

August 18, 2020

<b>The Officer-In-Charge (Listing)</b> <b>Listing Department</b> National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Symbol: MINDACORP	<b>Head - Listing Operations,</b> <b>BSE Limited,</b> P.J. Towers, Dalal Street, Fort, Mumbai – 400 001 Scrip Code: 538962
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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 14-August-2020**

Dear Sir/Madam,

Please find attached herewith transcription of Conference call with Investors/Analysts held on August 14, 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**

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Minda Corporation Limited  
Q1 FY2021 Earnings Conference Call

August 14, 2020



**MANAGEMENT: MR. ASHOK MINDA – CHAIRMAN & GROUP CHIEF  
EXECUTIVE OFFICER  
MR. R. LAXMAN – EXECUTIVE DIRECTOR & GROUP  
CHIEF FINANCIAL OFFICER MR. NEERAJ MAHAJAN -  
GROUP MARKETING OFFICER  
MR. BIKASH DUGAR – LEAD INVESTOR RELATIONS**

**ANALYST: MS. PARVATI RAI – KRCHOKSEY RESEARCH**

**Moderator:** Ladies and gentlemen, good day and welcome to the Minda Corporation Limited Q1 FY2021 Earnings Conference Call hosted by KRChoksey Research. 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 Ms. Parvati Rai from KRChoksey. Thank you and over to you Madam!

**Parvati Rai:** Thank you. Good evening everyone, on behalf of KRChoksey Research we welcome you all for Q1 FY2021 Conference call of Minda Corporation Limited. I take this opportunity to welcome the management of Minda Corporation Limited represented by Mr. Ashok Minda, Chairman and Group CEO, Mr. R. Laxman, Executive Director and Group CFO, and Mr. Neeraj Mahajan, Group Marketing Officer and Mr. Bikash Dugar, Lead Investor Relations. We will begin the call with the brief overview by the management followed by Q&A. I now hand over the call to Mr. Ashok Minda for his opening remarks. Thank you and over to you Sir!

**Ashok Minda:** Thank you Parvati. Good afternoon ladies and gentlemen. I welcome you all to the Q1 FY2021 Earnings Conference Call of Minda Corporation. I would like to thank you all for joining us on this call and hope all of you are doing well. The first quarter of fiscal year was an unprecedented period not only for the auto industry but for the whole economy. The auto sector globally was severely impacted by the pandemic COVID-19 and continues to face headwind due to general economic slowdown. The first half of the quarter did not see any activity; and production and sales only started in phased manner from later part of May. This has made the quarter incomparable with previous periods.

Now with the gradual opening of the economy we are able to see green shoots in certain segment of industry especially in two wheelers and tractors. In these challenging times, Minda Corporation reported consolidated revenue from operation of Rs.1,780 million a decline of 69.5% and we believe this performance is better than industry numbers, which saw low volumes. To minimize the impact on company’s financials due to significant fall in industry volume we have taken numerous cost reduction measures, optimization of capital expenditure and efficient working capital management. There are clear indications of economic activity picking up from June 2020 onwards and we are cautiously optimistic of better times ahead for Minda Corporation. This is further supported by the fact that currently more than 50% of our revenues comes from two wheelers and tractors. Additionally, after market and export are also showing speedy sign of recovery. Minda Corporation continue to remain close to its customers to better understand and meet their requirements during these trying times, which will be explained further by our Group Marketing Officer Mr. Neeraj Mahajan. Now we shall begin detailed discussion on

financial and operational performance for the quarter. With this I hand over the call to Mr. R. Laxman, our Group CFO. Over to you Laxman.

**R. Laxman:**

Thank you Mr. Minda and good afternoon ladies and gentlemen. Hearty welcome again to Q1 results FY2021 conference call. I will take the assistance of the presentation that we have uploaded on the website and I will be referring to the slide numbers for those of you who have the presentation in front of you, for others, I will surely read out and explain from the slides that are there in the presentation, thank you.

