



“Minda Corporation Limited Q4 FY-20 Earnings Conference Call”

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MODERATOR: **MR. PRIYA RANJAN – ANTIQUE STOCK BROKING
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Moderator: Ladies and gentlemen, good day and welcome to Minda Corporation Limited Q4 FY20 Earnings Conference Call hosted by Antique Stock Broking Limited. 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. Priya Ranjan from Antique Stock Broking Limited. Thank you and over to you, sir.

Priya Ranjan: Thanks, Neerav. It is our pleasure to host 4Q Results Con-call for Minda Corporation. As most of you must have seen the results already and now I will like to introduce the management team. From Management side we have Mr. Ashok Minda – Chairman and Group CEO, Mr. R. Laxman – Executive Director and Group CFO and Mr. Neeraj Mahajan – Group Marketing Head. Now I would like to handover the call to Mr. Ashok Minda who can give the brief overview and then we can take it forward. Over to you, sir.

Ashok Minda: Thank you. Good afternoon, ladies and gentlemen. I welcome you all to the fourth quarter and full year 2019-2020 earning conference call of Minda Corporation. I would like to thank you all for joining us during the ongoing health crisis caused by COVID19 and hope you and your loved one are doing well and keeping safe.

Financial year '19-20 was a challenging year. Economic growth was sluggish and auto industry was going through a major slowdown. The situation was further aggravated in the fourth quarter due to spread of COVID19 pandemic and to contain the outbreak, the government announced complete lockdown which brought economy and businesses to a standstill. Despite all challenges, Minda Corporation reported revenue of Rs. 2813 crores, a decline of 9% on year-on-year basis as compared to an industry decline of approximately 15%. During the year the EBITDA margin was 8.9%. The company's strict control on working capital and CAPEX has resulted in the net debt to equity ratio improving to 0.06 in financial year '20 as compared to 0.26 in financial year '19. Further both the rating agencies which is CRISIL and India Rating have reaffirmed the rating of the Company. As you are aware, the Board of Minda Corporation Limited decided not to undertake further financial exposure in Minda KTSN and advised that capital we allocated for growth and profitable business opportunities. Thereafter Minda KTSN filed for insolvency in Germany on June 09th, 2020.

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 opportunity of profitable growth with the view of enhancing EBITDA margin and ROCE. The move is expected to enhance Minda Corporation's EBITDA by 2% and ROCE by 5%.

Though we resumed operation in our plant from 20th April in a staggered manner as per guidelines issued by state and local administration, the pandemic and subsequent lockdown has impacted production and demand drastically and its impact will be visible in the upcoming quarter.

Now, we shall begin the discussion of the detailed financial overviews and insight on operational performance. With this I handover the call to Mr. Laxman, our Group CFO. Over to you, Laxman.

R. Laxman:

Thank you, Mr. Minda and good evening ladies and gentlemen. I would straight away jump into the presentation. I would be using the presentation that we have uploaded on to the website. I am right now referring to slide #3 of the presentation. This is our overview slide. Our revenue for financial year 2020 on a consolidated basis has been 2813 crores. Our business verticals are Mechatronics, Information and Connected Systems, Plastic Interiors and Aftermarket.

Our greatest strength which is our key customers continue to remain the 'who's who' in the auto OEM in India as well as overseas. Currently now we have about 30 manufacturing facilities and our R&D capabilities remain centered around SMIT which is our nerve center of R&D in Pune. The market capitalization of 31st March was 1300 crores.

On the right hand side of the slide, which is slide #3, we have broken up the sales, revenue for FY20 by end market, geography and business vertical. If you look at the end market slide, the pie chart, about 28% came from passenger vehicles, 42% came from 2 and 3 wheelers, 19% came from commercial vehicles and 10% from aftermarket. By geography 67% of our revenue came from India, 28% came from Europe and North America. This also includes exports of our products into Europe and North America. South East Asia contributed about 4.8%. By business vertical, the Mechatronics and Aftermarket together is about 43% which is about 33 plus 10. The Information and Connected System is about 36% and the Plastic Interior contributed 21%. The inner ring of the pie chart shows the numbers in FY19.

Moving on to slide #4, as Mr. Minda had indicated you will see that the auto industry has gone through very difficult times in FY20 and the industry fell by 14.7%, however, the biggest hit was commercial vehicles which fell by 32.4% followed by tractors at 15.2% and passenger vehicles at 14.8%. The fall was however more accentuated in commercial vehicles in Q4 where the commercial vehicle production fell by 47.8%.

Moving to slide #5; the financial performance of the consolidated company, in Q4 FY20 we had an operating revenue of 697 crores and with an EBITDA of 38.5 crores resulting in an EBITDA margin of 5.5%. If we compare that with the same quarter in the previous year where the revenue was 771 crores, it resulted in a 9.5% dip in revenue and EBITDA margin has dipped from 10.6% to 5.5%. In the full year, you will see that our revenue is 2813 crores which is a 9% dip overall between the 2 years and EBITDA margin is at 249 crores for the full year

which is 8.9%. Therefore the profit before tax and before exceptional items for the quarter was 8 crores and for the full year was 138 crores.

