

## Structural levers in place for industry leading growth...

**About the stock:** Minda Corporation (MCL) primarily serves auto OEMs across two main verticals – Mechatronics & Aftermarket (i.e. MCH – safety & security system (lock & key, smart key), die-casting, starter motors, etc.) and Information & Connected Systems (i.e., ICS – mainly wiring harnesses, sensors and instrument clusters).

- FY22 segment mix – 2-W ~49%, CV ~19%, PV ~18%, Aftermarket ~15%
- FY22 product mix – MCH ~57%, ICS ~43%. India ~84%, Exports ~16%

### Key Highlights:

- We attended the plant visit of MCL and were impressed with the work the company is doing to augment its kit value in terms of technology upgradation in existing products as well as development of new products
- It has largely EV immune product profile; ~95% are powertrain agnostic
- MCL will have a prominent role to play in the electrification drive domestically in 2-W & 3-W space with EV specific products like DC-to-DC convertor, battery charger, etc, already in its kitty and work on development of other critical products like BMS, charger protector, etc, with potential kit value pegged at ₹ 16000-20,000/unit vs. ₹ 4000-5000 in current 2-W
- The company has all leading OEMs in the electric space as its clients with prominent names being Ola Electric, Hero Electric, Ampere, Revolt, Ather. It is watchful of upcoming OEMs and is carefully partnering with them
- MCL remains committed to grow ahead of industry (~10-12%) and sustainably attain healthy double digit margins through operational efficiencies & increasing localisation content in the wiring harness division

**What should investors do?** MCL's share price has grown at ~12% CAGR over five years from ~₹ 125 levels in September 2017, outperforming broader Nifty Auto Index

- We retain **BUY** rating amid industry tailwind of double digit volume growth, lean b/s, healthy return ratios and penchant to grow ahead of industry

**Target Price and Valuation:** Revising our estimates, we now value MCL at ₹270 i.e. 20x P/E on FY24E EPS of (earlier target price: ₹ 260)

### Key triggers for future price performance:

- Robust order wins (~₹ 5,930 crore lifetime order win in FY22; replacement & new business combined; EV order win at ₹ 952 crore) imparts healthy revenue visibility. We build 25.4% consolidated sales CAGR in FY22-24E
- Benign RM price outlook, operational efficiencies and localisation efforts to led margin recovery/, RoCE to 12.2%, 20.2%, respectively, by FY24E



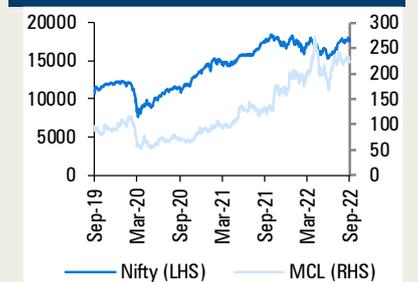
### Particulars

Particulars	Amount
Market capitalisation (₹ crore)	5,254.7
Total Debt (FY22, ₹ crore)	391.4
Cash & Inv. (FY22, ₹ crore)	333.4
EV (₹ crore)	5,312.7
52 week H/L (₹)	287 / 119
Equity capital (₹ crore)	47.8
Face value (₹)	2.0

### Shareholding pattern

	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	64.7	64.7	64.7	64.7
FII	5.0	5.1	4.5	3.7
DII	12.5	13.0	13.4	14.0
Other	17.8	17.1	17.4	17.6

### Price Chart



### Recent event & key risks

- Recently concluded its plant visit in Pune.
- Key Risk:** (i) Slower than anticipated sales growth over FY22-24E; (ii) Slower than anticipated margin recovery

