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Author: Suhrid Barua

Minda Corporation Optimistic About Industry Recovery Amidst COVID-19 Stress



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The company is focussed on future investments on the back of its robust cash flow

The automotive industry has been going through an exceedingly challenging phase amidst the outbreak of COVID-19. Auto component bellwether **Minda Corporation** – the flagship company of Spark **Minda Group** – is staying positive amidst the pandemic blues. “The automotive industry has been grappling with a sustained sales slowdown for more than a year and a half even before the COVID-19 hit the industry and the pandemic has further aggravated the situation. Notwithstanding this **Minda Corporation** is cautiously optimistic about the pace of recovery,” said R. Laxman, Executive Director & Group CFO, **Minda Corporation**.

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It may be worth pointing out that the automotive industry has had to come to terms with zero revenue, zero production situations for the first time ever during the nationwide lockdown imposed in the country during the March-April period, subsequently followed by a partial resumption of operations among OEMs and auto component manufacturers. The lack of demand saw the industry witness many job losses across the entire value chain – something that prompted **Minda Corporation** to resort to cost-containment measures. “**Minda Corporation** initiated cost-cutting measures over the past few months, which will stand us in good stead for the future; we affected salary cuts of around 30% and it remains a temporary move until demand limps back to normal.” Laxman pointed out.

The company largely caters to the two-wheeler, three-wheeler, commercial vehicle and passenger car segments. **Minda Corporation** generates around 53 % of its revenues from the two/three-wheeler segments, around 23 % from the commercial vehicle segment, 9 % from the passenger car, and 13 % from the aftermarket. The company focusses on three domains - Safety Security & Restraint System (Mechatronics), Driver Information & Telematics System (Information & Connected Systems) and Interior System (Plastics & Interiors). Under its Mechatronics vertical, **Minda Corporation** offers vehicle access systems for all segments like conventional lock set to advanced passive entry passive start – keyless entry systems, high-end die casting parts like housing compressor and turbocharger parts and auto electrical parts for the tractor Industry. Under the Information & Connected System vertical, the company offers connection systems such as wiring harness for all vehicle segments, instrument clusters ranging from mechanical to advanced clusters such as LCD, TFT-based, and connected, various sensors depending on regulations, megatrends and customer needs. Under the Plastics & Interiors vertical, the company offers value-added products such as kinematic plastic parts like centre console and lightweighting plastic parts like oil pan battery tray, etc.

Laxman sounded bullish about the two-wheeler and tractor segments. “The two-wheeler segment is recovering and is showing good month-on-month improvement. In July 2020, two-wheelers were down by 28 % as against 50 % in June 2020, while the tractor segment has been growing both in June’20 and July’20 by 50 % and 14 % respectively. The commercial vehicle segment is going through a challenging phase and continues to decline by more than 70 % in July 2020, while the passenger car segment is recovering with a fall of just 26% in July’20,” he said.

The automotive industry has been severely hit by COVID-19 and expansion appears to be the last thing on the minds of OEMs and auto component manufacturers. But not for **Minda Corporation**. “**Minda Corporation** has a robust balance sheet with net debt to equity of 0.06 and our strong cash flow - cash & cash equivalent of around Rs 3,900 million enables us to focus on making investments for the future profitable growth,” he noted.

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Electric vehicles (EVs) have generated plenty of buzz in the Indian market and **Minda Corporation** is readying itself to play its part in the EV journey. “We have so far cater to internal combustion engine-powered vehicles and we are focussing a lot on our R&D capabilities, which will enable us to offer our products for electric vehicles as well,” he noted.

According to Laxman, the new normal necessitated by the coronavirus will pave the way for more affordable mobility. “Demand for two-wheelers will pick up and entry-level cars will witness more traction in the run-up to the festive season.”

The senior **Minda Corporation** official was optimistic about the road ahead. “The Indian auto segment is expected to grow due to various factors and we want to stay ahead of the industry. **Minda Corporation** targets to achieve a CAGR growth of top-line and bottom-line at a minimum rate of 1.5x that of the industry and to achieve this target, we are focussing on offering value-added technological product with high electronic content at a competitive cost to our customers based on various mega trends and customer requirements,” Laxman opined.

The company is also focussing on exports and the aftermarket business, each of them individually constituting around 10 % of revenue as well as laying emphasis on cost leadership across all its plants to achieve highest operational profitability. **Minda Corporation** is also looking to channelise precious cash towards profitable growth opportunities emerging from partnerships and M&A.



Author: Suhrid Barua

Suhrid has a predilection for anything concerning the auto industry and at Auto Tech Review he gives vent to this passion – he has a special liking for commercial vehicles and electric vehicle ecosystem. Suhrid tweets @ProsJunoon