We had an exceptional item by way of impairment of our European subsidiary which was Minda KTSN. The impact on the consolidated financials was 293 crores; the same impact is being carried in Quarter 4 as well as in the full year. As a result of that the profit before tax in Q4 on a consol basis was negative 284 crores and on a full year basis was negative 154 crores. And ultimately on a profit after tax, the Q4 number was 299.8 crores and the full year number of profit after tax was 199.8 crores, negative.

Moving to the next slide, which is slide #6, it is a more description of how our quarter went by. You will notice that the EBITDA margin decrease of 510 basis points or 5.5% is primarily because of one higher loss at Minda KTSN for the quarter. Second it was because of a higher costs on ramping up in BS-VI, also unfavorable product mix and in the last about 8 to 9 days we also got severely impacted by COVID where there was zero production and a full standing cost for all the businesses. So that is the quick summary of Q4.

If you look at the full year numbers on slide #7; again the EBITDA margin decrease is 60 basis points. The reasons are similar which is ramping up of BS-VI and unfavorable product mix as well as COVID. Our exceptional loss of 293 crores is also impacting our profit after tax which is ultimately at a negative of 199 crores. As compared to exceptional loss of 293 crores in the current year, in the previous year we had an exceptional gain of 17.5 crores which was mainly the sale of our stake into Furukawa JV.

I would like to draw your attention to slide #8 where we have put together the standalone performance of Q4 and FY2020. The standalone performance effectively in a pro forma way or a largely speaking reflects the entire business without the KTSN part. Of course it also excludes our ASEAN operations. So there we have a revenue of 512 crores for Q4. That's a 15% drop as compared to the same period last year and we have an EBITDA margin in Q4 at 8.4% which is at 42.9 crores. That's a drop from 12.9% drop in the EBITDA margin. Our profit before exceptional items was 24 crores. In the standalone the loss we took in the exceptional item because of KTSN is much higher because of accounting treatment at 366 crores and the profit after tax of standalone for the quarters stood at 351 crores. If you look at the full year, we have posted on a standalone basis 2130 crores and an EBITDA margin of 11.2% which is a dip from 11.8 of 60 basis points and EBITDA stood at 231 crores. After the exceptional item, the standalone profit after tax was a loss, stood at a negative which is of 241 crores.

So if you look at our quarter, there has been a 450 basis point dip in EBITDA margin. Most of this has come from, a large part of it has come from the ramp up costs we have taken because of the BS-VI and this is largely a one-time kind of a number and we expect it to go away the moment we have some traction in terms of sales from customers which we expect to happen in the next 2 to 3 quarters.

I would like to quickly jump to slide #11 of the presentation which is our consolidated leverage position. You will see that the net worth on a consolidated basis stands at 974 crores which is after taking into impact the impairment of Minda KTSN. The gross debt as on 31st March stood at 532 crores and we have a cash equivalent of cash and cash FDs of 472 crores. Hence the net debt stood at 59.6 crores. Our net debt to net worth stood at 0.06 times. Our capital employed stood at about 1034 crores and our ROCE was about 15.4%.

I am happy to share with you that post our Minda KTSN impairment, the rating agencies both India Ratings and Research and CRISIL have reaffirmed their rating for our long-term and short-term instruments. So India Ratings rates us AA- stable, A1+ plus for the commercial paper and Crisil rates us CRISIL A+ for our long term borrowings.

While the industry and economy as well as the volumes etc. have not been in our favor, on the cash flow position we have managed to do some fair amount of work and that is reflecting in slide #12 of our presentation. You will see that we started with an opening cash flow of 367 crores. On a consolidated basis the profit after tax before exceptional items which was a non-cash item stood at 93 crores. We had a depreciation of 117 crores and we added 229 crores by way of better working capital management. So if you reduce our share of the profits in our joint ventures and we reduced the CAPEX of 146 crores we expect on a consolidated basis for the full year it leaves us with a free cash flow of 282 crores. Out of this 282 crores we spent about 157 crores in the repayment of term loans and about 19.9 crores by payment of dividend and that left us with the increased closing cash balance of 472 crores. Therefore to recap, our gross debt reduced from 680 crores to 532 crores and our cash balance increased from 367 crores to 472 crores therefore overall our net debt to net worth reduced from 0.26X to 0.06X.

On slide #13 we have given a quick overview of aftermarket—I will not be spending too much time on it except that—we have robust 293 crores sales in the aftermarket. The EBITDA margins of this business is at least 250 basis points better than the overall EBITDA margins of the company. The key segments we focused on is our own products that we make and our Locks contribute one of the largest in the pie chart of sales by product range. We currently sell about 77% of the turnover as part of our group products and there are about 22% of turnover that comes from products that we get manufactured or bought from outside however we sell it under our brand, our quality and our post buying assurances.

