lighting. To meet this demand, we have announced setting up of manufacturing facility in Indonesia under our wholly owned subsidiary, PTMA.

Uno Minda has been a significant player in the Indonesian market since 2005 when established its first manufacturing facility. PTMA currently supplies components and systems to major 2-wheeler OEMs in the country. The new plant will enable Uno Minda to diversify its product offering and cater to the growing demand for passenger car components.

Once the new plant is commissioned, the existing plant will also be relocated to the new site to consolidate operations and achieve economies of scale. The total capex for the new plant is estimated at INR 210 crores. Additionally, 2-wheeler lighting division has exhibited robust growth supported by overall 2-wheeler market expansion.

Moving to Casting business. The Casting business showcased a robust performance in Q2 FY '25, generating revenues of INR 842 crores, contributing to 20% of consolidated revenues. INR 441 crores is contributed by 4-wheeler alloy wheel, INR 246 crores for 2-wheeler and remaining by the die casting business. The segment experienced 12% year-on-year growth, while PV volumes were a bit soft. 2-wheel allow wheel business took the lead.

The recently commissioned enhanced capacity of 2 million wheels for 2-wheeler alloy wheel business is ramping up well. Besides increased volumes and part of increase led by commodity prices, better customer mix in 2-wheeler alloy business is also leading to higher growth potential. Both 2-wheeler and 4-wheeler alloy wheel segments have witnessed substantial growth, supported by capacity expansion initiatives.

We have been expanding our 4-wheeler Bawal facility by additional 30,000 capacity scheduled for commissioning in H2 FY '25. We have recently commenced to work on implementation of another 30,000 capacity expansion at Bawal. Additionally, construction of Phase 1 of the new 120,000 wheel per month greenfield plant at Kharkhoda, Haryana, and 2 million wheels for 2-wheeler alloy business at Supa, Maharashtra, is progressing as planned.

Electrification is providing exciting opportunities to our casting business as well. We have secured incremental business for battery power for e-2-wheelers.

Moving to seating business. The business generated INR 286 crores in revenue during the quarter, contributing 7% to consolidated revenues.

While substantial decline in CV segment, production both quarter-on-quarter and year-on-year, along with lower export due to downward trend in European market and our customer, in particular, has an adverse impact. Commencement of supplies to new incumbent OEM customers increasing volumes from e-2-wheeler OEM supported the business.

As we move forward to subsequent quarter, ramp-up of volumes from recently added new incumbent OEM customer led by multiple new models launched by them, increase in volumes from e-2-wheeler OEMs, commencement of supply of pneumatic suspended seat, all are expected to give boost to the revenues. As we remain confident of medium to long-term growth of our seating business.

Moving to acoustic business. The business generated INR 186 crores in revenues for the quarter, representing stable 4% contribution to our consolidated revenues. While India acoustic business remains stable, our European subsidiary Clarton Horn was adversely impacted by downward trend in the European auto industry.

Moving to other product businesses, which have achieved revenues of INR 906 crores for the quarter, contributing 21% of overall top line. Out of INR 906 crores, INR 147 crores was contributed by controllers, INR 205 crores by sensors and ADAS, INR 122 crores for blow-moulding products, INR 119 crores by Minda Westport JV, INR 101 crores by Uno Minda FRIWO JV.

It is important to highlight that while majority of the business under other category is doing well, our European engineering services business and erstwhile ISYS has been facing some headwinds on account of volatile European auto market.

Volumes for onboard charger for e-3-wheelers as well as wireless chargers for PV has increased significantly, supporting growth in our controller business.

Recently, we had entered into TLA StarCharge for EVSE, which is a wall-mounted charger. We are happy to announce that we have now also won a large order for EVSE from a Japanese OEM for their upcoming EV model. Increasing use of sensors and a diverse sensor offering is leading to growth of our sensors and ADAS business. Our CNG business under Minda Westport continues to grow, making new highs every quarter with many OEMs focusing on increasing the presence and volume in CNG segment.

