MINDA CORPORATION LIMITED
(GROUP CORPORATE OFFICE)

June 15, 2020

The Officer-In-Charge (Listing) Listing Department National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Symbol: MINDACORP	Head - Listing Operations, BSE Limited, P.J. Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: 538962

Subject: Transcription of Conference Call with Investors/Analysts held on 09-June-2020

Please find attached herewith transcription of Conference call with Investors/Analysts held on June 09, 2020. 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

Ajay Sancheti
Company Secretary
Membership No. F5605

"Minda Corporation Investor and Analyst Conference Call"

June 09, 2020

MANAGEMENT: **MR. ASHOK MINDA – CHAIRMAN & GROUP CHIEF EXECUTIVE OFFICER, SPARK MINDA**
MR. LAXMAN R. – GROUP PRESIDENT, FINANCE, MINDA CORPORATION LIMITED

Moderator: Ladies and gentlemen, good day. And welcome to the Investor and Analyst Conference Call. 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashok Minda – Group Chairman and CEO. Thank you and over to you, sir.

Ashok Minda: Thank you. Good evening, ladies and gentlemen. I wish you and your family best of health in these challenging times. And I thank you for joining the call in such a short notice of time. In order to protect the shareholders' value, the Board of Minda Corporation today took a decision not to further support Minda KTSN. Minda Corporation Limited took a conscious call to use the capital efficiently to generate superior returns and create wealth for our shareholders. Thereafter, Minda KTSM has filed for insolvency today. We expect a positive outcome for all our stakeholders in the long run, despite the insolvency filing.

We are focusing on channelizing our precious capital towards tremendous business opportunities of profitable growth, with the view of an enhancing EBITDA margin and ROCE. This move is expected to enhance Minda Corporation's EBITDA by 2% and ROCE by 5%. This company and its promoter do not shy away from taking hard calls and continuously focus on value creation. Minda Corporation has gained expertise in value added plastic technology, such as kinematics and light weighting, in association with design and development introduction in Germany. In India, we have already started to benefit from that by making inroads into different products and business segment with large carmaker, SUV maker, and largest engine manufacturer of India.

Minda Corporation is future ready and well positioned to address the technological shift due to changing customer requirements, new trends and government regulation. We are focusing on being a system solution provider to our esteemed customers. We are investing in new technologies such as light weighting, electronics, and EV related products. Our presence in chosen products and customer segments will help us in sustainable profitable growth. Like we have steadily invested in new technologies and have set up a state of the art R&D facilities in Pune. We have one business of Bajaj Chetak for two wheeler EV system solution. Growth in wiring harness, instrument clusters, sensors due to transition from BS-IV to BS-VI. Strong and growing export order book of dicasting products. Minda Corporation remains committed to its customer to provide best in class leading quality of products through sustainable innovation.

Now, I will request Mr. Lakshman to give you more detail on this. Lakshman, over to you please.

Laxman R.: Thank you, Mr. Minda, for so succinctly covering the entire facts. And good evening, ladies and gentlemen. And thank you for dialing in. I just would like to add a couple of points to what Mr. Minda mentioned. Just to give you a quick summary. The sales value roughly of Minda KTSN has been less than 20% of our overall sales. It does about EUR70-odd million of sales and has negative PAT of about EUR4-5 million.

I would like to share with you that even if we had put a substantial investments for the next few years, there did not seem to be any profitable business case going forward. And therefore, there doesn't seem to be light at the end of the tunnel. And our efforts to find solutions included renegotiating with customer, finding a strategy buyer, etc., which did not bear fruit.

Looking at the positive side, if you see, on an average the company subsidiary was losing about EUR5 million per year. This cash out will be stopped, and this would strengthen the profitability and financials of the parent company, Minda Corporation. As indicated by the Chairman, EBITDA and ROCEs are expected to improve.

