



## Minda Corp Ltd. Q2 FY18 Quarterly Update

### Results have improved:

Minda Corporation Ltd. reported strong set of numbers for Q2FY18, witnessing improvement across all parameters and company is on its way to achieving double digit margins after a steep fall in margins to 6.1% in FY17. For Q2FY18, Minda Corp. Ltd. reported a robust growth of 19.6% YoY in sales to Rs. 655 cr. The growth was witnessed across all its three business verticals and highest in Driver Information and Telematics System.

Company's operating profit growth of 43.2% to Rs. 75.0 cr came in as a positive surprise as company registered EBITDA Margins of 11.5%, much higher than guided by the management. Compared to corresponding quarter margins improved 150 bps and sequentially it improved 400 bps led by; i) higher volumes bringing operating leverage gains, ii) improved product mix (high share of Driver Information and Telematics System) and iii) reduction in employee cost as company is rationalizing its manpower. Company's PAT before share of associates increased 19.2% (YoY) to Rs. 35.2 cr despite lower other income (declined from 8.2 cr to 2.1 cr). Depreciation expense increased from 14.8 cr to 18.8 cr due to capitalization of various assets which are now operational.

### Q4FY17 Updates and Concall Highlights:

- Company's order-book stands at Rs. 1,200 cr in addition to recurring orders that flow in regular course of business. Order-book split is Safety, Security and Restraint System Rs. 600 cr, Driver Information and Telematics System Rs. 360 cr, Interior System Rs. 240 cr.
- Update on Furukawa JV:
  - The action plan for turning corners for Minda Furukawa JV is underway and it has started bearing results for the company. For H1FY18, this JV has tuned PAT positive.
  - Part of the turn-around in company's financial performance can be attributed to shutting down of Kwid business which was making losses.
  - Cessation of Kwid business will hit company's revenues by ~Rs. 125 cr however part of it will be recovered from new business that company got from Maruti for its Swift Model
- Company's focus is on increasing exports of its legacy products. For FY17, company is targeting exports revenue of Rs. 250 cr and by FY20 they aim to take it to Rs. 500 cr.
- Company is in the process of setting up production line for new product - 'Control Cables' at Pant Nagar plant. The Company has already been awarded its first order from a global two-wheeler OEM in India for Control Cables.

### MARKET DATA

MARKET DATA	MINDACORP
NSE TICKER	MINDACORP
Networth FY17E (Rs in Crs)	650.8
P/BV Ratio (FY18) (x)	4.2
EPS (FY18E)(Rs.)	5.7
Market Price (Rs.)	161
P/E Ratio (FY18E) (x)	28X
52 Week High(Rs)	162
52 Week Low (Rs)	85
Market Capitalisation (rs. Cr)	3350

### AVERAGE MONTHLY VOLUME ('000)

BSE	464
NSE	784

### SHARE HOLDING PATTERN

Promoter	70.2
FII	1.8
DII	8.0
Public	20.0

### RETURN (%)

	3M	6M	12M
Minda Corp.	25.2	44.3	51.5
Sensex	5.0	13.0	23.3

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### Quarterly Performance:

Particulars (Rs in crs)	Q1 FY18	Q1 FY17	YoY (%)	Q4 FY17	QoQ (%)	FY17	FY16	YoY (%)
Net Sales	655.0	547.6	19.6	581.7	12.6	2962.0	2445.5	21.1
RM Cost	394.1	330.6	19.2	356.1	10.7	1887.9	1499.2	25.8
RM Cost as % of Sales	60.2%	60.4%	-20 bps	61.2%	-100 bps	63.7%	61.3%	240 bps
EBITDA	75.0	52.4	43.2	44.3		198.1	227.0	-12.7
EBITDA Margin	11.5%	9.6%	190 bps	7.6%	390 bps	6.7%	9.3%	-260 bps
Interest	8.8	7.3	--	7.6	--	40.9	37.1	--
PBT	49.6	38.4	29.1	23.1	114.5	100.6	146.5	-31.5
Tax	14.4	8.9	--	6.0	--	33.1	36.6	--
PAT	35.2	29.5	19.3	17.2	104.9	67.4	110.0	-38.7
Share of Associates	6.9	9.5	-27.6	5.9	17.6	28.7	-2.7	NM
Consl PAT	42.1	39.0	7.9	23.0	82.7	96.0	107.3	-11.5
EPS	2.0	1.9	8.1	1.1	82.7	4.5	5.2	-11.5