Moving to EV. You can refer to Slide Number 15 and 16. Revenues from EV 2-wheeler OEMs was at INR 228 crore in quarter as against INR 160 in the last quarter. Besides supporting EV 2-wheeler volumes, demand for our off-board chargers from incumbent e-2-wheeler OEMs have been very encouraging. While regular new order flows from EV 2-wheeler continues, we now highlight only the critical one.

We have won 2 new orders for hub motors from e-2-wheeler OEMs and an order for mid-drive motors from an incumbent 2-wheeler OEM planning to launch its e-2-wheeler. Beside e-2-wheeler, we have also been supplying components to e-3-wheeler and e-4-wheeler. Our revenues from e-3-wheeler is INR 65 crores, primarily comprising of EV components. Supplies to e-4-wheeler mainly comprises of our existing traditional products.

Moving to Slide Number 13, our aftermarket and international revenue side. In terms of our revenue pie for the quarter ended September '24, OEM business accounted for 93% and aftermarket business at around 7%. Our aftermarket business revenue stood at INR 282 crores for the quarter.

As highlighted earlier, due to lower industry volumes in EU and U.S., our international sales were negatively impacted during the quarter on account of lower exports and lower sales at European subsidiaries. Our international sales represent approximately 11% of total revenues. International revenue share has also decreased as our domestic business takes higher share due to more pronounced growth.

Moving to our cash flow and debt levels. Our net debt as of September '24 was at INR 1,735 crores compared to INR 1,319 crores as of March 31, 2024. The net debt has increased primarily on account of expansion capex as well as expenditure for land bank at Kharkhoda, Hosur and Bawal, where we have spent around INR 300-odd crores during the 6 months.

The total capex, including the land bank for the first half was at INR 844 crores. While sustaining and growth capex has been financed from business cash flows, the capital expenditure primarily on land bank has resulted in incremental debt. Our net debt to equity as of 30th September '24 stood healthy at 0.31. We have achieved ROCE of 18.8% annualized for H1 FY '25.

Kindly note that capital employed considered for conclusion does include the capex for land bank as well as savings, which is currently not generating returns. ROCE would be even higher if you were to exclude these non-deployed assets. Expansion update at joint ventures, TRMN and TG Minda. Our associate TRMN inaugurated its new plant at Neemrana, Rajasthan and started commercial production from this plant.

The plant has state-of-the-art manufacturing facility spread over 24 acres. This new plant will manufacture smart keys and shift levers, and in near future, seatbelt. Our another associate company TG Uno Minda has started commercial production from expansion project at its Neemrana plant, taking its airbag capacity from 1.8 million units to 3 million units.

During the quarter, TG Uno Minda approved further expansion through its subsidiary, TGSIN. It will be setting up a new plant in Harohalli, Karnataka to manufacture safety systems and interior and exterior products. The total capital expenditure for this new plant in Harohalli is estimated at INR 283 crores, with operations expected to commence in Q1 FY '27.

Moving to strategic business update. We are at the last leg of merger approval for Kosei joint venture entity with Uno Minda Limited after facing some procedural delays in last quarter. The next NCLT hearing is scheduled this week on 14th of November. We expect it will take a couple of months post-approval from NCLT to receive orders and file with ROC to complete the merger of Kosei.

As we had informed earlier that our joint venture partner for speaker business, i.e., Onkyo Japan has filed for bankruptcy. Last quarter Board has approved increasing its stake in Minda Onkyo from 50% to 99%, making it our subsidiary and to ensure continuity of business. In Phase 1, we have increased our stake in Minda Onkyo for 50% to 80%, making it our subsidiary. The remaining 19% will be purchased in the second half of the year, after receipt of approval from Onkyo's court appointed liquidator.

During the quarter, Minda Onkyo has also signed TLA with Hyundai Mobis for manufacturing of speakers in India. TLA will further strengthen the company's capabilities in automotive speakers and enable widening its offering and customer base. Uno Minda also acquired for 49% stake in Minda Nabtesco Automotive, making it an associate company. Minda Nabtesco specializes in designing, developing and manufacturing automotive parts such as airbrake systems, clutch operation systems, and other components primarily for commercial vehicles. Its revenues for FY '24 were around INR 33 crores.