Coming to the point of our investment in this company. The book write-off of the overall investments and some of our commitments is expected to be in the region of about Rs. 295 crores in the consolidated books of Minda Corporation. However, if you look at our current net worth, which is roughly more than Rs. 1,280 crores, you will notice that the balance sheet is sufficiently strong to absorb this one-time event. So, against this one-time event, we will be saving about minimum around Rs. 40 plus crores of cash every year because these losses will not come. And therefore, future investments into this by way of cash is also stopped, which is a saving.

The key point is, the above action has removed the uncertainty of loss making entity for us and therefore brought greater stability and predictability to our overall financials at Minda Corporation. And since there will be no further drag on the financials, we are expecting a positive outcome from rating agencies, banks and investors. In fact, we had earlier also communicated that we will try our best to stabilize Minda KTSN, otherwise we will not quite shy from taking strategic decisions. And the investors have been alluding to this many a times.

Just to the last point, that today, Minda Corporation India, is standing on an extremely strong balance sheet, as I mentioned, Rs. 1,280 plus crores of net worth. More important is the debt that we have on our books and the hard cash we have in FDs are almost equivalent to each other to the extent saying that we are very low net leveraged.

So that's a quick summary of points that I had to add over and above what Mr. Minda mentioned. And I would like to then now quickly open the floor for questions that you may have. Over to you.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Ronak Sarda from Systematix. Please go ahead.

Ronak Sarda: Hope you are all safe. The first question, Laxman. So, in terms of payments now, I mean, or in terms of the impact here, so we will have to take the entire write-off on the investments? And do we have to pay anything over and above this during the bankruptcy proceeding?

Laxman R.: So, my answer to this question is, the Rs. 295 crores number is a book write-off. It does have some element of some of the amount that we would have guaranteed by way of some obligations, that is about Rs. 80 odd crores and that is a cash outflow, the rest of it is all a book entry, non-cash.

Ronak Sarda: Sorry, you said Rs. 80 crores?

Laxman R.: 80.

Ronak Sarda: Okay. So this will have to be paid over and above in the next few months, right?

Laxman R.: Yes. But this Rs. 295 crores includes the Rs. 80 crores, so roughly the consolidated entity will take a loss of roughly Rs. 295 crores in the books. But the cash outflow in case some of the obligations that we have committed from Minda Corporation, in our calculation should be roughly about Rs. 80 crores, and that will be cash outflow.

Ronak Sarda: And this is the net payment?

Laxman R.: Just to highlight you today, our cash balance, as we stand today, is in excess of Rs. 400 crores.

Ronak Sarda: Right. But this is the net payment, so there is nothing which will come into the company from KTSN for whatever receivables or anything which are outstanding right now?

Laxman R.: No, this is the obligation we have committed. So, whenever this comes we will honor it, of course.

Ronak Sarda: Okay. Sure. And in terms of technology, for the kind of kinematics products or the plastic products, so in terms of technology we have absorbed the entire technology and we can start manufacturing, or we are already manufacturing for a few clients?

Laxman R.: So, we have made very good progress there, and I would probably request Mr. Minda to respond to that question. And if required, if he deems fit, I can add. Over to you, Mr. Minda.

Ashok Minda: So, Ronak, you had asked me about the technology absorption with respect to the plastic products with respect to how we have absorbed that in India.

Laxman R.: Mr. Minda the question was, have you absorbed the technology with respect to plastic products into India well? And what is the status? So I said, if Mr. Minda is on the line, then it will be good if he can answer that question.

Ashok Minda: Yes. Whatever the business we have got awarded; we already have the knowhow to complete it with the technology needed. Over and above of that we have also associated with the Design and Development Institute in Germany, which has already supported us in the past. So, that area is very well taken care to continue for the technology of the product which is transferred here.

Ronak Sarda: Okay, sure. And Laxman, just one last, this will be effective FY '20 or this would be the beginning of FY '21? How will this be incorporated in the books?

Laxman R: So, while we have to consult our auditors and take expert opinion, the way it appears is that it is an event that has happened after the closing of accounts, but before the board meeting which is adopting the accounts. So, it will most likely be in FY '20.

Ronak Sarda: Okay, great. So then I will wait for the balance sheet. If you have some financial data on the balance sheet, if you can just share. So how much was the gross interest rate for KTSN and the net working capital? Do you have those numbers handy?

