

Strategic Partnership with Flash Electronics to Capture Future Growth

We interacted with the management of Minda Corporation Ltd (MCL) to understand the company's business strategy and growth prospects over the medium term. The management highlighted that MCL is focussing on global trends, which are currently shaping the auto ancillary space. These global trends are driven by Connectivity, Autonomous, Shared Mobility and Electrification (CASE). In-line with these trends, MCL has entered into a strategic partnership with Flash Electronics (Flash); and acquired 49% equity stake in Flash Electronics for a cash consideration of Rs 1,372 Cr. The transaction is valued at the Enterprise Valuation of Rs 3,100 Cr (Equity valuation of Rs 2,800 Cr).

Key Highlights of the Acquisition

- Strategic Partnership Details:** MCL will acquire a 49% stake in Flash at an all-cash deal of Rs 1,372 Cr. The deal is likely to be closed by 31st Jan' 25. The transaction is valued at an Enterprise Value of Rs 3,100 Cr (Equity Valuation of Rs 2,800 Cr). Post the investment, MCL's balance sheet will continue to remain strong with a net debt-to-equity ratio of 0.6x.
- Diversified Yet Synergized Product Portfolio:** MCL is into automotive body electronics (across all segments) and Flash specializes in Automotive Engine and Powertrain Electronics for two and three-wheeler ICEngine specialising in ignition electricals and electronics. Also in the field of EV powertrain, Flash is amongst the market leaders for motor, motor controllers, vehicle control units, etc.
- Robust Growth Trajectory:** Flash is expected to achieve a revenue of over Rs 1,500 Cr in FY25E translating into an impressive revenue growth of 17% CAGR over FY21-25E. The expected EBITDA margin is 14% with a steady ROCE of over 22% in FY25E. We estimate a net increase of ~Rs 35-40 Cr in share of profits from associates (post considering higher interest expense on account of increased debt and lower other income) in FY26E/27E.
- Board of Director Composition:** Flash Electronics will have a total of five directors – 2 from Flash, 2 from MCL and one will be the CFO of Flash.
- European Plants:** In addition to the six plants in India, Flash has two plants one in Germany and other in Hungary. These European plants are largely engaged in manufacturing of throttle bodies and related power train components. Additionally, the company has an advanced R&D engineering centre in Poland, catering to advanced EV electronic components.
- Segment-wise Revenue:** Geographically, India contributes 75% of total business while the balance 25% is from its international operations. 2W revenue formed 75% by end-user market in FY24; and 13%/20% of revenue is from EV's as on FY24/H1FY25 respectively.
- Capex plan by Flash:** The company is already developing several new products in the EV and Metallics space. Currently, Flash has abundant capacities and the management has reaffirmed that additional capex allocation strategy would be considered only if it is ROCE accretive.

Outlook & Valuation

We continue to like MCL's growth story driven by (1) Increasing kit value per vehicle, (2) Focus on EV, (3) Removal of drag from loss-making operations, and (4) Inorganic acquisition/ strategic TLAs. Based on the growth trajectory and healthy financials, we value the stock at 30x FY27 EPS to arrive at a **TP of Rs 600/share** (increased from Rs 535/share), implying an upside of 6% from the CMP. On account of the slower-than-expected recovery in exports, PV/CV industry volumes and the current valuations, we maintain our HOLD rating owing to a limited upside potential. **However, we recommend a BUY on dips strategy for the stock.**

Key Financials (Consolidated)

(Rs Cr)	FY24	FY25E	FY26E	FY27E
Net Sales	4,651	5,059	5,663	6,401
EBITDA	514	570	670	782
EBITDA Margin	11.1	11.3	11.8	12.2
Net Profit	227	275	379	472
EPS (Rs)	9.50	11.48	15.87	19.74

Source: Company, Axis Securities Research

(CMP as of 15th Jan, 2025)

CMP (Rs)	568
Upside /(Downside (%))	6%
High/Low (Rs)	653/367
Market cap (Cr)	13,595
Avg. daily vol. (6m) Shrs.	8,91,721
No. of shares (Cr)	23.91

Shareholding (%)

	Jun-24	Sept-24	Dec-24
Promoter	64.8	64.8	64.8
FII/FPis	6.1	7.6	8.0
MFs / UTI	16.8	15.3	15.3
Banks / FIs	0.0	0.0	0.0
Public	12.3	12.2	11.9

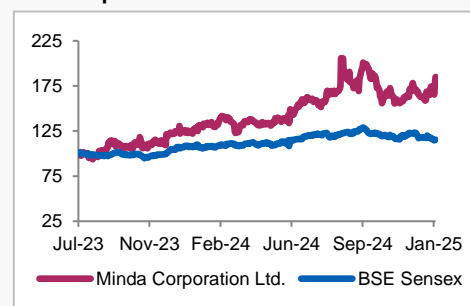
Financial & Valuations

Y/E Mar (Rs. Cr)	FY25E	FY26E	FY27E
Net Sales	5,059	5,663	6,401
EBITDA	570	670	782
APAT	275	379	472
Adj EPS (Rs.)	11.5	15.9	19.7
PER (x)	49.5	35.8	28.8
EV/ EBITDA	23.9	20.2	17.0
P/BV	6.1	5.3	4.5
RoE (%)	13.0	15.8	17.0

