

Order win momentum picks up pace...

About the stock: Minda Corporation (MCL) primarily serves domestic auto OEMs across two main verticals – mechatronics & aftermarket (MCH – safety & security, die-casting, starter motors, etc.) and information & connected systems (ICS – mainly wiring harnesses).

- FY21 segment mix –2-W ~52%, CV ~21%, PV ~11%, aftermarket ~16%
- FY21 product mix – MCH ~58%, ICS ~42%

Q1FY22 Results: The company posted soft Q1FY22 results.

- Consolidated revenues at ₹ 559 crore were down by 29.7% QoQ
- EBITDA margins declined 570 bps sequentially to 5.5%
- Consequent consolidated PAT was lower by ~45% QoQ to ₹ 7.1 crore

What should investors do? MCL's share price has grown at ~3% CAGR from ~₹ 110 as of mid-2016, recording meagre outperformance over the Nifty Auto Index.

- We retain **BUY** rating amid healthy growth prospects over FY21-23E

Target Price and Valuation: We value the company at a revised target price of ₹ 160 i.e. 20x P/E on FY23E EPS (earlier target price ₹ 120).

Key triggers for future price performance:

- OEM rebound, going forward, would aid volume recovery across MCH and ICS in medium term, with significant new orders won (₹ 2,490 crore lifetime orders in FY21) imparting healthy revenue visibility beyond FY23E
- Product profile is largely immune to EV risk; actively working on EV-specific products like DC-DC convertors, BMS, motor controllers etc. It has orders from incumbent and new age EV OEMs including Ola Electric
- Expect 15.1% net sales CAGR over FY21-23E; FY23E margins seen at 11%

Alternate Stock Idea: Besides MCL, in our ancillary coverage we like Apollo Tyres.

- India CV revival beneficiary focused on debt reduction, higher return ratios
- BUY with target price of ₹ 275



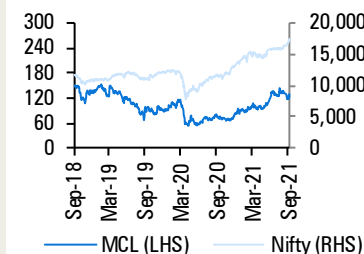
Particulars

Particulars	Amount
Market capitalisation (₹ crore)	3,057.3
Total Debt (FY21, ₹ crore)	482.0
Cash & Inv. (FY21, ₹ crore)	499.4
EV (₹ crore)	3,039.9
52 week H/L (₹)	148 / 65
Equity capital (₹ crore)	47.8
Face value (₹)	2.0

Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	68.1	64.7	64.7	64.7
FII	6.3	6.0	6.4	5.6
DII	5.6	9.9	10.6	12.9
Other	20.0	19.3	18.3	16.8

Price Chart



Recent event & key risks

- Acquired 26% stake in charging solutions startup Evqpoint Sols
- Key Risk:** (i) Slower than anticipated post Covid recovery, (ii) Further margin pressures imparted by high input costs

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Key Financial Summary

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Net Sales	3,092	2,223	2,368	-0.6%	2,727	3,135	15.1%
EBITDA	292	245	217	-1.1%	263	345	26.1%
EBITDA Margins (%)	9.5	11.0	9.2		9.6	11.0	
Net Profit	169	(200)	53	-13.2%	130	190	89.8%
EPS (₹)	7.5	(8.8)	2.2		5.5	8.0	
P/E	17.1	(14.5)	57.9		23.5	16.1	
RoNW (%)	14.2	(20.5)	4.6		10.5	13.5	
RoCE (%)	10.8	10.5	7.5		9.3	12.5	

Source: Company, ICICI Direct Research; Note – FY20 numbers have been restated post exit from loss making European subsidiary and this report reflects these restated numbers

