




Industry
Bloomberg
BSE CODE

Auto Ancillary
MINDA IN
532539

RATING	NEUTRAL
CMP	336
Price Target	312
Potential Upside	-7%
Rating Change	
Estimate Change	
Target Change	

STOCK INFO	
52wk Range H/L	392/256
Mkt Capital (Rs Cr)	8818
Free float (%)	29%
Avg. Vol 1M (,000)	94
No. of Shares (Crs)	26
Promoters Pledged %	0%

Further contraction in OE volumes to dent margins

2QFY20 Result Update

- MINDAIND has reported a decline in revenue by 11% YoY at Rs.1360 crores (vs our estimates of Rs.1479 crores) due to declined volume growth across OEMs.
- The switch business constitutes 36% of the revenue. It de-grew by 18%YoY to Rs.489 crores.
- Horns & acoustics segment contributes 12% of the revenue and declined by 11% YoY to Rs. 163 crores.
- The lighting segment which contributes 23% to the revenue declined by 7% YoY to Rs. 313 crores during the quarter.
- The light metal technology business which contributes 15% to the revenue clocked around Rs. 204 crores with a decline of 21% YoY. The others business which includes I-sys, Katolec and KPIT clocked sales of Rs. 190 crores with a growth of 25%YoY.
- Minda Rika revenue for H1FY20 stood at Rs 276 crores while Minda Kosai reported revenue of Rs. 345 crores for the same period.
- Gross margins improved by 65 bps to 40.1% during the quarter led by favourable forex and commodity price movement. EBITDA margins declined marginally to 11.9% due to weaker operating leverage.
- PAT for the quarter stood at Rs. 58 crores (vs our estimates of Rs.81 crores). PAT margin maintained at 4.3% level on account of lower tax expenses during the quarter.
- The company has secured new orders from MSIL new Model S-Presso for switches and lightings. It has also got additional business in Renault for lightings.
- Net debt for the company in H1FY20 stood at Rs.902 crores.
- The effective tax rate for the full year is to be around 25-26%.

View and Valuation

The operational performance has deteriorated due to sharp contraction in OEM volumes. The demand environment continues to remain uncertain going ahead. Though, new launches have helped to improve retail demand during festive season. Going ahead new plants and addition of new businesses will lead to higher depreciation cost while increased debt level in the books will have negative impact on the bottom-line. However the management seems confident on outperforming the industry in the long run. Factoring the weak demand environment, higher depreciation and debt level we reduce FY20/21 EPS estimate by 10%/8%. We value the stock at 18x FY21e EPS to arrive at a target price of Rs.312 and maintain 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	6129	7145
EBITDA	374	534	725	745	914
EBIT	238	369	491	443	588
PAT	185	331	339	311	455
EPS (Rs)	8	13	13	12	17
EPS growth (%)	66.6	62.6	2.3	(8.4)	46.3
ROE (%)	24.4	23.8	19.9	15.7	19.1
ROCE (%)	25.4	22.6	21.2	17.1	20.0
BV	32	53	65	76	91
P/B (X)	7.3	5.5	5.0	4.4	3.7
P/E (x)	30.0	23.1	25.2	28.3	19.4

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Result below expectation

2QFY20 Results

Fig in Rs Cr

FINANCIALS	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	1,522	1,470	1,486	1,440	1,360	-11%	-6%	4,471	5,908	32%
Other Income	5	3	13	7	5	7%	-27%	33	27	-19%
Total Income	1,526	1,473	1,500	1,447	1,365	-11%	-6%	4,504	5,935	32%
COGS	938	903	899	872	815	-13%	-7%	2,763	3,622	31%
Staff Cost	195	205	203	215	208	7%	-3%	587	791	35%
Other Exp.	199	181	200	180	175	-12%	-3%	587	769	31%
Expenditure	1,332	1,290	1,301	1,268	1,198	-10%	-5%	3,937	5,183	32%
EBITDA	189	180	185	172	162	-15%	-6%	534	725	36%
Depreciation	56	61	68	71	74	32%	4%	165	234	42%
EBIT	133	120	117	101	88	-34%	-13%	369	491	33%
Interest	15	15	20	24	24	58%	0%	35	63	80%
PBT	123	108	110	84	69	-44%	-18%	367	455	24%
Excpt. Item	-	-	-	-	-	-	-	(38)	-	-
Tax	39	28	33	28	17	-56%	-38%	98	134	37%
PAT	89	81	85	62	52	-39%	-8%	331	339	3%

