

## MINDA CORPORATION LTD

AUTO ANCILLARY

### Q4FY19: Slowdown impacts Q4; company on course to get future ready...

Minda Corporation Ltd. (MCL) posted revenues of Rs 771 Cr. (up 7% Y-o-Y, flat Q-o-Q) in 4QFY19 due to growth in volumes across major businesses particularly Mechatronics and Information & Connected systems, profit after tax was flat at Rs 39.1 cr. The company reported revenues of Rs 3,092 cr (up 19.2% YoY) for FY19 and PAT of Rs 167 cr (up 18.2% YoY); EBIDTA margins compressed by 100 bps in FY19 on account of increase in raw material costs, higher break-even in Europe especially in 2H19 due to tepid European sales following implementation of WLTP norms and suppressed demand.

The company's order book lifetime value stands at Rs. 7,350 Cr for domestic as well as international business which would be executed over next 4-5 years. The company has received LoI from M&M for tractor application of MFECU Blue Eye 4.2 while Honda has shortlisted Minda Corp. in their 'Maker's Layout' for sourcing DC-DC converter, battery charger & Motor controller. The company has filed for merger of domestic wholly owned subsidiaries into Minda Corp. Ltd. with NCLT, Delhi and Bangalore; pursuant to directions of NCLT, meetings of shareholders, creditors has been convened and second motion order received.

### Valuations

We estimate Minda Corp to post revenues at a CAGR of 10% and profits at 15% over FY19-FY21E. Minda Corporation is well positioned in the industry owing to high entry barriers and being a diversified player in auto ancillary industry, strong brand name, sticky clientele, acquisitions and JVs contributing to top-line as well as bottom-line, strong management, and thus deserves premium valuations. We value Minda Corp. at 16x FY21E given the growth prospects to arrive at a target price of Rs 158 (35% upside)

### Key Highlights

- Stable performance despite the headwinds:** Minda Corp. Ltd. has reported stable performance in FY19 despite the headwinds like flagging domestic demand seen in second half of FY19 amidst rise in insurance cost and liquidity tightness in the banking system. The revenue growth was driven mainly by the mechatronics and information & connected systems which posted 19.8% & 21.9% annual growth respectively along with margin expansions which partly compensated for the margin compression in the interior systems segment which has been a drag due to the issues in European automobile industry; overall margins compressed by ~100 bps in FY19.

## FINANCIAL SUMMARY

Y/E March	Sales (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	Change (%)	P/E (x)	RoE (%)	RoCE (%)	DPS (Rs)
FY18	2,593	142	6.8	38.7	-	20.8	22.7	0.5
FY19	3,092	167	7.4	8.7	-	17.3	19.7	0.7
FY20E	3,389	179	7.9	6.8	14.8	14.3	18.5	0.7
FY21E	3,775	223	9.8	24.6	11.9	16.2	20.6	0.7

Source: Company and Axis Securities

**BUY**

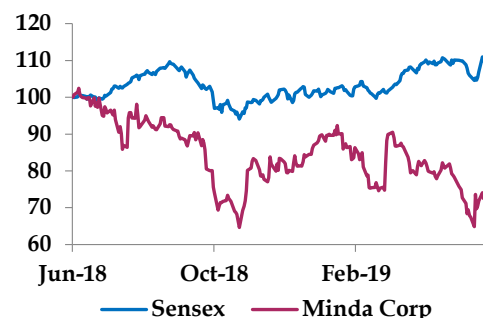
Target Price: Rs. 158

 CMP : Rs 117  
 Potential Upside : 35%

#### MARKET DATA

 No. of Shares : 22.63 Cr  
 FV (Rs) : 2  
 Market Cap : Rs 2652 Cr  
 52-week High / Low : Rs 177/ Rs 106  
 Avg. Daily vol. (6mth) : 710,051 shares  
 Bloomberg Code : MNDA:IN  
 Reuters Code : MINC.NS  
 BSE Code : 538962  
 NSE Code : MINDACORP

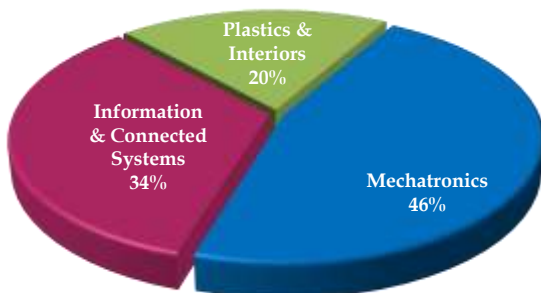
### PRICE PERFORMANCE


 Pankaj Bobade  
[pankaj.bobade@axissecurities.in](mailto:pankaj.bobade@axissecurities.in)

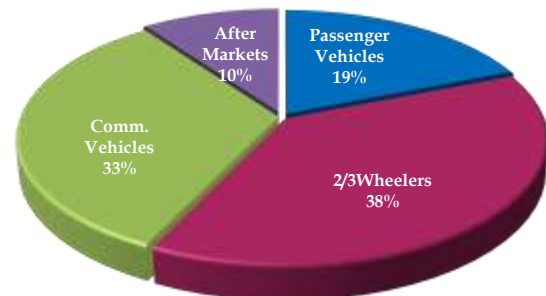
### Key Highlights (Cont'd)