## • Guidance on Margin

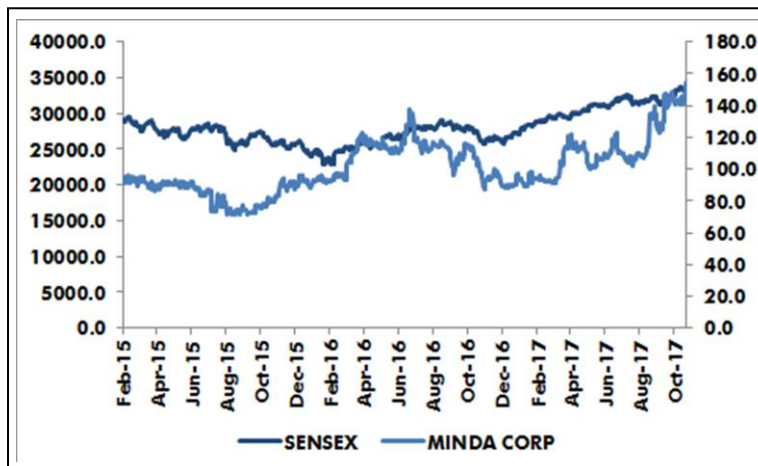
- Company has maintained guidance to sustain 10-11% EBITDA margin for near term.
- Going ahead it aims to increase margins further by optimizing its employee cost, turnaround of Minda Furukawa, Increase in better margin business in export and electronics and Margin improvements in other JV Minda KTSN

## Valuation & View:

On the back of various expansion initiatives like commissioning of Mexico plant, Die-Casting facility in Pune, JV in China for manufacturing interior systems and increase in share of business with OEMs, MCL's revenues are expected to grow at 14.5% CAGR through FY19. Turnaround of Minda Furukawa JV and greater contribution of high value products and exports will improve company's margins from current 6.1% to around 10.5% by FY19 which will significantly improve company's PAT from 67 cr in FY17 to Rs. 189 cr in FY19.

In this report we introduce projections for FY18 and FY19. We recommend a BUY on the stock with revised price target of Rs. 180 which we arrived at by assigning a multiple of 20X to FY19's EPS of Rs. 9.0

## 3-Yr Price comparison





## ❖ About Company

Minda Corporation Limited (MCL) is a diversified automotive components manufacturer with a product portfolio that encompasses Safety, Security and Restraint Systems; Plastic Interior Systems and Driver Information & Telematics Systems for auto OEMs. Company has its manufacturing facilities at India, South-East Asia and Europe.

## ❖ Investment Rationale

### **Minda-Furukawa JV to turn profitable, big boost to profitability**

In order to turn the loss making Minda-Furukawa JV into profitable Unit, the management has set up a team force to tweak the business arrangements between Minda Corp and Furukawa Group, Japan. As a part of this reorganization, this JV will lower import content in its RM procurement while the Japanese counterpart will reduce Royalty and interest it charges to the JV. They have also exited the loss making business at their Chennai Plant.

### **Sensor Business a good catalyst for future growth**

Minda, with its technical partner Stoneridge, is expected to generate sizeable business from Sensors. Currently the market size of Sensors in India, in which Minda operates, is expected to be around Rs. 550 crore and Minda already has 20% share in it. Going ahead post implementation of BS VI, the size of this industry is expected to grow to Rs. 1300 cr by 2020 and to Rs. 2300 cr by 2023 as it will make several sensors compulsory in a vehicle.

### **Other Capacity Expansion initiatives:**

Minda Corp. is doubling its die-casting capacity at Chakan, Pune from 4600 MT currently to 9600MT by FY20 at an investment of Rs. 75 cr. This will be a big boost for their export revenue from this segment.

Minda Corp. is setting up a capacity at Mexico with an investment of Rs. 175 cr for manufacturing of plastic interiors. The revenue potential from this plant is ~Rs. 200-220 cr.

It is also commissioning a facility in China in partnership with SBHAP group for Plastic oil pans and cylinder heads.

### **Focus on technology upgradation brings to fore company's foresight**

Minda Corp has set up a technology Center at Pune, 'Spark Minda Technology Centre', to increase engineering capabilities, quality & efficiency. At this technology Center, the focus of the company would be to modernize and technologically upgrade its legacy products



Minda Corp. Ltd.- Statement of Profit & Loss				
DESCRIPTION	FY16	FY17	FY18	FY19
Net Sales	2445.5	2962.0	3409.6	3907.7
EXPENDITURE :				
Raw Material Consumed	1499.2	1887.9	2134.1	2443.2
Power & Fuel Cost	40.8	43.6	56.1	61.9
Employee Cost	416.5	497.1	538.3	580.1
Other Operating Expenses	262.1	335.4	368.4	414.0
<b>EBITDA(Excl OI)</b>	<b>227.0</b>	<b>198.1</b>	<b>312.7</b>	<b>408.6</b>
<b>EBITDA Margin</b>	<b>9.3%</b>	<b>6.7%</b>	<b>0.1</b>	<b>0.1</b>
Depreciation	74.5	84.7	92.5	100.3
<b>EBIT</b>	<b>152.5</b>	<b>113.4</b>	<b>220.2</b>	<b>308.2</b>
Other Income	17.3	46.3	19.6	20.6
Interest	37.1	40.9	56.0	45.3
PBT before exceptional item	132.7	118.8	183.7	283.5
Exceptionaonal Item	13.7	-18.2	0.0	0.0
<b>PBT</b>	<b>146.5</b>	<b>100.6</b>	<b>183.7</b>	<b>283.5</b>
Provision for Tax	36.6	33.1	64.0	94.1
Minority Interest		28.7	0.0	0.0
<b>Profit After Tax</b>	<b>109.9</b>	<b>96.1</b>	<b>119.7</b>	<b>189.3</b>
<b>Earnings Per Share</b>	<b>5.2</b>	<b>4.6</b>	<b>5.7</b>	<b>9.0</b>