Slide #14 has details of our joint venture companies, basically which is Stoneridge, VAST and Furukawa. Just to quickly touch upon each of these Minda Stoneridge where we hold a 51% stake posted a revenue of 381 crores for the whole year with about 11.1% EBITDA margin. Minda VAST where we were 50% ownership posted 162 crores turnover with a negative EBITDA that is a little bit of a concern for us. However we think that this company will do better in FY21. Furukawa Minda which is the joint venture with Furukawa of Japan in FY20 that company posted a revenue of 397 crores with a 9.9% EBITDA margins. All of these on a respective shareholding basis and consolidated basis is already included in our consolidated results.

Page #15, the COVID has impacted the entire industry and it has not spared anyone and that includes us. However, the moment the administration and the government gave us permission to open our factories we bounced back with—now almost all our factories open and working and we have put in very-very—strong protocols for people as well as the plants and offices where the people are. It includes standard measures like thermal screening, work area hygiene and absolute reduction in physical meetings. We have reduced the payload at each of our buses that we use for our employees, social distancing at the time of entry, at lunch. Almost in all locations we are not allowing any outside visitors other than extremely necessary say by an OEM for liaison and Arogya Setu download etc. as always been made compulsory. This is in fact just in about 10 days is impacted our revenue by about 80 crores and EBITDA got impacted by about 15 crores which would amount to close to 1% of the overall annual EBITDA but a much larger impact for the quarter. If you see the measures to reduce the financial impact of course plans have started operating at all locations, we have seen improved utilization levels on all plants month on month enhancing customer engagement and supplier engagement has been very-very strong. We've actually taken a huge focus on cost reduction, it is greater focus on working capital management, the elimination of discrete spending, rationalizing CAPEX for the year only with a specific rationale that it should have a positive impact on the business that we are doing currently. We have had a fairly deep salary cuts across the organization on a temporary basis and we hope that once we ramp up the whole thing we will be able to remove the salary cuts. But this has also gone a long way in reducing our fixed cost at least till the time when the crisis remains. We have created a task force to reduce fixed cost across.

Slide #16 and #17 and #18 covers the impact of what happens at Minda KTSN and what is the pro forma impact of that in our consolidated results. Had we seen the numbers without Minda KTSN. On slide #16 I would like to say that it was 9th June when the board took a call not to support Minda KTSN in the future because of the current and future cash flow requirement, inevitability of the COVID and make which has caused untold damage for our business in Europe and the capital allocation for growth and for profitable businesses in the entire growth because of that Minda KTSN filed for insolvency. It's important to mention here that because of the losses it used to be pulling down Minda Corporation's EBITDA by about 2% and ROCE by approximately to about 5% over the last few years.

If you look at slide #17, the number on the first column which is consolidated financials pro forma without Minda KTSN our operating revenue would have stood at 2222 crores however our EBITDA margin would have been 11.1% and the profit before tax would have been 184 crores as against that we reported 138 crores of profit before tax because of Minda KTSN.

So the line by line consolidation impact, the PBT was reduced by 46 crores because of our operations in Minda KTSN just for the year FY20 and of course we had to book an exceptional loss of 293 crores. That's the impact on our P&L and that same impact gets translated to the balance sheet. In the subsequent balance sheet all the assets and liabilities will be removed and Gross Debt will further reduce by 110 crores when we report our balance sheet the next time.

To give a pie chart as we saw earlier, the revenue breakdown excluding KTSN on slide #18, if you see the right-hand side box that is the new box which is by end market we are about now, we will be 53% on two and three wheelers, about 10% on passenger vehicles, 23% on commercial vehicles and 13.6% in aftermarket. Mechatronics will now contribute about 60% of our turnover which is about 50% in Mechatronics plus 10% in aftermarket and connected and security systems will be about 40% and we also have a robust India Plastics business which we are nurturing and growing which we expect this to make a significant impact in this pie chart in the coming years. By geography now 85% of our market will remain in India. That completes my financials slide.

I would now request Mr. Neeraj Mahajan, our Group Chief Marketing Officer to talk to us about the market, the business performance and order book and you could refer to slide #19 for the same. Over to you Mr. Neeraj Mahajan.

Neeraj Mahajan:

Thank you Laxman, appreciate your covering the larger context of the presentation. I will cover business environment. As Mr. Minda mentioned business remaining challenging and I would assume that the market for the next two quarters would remain subdued.

I would touch upon but the healthy side of our business where we have good order book situation which we have done in Quarter 4 as well for the YTD '19-20 which is going to give comfort that our pipeline is pretty steady and healthy. So in terms of Mechatronic if I look at it which is our Lockset, Door handle and also in terms of our Security System businesses, we have been getting favor from our two-wheelers customer where they are finding our let's say the Lockset business very attractive. The quarter in overall term if I look at Quarter 4 we did about 269 crores order booking for the lifetime order with annualized basis about 2311 crores which is very healthy from the standpoint where we are today. During this COVID time also we did book these good numbers.

