

Retail Equity Research
Minda Industries Ltd
Automobile – Auto Ancillaries

Hold

12M Investment Period Rating as per Midcap

CMP Rs 325 TARGET Rs 328 RETURN 1% ↑
(Closing: 26-08-19)

BSE CODE : 532539 NSE CODE: MINDAIND
BLOOMBERG CODE: MIN IN SENSEX : 37,494

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↓

Accumulate for long term.

Minda Industries Ltd (MIL) is a diversified auto ancillary supplier, manufacturing products such as switches, horns & lights. MIL Holds a leadership position in switch business with a market share of 67%.

- Despite a double-digit volume decline for the industry, MIL registered a flat growth of 1%YoY for the Q1FY20. This was largely on account of 15%/18% YoY growth in lighting & other products.
- EBITDA margin declined by 40bps due to production cut by major OEM's and higher employee cost.
- However, the new product initiatives and superior product mix is expected to support the overall growth and margin.
- The content per vehicle that Minda supplies has risen steadily to 10%-15% per vehicle's cost and it is expected to add more components to its product portfolio.
- Scaling up the product line in Alloy wheels, Controllers, and sensors will drive growth for the company in FY20.
- We value MIL at 22x on FY21E EPS and arrive at a target price of Rs328 and maintain our Hold rating at CMP.

New product initiative to offset revenue decline.

Despite weak industry growth of -10% YoY. MIL registered a flat sales growth of 1%YoY for Q1FY20. This was largely on account of superior product mix and new product initiatives. During the quarter other products like sensors, controller grew by 31% YoY and lighting by 15%, whereas Switching, Horns, and LMT business (Alloy wheels and die castings) business de- grew by -7%/-7%/-12% YoY respectively. EBITDA margin contracted by 40bps due to production cut by major OEM and higher employee cost. During Q1FY20 MIL outperformed industry growth of -10% YoY in production. However higher depreciation and interest cost further led to 11% decline in PAT growth.

Alloy business continues to drive growth

Gujarat based Alloy wheel facility had commenced commercial production thereby the total capacity stands at ~250,000 wheels/m. Looking forward at the opportunity, MIL is setting up a 2W Alloy Wheel plant in Maharashtra with capex of Rs300cr. Total capacity of the plant will be 300,000 wheels/m and will be commissioned by the end of FY20E. The segment accounts for 15% of sales vs 13% in FY18. Through this, the company expects to achieve higher share of business with domestic OEM's as currently 60% of the industry requirement is imported.

Capacity addition to drive incremental revenue

MIL has a robust capex plan of Rs650cr for FY20 and Rs400cr for FY21. MIL's strategy to foray into "controllers" business through the acquisition of 'i-SYS' has been identified as avenue for future growth in EVs. The project is ongoing and expected full production to commence by Q2FY20. Similarly the Sensor projects HTS line is under installation and expected to start by Q3FY20. We expect the consolidated Revenue to grow at 12% CAGR over FY19-21E led by higher contribution by core segments & incremental revenue from 2W Alloy wheel and other new products.

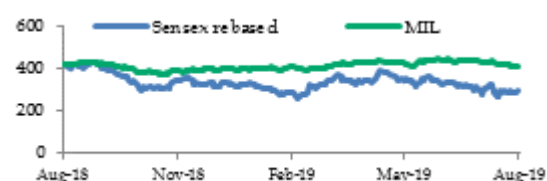
Valuations

The demand scenario in the overall automobile industry continues to be sluggish and the OEM's are still uncertain about the demand in the next couple of months., hence we lower our revenue & PAT estimate for FY20/FY21 by 5%/3% & 18%/16% respectively. However Implementation of BSVI norms, enhanced safety features and Premiumisation of vehicle will further lead to value migration and higher kit value per vehicle for MIL in FY21, and hence factor 15% earning CAGR over FY19-21E. We believe that the stock to trade at a premium valuation owing to Haritha seating ltd merger with MIL which is expected in Q4FY20. We value MIL at 22x on FY21E EPS and arrive at a target price of Rs328 and maintain our Hold rating at CMP .

