

Minda Industries Ltd



Minda Industries Ltd

“Visibility of revenue remains strong”

CMP INR 342	Target INR 377	Market Cap (INR Mn) 92682	Recommendation “Accumulate”	Sector Auto & Ancillary
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Result highlights

- Minda Industries Ltd (MIL) reported consolidated revenue decline of 71% YoY and (down 68.8% QoQ) to INR 4171.10 Mn, led by COVID-19 shutdown.
- Two wheeler industry volumes declined by 78.5% and four wheeler industry volumes are down by 84% YoY.
- Gross profit margin for the quarter came in at 42.05%.
- For Q1FY21, EBITDA loss was INR 714.90 Mn as compare to positive EBITDA of INR 1722 Mn in corresponding quarter last year.
- EBITDA margin was negative at 17.14% for Q1FY21 compare to positive EBITDA margin of 11.96% in Q1FY20.
- Loss from joint venture / associates was INR 162.10 Mn compare to profit of INR 59 Mn in Q1FY20.
- Net loss for the quarter was INR 1183.30 Mn compare to profit of INR 534.80 Mn in corresponding quarter last year.
- EPS for the quarter stood at INR (4.51) as against 2.04.

MARKET DATA

Shares outs (Mn)	271
Equity Cap (INR Mn)	543.86
Mkt Cap (INR Mn)	92682
52 Wk. H/L (INR)	423/208
Volume Avg. (3m K)	429.82
Face Value (INR)	2
Bloomberg Code	MNDA IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	38799
NIFTY	11466

Key Financials:-

Particulars (INR Mn)	FY19	FY20	FY21E	FY22E
Net Sales	59080	54651	50922	64241
EBITDA	7258	6192	5708	8480
Adj. PAT	2840	1689	1443	3559
EPS	10.88	6.47	5.27	13.0
EBITDA Margin%	12.29%	11.33%	11.21%	13.20%
PAT Margin %	4.81%	2.84%	2.83%	5.54%

Source: Company, KRChoksey Research

Revenue declined 71% in Q1FY21; Expect recovery to happen by H2FY21

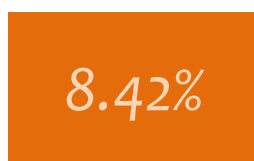
Minda Industries Ltd reported Q1FY21 consolidated EBITDA loss of INR 714.90 Mn compare to positive EBITDA of INR 1722 Mn While EBITDA margin came in at negative 17.14% compare to positive EBITDA margin of 11.96% in corresponding quarter last year. Decline in EBITDA was on account of I) lower operating leverage II) Higher cost due to shutdown III) Adverse product mix. Revenue for Q1FY21 declined 71% YoY and (down 68.8% QoQ) to INR 4171.10 Mn led by I) Extended lockdown II) Low scale of operation in Q1FY21. The auto sector volumes declined by 78.40% as against the volumes recorded in Q1FY20, the 2Wheeler segment declined by 78%, 3Wheeler by 77%, 4Wheeler by 84% and CV segment declined steeply. For Q1FY21, MIL reported Net loss for the quarter INR 1183.30 Mn compare to profit of INR 534.80 Mn in corresponding quarter last year, decline in profit was on account of I) Negative contribution from JV and associates II) lower operating leverage and higher cost due lockdown during the quarter. We expect operating performance to improve on back of strong cost control measures and improving operating efficiency. Company has taken actions to conserve cash and very cautious on making new capex decision but it remains committed for long term expansion.

Two wheeler expected to lead recovery

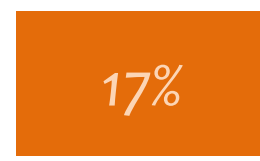
Management stated that, the rural demand is likely to sustain with sharp recovery in demand for two-wheeler, tractors and far equipment YoY on account of good monsoon which augurs well for the Kharif plantation. Company is also optimistic on preference for personal mobility due to COVID-19 which will ensure demand outlook in auto sector.