So if I just go line by line item for understanding in terms of our order booking for the Lockset, leading OEM has placed confidence and very large business order for 980 million or Rs. 98 crores is being placed on lifetime basis. Another two-wheelers OEM for the ASEAN region has placed another massive order of Rs. 113 crores on us for the important business line. We also have awarded business of Die Cast—I think this is one of our business which is—constantly giving us opportunity for strengthening our position both in domestic and export. With the two-wheelers and passenger vehicle order book for the domestic supplies coming in at Rs. 330 million for the year F20. We also got M VAST has been one of the concerns for us in terms of you have mentioned about its utilization but I am sure the way we are now focusing on M VAST facility and businesses, we got the order for Door Handles from a global PV player which is very exciting for about Rs. 120 million.

In terms of our BV2 which we call connected mobility or systems, we got lifetime order in Quarter 4 for by 24 crores with YTD full year was about 1824 crores healthy pipeline. Business awarded for the Wire Harness for a leading CV OEM is a big order which has come

in through at a value of about 353 crores and we also won Wire Harness for two-wheelers OEM with a good revenue opportunity for 482 million in this case. We also got instrument cluster order for another large OEM or combination of OEMs in this case for about Rs. 80 crores in the Q4 numbers if we look at.

Now in terms of our third business line which is Plastic and Interior which was earlier dependent on KTSN we saw that customer showing confidence in our Indian operation already and we have won 288 million order in Q3 which is lifetime quarter worth of Rs. 113 crores which was finalized I'm happy to announce that as well. In terms of breakdown on this, one of the key commercial vehicle Tier I we won the Oil Pan order which is running into about 28 crores and we are happy to share in terms of the export side also we have been extremely active, just for reference purposes we grew from 70 crores last year export to 95 crores in Die-casting, terms of growth or export which is almost 35% if we look at which is healthy and also comes with a little bit of profit compared to domestic business. We also got two-wheeler EV space business in this case for a European leading player. This is something which is we are very excited about. It is 100 million order which is going to get started in this financial year itself, F20-21. So we also got the Wire Harness export order in this case for off-highway vehicle which is also a good confidence shown in our product lines out of India. The one area which is not covered in this is that we have very recently being referred by the largest four-wheeler OEM for a new business product which we have introduced a Shark Fin Antenna and I am happy to state that about 60 crores worth of order has been received lifetime order from the OEM. This is going to get into next year of our SOP2 which is very-very exciting development from our side in this case.

On the customer side if I may just touch upon; we have been pretty engaged as Laxman, you have mentioned during these COVID times because we realized that customer at this point of time is also going to look at either ramping up or looking at how they can improve their pipeline of supplies in the least affected way because most of the areas have got one concern or the other. But I'm happy to share that most of our customers today are relying on our single supplier programs also with ease and our production team thanks to their effort, has been doing exceptional job in taking care of the COVID precautions but to produce what is needed. So this is from the marketing side and we can take forward any question. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ritesh Chheda from Lucky Investment Managers.

Ritesh Chheda: My question is on the slide #19 where we were discussing the order book. How much of these orders that we have received in value terms would be executable in FY21 and in FY22?

R. Laxman: So typically these would take about, the overall lifetime orders will be about what 3 to 4 years but in this specific instance and we have been saying that will take 3 to 4 years and it will normally evenly spread out. In this particular case I would expect that it will be more skewed

towards Year 2, Year 3 and Year 4 and less towards Year 1 because of the slow ramping up of new models by OEMs and I will request Neeraj to add to this please.

Neeraj mahajan: Thank you Laxman, I think the key issue today among most of the OEMs now is that they are looking at their program timings for introduction, so we have come across situations where programs are likely being postponed between 3 to 6 months time. So I would say that among the 4300 crores order book at this point of time I would see major hit coming in year 1, major revenue conversion coming in from end Year 2,3 and 4.

Ritesh Chheda: My second question is you guys give the post Minda KTSN revenue mix in terms of the vehicle side, so just wanted to understand what will be the Wiring Harness component of two-wheeler as a percentage of total revenue and what has been a ramp up in two-wheelers supply of production side with respect to this two-wheeler Wiring Harness and generally the production schedule for two-wheelers in June-July-August if you could give some flavor there as well?

R. Laxman: So effectively there are two parts to your question, one is what percentage is Wiring Harness and second is because of BS-VI how it is changed, am I right?

Ritesh Chheda: Yes, so that are two questions. The third is what is generally the two-wheeler production schedule now with component manufacturer like us?

R. Laxman: I will request Neeraj to answer the third question subsequently. The point number one is, after KTSN etc. still our two-wheeler Wiring Harness should be about 400-450 crores odd which I would say if you take the FY20 without MKTSN as the benchmark it will be about 20% of sales. Point number two, the two-wheeler Wiring Harness the value which we have mentioned that it will double that has actually taken shape and there has been—we are seeing—positive traction in that where actually the volume in spite of industry going down the Wiring Harness value has gone up. So that's the second question and the third one I will request Neeraj to answer.