Minda Corp. Ltd.- Balance Sheet				
DESCRIPTION	FY16	FY17	FY18	FY19
Equity Share Capital	41.6	41.9	41.9	41.9
Pref. Share Capital	19.2	19.2	19.2	19.2
Total Reserves	506.6	589.7	701.9	796.6
<b>Shareholder's Funds</b>	<b>567.4</b>	<b>650.8</b>	<b>763.0</b>	<b>857.7</b>
<b>Minority Interest</b>	<b>63.7</b>	<b>35.0</b>	<b>35.0</b>	<b>35.0</b>
Total Borrowings	543.0	634.6	537.5	420.5
Other Long Term Liabilities	35.7	36.9	42.4	48.6
<b>Total Non-Current Liabilities</b>	<b>578.7</b>	<b>671.5</b>	<b>579.9</b>	<b>469.1</b>
Trade Payables	425.6	519.0	543.3	632.1
Other Current Liabilities	135.4	139.3	160.4	183.8
<b>Total Current Liabilities</b>	<b>561.0</b>	<b>658.3</b>	<b>703.6</b>	<b>815.9</b>
<b>Total Liabilities</b>	<b>1770.8</b>	<b>2015.7</b>	<b>2081.5</b>	<b>2177.8</b>
Fixed Assets	731.8	845.6	801.4	798.1
Other Non Current Assets	32.4	38.2	43.4	48.9
<b>Total Non-Current Assets</b>	<b>764.2</b>	<b>883.8</b>	<b>844.7</b>	<b>847.1</b>
Inventories	321.0	413.6	427.7	503.6
Sundry Debtors	435.3	500.0	548.5	636.1
Cash and Bank	88.2	57.0	57.0	57.0
Other Current Assets	162.1	161.1	203.6	134.0
<b>Total Current Assets</b>	<b>1006.6</b>	<b>1131.7</b>	<b>1236.8</b>	<b>1330.7</b>
<b>Total Assets</b>	<b>1770.8</b>	<b>2015.5</b>	<b>2081.5</b>	<b>2177.8</b>



## Minda Corp. Ltd.- Key Ratios

DESCRIPTION	FY16	FY17	FY18E	FY19E
EBITM (%)	9.3	6.7	9.2	10.5
ROE (%)	22.1	15.8	16.9	23.4
ROCE (%)	14.7	8.1	17.0	23.9
Fixed Asset Turnover (x)	3.7	3.8	4.1	4.9
Receivable days	56	58	56	55
Inventory Days	62	66	68	70
Payable days	82	85	86	88
Total Debt/Equity(x)	1.0	1.0	0.7	0.5
Current Ratio(x)	1.1	1.7	1.8	1.6
Adjusted P/E Ratio	31.0	34.8	28.0	17.7
Price/ Book value	3.8	3.3	4.3	3.8

## Minda Corp.- Cash Flow

DESCRIPTION	FY16	FY17	FY18E	FY19E
PBT (ex OI)+ Depreciation	203.7	138.9	256.7	363.2
Tax Paid	-36.6	-33.1	-64.0	-94.1
Changes in Working Capital	-10.6	-58.6	-16.9	-50.6
<b>Cash Flow from Operations</b>	<b>156.5</b>	<b>47.3</b>	<b>175.8</b>	<b>218.5</b>
<b>Cash Flow from Investing</b>	<b>-159.7</b>	<b>-211.8</b>	<b>-90.7</b>	<b>-112.1</b>
Dividend Paid (Eq + Pref)	-12.4	-5.0	-7.5	-10.0
Other Income	17.3	46.3	19.6	20.6
Free Cash Flow	1.7	-123.3	97.1	117.0
<b>Cash Flow from Financing</b>	<b>41.2</b>	<b>91.6</b>	<b>-97.1</b>	<b>-117.0</b>
Opening Cash	44.1	88.2	56.5	56.5
<b>Closing Cash</b>	<b>88.2</b>	<b>56.5</b>	<b>56.5</b>	<b>56.5</b>



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