SHARE HOLDING PATTERN (%)

Particulars	20-Jun	20-Mar	19-Dec
Promoters	70.79	70.79	70.79
FIIIs	10.26	10.91	11.28
DIIIs	7.47	6.64	5.77
Others	11.48	11.66	12.15
Total	100	100	100



Revenue CAGR between FY 20 and FY 22E



EBITDA CAGR between FY 20 and FY 22E

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Segment performance and developments

1. Switching systems recorded a revenue of INR 1270 Mn for Q1FY21, contributing about 30% of total consolidated turnover. MIL had developed gear shifter switch and rooftop switch for passenger vehicle and for the first time MIL have been awarded business for the same by a Japanese OEM.
2. Lighting system division achieved revenue of INR 1190 Mn for Q1FY21, contributing 29% of consolidated turnover. MIL had some strong order wins for passenger vehicle lighting and have build robust order pipeline for India business, supported by technology from recent acquisition with the Delvis.
3. LMT division recorded a revenue of INR 260 Mn for Q1, contributing to 6% of consolidated turnover. MIL secured one order of LPDC wheel from another large korean customer in their upcoming model. The new two wheeler alloy wheel plant is expected to be commissioned in coming month.
4. Acoustic business achieved revenue of INR 660 Mn for Q1FY21, contributed 16%. Clarton, Mexico has received orders from Ford for electronic horns in Mexico.
5. Other product business achieved revenue of INR 800 Mn for Q1FY21, contributing 19% of topline. This segment has received order for smart plug for electric scooter.

Valuation & Outlook

MIL is set to outperform the industry growth on account of its product portfolio and custom mix. We expect going forward company to see healthy demand due to premiumization, enhanced safety measures, BSVI implementation and leveraging the emerging opportunity from Electric vehicle. We expect EBITDA margin to improve by 187bps to 13.20% in FY22E due to cost control measures, operating leverage and increasing share of value added products in overall mix. We expect overall Revenue/EBITDA to increase at a CAGR of 8.42%/17% for the year FY20/22E. AT CMP of INR 342 the stock is trading at PE of 27x FY22 EPS of INR 13, we apply a P/E multiple of 29x to the FY22EPS of INR 13 to arrive at a target price of INR 377 per share (previous target INR 323 per share) an upside of 10% over CMP. Accordingly, we change our rating from “Buy” to “Accumulate” on the shares of Minda Industries Ltd.

Q4FY20 Concall Highlights:

- Q1FY21 was unprecedented quarter due to suspension of production for significant period due to lockdown imposed by government to contain the spread of COVID-19.
- There was gradual opening in 2nd half of the quarter.
- Auto sector volumes declined sharply by 78% YoY.
- The 2Wheeler segment declined by 78%, 3Wheeler by 77%, 4Wheeler by 84% and CV segment declined steeply by 88.
- Large part of decline is due to suspension of production which resulted in negligible sales in the month of April.
- Lockdown restriction been eased out in various parts of the country in June, witnessed resumption of economic activity.
- Revenue and profitability adversely impacted across the auto segments.
- Automotive industry has been facing headwinds more than the year now, company had been taking cost optimization measures before this pandemic.
- Overall production level has grown gradually in MoM base, 70% in July, 80% in Aug of the pre Covid level.
- Two wheeler segment have so far done better than four wheeler led by good harvest and DBT by the government.
- Optimist on preference for private transport in COVID-19 times which will ensure that demand outlook improves and vehicle ownership increases per capita.
- Commodity prices have inched in previous quarter, INR against USD has been stable and range bond, Growth will be back in Medium term.
- Production at overseas operations has also resumed and production levels in August have reached 85% of pre Covid levels in Europe, 75% in Mexico.
- India has so far witnessed good monsoon and adequate and well distributed rainfall which auger well for Kharif crop, accordingly rural demand likely to sustain with sharp recovery in demand for two wheeler, tractors and farm equipment's YoY.
- As data trend suggests two wheeler will lead recovery faster followed by the PV and CV catching up fast.
- Decline in revenue was primarily due to extended lockdown and low scale operations.
- Diversified product, customer mix has restricted the decline to the some extent.
- All facilities are operational across the globe and witnessed MoM improvement in utilization levels.
- Company has taken steps to manage its cost including negotiating contracts for leases, rental, service providers, and other overheads.
- New two wheeler alloy wheel plants is expected to commission in coming month.
- Company has taken actions to conserve cash which is critical in times of crisis; management is very cautious on making new capex decision but remains committed for long term expansion.
- Total borrowing as at 30th June were INR 1159 Cr
- Large part of the right issue amount to be utilized for debt repayment.
- Company is proactive in managing the cost of funds and liquidity position.
- OEM business accounted for 84% of total overall revenue and aftermarket business is around 16%. And in terms of segment mix, 4Wheelers have contributed around 53%, while rest is for 2Wheelers which is at 47%.