Laxman R.: I will share it with you, but effectively for us it is more than investment in our books, Ronak.

Ronak Sarda: On the consol level, I mean.

Laxman R.: On the consol, that is correct. And our results will be out before the end of this month.

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

Pritesh Chheda: Congratulations for this development for the minority shareholders. Sir, just one clarification. This doesn't include the Poland operations, right? It's just the German and the Czech Republic operations which gets closed?

Laxman R.: So, it includes the entire Minda KTSN, because the company which has filed insolvency is the parent company. So, all the other companies were subsidiaries of this company. And when I spoke about the numbers, I meant consolidated KTSN numbers.

Pritesh Chheda: So this includes all the three operations, German, Czech and Poland?

Laxman R.: And Mexico.

Pritesh Chheda: And this Rs. 80 crores outflow, whenever it happens, it means the Rs. 400 crores cash that we had hypothetically gets reduced by this Rs. 80 crores whenever you pay out, right, that is how we have to read it?

Laxman R.: Technically, either the Rs. 400 crores cash gets reduced by Rs. 80 crores or my leverage increases by Rs. 80 crores and I use that. I would rather leverage and use the Rs. 80 crores because this is a Rs. 400 crores war chest that we would like to maintain. Because we have current year spendings as well.

Pritesh Chheda: Can I ask a question on the overall operations?

Laxman R.: In terms of operations, yes, in terms of financials, while we are absolutely in the middle of our preparation of accounts, I will not be able to respond much on the financials for FY '20, Pritesh. But please, go ahead on operations if you would like.

Pritesh Chheda: No, I just have one question. So, for FY '21, and that's not for FY '20, assuming that, let's say, Minda MTSN was there for simplicity of calculation, considering the wiring harness content for vehicle increase that we have, which is substantial for this year, and corresponding volume drops so far expected out of the two wheeler, four wheeler and CV market? Is it fair to assume that you would directionally hold on to your top-line number for FY '21? Is that arithmetic right so there is some error in this arithmetic?

Laxman R.: Firstly, Pritesh, it is a very good question. And you are asking me, if one offset the other? One is the certainty and the second is dependent on the market condition. However, we are extremely well positioned in the wiring harness business to increase our value per piece, which is increase in our product value by more than double. But however, the question remains open, whether the doubling of my kit value will offset for the taking away of these gains. But the more important question is, how am I protecting EBITDA and the bottom-line as well as derisking my balance sheet? And these are the three things that we have achieved in terms of protecting EBITDA and bottom-line, derisking the balance sheet and strengthening it. These are the three things that we have done.

Pritesh Chheda: Yes, that was my question. But directionally, it makes sense, right? Considering whatever 15%, 20% volume drop that one is expecting in the auto as of now. And on the corresponding whatever value or SOP increase that we have on wiring harness, if you do the arithmetic directionally is what I am hinting at, right?

Laxman R.: Yes, if you do it the way you are explaining, I would tend to agree with that thought process. However, how much is the volume going to be in 2021 is anybody's guess. And that is where we will be grappling with.

Pritesh Chheda: As of now agree, as of now whatever 15%, 20% volume drop that one is expecting, it automatically matches the SOP increase as of now.

Laxman R.: I hope so. I don't know right now.

Pritesh Chheda: Okay. And what is the CAPEX for FY '21?

Laxman R.: So we continue to invest well in technology, in new equipment and in terms of boosting our capability for exports. All this put together, our CAPEX as of today is planned at Rs. 140 crores. And in most likelihood, we will do that CAPEX, but it will be very, very focused on customer orders, customer new models and customer confirmed business.

Ashok Minda: And we are matching this Capex with our cash inflow. CAPEX depends upon the customers new launches, so far customer has not said any delays in those launches. But we are very much aligned with that?

Pritesh Chheda: And now your reported ROCE will look closer to 18%, 20% after the transaction, that is your standalone ROCE basically?

Laxman R.: That is correct.

