

Minda Industries

Refer to important disclosures at the end of this report

Outlook intact; new products to drive outperformance

- We interacted with Chairman Mr. Nirmal Minda and visited the company's R&D center. Management has reiterated that MNDA is well-placed to outpace the underlying industry thanks to increasing content per vehicle (CPV), market share gains and EV adoption.
- MNDA is focusing on strengthening its own R&D capabilities and exploring tie-ups and acquisitions with a focus on PACE opportunities (Personalization, Autonomous, Connected and Electrification). It is likely to benefit immensely from EV adoption in 2Ws, with a multifold increase in potential kit values from up to Rs7,300 in ICEs to up to Rs56,300 in EVs.
- We expect growth momentum to continue over FY22-24E with a revenue CAGR of 23%, led by 1) a cyclical upturn in underlying PV (17% CAGR) and 2W (12% CAGR) segments, 2) increasing content in core businesses such as switches, lightings and acoustics, 3) improving market presence in alloy wheels, sensors, airbags, controllers and blow molded parts, and 4) growing content per vehicle led by EV penetration.
- We build in an earnings CAGR of 54% over FY22-24E. ROIC (post tax) should expand from 13% in FY22E to 22% in FY24E, driven by improved profitability in both core and emerging segments. After annual capex of Rs6.5bn in the next two years, average annual FCF is likely to be robust at Rs3.7bn. Recommend Buy with a DCF-based TP of Rs1,135, based on 40x FY24E P/E.

Key takeaways from management meet and R&D center/switches plant visit:

- **Production ramp-up in progress on improving demand:** The Pune switches plant caters to PV switches for OEMs such as Mahindra & Mahindra, Tata Motors, Volkswagen Group, etc. Production is being ramped up, with volumes up from 25,000 units per day (pre-covid) to 40,000 units per day (currently). Volumes will be further increased to 50,000 units per day over the next few months.
- **Tie-ups and inorganic initiatives:** MNDA will continue to explore global tie-ups and acquisitions with an objective of improving time-to-market for new technology products relating to PACE.
- Over the medium term, management expects **overseas revenue share** to improve from ~12% currently to over 20%. MNDA has set up marketing offices in Europe, North America and Asia.
- **The introduction of safety regulations**, such as BNVA (Bharat New Vehicle Safety Assessment Program) and mandatory implementation of six airbags, as well as localization efforts through PLI/FAME2 schemes should drive sales for products such as airbags, EV parts and other electronic components.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 8\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	62,220	63,737	81,281	99,862	122,029
EBITDA	6,718	7,250	8,780	11,121	15,503
EBITDA Margin (%)	10.8	11.4	10.8	11.1	12.7
APAT	1,827	2,052	3,411	5,097	8,104
EPS (Rs)	7.0	7.5	11.9	17.8	28.4
EPS (% chg)	(36.0)	8.3	58.2	49.4	59.0
ROE (%)	10.3	10.0	12.4	14.6	20.0
P/E (x)	129.3	119.3	75.4	50.5	31.7
EV/EBITDA (x)	36.4	35.2	30.1	23.7	16.8
P/BV (x)	12.7	10.9	7.9	6.9	5.8

Source: Company, Emkay Research

CMP	Target Price
Rs 901 as of (April 27, 2022)	Rs 1,135 (■) 12 months
Rating	Upside
BUY (■)	26.0 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	-/
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	17.8	28.4
Consensus	21.3	29.2
Mean Consensus TP (12M)	Rs 1,087	

Stock Details

Bloomberg Code	MNDA IN
Face Value (Rs)	2
Shares outstanding (mn)	286
52 Week H/L	1,260 / 504
M Cap (Rs bn/USD bn)	257 / 3.36
Daily Avg Volume (nos.)	422,441
Daily Avg Turnover (US\$ mn)	5.5

Shareholding Pattern Mar '22

Promoters	67.5%
FIIIs	9.8%
DIIIs	13.2%
Public and Others	9.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(8)	(10)	18	69
Rel. to Nifty	(7)	(9)	26	46

