

Industry	Auto Anciliary
Bloomberg	MNDA IN
BSE CODE	532539

Overall profitability to remain under pressure

RATING **NEUTRAL**

CMP	319
Price Target	343
Potential Upside	7%

Rating Change	↓
Estimate Change	↓
Target Change	↓

Stock Info

52wk Range H/L	449/256
Mkt Capital (Rs Cr)	8375
Free float (%)	29%
Avg. Vol 1M (,000)	236
No. of Shares (Cr.)	26
Promoters Pledged %	0%

1QFY20 Result Update

- ❑ MINDAINDhas reported revenue growth of 1% YoY at Rs.1440 crores (vs our estimates of Rs.1502 crores) largely driven by strong growth in lighting and alloy wheels business.
- ❑ The switches and horns and acoustics business which comprises 37% and 12% YoY to the revenue de-grew by 7% and 4% YoY with the revenue of Rs. 532 crores and Rs. 179 crores respectively.
- ❑ The Light metal technology business which contributes 14% to the revenue clocked around Rs. 200 crores during the quarter. The other business which includes alloy wheel, aluminum die casting, blow molding etc, clocked sales of Rs. 190 crores with 33%YoY growth.
- ❑ EBITDA margins declined by 51 bps QoQ to 12.5% due to commodity cost pressure and weaker operating leverage.
- ❑ PAT for the quarter stood at Rs. 62 crores (vs our estimates of Rs.76 crores). PAT margins declined by 137 bps to 4.3% led by higher depreciation cost and interest cost.
- ❑ Sensor business has received new orders from Kawasaki and PSA for engine speed and oil temperature sensors.

View and Valuation

Despite improvement in overseas business and higher growth in alloy wheel segment we expect margin to remain in the range of 12-12.5% because of weaker operating leverage. The management expect demand environment to improve from September onwards. However new plants and new business consolidations will lead to higher depreciation cost while increased debt level in the books will further deteriorate the overall profitability. Though the company will get benefitted on account of rich product portfolio in the long run but being a major OEM player the growth will largely depend on OEM growth. Factoring the slowdown in OEM segment, weaker operating leverage, higher depreciation and debt level we reduce FY20/21 EPs estimate by 10%/6%. We value the stock at 18x FY21e EPS to arrive at a target price of Rs.343 and recommend NEUTRAL.

Key Risks to our rating and target

- ❑ Prolonged slowdown in automobile industry
- ❑ Increase in Commodity Prices.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	3386	4471	5908	6626	7936
EBITDA	374	534	725	821	1014
EBIT	238	369	491	518	689
PAT	185	331	339	354	499
EPS (Rs)	8	13	13	13	19
EPS growth (%)	66.6	62.6	2.3	4.2	41.0
ROE (%)	24.4	23.8	19.9	17.5	20.3
ROCE (%)	25.4	22.6	21.2	20.2	23.3
BV	32	53	65	77	94
P/B (X)	7.3	5.5	5.0	4.2	3.4
P/E (x)	30.0	23.1	25.2	23.9	16.9

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1QFY20 Results

Result below expectation

										Fig in Rs Cr
Financials	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	1,430	1,522	1,470	1,486	1,440	1%	-3%	4,471	5,908	32%
Other Income	7	5	3	13	7	6%	-47%	33	27	-19%
Total Income	1,436	1,526	1,473	1,500	1,447	1%	-4%	4,504	5,935	32%
COGS	883	938	903	899	872	-1%	-3%	2,763	3,622	31%
Staff Cost	189	195	205	203	215	14%	6%	587	791	35%
Other Exp.	189	199	181	200	180	-4%	-10%	587	769	31%
Expenditure	1,260	1,332	1,290	1,301	1,268	1%	-3%	3,937	5,183	32%
EBITDA	170	189	180	185	172	1%	-7%	534	725	36%
Depreciation	49	56	61	68	71	44%	4%	165	234	42%
EBIT	121	133	120	117	101	-16%	-14%	369	491	33%
Interest	13	15	15	20	24	81%	17%	35	63	80%
PBT	114	123	108	110	84	-26%	-23%	367	455	24%
Excpt. Item	-	-	-	-	-	-	-	(38)	-	-
Tax	34	39	28	33	28	-18%	-17%	98	134	37%
PAT	85	89	81	85	62	-26%	-26%	331	339	3%

