

Minda Industries Ltd



Minda Industries Ltd

“Robust growth to be sustained”

CMP INR 889	Target INR 1,180	Potential Upside 33%	Market Cap (INR Mn) 2,54,688	Recommendation BUY	Sector Auto & Ancillary
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Result highlights

- Revenue reported at INR 24,151Mn (+7.9% yoy / +10.7% qoq) in the midst of semiconductor shortage and inflationary pressures due to geopolitical tensions. In terms of business segments, revenue contribution from 2Ws and 4Ws stood at 45% / 55%, respectively. Export revenue stood at 16% of overall revenue during the quarter.
- EBITDA reported at INR 2,755Mn (-8.65% yoy / +17.07% qoq) and EBITDA margin reported at 11.4% (-207bps yoy / +62bps qoq). Employee expenses were higher on account of stock option expenses of INR 150Mn.
- PAT reported at INR 1,444Mn (+2.89% yoy / +42.5% qoq) and PAT margin reported at 5.9% (-29bps yoy / +133bps qoq).
- EPS reported at INR 5.11 and the board has recommended final dividend of INR 1.0/share. Total dividend for the year is at INR 1.5/share. The board has recommended bonus issue in 1:1 to ratio.

MARKET DATA

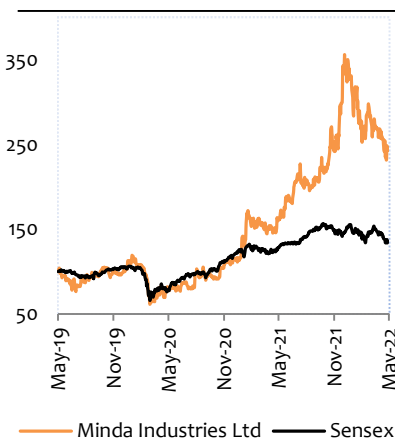
Shares outs (Mn)	272
Equity Cap (INR Mn)	544
Mkt Cap (INR Mn)	2,54,688
52 Wk H/L (INR)	1260/562
Volume Avg (3m K)	380.7
Face Value (INR)	2
Bloomberg Code	MNDA IN

KEY FINANCIALS

Particulars (INR Mn)	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
Net Sales	62,220	63,737	83,130	1,06,665	1,34,602
EBITDA	6,728	7,251	8,854	12,888	18,239
PAT	1,562	2,068	3,558	6,108	9,233
EPS	5.98	7.60	12.64	21.39	32.33
EBITDA Margin (%)	10.8%	11.4%	10.7%	12.1%	13.6%
PAT Margin (%)	2.5%	3.2%	4.3%	5.7%	6.9%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	53,749
NIFTY	16,026

SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sep-21
Promoters	67.5	67.5	67.5
FIIIs	9.8	9.9	9.2
DIIIs	13.2	13.1	13.7
Others	9.6	9.5	9.6
Total	100.0	100.0	100.0

Overall performance ahead of our estimates

- MIL reported highest revenue during the quarter of INR 24,151Mn in its history ahead of our estimates by 5%. Aftermarket division contributed 12% of overall revenue at INR 2,250Mn in Q4FY22. For the full year FY22, revenue reported at INR 83,130Mn (+30.4% yoy) ahead of auto industry growth despite COVID-19 pandemic and supply side constraints across the globe.
- However, EBITDA reported at INR 2,755Mn above our estimates (by +11%). The margin pressure was on account of rise in input costs; however, margins have improved on a sequential basis. For FY22, EBITDA reported at INR 8,854Mn (22.1% yoy) and EBITDA margin reported at 10.7% (-73bps yoy).

Lighting and castings performed well during FY22; sequential growth observed across segments except the segment seatings

- Revenue from lighting and castings business grew by 11% and 41% on yoy basis at INR 5,250Mn and INR 4,250Mn, respectively. Increased penetration in alloy wheels in 2W, PV and replacement sector has supported the business growth in casting segment. In **lighting segment**, it has received a large order for **Tail Centre Position Lamp** and received order wins for last few quarters for the **LED lamps**.
- Revenue from switching and acoustics segments stood at INR 7,270Mn and INR 1,920Mn both de-grew by 1% yoy, respectively. Minda Industries has received export orders from renowned **Italian 2W OEM** for **switching systems** and it is gradually increasing its share of business in **premium bikes and cars**. In the Acoustic systems, received an order for speakers and twitter.
- Seatings business de-grew by 7% yoy at INR 2,270Mn (-4% qoq). It has received order from a leading **EV bus OEM**. Business from other segments grew by 14% yoy at INR 3,190Mn. It has received an order for **accelerator pedal position sensor** and incremental orders for **chargers**.