Relative price chart



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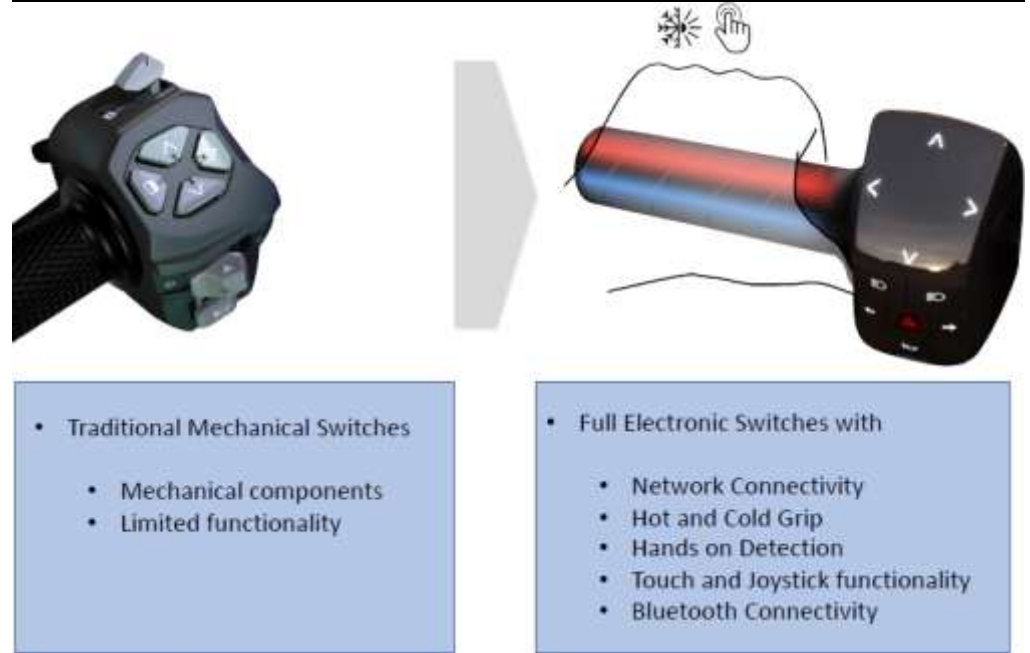
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Key takeaways (continued)

- **MNDA's R&D focus** is on strengthening its presence in the core segments and expanding into new segments. It is focusing on PACE opportunities, transition from mechanical to electronic components and value addition (shift from component to system supplier). For instance, MNDA is working toward supplying an entire ITS (intelligent transport system) instead of supplying certain parts such as Telematics, switches, cameras, LED displays, etc. It is expanding its R&D centers in Pune, Gurugram and Hosur, with a focus on software, hardware and embedded electronics. It also has R&D centers in Germany and Spain.

Exhibit 1: Transition from mechanical to electronic components to improve CPV (Example: Handlebar switches)



Source: Company

- **Intellectual Property (IP):** Total filings over the last two decades were 492, with the highest ever yearly filings of 62 in FY22. The target is to reach one IP filing per day by 2025. The company has so far commercialized 50+ patented products and 60+ design products. In addition, it is working on a start-up incubation program from Jun'22 to collaborate on new emerging areas.

Exhibit 2: IP filings has been increasing: MNDA has commercialized 50+ patented products and 60+ design products



Source: Company

PACE (Personalization, Autonomous, Connected and Electrification) opportunities

- The focus on **Personalization** is increasing with the objective of enhancing the ownership experience. The company's efforts include products such as wireless chargers, heated seats, infotainment systems, ambient/ logo lightings, colored alloy wheels, smart access solutions, etc.

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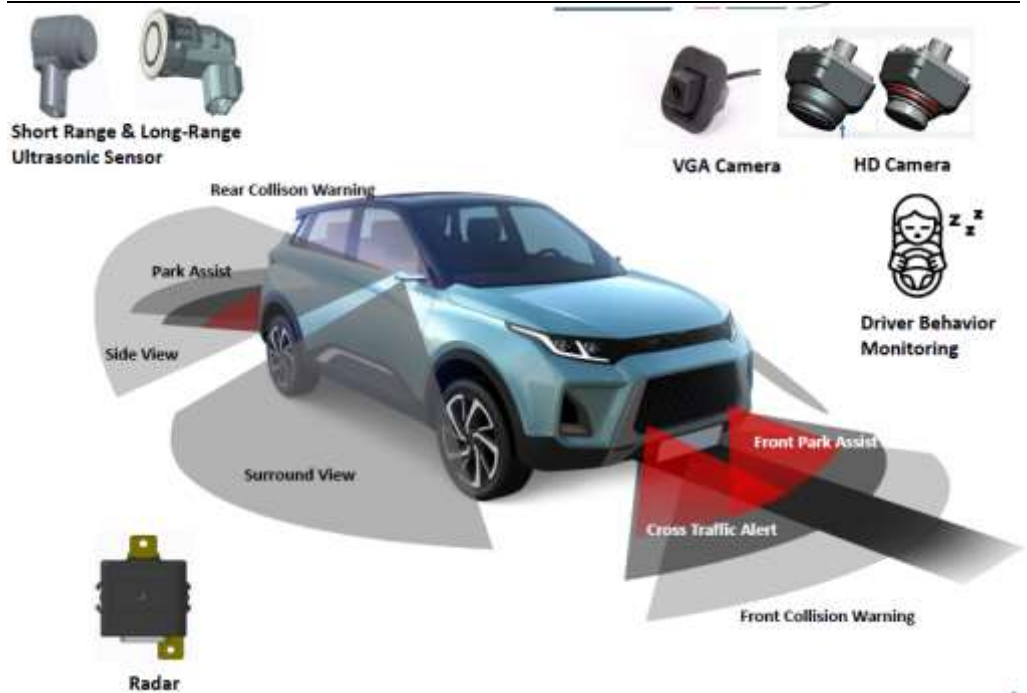
Exhibit 3: Personalization: Focusing on products such as wireless chargers, heated seats, infotainment systems, ambient/ logo lightings, colored alloy wheels and smart access solutions



