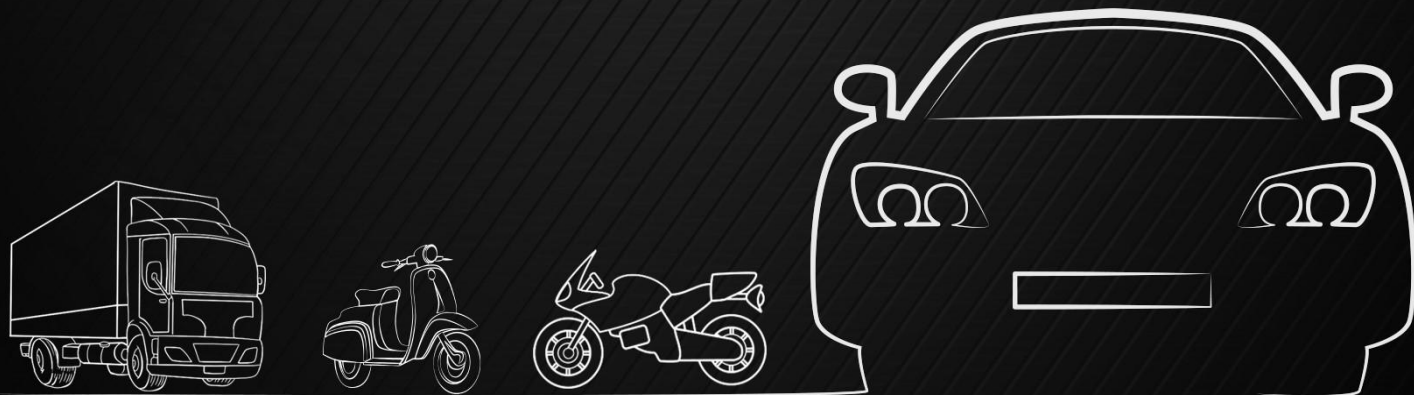


Minda Corporation Ltd



Minda Corporation Ltd

“Focus on cost management; 2W recovery to benefit”

CMP
INR 72

Target
INR 92

Market Cap (INR Mn)
16344

Recommendation
BUY

Sector
Auto & Ancillary

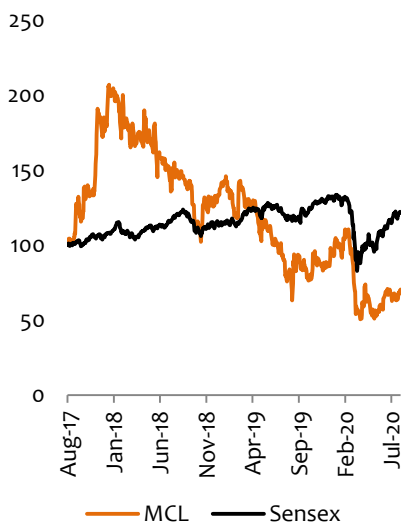
Result highlights – Q1FY21

- Minda Corporation Ltd, consolidated revenue from operations in Q1FY21 declined by 69.53% YoY and (down 66.82% QoQ) to INR 1779.60 Mn, impacted by lockdown.
- Gross profit margin for Q1FY21 came in at 37.77%.
- MCL reported EBITDA loss of INR 203.20 Mn compare to positive EBITDA of INR 666.8 Mn.
- EBTIDA margin for Q1FY21 was negative 11.42% compare to positive EBTIDA margin of 11.42%, significant decline was due to negative operating leverage, product mix and higher fixed cost.
- MCL reported net loss of INR 354 Mn in Q1FY21 as compare to net profit of 212 Mn in corresponding quarter last year.
- EPS for the quarter stood at INR (1.59) as against 0.95 in Q1FY20.

MARKET DATA

Shares outs (Mn)	227
Equity Cap (INR Mn)	454.44
Mkt Cap (INR Mn)	16344
52 Wk H/L (INR)	122/52
Volume Avg. (3m K)	1364
Face Value (INR)	2
Bloomberg Code	MDA IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	37,877
NIFTY	11,178

Key Financials

Particulars (INR Mn)	FY19	FY20	FY21E	FY22E
Net Sales	30920	28130	21302	27066
EBITDA	2924	2499	1853	2680
Adj. PAT	1516	934	836	1590
AEPS	7.5	4.12	3.70	7.04
EBITDA Margin%	9.5	8.9	8.7	9.9
APAT Margin %	5.4	0.55	3.9	5.9