Moderator: Thank you. The next question is from the line of Mayur Malik from BOB Capital Markets. Please go ahead.

Mayur Malik: So, just some basic numbers. So we are saying that our total investment is about Rs. 300 crores, we were generating a revenue of about Rs. 600 crores, and doing a loss of about Rs. 40 crores in the business. First of all, are these figures right?

Laxman R.: The loss on investment of Rs. 290-odd crores includes my obligations as well, yes, to that extent it's correct.

Mayur Malik: So coming to the accounting part of it, what you have also said is that the cash outflow of this Rs. 300 crores or Rs. 295 crores is typically going to be up somewhere around Rs. 80 crores odd, and rest of it is only a book entry that is going to be write-off kind of thing?

Laxman R.: Yes.

Mayur Malik: Which means, I should assume that will be an impairment of asset kind of an entry, right?

Laxman R.: Yes.

Mayur Malik: Right. And also to understand that because this was about 20% of your revenues, in pure mathematics, it typically takes my overall revenue for the next year down by 17% to 20%, whatever is that figure. Now how do we actually expect to make up for any of the revenue loss through local production? So what is the kind of incremental gains you think you can achieve in maybe FY '21 and FY '22 through this division? Keeping everything else as is, the wiring harness business as is. All I am trying to understand, what happens to the overall projected revenue in absolute terms?

Ashok Minda: In 2020-2021, it is very uncertainty there. We do not know. The customer has recently started, but we have to see each segment what is going to happen. However, the wiring harness is one area of BS-IV to BS-VI, the export of the die-casting is another area which will increase the growth potential. But otherwise, volume wise how much reduction is going to be there we do not know.

Mayur Malik: Okay. And also trying to understand that when you put this up for insolvency, it also means that somebody can actually come and bid for the entire company as is basis, right? So, there is always a chance for recovering something out of that business, or you think at this point it is a complete write-off?

Laxman R.: So, allow me to take that question. See, the point is, as of now the blueprints call for writing off the entire investment. And even otherwise, if somebody bids and takes the asset at a value, the shareholder stands last in the queue. And typically the shareholder gets very little. So, I would not recommend pinning hopes on that.

Mayur Malik: Okay. And one more question about, so we are done with this, and are we looking at anything newer in this aspect, maybe in the overseas market in something in Europe? Or at this point we intend to come back to basic business in India and focus with all the growth in the existing line of business?

Ashok Minda: See, we shall continue to pursue inorganic growth opportunities which has to be relevant to the Group's core business. And I would also like to mention that the learning of the past, boldly pursue the growth opportunities for the shareholder value creation and more focus on profitable and growth area.

Moderator: Thank you. The next question is from line of Rajesh Kothari from AlphAccurate Advisors. Please go ahead.

Rajesh Kothari: First of all, congrats for taking a bold call on to ensure that there is no further deterioration on the balance sheet. I just had one question or rather observation is that, so during last three years due to internal or external issues, we had one or two incidents, Furukawa and then something else, and then KTSN and finally write-off in the balance sheet. While of course, it improves ROCE and also the reported profitability, but going forward, since you continue to desire for inorganic growth, as an investor we would like to have clear guidelines from the company that whatever acquisition you may do, what kind of a financial discipline you are going to follow? Because every acquisition by any management is always EPS accretive on face of it on day one, but actually it never happens in that way. So, our request is, please, it would be great if you can explain that what will be the financial discipline the company will follow while making any acquisitions in future?

Laxman R.: I will take that, Rajesh. I think it's a very good point. And this is something that keeps us extremely alert when we are evaluating acquisition opportunities. All of it on paper looks good, when you start and then. So, we have clearly put up specific boundary conditions for acquisitions. Clearly, it has to be within our core area. In financial terms, we are also clear that we are not interested in chasing insolvency cases, in India, bankruptcy cases we are not interested in chasing. We are good in our business. We focus clearly on how do we increase our bottom-line, what is the financial synergies that we get out of the acquisition, what is the EBITDA margins of that business, and how can I make the business that I acquire into a one plus one, which is greater than two. We are very clear on financial parameters and some of it, for example, it has to be adjacent to our business, the sales has to be a growing sale, the EBITDA has to be comparable. And most importantly, financially, when we make our future model, it has to be highly synergistic and value accretive.