Key takeaways of recent quarter & conference call highlights

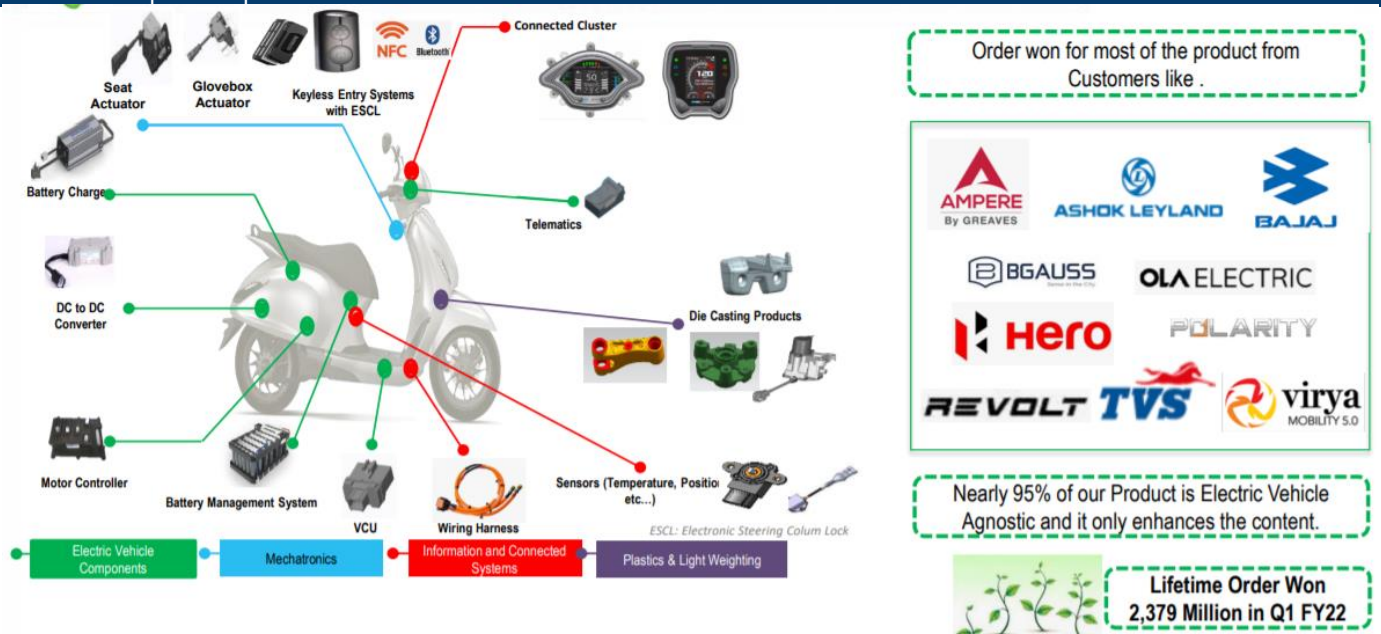
Q1FY22 Results:

- Topline performance was slightly better than ~34% QoQ volume decline for OEMs during Q1FY22
- Among its divisions, mechatronics and aftermarket revenues at ₹ 339 crore were lower by ~24% QoQ while revenues for information and connected systems de-grew 37% QoQ to ₹ 220 crore
- Margins declined 570 bps QoQ to 5.5% despite a surprising ~80 bps uptick in gross margins, with negative operating leverage impacting the overall performance
- Profit from JVs/associates for the quarter were at ₹ 2.6 crore

Q1FY22 Earnings Conference Call highlights

- Mechatronics division margins were at 8.8% while information and connected systems posted barely breakeven at EBITDA level amid capacities running at <50% utilisation during the quarter. A ~15% QoQ jump in copper prices during the quarter also impacted ICS margins
- The company won lifetime orders of ₹ 1,282 crore in Q1FY22 (₹ 504 crore for mechatronics, ₹ 724 crore for ICS), of which ₹ 787 crore was for new businesses and ₹ 495 crore was for replacement businesses. EV orders won were at ₹ 238 crore
- In Q2FY22 thus far, the company has also won an order of >₹ 200 crore for EV keyless systems and smart keys. From Ola Electric, MCL has won orders for electronic steering column lock and seat latches (lifetime order value pegged at >₹ 150 crore)
- The management said that return to double-digit margin territory would coincide with increase in capacity utilisation to the 70-75% mark
- Increase in localisation efforts is expected to add ~2% to ICS margins in 18-24 months
- In its 51:49 JV with South Korea's INFAC Corporation for PV antennas, the company has already onboarded Maruti Suzuki, Hyundai and Kia with lifetime orders of ~₹ 135 crore in Q1FY22. MCL will be making ~₹ 10 crore investment to transfer its production line from Korea to India
- Gross debt was at ₹ 502 crore

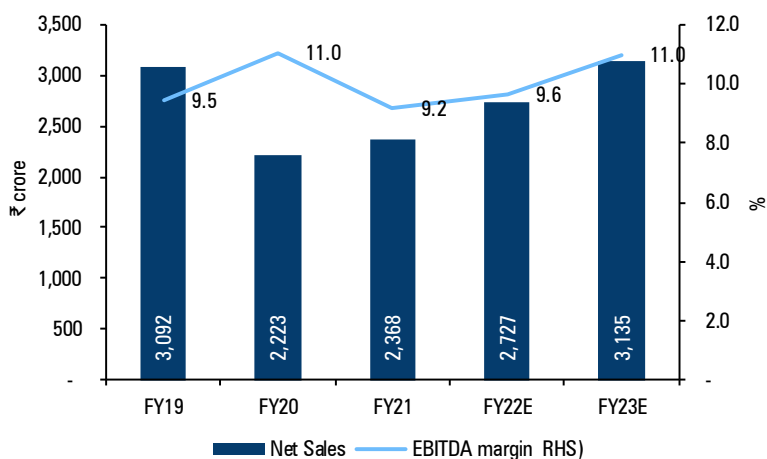
Exhibit 1: EV product profile and Q1FY22 order wins