Concall Highlights

- The management expects the industry to grow by 8-10% going ahead led by growth in PV segment.
- The industry wholesales volumes in 2Ws, PVs and CVs declined by 15%, 24% and 38% respectively during 2QFY20.
- Minda Denso Ten has bagged new orders worth Rs 120 Cr for Infotainment System from MSIL.
- MRPL has bagged business of 75 Cr {Auto HVAC + Light & Wiper Switches} for MSIL New Model.
- The 2W alloy wheel new plant is expected to be commissioned by April Fy21.
- The controllers business is expected to be commissioned by the end of December 2019 while the sensor business is expected to be commissioned by end of March 2019.
- The sensor business adds Rs. 130-150 crs to the revenue and with the commissioning of new sensor plant by end of Dec 2019 or early Jan 20, it will further add Rs. 250-300crs to the topline.
- The KPIT business has added only Rs 7-8 crs to the topline during the quarter due to lower CV volumes.
- Minda Rika revenue for H1FY20 stood at Rs 276 crs as against Rs. 310 crs while Minda Kosai revenue in H1FY20 stood at Rs. 345 crs as against Rs. 410 crs.
- MRPL and Minda Kosei have adapted to the new tax regime from the quarter.
- The effective tax rate for the full year is to be around 25-26%.
- Capex for FY20 is expected to be around Rs. 450 crs.
- **Update on "Scheme of Arrangement"**
 - Harita Seating Systems Merger - Shareholder and creditor meeting is being convened by NCLT Delhi on November 19, 2019. It is expected to be completed by February or March 2020. The Harita seating business is expected to add revenue of Rs 800 -1200 crs to the topline going ahead.
 - Merger of 4 WOS - Shareholder and creditor meeting is being convened by NCLT Delhi in the second week of December 2019 and on 16th December by NCLT Mumbai. It is expected to be commissioned by 4QFY20.
 - DELVIS Acquisition – It is expected to be completed by December 2019. The Delvis acquisition is expected to add revenue of 37-38 million Euros annually.

- **Business Division**

- Switches – contributes 36% to the total revenue
 - Revenue – Rs. 489 crs in 2QFY20.
 - The company secured additional business from MSIL new Model S-Presso
- Lightings – Contributes 23% to the total revenue
 - Revenue – Rs. 313 crs in 2QFY20
 - The company got additional business in Renault and MSIL (S-Presso)
- Acoustics – contributes 12% to the total revenue
 - Revenue – Rs. 163 crs in 2QFY20
 - The domestic business maintained despite volume cuts by OEM
 - Clarton Horn volume was lower on account of tepid European market while margins were impacted marginally due to forex impact on Mexican business.
- Light metal technology – Contributes 15% to the total revenue
 - Revenue – Rs. 204 crs in 2QFY20
 - The company had got new orders from MSIL and M&M
- Others – Contributes 14% to the total revenue
 - Revenue – Rs. 190 crs in 2QFY20
 - iSYS , Katolec and KPIT have contributed to top line growth.

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

Revenue declined by 11% YoY due to lower sales across OEMs

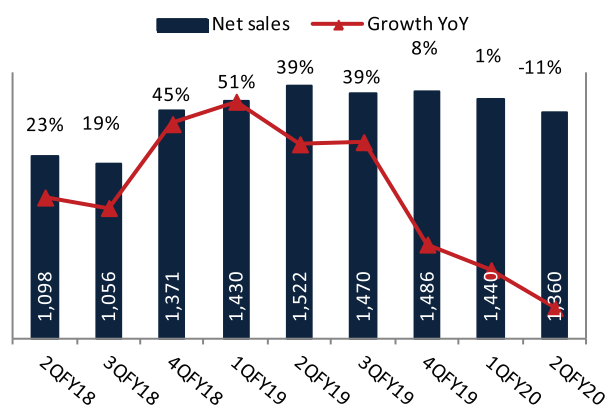


Exhibit: COGS (Rs. Crore) & Gross Margin Trend

Gross margins improved by 65 bps to 40.1% led by favourable forex and commodity price movement.