Neeraj Mahajan: I think I am seeing the traction for specially the July month at the highest peak right now. In fact we are under stress on account of producing the required two-wheeler components specially the Wire Harness because it's a very—as you may know—the labor intensive operation. But if you look at it from the customer pull point of view, they are pre-COVID between 60% to 80% level clearly the demands which they have put in and it is likely to go up because most of the studies when we have tried to understand they had conveyed that entry-level four-wheeler for middle-class and rural and semi-urban segment is pulling two-wheeler requirement to avoid being in the public transport space. So that's where the two-wheeler demand seems to be first product line which is on a recovery side. Some are saying V shape recovery but in our personal opinion possibly it may have some pulling down more towards October- November. But Yes, right now they are pulling as much they can produce.

- Ritesh Chheda:** 60 to 80 what you're referring is volume terms in July?
- Neeraj Mahajan:** Yes.
- Ritesh Chheda:** So the schedules improving, so let's say August is better than July, September is better than August that's all the production schedules look like?
- R. Laxman:** We are trying to ramp up in that regard and my production colleagues are trying to get support from every possible place for getting the human resource for producing that. so we are looking at how best we can produce more in this regard at this point of time but that's surely a challenge.
- Ritesh Chheda:** My last question is slide #17 where you have given adjusted for Minda KTSN, FY20 PBT. Now with KTSN not being there what is the tax rate we should assume?
- R. Laxman:** So roughly the tax rate on the consol basis without KTSN will come to about 25%.
- Moderator:** Next question is from the line of Ronak Sarda from Systematix Group.
- Ronak Sarda:** Laxman first question on the cash flow, it's a tremendous improvement; we have the best working capital in last 10 or 11 years. So just wanted to understand is this sustainable or this has some COVID led receivables which came in earlier for FY20, so how should I look at the working capital cycle now?
- R. Laxman:** So I would say the improvements that we did over the last 1-1.5 years ago that we have been talking about has definitely borne fruit. However I will not go to the extent of saying that all of this is fully sustainable because in some cases are working capital has been in at least in the month of March looked positive because of COVID in some cases. However I would say a large part of this trend though may not in this velocity will continue for '20-21 also and the reason for that is not because of COVID but because we have really tightened our working capital management and we have actually reduced our CAPEX to the extent of at least in my opinion 40% to 50% to ensure that we only do relevant capital spending. So therefore the cash flow impact should continue to remain positive.
- Ronak Sarda:** Coming to slide #17, the financial without KTSN; so could you help us understand on the balance sheet side what has moved from FY19 to FY20, where have the major changes been? So I can look at 192 crores of current asset which I think pertains to MKTSN but if you can just help us understand on the major head so like how much has the you said going to reduce from 19 to 20 without KTSN I would say, current assets or whatever you can quantify other than the large ones?
- R. Laxman:** Current assets, current liabilities actually I will tell you Ronak I will be able to give you a clearer picture in our next balance sheet and the reason is because in 31st March it is completely blended into our consolidated numbers because the insolvency happened on 9th of

June. However what I can tell you is in terms of our net worth, you will see that our net worth has actually changed from 1195 to 974, so it started with—if you want to have a walk, it started with—1149 net worth on a consol basis and then we had a profit of 145 crores and we had a KTSN loss for the year of 52 and we have just 293 crores of impairment. So all this after reducing and then adjusting for dividend we came out 974 crores on the consol basis. So the current assets and current liability adjustment I will provide to you in September.

Ronak Sarda: I see that on the liability side, so you are saying gross debt also will come down by 110 crores, net worth has already come down. In terms of investment if I look at it that has actually gone up. So this includes the impairment hit and this is mainly the cash balance which has gone up, right?

R. Laxman: Yes, impairment hit we have fully taken in our balance sheet.

Ronak Sarda: So the KTSN investment?

R. Laxman: Is gone.

Ronak Sarda: And then there is some reduction in your goodwill and assets as well, so that is also largely KTSN led in 31st March FY20 or this is different?

R. Laxman: It is largely KTSN led and the investments now that will reflect will be pertaining to our joint ventures and in Indonesia that's it.

Ronak Sarda: Now a slightly long term question, without KTSN the management bandwidth can you just highlight few areas where the focus—I mean obviously SMIT is one—but in terms of new products which has the 3 or 4 products which you think can become probably large part for us in the next 5 years what's the focus now?

R. Laxman: I will request Mr. Minda to take this question and then Mr. Neeraj Mahajan and myself can add if necessary. But over to you Mr. Minda, the question in terms of where we see ourselves going forward in terms of product as well as bandwidth of course.