Source: Company, ICICI Direct Research

Financial story in charts

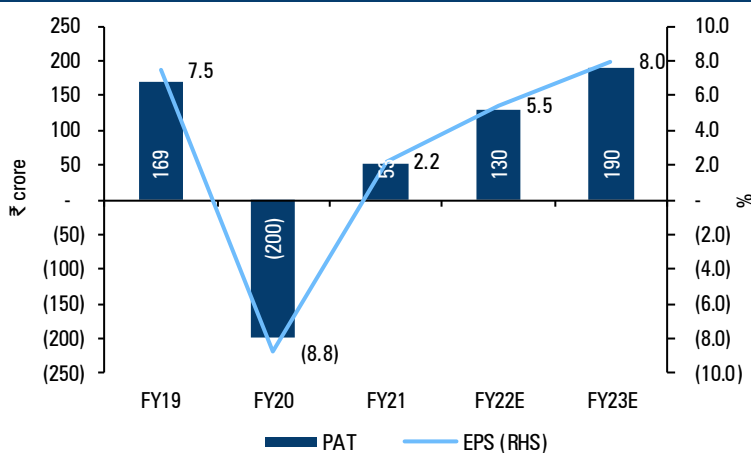
Exhibit 2: Topline and margin trend



We expect sales to grow at a CAGR of 15.1% over FY21-23E. Margins are seen climbing to 11% by FY23E on higher capacity utilisation, higher kit value

Source: Company, ICICI Direct Research

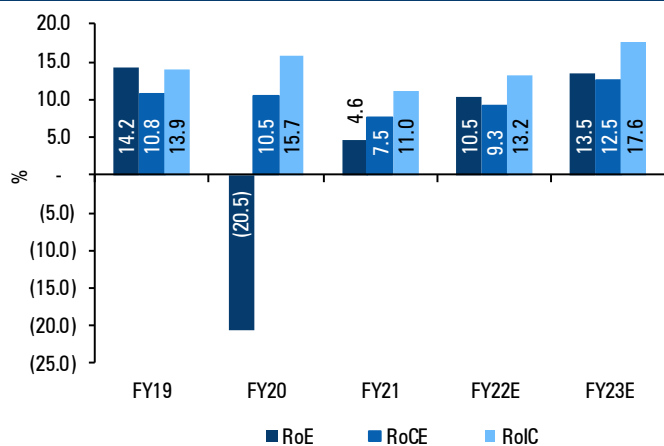
Exhibit 3: Trend in PAT and EPS



PAT is seen growing at ~90% CAGR in FY21-23E on low base, higher sales, margins and improved profitability from JVs and associates

Source: Company, ICICI Direct Research

Exhibit 4: Trend in return ratios



The company is seen returning firmly to double-digit return ratio territory by FY23E

Source: Company, ICICI Direct Research

Exhibit 5: Valuation Summary

	Sales (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	2,594	25.9	6.8	38.8	18.8	13.7	19.2	13.5
FY19	3,092	19.2	7.5	9.7	17.1	11.4	14.2	10.8
FY20	2,223	(28.1)	(8.8)	(217.8)	NM	12.7	(20.5)	10.5
FY21	2,368	6.5	2.2	LP	57.9	14.0	4.6	7.5
FY22E	2,727	15.1	5.5	146.5	23.5	11.6	10.5	9.3
FY23E	3,135	15.0	8.0	46.1	16.1	8.6	13.5	12.5

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Net Sales	2222.6	2368.0	2726.5	3135.5	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	2,222.6	2,368.0	2,726.5	3,135.5	
Growth (%)	-28.1	6.5	15.1	15.0	
Raw Material Expenses	1,338.5	1,492.6	1,714.4	1,975.4	
Employee Expenses	356.6	382.7	439.7	470.3	
Other Operating Expense	282.1	275.7	309.8	344.9	
Total Operating Expenditure	1,977.2	2,150.9	2,463.9	2,790.6	
EBITDA	245.4	217.0	262.6	344.9	
Growth (%)	-16.1	-11.6	21.0	31.3	
Depreciation	86.6	93.6	102.2	114.4	
Interest	38.9	35.8	35.4	31.7	
Other Income	42.6	33.2	31.5	31.6	
PBT	162.5	120.8	156.5	230.4	
Excep. charge & P/L from Asso.	-323.0	-36.8	13.1	18.0	
Total Tax	39.4	31.2	39.4	58.1	
PAT	-199.8	52.8	130.2	190.3	
Growth (%)	NM	LP	146.5	46.1	
EPS (₹)	-8.8	2.2	5.5	8.0	