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Consolidated Result performance:

Particular (INR Mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Income from operations	4,171.10	14,397.50	-71.0%	13,389.70	-68.8%
Cost of material consumed	1,724.00	7,670.30	-77.5%	6,175.60	-72.1%
Change in inventory	693.10	1,051.30	-34.1%	1,843.50	-62.4%
Employees cost	1,663.10	2,151.30	-22.7%	2,143.70	-22.4%
Other Expenses	805.80	1,802.60	-55.3%	2,007.00	-59.9%
Operating expenditure	4,886.00	12,675.50	-61.5%	12,169.80	-59.9%
EBITDA	-714.90	1,722.00	-141.5%	1,219.90	-158.6%
Depreciation	682.10	712.00	-4.2%	816.90	-16.5%
Operating profit	-1,397.00	1,010.00	-238.3%	403.00	-446.7%
Other income	37.30	69.20	-46.1%	159.60	-76.6%
EBIT	-1,359.70	1,079.20	-226.0%	562.60	-341.7%
Interest	195.80	238.10	-17.8%	209.80	-6.7%
Exceptional items	-	0.00	-	89.00	-
EBT	-1,555.50	841.10	-284.9%	263.80	-689.7%
Tax	-368.10	276.80	-233.0%	132.60	-377.6%
Profit/(loss) from JV/assoc.	(162.10)	59.00	-374.7%	(2.80)	5689.3%
Non-controlling interest	(166.20)	88.50	-287.8%	55.40	-400.0%
Net profit / (Loss) after tax	-1,183.30	534.80	-321.3%	73.00	-1721.0%
EPS (INR.)	(4.51)	2.04	-	0.28	--

Source: Company, KRChoksey Research

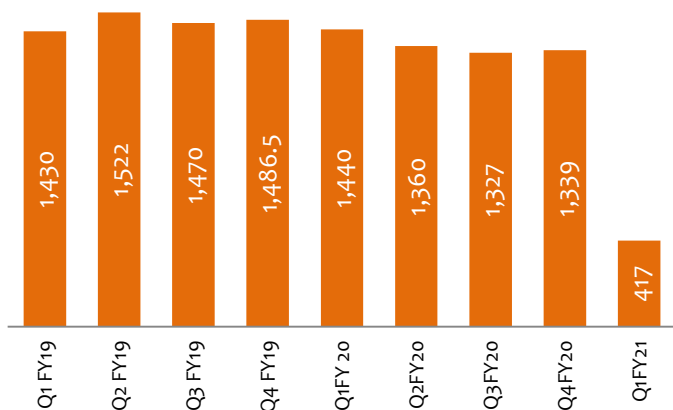
Standalone Result Performance:

Particular (INR Mn)	Q1FY21	Q4FY20	Q1FY20	QoQ	YoY
Income from operations	2281.6	7538.5	8361	-69.73%	-72.71%
Cost of material	904.4	3454	4487.1	-73.82%	-79.84%
Purchases of stock in trade	339.1	1280.2	994.3	-73.51%	-65.90%
Change in inventories	218.6	83.5	-41	161.80%	-633.17%
Employees cost	772.7	1020.5	1114	-24.28%	-30.64%
Other Expenses	474.6	1171.7	1049.2	-59.49%	-54.77%
Operating expenditure	2709.4	7009.9	7603.6	-61.35%	-64.37%
EBITDA	-427.8	528.6	757.4	-180.93%	-156.48%
Depreciation	316.9	368.7	313.8	-14.05%	0.99%
Operating profit	-744.7	159.9	443.6	-565.73%	-267.88%
Other income	37.9	198.1	98.8	-80.87%	-61.64%
EBIT	-706.8	358	542.4	-297.43%	-230.31%
Interest	107.9	108.1	119.8	-0.19%	-9.93%
Exceptional items	0	-171.9	0	-	-
EBT	-814.7	78	422.6	-1144%	-292.78%
Tax	-283.6	26.3	106.6	-1178%	-366.04%
Net profit / (Loss) after tax	-531.1	51.7	316	-1127%	-268.07%

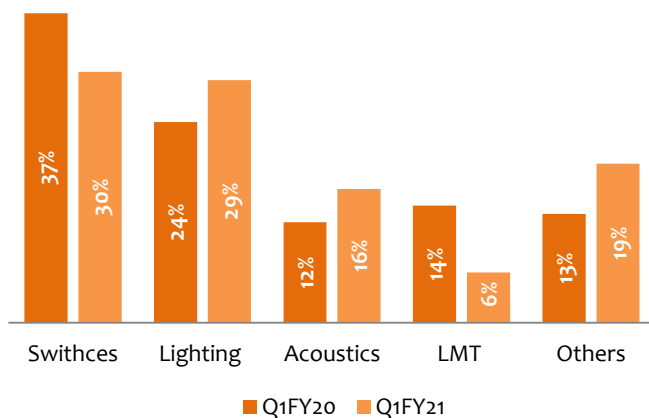
Source: Company, KRChoksey Research

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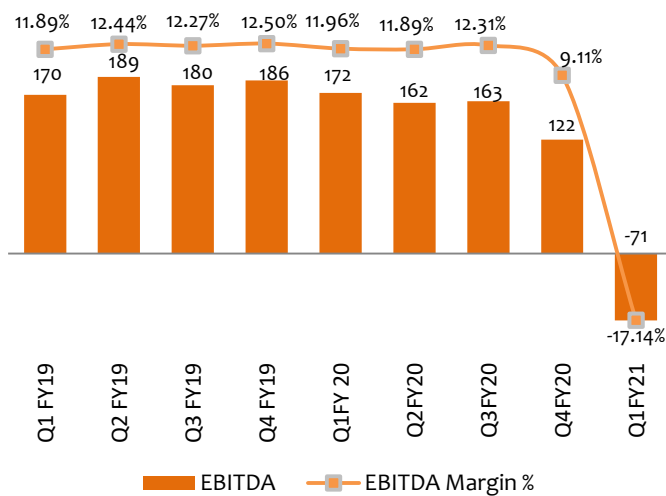
QoQ Revenue (INR Cr.)