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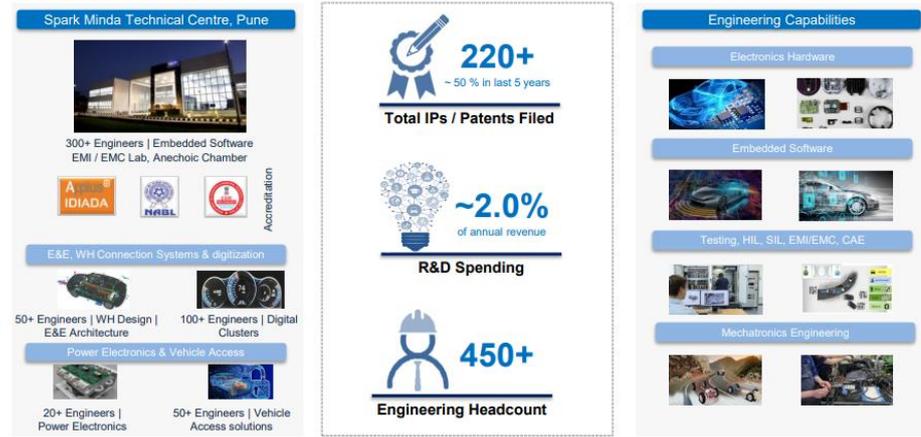
### Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	3,092.0	2,222.6	2,368.0	2,975.9	2.8%	4,067.7	4,677.8	25.4%
EBITDA	292.4	245.4	217.0	294.5	2.5%	458.6	570.7	39.2%
EBITDA Margins (%)	9.5	11.0	9.2	9.9		11.3	12.2	
Net Profit	169.2	(199.8)	52.8	191.9	-12.3%	237.2	319.8	29.1%
EPS (₹)	7.5	(8.8)	2.2	8.0		9.9	13.4	
P/E	29.5	(25.0)	99.5	27.4		22.1	16.4	
RoNW (%)	14.2	(20.5)	4.6	14.4		15.4	17.6	
RoCE (%)	10.8	10.5	7.5	10.5		16.9	20.2	

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 the recent presentations

### Exhibit 1: Engineering Capabilities



Source: Company, ICICI Direct Research

- Minda committed to spend ~2% of sales as R&D expense
- In the long term, MCL's intent is to derive equal proportion of sales from 2-W, PV, CV segments
- In the wiring harness segment, it commands a market share of ~30-35% in 2-W, CV segments
- Scope for margin improvement in wiring harness segment is through increase in localisation content which as of now is at ~20-25%

### Exhibit 2: Adopting progressively to change in industry trends

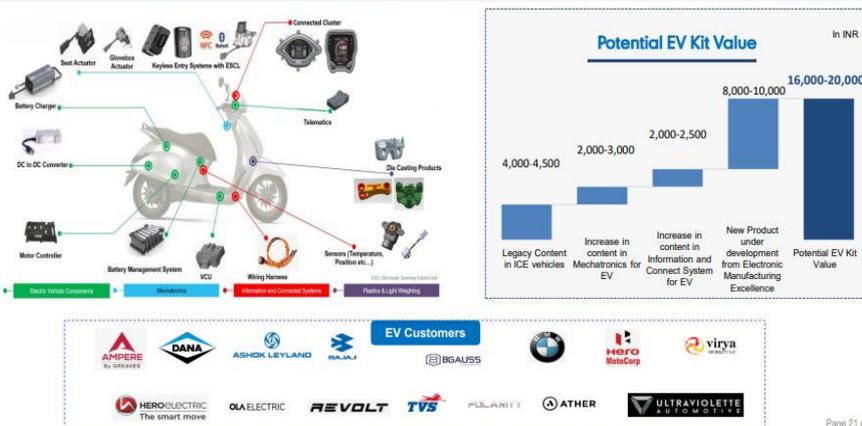


Source: Company, ICICI Direct Research

- In the keyless entry segment, it has ~30 programmes at various levels of development
- In the long term, the company expects electronic content in a typical vehicle to increase from ~10% in 2020 to ~40% in 2025
- Wiring harness content in electric 2-W, 4-W is expected to be >=2x the ICE variants
- In the EV products domain, the company follows a platform approach wherein it develops a broader platform which can be used to develop multiple products/configurations
- Future EV products include: BMS, On-board chargers, motor controllers; 2-1, 3-1 electric pack, charger protection device