**I will** move to slide #3 of our presentation which gives you a quick overview of Minda Corporation's diversified product portfolio of global customers, very strong manufacturing, advanced R&D and now more than six decades of automotive experience. The items on the left, you are familiar with we have Rs.2,800 plus Crores revenue, we have four business verticals, marquee customers and 30 manufacturing facilities, R&D capabilities and our current market cap is about Rs.1,066 Crores. On the right-hand side, we have revenue breakdown for Q1 FY2021, you will notice that the outer ring is the revenue chart for the current quarter, which is Q1 FY2021 and the inner ring is for Q1 FY2020. If you go by geography, you will notice that India contributes now about 80.6% of our entire revenue pie as opposed to 85.3% the same quarter previous year. I would like to mention here for comparison purposes, as well as in line with Ind-AS 105, we have made the comparison apples to apples, it does not include the European operations, which are discontinued. So without them our India's revenue pie was 80.6% now as compared to 85% earlier. Our Europe and North American revenue by geography has increased from 9% of sales to 12.2% and our Southeast Asia is increased from 5.7% to 7.3%. More importantly, if you look at the right-hand pie chart, which is by end-market, you will notice that the two and three wheelers have moved up from 51.7% to 53.3% in terms of our entire revenue pie. Commercial vehicles have significantly fallen from 30% to 20%. This includes tractors and the breakup between commercial vehicles and tractors – In Q1, 13% is contributed by commercial vehicles and 7% is contributed by tractors. The aftermarket has grown significantly, last year during the same period it only contributed to 10% of our pie but this quarter it has contributed to more than 20% of our pie. Going by business verticals, which is the pie chart on the bottom, the Mechatronics contributes about 43% and the Aftermarket is another 20% so both included are Mechatronics plus Aftermarket contributes about 63% of our turnover and Information and Connected systems contributes about 36.7%. The India interior plastic division is included in this 36.7% as of now, as it is a small number.

I will move to slide #4 and you are all aware of the industry's situation today, but a quick recap on slide #4, you will see that overall the auto industry has fallen by 78.4% of which the two wheeler market has fallen down similarly by 78.5%. It will be important to point out here that our two-wheeler business fell by about 69% and it is significant for us because roughly as I mentioned 53% of our turnover in this quarter has come from two wheelers. Passenger vehicles have fallen by 84%, three-wheelers have fallen by 76% and commercial

vehicle has taken the largest fall, which is at 87.6% in Q1. Tractors have fallen by 40%. Just a point to note here is that if I adjusted our revenue to the same mix as previous year then typically my sales should have fallen by about 81%; however, because of the new mix as well as the fact that I am more towards two wheelers and my own fall into two wheeler has been less than market and our overall fall has only been 69.5%.

Coming to the financials on slide #5, that is the consolidated financials for Q1 FY2021 and as Mr. Minda mentioned our operating revenue was Rs.178 Crores, which is 69.5% fall, we have another income of about Rs.9 Crores that is basically the interest income we have on our funds that we have. Our EBITDA negative was at Rs.20.3 Crores this is substantially contained, which I will come to in the next few slides. Contained, because of our aggressive push on fixed costs, keeping fixed costs down specifically things like employee costs, other expenses, etc. Our Profit before Tax was about loss for continued operations, which was Rs.45 Crores and then because of deferred tax credit our Profit after Tax from continued operations reported on a consolidated basis is Rs.36.3 Crores. We had a profit from discontinued operations of about Rs.90 lakhs and therefore our final PAT was a loss of Rs.35.4 Crores. As we mentioned our previous quarters numbers were very significantly different and so was the same quarter in the previous year and comparisons does not immediately make sense; however, they have all been adjusted for comparing it to related items because as we said as per Ind-AS 104 our accounts have been restated and this table excludes our discontinued operations.

On slide #6, we have the chart illustration of the same numbers; however, the commentary is important for us to share with you. Overall 69.5% decline in the industry was cushioned for Minda Corporation because we got a slightly better than industry numbers for Aftermarket, which degrew by only about 42% and our exports, which degrew only by 55% and this degrowth also is largely because of the postponement of demand and logistical challenges in the business. Our EBITDA decreased because of non absorption of fixed cost because you have noticed that we did not do any production or sale for the month of April and for last part of May and of course we had an unfavorable product mix because commercial vehicles took a big hit; however, we have come back with very strong countermeasures, we have reduced employee cost significantly and we have lowered other expenses also significantly in this quarter. If you see our standalone and consolidated numbers, you will see a big fall in our employee cost as well as lower other expenses; however, maybe half of it can be attributable to lower sales itself and at least 30% of that we think we should be able to sustain going forward in the current year, which should benefit our profitability and number two, which should help lower our breakeven point. Our net profit was negative because of course negative EBITDA and the other reason our net profit was negative is that on the consolidated basis we also absorbed Rs.5.8 Crores loss as our share of our joint venture projects mainly Minda Furukawa, Minda Stonebridge and Minda Vast.

