

Result Snapshot

<u>Amt. in Rs. Crs.</u>	Q4FY20	Q3FY20	Q-o-Q(%)	Q4FY19	Y-o-Y(%)
Revenue	697.93	671.44	3.95%	771.39	-9.52%
Other Income	12.27	15.04		6.83	
Total Income	710.20	686.48	3.46%	778.22	-8.74%
EBITDA	38.51	76.07	-49.38%	82.14	-53.12%
EBIDTA (%)	5.52%	11.33%		10.65%	
EBIT	8.36	46.23	-81.92%	58.02	-85.59%
Profit/Loss in JV	1.99	4.75		6.33	
Exceptional Item	-293.29				
PBT	-284.44	55.03		58.09	
PAT	-299.77	41.61		41.92	
PAT%	-42.95%	6.20%		5.43%	

Result / Con-call Highlights:

1) Result Update:

Auto components maker Minda Crporation reported a topline of Rs. 697.93 cr in Q4 FY20 up 3.95% Q-o-Q basis from Rs. 671.44 cr reported in Q3 FY20. EBITDA for the quarter ended March, 2020 was at Rs. 38.51 cr down 49.38% from Rs. 76.07 cr reported in Q3 FY20 whereas; EBITDA margins for the quarter declined 581 bps to 5.52% mainly on account of higher losses in KTSN business, ramping up cost of BS-IV and cost related to Covid-19. Minda Corporation reported PAT of Rs. -299.77 cr in Q4 FY20 due to impairment of KTSN business.

2) Conference Call Highlights

KTSN

Particular (Rs. Cr.)	FY20 (With KTSN)	FY20 (Without KTSN)
Revenue	2,222.4	2,813.1
EBITDA	246.3	249.9
EBITDA Margin %	11.1%	8.9%
PBT (Before Exceptional Item)	184.9	138.9
Revenue Breakdown by Verticals	FY20 (With KTSN)	FY20 (Without KTSN)
Mechatronics and Aftermarket	43%	60.1%
Information & Connected Systems	36%	39.9%
Plastics & Interiors	21%	-
Revenue Breakdown by Geography	FY20 (With KTSN)	FY20 (Without KTSN)
India	67.1%	84.9%
Europe & North America	28.1%	9.0%
South East Asia	4.8%	6.1%

Result / Con-call Highlights: (Continued)

On a meeting held on 9th June, 2020 the company has decided to file for bankruptcy of Minda KTSN business where it produces and develops kinetic and non-kinetic plastic interior parts. Consequently, the company recorded an impairment of Rs. 293 cr which has been presented as exceptional item. This business would have a revenue impact of ~ Rs. 600 cr whereas; it would improve EBITDA margins by 2% and ROCE by 5%. This would mean discontinuation of its plastics & interior business vertical however; the company would set up business in India for light weighting and value-added interior kinematics parts.

The balance sheet adjustments are yet to be done but the management has indicated the gross debt levels to reduce by Rs. 110 cr in the subsequent quarter. KTSN has debt of ~Rs. 200 cr of which ~ Rs. 90 cr would be sustained in Minda Corporation. Gross debt stood at Rs 532 cr whereas net debt to equity stood at comfortable levels 0.06 in FY20.

The company's decision to shut its loss making KTSN business is positive as it would improve the profitability in the coming quarters as and when the demand scenario improves.

Industry and Business Outlook

Revenue Breakup by End Market	FY20	FY19
2-3 Wheelers	42.1%	38.2%
Commercial Vehicles	19.0%	27.8%
Passenger Vehicles	28.1%	24.0%
After Market	10.8%	10.0%

In FY20 all the domestic Auto segments showed de-growth in all the segments which started in H2 FY19. Auto industry production volume declined by 14.7% Y-o-Y basis to 27.12 mn vehicles in FY20. Commercial Vehical was the worst impacted segment in FY20 (32.4%volume de-growth) and for the first time in last one decade the 2 wheeler segment showed volume decline of 14.1% in FY20.

Compared to the auto industry decline, the revenue fell 9.5% Y-o-Y in Q4 FY20. The fall was arrested due to because of content increase in 2W wiring harness. Even though the 2W segment would be the first in recovery line to pre-covid levels the management believes there could be some cooling down in sales October onwards as pent up demand subsides.

We believe the coming few quarters would test management bandwidth in regards to sailing through the pandemic and subdued auto demand. H1 FY21 would have dual effect of lockdown as well as muted demand whereas EBITDA margins would improve due to discontinuation of KTSN business.

Road Map Ahead

- SMIT (Spark Minda Technical Centre): Continuing investments to innovate new products, upgrade existing ones by electronic integration
- Increase in 2W wire harness business due to implementation of BS-6 norms
- Cost rationalization: Management has cut the CAPEX plan by 40% - 50% in FY21 only to relevant expenditures.
- Focus on India plastic business: The company has gained expertise from its KTSN business and will slowly set up business in India for light weighting and value-added interior kinematics parts

3) Outlook

The management has taken steps to improve profitability by discontinuing loss making business such as KTSN and cost rationalization measures. Even though coming few quarters would face some hardship due to Covid-19 and auto industry slowdown, we believe the worst would soon be behind us and recommend investors to Buy on Dips.

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