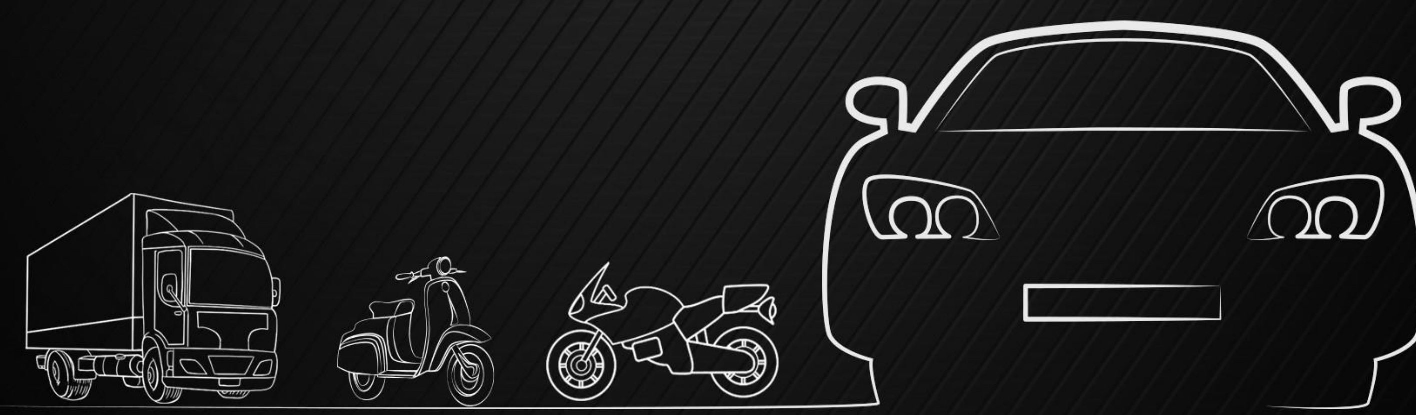
KRChoksey | Institutional

Minda Corporation Ltd



Result Update

13th August, 2021

Minda Corp Ltd

"Steady order book despite challenging quarter"

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 132	**INR 152**	**15%**	**31,547**	**BUY**	**Auto & Ancillary**

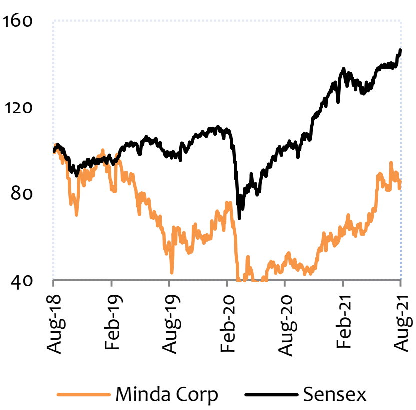
Result highlights:

- Revenue reported at INR 5586.3 Mn (-29.65% qoq) as volumes were impacted in most states due to by lockdown restrictions and lower consumer sentiment during the quarter. Q1FY22 financials are not comparable with Q1FY21 due to change in industry dynamics related to COVID.
- Consolidated EBTIDA for Q1FY22 stood at INR 308.1 mn (-65.37% qoq) and EBITDA margin stood at 5.52% (-569 bps qoq) due to lower operating leverage, adverse product mix and lag of commodity prices indexation. The management observes MoM recovery and it is optimistic to start double digit EBITDA numbers from Q1FY22 onwards.
- Finance costs during the quarter decline by 2.1% qoq to INR 74.5 Mn from INR 76.1 Mn.
- Net Profit from continued operations reported at INR 71.1 mn (-87% qoq). EPS for the quarter stood at INR 0.30 as against INR 2.33 in Q4FY21.

MARKET DATA

Shares outs (Mn)	239
Equity Cap (INR Mn)	478
Mkt Cap (INR Mn)	31,547
52 Wk H/L (INR)	148
Volume Avg (3m K)	1071.2
Face Value (INR)	2
Bloomberg Code	MDA IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	55,437
NIFTY	16,529

SHARE HOLDING PATTERN (%)

Particulars	Jun-21	Mar-21	Dec-20
Promoters	64.73	64.73	64.73
FIIs	5.61	6.38	6.04
DIIs	12.86	10.57	9.90
Others	16.81	18.32	19.33
Total	100.00	100.00	100.00

Key Financials:-

Particulars (INR Mn)	FY20	FY21	FY22E	FY23E
Net Sales	22226	23679	28369	32560
EBITDA	2454	2170	3064	3484
PAT	1356	935	1736	2137
EPS	5.98	3.91	7.26	8.94
EBITDA Margin (%)	11.0	9.2	10.8	10.7
PAT Margin (%)	6.1	3.9	6.1	6.6