Ashok Minda: And Rajesh, you have seen that, that is why the money which is raised it is still available and we have not used that just for chasing the acquisition.

Rajesh Kothari: Yes. My sincere request would be to continue to sit tight on that money, because I am sure you are aware, in such a market of a credit squeeze, there is a significant pressure on any company, which has a debt anything higher than even probably 1x debt equity, which is actually not that bad from corporate perspective, but it turned out to be bad in such kind of an environment. So the markets are becoming extremely volatile and it is a credit adverse market. And you never know such Black Swan events keep happening every two years, three years. My request would be to ensure that you remain a debt free company, not only on net debt level, but also on gross debt level, make it a zero debt company. And then whatever acquisition you do, it should be ROE accretive from day one. And of course, it is very hard to find such acquisition, but that's what adds value in the long-term to the shareholders. Because synergies and everything everybody talks about, but nothing happens. Most acquisitions have not delivered, and we have discussed it time and again. So, I think from investor's perspective, we keep, what I would say, that kind of a feedback that company is still considering acquisition. And that's why there are many investors they may not like such kind of an approach, because at the end of the day you don't know what you are going to acquire. And at that point of time only one can comment was it a good or bad. But a framework of whatever acquisition you do will be ROE accretive, that kind of a framework, that kind of a financial discipline, guidance on that, it will be very helpful for all the stakeholders.

Ashok Minda: Point taken, Rajesh. Point well taken. Thank you.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: My question relates to more of impact of this. You may be having a common customer over there in KTSN and here. So, whether this can have any impact on our existing customer in India, Indian business or anything like that?

Ashok Minda: First of all, only there is Volkswagen who is a common customer, otherwise we do not have any common customer in Germany and here. And that too is very, very insignificant, and the product is totally different. So I don't think any impact from that perspective.

Sunil Jain: That is good to hear. And the second thing about the investment we might have done while acquiring that company, and over a year total investment which we might have done to run this company or to revive this company and this Rs. 80 crores. So overall, how much amount you might have lost because of this?

Laxman R.: So the total investments as well as the support we have given today stands at, the current value in the books stands at Rs. 295 crores.

Sunil Jain: Okay. Plus this Rs. 80 crores which you might have incurred?

Laxman R.: It's included in the Rs. 80 crores. Rs. 295 crores includes the Rs. 80 crores.

Sunil Jain: So we had not taken any impairment of this suspect in the past?

Laxman R.: No.

Moderator: Thank you. The next question is from the line of Shrijan Sinha from Future Generalli Life Insurance. Please go ahead

Shrijan Sinha: Minda KTSN is 100%, it's a wholly owned subsidiary, right? Or do we have minority investor in that as well?

Laxman R.: No, it's a wholly owned subsidiary, through a holding structure of course.

Shrijan Sinha: Okay. The second thing is, does Minda KTSN also has external debt from banks?

Laxman R.: It has certain external debt, yes.

Shrijan Sinha: And any sense on the quantum of that?

Laxman R.: So overall net debt must have been about EUR22 million, if I remember, as of date.

Shrijan Sinha: So ballpark Rs. 190 crores?

Laxman R.: Yes. But that includes some of the debt that we have stood by.

Shrijan Sinha: Okay. So I mean, just help me understand on the accounting treatment. Does this debt get written off? And the debt is converted into equity for the bankers, how does this work?

Laxman R.: So, that is actually up to the insolvency administrator. However, all I would like to say is, there are sufficient assets in terms of net block, gross block and value in the company that is being left behind to very fairly compared with the small debt that the company has.

Shrijan Sinha: No, so our gross debt is in the range of about Rs. 500 crores. So, does that reduce post this insolvency? Because that will also include in the Rs. 190 crores of KTSN debt, right?

Laxman R.: Yes, it does.