If I move to slide #7 now, we have the same numbers but split between Mechatronics and Aftermarket in one bucket and Information and Connected System in one bucket. The revenues in the Mechatronics business came out at Rs.112 Crores, which is a 61% drop and the EBITDA was about 9.8% negative, of course this degrowth has a little bit been cushioned by a lower fall in exports in aftermarket as we mentioned. Overall fall in EBITDA has also been cushioned largely by various cost cutting measures. Our Information and Connected system have fallen by 77.5% because a huge fall in commercial vehicles by about 80% plus, Revenues came in at Rs.65 Crores and EBITDA was negative about 14.2%. It has been fairly impacted by the decline in CVs and also we have had mixed challenges with respect to product mix in the Information and Connected system business vertical. So that is the overall financial numbers we have, so to sum up -n our fall has been lesser than industry number one, we have been fortunate because of the two wheelers mix that Mr. Minda mentioned and we managed to contain our EBITDA losses to about Rs.20 Crores because of strong cost cutting measures that we have taken. The other positive of course is we have managed to improve our cash flow position during the quarter in spite of COVID so that is the positive and with this I would like to hand over the presentation to Mr. Neeraj Mahajan to give us a quick update on the business performance order book as well as what we are doing new at Minda Corporation, so over to you Neeraj.

**Neeraj Mahajan:**

Thank you Laxman for giving a quick number update. Good afternoon team, this is Neeraj Mahajan, President and Group Chief Marketing Officer for Minda Corporation. My overview is mainly on two accounts - one for the order book, which I am going to first talk about. While the entire industry has been struggling to come to terms about the volume drops, lockouts, but one interesting thing continued during last quarter was auto industry purchase teams work from home and we are very fortunate that we have been able to book some very exciting orders during this time. I would just confirm that this is a very healthy pipeline, which we have generated during this time and let me confirm that this is divided into four section, our Mechatronics, which is business vertical one, Information and Connected system which is BV2, Plastic division BV3 and exports, so let me first cover the Mechatronics, business vertical one.

The overall lifetime order book during Q1 is close to about Rs.397 Crores, this is very exciting for us because we got in this quarter three very large orders one which is coming in for die cast from a two-wheeler business customer and lifetime business in this case is close to about Rs.204 Crores. We also received a very prestigious order for our joint venture partner with Vast from Pune, this is also a lifetime order of about Rs.56 odd Crores and these orders are all coming in now for programs, which are either to start in let us say 2021-2022 and so on. The third order for our continued business focus to improve our profitability is coming in on the starter motor and alternator, which is currently, which we have spoken for some time is not supporting us as much, but we have started to see traction there with thanks to the management focus, which is coming in and bringing various activities to not only bring down the cost but also to improve the quality and engineering

aspect of it, so lifetime orders there has added about Rs.17 Crores odd and we have very healthy pipelines for RFQ's in BV1 further. ASEAN business has started to be a very clear focus for us and during the number breakdowns you may have noticed while this has been a challenge now; however, we have clear orders coming in from one of the largest two wheeler global players, which is about Rs.15 odd Crores of business, which is booked during this time and team has done a great job there. This is a combination of next generation locksets, which also conveys that customer is showing confidence in our future technological product, which we are now developing or demonstrating through our tech shows and product exhibitions.

On the BV2 side which is Wire harness and Sensor division, we got awarded for a very large order from a leading tractor maker for about Rs.45 odd Cores, we also won order for sensor for two wheeler OEM from the largest two wheeler customer for about Rs.180 Crores this is very exciting business award again and also we got the next generation cluster activity, which is starting with about Rs.20 odd Crores business coming in from North side leader in tractor industry. Another instrument cluster for two-wheeler, which is now the new generation instrument clusters we have started to see the traction that order is about Rs.15 Crores odd coming in from one of the India's most popular two-wheeler Indian brand. Now we also saw a very good traction of about Rs.134 million revenue orders coming in for light weighting plastic part from largest passenger vehicle maker or Engine manufacturer, which is for the combination of passenger and commercial vehicle application. We are excited this order is something, which we were focusing upon to grow our portfolio for Indian plastic parts, which after KTSN is very important for us to get traction from our customers.