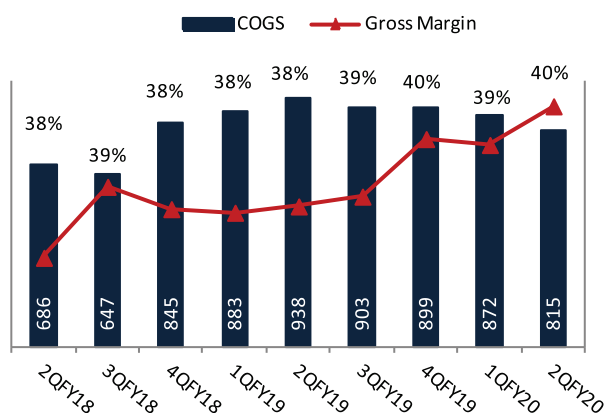


Exhibit: EBITDA (Rs. Crore) and EBITDA Margin Trend

EBITDA margins declined marginally to 11.9% due to weaker operating leverage.

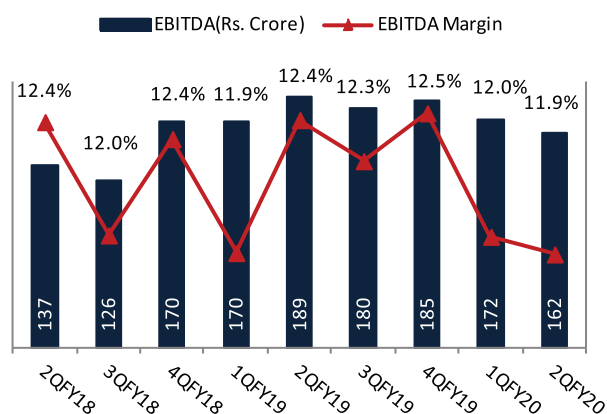


Exhibit: PAT (Rs. Crore) and PAT Margin Trend

PAT margins maintained at 4.3% level led by lower tax expenses

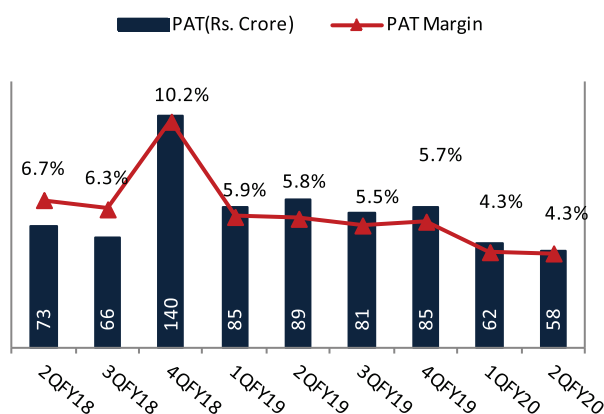


Exhibit: Revenue mix

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

Legend: Switches, Horns/Acoustics, Lighting, LMT, Others

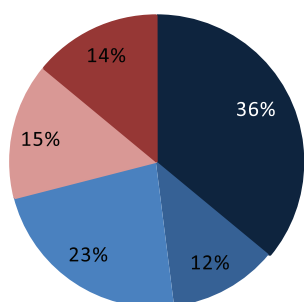
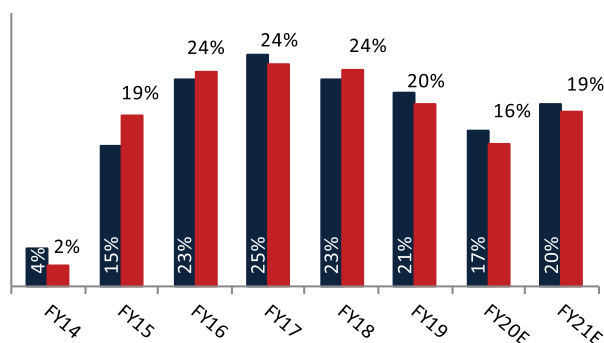