Shrijan Sinha: Okay. And our net cash remains the same?

Laxman R.: That is right.

Shrijan Sinha: Which makes us a net cash company, right, is my understanding correct?

Laxman R.: Yes.

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

Sachin Kasera: Just one question on the cash flow. So, from what I understand, there is going to be a Rs. 80 crores cash outflow in the current financial year as far as the remaining liability obligations towards KTSN is concerned. And you also mentioned that this year we are looking at Rs. 140 crores CAPEX. So, without obviously getting into some specific numbers, but based on whatever numbers you have visibility right now, how comfortable you are in terms of net debt remaining at the same level, in the sense, is the company confident of generating Rs. 220 crores of cash flows? So, the net debt remains more or less the same or the net cash remains more or the same? Or do you think that we could see the net debt go up because of this CAPEX as well as Rs. 80 crores cash outflow for the obligations?

Ashok Minda: Basically this Rs. 80 crores is included in the debt. And that debt will also reduce by Rs. 80 crores. I think there is some clarity required.

Sachin Kasera: I understand that, sir. I am talking from a cash flow point of view, that this Rs. 80 crores plus Rs. 140 crores, totally we will have to pay Rs. 220 crores. So, this Rs. 220 crores we will be able to generate efficiently from the operations to be able to meet,

Laxman R.: So, first point is, I will clarify what Mr. Minda also mentioned, that this today's line has debt in my books, I may replace the debt or I repay by cash. So, effectively, it doesn't change my net debt position at all, so that's taken care of there. And the second is the additional what you are talking about of CAPEX of Rs. 140 crores, our endeavor, of course, is to ensure that we continue to remain neutral in the current year.

Sachin Kasera: Okay. Because the number looks a little higher considering FY '21, as a very abnormal year, where nobody has too much clarity on how the cash flows and the numbers would look like. But I am sure you guys would…

Laxman R.: I would still like to imagine that we should remain neutral.

Sachin Kasera: Sure. And secondly, now that the KTSN which was impacting our numbers is out of the way, is there any medium-term goal that you could leave us, because I think that was one of the key reasons we could not very confidently give a two to three year number in terms of margins and ROCEs. I know FY '21 is abnormal, but say maybe from a two to three years, maybe 2022, 2023 perspective, what is the aspiration for our EBITDA margin ROCE for the company now?

Laxman R.: So we continue to stick to our goal, what we mentioned in terms of greater than 20% ROCEs, and we want to definitely double-digit EBIDA margin, we continue to stick to it. Of course, the current year is a little bit of a challenge. However, we will rework our numbers and come back to you. But our medium term goal continues to remain the same.

Sachin Kasera: Sure. And one just last question regarding acquisition. So from what I understand my previous interactions, you had been extremely careful in terms of going out with an acquisition, which you also alluded to that you are very, very careful on those numbers and all. And you had mentioned that one of the key reasons was that you are not able to find targets which are meeting your parameters. So post the corrections that we have seen in the market and all, are you now starting to see some proposals which are probably getting more closer to the parameter that you have set in? Or you still see a significant gap between what you are looking for and what is available?

Laxman R.: See, the gap will always remain. We need to pick what makes more sense for us in terms of value proposition. And to answer your question directly, yes, we are looking at multiple acquisition opportunities. And most of them are always in different levels of evaluation. And something significant if comes, we will definitely share.

Sachin Kasera: No, my question is that, say there was a target which you really thought was very proposition for you, but it was mainly because of the gap in terms of valuations, say, three months back or four months back and you were not able to close that. Some of those targets have seen some gap close and that's why it may be more possible to look at the closing in the next one, two quarters.

Laxman R.: It is a moving so I wouldn't be able to commit right now, it's a moving target. So our endeavor is to see where do we get value.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Congrats for this decision finally, you have bitten the bullet. Sir, the two questions, one, first on this Rs. 80 crores. So what does this commitment pertains to? If we have gone for insolvency, what does this commitment pertains to which is almost similar to some kind of debt that we have on books? So is it commitment towards long-term debt?