Source: Company

- **Autonomous:** Advanced driver assistance systems (Stage 1-5) are being implemented in stages by OEMs, with the objective of improving safety and comfort levels in vehicles. The company's efforts include products such as cameras, sensors, radars, collision warning systems, etc. The focus is on both product development and localization. For instance, the company has been sourcing cameras from other vendors, but it is now targeting to manufacture cameras in-house by next year.

Exhibit 4: Autonomous: Focusing on products such as cameras, sensors, radars and collision warning systems



Source: Company

- Demand for **Connected** vehicle offerings should improve amid increasing electronic usage and EV penetration. MINDA has been developing end-to-end solutions, with a focus on hardware, telecom, cloud and apps. With regards to EVs, solutions are being developed for tracking battery as an asset, battery diagnostics, predictive maintenance, analytics and authentication.

Exhibit 5: Connected solutions for EVs such as tracking battery as an asset, battery diagnostics, predictive maintenance, analytics and authentication



Source: Company

- **Electrification:** EV transition should lead to multi-fold growth in content per vehicle in 2Ws, from up to Rs7,300 in ICEs to up to Rs56,300 in EVs. Revenues are expected to increase from less than Rs1bn in FY22E to Rs15-20bn in 5-6 years from both domestic and overseas markets. MINDA started with 48V products for 2Ws and is now expanding to 60-96V products for 3Ws and LCVs. In addition, it plans to develop products for E-4Ws in future. The acoustic vehicle alert system (makes artificial sound for EVs) could be made mandatory by regulation, as seen in Europe.

Exhibit 6: Electrification: Incremental kit value for E-2Ws at Rs47,000 vs. the current kit value of Rs9,300 (including positive impact of higher penetration of LED lamps and Sensor in EVs)

2W products	Incremental kit value (Rs)	State of evolution	
		Under production	Under development
Smart Plug	4,500	Yes	
Telematics		Yes	
Body Control Module	4,000	Yes	
Battery Management System	8,100	Yes	
On-board chargers		Yes	
DC-DC Converter	400		Yes
RCD cable	2,000		Yes
Acoustic vehicle alert system			Yes
Motor Controller	7,000		Yes
Battery packs, off-board charger, others	21,000		Yes
Total	47,000		

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	62,220	63,737	81,281	99,862	122,029
Expenditure	55,502	56,488	72,501	88,741	106,526
EBITDA	6,718	7,250	8,780	11,121	15,503
Depreciation	3,401	3,753	3,772	4,274	4,822
EBIT	3,317	3,497	5,008	6,847	10,681
Other Income	405	470	577	673	880
Interest expenses	942	737	614	453	442
PBT	2,781	3,231	4,971	7,067	11,119
Tax	755	1,002	1,491	1,908	2,799
Extraordinary Items	(276)	14	0	0	0
Minority Int./Income from Assoc.	(198)	(176)	(69)	(62)	(216)
Reported Net Income	1,552	2,066	3,411	5,097	8,104
Adjusted PAT	1,827	2,052	3,411	5,097	8,104

