



Minda Corp Ltd. Q4 FY18 Quarterly Update

MARKET DATA

NSE TICKER	MINDACORP
Networth FY18 (Rs in Crs)	787.1
P/BV Ratio (FY18) (x)	4.9
EPS (FY18E)(Rs.)	6.8
Market Price (Rs.)	185
P/E Ratio (FY18E) (x)	29.2X
52 Week High(Rs)	229
52 Week Low (Rs)	90
Market Capitalisation (rs. Cr)	4150

AVERAGE MONTHLY VOLUME ('000)

BSE	54
NSE	322

SHARE HOLDING PATTERN

Promoter	70.2
FII	1.8
DII	8.0
Public	20.0

RETURN (%)

	3M	6M	12M
Minda Corp.	-1.8	-4.4	83.2
Nifty	1.3	2.6	10.7

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Another quarter of strong performance:

Minda Corporation Ltd. reported strong set of numbers for Q4FY18, registering a robust growth of 39.9% YoY on topline which grew to Rs. 720.5 cr. The growth was witnessed across all its three business verticals and in all its major subsidiaries except Minda Furukawa, in which the company discontinued Chennai plant during the year.

Company reported significant increase of 113.2% in EBITDA to Rs. 81.8 cr, on the back of marked improvement in margins. The EBITDA Margins for the quarter were 11.4% compared to only 7.4% in corresponding quarter of previous year. The improvement in margins are attributable to i) higher volumes leading to better absorption of fixed overheads, ii) improved product mix and iii) better utilization of manpower. Company's PAT after share of minority and associates increased 137% (YoY) to Rs. 38.7 cr despite decline in other income from 10.2 cr to 8.8 cr, increase in interest cost from 6.9 cr to 10.6 cr. Depreciation expense also increased from 14.2 cr to 19.6 cr due to capitalization of various assets which are now operational.

Q4FY17 Updates and Concall Highlights:

- The management gave a positive guidance for FY19 and it was confident of beating the industry growth. It further stated that it would strive to achieve growth of ~20% which could also be achieved by the means of acquisitions.
- The key drives to growth will be higher turnover from sensors from its subsidiary Minda SToneridge, increase in realization of wiring harness by ~30-40% post BS IV implementation, commissioning of Die-Casting plant and operationalization of plastic interiors plant at Mexico and China.
- Update on Furukawa JV:
 - During the year, Minda Furukawa ended with positive EBITDA of Rs. 26.5 cr while at PAT level it reported a loss of Rs. 7.7 cr (Company's share 50%) and company's focus on stabilizing the business will continue into FY19.
 - During the quarter company took a hit of Rs. 7 cr as it wrote off certain receivables and booked foreign exchange loss which led to negative PAT for the quarter in Furukawa.
- Company's focus is on increasing its exports revenue and it is targeting revenue of Rs. 500 cr by FY20 from Rs. 150 cr in FY17. Company has also identified some legacy products for exports: Die Casting, Wiring harnesses, Starter Motors, Alternators and immobilizers.

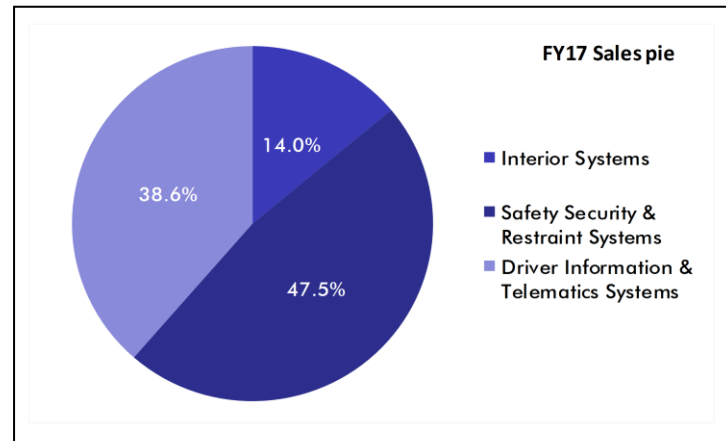
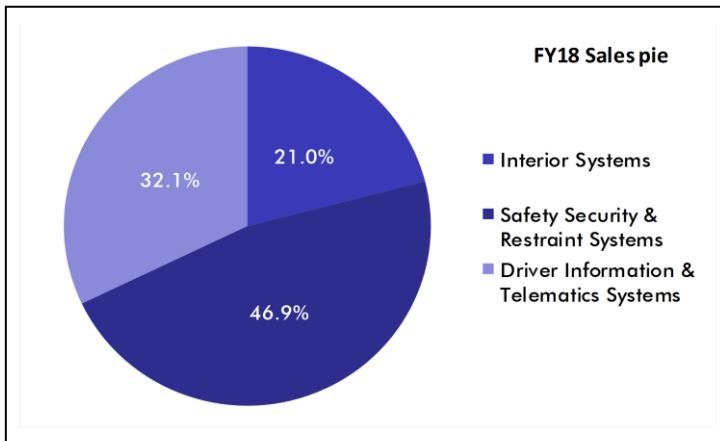
Quarterly Performance:

Particulars (RS in crs)	Q4 FY18	Q4 FY17	YoY (%)	Q3 FY18	QoQ (%)	FY18	FY17	YoY (%)
Net Sales	720.5	515.0	39.9	636.2	13.3	2593.4	2059.8	25.9
RM Cost	435.6	316.1	37.8	372.7	16.9	1558.55	1226.5	27.1
RM Cost as % of Sales	60.5%	61.4%	-90 bps	58.6%	190 bps	60.1%	59.5%	60 bps
Operating Expenses	86.2	68.8	25.3	80.8	6.6	320.7	273.2	17.4
Employee Cost	116.9	91.7	27.5	111.0	5.4	441.3	371.4	18.8
EBITDA	81.8	38.4	113.2	71.7	14.1	272.85	188.7	44.6
EBITDA Margin	11.4%	7.4%	400 bps	11.3%	10 bps	10.5%	9.2%	130 bps
Interest	10.6	6.9	--	10.1	--	37.1	26.9	--
PBT	60.5	27.4	120.4	45.0	34.3	178.2	144.6	23.2
Tax	17.1	2.2	--	12.2	--	45.8	31.7	--
PAT	43.3	25.3	71.6	32.9	31.9	132.4	112.9	17.3
Share of Associates	-4.7	-8.9	--	5.0	--	9.7	-10.7	--
Consl PAT	38.7	16.3	137.0	37.9	2.1	142.1	102.2	39.0
EPS	1.9	0.8	138.5	1.8	2.2	6.8	4.9	38.9



- Sales to PV which formed 19% of overall revenue will increase going ahead as majority of the new products- plastic interiors, die-casting and sensors- will cater to the PVs and thus it will be margin accretive.
- During the quarter company completed QIP of Rs. 310 cr (1.79 cr shares issued at Rs. 173.5, 8% dilution) which it will keep as a war chest for acquisitions and if need be then for repayment of debt and meeting working capital requirements.
- Company was able to pass through all the major increase in commodity prices. It usually passes on price hikes after a quarter's lag.

Key highlights of the year:



- During the year, two of company's overseas interior systems plant at China and Russia commenced operations which led to increase in revenue share from Interior systems.
- Segment wise revenue and EBITDA Margins for the year:

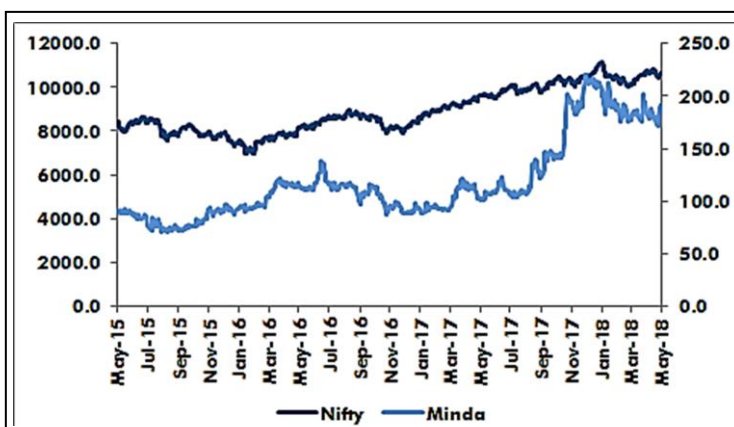
	Safety Security & Restraint System		Driver Information & Telematics System		Interior System	
	FY17	FY18	FY17	FY18	FY17	FY18
Revenue (Rs. Cr)	1033.0	1215.8	612.0	832.7	414.8	544.9
EBITDA Margin	10.4%	11.1%	9.3%	9.8%	6.3%	10.2%

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 15.5% over FY18 to FY20. Turnaround of Minda Furukawa JV, favourable product mix, increase in exports and rationalization of manpower cost will improve company's margins from current 9.2% in FY18 to around 11.1% by FY20E which will significantly improve company's PAT to Rs. 289.6 cr in FY20 from Rs. 143.8 cr in FY18.