Revenue growth led by growth across lighting and alloy wheel segments

MINDAIND has reported revenue growth of 1% YoY at Rs.1440 crores largely driven by strong lighting and alloy wheels business. The switches and horns & acoustics business which comprises of 37% and 12% of the revenue de-grew by 7% and 4% YoY with the revenue of Rs. 532 crores and Rs. 179 crores respectively. The Light metal technology business which contributes 14% to the revenue clocked around Rs. 200 crores during the quarter. The other business which includes alloy wheel, aluminum die casting, blow molding etc, clocked sales of Rs. 190 crores with 33%YoY growth. Lighting business comprises of 24% of the total revenue earned Rs. 339 crores with a growth of 13% YoY. The company has received new orders from this business during 1QFY20 and it is expected to do well going ahead.

Commodity cost pressure and weaker operating leverage dented margins

EBITDA margins has declined by 51 bps QoQ to 12.5% due to commodity cost pressure and weaker operating leverage.

PAT margins contracted led by higher depreciation expense

PAT declined by 26%YoY to Rs. 62 crores. PAT margins declined by 137 bps to 4.3% led by higher depreciation cost and interest cost. Finance costs have been higher during the quarter due to increase in total borrowings which were used for investments in TG Minda, Controller, 2W alloy wheel and sensors businesses.

Concall Highlights

- The industry growth volumes in 2W, 3W, 4W and off loaders declined by 10%, 9%, 12% and 22% respectively during 1QFY20.
- The company will continue to outperform the industry growth in FY20.
- The management expects pre-buy and good festive season in 2HFY20 may improve some demand.
- Over short and medium term, the management expects 6-8% growth in the auto sector.
- Sensor business has received new orders from Kawasaki and PSA for engine speed and oil temperature sensors.
- Minda Kosei Aluminum Wheels Pvt. Ltd. has received orders of Rs. 87 Cr. per annum from OEMs: Rs. 54 Cr. from M&M and Rs. 33 Cr. from MSIL
- BS-VI expected implementation by 2020 will benefit the company with strong demands for Sensors (BS VI) and Engine related Sensors in association with Sensata, US and Advance Filtration and Canisters.
- The sensor and controllers business are expected to do well going forward. The annual revenue expected to be generated from this segment is Rs. 130 crs.
- The sensors business is expected to contribute Rs. 120-130 crs to the revenue in FY20.
- The new plant Sensata in US for sensors is expected to open in 2HFY20.
- The revenue from telematics is expected to be Rs. 50 crs for FY20 and Rs. 80-90 crs for FY21.