Source: Company, KRChoksey Research

Order book sustained momentum despite challenges during the quarter

- Minda Corp observed steady order growth with INR 12.8 bn of lifetime orders in Q1FY22 as against INR 10.5 bn in Q4FY21. Lower production owing to COVID restrictions and low consumer sentiments impacted overall topline growth for Q1FY22 on qoq basis. It has also received orders in Electric Vehicle (EV) segment worth INR 2.4 bn.
- It has entered into Joint venture agreement with INFAC Corporation, based in South Korea, for the manufacturing of Vehicle Antenna, a part of E-mobility engineering vertical. It has already won orders worth INR 130 cr and further, it plans to transfer its production lines from Korea to India with a planned investment of ~INR 10 cr.
- 'Mechatronics' and 'Information & Connected Systems' are expected to deliver growth of ~30% and ~15% during FY21-23E, respectively. The management sights major opportunity in EV segment backed by incremental growth in demand by customers. It also expects support from government for its 'Traffic Light Assistant (TLA) for Advanced Driver Assistance Systems (ADAS)' technology in partnership with Israel based 'Ridevision'. It will offer growth in 2Ws business post acceptance of collision system avoidance in Indian markets.

Raw material price indexation continued; margins impacted

- COVID 2nd wave impacted company's operating leverage where capacity utilisation for Mechatronics and Information & Connected Systems of 60% and below 50%, respectively. Further, lag in commodity price indexation, low product mix and aftermarket sales has also had an impact on overall margins. We expect margins to improve in line with improved volumes and increased capacity utilisation.

Valuation & Outlook

Minda Corp will endure and keep focusing to achieve higher operational efficiency, increase free cash flow and to remain committed towards right capital allocation. Its strong relationship with international partners to boost MCL's exports business. Long awaited scrappage policy launched on Friday, 13th Aug'21 as announced virtually by PM Modi in order to phase out unfit and polluting vehicles which will bring investment worth ~INR 100 bn, another positive for Indian automobile industry. **We maintain BUY recommendation on the stock with a revised target of INR 152/per share (17x PE to FY23E EPS, previous TP: INR 143).**

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Minda Corp Ltd

Concall Highlights:

- Overall Automotive Industry production de-grew by 35.1% qoq (+202.1% yoy) in Q1FY22 on account of lockdown in most of the states in phases and low consumer sentiments. Complete lockdown situation in Q1FY21 is not comparable with Q1FY22.
- The company is more focused towards EV segment; primarily in 2W, 3W and commercial vehicle space. It has won orders from Ashok Leyland, Bajaj, Hero Motocorp, Ola Electric, Revolt, TVS etc. Also, it is waiting for LOI from two new customers.
- For Q2FY22, MCL has built significant order book in the EV space from the incumbent as well as the new players. It has received orders for smart key systems from one of the largest 2W manufacturing OEMs in India.
- In last few quarters, it has received orders for new advance technological products such as Smart keys, digital clusters, center consoles, antenna solutions, DC to DC convertors, battery chargers etc.
- The company has entered into a Joint venture with INFAC, a South Korean based company for the manufacturing of Vehicle Antenna System. This segment has tremendous growth opportunities in India due to the increase in demand for autonomous vehicles and connected mobility. The company has won orders of INR 130 cr on a lifetime basis. The company owns 51% share in the JV. Also, the company has planned to invest INR 10 cr to transfer production lines from Korea to India.
- The company is restructuring the organisation by simplifying the structure over the last few years by merger of wholly owned subsidiaries and has witnessed turnaround story from loss to profit making subsidiaries.
- The company has filed 6 patents during this quarter, which include one in cybersecurity.
- In revenue breakdown by geography, India continues to be the focus area. By end product, the 2W-3Ws contribute to about ~50%, passenger vehicles to ~15% and commercial vehicles to ~22% of revenue. By business vertical, Mechatronics and Information Connected Systems constitutes ~60% and 40% of revenue, respectively.
- Mechatronics, Aftermarket and other divison has witnessed de-growth in revenue on sequential basis due to 2nd wave of COVID. EBITDA margin came at 8.8% due to lower operating leverage; however, supported by various cost control measures. The capacity utilisation for this division was about 60% due to higher exports.
- In the Information & Connected Systems, the wiring harness division continues to be a challenge. The capacity utilisation was <50% due to the domestic and 2Ws customers. Fall in CVs volume, the rise in commodity prices (especially copper) and lag in indexation has impacted the margins on sequential basis. The company is working towards delivering mid-range EBITDA numbers in Q2 and eventually, high single digit numbers in subsequent quarters.
- Once the company achieves 70-75% of capacity utilisation, it is expected to achieve double digit margins.
- The company has won lifetime orders of INR 12.8 bn. It includes INR 50 cr from exports, INR 238 cr from EV space, INR 500 cr from replacement business and INR 786 cr from new business. Which can also be classified as INR 500 cr in Mechatronics, INR 725 cr in Information and connected systems and INR 53 cr in plastics and interiors.
- The company has partnerships with Stoneridge (51% share), VAST (50%), SILCA, INFAC (51%), Furukawa (25% ownership by Minda Corp) and RideVision (based on TLA partnership).
- The die casting business reported at ~INR 122 cr in Q1FY22 as against ~INR 150-152 cr in Q4FY21. It believes to receive orders from domestic customers and exports. During the quarter, INR 6 cr capex planned for die casting capacities and it will continue to require investments being a capital intensive business.
- The aluminum die-casting division is expected to grow at a CAGR of 15% on account of relationships with export OEMs as well the light-weighing opportunities in the EV space and increase in aluminum content per vehicle.