We recommend a BUY on the stock with revised price target of Rs. 254 which we have arrived by assigning a multiple of 20X to FY20's EPS of Rs. 12.7.

3-Yr Price comparison





Product obsolescence chart:

During the quarter, the company released a product obsolescence chart which highlights how the company’s product would fare under different technologies i.e. Ignition Combustion Engine (existing vehicles), Hybrid vehicles and Electric vehicles (EVs). And from the below chart it can be understood that there are hardly few products of the company that faces obsolescence and most of it would continue to be part of vehicles under all technologies either as it is or with some modifications.

Business Group	Domain	Segment	S.no	Products	Powertrain Technology Respect		
					ICE: BSVI	Hybrid	Full EV
					Apr-20	2022-25	2025-30
Safety, Security and Restraint System	Security System	2W, 4W & Off Road	1	Ignition Lock and Lock set	✓	✓	✓
			2	Fuel Tank Cap	✓	✓	x
			3	Seat Lock, Magnetic Module, Mechanical Latch, Passive Antenna	✓	✓	✓
			4	Smart Key System, Key less Entry Systems, Electronic Steering Column Lock (ESCL)	✓	✓	✓
			5	Control Cables (2W)	✓	✓	✓
			6	Outer door, Inner door handles , Secondary Latches, Door Strikers	✓	✓	✓
			7	Standalone Immobilizer	✓	✓	✓
			8	Body Control Units (BCM), Gate way controllers, Multifunction ECU's	✓	✓	✓
	Die Casting	2W, 4W	9	Upper Bracket,Handle Holder, Handle mounting bracket, Technology - PDC	✓	✓	✓
			10	Tandem Master Cylinder, Caliper Body	✓	✓	✓
			11	Technology - LPDC, Technology - GDC	✓	✓	✓
			12	Compressor / Turbo charger Housing, Engine Mounting Brackets	✓	✓	x
	Starter/Alternator	Tractors	13	Starter Motor, Alternator	✓	✓	x
Driver Information and Telematics System	Instrument Cluster	2W, 3W & 4W	14	Mechanical/Analog Instrument Clusters	✓	✓	✓
			15	Digital / Electronic Clusters (4W)	✓	✓	✓
			16	Digital / Electronic Clusters (2W)	✓	✓	✓
			17	LCD / TFT type Instrument clusters	✓	✓	✓
	Sensors	2W, 3W & 4W	18	Pressure, Position, Speed and Temp sensors	✓	✓	✓
			19	Particulate Matter (PM), Soot Sensors	✓	✓	x
			20	EGT / EGRT Sensors	✓	✓	x
	Wiring Harness	2W, 3W & 4W	21	Wiring harness (2W , 4W)	✓	✓	✓
			22	HV Power Distribution Unit (PDU)	NA	✓	✓
			23	Battery Cables (LV / HV)	✓	✓	✓
			24	Components (Connectors, Terminals)	✓	✓	✓
25			SRC Connectors	✓	✓	✓	
Telematics	4W, 3W & 2W	26	Intelligent Transport systems (ITS)	✓	✓	✓	
		27	Fleet Management Systems and solutions	✓	✓	✓	
		28	Telematics gate way controllers , AIS 140 devices	✓	✓	✓	
Interior Plastics	4W	29	Glove box, Air vents, Louvers, Storage boxes, Ash tray, Cup holders	✓	✓	✓	
		30	Crash relevant structural, Strengthening Parts & Light weighting	✓	✓	✓	
		31	Oil Sump, Cylinder Head Covers, Noise Absorbers, Battery Tray	✓	✓	✓	
		32	Instrument panel hoods, seating parts, ABCD trims, Back panel seats	✓	✓	✓	

Investor Presentation

To continue as it is ✓ To continue with changes ✓ Obsolescence possible x Positively impacted Not Applicable NA