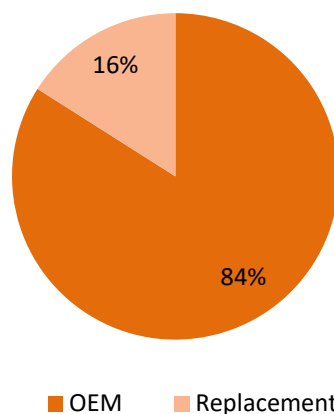
Revenue mix YoY – Q1FY21



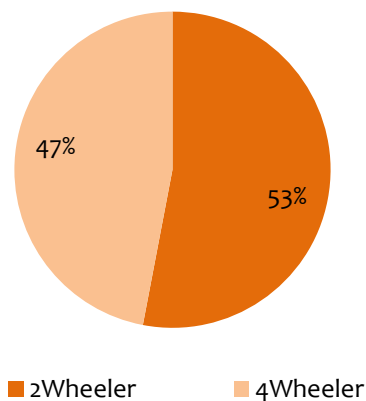
EBITDA (INR Cr.) & EBITDA Margin %



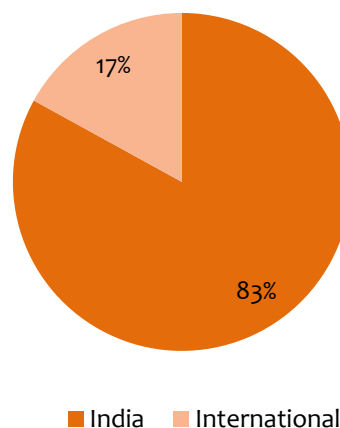
Channel Breakup – Q1FY21



Revenue by segment – Q1FY21



Geography wise breakup – Q1FY21



Source: Company, KRChoksey Research

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Income Statement

Particulars (INR Mn)	FY19	FY20	FY21E	FY22E
Net Sales	59080	54651	50922	64241
Total Operating Expenditure	51822	48460	45214	55762
EBIDTA	7258	6192	5708	8480
Less: Depreciation & Amortization	2340	3019	3367	3645
EBIT	4918	3173	2341	4835
Interest Paid	632	902	748	741
Other income	270	393	356	578
Profit Before tax	4557	2523	1949	4672
Tax Exp.	1341	775	536	1261
Adj. PAT	2840	1689	1443	3559

Source: Company, KRChoksey Research

Balance Sheet

Particulars (INR Mn)	FY19	FY20	FY21E	FY22E
Cash & bank balance	1093	3278	2530	4242
Debtors	8992	7264	8487	8922
Inventory	5607	5553	4629	6424
other current assets	1620	1787	1787	1787
Total Current Assets	17312	17882	17433	21376
Net Block	16264	16435	16068	15422
Other non-current assets	8671	14025	13361	14160
Total non-current assets	24935	30461	29,429	29,583
Total Assets	42282	48343	46,862	50,959
Creditors	7976	9628	7666	7324
other current liabilities	6796	6888	7589	9160
Current Liabilities	14772	16516	15,256	16,484
Borrowings	6060	7803	6703	5703
Other non current Liabilities	1756	3041	2864	3577
Total non-current liabilities	7816	10844	9,568	9,280
Total Liabilities	22588	27360	24,823	25,764
Equity	524.4	524.4	524.4	524.4
Reserves & Surplus	16510	17633	18682	21846
Shareholder's Equity	17034	18157	19206	22371
Minority	2660	2828	2828	2828
Total Shareholder's Equity	19694	20986	22034	25199
Total Equity & Liabilities	42282	48343	46,862	50,959

Source: Company, KRChoksey Research

Minda Industries Ltd

Cashflow Statement

Particulars (INR Mn)	FY19	FY20	FY21E	FY22E
Net Cash Generated From Operations	4139	9640	3188	7147
Net Cash Flow from/(used in) Investing Activities	-8254	-7649	-2334	-3799
Net Cash Flow from Financing Activities	3684.8	-661	-1243	-1635
Net Inc./Dec in cash equivalents	-43.02	1,330	-388	1713

Source: Company, KRChoksey Research

Ratios

Particulars	FY19	FY20	FY21E	FY22E
EPS (INR)	10.88	6.47	5.27	13.0
EBIDTA Margin	12.29%	11.33%	11.21%	13.20%
PAT Margin	4.81%	2.84%	2.83%	5.54%
ROE%	16.67%	8.53%	7.51%	15.91%
ROCE%	18.50%	11.28%	8.05%	15.23%

Source: Company, KRChoksey Research

Minda Industries 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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