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Revenue (%)	-1.0%	-1.0%	-1.0%
EBITDA (%)	2.2%	2.6%	2.4%
PAT (%)	-0.2%	13.6%	10.8%

Relative performance



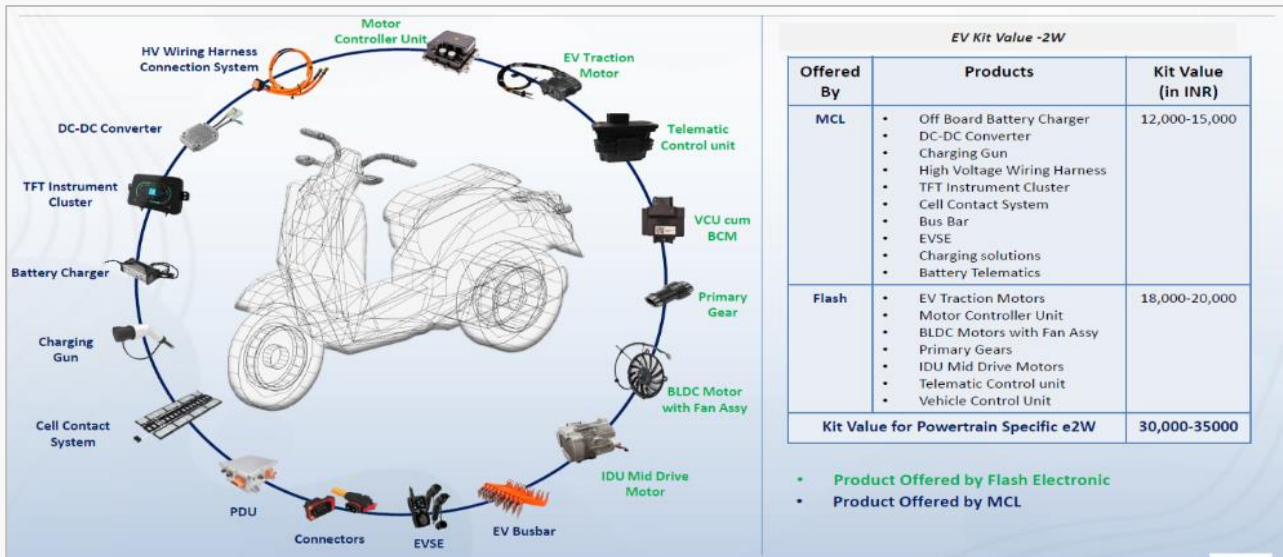
Source: Ace Equity, Axis Securities

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Exhibit 1: EV Kit Value -2W



Source: Company, Axis Securities Research

Exhibit 2: New TLA: Electrical distribution system



Source: Company, Axis Securities Research

Exhibit 3: Flash Electronics: EV Product Range



Change in Estimates (Rs Cr)

	Current estimates			Earlier Estimates			Change in estimates (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	5,059	5,663	6,401	5,112	5,722	6,468	-1.0%	-1.0%	-1.0%
EBITDA	570	670	782	558	653	764	2.2%	2.6%	2.4%
PAT	275	379	472	275	334	426	-0.2%	13.6%	10.8%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net sales	4,651	5,059	5,663	6,401
Other operating income	0	0	0	0
Total income	4,651	5,059	5,663	6,401
Raw Material	2,924	3,177	3,511	3,968
Employee expenses	728.5	780.6	858.8	944.8
Other expenses	484.4	531.7	623.0	705.1
EBITDA	514	570	670	782
Other income	16	35	23	46
PBIDT	530	605	693	829
Depreciation	166	203	208	231
Interest & Fin Chg.	56	44	33	25
E/o income / (Expense)	0	0	0	0
Pre-tax profit	308	359	452	572
Tax provision	83	93	113	140
(-) Minority Interests	0	0	0	0
Associates	2	8	40	40
Reported PAT	227	275	379	472
Adjusted PAT	227	275	379	472

Source: Company, Axis Securities Research;

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Total assets	2,580	2,706	2,930	3,239
Net Block	1,050.1	1,042.7	1,029.8	993.5
CWIP	57.6	112.5	167.3	222.2
Goodwill	92.9	92.9	92.9	92.9
Investments	56.9	56.9	56.9	56.9
Wkg. cap. (excl cash)	1,131	1,170	1,254	1,372
Cash / Bank balance	192.0	231.3	329.6	501.3
Misc. Assets	0.0	0.0	0.0	0.0
Capital employed	2,580	2,706	2,930	3,239
Equity capital	47.8	47.8	47.8	47.8
Reserves	1,933	2,182	2,505	2,937
Pref. Share Capital	0.0	0.0	0.0	0.0
Minority Interests	0.0	0.0	0.0	0.0
Borrowings	586	461	361	236
Def Tax Liabilities	13.3	14.8	16.3	17.8