Ashok Minda: First of all that at least this year most importantly how we should take care and reduce the cost and reduce the expenses and reduce our breakeven point is the major focus area for at least this year and at least for next few months we are using our maximum bandwidth in these things how to come out of this situation which is going on. Second part is that as Neeraj has already explained that we have got the business of Shark Fin Antenna which is the new thing which is OEM going to use and we are working for such type of products. As Laxman explained we are going to also focus in Indian Plastic business as well as the export business which we feel that is more margin is there so we should focus on the export as well as the new product segment which is going to come. Neeraj if you want to add something?

Neeraj Mahajan:

I think I would like to highlight very important thing right now. We felt clearly that whatever effort we may put in doing this time shall be something which we cannot bite the market, so internally we have started to put many things at place, for example we are looking at the fundamentals of how we are doing business to bring in productivity, efficiency, improvement of our team. We are looking at constant requests coming in from customer in the past when the ride was good which we were not able to focus upon for example value engineering, validation ideas. I have very exciting new people coming in, Arvind Chandra coming in with huge amount of experience as business verticals one, we got new engineering heads coming in who are looking at RMC, reengineering valuations to check that where are the competitiveness of our products standing today. We are doing benchmarking today for almost every possible product to understand where we can win over the businesses in the next 12 to 18 months time because these are the times when we have to do our house cleaning. So we have taken up again further challenges with the cost increase recoveries coming in and discussing with the customers, management bandwidth is used right now to train, motivate the teams which are there to understand that these are one of the challenging times. Gentleman most of you those who are in the call I assume are above 35 or 40 years of age but imagine that a younger not those who have not seen '08 for them this is the first time in their career they are seeing such situation which is RBI Governor himself says once in the century situation. So we are ducking low, keeping our subject in check while doing the housekeeping, looking at every possible area including programs which we were doing for example as a package program where were kind of losing or not making as much money as we should make to contribute in the profitability. Everything is being put on the table and we are using the bandwidth to review that. So these are some of the initiatives if I may just summarise to say. Laxman has mentioned about the cost reduction initiatives. We are talking about VEVA ideas discussed with the customer because engagement at this point of time is important with them. Redesigning or evaluating light weighting is in discussion. We are talking about profit collection for the loss making programs, the not so profitable programs, we are talking about the recoveries on account of the COVID impact or obsolescence that which has come into play, manpower quality, effort is being added and I think one of the important stress which the entire management and I would say specially coming in from strategy team which is now having added time available with Aakash and Laxman after KTSN decision is to how to make ourselves as a system supplier. So we want to be seen more in the next 3 to 5 years as a system supplier rather being the journey which we have travelled so far from build to print to moving towards technology suppliers if we can come into that area as we have invested a tremendous amount of resources in SMIT . These are some of our initiatives which we are very clearly focusing upon.

Ronak Sarda:

Laxman last question on SMIT if you can just help us understand how the strength has increased if it as in FY20 and are we curtailing CAPEX or OPEX expenditure at SMIT as well this year?

R. Laxman:

In fact no, not curtailing, point number one. Point number two, though the traction with respect to new product launches would have been a little slow with respect to OEMs, the engagement with OEMs has not reduced nor has the intensity of engagement with OEMs reduced for

two reasons. One, higher amount of localisation as compared to probably parts from other countries and second, the urge to outsource it to outsource work to more cost effective countries like India, the case in point is we are getting a lot of traction on engineering services also from SMIT in this joint venture partners playing a very significant role. So as far as we are concerned no, investments in SMIT project specific project related activities of SMIT will not go down as well as there is a positive encouragement for us from engineering services and Mr. Minda if you'd like to add anything with respect to your vision on SMIT and how you are looking at it might be useful.

Ashok Minda: In SMIT we rather not considering any reduction in this because lot of various projects is already going on. Just there is an impact of the COVID but there are so many other areas other than SMIT or I would say to reduce the cost for our future establishments we are not doing that. Rather we are getting the advantage of, getting the support in the business from the joint venture partner also for their support. But here we are very clear to see our future as I mentioned you for the electronic things. There are lot of things we are doing it there we are not and we are very committed because to protect our future otherwise it should not be shock and surprise and how to absolute over own products so there we are continuously giving focus and not reducing anything.

Moderator: The next question is from the line of Sachin Kasera from Swan Investments.

Sachin Kasera: You have shared the numbers pro forma. So from what I can see there's almost 60-65 crores interest in depreciation on account of KTSN, is that understanding correct?

R. Laxman: Yes.

Sachin Kasera: So will you be able to give us the break up of how much of that is interest and how much is depreciation on the 65 crores?

R. Laxman: You're talking for KTSN?

Sachin Kasera: Yes, KTSN in FY20 from what we see in the EBIDTA is the same but the PBT hit is to the tune of almost 60 crores, so that I have seen would primarily all be because of interest in depreciation.

R. Laxman: About 35 crores is depreciation and the rest will largely be interest.

Sachin Kasera: How much is the debt in the books of KTSN?

R. Laxman: Let me rewind; point number one, the total debt in the books of KTSN was greater than about 200 crores.

Sachin Kasera: Okay.