Capacity Expansion

- It is also planning to expand its 4W switch plant under Mindariks Private Ltd at Chennai with a capex plan of INR 730Mn and it is expected to commission this additional facility by Mar'23.
- It has proposed MIVCL plant expansion in Hanoi with a capex of INR 370Mn which is

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expected to commission by Mar'23

- It has proposed INR 250Mn fund expansion plan of TRMN; total capex for the plant is planned at INR 1,700Mn which can generate revenue of INR 4,00Mn.

Concall Highlights:

- The Group was granted PLI approval on 22nd March 2022 under Component Champion incentive scheme.
- The revenue from EV segment reported at INR 1,000Mn in FY22 which is expected to increase up to INR 15,000 - 20,000Mn over the next 5-6 years.
- The revenue from sensors business reported at INR 2,000Mn and controllers and telematics business revenue reported at INR 600Mn in FY22.
- Minority interest declined during the quarter on account of increased stake in Mindarika and partnership firms.
- During the quarter, employee expenses reported at higher on account of additional ESOP expenses of INR 150Mn.
- Valuation gain of INR 90Mn based on stake increased in Minda Kosei included in other income.
- Minda industries incurred an exceptional loss of INR 250Mn due to impairment of investments in Minda Onkyo, as Onkyo Japan filed for bankruptcy.
- Profit from JV And associates reported highest ever at INR 290Mn which is expected to sustain the trend in the upcoming quarters. As many of the JVs and subsidiaries have converted their loss into profitability from last quarter.
- The board has considered fund raising through issue of debt securities up to INR 10Bn.

Valuation & Outlook

We are positive on the business of Minda Industries Ltd which has a more focused towards premiumization across segments and robust order wins during the year. We estimate Minda Industries' revenue to grow at ~27.3% between FY22-24E on account of growth in EV space and incremental demand across all the segments. Accordingly, we estimate PAT to grow at ~61% over the FY22-24E with expected recovery in margins with normalized input costs (excluding rise in aluminum prices). We expect input costs pressures to be continued over the first 2 quarters of FY23. Our EPS estimates stand at INR 21.4 / INR 32.3 for FY23E / FY24E, respectively. **The stock has corrected by ~4% in the last one month that provides a good opportunity for the investors with good entry levels. We maintain our target price of INR 1,180/share (36.5 PE to FY24E EPS) and change our recommendation to BUY from ACCUMULATE with an upside of 33%.**

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Q4FY22 and FY22 Result Performance

Particular (INR Mn)	Q4FY22	Q3FY22	Q4FY21	QoQ	YoY	FY22	FY21
Revenue from operations	24,151	21,814	22,383	10.71%	7.90%	83,130	63,737
COGS	15,475	14,020	14,044	10.38%	10.19%	52,720	39,192
Gross Profit	8,676	7,794	8,339	11.31%	4.04%	30,410	24,546
Gross Margin (%)	36%	36%	37%	19bps	-133bps	37%	39%
Employees cost	3,325	2,954	2,965	12.56%	12.12%	12,065	9,817
Other Expenses	2,597	2,488	2,358	4.38%	10.11%	9,491	7,478
EBITDA	2,755	2,353	3,016	17.07%	-8.65%	8,854	7,251
EBITDA Margin (%)	11.4%	10.8%	13.5%	62bps	-207bps	10.7%	11.4%
Depreciation	1,103	942	1,072	17.08%	2.92%	3,918	3,753
EBIT	1,652	1,411	1,944	17.07%	-15.03%	4,936	3,498
Interest	135	127	151	6.31%	-10.85%	623	737
Other income	232	125	89	85.24%	160.79%	629	470
Exceptional Items	0	0	17	#DIV/o!	-100.00%	0	17
EBT	1,750	1,410	1,900	24%	-7.90%	4,943	3,249
Tax	483	423	476	14%	1.37%	1,468	1,005
Net profit after tax	1,267	987	1,424	28%	-10.99%	3,475	2,244
Share of profit from associates	295	195	215	51%	37.18%	652	242
Minority Interest	118	169	235	-30%	-49.79%	568	418
PAT	1,444	1,013	1,403	42.5%	2.89%	3,558	2,068
PAT Margin	5.98%	4.64%	6.27%	133bps	-29bps	4.28%	3.24%
EPS (INR)	5.11	3.71	4.94	37.74%	3.44%	12.59	7.41