### Exhibit 3: Kit value journey in electric 2-W

#### Most of our Products are Electric Vehicle Agnostic

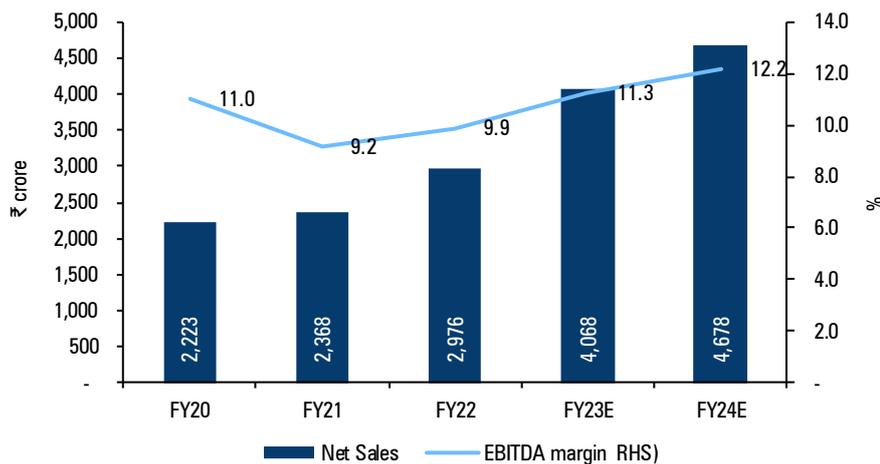


Source: Company, ICICI Direct Research

- In the instrument cluster segment, electronic content is pegged at ~60-65%. The company has 100% wallet share of this product with Mahindra Thar, Mahindra & Swaraj Tractors. In the tractor space it has ~80% market share in the instrument cluster segment
- With respect to RM pricing, with most OEMs it has a back-to-back arrangement

## Financial story in charts

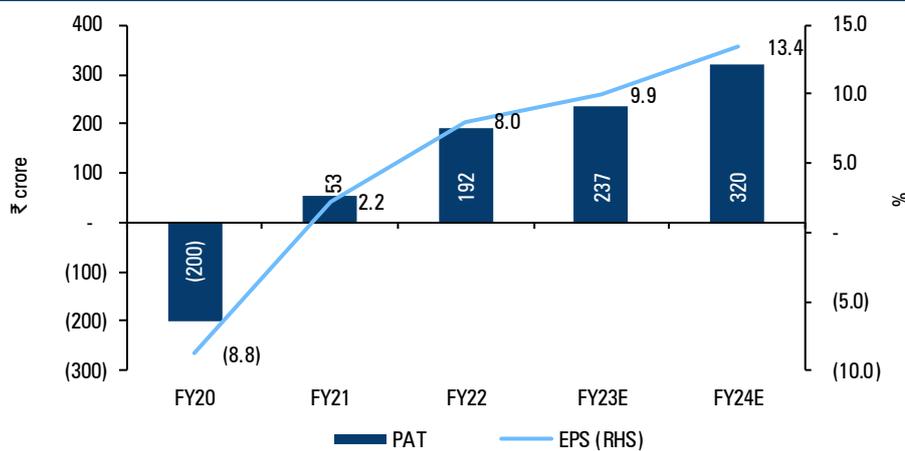
Exhibit 4: Topline and margin trend



We expect sales to grow at a CAGR of 25.4% over FY22-24E. Margins are seen climbing to 12.2% by FY24E on the back of operational efficiencies

Source: Company, ICICI Direct Research

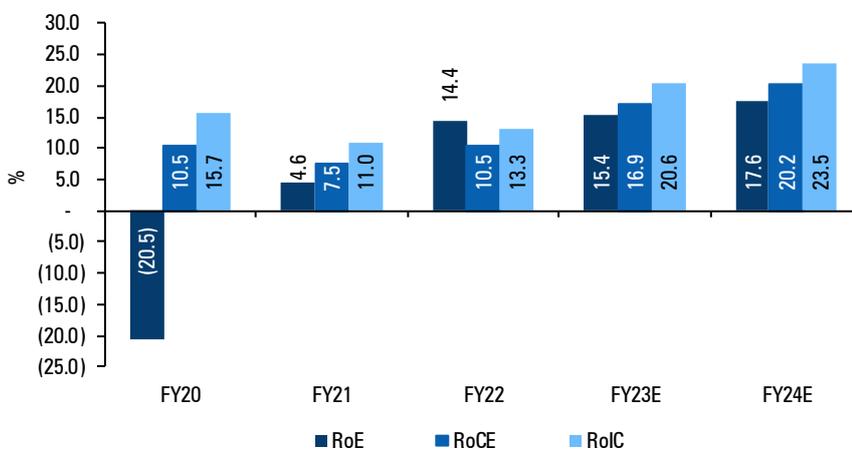
Exhibit 5: Trend in PAT and EPS



PAT is seen growing at 29.1% CAGR over FY22-24E on the back of higher sales and margin improvement