Export is one thing, which we are continuously focusing and I am happy to share that there are two important developments one in terms of wire harness, which is for the European largest two wheeler maker, there just to highlight the point, which is the wire harness is for EURO-5 so that means customer is accepting Minda Corporation competency of the product in the future model introduction and also I think I briefly touched upon this point last time, among the India's largest four-wheeler maker we got a very, very prestigious entrance of our new joint venture technical agreement partner, in fact, the Shark Finn Antenna, which is going to be I think a new beginning in terms of Spark Minda's entry into a new product segment this is about a Rs.50 Crores order and supplies will start from 2022.

What we are doing towards the technology, I am going to the next slide, there we are very clearly looking in the commercial vehicle where we have seen the traction of the I vehicle especially the buses becoming more visual in terms of its displays so our intelligent transportation system architect has started to get a good information intelligent system, which is being developed now and I am pleased to share that we have already received the trial orders and the supplies are starting on the subject among the top two bus makers in India. For road transport authorities and public transport system this is something which we

would like to expand going forward in terms of our technical competence, which is prevailing on airports, on the railway stations because government is very heavily focusing on it, it is just a matter of money released from government side and we are going to partner with them in these areas that is one area we are also looking at. Also I am very excited to share that two wheeler we are going to be the first company in the country to start supplying the first keyless entry system in two wheeler OEM, this is going to be for the first two wheeler EV maker and our engineering team from SMIT has developed the components through which we have also patented 21 parts for showcasing our technology, so I think this is very exciting development and I would like to congratulate my technology team for seeing the research work moving into the productionized area and the supplies we have just started but the volumes are a little bit on the ramp up stage because of the COVID, but we will see those numbers growing gradually on the subject. This is going to be one big development as far as Minda is concerned, this is first keyless entry by any Indian maker and we are there for this.

Design and development on various range of DC-DC converters we have already got into this subject with the two wheeler as well as commercial vehicle space and we are right now in advanced discussion also for taking that matter forward with the horizontal deployment across the industry, offering our already well developed product, which is well accepted and proven. In terms of our assistance I just mentioned about Shark Fin Antenna of in fact South Korea, we are now in active discussion apart from the Shark Fin Antenna for RF and LT antenna, which is pole type also to offer to other leading passenger manufacturers starting from all programs, which are starting from F20 to F23 onwards so that Spark Minda should be able to supply this high value added product to these customers because pole type antenna is going out of fashion and you will see most of the car companies are getting into Shark Fin Antenna from now on, so it is going to be almost a hygiene if I may say and we are fully geared up to take care of this part to be offered to all the leading makers in the country and we have very strong partner in this case.

I would like to summarize this on both aspects - order book for Q1 is very good at this point of time in spite of COVID I would say because Spark Minda team tirelessly worked during this time assisting customers to close the RFQ's and during this time we could get some breather on the other activities to convince customers on our unique selling points, differentiators we call it, and on the technology side SMIT as well as our other engineering members have done exceedingly well during this time and we are very confident with the strengthening of team, which Mr. Minda will also touch upon or may have touched upon during the call, we are getting future ready on account of our technological push for 2022 and beyond. I would like to rest my explanation here and I can take question and answer later so Laxman back to you please.

**R. Laxman:**

Thank you very much Neeraj and Faizan over to you to Q&A.



- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Ronak Sarda from Systematix. Please go ahead.
- Ronak Sarda:** Hi Laxman, first question on the capacity utilization, so what would that be in 1Q and how has that changed let us say in July and August so what would be our utilization levels now and part two of that question is the cost measure, how cost is increasing when ramp up is happening are we seeing substantial benefits once we are at let us say around 85%?
- R. Laxman:** I will answer the first part of the question and then I will request Mr. Minda to give his views on July onwards. We tried our best to measure capacity utilization for Q1, but then we gave up because it has to be then measured month-on-month, because an average gives a very different picture so for example April was zero, May was a very small number and basically from June that we started ramping up in terms of our utilization of capacity and then going ahead. So it will be fair to assume that in June it would have been roughly say 50% odd and July the number has again significantly improved, that is the quick take on the measure Ronak. Mr. Minda if you would like to add anything on this question?
- Ashok Minda:** So as you asked about July onwards, Yes, OEM's particularly in two wheeler as well as tractor segment that we discuss between these two segments and this segment is definitely helping us during this time and this is continuing to happen at least till the time of the festival then we will re-evaluate after the festival time. In the aftermarket, in June we have increased 18% growth in comparison to the previous year and same in July, so we expect to catch up significantly in Q2 FY2021, this is what I think so.
- Ronak Sarda:** Roughly Ashok Ji will it be like almost 85% on an average of the last year revenue run rate for July and let us say mid August?
- Ashok Minda:** We are thinking that overall, until unless something does not happen adversely, it will be 70% to 80%.
- R. Laxman:** On the cost front, the measures we have taken are significant in terms of how much of reduction we have been able to get in fixed cost as well as in our personnel cost. My estimate is about 30% of this reduction we can carry through for the rest of the year as well, because a lot of the personnel and other admin costs, etc., in a sense are also variable so I would put the number at roughly 30% Ronak.
- Ashok Minda:** Most importantly this is the time, knowing for each business how we reduce the breakeven point is an important area.
- Ronak Sarda:** Laxman we used to have significant contribution from commercial vehicles as well and last two years have been very challenging, was product supply to commercial vehicles more

profitable and/or is recovery in commercial vehicles, if it happens from H2, will that be a significant contributor to profitability?

**R. Laxman:** I would like to let Mr. Neeraj Mahajan talk about the commercial vehicle pickup. Only thing is, Yes, in terms of my share last year's commercial vehicles were 30% in the same quarter and this year it is significantly reduced so the answer is, Yes. Though the profitability in terms of EBITDA margin has been similar if you look at last year's presentation on business vertical one and two, largely similar; however, the bulk was being offered by commercial vehicles, so yes any recovery in commercial vehicles will help us quickly absorb our fixed cost, that is on the costing side. Over to Mr. Neeraj Mahajan on his outlook for the commercial vehicle segment.

**Neeraj Mahajan:** Thank you very much. Ronak to me well we have been very closely interacting with all leading commercial vehicle manufacturers because almost 100% of them are our customers. Market outlook as of now I would say is gloomy as far as commercial is concerned, so if recovery, if at all, for example the recovery it is expected they are not even speaking about it for this year so I think everybody is expecting about 30% to 40% drop on the annualized basis, so I would not give very optimistic opinion or picture about commercial vehicle at this point of time, while as Mr. Minda also mentioned there are some green shoots in segments like two wheeler I think the most exciting segment right now is tractor we are not able to meet their demand due to social distancing right now, they are going 2.5 to 3 times their volume requirements compared to 2017-2018, but commercial vehicle I am afraid after last year dropped off about almost a high double digit we are still expecting further drop this year as overall market going forward for commercial.

**Ronak Sarda:** Thanks, Neeraj and final question on the KTSM business any update there, has a large part of the liquidation done and/or any update, have the payments happened from our side?

**R. Laxman:** Yes, we have that part is now behind us and of course now it is a process and that process will take time; however, the obligations that we had in terms of what we had to complete by June yes we have done what we mentioned.

**Ronak Sarda:** Okay, thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Chetan Gindodia from AlfAccurate Advisors. Please go ahead.

**Chetan Gindodia:** Sir can you explain me how the order book works you have given the lifetime value of orders of this year is Rs.4,250 Crores and last year fourth quarter was Rs.7,350 Crores so our order book has declined this year and is this the value of new order that we will be executing in one year is this the annual value or how should a lifetime value order should be looked at, is it two years, three years what is the timeframe for it?

