

Q4FY20 a mixed bag; Best long term play in auto ancillary

Minda industries reported revenues ahead of its underlying OEM's and our estimates as Rs 1339 cr down 10% YoY. While revenue was a beat, EBITDA margins disappointed coming in at 9.1% (down 340 bps YoY) due to higher other expense (up 300 bps YoY) comprising of mark to market losses and one time charges. PAT came in at Rs 13cr down 81% YoY on higher depreciation and interest expense. Minda industries is best placed with a superior product suit catering to most industry trends. Indigenization and anti-China rhetoric will also benefit the company (esp. alloy wheels and sensor business) while its traditional products (switches, lighting, acoustics) are on a strong footing and have long term visibility. FY21 challenges will be aplenty but it is best placed to capture any demand in 2W and PV space.

Key Result Highlights

Revenue: Q4FY20 revenue de grew by 10% YoY and was up1% QoQ. The result was ahead of our estimates of a 16.5% decline on better performance of switches and new products. FY20 revenue declined by 7.5% YoY to come at Rs5465cr

Margins: Gross margin was flat YoY at ~40% while EBITDA margin declined (down 340 bps YoY and down 320 bps QoQ) due to a number of one offs in other income like mark to market losses in foreign currency and acquisition and impairment costs. Normal margin profile should remain in the range of 11-13% going forward.

PAT: PAT in Q4FY20 was at Rs13.1 cr (down 83% YoY, down 75% QoQ) on account of high depreciation cost and a one-time impairment charge on its investment in subsidiaries. For the full year PAT was down 46%, at Rs 154 cr, on a YoY basis

Key Con Call Highlights

Demand: Management refrained from giving any guidelines on revenue stating that it will be nothing more than wild guess with everyday being very volatile. Alloy wheels and sensor demand will benefit from anti-China sentiment and LMT segment has bagged a significant order while Delvis acquisition has led to three large orders in lighting division. Management also said that they are at 50% levels in June as compared to last year with July expected to be incrementally better.

Capex: Total capex for this Fiscal year is pegged at Rs 350 cr without considering the acquisition cost of Harita Seating systems which includes Rs 250 cr of maintenance capex and around 130 cr of investment in subsidiaries. Focus will remain to conserve cash flows and be extremely frugal on investments

Outlook And Valuation

Minda industries cannot escape the unparalleled industry challenges of FY21 but is well placed to capture demand from safety, premiumization and traditional streams from 2W and PV players. We tweak FY21 revenue further downwards and expect 7% CAGR growth in revenue between FY20E-22E. EBITDA margin might take a dent in FY21 before recovering to normal levels in FY22. **We remain bullish on Minda Industries and maintain BUY, valuing the company at 30X FY22E EPS of Rs10.6 to arrive at an unchanged TP of Rs318, a 15% upside from current levels.**

Key Financials (Consolidated)

Y/E March (Rs. cr)	FY19	FY20	FY21E	FY22E
Net Sales	5,935	5,465	5,335	6,274
EBIDTA	752	658	562	804
EBITDA Margin	12.7%	12.0%	10.5%	12.7%
Net Profit	285	154	118	286
EPS (Rs)	11	6	4	11
PER (x)	25.3	46.9	62.9	26.1
EV/EBIDTA (x)	10.2	11.8	14.0	9.6
P/BV (x)	4.2	3.9	4.0	3.5
Debt/Equity (x)	0.6	0.7	0.7	0.7
Interest Coverage ratio	11.9	7.3	6.3	9.1
ROE (%)	19.7	9.3	6.8	15.2

Source: Company, Axis Research

(CMP as of June 30, 2020)

CMP (Rs)	275
Upside /Downside (%)	15%
High/Low (Rs)	426/286
Market cap (Cr)	7500
Avg. daily vol. (6m) Shrs.	105,507
No. of shares (Cr)	26.22

Shareholding (%)

	Mar-20	Dec-19	Sep-19
Promoter	70.8	70.8	70.8
FIs	10.9	11.3	11.5
MFs / UTI	6.5	5.8	5.2
Banks / FIs	0.0	0.0	0.0
Others	11.8	12.2	12.5

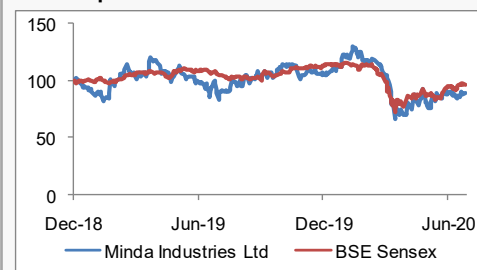
Financial & Valuations

Y/E Mar (Rs. Cr)	2020E	2021E	2022E
Net Sales	5,465	5,335	6,274
EBITDA	658	562	804
Net Profit	154	118	286
RoE (%)	9.3	6.8	15.2
D/E	0.7	0.7	0.7
PER (x)	46.9	62.9	26.1
P/BV	3.95	3.95	3.54
EV/ EBITDA	11.8	14.0	9.6

Axis vs Consensus

EPS Estimates	2021E	2022E
Axis	4	11
Consensus	9.1	14.3
Mean Consensus TP (12M)		349