Source: Company, ICICI Direct Research

Exhibit 6: Trend in return ratios



The company is seen posting ~20% RoCE by FY24E with similar reading for RoIC placed at ~24%

Source: Company, ICICI Direct Research

Exhibit 7: Valuation Summary

	Sales (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	2,223	(28.1)	(8.8)	(217.8)	NM	21.6	(20.5)	10.5
FY21	2,368	6.5	2.2	LP	99.5	24.1	4.6	7.5
FY22	2,976	25.7	8.0	263.2	27.4	18.0	14.4	10.5
FY23E	4,068	36.7	9.9	23.7	22.1	11.6	15.4	16.9
FY24E	4,678	15.0	13.4	34.8	16.4	9.2	17.6	20.2

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 8: Profit and loss statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Net Sales	2368.0	2975.9	4067.7	4677.8	
Other Operating Income	0.0	0.0	0.0	0.0	
<b>Total Operating Income</b>	<b>2,368.0</b>	<b>2,975.9</b>	<b>4,067.7</b>	<b>4,677.8</b>	
Growth (%)	6.5	25.7	36.7	15.0	
Raw Material Expenses	1,492.6	1,875.8	2,620.7	2,993.8	
Employee Expenses	382.7	474.2	584.4	645.5	
Other Operating Expense	275.7	331.4	404.0	467.8	
Total Operating Expenditure	2,150.9	2,681.4	3,609.1	4,107.1	
<b>EBITDA</b>	<b>217.0</b>	<b>294.5</b>	<b>458.6</b>	<b>570.7</b>	
Growth (%)	-11.6	35.7	55.7	24.4	
Depreciation	93.6	112.0	132.2	145.0	
Interest	35.8	30.9	33.0	24.0	
Other Income	33.2	24.2	20.9	20.6	
<b>PBT</b>	<b>120.8</b>	<b>175.7</b>	<b>314.3</b>	<b>422.3</b>	
Excep. charge & P/L from Asso.	-36.8	40.2	2.3	4.0	
Total Tax	31.2	24.0	79.4	106.4	
<b>PAT</b>	<b>52.8</b>	<b>191.9</b>	<b>237.2</b>	<b>319.8</b>	
Growth (%)	LP	263.2	23.7	34.8	
<b>EPS (₹)</b>	<b>2.2</b>	<b>8.0</b>	<b>9.9</b>	<b>13.4</b>	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit after Tax	52.8	191.9	237.2	319.8	
Add: Depreciation	93.6	112.0	132.2	145.0	
(Inc)/dec in Current Assets	-177.9	-224.8	-364.8	-253.8	
Inc/(dec) in CL and Provisions	70.0	82.0	244.2	142.9	
Others	46.9	6.8	12.1	3.4	
<b>CF from operating activities</b>	<b>85.5</b>	<b>167.9</b>	<b>260.9</b>	<b>357.4</b>	
(Inc)/dec in Investments	-68.8	12.5	5.9	5.6	
(Inc)/dec in Fixed Assets	-130.6	-272.6	-203.4	-233.9	
Others	105.5	56.2	-5.0	-5.0	
<b>CF from investing activities</b>	<b>-93.9</b>	<b>-204.0</b>	<b>-202.5</b>	<b>-233.3</b>	
Issue/(Buy back) of Equity	2.4	0.0	0.0	0.0	
Inc/(dec) in loan funds	-47.5	-90.6	-25.0	-100.0	
Interest and Dividend outgo	-52.5	-54.8	-61.6	-62.2	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	133.0	15.5	0.0	0.0	
<b>CF from financing activities</b>	<b>35.3</b>	<b>-129.9</b>	<b>-86.6</b>	<b>-162.2</b>	
<b>Net Cash flow</b>	<b>26.9</b>	<b>-165.9</b>	<b>-28.2</b>	<b>-38.1</b>	
Opening Cash	472.5	499.4	333.4	305.2	
<b>Closing Cash</b>	<b>499.4</b>	<b>333.4</b>	<b>305.2</b>	<b>267.0</b>	