Concall Highlights continued

- The Isys acquisition has added Rs. 11-14 crs to the revenue this quarter.
- Roki Minda revenue for the quarter was Rs. 100 crs.
- Capex – Total of Rs. 475 crs in which Rs. 350 crs will be for Greenfield expansion project and Rs. 125-150 crs for brownfield expansion.
- **Business Division**
 - Switches – contributes 37% to the total revenue
 - Revenue – Rs. 532 crs in 1QFY20.
 - In 4W business, the company has secured new orders for newly launched models from new customers and also from Hyundai and further, this momentum from Hyundai is expected to continue.
 - Lightings – Contributes 24% to the total revenue
 - Revenue – Rs. 339 crs in 1QFY20
 - There were better volumes in some of new launches. Lamps were mainly used in newly launched models by the OEMs which were supported by higher LED content.
 - Acoustics – contributes 12% to the total revenue
 - Revenue – Rs. 178 cr in 1QFY20
 - The domestic business upbeat despite volume cuts and Clarton Horn (Mexico) is under stabilization
 - Light metal technology – Contributes 14% to the total revenue
 - Revenue – RS. 200 crs in 1QFY20
 - Better operational efficiency, favorable movement of commodity price along with Improved customer mix aided growth
 - Others – Contributes 14% to the total revenue
 - Revenue – Rs. 190 crs in 1QFY20
 - iSYS and Katolec have contributed to top line growth
 - RPAS and front air bags mandatory in 4W (PV) segment with effect from July 19
- **Update on "Scheme of Arrangement"**
 - HSSL Merger: SEBI has approved the scheme and the company expects to file the scheme with NCLT within this month
 - Merger of 4 WOS: Secured Creditors consents are being obtained and the company expects to file the scheme with NCLT within this month and merger to be consummated by Q4FY20.
- **Capacity Utilization**
 - Capacity Utilization from new facilities Minda Rika, Minda Kosei and Minda Koraku is at 50%.
 - Existing business capacity utilization
 - Lighting business – 80-85% both for 2W and 4W. In 4W, the company has got new orders from new business in models like Mahindra XUV 300 and Tata Harrier.
 - Alloy Wheel business – At Bawal plant – 75% and at Gujarat plant – 50%.
 - Acoustics – 90% capacity utilization.
 - Switches – At Manesar plant – 75% and Gujarat 50% for 4W. For 2W it is at 80%.

Exhibit: Net sales (Rs. Crore) and Growth Trend

Revenue growth of 1% in 1QFY20 was driven by growth in Lightings and alloy wheels businesses

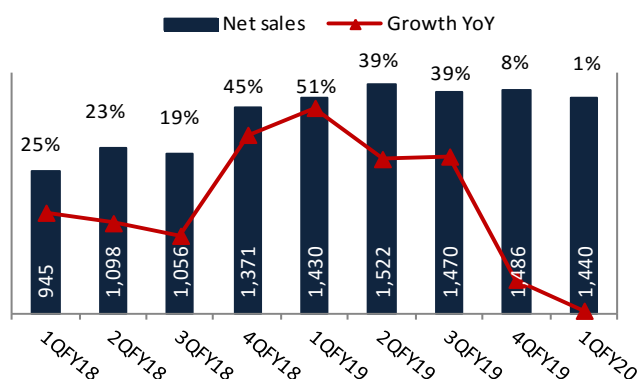


Exhibit: COGS (Rs. Crore) & Gross Margin Trend

Gross margins declined marginally led by commodity cost pressure

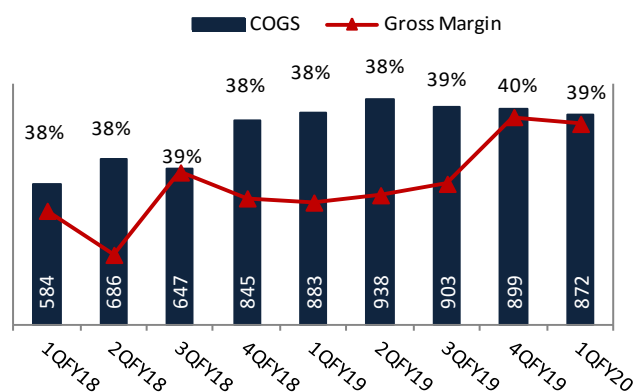


Exhibit: EBITDA (Rs. Crore) and EBITDA Margin Trend

EBITDA Margin declined due to commodity cost pressure and weaker operating leverage