Company Data			
Market Cap (cr)	Rs.8,499		
Enterprise Value (cr)	Rs.9,454		
Outstanding Shares (cr)	26.2		
Free Float	29%		
Dividend Yield	0.3%		
52 week high	Rs.440		
52 week low	Rs.256		
6m average volume (cr)	0.19		
Beta	1.1		
Face value	Rs2		
Shareholding (%)	Q3FY19	Q4FY19	Q1FY20
Promoters	70.9	70.9	70.9
FII's	10.7	10.9	11.3
MFs/Insti	4.2	4.5	4.7
Public	14.2	13.7	13.1
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	-11.8%	3.7%	-28.1%
Absolute Sensex	-2.3%	-0.8%	-2.6%
Relative Return	-9.5%	4.5%	-25.5%

over or under performance to benchmark index



Consolidated (cr)	FY19A	FY20E	FY21E
Sales	5,908	6,348	7,484
Growth (%)	32.2	7.4	17.9
EBITDA	727	781	936
EBITDA Margin(%)	12.3	12.3	12.5
PAT Adj.	286	289	375
Growth (%)	5.0	1.2	29.8
Adj.EPS	10.9	11.1	14.3
Growth (%)	5.0	1.2	29.8
P/E	30.0	29.4	22.7
P/B	4.5	3.9	3.4
EV/EBITDA	13.0	12.0	9.8
ROE (%)	16.4	14.2	16.0
D/E	0.5	0.4	0.3

Saji John
Research Analyst

Quarterly Financials (Consolidated)

Rs cr	Q1FY20	Q1FY19	YoY Growth %	Q4FY19	YoY Growth %
Sales	1,440	1,430	0.7	1,486	-3.1
EBITDA	172	170	1.3	185	-7.1
EBITDA margins	12.0	12.4	-40bps	12.5	-50bps
Depreciation	71	49	44.5	68	42.0
EBIT	101	121	-16.4	117	-13.8
Interest	24	15	80.9	20	16.5
Other Income	7	12	-	13	-
Exceptional Items	-	-	-	-	-
PBT	84	114	-26.3	110	-23.4
Tax	28	34	-17.6	33	-17.1
Share of profit from Associate	8	5	0	8	0
Minority Interest	0	0	0	0	0
Reported PAT	62	70	-11.0	85	-26.5
Adjustments	-	-	-	-	-
Adj PAT	62	70	-11.0	85	-26.5
No. of Shares (cr)	26.2	26.2	-	26.2	-
EPS (Rs)	2.4	2.7	-11.0	3.2	-26.5

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	6,708	7,734	6,348	7,484	-5.3	-3.2
EBITDA	838	975	781	936	-6.8	-4.0
Margins (%)	12.5	12.6	12.3	12.5	-20bps	-10bps
Adj. PAT	353	447	289	375	-18.1	-16.1
EPS	13.5	17.1	11.1	14.3	-18.1	-16.1

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Sales	3386	4471	5908	6348	7484
% change	34.0	32.0	32.2	7.4	17.9
EBITDA	374	534	727	781	936
% change	57.3	42.7	36.2	7.4	19.8
Depreciation	132	160	224	281	336
EBIT	238	369	493	488	587
Interest	40	35	63	91	77
Other Income	14	33	25	32	45
PBT	212	405	455	429	555
% change	52.8	91.4	12.1	-5.6	29.3
Tax	46	98	134	135	175
Tax Rate (%)	21.9	24.1	29.5	31.5	31.5
Reported PAT	185	310	286	289	375
Adj.	0	38	0	0	0
Adj. PAT	185	272	286	289	375
% change	74.7	46.9	5.0	1.2	29.8
No. of shares (cr)	26.2	26.2	26.2	26.2	26.2
Adj EPS (Rs)	7.1	10.4	10.9	11.1	14.3
% change	74.7	46.9	5.0	1.2	29.8
DPS (Rs)	0.5	0.5	0.5	0.5	0.5

CASH FLOW

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Net inc. + Depn.	348	570	689	722	903
Non-cash adj.	0	0	0	0	0
Changes in W.C	-35	-260	-298	84	-223
C.F. Operation	313	310	391	806	681
Capital exp.	-522	-513	-631	-673	-655
Change in inv.	-11	-100	-201	38	168
Other invest.CF	0	-166	0	0	0
C.F - Investment	-514	-756	-813	-620	-472
Issue of equity	392	288	35	0	0
Issue/repay debt	144	46	412	-100	-170
Dividends paid	6	10	6	2	2
Other finance.CF	29	-21	-54	-20	-20
C.F - Finance	552	300	380	-133	-203
Chg. in cash	351	-147	-94	52	5
Closing cash	385	238	145	197	202