Exhibit: Return Ratios

Return ratios to improve going ahead as the profitability improves

Legend: 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	1,930	2,331
Networth	311	365	472	759	1,392	1,704	1,982	2,384
Debt	278	209	353	438	543	955	909	818
Other Non Cur Liab	26	29	43	112	155	176	276	276
Total Capital Employed	449	462	641	937	1,632	2,311	2,595	2,935
Net Fixed Assets (incl CWIP)	422	420	697	993	1,450	1,846	2,075	2,049
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	2,790	2,781
Inventory	125	141	184	238	418	561	554	646
Debtors	261	289	364	500	790	899	923	1,077
Cash & Bank	28	28	57	374	159	110	173	380
Other Curr Assets	90	61	96	90	160	162	168	191
Curr Assets	504	519	700	1,202	1,527	1,733	1,818	2,294
Creditors	247	267	321	486	798	798	840	979
Provisons (both)	36	42	52	68	119	121	122	126
Other Curr Liab	69	63	136	116	147	209	212	226
Curr Liabilities	352	372	510	670	1,064	1,128	1,174	1,330
Net Curr Assets	152	147	190	531	463	604	644	964
Total Assets	981	997	1,487	2,398	3,365	4,231	4,608	5,075

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	6,129	7,145
Change (%)	27%	31%	13%	34%	32%	32%	4%	17%
Other Income	17	17	14	14	33	27	38	57
EBITDA	78	154	238	374	534	725	745	914
Change (%)	-17%	98%	54%	57%	43%	36%	3%	23%
Margin (%)	4.6%	6.9%	9.4%	11.0%	11.9%	12.3%	12.2%	12.8%
Depr & Amor.	59	83	93	136	165	234	302	326
EBIT	19	71	145	238	369	491	443	588
Int. & other fin. Cost	24	25	26	40	35	63	91	74
EBT	11	63	134	212	367	455	390	572
Exp Item	(1)	(16)	(5)	-	(38)	-	-	-
Tax	8	19	28	46	98	134	102	144
Minority Int & P/L share of Ass.	2	9	0	20	23	19	23	27
Reported PAT	7	68	111	185	331	339	311	455
Adjusted PAT	7	68	111	185	331	339	311	455
Change (%)	-75%	847%	64%	67%	79%	3%	-8%	46%
Margin(%)	0.4%	3.0%	4.4%	5.5%	7.4%	5.7%	5.1%	6.4%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	2%	19%	24%	24%	24%	20%	16%	19%
ROCE	4%	15%	23%	25%	23%	21%	17%	20%
Asset Turnover	1.7	2.2	1.7	1.4	1.3	1.4	1.3	1.4
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	4.9	8.0
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	4.4	3.7
EV/EBITDA	5	5	5	14	15	12	12	10
FCF per Share	(3)	3	(3)	3	(6)	(10)	7	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	390	572
(inc)/Dec in Working Capital	(42)	(10)	(82)	9	(103)	(223)	23	(113)
Non Cash Op Exp	59	83	93	136	165	234	302	326
Int Paid (+)	23	25	26	40	35	63	91	74
Tax Paid	(9)	(17)	(25)	(56)	(85)	(115)	(102)	(144)
others	(2)	(33)	(3)	(8)	(24)	(12)	-	-
CF from Op. Activities	42	135	146	335	362	414	704	714
(inc)/Dec in FA & CWIP	(137)	(122)	(74)	(211)	(254)	(517)	(670)	(531)
Free Cashflow	(95)	13	72	124	108	(103)	34	183
(Pur)/Sale of Inv	(23)	21	2	-	-	-	-	-
others	8	8	(48)	(17)	(124)	(155)	(63)	(17)
CF from Inv. Activities	(137)	(39)	(257)	(271)	(641)	(825)	(594)	(317)
inc/(dec) in NW	-	-	-	300	-	-	-	-
inc/(dec) in Debt	106	(67)	160	(3)	84	457	(46)	(91)
Int. Paid	(23)	(26)	(25)	(39)	(35)	(62)	(91)	(74)
Div Paid (inc tax)	(6)	(10)	(13)	(27)	(23)	(35)	(36)	(53)
others	3	5	0	-	-	-	-	-
CF from Fin. Activities	80	(98)	123	253	46	368	(174)	(218)
Inc(Dec) in Cash	(15)	(2)	13	317	(232)	(43)	(64)	179
Add: Opening Balance	39	23	21	38	358	126	93	152
Closing Balance	24	21	34	358	125	93	29	331

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.