Source: Company, ICICI Direct Research

Exhibit 10: Balance Sheet		₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E	
<b>Liabilities</b>					
Equity Capital	47.8	47.8	47.8	47.8	
Reserve and Surplus	1,098.8	1,282.3	1,490.9	1,772.5	
<b>Total Shareholders funds</b>	<b>1,146.6</b>	<b>1,330.1</b>	<b>1,538.6</b>	<b>1,820.3</b>	
Total Debt	482.0	391.4	366.4	266.4	
Deferred Tax Liability	3.4	17.3	17.3	17.3	
Minority Interest / Others	47.6	100.9	95.9	90.9	
<b>Total Liabilities</b>	<b>1,679.6</b>	<b>1,839.7</b>	<b>2,018.3</b>	<b>2,194.9</b>	
<b>Assets</b>					
Gross Block	878.6	1,136.5	1,342.4	1,586.3	
Less: Acc Depreciation	304.1	416.1	548.3	693.4	
Net Block	574.5	720.4	794.1	892.9	
Capital WIP	17.8	32.5	30.0	20.0	
<b>Total Fixed Assets</b>	<b>592.3</b>	<b>752.9</b>	<b>824.1</b>	<b>912.9</b>	
Investments & Goodwill	219.1	230.8	245.8	260.8	
Inventory	395.9	478.9	612.9	769.0	
Debtors	442.0	568.8	780.1	897.1	
Loans and Advances	70.7	73.4	79.9	68.5	
Other Current Assets	78.2	90.6	103.5	95.6	
<b>Cash</b>	<b>499.4</b>	<b>333.4</b>	<b>305.2</b>	<b>267.0</b>	
Total Current Assets	1,486.2	1,545.1	1,881.7	2,097.2	
Current Liabilities	614.7	686.8	913.9	1,047.4	
Provisions	35.5	45.5	62.5	71.9	
Current Liabilities & Prov	650.2	732.2	976.4	1,119.3	
<b>Net Current Assets</b>	<b>836.0</b>	<b>812.8</b>	<b>905.2</b>	<b>977.9</b>	
Others Assets	32.2	43.2	43.2	43.2	
<b>Application of Funds</b>	<b>1,679.6</b>	<b>1,839.7</b>	<b>2,018.3</b>	<b>2,194.9</b>	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios					
(Year-end March)	FY21	FY22	FY23E	FY24E	
<b>Per share data (₹)</b>					
EPS	2.2	8.0	9.9	13.4	
Cash EPS	6.1	12.7	15.5	19.5	
BV	48.0	55.7	64.4	76.2	
DPS	0.7	1.0	1.2	1.6	
Cash Per Share (Incl Invst)	20.9	14.0	13.0	11.6	
<b>Operating Ratios (%)</b>					
EBITDA Margin	9.2	9.9	11.3	12.2	
PAT Margin	2.2	6.4	5.8	6.8	
Inventory days	61.0	58.7	55.0	60.0	
Debtor days	68.1	69.8	70.0	70.0	
Creditor days	74.7	69.6	70.0	70.0	
<b>Return Ratios (%)</b>					
RoE	4.6	14.4	15.4	17.6	
RoCE	7.5	10.5	16.9	20.2	
RoIC	11.0	13.3	20.6	23.5	
<b>Valuation Ratios (x)</b>					
P/E	99.5	27.4	22.1	16.4	
EV / EBITDA	24.1	18.0	11.6	9.2	
EV / Net Sales	2.2	1.8	1.3	1.1	
Market Cap / Sales	2.2	1.8	1.3	1.1	
Price to Book Value	4.6	4.0	3.4	2.9	
<b>Solvency Ratios</b>					
Debt/EBITDA	2.2	1.3	0.8	0.5	
Debt / Equity	0.4	0.3	0.2	0.1	
Current Ratio	1.8	1.9	1.8	1.8	
<b>Quick Ratio</b>	<b>1.1</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	

Source: Company, ICICI Direct Research

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