

Analyst Meet

Minda Corporation Ltd

Bloomberg Code: MDA IN

India Research - Stock Broking

Minda Corporation Ltd held the **Analyst & Investor Conference** on Feb 28, 2019 in Mumbai.

Plans for revenue growth:

Main business verticals of Minda Corp include Safety & Security Systems, Driver Information and Telematic Systems, Interior Systems and After Market. The company is focusing on upgrading existing product portfolio to suit the latest trends in the automotive sector which is expected to add value to their overall kit offering.

- The company has upgraded its vehicle access technology from normal ignition key to key-less entry systems especially for 2-wheelers.
- Instrument clusters are being upgraded to LCD screens with enhanced Telematics. This will lead to a shift from mechanical to mechatronics (mechanical + electronic components) where the content per vehicle is likely to double and can give the necessary cost leverage during the initial step-up phase.
- Wiring harness for passenger cars and commercial vehicles has been upgraded to suit BS-VI norms which again may increase content per vehicle by ~30% as the no. of circuits and connectors required for BS-VI is higher. Impact is expected to be even bigger for 2-wheelers as the addition of components is expected to double which also includes special circuits.
- Development of sensors to suit the shift in technology and BS-VI emission requirements are already in the pipeline. This includes advanced sensing and actuation applications.

Profitability:

While we are confident on the revenue visibility from both organic and inorganic growth, profitability still remains a concern due to low operating leverage. However, the company is in the process of consolidating 100% Indian subsidiaries with its standalone entity which is expected to result in synergies due to cost optimization. This will also make the corporate structure simpler. The company has filed the scheme of merger with NCLT Delhi and Bengaluru for domestic wholly owned subsidiaries into Minda Corporation Ltd (MCL) which is expected to be completed during April-May 2019.

Though evolving into higher electronic content may give the necessary pricing advantage in the initial stage, it slowly decreases with time as electronics tend to depreciate in value.

On the flip side, extensive product differentiation along with increasing content per vehicle may provide cushion on profitability. Also, product localization may also bring about cost advantages.

Valuation:

We retain our valuation for the company at a P/E of 14.0x of FY21E EPS of Rs. 12.2 (based on 3-year Avg fwd P/E) for a target price of Rs. 171.

CMP (Rs.) 149

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	33879 / 478
52-wk High/Low (Rs.)	208 / 106
3M Avg. daily value (Rs. mn)	17.9
Beta (x)	1.2
Sensex/Nifty	36060/ 10864
O/S Shares(mn)	227.2
Face Value (Rs.)	2.0

Shareholding Pattern (%)

Promoters	64.7
FII's	7.3
DII's	7.2
Others	20.8

Stock Performance (%)

	1M	3M	6M	12M
Absolute	3	7	(2)	(22)
Relative to Sensex	4	8	5	(27)

Source: Bloomberg

Relative Performance*



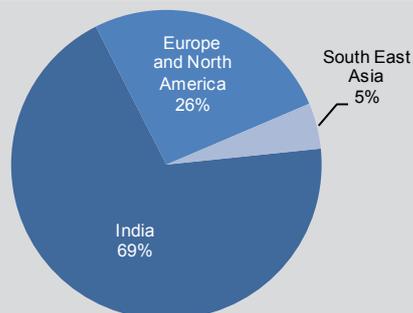
Source: Bloomberg; *Index 100

Analyst Contact

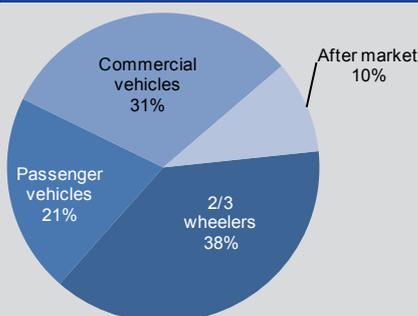
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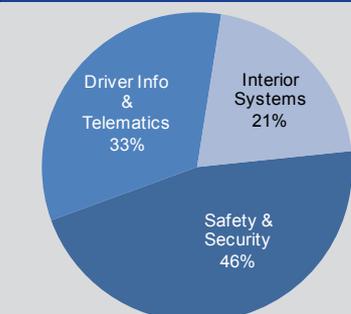
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Geographical Split


Source: Company, Karvy Research

By End Market


Source: Company, Karvy Research

By Business Segments


Source: Company, Karvy Research

The company was represented by:

Mr. Ashok Minda, Group Chairman **Mr. R. Laxman**, Group Finance Head
Mr. N. K. Taneja, Group Marketing Head **Mr. D. Suresh**, Group Technology Head

The event included a detailed presentation about the offerings of the company along with business strategies. They exhibited some of their products which comprised of both primary and upcoming products. They also showcased products associated with electric vehicles.

Key Growth Areas:

- Product premiumization along with increasing content per vehicle.
- Shift from component to module/system supplier.
- Earlier supplier engagement for upcoming tech helps gain market share faster.
- Cross selling of products with existing OEMs on account of product diversification.
- The company targets on doubling exports in the next three years through geographical expansion in Europe, ASEAN and North America. 9MFY19 revenue from exports was Rs. 2400 Mn.
- The company is expected to launch console units for buses under vehicle tracking system by Nov 2019.
- Regulatory driven solutions include Fire Detection and Alarm Systems (FDAS AIS- 135), Reverse parking and driver assisted systems (AIS-145) and Intelligent Transportation Systems (ITS) for commercial vehicles.

Offerings in the EV space

Product	Status
DC-DC converter 12V, 120 & 240 W	Ramp up in 2019
Battery Charger 190 V- 270 V AC	OEM acquisition to be completed by 2019 end
Motor Controller 600 W - 3kW	SOP from March 2020
Telematics	Another customer acquisition is yet to be finalized

Source: Company, Karvy Research

We think that the QIP of Rs. 310 Cr will be utilized to fund their upcoming acquisitions.

Valuation Summary

YE Mar (Rs. Mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	20598	25934	31265	37725	45560
EBITDA	1887	2728	3151	3866	4611
EBITDA Margin (%)	9.2	10.5	10.1	10.2	10.1
Adj. Net Profit	1021	1416	1712	2168	2762
EPS (Rs.)	4.5	6.2	7.5	9.5	12.2
RoE (%)	17.2	20.8	17.7	16.8	18.3
PE (x)	30.0	21.6	19.9	15.7	12.2

Source: Company, Karvy Research

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