Minda Corp. Ltd.- Statement of Profit & Loss					
DESCRIPTION	FY16	FY17	FY18	FY19E	FY20E
Net Sales	2445.5	2962.0	3621.5	4246.6	4831.3
EXPENDITURE :					
Raw Material Consumed	1499.2	1887.9	2274.4	2669.2	3032.6
Power & Fuel Cost	40.8	43.6	58.8	66.7	76.5
Employee Cost	416.5	497.1	573.0	631.5	687.1
Other Operating Expenses	262.1	335.4	380.9	439.4	500.8
EBITDA(Excl OI)	227.0	198.1	334.5	439.8	534.2
EBITDA Margin	9.3%	6.7%	9.2%	10.4%	11.1%
Depreciation	74.5	84.7	92.5	101.5	113.0
EBIT	152.5	113.4	242.0	338.2	421.2
Other Income	17.3	46.3	19.6	33.0	46.9
Interest	37.1	40.9	41.0	45.7	33.7
PBT before exceptional item	132.7	118.8	220.5	325.5	434.3
Exceptionaonal Item	13.7	-18.2	0.0	0.0	0.0
PBT	146.5	100.6	220.5	325.5	434.3
Provision for Tax	36.6	33.1	76.6	110.1	144.6
Minority Interest		28.7	0.0	0.0	0.0
Profit After Tax	109.9	96.1	143.9	215.4	289.7
Earnings Per Share	5.2	4.6	6.9	9.5	12.7

Minda Corp. Ltd.- Balance Sheet					
DESCRIPTION	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	41.6	41.9	41.9	45.5	45.5
Pref. Share Capital	19.2	19.2	19.2	19.2	19.2
Total Reserves	506.6	589.7	726.0	1127.2	1218.2
Shareholder's Funds	567.4	650.8	787.1	1191.9	1282.9
Minority Interest	63.7	35.0	35.0	35.0	35.0
Total Borrowings	543.0	634.6	520.7	444.7	267.7
Other Long Term Liabilities	35.7	36.9	45.1	52.8	60.1
Total Non-Current Liabilities	578.7	671.5	565.8	497.6	327.8
Trade Payables	425.6	519.0	578.8	690.3	785.0
Other Current Liabilities	135.4	139.3	170.3	199.7	245.3
Total Current Liabilities	561.0	658.3	749.1	890.1	1012.3
Total Liabilities	1770.8	2015.7	2137.1	2614.6	2657.9
Fixed Assets	731.8	845.6	781.4	831.3	884.7
Other Non Current Assets	32.4	38.2	45.7	52.7	39.3
Total Non-Current Assets	764.2	883.8	827.1	884.0	944.0
Inventories	321.0	413.6	455.7	550.0	625.4
Sundry Debtors	435.3	500.0	593.6	705.6	802.3
Cash and Bank	88.2	57.0	57.0	367.0	367.0
Other Current Assets	162.1	161.1	203.6	107.9	65.3
Total Current Assets	1006.6	1131.7	1309.9	1730.5	1713.9
Total Assets	1770.8	2015.5	2137.1	2614.6	2657.9



Minda Corp. Ltd.- Key Ratios					
DESCRIPTION	FY16	FY17	FY18	FY19E	FY20E
EBITM (%)	9.3	6.7	9.2	10.4	11.1
ROE (%)	22.1	15.8	20.0	21.8	23.4
ROCE (%)	14.7	8.1	18.7	23.0	26.4
Fixed Asset Turnover (x)	3.7	3.8	4.5	5.3	5.6
Receivable days	56	58	55	56	57
Inventory Days	62	66	68	70	70
Payable days	82	85	86	88	88
Total Debt/Equity(x)	1.0	1.0	0.7	0.4	0.2
Current Ratio(x)	1.1	1.7	1.7	1.9	1.7
Adjusted P/E Ratio	35.9	40.2	26.9	19.5	14.5
Price/ Book value	3.8	3.3	4.2	2.8	2.6

Minda Corp.- Cash Flow					
DESCRIPTION	FY16	FY17	FY18	FY19E	FY20E
PBT (ex OI)+ Depreciation	203.7	138.9	286.5	380.3	500.5
Tax Paid	-36.6	-33.1	-77.7	-102.6	-144.6
Changes in Working Capital	-10.6	-58.6	-29.9	-56.4	-49.2
Cash Flow from Operations	156.5	47.3	179.0	221.2	306.7
Cash Flow from Investing	-159.7	-211.8	-70.7	-166.5	-166.4
Dividend Paid (Eq + Pref)	-12.4	-5.0	-7.5	-10.0	-10.0
Other Income	17.3	46.3	19.6	20.6	46.9
Free Cash Flow	1.7	-123.3	120.4	65.3	177.1
Cash Flow from Financing	41.2	91.6	-120.4	-65.3	-177.1
Opening Cash	44.1	88.2	56.5	56.5	56.5
Closing Cash	88.2	56.5	56.5	56.5	56.5



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