Moving to ESG, our CSR foundation, which is Suman Nirmal Minda Foundation, has continued its exemplary work through its 17 Samarth Jyoti centers across India, focusing on education for underprivileged children, vocational training for women, community development, along with providing medical support to improve health and hygiene. Recognizing our foundation's good work, we have been awarded CSR Times Award 2024 in the category of Women Empowerment for our CSR flagship initiative, Samarth Jyoti.

We are delighted to inform you that we have been awarded Great Pace to Work India Certified Organization for fourth year in a row. The award validates our people practices and care for them like a family. It is a reflection of our workplace culture and our unwavering commitment to creating consistent and overwhelming positive employee experience. Besides GPTW, we have also been named India's Top 50 Best Workplaces for Millennials and India's Best Workplaces for Women by Great Place to Work Institute.

Moving forward, the outlook for the industry and company remains very promising. We are expanding in almost all our existing product lines, along with continuous addition of emerging technologies through our in-house R&D center CREAT, combined with globally renowned joint venture partners. With our existing diversified product portfolio, new products and technologies, we are confident of sustained outperformance over long term.

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

Moderator: The first question is from the line of Chandramouli from Goldman Sachs.

Chandramouli: My first question is on the favorable margin performance this quarter. There seems to be almost 70 basis points Q-o-Q improvement in margin. And when I just look at it seasonally versus previous years, it seems to be a much bigger jump than we had seasonally in the previous year. So just trying to understand what were some of the factors that helped margin performance this quarter?

Sunil Bohra: Anything else?

Chandramouli: Yes. Second question is around capacity utilization at switches, castings and lighting division. You mentioned that you continue to be focused on expanding capacity there. So just trying to understand what is the current free capacity in each of these segments? And lastly, third question is just to understand, there has been a meaningful pick up Q-o-Q in electric two-wheeler revenue that we've reported on the PPT.

So just trying to understand what the profitability of that segment now looks like now that we seem to be at a reasonably good revenue clip on a quarterly basis?

Sunil Bohra: Thanks, so in terms of starting with margin performance, so as we normally say, in particular quarter-to-quarter, our margins may not be the right thing to look at, given our business volatility. So, if we see, definitely, Q1 to Q2 seems a bit improvement, but if you see last year to this year, the improvement is roughly around 30 basis points. This is despite some of the businesses are in the expansion phase.

Some of the plants, which are still into the SOP phase where the costs are lower, and we continue to have this phase for a good medium term. So, as you see, year-on-year, the margin came roughly around 30 basis points, and it is in line with the guidance, which we have provided at the beginning of the year. That's number one.

Number two, in terms of capacity utilization for switches and casting you asked about, so the switches business, capacity utilization stands roughly at around 80% to 90%, and the casting business is at around 90%, 95%, broadly. And the third question was quarter-to-quarter EV 2-

wheeler revenues and profitability, yes, there is significant growth in EV 2-wheeler revenues as we have been expecting and guiding as well.

In terms of profitability, it still is below our average profitability level that we get let the business, gets into a stable phase of us, still into a lot of expansion phase with the capex still being incurred and depreciation, etcetera, which will be awarded on the full capacity, which are not yet fully utilized. So, in terms of profitability, there is still scope for improvement and so is the business.

Chandramouli: Got it. That's helpful. Just if you could clarify on the capacity utilization for lighting as well, please?

Sunil Bohra: Okay. So, capacity utilization at lighting, I'll split into two, for 2-wheeler and 4-wheeler lighting. For 2-wheeler lighting, we are roughly around 85%, 90%. And at one of the point actually we're at around 95%. And 4-wheeler lighting, we are almost at the capacity at our existing plants, and that is why we have been expanding our -- putting new capacities at Khed plant.

In the interim, we are having some makeshift arrangement from where we are supplying to our customers. So actually, we are in terms of existing capacity at some of the plants, we are more than 100%. And once this new capacity is up and running in the next quarter, we will have some breathing space.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

Mumuksh Mandlesha: Congratulations on the strong results. Sir, firstly, can you talk about this TLA with the Mobis for the speakers? And how do you see the business opportunity with a strong partner like Mobis? And any order work in progress, sir? And sir, second part is, if possible, can you share EV-specific component revenues for the quarter or the first half for the 2-wheeler and the PV segment?