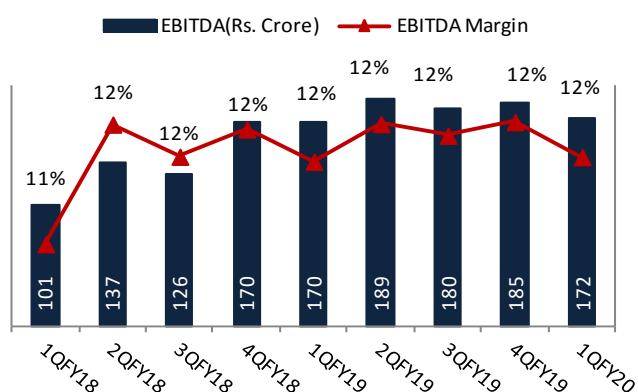


Exhibit: PAT (Rs. Crore) and PAT Margin Trend

PAT margins reduced due to higher depreciation expense and finance cost

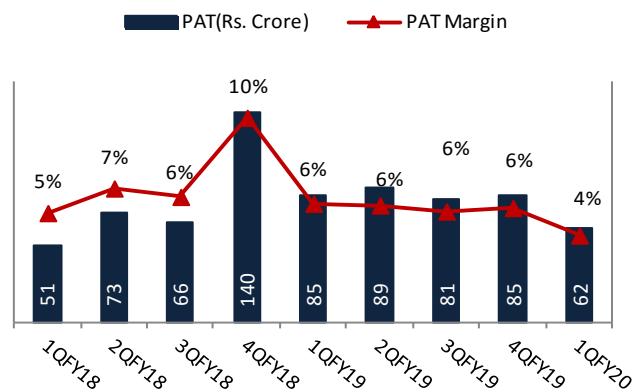


Exhibit: Revenue mix

Favourable change in revenue mix led to higher growth in revenue.

Front Lighting Rear Lighting Others

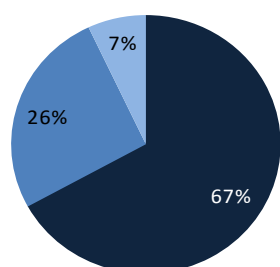
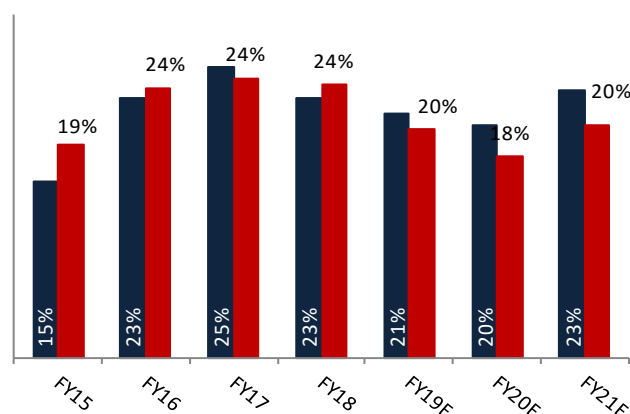


Exhibit: Return Ratios

Return ratios to improve going ahead as the profitability improves

RoCE RoE



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	19	19	19	16	17	52	52	52
Reserves	292	346	452	744	1,374	1,652	1,968	2,408
Networth	311	365	472	759	1,392	1,704	2,020	2,461
Debt	278	209	353	438	543	955	860	774
Other Non Cur Liab	26	29	43	112	155	176	175	175
Total Capital Employed	449	462	641	937	1,632	2,311	2,566	2,952
Net Fixed Assets (incl CWIP)	422	420	697	993	1,450	1,846	1,952	1,927
Non Cur Investments	24	26	44	111	155	356	419	436
Other Non Cur Asst	31	31	47	92	233	296	296	296
Non Curr Assets	478	478	787	1,196	1,838	2,498	2,667	2,659
Inventory	125	141	184	238	418	561	599	717
Debtors	261	289	364	500	790	899	998	1,196
Cash & Bank	28	28	57	374	159	110	128	346
Other Curr Assets	90	61	96	90	160	162	179	210
Curr Assets	504	519	700	1,202	1,527	1,733	1,905	2,469
Creditors	247	267	321	486	798	798	908	1,087
Provisions (both)	36	42	52	68	119	121	124	129
Other Curr Liab	69	63	136	116	147	209	219	236
Curr Liabilities	352	372	510	670	1,064	1,128	1,250	1,452
Net Curr Assets	152	147	190	531	463	604	654	1,017
Total Assets	981	997	1,487	2,398	3,365	4,231	4,572	5,128