- R. Laxman:** So out of that about 85 crores odd is which we have guaranteed which we have repaid and the balance is KTSN's debt. So the 110 crores will further reduce from this gross debt of mine as per audited FY March '20 by about 110 crores which is currently standing at 532 crores that will go down by 110.
- Sachin Kasera:** So basically if we were to just register the balance sheet pro forma from what you have shown this 192 crores of current asset of property plant and equity will go away of your receivables and inventories and correspondingly debt and from current trade payables. And that the net effect of that would be reduction of 110 crores in terms of the net debit.
- R. Laxman:** Absolutely.
- Sachin Kasera:** Second question was, you mentioned that the kit value has as you expected almost doubled. So basically hypothetically if the tool of production is going to be same as last year this 450 crores revenue should have been 900 crores, correct understanding sir?
- R. Laxman:** Yes.
- Sachin Kasera:** Secondly sir while we understand that this years the volume could be impacted because of COVID, could you share something in terms how are we looking at market share with key customers and do we see any major increase in terms of content per vehicle excluding the benefit obviously of the vehicles two-wheeler, Wiring Harness?
- R. Laxman:** So, I will let Mr. Mahajan and Mr. Minda take this question. Over to you Mr. Minda in terms of how we look at customers and in terms of any change in share and then Mr. Mahajan you can also add.
- Ashok Minda:** See from the customer perspective I think that the HCV is going to be very much impacted in this year and the two-wheeler will not have much of an impact. As I explained earlier also in the past that the security system which goes to be changed over a period from mechanical pieces to the electronic pieces where again the content per vehicle is going to increase by double. So that is a matter of time so we are seeing there the percentage of share will be the same but the volume will increase substantially. The new product like Shark Fin Antenna which we had mentioned those as well as the Interior Plastic in India those will add the share of business at customer end.
- Neeraj Mahajan:** Yes, I think it will be safe to say for the time being the best of economists are not able to read the market in terms of how it is going to pan out. Everybody is still doing the scenario building and we have also done the same to see that if we can let's say factor what we should produce versus what my customer demand is. When I say that that means for example if I can produce in my limited capacity a profitable product or rather a better profitable product than the other one, we are looking at those balances but how market is likely to pan out I think Mr. Minda has touched that point well by saying two-wheeler for sure due to rural and semi-urban

demand for everyone to ride their own vehicle to go to offices or workplace is going to jump up but can that be sustained? This is something which OEMs are also studying at this point of time and my discussion with most of the leadership level at OEMs states that they still don't see that hitting the last year number. That means the pent-up demand and certain immediate catching up with the requirements of liquidation of stock from the dealership is being filled up. That will be the two-wheeler situation but surely among all segments, two-wheeler will be the major recovery segment and our presence in that is decent so we should be able to do that. We are only looking at making more profitable products rather making the volume only and not making that much money. Tractor industry as Mr. Minda also mentioned is likely to be the second, the best performing segment and passenger vehicle, three-wheeler and commercial vehicle in the last. Commercial vehicle there is an estimation when we speak with some of the OEMs, somebody is giving an estimation related close to about 45% last year fall averaging between one to another, I mean last quarter specially sorry 47%-46%. It is likely that if it falls another between 30% to 40% it should not be a surprise, so this is commercial vehicle segment. I assure you that we are going to maintain our positions from our customers in terms of this because we are constantly engaging with the customer to ensure that there is no disconnect on account of what they are looking for and what we should be producing however segment growth is still very-very unclear situation in our opinion for next 2 quarter.

Moderator: Next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund.

Shyam Sundar Sriram: In the Wiring Harness what is the outstanding lifetime orders for two-wheeler Wiring Harness and how much of that order book has actually started execution, I mean I understand this will take say 4-5 years considering the current slowdown in this year but what is the total amount of outstanding two-wheeler Wiring Harness order book and how much of that order book has started execution? Thank you.

R. Laxman: Can I request you to just repeat the question sorry I lost the contact.

Shyam Sundar Sriram: Yes, so I was asking what is the outstanding two-wheeler Wiring Harness order book, lifetime orders and how much of that order book has started execution already because all the two-wheeler OEMs have commenced their BS-VI vehicle production even from the month of February to March. So how much of the two-wheeler wiring harness order book has already commenced production?

R. Laxman: I need to take this check this specific and I can come back to you on this subject just give me some time.

Ashok Minda: Otherwise wherever we were supplying the same percentage of the share of business is the same only the product has changed from BS-IV to BS-VI. So if you will see the share of business there is not going to be the impact but the new business whatever the customer is making the new vehicle in the same ratio we are getting our share of business

Shyam Sundar Sriram: One more question on this EBITDA margin impact, you did mention that BS-VI start-ups cost were there. So if you can just help us understand which line items where the cost items embedded and so I mean from this quarter or from this second quarter; once the production comes to a more or (+) 60% in the two-wheeler side; will the gross profit or the EBITDA per unit will be the same as what it was BS-IV? Thank you.