Relative performance



Source: Capitaline, Axis Securities

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Quarterly Performance (Consolidated)

(Rs.Cr.)	Quarterly Performance				
	Q4FY20	Q4FY19	% Change (YoY)	Q3FY20	% Change (QoQ)
Sales	1,339	1,486	(10)	1,327	1
Other Op. Inc	0.0	0.0		0	
Total Revenue	1,339	1,486	(10)	1,327	1
Expenditure					
Net Raw Material	802	899	(11)	795	1
Personnel	214	203	6	209	3
Other Exp	201	200	1	159	26
Total Expenditure	1217	1301	(6)	1163	5
EBIDTA	122	185	(34)	163	(25)
EBITDA Margins	9.1%	12.5%		12.3%	
Oth. Inc.	16.0	13.1	NA	11.3	NA
Interest	21.0	20.4	3	21.6	(3)
Depreciation	81.7	68.2	20	75.1	9
PBT	35	110	(68)	78	(55)
Exceptional Item	-9	0	NA	-5	NA
Tax	13.3	33.4	(60)	19.4	(32)
PAT	13.1	76.4	(83)	53.4	(75)
Other Comprehensive Income	1.9	(4.1)	NA	(0.3)	(706)
MI	5.6	11.2	NA	9.8	(43)
Share of profit of Associates	(0.3)	8.3	(103)	1.0	(128)
Total Comprehensive Income	9.2	69.5	(87)	44.4	(79)
EPS (Rs.)	0.28	2.80	(90.0)	1.71	(84)

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY19	FY20E	FY21E	FY22E
Net sales	5,908	5,465	5,335	6,274
Other operating income	27	39	37	63
Net Revenue	5,935	5,504	5,372	6,337
Cost of goods sold	4,952	4,631	4,602	5,288
Contribution (%)	16.2%	15.3%	13.7%	15.7%
Other operating costs	230.7	214.5	208.1	244.7
EBITDA	752	658	562	804
Depreciation	234	302	319	344
Interest & Fin Chg.	63	90	89	88
E/o income / (Expense)	0	(14)	0	0
Pre-tax profit	455	252	154	372
Tax provision	134	78	39	93
(-) Minority Interests	54	33	8	20
Associates	19	13	9	22
Adjusted PAT	286	165	117	282
Other Comprehensive Income	(1)	(2)	2	4
Reported PAT	285	154	118	286

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY19	FY20E	FY21E	FY22E
Total assets	3,102	3,427	3,603	3,905
Net Block	1,861.2	2,134.3	2,165.3	2,171.5
CWIP	150.1	172.5	105.0	105.0
Investments	386.5	386.5	386.5	386.5
Wkg. cap. (excl cash)	572	451	447	530
Cash / Bank balance	132.1	283.3	499.9	712.3
Misc. Assets	0.0	0.0	0.0	0.0
Capital employed	3,102	3,427	3,604	3,905
Equity capital	52.4	52.4	52.4	52.4
Reserves	1,652	1,774	1,832	2,053
Pref. Share Capital	0.0	0.0	0.0	0.0
Minority Interests	266.7	299.3	307.5	327.4
Borrowings	1,131	1,301	1,411	1,471
Def tax Liabilities	0.6	0.8	0.9	1.0

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY19	FY20E	FY21E	FY22E
Sources	1,036	627	495	645
Cash profit	618	567	523	711
(-) Dividends	67	52	58	58
Retained earnings	551	514	466	654
Issue of equity	35.0	0.0	0.0	0.0
Change in Oth. Reserves	80.1	32.6	8.2	19.9
Borrowings	413	170	110	60
Others	(43)	(90)	(89)	(88)
Applications	1,036	627	495	645
Capital expenditure	694.3	597.4	282.5	350.0
Investments	199.9	0.0	0.0	0.0
Net current assets	187.0	(121.7)	(4.0)	82.7
Change in cash	(45.3)	151.2	216.6	212.4

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY19	FY20E	FY21E	FY22E
Sales growth	29.9	(7.5)	(2.4)	17.6
OPM	12.7	12.0	10.5	12.7
Oper. profit growth	32.6	(12.5)	(14.7)	43.2
COGS / Net sales	83.8	84.7	86.3	84.3
Overheads/Net sales	3.9	3.9	3.9	3.9
Depreciation / G. block	10.5	10.8	10.1	9.8
Effective interest rate	8.4	8.7	7.5	7.0
Net wkg.cap / Net sales	0.06	0.08	0.07	0.06
Net sales / Gr block (x)	2.6	1.9	1.7	1.8
RoCE	21.8	12.1	7.6	13.4
Debt / equity (x)	0.61	0.67	0.71	0.66
Effective tax rate	29.5	30.7	25.0	25.0
RoE	19.7	9.3	6.8	15.2
Payout ratio (Div/NP)	23.7	34.1	48.8	20.2
EPS (Rs.)	10.9	5.9	4.4	10.6
EPS Growth	(9.5)	(46.1)	(25.4)	141.6
CEPS (Rs.)	19.8	17.4	16.1	23.2
DPS (Rs.)	2.2	2.0	2.1	2.1

Source: Company, Axis Securities

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