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	524	544	571	571	571
Reserves & surplus	18,086	22,022	32,072	36,557	43,446
Net worth	18,611	22,566	32,643	37,128	44,017
Minority Interest	2,828	3,065	3,624	4,217	5,173
Loan Funds	11,968	12,775	7,686	7,429	7,316
Net deferred tax liability	410	299	324	359	415
Total Liabilities	33,818	38,705	44,277	49,134	56,922
Net block	26,742	27,968	28,254	29,980	31,611
Investment	3,983	5,302	10,277	12,777	16,777
Current Assets	21,483	25,162	26,951	30,499	35,157
Cash & bank balance	3,409	2,382	572	379	813
Other Current Assets	2,011	2,293	2,843	3,393	4,024
Current liabilities & Provision	21,991	21,070	24,489	27,405	30,455
Net current assets	(508)	4,092	2,462	3,093	4,702
Misc. exp	0	0	0	0	0
Total Assets	33,818	38,705	44,277	49,134	56,922

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	2,031	2,778	4,884	6,925	10,979
Other Non-Cash items	0	0	0	0	0
Chg in working cap	4,464	(3,508)	(179)	(825)	(1,174)
Operating Cashflow	10,081	2,957	7,507	8,685	11,721
Capital expenditure	(6,068)	(2,991)	(6,000)	(6,000)	(7,000)
Free Cash Flow	4,013	(34)	1,507	2,685	4,721
Investments	(1,943)	(1,279)	(750)	(2,000)	(1,500)
Other Investing Cash Flow	(341)	660	0	0	0
Investing Cashflow	(7,947)	(3,139)	(6,173)	(7,827)	(10,120)
Equity Capital Raised	0	2,507	6,980	0	0
Loans Taken / (Repaid)	389	(1,460)	(5,089)	(257)	(113)
Dividend paid (incl tax)	(440)	(186)	(223)	(341)	(612)
Other Financing Cash Flow	1,134	(962)	(4,198)	0	0
Financing Cashflow	175	(845)	(3,143)	(1,051)	(1,167)
Net chg in cash	2,309	(1,027)	(1,809)	(194)	435
Opening cash position	1,101	3,409	2,382	572	379
Closing cash position	3,409	2,382	572	379	813

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	10.8	11.4	10.8	11.1	12.7
EBIT Margin	5.3	5.5	6.2	6.9	8.8
Effective Tax Rate	27.2	31.0	30.0	27.0	25.2
Net Margin	3.3	3.5	4.3	5.2	6.8
ROCE (post tax)	8.5	8.1	9.7	11.6	15.7
ROE	10.3	10.0	12.4	14.6	20.0
RoIC (post tax)	10.4	10.2	12.5	15.7	22.1

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	7.0	7.5	11.9	17.8	28.4
CEPS	19.9	21.3	25.1	32.8	45.3
BVPS	71.0	83.0	114.3	130.0	154.1
DPS	0.4	0.8	1.2	2.1	4.3

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	129.3	119.3	75.4	50.5	31.7
P/CEPS	47.1	44.0	37.3	28.6	20.7
P/BV	12.7	10.9	7.9	6.9	5.8
EV / Sales	3.9	4.0	3.3	2.6	2.1
EV / EBITDA	36.4	35.2	30.1	23.7	16.8
Dividend Yield (%)	0.0	0.1	0.1	0.2	0.5

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	0.4	0.5	0.2	0.2	0.1
Net Debt/EBIDTA	1.2	1.4	0.8	0.6	0.2
Working Cap Cycle (days)	(23.0)	9.8	8.5	9.9	11.6

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	5.3	2.4	27.5	22.9	22.2
EBITDA	(7.4)	7.9	21.1	26.7	39.4
EBIT	(32.4)	5.4	43.2	36.7	56.0
PAT	(45.7)	33.2	65.1	49.4	59.0

Quarterly (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Revenue	22,383	16,026	21,140	21,814	23,674
EBITDA	3,016	1,467	2,279	2,353	2,611
EBITDA Margin (%)	13.5	9.2	10.8	10.8	11.0
PAT	1,386	154	947	1,013	1,183
EPS (Rs)	5.1	0.6	3.3	3.5	4.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-21	Aug-21	Sep-21	Dec-21	Mar-22
Promoters	69.9	67.5	67.5	67.5	67.5
FII	9.0	9.5	9.2	9.9	9.8
DII	10.9	13.1	13.7	13.1	13.2
Public and Others	10.3	9.9	9.6	9.5	9.5