And also, any orders which are close to win in the e-axle for the PV segment? And lastly, sir, last year, Denso and TG has done very well, have grown 40% last year and an even JV, Katolec, has doubled to INR 670 crores in FY '24. Just want to understand your explanation for TG, just for Denso and Katolec, can you explain what is driving the strong growth and outlook for these two companies?

Sunil Bohra: So TLA with Mobis, as you rightly mentioned, it is for speakers. Definitely, it's a big partnership. And with a partner like Mobis, there may be possibility of opportunities in future, but there is no discussion as of now. So, the idea was to get into a partnership with Mobis and that too with a business where one of our existing partner heads is under bankruptcy. So, this was a very welcome strategic move for us.

So, on both accounts, one is partnership with Hyundai Mobis, another is getting this technology wide, which definitely helps in getting some incremental business. Yes, there is a discussion with our customers and the order is in progress. As of now, it is not yet confirmed. We'll definitely let you know once the business gets confirmed. In terms of EV-specific revenues, Mumuksh, we have been giving our total revenues from the EV segment.

So, if you refer to our EV slide for 2-wheeler, this INR 228 crores is revenue we have got from the EV segment. And that if you see from a total revenue perspective for 2-wheeler, it's almost around 13%, 14%. And the EV penetration is around 7%. So definitely shows clear outperformance of our pie revenue share in EV. We are not giving EV-specific components per se, Mumuksh, as of now.

In terms of e-axle PV order, we are at the final stages of discussion with our potential customers. Hopefully, in the current quarter, we should have some good news to share with you as well. Until then, I don't want to promise anything because there's always, saying that there is always slip between the cup and the lip. So, unless it has happened, it has not happened. While we are working it very aggressively, we stay positive to have this business addition. And accordingly, we will time our investments as well.

In terms of Denso, TG, Katolec, what is driving growth? So Katolec, first of all, is supplying all these SMT components to all our internal businesses of all these businesses which are seeing significant growth because of the electronic components being increased. It's clearly visible on the revenue of Katolec and continues to grow.

In terms of TG, one of the largest business is airbag business, and last few years, the penetration or application of airbags has been consistently increasing, that has been driving the growth. And as I have said for airbags that TG Minda business has recently also sort of commissioned on the new plant, which is currently expanding into the airbag capacity. That business will continue to see significant growth as we move forward.

And the third was on Denso, so Denso also if you see the Denso JV, which is infotainment, past few years, we have been sort of static at around INR 400 crores. And now recently, you see that some -- we have got some business which is now showing us a good growth, and we remain highly optimistic on the potential of the Denso infotainment business as we move forward. I presume I have answered to all your questions.

Mumuksh Mandlesha: In terms of growth for these companies, should we expect very strong growth even ahead also?

Sunil Bohra: Yes, absolutely. We do expect all these businesses continue to have growth more than the industry growth.

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

Nikhil: Firstly, congratulations on a very good set of numbers. Sir, my first question was on the alloy wheel business. If you could maybe provide us a breakup of 2-wheeler alloy wheel and 4-wheeler alloy wheel revenues? And also, can you help us understand what is the industry scenario on the 2-wheeler alloy wheel side. We knew that there was a lot of imports happening from China, which have been kind of coming down over the years. But where does it stand today?

And a lot of your peers and even some new companies are putting up capacities on 2-wheeler alloy wheel side. So how are you seeing the prospects there? And on the margin side, I mean, has profitability kind of come down over the years? Or do you see that kind of getting impacted given that so much of capacity is coming in?

Sunil Bohra: Okay. So I'll go one by one, Nikhil. First of all, thank you very much. In terms of alloy wheel revenues, as I said, for the quarter, the revenues for 2-wheeler was around INR 246 crores. And for 4-wheeler is around INR 460 crores for the quarter. In terms of industry scenario imports and peers putting capacity, I think you would have seen the same scenario happened in 4-wheeler segment also a few years back.