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Sources	141.1	328.7	432.2	539.9
Cash profit	447	513	580	688
(-) Dividends	16.7	16.7	16.7	0.0
Retained earnings	430.2	495.8	563.5	688.2
Issue of equity	0.0	0.0	0.0	0.0
Change in Oth. Reserves	0.0	0.0	0.0	0.0
Borrowings	-177.9	-125.0	-100.0	-125.0
Others	-111.2	-42.1	-31.3	-23.3
Applications	141.1	328.7	432.2	539.9
Capital expenditure	317.5	250.0	250.0	250.0
Investments	-103.6	0.0	0.0	0.0
Net current assets	78.5	39.4	83.9	118.2
Change in cash	-151.3	39.3	98.3	171.7

Source: Company, Axis Securities Research

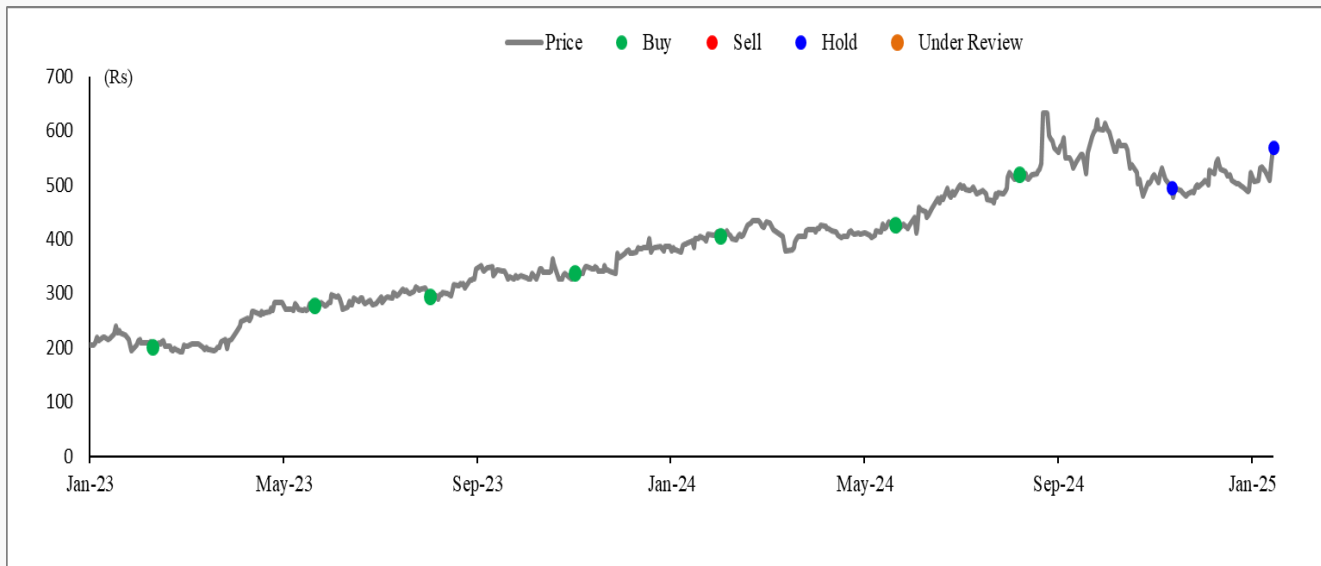
Ratio Analysis

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
Sales growth	8.2	8.8	11.9	13.0
EBIDTA margin	11.1	11.3	11.8	12.2
EBITDA growth	11.5	10.9	17.5	16.7
COGS / Net sales	26.1	25.9	26.2	25.8
Overheads/Net sales	28.4	28.0	28.2	27.8
Depreciation / G. block	9.6	10.5	9.8	10.0
Effective interest rate	6.5	6.7	9.0	9.2
Net kg.cap / Net sales	0.16	0.19	0.18	0.17
Net sales / Gr block (x)	2.7	2.6	2.7	2.8
RoCE	17.0	16.4	17.8	19.3
Debt/equity (x)	0.27	0.18	0.12	0.06
Effective tax rate	27.0	25.8	25.0	24.5
RoE	12.7	13.0	15.8	17.0
Payout ratio (Div/NP)	7.4	6.1	4.4	0.0
EPS (Rs.)	9.50	11.48	15.87	19.74
EPS Growth	-20.1	20.8	38.2	24.4
Adj EPS (Rs.)	9.5	11.5	15.9	19.7
Adj EPS growth	-20.1	20.8	38.2	24.4
CEPS (Rs.)	16.4	20.0	24.6	29.4

Source: Company, Axis Securities Research

Minda Corporation Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
10-Feb-23	BUY	230	Result Update
22-May-23	BUY	230	Result Update
04-Aug-23	BUY	325	Result Update
03-Nov-23	BUY	400	Result Update
05-Feb-24	BUY	450	Result Update
23-May-24	BUY	475	Result Update
09-Aug-24	BUY	575	Result Update
13-Nov-24	HOLD	535	Result Update
15-Jan-25	HOLD	600	Company Update

Source: Axis Securities Research

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