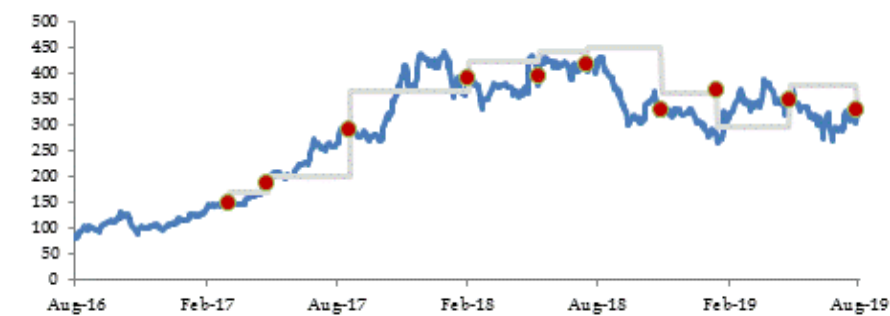
BALANCE SHEET

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	385	238	145	199	210
Accounts Receivable	524	790	899	956	1128
Inventories	251	418	561	581	688
Other Cur. Assets	19.0	230.0	260.6	280.0	330.1
Investments	55	155	356	317	150
Gross Fixed Assets	1888	2322	2976	3626	4276
Net Fixed Assets	926	1200	1629	1999	2313
CWIP	147	192	132	150	150
Intangible Assets	10	170	250	243	235
Def. Tax (Net)	7	7	6	6	6
Other Assets	0	0	0	0	0
Total Assets	2464	3485	4289	4853	5354
Current Liabilities	192	302	385	696	820
Provisions	86	119	121	125	148
Debt Funds	497	543	955	855	685
Other Liabilities	515	798	798	870	1025
Equity Capital	16	17	52	52	52
Reserves & Surplus	1023	1566	1839	2117	2485
Shareholder's Fund	1039	1584	1891	2169	2537
Total Liabilities	2468	3485	4289	4854	5354
BVPS	39	54	63	74	88

RATIOS

Y.E March	FY17A	FY18A	FY19A	FY20E	FY21E
Profitab & Return					
EBITDA margin (%)	11.0	11.9	12.3	12.3	12.5
EBIT margin (%)	7.0	8.3	8.3	7.7	7.8
Net profit mgn.(%)	5.5	6.1	4.8	4.6	5.0
ROE (%)	24.5	20.7	16.4	14.2	16.0
ROCE (%)	13.3	12.1	9.7	9.0	10.4
W.C & Liquidity					
Receivables (days)	47.9	53.6	52.2	53.4	50.8
Inventory (days)	23.4	27.3	30.2	32.8	30.9
Payables (days)	45.1	53.6	49.3	47.9	46.2
Current ratio (x)	4.7	4.2	3.8	2.6	2.6
Quick ratio (x)	2.7	2.6	2.3	1.4	1.4
Turnover & Leverage					
Gross asset T.O (x)	2.1	2.1	2.2	1.9	1.9
Total asset T.O (x)	1.7	1.5	1.5	1.4	1.5
Int. covge. ratio (x)	6.0	10.5	7.8	5.4	7.6
Adj. debt/equity (x)	0.5	0.3	0.5	0.4	0.3
Valuation					
EV/Sales (x)	2.7	2.0	1.6	1.5	1.2
EV/EBITDA (x)	24.1	16.9	13.0	12.0	9.8
P/E (x)	45.9	31.3	29.8	29.4	22.7
P/BV (x)	8.2	5.4	4.5	3.9	3.4

Recommendation summary (Last 3 Years)



Dates	Rating	Target
31-March-2017	Buy	170
24-May-2017	Accumulate	202
16-November 2017	Hold	366
1-March 2018	Accumulate	424
6- June 2018	Buy	441
14- August 2018	Accumulate	451
26 th November 218	Accumulate	363
11 th February 2018	Accumulate	296
23 rd May 2019	Hold	376
27 th August 2019	Hold	328

Source: Bloomberg, Geojit Research.

Investment Criteria

Large Cap Stocks;		Mid Cap and Small Cap;			
Buy	-	Upside is above 10%.	Buy	-	Upside is above 15%.
Hold	-	Upside is between 0% - 10%.	Accumulate	-	Upside is between 10% - 15%.
Reduce	-	Downside is more than 0%.	Hold	-	Upside is between 0% - 10%.
Neutral	-	Not Applicable	Reduce/Sell	-	Downside is more than 0%.
			Neutral	-	Not Applicable

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Neutral- The analyst has no investment opinion on the stock under review

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