Laxman R.: No, it's a past debt, etc., where we would have stood guarantee or backup for the debt given by a bank. So it's a past.

Ashok Minda: It is already coming under our debt, so it is just a repayment of the debt, that is what Laxman has explained earlier.

Chirag Shah: Sir, I understand that, but I was trying to understand that when you are filing for bankruptcy or insolvency, in a sense there is no necessary liability on you, right?

Laxman R.: Except for what you would have committed or guaranteed in the past.

Chirag Shah: So in a sense, that is a recourse debt to the parent?

Laxman R.: Yes, absolutely.

Chirag Shah: Okay, that was one. The second thing is, any tax benefit that you will derive from this Rs. 295 crores write-off? Or I don't know whether it will be Rs. 295 crores or Rs. 150 crores, whatever, but any tax advantage that you will get in your books or not really?

Laxman R.: Unlikely, and we have not yet factored in, it will definitely call for a deeper study, but as of now unlikely.

Chirag Shah: And sir last thing is, at the cost of repeating, so how should we look at your future strategy? Would it be more organic, focusing on more product development, diversification on that front which you have been any way delivering since last plus one and a half, two years? And acquisition as a strategy goes on a back burner? If you can throw some light on both of these aspects.

Ashok Minda: As I mentioned, the company will continue to pursue the inorganic growth opportunities, but it has to be relevant to the Group's core business. It could be joint venture, it could be acquisition. So, that can be anything, but it must be aligned with our core business, , it should be aligned.

Chirag Shah: Okay. And would it also be right that you would have spoken with your OEMs to whom you supply before filing for bankruptcy, is that right, so that your relationship don't get hampered? Was there any interaction over that or not really?

Ashok Minda: See, the customer is concerned about how Minda Corporation is secured from the cash flow to run the business from the cash flow perspective, so that situation we are already very strong. Another is, there are only very few customers which are having this product related to interior plastic that we are already in the communication with them. And the rest we have to give them the assurance and tell them we have a good healthy balance sheet and good cash reserves we have to run the business and to support the business during this period.

Moderator: Thank you. Next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Sir, just one last clarification, you said EUR 22 million is the debt, which also includes the debt for which we have given guarantee. So what is the breakup? You are saying for Rs. 80 crores debt we have given guarantee and balance Rs. 110 crores is without guarantee?

Laxman R.: Yes, roughly. EUR22 million roughly half and half.

Dhananjay Mishra: Okay. So that is why you are saying that this is could be a one-time cash outflow from our book?

Laxman R.: Yes, it's a replacement of debt, because the debt is already in the books anyways. Rs. 80 crores I am already taking debt in my books and my consolidation, which is moving from one desk to the other.

Dhananjay Mishra: That is fine. But it will come to our work?

Laxman R.: It is already there.

Dhananjay Mishra: Okay. So in that way, there is no cash out flow, in that sense?

Laxman R.: Our debt is anyway coming down, from Rs. 190 crores it is coming down to maybe Rs. 100 crores.

Dhananjay Mishra: Okay. And secondly, sir, this Minda Furukawa and other joint venture, what kind of investment or return we are getting? Or there is any possibility to look at this joint venture as well, if they are not having good profitability in future, can we also look at getting out of this joint venture in future?

Laxman R.: No, we don't have any intent to disturb any of our joint ventures. Each of them are pretty strategic in nature for us.

Dhananjay Mishra: So are we comfortable and satisfied with their performance, recent performance?

Laxman R.: Performance, always there is expectations to do much better. And we also see a long-term plan for those companies to do much better.

Dhananjay Mishra: Okay. And sir, incrementally apart from this debt obligation or guarantee, is there any legal cost involved which we are not factoring in that may come up?

Laxman R.: I am not expecting any right now. We will have to see.

Moderator: Thank you. The next question is from the line of Nikhil Kale from Axis Bank. Please go ahead.

Nikhil Kale: So, just wanted to check, I think FY '19 annual report has some loans given by the standalone entity to KTSN. So, just wanted to check if there is some amount there? And is it included in the write-off amount which you mentioned?