So in the last 4, 5 years, there have been consistent increase in capacity by the industry. In fact, at a country level, we might be having surplus capacity. But as Uno Minda, we have been consistently investing in expanding our capacities that shows the strength the Minda group enjoys in terms of the quality, delivery, product consistency, etcetera, and we continue to win business and grow this every year, we have been announcing one or the other capex portfolio segments.

Same has been sort of happening for 2-wheeler segment, but it's a little different story because 4-wheeler was driven more by the application factor and 2-wheeler is more driven by the import substitution. So to your answer is right, my point is right that the competition and peers are also putting capacity, but we have seen the same thing in 4-wheeler.

So I think from industry perspective, that's a good news that, as a country level, we sort of zero on imports and everything should be locally manufactured. And as you see, while we have initially launched the project with capacity of only 4 million alloy wheels a year 3.5 million to 4 million alloy wheels a year and we had said that point in time, if you remember that we will announce the expansion after maybe 2 to 3 years of operation.

But even after 1 year, we announced expansion from 4 million to 6 million, and now recently 6 million to 8 million. So we have also been consistently expanding. And in fact, we have been also getting a good traction from the customers in terms of growth. So that's where we are in the 2-wheelers capacity. In terms of margin pressure, I think if you see generally across businesses, we are in a competitive world, right?

And people will put capacities, business will continue to face competitive pressures. But that is the skill I think we have all learnt to how do we bring economies of scale, how do we bring in efficiencies, how do we do VAV consistently to make sure that we remain competitive. So in terms of margin, you might not see any significant pressure, but there is a not any significant improvement as well. So the performance is broadly in line with our expectations.

Nikhil: Okay. Just a follow-up, sir, what would be the percentage of imports happening today on the 2-wheeler alloy wheel side? And has there been some like BIS regulations that have come in, which have further impacted the imports?

Sunil Bohra: Yes, yes. So there is, first of all, on imports, I don't have any credible data as of now. My data is little dated. We are still in process of compiling, there is still some imports happening in 2-wheeler. Maybe we will circle it back to you. We'll take a note of it. And second point was, is there any duty? There is no duty, but there is a prerequisite in terms of getting the QCO, the quality control order, which has come.

So anybody who is importing has to get precertification of the approval from the government. So not a duty, but yes, there is a requirement of prior approvals.

Nikhil: Understood. And just last question. Can you just help us understand on the sunroof side, you had announced a tie up. So what are the timelines? And how are you looking at scaling up that business over the next 2 to 3 years?

Sunil Bohra: Yes. So sunroof business, as we have said that this is currently linked to our customer SOP. So we will be setting up this plant at Haryana in Bawal. And the current timeline is in Q4 of FY '27. We are expecting the SOP of the customer line. And so will be our sunroof business we have secured. In parallel, we are working with other customers to see if we can get some traction to expand the business. But as of now there is one customer from which we have got the LOI and that's what I can say and SOP in Q4 FY '27.

Moderator: The next question is from the line of Aditya Jhawar from Investec.

Aditya Jhawar: Congrats on good set of numbers. My first question is, if you can throw some light on the new order win, so it's very encouraging to see order win of hub drive motor and mid drive motor. If you can talk a little bit more about it that is it for an existing model or a new model, what could be the time of commercialization? And how is the ramp-up expected?

Sunil Bohra: Yes. Thanks, Aditya. So in terms of the EV motor for hub drive, these are primarily the two businesses we have got from both the new age OEMs, and they are in the process of launching new vehicles. So this is not for existing model and same is for the mid drive which is from existing 2-wheeler OEM, who is in the process of launching EV 2-wheeler, maybe after 1 year, 1.5 years. The business is for that so all these are for new upcoming models.

And it's very difficult to say ramp up, we have been sharing the target revenue numbers in the past. But since last couple of quarters we stopped, because we realized that the numbers which we have been getting from our customers, obviously, there were a lot of optimism, we found was building and market is still at nascent stage and growing at a very different and erratic stage.