Source: Company, KRChoksey Research

COVID-19 shutdown dragged overall performance

For Q1FY21, MCL revenue declined by 69.5% YoY and (-66.82% QOQ) to INR 1779.6 Mn, led by lower industry volumes and COVID-19 impact. In Q1FY21, domestic auto industry declined by 78.40% as against the volumes recorded in Q1FY20. 2W / 4W segment declined by 78.5% / 84.0% respectively, CV declined 87.6%, worst impacted segment in Q1FY21. Compare to industry, MCL revenue declined 69.5% YoY which is lower than the Industry on account of lower degrowth in aftermarket and exports, aftermarket was 20% of overall revenue in Q1FY21. MCL is set to benefit from strong demand in 2W and tractors segment, currently more than 50% of revenue comes from 2W segment. Segment performance, I) Mechatronics and aftermarket revenue declined 61.6% to INR 1126 Mn, decline was restricted by aftermarket and exports. EBTIDA margin in this vertical was negative 9.8% due to negative operating leverage. II) Information and connected system reported decline of 77.5% to INR 654 Mn due to sharp 88% fall in commercial vehicle and ramp up issues. EBITDA margin was negative 14.2% due to unfavourable leverage, adverse product mix and ramp up cost of BSVI.

Expect EBITDA margin to improve led by cost control measures

Minda Corporation reported Q1FY21 consolidated EBITDA loss of INR 203 Mn compare to EBITDA of INR 666.8 Mn in Q1FY21 and EBITDA margin came in at negative 11.42% compare to positive EBITDA margin of 11.42% in corresponding quarter last year. EBITDA margin declined on account of negative operating leverage in both the segments and higher fixed cost. Gross profit margin came in at 37.77%, impacted due to adverse product mix and sharp decline in revenue. MCL reported net loss of INR 354 compare to profit of INR 212 Mn in corresponding last year, decline in bottom-line was on account of poor operating performance and share of losses in JV of INR 58.3 Mn. We expect EBITDA margin improvement on back of cost control measures, better product mix and positive operating leverage.

SHARE HOLDING PATTERN (%)

Particulars	20-Jun	20-Mar	19-Dec
Promoters	68.1	68.1	68.1
FIIIs	5.97	8.85	8.56
DIIIs	7.5	5.46	5.52
Others	18.42	17.6	17.82
Total	100	100	100

9.9%

EBITDA Margin FY22E

5.9%

PAT Margin FY22E

ANALYST

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KRChoksey Research

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Minda Corporation Ltd

Concall Highlights

1) Auto sector was severely impacted by COVID-19 and headwinds due to economic slowdown. 2) First half of the quarter did not see any activity and production, production was only started in phased manner in latter part of May. 3) Green shoots in certain segment of industry in 2W and tractors. 4) Industry witnessed significant decline in volumes for Q1FY21, to minimise the impact company had taken various cost measures during the quarter. 4) Optimizing of capital expenditure and efficient working capital management is key focus. 5) More than 50% of revenue is coming from 2W, aftermarket and exports showing speedy of recovery. 6) India business contributes 80.60%, Europe and North America increased from 9% to 12.20% and South East 7.3%. 7) Revenue contribution by end market, 2W & 3W moved from 51.7% to 53.3%, CV has fallen from 30% to 19.80%, Aftermarket 20.30% compare to 10.5% same quarter last year. 8) Mechatronics and aftermarket contribute 63.3% of turnover and Informational & Connected system contributes 36.7%. 9) In Q1FY21 all the segment declined in the automotive industry with demand in April completely wiped out. 10) CV was worst impacted segment in Q1FY21 followed by PV and 2W category. 11) Performance was better than industry on account of aftermarket segment and exports. 12) EBTIDA margin declined on account of non-absorption of fixed cost and unfavourable product mix. 13) Strong counter measures taken like reduced employee cost, lowered other expenses during the quarter. 14) Share of loss in Joint venture was INR 58.3 Mn.

Valuations & Outlook

Q1FY21 result was characterized by low industry volumes on account of COVID-19 shutdown and supply chain disruption. However, strong counter measures like cost control and other expenses are likely to improve the EBITDA margin and overall operating performance. We expect, MCL to benefit from BSVI as content per vehicle to increase in 2W wiring harness (strong presence with 30% market share in the 2W wiring harness segment). MCL key focus area is to make investment in growing areas and profitable business opportunities, now uncertainty towards loss making entity is almost over, which gives more room towards deployment of cash in other resources and areas of business. We believe domestic business is rightly placed with various product developments, gaining market share and increase share of business with existing OEMs. We expect the recovery in the overall business to happen by H2FY21. We have valued the company at a P/E multiple of 13X on FY22E EPS of INR 7.04 to arrive at a target price of INR 92 per share. We maintain an “BUY” rating on the stock.