Laxman R.: It is all included.

Nikhil Kale: Okay. And secondly, on the acquisition side, now with this KTSN chapter over, have we kind of also relooked at some go, no go areas in terms of geographic regions? Because I guess, Europe is again a difficult region to kind of have high profitability levels given higher employee cost. So any relook at the strategy there? Or are we still open to make acquisitions in Europe?

Ashok Minda: Whatever the acquisition we have to do, the principle is that what we discussed before that, there has to be a reasonable return and just we do not want to go just for the sake of acquisition. And it has to be met or it has to be relevant to the core business.

Moderator: Thank you. The next question is from the line of Apoorva Pa Mehta from AM Investment Please go ahead.

Apoorva Mehta: Sir, just wanted to ask you that all the labour issues and the pensions are all settled in this? Or there will be any pension issues and remaining on that?

Laxman R.: Typically in insolvency, all those risks would be with the company.

Apoorva Mehta: Okay. So we will not have any obligation regarding pension or labor issues, anything? That is all factored in?

Laxman R.: I don't foresee any.

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

Sachin Kasera: Sir, the number of KSTN that you shared, are the number for financial year 2019 or they are for 2020? Or they are annualized numbers of the first 10 months of FY '20?

Laxman R.: They are roughly annualized numbers, Sachin.

Sachin Kasera: Okay. And you said loss is around Rs. 40 crores at PAT level, right, or at the PBT level?

Laxman R.: It's the same now.

Sachin Kasera: Okay. And just one clarification again on this gross debt and net debt. So basically, essentially the net cash in the book remains the same and the gross debt reduces by Rs. 80 crores, right? Is that understanding correct?

Laxman R.: That’s correct.

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

Pritesh Chheda: Sir, just again on that a little bit confusion. Initially we said there is a Rs. 80 crores outflow, and now the gross debt gets reduced by Rs. 80 crores. I am confused here.

Laxman R.: See, the total overall debt in my consolidated books will come down because this entity is going out of my fold. That amount maybe around say Rs. 160-odd crores, the debt will come down. However, because I have guaranteed past loans of Rs. 80 crores, that will remain. Therefore, though my overall debt will come down, only Rs. 80 crores will remain. So, therefore, of the total gross debt I have today, and if the total gross debt is say Rs. 160 crores attributable to Minda KTSN, that will reduce to Rs. 80 crores. And that Rs. 80 crores I may have to repay, which I will replace with another loan. So, overall, therefore, the gross debt will go down.

Ashok Minda: So we have a choice to either to repay or to convert the debt.

Pritesh Chheda: So, which means at the reported level, as of now, whatever Rs. 600 crores or Rs. 700 crores of debt you were running with, that number itself comes down by Rs. 80 crores?

Laxman R.: Yes.

Pritesh Chheda: As of now, right?

Laxman R.: Yes.

Pritesh Chheda: Okay. And second, what is the depreciation amount in this Minda KTSN consol?

Laxman R.: Minda KTSN, the depreciation should be a couple of million euro.

Pritesh Chheda: Okay. And what is the net debt that we are running with?

Laxman R.: With the today's?

Pritesh Chheda: Yes, consol.

Laxman R.: So, I will tell you, the consol net debt as on 31st March provisional numbers, my standalone is about zero you are talking about net debt, right?

Pritesh Chheda: You can give gross, whichever you are comfortable.

Laxman R.: Today net is almost zero.

Pritesh Chheda: Net is zero?

Laxman R.: Yes. And once this happens, it become minus Rs. 80 crores, because my debt is going down by Rs. 80 crores.

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

Ashok Minda: Yes, I would only like to say that these are unprecedented times, and we are working doubly hard in these post COVID-19. It's time to ensure that our products are simply the best and we are aggressively pursuing cash generating ideas so as to continue our balance sheet strong and future ready. During the conference I have also mentioned the group shall continue to pursue the growth opportunities which is relevant to the group business. With this, I wish you and your family best of health in these challenging times. Thank you very much.

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