In fact, if you see last 4 or 5 quarters, the EV penetration in 2-wheeler is up and down, up and down. But overall, trajectory is positive only with last quarter, as I said, 7.2%. So that is very difficult to say what is going to be the revenues at this stage?

Aditya Jhawar: Okay, that's understandable. Second question is on order win for wall-mounted chargers. So two-part question on this. Number one, what could be the dollar value that we can ascribe to this at peak scale? And what kind of profitability we should expect as compared to company average profitability?

Sunil Bohra: Again, sorry, Aditya, I have to say that. While I said this wall-mount charger business we have got from a Japanese OEM. Again, very difficult to say peak sales because we don't know what will be the EV volume.

Aditya Jhawar: What about the profitability for us?

Sunil Bohra: So profitably, we are expecting once it reaches the peak capacity, it should be in line with our average profitability.

Aditya Jhawar: Okay. Okay. That's good to know. My final question is on the Lighting business. The expansion that we are planning in Indonesia. If you can throw some light that if you have to look at the next 3 to 5 years, how big this opportunity could become in terms of its contribution of the overall Lighting business? What kind of customer engagement we have? Is it -- a little bit more about what's happening in Lighting business in Indonesia?

Sunil Bohra: Yes. So Aditya, as you would have seen that until now, we have been primarily operating in the 2-wheeler segment in Indonesia and Vietnam. Even the last expansion we did in Vietnam for lighting was primarily for 2-wheeler. This is the first time we are putting a meaningful capacity for a 4-wheeler segment in lighting. As of now, as I said, we have got an anchor customer with a meaningful indicated volumes which is what has motivated us to put a new capacity.

And also move our existing capacity there because we are running short of space, otherwise we would have done in the existing plant itself. In terms of 3 to 5 years. Definitely, we are very optimistic, and that is why we have gone to a new location, so that it can cater to future growth. But as of now, the business is only from one customer.

And maybe in the next 12 to 18 months, once this business gets into SOP, we will be able to get more confidence from the other customers in terms of having a setup plus running operations. So it may take a little bit of time in terms of getting traction from the new customers or other customers, but that is the endeavour we have in terms of getting more market in that region.

Aditya Jhawar: And just a bookkeeping question. If you can give a breakup of other revenue, which has now become 21% of consolidated revenue in Q2?

Sunil Bohra: Yes. So broadly, as I said, at a very high level, Aditya, sensors is roughly around INR 140 crores, controller is around INR 150 crores. so controllers and ADAS is around INR 200 crores. Our Westport JV is INR 120 crores and so is the blow-moulding JV with Kyoraku. I think these are at a very high level and EV JV with FRIWO is something around INR100 crores.

Aditya Jhawar: So sorry, FRIWO number is how much?

Sunil Bohra: INR 100 crores.

Moderator: The next question is from the line of Siddhartha Bera from Nomura.

Siddhartha Bera: Congrats on a great set of numbers. Sir, my first question is, I mean, on the TLA with Suzhou, any color there about investments? How much will be required by when you plan to start making them? And by when should we expect revenues to sort of come in, that is the first. Sir, second question is on the seating side. I mean, we continue to see a soft growth here, and we were talking of some customer addition here in the last quarter also.

Do you think the ramp-up here will be a bit slower because I think earlier, we were talking about the INR 1,500 crores of top line for this segment for this year, seems like it is slower. So some color and outlook there? And third is, sir, if you just can clarify the net debt, again, I sort of missed that at the end of the year, how much is the net debt now?

Sunil Bohra: Okay. So thanks, going in the same sequence as you asked the questions. So TLA with Suzhou, investment and when to start, as I said, back, we are maybe at last stages of securing a LOI. And then you know that we normally commit an investment once we have visibility on the clarity on the LOI. So hopefully, in next couple of months, we should be having that, and that is the time we will be able to come up with- how much will be the investment, etcetera. That's on the TLA with Suzhou.

In terms of seating, last time you said new customer, and as I said, in this quarter, that new customers actually launched multiple models in this quarter. So we have actually got that customer onboard, and you will see some revenue growth as we move forward. Unfortunately, the export market, as I said, has taken a bit of shine out of the seating business that has got significantly impacted because of lower exports.