- Mechatronics (earlier k/as Safety, Security and Restraints Systems)** contributed 46.4% to the overall revenues of the company in FY19 backed by robust 19.8% annual growth in die casting exports and market share gains. The segment along with after markets posted margin expansion of 110 bps to 12.5% in FY19 due to reduction in raw material costs. Information & connected Systems (33.5% revenue share) posted 21.9% revenue growth in FY19 along with margin expansion of 80 bps to 10.4% due to reduction in raw material cost and operating leverage. Finally the Interiors and Plastics business posted 13.7% revenue growth in FY19 but the margins (0.8%) were under pressure due to rise in raw material cost and higher break-even in Europe. The company is working on improving its European business by moving it from Germany to Poland and Czech Republic; if successful, it will have long-term improvement in the prospects of its European business.
- Robust order book:** The order book for Minda Corp. at the end of FY19 remains healthy; Mechatronics has lifetime order worth approx. Rs 2650 cr, information & connected systems has lifetime order worth approx. Rs 4300 cr while Plastics & Interiors segment has lifetime orders worth approx. Rs 400 cr. across domestic business as well as exports. This order book is executable over the next 4-5 years. Minda Corp. received orders for 'Lockset' from a globally leading 2W OEM in Q419, won new business from a leading engine manufacturer and new business from leading global PC OEM for 'Chrome plated door handles' from Mechatronics segment. It also won award to supply 'EFI wiring harness' to leading 2W OEM and 'DC-DC converter' for leading Indian CV OEM for its information and connected system segment while the company won export orders for die casting parts and new business from global 4W OEM for instrument cluster for its Plastics and interiors segment.
- Huge opportunities for the company:** Transition to BS6 would warrant usage of high end sensors to control the emissions; Minda Corp.-Stoneridge JV would have a huge opportunity to gain business. With its ~30% market share in the 2W wiring harness segment, Minda Corp. has huge potential to increase its revenues as the volume and value of the wiring harness increases with BS6 implementation; management expects to grow its wiring harness business from Rs 300 cr to Rs 900 cr (without loss of market share) over the period of time as the demand shifts from carburetor to EFI wiring harness.
- Inorganic growth:** Company is well equipped with war chest following the QIP money raised in Q1FY19 (cash of Rs 353 cr at the end of FY19) for any acquisition in adjacent segments with focus on technology along with customer.

**Revenue Breakup Business verticals wise - FY19**



**Revenue breakup - End-market wise - FY19**



Source: Company, Axis Securities Ltd

## Result Update

(Rs. cr)	Quarter ended					12 months ended			
	Q4FY19	Q4FY18	% Change (YoY)	Q3FY18	% Change (QoQ)	FY19	FY20E	FY21E	2 yr CAGR
<b>Sales</b>	<b>771</b>	<b>721</b>	<b>7</b>	<b>769</b>	<b>0</b>	<b>3092</b>	<b>3389</b>	<b>3775</b>	
Other Op. Inc	0.0	0.0	NA	0.0	NA	0	0	0	
<b>Total Revenue</b>	<b>771</b>	<b>721</b>	<b>7</b>	<b>769</b>	<b>0</b>	<b>3,092</b>	<b>3,389</b>	<b>3,775</b>	<b>10.5%</b>
<b>Expenditure</b>									
Net Raw Material	433	423	2	467	(7)	1842	1996	2209	
Employee expenses	127	117	9	129	(1)	509	576	642	
Purchase of traded goods	24	12	96	23	3	62	68	75	
Other Exp	105	86	22	95	10	387	424	473	
<b>Total Expenditure</b>	<b>689</b>	<b>639</b>	<b>8</b>	<b>714</b>	<b>(3)</b>	<b>2800</b>	<b>3064</b>	<b>3398</b>	<b>10.2%</b>
<b>EBIDTA</b>	<b>82</b>	<b>82</b>	<b>0</b>	<b>55</b>	<b>50</b>	<b>292</b>	<b>325</b>	<b>377</b>	<b>13.5%</b>
<b>EBIDTA margins (%)</b>	10.6%	11.4%				9.5%	9.6%	10.0%	
Oth. Inc.	6.8	8.8	(23)	12.7	(46)	35.5	35.3	43.9	
Interest	13.1	10.6	24	12.5	4	49	48	47	
Depreciation	24.1	19.6	23	21.5	12	88	97	107	
Exceptional Item	0.0	0.0	NA	17.5	NA	17.5	0.0	0.0	
<b>PBT</b>	<b>52</b>	<b>60</b>	<b>(14)</b>	<b>51</b>	<b>1</b>	<b>208</b>	<b>215</b>	<b>267</b>	
Tax	19.0	17.1	11	15.4	23	69	71	88	
<b>PAT</b>	<b>32.7</b>	<b>43.3</b>	<b>(24)</b>	<b>35.6</b>	<b>(8)</b>	<b>139</b>	<b>144</b>	<b>179</b>	
Minority Interests						0	0	0	
Share of profit of Associates	6.3	(4.7)	(236)	10.6	(40)	28	35	44	
<b>Adjusted PAT</b>	<b>39.1</b>	<b>38.7</b>	<b>1</b>	<b>46.2</b>	<b>(15)</b>	<b>167</b>	<b>179</b>	<b>223</b>	<b>15.3%</b>
EPS (Rs.)	1.7	1.9	(7)	2.0	(15)	7.4	7.9	9.8	

Source: Company, Axis Securities Ltd

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