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Profit after Tax	-199.8	52.8	130.2	190.3	
Add: Depreciation	86.6	93.6	102.2	114.4	
(Inc)/dec in Current Assets	151.7	-177.9	-118.4	-122.8	
Inc/(dec) in CL and Provisions	79.0	70.0	58.6	104.3	
Others	332.9	46.9	3.9	0.1	
CF from operating activities	450.4	85.5	176.6	286.3	
(Inc)/dec in Investments	-41.3	-68.8	16.9	11.6	
(Inc)/dec in Fixed Assets	-146.1	-130.6	-136.3	-156.8	
Others	61.1	105.5	-15.0	-10.0	
CF from investing activities	-126.3	-93.9	-134.4	-155.2	
Issue/(Buy back) of Equity	0.1	2.4	0.0	0.0	
Inc/(dec) in loan funds	-145.5	-47.5	-10.0	-50.0	
Interest and Dividend outgo	-58.8	-52.5	-54.5	-55.5	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	-0.4	133.0	-11.7	0.0	
CF from financing activities	-204.6	35.3	-76.2	-105.5	
Net Cash flow	119.5	26.9	-34.0	25.6	
Opening Cash	353.0	472.5	499.4	465.3	
Closing Cash	472.5	499.4	465.3	490.9	

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Liabilities					
Equity Capital	45.4	47.8	47.8	47.8	
Reserve and Surplus	929.7	1,098.8	1,198.2	1,364.6	
Total Shareholders funds	975.1	1,146.6	1,246.0	1,412.4	
Total Debt	529.5	482.0	472.0	422.0	
Deferred Tax Liability	4.8	3.4	3.4	3.4	
Minority Interest / Others	91.6	47.6	32.6	22.6	
Total Liabilities	1601.0	1,679.6	1,754.0	1,860.4	
Assets					
Gross Block	1,046.3	878.6	992.7	1,159.5	
Less: Acc Depreciation	324.2	304.1	406.3	520.8	
Net Block	722.1	574.5	586.4	638.7	
Capital WIP	28.4	17.8	40.0	30.0	
Total Fixed Assets	750.5	592.3	626.4	668.7	
Investments & Goodwill	217.2	219.1	233.7	253.7	
Inventory	394.9	395.9	448.2	515.4	
Debtors	389.8	442.0	485.5	515.4	
Loans and Advances	6.4	70.7	81.4	93.6	
Other Current Assets	69.4	78.2	90.0	103.5	
Cash	472.5	499.4	465.3	490.9	
Total Current Assets	1,333.0	1,486.2	1,570.5	1,718.9	
Current Liabilities	612.1	614.7	670.5	769.1	
Provisions	115.5	35.5	38.3	44.0	
Current Liabilities & Prov	727.6	650.2	708.8	813.1	
Net Current Assets	605.4	836.0	861.7	905.8	
Others Assets	27.9	32.2	32.2	32.2	
Application of Funds	1,601.0	1,679.6	1,754.0	1,860.4	

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios					
(Year-end March)	FY20	FY21	FY22E	FY23E	
Per share data (₹)					
EPS	-8.8	2.2	5.5	8.0	
Cash EPS	-5.0	6.1	9.7	12.8	
BV	43.0	48.0	52.2	59.1	
DPS	0.4	0.7	0.8	1.0	
Cash Per Share (Incl Invst)	20.8	20.9	19.7	21.0	
Operating Ratios (%)					
EBITDA Margin	11.0	9.2	9.6	11.0	
PAT Margin	-9.0	2.2	4.8	6.1	
Inventory days	64.9	61.0	60.0	60.0	
Debtor days	64.0	68.1	65.0	60.0	
Creditor days	83.6	74.7	70.0	70.0	
Return Ratios (%)					
RoE	-20.5	4.6	10.5	13.5	
RoCE	10.5	7.5	9.3	12.5	
RoIC	15.7	11.0	13.2	17.6	
Valuation Ratios (x)					
P/E	NM	57.9	23.5	16.1	
EV / EBITDA	12.7	14.0	11.6	8.6	
EV / Net Sales	1.4	1.3	1.1	0.9	
Market Cap / Sales	1.4	1.3	1.1	1.0	
Price to Book Value	3.0	2.7	2.5	2.2	
Solvency Ratios					
Debt/EBITDA	2.2	2.2	1.8	1.2	
Debt / Equity	0.5	0.4	0.4	0.3	
Current Ratio	1.4	1.8	1.9	1.9	
Quick Ratio	0.7	1.1	1.1	1.1	

Source: Company, ICICI Direct Research

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