And our INR 1,500 crore target was for '25, '26. Yes, as of far, it looks a little bit stretched. But let us see how we can catch up and if everything goes well, maybe we may still be at a striking distance to INR 1,500 crores for next year. In terms of net debt, it stood at INR 1,735 crores for 30th of September.

Siddhartha Bera: Sir, then a follow-up basically on the capex side now with so many new projects being lined up, what is the plan for this year? And how do you think we should expect for the next year as well, if I look at the overall capex?

Sunil Bohra: Yes. Siddhartha, so capex, we continue to maintain the guidance what we gave at the beginning of the year, which is around INR 1,300 crores to INR 1,400 crores of capex, excluding land. And we are, I think, in that range for the full year. In terms of capex for next year, maybe we will let you know in May as we always do after our budgeting exercise. But you can assume the large part of project capex to continue as they are ongoing.

Moderator: The next question is from the line of Raghu from Nuvama Research.

Raghu: Congratulations, sir, on a strong set of numbers. Firstly, on the Korean OEMs, we have been winning business over the past few quarters. We have also tied up with Hyundai Mobis and Korean OEMs form a reasonably good share of the market? And how do you see the potential for us to increase exposure with them?

Secondly, on the margin side, there has been an improvement Y-o-Y and operating leverage is also playing a role. Going forward, with commencement of lighting, switches, alloy wheel plant in the coming quarters, how do you see the further ramp-up in revenue and its impact on margins? Broadly, would you maintain that 11% to 12% range or you're more confident on seeing a better margin from here going ahead?

And lastly, on the capex plan, it's INR 1,300 crores to INR 1,400 crores, how much would be the investments we would have this year? And also, how much would be the land-related capex? That's all from my side.

Sunil Bohra: Thanks, Raghu. Thanks for the compliments. So in terms of Korean OEMs, obviously, as you rightly mentioned, we have been securing business in past few quarters, even though smaller, we have been gradually inching up and improving our share of business. But still, in terms of opportunities, there is still a lot of scope, a lot of room for improvement, which we continue to work.

In terms of margin improvement for light, switch, alloy wheel, a lot of capex, considering how do we see. And again, we have also been asked in terms of the margin guidance for the current year. So while we gave the margin guidance at the beginning of the year, Raghu, we have actually factored all these capex which will come on board. And that's how we are in the guidance of 11% plus minus 0.5% at a group level, and we continue to maintain that guidance.

And in terms of capex, the number which I shared is actually for this year, INR 1,300 crores to INR 1,400 crores. Otherwise, if you share a total announce capex, which it is much more. And the land-related capex, we have spent almost around INR 600 crores to INR 700 crores on land. This first half of INR 300 crores, last time we spent around INR 200-odd crores. And this year, for the rest of the year, we will have maybe around another INR 100 crores to INR 150 crores of investment. So in and around INR 700-odd crores of investment in the land.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate Advisors.

Abhishek Jain: In Lighting business, how is the share of business in 2-wheelers and 4-wheelers segment? And how much increase in the content per vehicle do you expect in Lighting business because of the LED penetration?

Sunil Bohra: So Abhishek, lighting 2-wheeler share of business stands at around 27%, 28%, and our lighting 4-wheeler shares stand at around 15-odd percent. And our target is to take it to 18% to 20% over the next few years. In terms of the LED, the value initially when we started, say, for headlamp or a tail lamp, the cost or the price of LED was almost at 2.5x. However, what has happened recently is that because of the complete change in terms of new technologies and you would have seen a long-connected tail lamp, the kit value has significantly increased.

And today, the kit value goes to almost like INR 17,000, INR 18,000, Yes, that's an exceptional example and that too only for a tail lamp. So the tail lamp, which normally historically used to be say for at around INR 2,500, INR 3,000, it's almost going to INR 17,000, INR 18,000. So that's the delta and that's the potential. So while we are ready, we have all that kit value or in terms of product readiness, it all depends on the customers in terms of what is the vehicle design and what is the difference which will drive the value in terms of the market size.