- Neeraj Mahajan:** Thank you very much gentleman for your question. Lifetime order is typically considered between four to five years depending upon the program life of the project, which is confirmed by the customer and first year is typically the limited number of months based on the start of production SOP date and the balance month left in the financial year that is how we normally calculate on to this, so this is how the methodology is adapted.
- Chetan Gindodia:** The order book has declined from last year so how should we read this number?
- Neeraj Mahajan:** This is not revenue, this is the new orders which are received during this quarter, so this is nothing to do with our past revenue at this point of time.
- Chetan Gindodia:** In the two wheeler wiring harness business and also the CV wiring harness business we were supposed to have a big addition in our kit size and the value of our sales was expected to go up, so can you give the breakup of how much was the increase in two-wheeler wiring harness in this quarter and also in CV?
- R. Laxman:** I will come back to you with specific numbers; however, there are two points here, one is yes the two wheeler wiring harness kit value we had said will more than double, that thesis continues and it was expected to actually show a quantum result as we go forward in the future quarters. In the Q1 why you are not able to significantly see the differences because the BS-VI to BS-IV mix if you put it roughly, it is still being only roughly about 50% because majority of the BS-IV still came in due to exports of the OEMs so that is one clear point and the second point is of course there have been ramp up challenges with respect to BS-VI at all the manufacturers ends and at our ends and therefore a more clear comparison or at least the visibility of that bulk up of kit value will be more clearly available in Q2 and Q3 going forward that is the quick response.
- Chetan Gindodia:** Okay and in terms of decline in gross margin that we have seen in this quarter compared to our last quarter so what has led to this?
- R. Laxman:** The absolute fall in the revenue significantly dented this, so it does not make it comparable at all.
- Chetan Gindodia:** Okay so going ahead we should be back to our 38%, 40% is what we should do?
- R. Laxman:** Yes, as we ramp up yes we should and our hope is that we will catch up faster than probably what was usually expected because like many other players we have also very aggressively worked on our fixed costs so if we were to reach the goal in X months earlier or X number of quarters earlier we hope to reach that goal faster now.

**Ashok Minda:** We were not expecting that the recovery will be so faster than we are seeing in two wheeler and tractors. So during the COVID time we were thinking that the second quarter will also be very much concerned, but the things are not like that.

**Chetan Gindodia:** Okay and the last question in terms of employee cost, we have seen a very sharp reduction so should we expect the employee cost in absolute number to remain at this level or will it be more of linked to the revenue and should be back to the Rs. 90, 120 Crores run rate from next quarter?

**Essentially,** our employee cost has declined to Rs.54 Crores from Rs. 96 Crores last quarter so is this employee cost reduction likely to again go back up with the rising revenue or is this a more sustainable reduction how should we read into this?

**R. Laxman:** Roughly 30% of it we expect it to be little sustainable, a very rough number, because our employee cost has a mix of variable and factory workers as well as staff cost, etc., so all the cost cutting measures we have taken on the personnel side we are expecting about 25%-30% of this to remain sustainable.

**Chetan Gindodia:** Okay thank you sir. Thank you for the details and all the best.

**Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead

**Abhishek Jain:** Good evening Sir. Thanks for taking my question. Just wanted to understand what is the current status of insolvency process of Minda KTSN, has it completed?

**R. Laxman:** No, it is only started now and an insolvency administrator we believe has been appointed and it is a process that will take its own course and it is very, very established process that they will go through so it may take some time.

**Abhishek Jain:** So how much debt will reduce post completion of this process?

**R. Laxman:** The debt numbers have already been reduced because now our consolidated numbers are without the numbers of KTSN so today roughly our consolidated debt looks at about Rs.394 Crores.

**Abhishek Jain:** My second question on the debt part that your interest payment is around Rs.50 Crores annually, which is around 38% of your EBIT despite the sufficient cash in hand on the other hand you are earning only Rs.26 to Rs.38 Crores at interest income, so you are losing significant amount of interest every year, so just wanted to understand your thought process behind to keep the money for future acquisition and how this will be fruitful for the company's profit?

**R. Laxman:** Two points that you highlighted, one is the negative carry that we call with respect to keeping the money at the lower interest rate and second is you are talking about the strategic intent in terms of to do with the money. So the strategic intent I will request Mr. Minda to answer, but before that on the finance side I would like to like to say that of course we have kept the powder dry and there is a small cost to keep that and the incremental cost could be about 1% of the amount of total deposits I have, strategically it has worked out very well for me now because we have dry powder available in case the management and the leadership decides to take a call on synergistic acquisition opportunities and I would like Mr. Minda to comment.