Ashok Minda: So basically if you see all our product category the major changes of BS-IV to BS-VI is in Wiring Harness and that is why the impact in the last quarter because most of the customer has switchover the Wiring Harness from January to March as per because they have to implement, the fulfill the logistics and the customer was not very much clear that do they produce BS-IV, do they produce BS-VI because during this period the demand was fluctuating very high between BS-IV and BS-VI. So particularly in the last quarter which the Wiring Harness has impacted in the last quarter the EBITDA margin. So I am not very concerned because of the fluctuation; reason of that is the premium freight, reason of that is over usage of various costs and so on. And most of the things whatever we have spent as Neeraj has explained we are going to recover most of those things which because of COVID we could not take it up. So I think definitely this is only for that quarter. If Laxman and Neeraj if they want to add in this.

R. Laxman: Thank you Mr. Minda. I would like to add that one is for sure this is not a permanent scenario; it is only a transition scenario however having said that the time taken to correct this will be a couple of quarters as volumes ramp up. So therefore in another 1 or 2 quarters we should expect the Wiring Harness business to stabilize back to EBITDA numbers that it has seen in the past.

Shyam Sundar Sriram: When you say couple of quarters for EBITDA numbers to stabilize, you mean in terms of percentage margin or are you talking with terms of absolute EBITDA

R. Laxman: No I am talking about percentage

Neeraj Mahajan: The value of the Wire Harness has, the constitution of it has very dramatically changed because of the safety and regulation requirement from BS-IV to BS-VI. So the value per wire harness is not going to go down anyways. It is only that we are trying to come back to the same EBITDA margin so which in other words if we achieve the same volume as last year for example, we should be making net value higher in that case, even by getting the same percentage.

Moderator: Next question is from the line of Chirag Shah from Edelweiss Securities.

Chirag Shah: Just two questions, one in Q4 is there anything one-off or non-degradable cost item in other expenses or it seems to be high?

R. Laxman: Sorry, could you repeat?

- Chirag Shah:** In the Q4 results the other expense line item seems to be reasonably higher than the normal run rate. Is there anything one-off which or can you quantify that, how much is that?
- R. Laxman:** In one-off items, there will be little bit of items related to transaction expenses with respect to our European operations impairment and winding down but nothing which will be exceptionally to highlight about.
- Chirag Shah:** You have mentioned some BS-VI transition cost and some COVID related expenditure. So I presume that this could be a lumpy impact, right and is it impossible to quantify that?
- Ashok Minda:** We have not understood your question. Can you please repeat?
- Chirag Shah:** In Q4 in other expenditure we have 104 crores as expenditure line items under the heading 'other expenditure'.
- R. Laxman:** So last year I think it was similar number for FY19.
- Chirag Shah:** But sir our revenue this time in volume terms is definitely lower than last year, right?
- R. Laxman:** Yes.
- Chirag Shah:** And you have mentioned one-off cost on COVID support, COVID expenditure and everything all that is in other expenditure rather than raw material and some BS-VI transition cost of the year you have highlighted?
- R. Laxman:** So there is only some amount of specific expenses because of COVID and some amount of expenses with respect to our European operational expenses because of impairment. That will be more to me in the extent of about 10 crores odd, so the rest of the part is normal expenses, that's the breakup.
- Ashok Minda:** And if you see the last 10-12 days-10 days of closure in March that we have not done any sale whereas we have paid all the expenditure till 31st of March. So the impact of that amount is also there. So there are some things from because of the COVID there are the amount which is ramp up mainly for the Wiring Harness and rest what Laxman explained.
- Chirag Shah:** Second question in wiring harness what is the component that we will be buying out while the content is going 2x, how much of that would be component that which we buy out?
- Ashok Minda:** See in the Wiring Harness there are majority, one content is of the wire as well as the component which we are also producing, we are importing so those are the major contribution and the connection; earlier the connection was about in particularly in two-wheeler is 20 to 25 to it has reached gone to 40 connection to 45. So connection means the terminals and connectors has increased substantially and that either we are importing that or we have to

localize that also in over a period because it is a process so that we will further improve our EBITDA in a little longer term.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that was the last question for today. I will now hand the conference over to Mr. Priya for closing comments.

Priya Ranjan: Thanks all the management team and thanks all the participants for joining the call during such a situation. So thank you all, wish you all the best.

Ashok Minda: I would also like to do the closing statement. Before I conclude this call I would like to say that please be safe and make sure your families are safe by ensuring proper health and safety precautions against COVID19 and for the year 2021, the financial year 2021 will be really challenging year but we at Minda Corporation are well prepared to tackle the situation and has embarked on drastic cost-cutting measure as well as tightening CAPEX spend and working capital management. We have started a clear strategy to augment business growth and with our strong balance sheet we remain fully confident of coming out stronger and better. With this I thank you everyone for joining on the call, thank you.

Moderator: Thank you very much. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.