Abhishek Jain: Okay. And in switches side, revenue growth was around 13% in this quarter. So what is the region of the outperformance such as the industry growth? And how do you see the growth going ahead in the medium term because of that new business and the capacity addition?

Sunil Bohra: So in switches, both the 2-wheeler switch and 4-wheeler switch has seen growth, and even if the kit value has improved, and we might have increased our share of business also marginally, which we calculate on annual basis in -- specifically in the 4-wheeler segment. So both the segments have actually driven the growth in the switching segment.

Abhishek Jain: And so in the first half, how much is the volume growth in the switches? And how much is the increase in the value?

Sunil Bohra: How much is the volume growth and how much is the value?

Abhishek Jain: Value growth and the volume growth in the switches segment?

Sunil Bohra: Abhishek, if you don't mind, can you take this off-line because it is very difficult to put a number on volume because you have multiple types of switches in a vehicle. So maybe we can understand the question a little bit more in detail and take it offline please.

Moderator: The next question is from the line of Ashutosh Tiwari from Equirus Securities.

Ashutosh Tiwari: Congratulations on very good numbers. Just one question on the new JVs and subsidiaries like Uno Minda EV Systems and Kosei Minda older JV anyways that and Uno Minda Buehler and all were making losses in last year. Any turnaround happening in those, like, say, with the revenue ramp up, are they like breaking even now any of these?

Sunil Bohra: Yes. So Kosei Minda definitely has come to black, Ashutosh, in terms of profitability. So there's definitely some improvement there. However, in terms of the other two businesses, they are still in the process of ramp up, specifically the Uno Minda Buehler Motors and the Uno Minda EV Systems in terms of the overall profitability, it is still below our target profitability.

Ashutosh Tiwari: So as these subsidiaries ramp up over the next 2, 3 years, and become profitable and probably achieve the normalized margins. Our margin profile will improve over the coming years.

Sunil Bohra: Yes, that's what the expectation is...

Ashutosh Tiwari: Also like large revenue drivers, like especially Uno Minda EV systems.

Sunil Bohra: Yes. You are right, Ashutosh.

Moderator: The next question is from the line of Rishi Vora from Kotak Securities.

Rishi Vora: Congratulations on good set of numbers. Just one question from my end, sir. As we progress ahead, how are we seeing demand trends on ground as you will be receiving production schedules, especially across domestic 2-wheeler and 4-wheeler? And what is your take going forward in terms of how do you think the demand trends will play out? That's it.

Sunil Bohra: Yes. So Rishi, I'm sure you've talked to a lot of customers that we normally don't second guess our customers. So the demand trend on ground is in line with our expectations. In fact, Q3 generally tend to be a little bit softer than Q2, but broadly, we are expecting the same trend as we have been seeing in the past to continue because Q3 also have normally the annual shutdown at the end of the year, so some volumes also get impacted and we get rolling 3 months of indents from our customers.

So broadly, the indents are in line, I would say, because there has been some inventory also sort of cleaning up, which we hear happening after the festive season though we are yet to see any credible data. I'm sure we all need to see same news. From that perspective, we are pretty confident in terms of the demand. And as we move forward, medium to long-term demand, we are very optimistic on the industry volumes.

And you would have seen the kind of investments we are making not only in the current capex plans, which are approved, almost 13 new plants are under construction, the way we have been building our land bank for our future growth, and we remain highly optimistic for industry growth for medium- to long-term perspective.

Moderator: The next follow-up question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

Mumuksh Mandlesha: Sir, in the presentation, you have mentioned about some EV products for the hybrid segment as well. I just want to understand any supply for hybrids also we have started? And how do you see this potential for the segment, sir?

Sunil Bohra: So in terms of hybrid, we are not part of powertrain as of now, Mumuksh, but we do have components which are part of the hybrid vehicles. So our other standard EV agnostic or the ICE gnostic products maybe like lamps or blow moulding parts or switches, they are all sort of going into hybrid vehicles as well.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Sunil Bohra for closing comments.

Sunil Bohra: Thank you. I would like to thank everyone for joining 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. Thank you, once again.

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