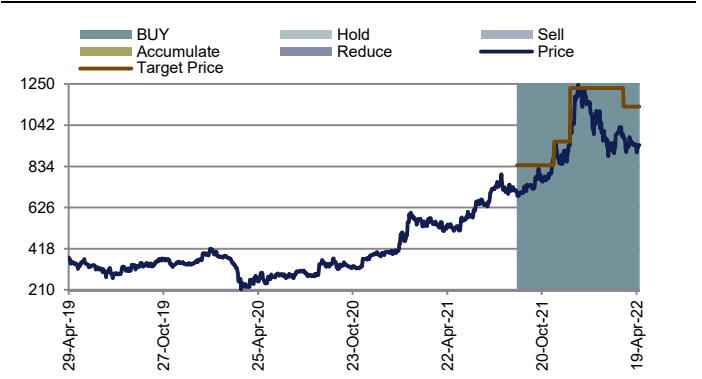
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
6-Apr-22	978	1,135	12m	Buy	Mumuksh Mandlesha
25-Mar-22	975	1,135	12m	Buy	Mumuksh Mandlesha
24-Feb-22	885	1,230	12m	Buy	Mumuksh Mandlesha
8-Feb-22	1,026	1,230	12m	Buy	Mumuksh Mandlesha
13-Dec-21	1,039	1,230	12m	Buy	Mumuksh Mandlesha
12-Nov-21	936	960	12m	Buy	Mumuksh Mandlesha
2-Sep-21	697	840	12m	Buy	Mumuksh Mandlesha

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



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Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 13 years of research experience. His team currently covers 17 stocks in the Indian Automobiles and Ancillaries space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Auto & Auto Ancillaries	4.45	4.45	0%	0	100.00	
Amara Raja Batteries	0.00	0.00	NA	0	0.00	0
Apollo Tyres	0.00	0.00	NA	0	0.00	0
Ashok Leyland	0.18	0.20	11%	2	4.57	0
Atul Auto	0.00	0.00	NA	0	0.00	0
Bajaj Auto	0.50	0.52	4%	2	11.60	0
Bharat Forge	0.18	0.20	9%	2	4.48	0
Eicher Motors	0.36	0.36	0%	0	8.18	0
Escorts	0.00	0.00	NA	0	0.00	0
Exide Industries	0.00	0.00	NA	0	0.00	0
Hero Motocorp	0.31	0.31	0%	0	6.92	0
Mahindra & Mahindra	0.88	0.73	-18%	-16	16.35	0
Maruti Suzuki India	1.03	1.05	2%	2	23.64	0
Motherson Sumi	0.00	0.00	NA	0	0.00	0
Motherson Sumi Wiring India	0.00	0.02	NA	2	0.54	0
Tata Motors	0.75	0.77	3%	2	17.34	0
Tata Motors DVR*	0.10	0.12	17%	2	2.61	0
TVS Motor	0.15	0.17	12%	2	3.76	0
Cash	0.00	0.00	NA	0	0.0	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	26-Apr-21	26-Oct-21	25-Jan-22	25-Mar-22	26-Apr-22
EAP - Auto & Auto Ancillaries	100.0	115.1	137.8	138.1	124.1	134.6
BSE200 Neutral Weighted Portfolio (ETF)	100.0	115.4	136.8	137.1	123.1	134.1

*Performance measurement base date 1st April 2019

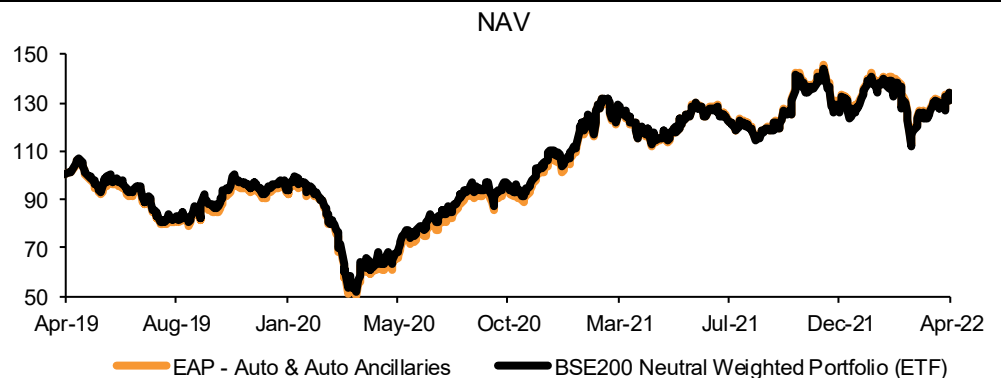
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	8.5%	-2.6%	-2.3%	16.9%
BSE200 Neutral Weighted Portfolio (ETF)	8.9%	-2.2%	-1.9%	16.2%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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