Source: Company, KRChoksey Research

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Income Statement

Particulars (INR Mn)	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E
Total Sales	62,220	63,737	83,130	1,06,665	1,34,602
COGS	38093	39192	52720	66132	82107
Gross Profit	24128	24546	30410	40533	52495
Employee cost	9438	9817	12065	15466	19315
Other manufacturing expenses	7961	7478	9491	12178	14941
EBITDA	6,728	7,251	8,854	12,888	18,239
Depreciation	3,401	3,753	3,918	4,177	4,937
EBIT	3,327	3,498	4,936	8,712	13,302
Interest & Finance charges	942	737	623	681	713
Other Income	405	470	629	853	1,077
EBT	2,790	3,232	4,943	8,884	13,666
Exceptional items (gains) / losses	-345	17	0	0	0
Tax	686	1,005	1,468	2,665	4,100
Min. Int / others/ jv	-198	-176	83	-111	-334
PAT	1,562	2,068	3,558	6,108	9,233
EPS (INR)	5.98	7.60	12.64	21.39	32.33

Source: Company, KRChoksey Research

Balance Sheet

Particulars (INR Mn)	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
Equity Share Capital	524	544	571	571	571
Reserves	18,086	22,022	33,813	39,510	48,331
Minority Interest	2,828	3,065	3,263	4,240	5,743
Net worth	21,439	25,630	37,648	44,321	54,646
Total loans	10,788	8,543	6,623	8,834	8,827
Deferred tax liability (Net)	410	424	624	624	624
Capital Employed	32,637	34,597	44,895	53,779	64,097
Net block	19,109	20,507	20,527	21,659	24,723
CWIP	3,400	1,119	3,353	3,688	4,057
Right of use assets	2,140	2,011	2,146	2,238	2,334
Intangible	6,174	5,936	5,801	5,698	5,599
Investments	3,734	5,286	5,946	7,467	9,422
Long-term loans and advances	162	310	260	286	314
Other non-current assets	632	517	725	533	533
Inventories	6,095	7,506	10,464	15,238	19,229
Sundry debtors	8,632	11,988	13,765	15,238	19,229
Cash and bank	3,439	2,382	2,344	4,648	6,310
Loans and advances	63	302	462	462	462
Other Current Assets	1,936	2,020	2,404	2,644	2,909
Total Current assets	20,415	24,214	29,559	38,350	48,259
Total Current liabilities	23,128	25,302	23,422	26,140	31,144
Net Current assets	-2,713	-1,088	6,137	12,211	17,115
Capital Deployed	32,637	34,597	44,895	53,779	64,097

Source: Company, KRChoksey Research

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Cashflow Statement

Particulars (INR Mn)	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
Net Cash Generated From Operations	10,486	3,487	4,004	5,850	12,360
Net Cash Flow from/(used in) Investing Activities	-8,352	-3,610	-6,987	-10,002	-10,324
Net Cash Flow from Financing Activities	-453	-406	3,110	6,547	-373
Net Inc./Dec in cash equivalents	1,681	-530	128	2,394	1,663
Closing Balance Cash and Cash Equivalents	2,502	2,112	2,254	4,648	6,310

Source: Company, KRChoksey Research

Ratios

Particulars	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
EBITDA Margin%	10.8%	11.4%	10.7%	12.1%	13.6%
APAT Margin%	2.5%	3.2%	4.3%	5.7%	6.9%
ROE%	8.4%	9.2%	10.3%	15.2%	18.9%
ROCE%	11.6%	11.3%	11.6%	17.3%	22.7%
Cash Conversion Cycle (days)	92	94	83	91	91

Source: Company, KRChoksey Research

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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%

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