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	1,706	2,232	2,527	3,386	4,471	5,908	6,626	7,936
Change (%)	27%	31%	13%	34%	32%	32%	12%	20%
Other Income	17	17	14	14	33	27	36	55
EBITDA	78	154	238	374	534	725	821	1,014
Change (%)	-17%	98%	54%	57%	43%	36%	13%	24%
Margin (%)	4.6%	6.9%	9.4%	11.0%	11.9%	12.3%	12.4%	12.8%
Depr & Amor.	59	83	93	136	165	234	302	326
EBIT	19	71	145	238	369	491	518	689
Int. & other fin. Cost	24	25	26	40	35	63	77	70
EBT	11	63	134	212	367	455	477	674
Exp Item	(1)	(16)	(5)	-	(38)	-	-	-
Tax	8	19	28	46	98	134	145	202
Minority Int & P/L share of Ass.	2	9	0	20	23	19	23	27
Reported PAT	7	68	111	185	331	339	354	499
Adjusted PAT	7	68	111	185	331	339	354	499
Change (%)	-75%	847%	64%	67%	79%	3%	4%	41%
Margin(%)	0.4%	3.0%	4.4%	5.5%	7.4%	5.7%	5.3%	6.3%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	2%	19%	24%	24%	24%	20%	18%	20%
ROCE	4%	15%	23%	25%	23%	21%	20%	23%
Asset Turnover	1.7	2.2	1.7	1.4	1.3	1.4	1.4	1.5
Debtor Days	56	47	53	54	64	56	55	55
Inv Days	27	23	27	26	34	35	33	33
Payable Days	53	44	46	52	65	49	50	50
Int Coverage	0.8	2.8	5.7	6.0	10.5	7.8	6.7	9.9
P/E	37.0	10.2	9.4	30.0	23.1	30.2	-	-
Price / Book Value	0.9	1.9	2.2	7.3	5.5	5.0	4.2	3.4
EV/EBITDA	5	5	5	14	15	12	10	8
FCF per Share	(3)	3	(3)	3	(6)	(7)	10	16

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	13	79	139	212	405	455	477	674
(inc)/Dec in Working Capital	(42)	(10)	(82)	9	(103)	(180)	(32)	(145)
Non Cash Op Exp	59	83	93	136	165	234	302	326
Int Paid (+)	23	25	26	40	35	63	77	70
Tax Paid	(9)	(17)	(25)	(56)	(85)	(115)	(145)	(202)
others	(2)	(33)	(3)	(8)	(24)	-	-	-
CF from Op. Activities	42	135	146	335	362	456	679	722
(inc)/Dec in FA & CWIP	(137)	(122)	(74)	(211)	(254)	(517)	(631)	(408)
Free Cashflow	(95)	13	72	124	108	(60)	48	314
(Pur)/Sale of Inv	(23)	21	2	-	-	-	-	-
others	8	8	(48)	(17)	(124)	(200)	(63)	(17)
CF from Inv. Activities	(137)	(39)	(257)	(271)	(641)	(832)	(472)	(317)
inc/(dec) in NW	-	-	-	300	-	-	-	-
inc/(dec) in Debt	106	(67)	160	(3)	84	413	(96)	(86)
Int. Paid	(23)	(26)	(25)	(39)	(35)	(63)	(77)	(70)
Div Paid (inc tax)	(6)	(10)	(13)	(27)	(23)	(17)	(41)	(58)
others	3	5	0	-	-	-	-	-
CF from Fin. Activities	80	(98)	123	253	46	333	(214)	(214)
Inc(Dec) in Cash	(15)	(2)	13	317	(232)	(43)	(7)	191
Add: Opening Balance	39	23	21	38	358	126	93	107
Closing Balance	24	21	34	358	125	83	85	298

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