**Ashok Minda:** We have decided strategically to park this because we raised QIP and the vision of the QIP is support our future growth and we have decided not to use this one putting in the system and we are continuously working for using this QIP funds in an area where we really not doing any fast investment so that is why we have said that almost we also know that we are losing some minor percentage of interest, but we have decided that so that the more working capital, which we are using there will be a pressure with the businesses to be more efficient to take out the funds from the working capital that was the strategic call.

**Abhishek Jain:** So, are you looking to make any repayment during FY2021 or FY2022, as the current situation capacity utilization is quite low and you are losing significant interest also and your EBIT is also quite low so just wanted to know on this?

**R. Laxman:** What is the first part are you looking at what you said repayment did you say?

**Abhishek Jain:** Repayment of debt?

**R. Laxman:** The repayment of debt is naturally occurring because of the tight cash management and thanks to input from you gentlemen we in fact had a very tight focus on working capital and because of that we have managed to generate funds to repay debt. In fact during the COVID period of first quarter also we generated cash surplus so we are expecting debt to naturally go down by this, we do not expect such low EBITs to continue Q1 is not probably a right extrapolation for the rest of the year so that is where we stand and in fact today also as we speak our cash position should be roughly equivalent to the debt we have so if you look at it theoretically on a net debt basis we should be zero.

**Abhishek Jain:** Okay my last question is related with the two wheeler locking system, so I just wanted to know your share of business with different OEMs, have you won any new business or have there been any increase in content per vehicle post BS-VI implementation?

**R. Laxman:** Over to you Neeraj.

**Neeraj Mahajan:** Yes, in case of wiring harness there is a content increase, in case of share of business, I think we have segment-to-segment and even in that program-to-program differentiation so I think it is exhaustive thing if we talk about, we will have line items of about 100 plus maybe I can understand your question later and I can ask Bikshah to especially provide you the information about specific segment you are looking for, but in general for a share of business if we talk about for two wheeler, we are in a strong commanding position when it comes to top three in case of wire harness I would say in most of the places depending upon program we are either holding about 70% to 80% of share of business in let us say leading maker one and two and three or at least 50% in most of the cases so it depends the product, which we are referring to here.

**Ashok Minda:** And as I explained last year that we introduced the key account management to give the forecast on the specific customers where we can increase our per vehicle content and not only the per vehicle as a whole but the per vehicle model wise content, how we can increase as a group so that is how we are giving forecast so as we have mentioned there are a list of products, list of models how much we content we have in that model, and to how much extent we can increase it is all that is how we said.

**Neeraj Mahajan:** To give you comfort I can just share one input with you, if you see most of the two wheelers today are becoming from mechanical or mechatronic products are moving into connected and also in terms of keyless, the value addition in such cases from Minda Corporation is going to increase and that is going to increase the kit value for each vehicle what we supply and our main focus right now is to make sure which I have explained in one of the slides for let us DC-DC converter, keyless entry system for this and we are right now very deeply connected with some of the new startups with whom we are discussing for their requirements we have one of the startup, which is going to start its production in October month for their two wheeler EV in Netherlands so there we have got various products, which we have started to also discuss with various startups here and also the two wheeler, which is in advanced stage of EV entry into the country so I would say that kit value will surely increase going forward as electronic components and content is going to increase because that is where SMIT focus of development and also the return is going to happen.

**Abhishek Jain:** Okay Sir my last question is related to share of business with the Bajaj Auto, in two-wheeler locking system?

**R. Laxman:** I think specific clients, it will be a little unfair to probably discuss but Neeraj over to you in case you would like to add any comments?