Minda Corp Ltd

Q1FY22 Result Performance

Particulars (INR Mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Income from operations	**5,586.3**	**1,779.6**	**213.91%**	**7,940.9**	**-29.65%**
Cost of material consumed	3,248.9	901.1	260.55%	4,842.1	-32.90%
Purchase stock in trade	199.8	119.7	66.92%	256.7	-22.17%
Inc / (Dec) inventory	36.8	86.5	-57.46%	-81.4	-145.21%
Employees cost	1,079.2	538.1	100.56%	1,185.1	-8.94%
Other Expenses	713.5	337.4	111.47%	848.6	-15.92%
Operating expenditure	5,278.2	1,982.8	166.20%	7,051.1	-25.14%
EBITDA	**308.1**	**-203.2**	**-251.62%**	**889.8**	**65.37%**
Depreciation	251.4	203.1	23.78%	241.6	4.06%
Operating profit	**56.7**	**-406.3**	**-113.96%**	**648.2**	**91.25%**
Other income	76.7	88.7	-13.53%	72.1	6.38%
EBIT	**133.4**	**-317.6**	**-142.00%**	**720.3**	**81.48%**
Interest	74.5	76.6	-2.74%	76.1	-2.10%
EBT	**58.9**	**-394.2**	**-114.94%**	**644.2**	**90.86%**
Tax	13.9	-89.1	-115.60%	155.7	91.07%
Profit/(loss) from JV/assoc.	26.1	-58.3	-144.77%	57.4	54.53%
Net income	**71.1**	**-363.4**	**-119.57%**	**545.9**	**87.0%**
Profit from disc ops	0.0	-9.4	-	0.0	-
Exceptional Item	0.0	0.0	-	-416.7	-
Tax expense related to disc ops	0.0	0.0	-	0.0	-
Net Income after exceptional items	**71.1**	**-354.0**	**-120.08%**	**129.2**	**45.0%**
EPS	**0.30**	**-1.60**	**-118.59%**	**2.15**	**86.2%**
EPS after disc ops and exceptional items	**0.30**	**-1.56**	**-119.09%**	**0.57**	**47.9%**

Source: Company, KRChoksey Research

Minda Corp Ltd

Income Statement

Particulars (INR Mn)	FY20	FY21	FY22E	FY23E
Total Sales	**22226**	**23679**	**28369**	**32560**
COGS	13384	14926	17560	20187
EBITDA	**2454**	**2170**	**3064**	**3484**
Depreciation	866	936	995	1066
Interest & Finance charges	389	358	345	245
Other Income	426	332	426	488
EBT	**1625**	**1208**	**2149**	**2662**
Tax	387	312	555	688
PAT	**1231**	**896**	**1594**	**1974**
Min. Int / others/ jv	125	39	142	163
PAT	**1356**	**935**	**1736**	**2137**
EPS	**5.98**	**3.91**	**7.26**	**8.94**

Source: Company, KRChoksey Research

Balance Sheet

Particulars (INR Mn)	FY20	FY21	FY22E	FY23E
Equity Share Capital	453	478	478	478
Reserves	9297	10988	12556	14526
Net worth	**9750**	**11466**	13035	15004
Total loans	5155	4448	4198	3948
Deferred tax liability (Net)	48	34	34	34
Capital Employed	**15239**	**16228**	**17546**	**19266**
Net block	5292	5745	5973	6107
CWIP	285	178	305	305
Intangible	409	382	382	382
Investments	1761	1805	1986	2279
Inventories	3949	3959	4089	4978
Sundry debtors	3898	4420	4275	5352
Cash and bank	947	531	326	843
Other Bank Balance	3777	4463	4463	4463
Loans and advances	64	708	652	586
Other Current Assets	2622	782	2622	2622
Total Current assets	15256	14862	16427	18843
Total Current liabilities	8045	7070	7809	8961
Net Current assets	**7211**	**7792**	8618	9882
Capital Deployed	**15239**	**16228**	**17546**	**19266**

Source: Company, KRChoksey Research

Minda Corp Ltd

Cashflow Statement

Particulars (INR Mn)	FY20	FY21	FY22E	FY23E
Net Cash Generated From Operations	4503	855	2039	2672
Net Cash Flow from/(used in) Investing Activities	-1373	-1742	-1481	-1493
Net Cash Flow from Financing Activities	-2488	652	-762	-662
Net Inc./Dec in cash equivalents	642	-235	-205	517
Closing Balance Cash and Cash Equivalents	**945**	**712**	**326**	**843**

Source: Company, KRChoksey Research

Ratios

Particulars	FY20	FY21	FY22E	FY23E
EBITDA Margin%	11.0	9.2	10.8	10.7
APAT Margin%	6.1	3.9	6.1	6.6
ROE%	12.5	8.8	14.2	15.2
ROCE%	9.7	7.9	12.3	13.2
Cash Conversion Cycle (days)	66	39	35	34

Source: Company, KRChoksey Research

Minda Corp Ltd

Rating Legend (Expected over a 12-month period)	
Our Rating	**Upside**
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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