Consolidated Quarterly performance

Y/E Mar (INR Mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Income from operations	1,779.6	5,840.7	-69.53%	5,363.7	-66.82%
Cost of material consumed	901.1	3,452.9	-73.90%	3,243.5	-72.22%
Purchase stock in trade	119.7	197.8	-39.48%	211.9	-43.51%
Inc / (Dec) inventory	86.5	-87.9	-198.41%	-272.4	-131.75%
Employees cost	538.1	919.7	-41.49%	959.6	-43.92%
Other Expenses	337.4	691.4	-51.20%	831.1	-59.40%
Operating expenditure	1,982.8	5,173.9	-61.68%	4,973.7	-60.13%
EBITDA	-203.2	666.8	-130.47%	390.0	-152.10%
Depreciation	203.1	212.9	-4.60%	221.7	-8.39%
Operating profit	-406.3	453.9	-189.51%	168.3	-341.41%
Other income	88.7	71.3	24.40%	161.3	-45.01%
EBIT	-317.6	525.2	-160.47%	329.6	-196.36%
Interest	76.6	105.0	-27.05%	110.2	-30.49%
EBT	-394.2	420.2	-193.81%	219.4	-279.67%
Tax	-89.1	139.0	-164.10%	70.3	-226.74%
Profit/(loss) from JV/assoc.	-58.3	28.3	-306.01%	19.9	-392.96%
(loss) / Profit for after tax	-363.4	309.5	-217.42%	169.0	-315.03%
Profit/(loss) from discontinued operation	9.4	-119.8	-	-150.9	-
Exceptional Item	0.0	0.0	-	-2932.9	-
Tax related to discontinued operations		22.3	-	83	-
(loss) / Profit for after tax for the period	-354.0	212.0	-	-2,997.8	-

Source: Company, KRChoksey Research

Minda Corporation Ltd

Income Statement

Particulars (INR Mn)	FY19	FY20	FY21E	FY22E
Total Sales	30920	28130	21302	27066
COGS	19032	16991	12739	16456
EBITDA	2924	2499	1853	2680
Depreciation	883	1179	934	972
Interest & Finance charges	490	499	372	227
Other Income	355	443	426	460
EBT	2081	-1669	973	1940
Tax	669	454	243	485
PAT	1412	-2123	730	1455
Min. Int / others/ JV	280	125	107	135
PAT	1691	-1999	836	1590
APAT	1516	934	836	1590
AEPS	7.5	4.12	3.70	7.04

Source: Company, KRChoksey Research

Balance Sheet

Particulars (INR Mn)	FY19	FY20	FY21E	FY22E
Equity Share Capital	453	453	453	453
Reserves	11498	9298	9954	11363
Net worth	11951	9751	10407	11816
Total loans	5340.8	5155.4	4655.4	4405.4
Deferred tax liability (Net)	182	47.7	47.7	47.7
Capital Employed	17680	15241	15395	16555
Net block	6117	5292	5358	5586
CWIP	210	285	285	285
Intangible	1199.4	409.4	409.4	409.4
Investments	1650	1761	1704	1895
Inventories	4464	3949	3155	4076
Sundry debtors	5464	3898	3502	4449
Cash and bank	302	947	773	1271
Other Bank Balance	3227	3777	3777	3777
Loans and advances	303	34	21	27
Other Current Assets	732	2622	2622	2622
Total Current assets	14492	15226	13849	16221
Total Current liabilities	6838	8045	6490	8121
Net Current assets	7654	7181	7359	8100
Capital Deployed	17680	15241	15395	16555

Source: Company, KRChoksey Research

Minda Corporation Ltd

Cashflow Statement

Particulars (INR Mn)	FY19	FY20	FY21E	FY22E
Net Cash Generated From Operations	2093	4504	1822	2546
Net Cash Flow from/(used in) Investing Activities	-4018	-1371	-943	-1390
Net Cash Flow from Financing Activities	2033	-2490	-1053	-658
Net Inc./Dec in cash equivalents	108	643	-174	498

Source: Company, KRChoksey Research

Ratios

Particulars	FY19	FY20	FY21E	FY22E
EBITDA Margin%	9.5	8.9	8.7	9.9
APAT Margin%	5.4	0.55	3.9	5.9
ROE%	17.32	8.6	8.3	14.3
ROCE%	13.15	8.1	6.0	10.7
AEPS	7.5	4.12	3.70	7.04

Source: Company, KRChoksey Research

Minda Corporation 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%

ANALYST CERTIFICATION:

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