**Neeraj Mahajan:** I think I can see some of the members of competition in the call so I would avoid such questions.

- Ashok Minda:** Okay otherwise we are not losing any of these on the positive side, which was not any issue with us.
- Abhishek Jain:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from SVAN investments. Please go ahead.
- Sachin Kasera:** Yes Sir just one question on this cost cutting, so if you can just quantify that of the total cost cutting you mentioned 30% is sustainable so if you could just quantify that on the employee front and secondly have you also taken some significant cost reduction in the other expenses and if you would quantify that also which is sustainable?
- R. Laxman:** Yes, sure Sachin thank you. Sachin on this staff cost, I am talking about within the overall employee cost that staff cost also and within that in staff cost we have saving of about Rs.12 Crores in this quarter, that is the specific number that comes to mind and if you see the other variable expenses that has gone down by about Rs.33 Crores so out of which again about 30% of that is something, which we think is sustainable.
- Sachin Kasera:** So broadly we have been able to reduce the cost around Rs.80 Crores to Rs.100 Crores a year, which is a sustainable number, is that better way to look around normal-to-normal basis?
- R. Laxman:** It may not be fair to estimate it for the whole year.
- Ashok Minda:** But there are some areas of cost, which will definitely continue that is what I said it helped us to brought it down our breakeven points and that there are various heads where we have reduced the cost that will help us to continue.
- Sachin Kasera:** Okay, thanks.
- Moderator:** Thank you. Ladies and gentlemen, we will take the last question from the line of Chirag Shah from Edelweiss Securities Limited. Please go ahead.
- Chirag Shah:** First question is on Shark Finn Antenna are you the sole supplier or you are making an entrance to that product in that sense either Tier-II supplier, second is it for a single model on project basis or is it for multiple models and third is it a import substitution product or it is completely a new product that you have created, was this product already there in the system and you are now replacing it?
- Neeraj Mahajan:** So let me take the third question first, at least for the customer we have got introduction this is replacement of previous generation product that means the pole type antenna, so that is going to be let us say a replacement or a new generation product introduction. Second the

large customers do not introduce a single supplier so there are going to be at least two vendors supplying the same and third the product is going to be, today the business order is for one particular model but which is for let us say preferred situation it is going to be almost the largest volume program, but considering the historical situation we have noticed that these parts are common-ised to take advantage of the pricing in long term including tooling cost reinvestment being avoided so we are hopeful that we may have opportunity to introduce this part in other programs, but as of now to answer your question this is for a specific program, I hope I answered all your questions.

**Ashok Minda:** This is import substitute, most of the customer input is new and this is going to be introduced in all the segment over a period in all the category of personal vehicle.

**Chirag Shah:** In the wiring harness segment, today who is your competitor?

**Neeraj Mahajan:** In the WH segment, this is by sector, we have multiple competitors, this is becoming a commodity space to be frank, so two wheeler is going to be another three dominant players including us, we have commercial vehicle, there are another two important competitors, we have tractor which is a lot of complication but very crude wire harness relatively so you have more competition there including next to the plant kind of wire harness those who are supplying to them for over the last 30, 40 years. PV is the most, let us say, organized one including its technology, but I am pleased to say that in this BS-IV, BS-VI transition recognition of Minda Corporation as one of the most reliable wire harness supplier is there among two wheelers, among commercial vehicles equally and substantially, but I do not want to go specific to my competitor's name in this case I am sure unless that is a very specific question which you would like me to address.

**Chirag Shah:** And for Shark Finn Antenna, this is for a particular OEM right and this technology it cannot be used for some other OEM, right?

**Neeraj Mahajan:** The product per se the patented design of external shape is going to be unique, but there are about four or five different varieties of feature application, which are going to be possibly offered in future if they would like us to expand more with the higher end technological product in their product range; however, the basic design of the product can be utilized with the specific model-related design requirement of particular customer so to answer the question - generic interior design unique for particular model, which requires to be developed, we have competency for both. So this can be expanded to other customers easily this is what we believe as far as the product range is concerned without very significant investment other than volume expansion requirement of capex I think the technology can be horizontally deployed with other customers also.

**Chirag Shah:** Thank you very much.



**Moderator:** Thank you. Ladies and gentlemen due to time constraint we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

**Ashok Minda:** This financial year 2021 will be a challenging year but we are confident that the worst is behind us. I can assure you that Minda Corporation with its huge value proposition, research and development driven products, support from customer base and a strong balance sheet is well placed to navigate through these difficult times. With this I thank everyone for joining on the call and please keep safe. Thank you very much.

**Moderator:** Thank you. On behalf of Minda Corporation Limited and KR Choksey Research that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Notes:

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