

CMP (INR) (As on 10th Aug 2018) 156.55
 Target (INR) 237.0
 Upside(%) 51.4%
 Recommendation **Strong Buy**

BSE Code 538962
 NSE Code MINDACORP
 Reuters Ticker MINC.NS
 Bloomberg Ticker MDA.IN

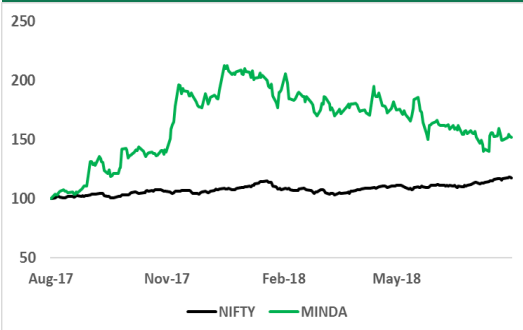
Stock Scan

Market cap (INR Cr.) 3556.82
 Outstanding Shares (Cr.) 22.72
 Face Value (INR) 2.00
 Dividend Yield(%) 0.38
 TTM P/E (x) 22.75
 Industry P/E (x) 29.14
 Debt/Equity 0.98
 Beta vs. Sensex 1.44
 52 Week High/ Low (INR) 228.80/98.95
 Avg. Daily Vol. (NSE)/1 yr. 572,181

Shareholding Pattern (%)

	Jun-2018	Mar-2018	Dec-2017
Promoters	67.03	70.21	70.21
Institutions	12.62	8.02	7.67
Non-institutions	20.35	19.22	22.12

Stock vs. Nifty (Relative Returns)



Research Analyst

Source: NSE

Debjit Maji

Email: debjit.maji@smifs.co.in

Company Overview

Minda Corporation Limited (MCL) is a leading Indian supplier of diversified auto components, having a product portfolio consisting of electronic and mechanical security systems, driver information and telematics systems and plastic interiors to two wheelers, three wheelers, four wheelers and off-road vehicles. It supplies to auto Original Equipment Manufacturers (OEMs) across the globe and boasts of a strong clientele consisting of Ashok Leyland, Bajaj Auto, Maruti Suzuki, HMT, Mahindra & Mahindra, Nissan, Tata Motors, Volkswagen, Yamaha Motors etc.

The Company has 34 state of the art manufacturing facilities - India (28 plant & two offices), South-East Asia (2 plants & one representative office in Japan), Europe (3) and North America (1).

Key Highlights

- Consolidated operational revenue stood at INR778.27 crore, up 33.78% YoY (up 8.02 % QoQ) and it is marginally lower than our estimate of INR778.27 crore.
- Significant rise in steel price (up 27% YoY) and adverse product mix dented the Gross Profit margin by 191bps YoY to 36.87%. Optimisation of operating expenses led to 64.9% YoY rise in EBITDA to INR73.10 crore and expansion of 177 bps YoY of EBITDA margin to 9.39%.
- Consolidated PAT grew 63.29% YoY to INR37.59 crore but failed to meet our estimate of INR46.64 crore on the back of higher interest expense and depreciation.

(Key highlights cont'd...)

Exhibit 1: Financial Performance at a glance (Consolidated)

Particulars (in INR Cr.)	FY16A	FY17A	FY18A	FY19E	FY20E
Net Sales	2,445.5	2,059.8	2,593.4	3,109.3	3,575.7
Growth (%)	24.1%	-15.8%	25.9%	19.9%	15.0%
EBITDA	240.6	229.2	289.1	367.6	440.8
EBITDA Margin	9.8%	11.1%	11.1%	11.8%	12.3%
Net Profit	107.3	102.1	141.9	182.2	238.6
Net Profit Margin	4.4%	5.0%	5.5%	5.9%	6.7%
EPS	5.12	4.88	6.78	8.70	11.40
BVPS	27.11	29.72	35.23	43.23	53.63
P/E (x)	41.4	39.3	28.3	22.0	16.8
P/BV (x)	7.8	6.5	5.4	4.3	3.5
EV/EBITDA (x)	19.8	18.5	14.6	12.5	9.8
ROAE (%)	20.8%	17.2%	20.9%	21.7%	22.8%
ROACE (%)	22.1%	20.8%	22.7%	26.8%	29.0%

Source: Company Data, SMIFS Research

Key Highlights Cont'd:

- In Q1FY19, System Security & Restraint (SSR) System segment reported a revenue of INR326.4 crore (up 30.35% YoY) with an EBITDA margin of 10.6% (up 350bps YoY).
- Driver Information & Telematics (DIT) System segment achieved a revenue of INR252.4 crore (up 32.28% YoY) with an EBITDA margin of 9.7% (up 40bps YoY) in Q1FY19.
- Interior System segment recorded INR199.4 crore (up 41.92% YoY) as revenue with 6.5% EBITDA margin (up 80bps YoY).
- During the last quarter, 66% of the revenue came from India, 29% from Europe & North America and the rest from South-East Asia.
- In Q1FY19, Co.'s operational revenue is well diversified across different business verticals it operates in. SSR system segment generates 42% of the consolidated revenue, 31% contributed by DIT system segment and the rest comes from Interior System.
- After market segment generated 8% of the consolidated revenue, out of which 75% comes from 2 Wheelers and the rest comes from Passenger Cars & Others.
- Co.'s after market sales is dominated by locks. 57% of the revenue comes from locks followed by WH, Instrument & Wiper segment (20%) and Cable, CDI & Filter segment (12%).
- Co.'s achieved an impressive ~34% YoY revenue growth on the back of strong volume growth in Auto sector across different segments and additional revenues from new greenfield plants (i.e. Interior Plastic Plant at Mexico and Die casting Plant at Pune).

Exhibit 2: Financial Performance (Consolidated)

Particulars (in INR Crore)	Quarter Ended				
	Q1 FY19	Q1 FY18	YoY %	Q4 FY18	QoQ %
Net sales	778.3	581.7	33.8%	720.5	8.0%
Other operating income	-	-	-	-	-
Total operating income	778.3	581.7	33.8%	720.5	8.0%
Cost of materials consumed	429.5	315.3	36.2%	443.9	-3.2%
Purchase of stock-in trade	8.5	7.9	7.2%	12.2	-30.0%
(Increase)/decrease in inventories	53.3	32.9	62.3%	(20.5)	-360.6%
Employee benefit expense	123.5	104.1	18.7%	116.9	5.6%
Other expenses	90.3	77.2	17.0%	86.2	4.8%
Total Expenses	705.2	537.4	31.2%	638.7	10.4%
EBITDA (Ex OI)	73.1	44.3	64.9%	81.8	-10.6%
EBITDA margin (%)	9.39	7.62	177 bps	11.35	-196 bps
Other income	4.6	2.5	84.9%	8.8	-47.5%
Depreciation & amortization	21.0	16.1	30.1%	19.6	7.3%
EBIT	56.7	30.7	84.8%	71.0	-20.1%
EBIT Margin (%)	7.29	5.28	201 bps	9.86	-257 bps
Interest cost	11.0	7.6	45.1%	10.6	4.1%
Income from Associates	4.9	5.9	15.9%	(4.7)	-205.4%
Profit before tax	50.7	29.0	74.9%	55.8	-9%
PBT margin (%)	6.51	4.98	153 bps	7.74	-123 bps
Tax	13.1	6.0	119.7%	17.1	-24%
Profit after tax	37.6	23.0	63.3%	38.7	-3%
PAT margin (%)	4.83	3.96	87 bps	5.37	-54 bps
EPS	1.73	1.10	57.3%	1.85	-6.5%
EPS (Diluted)	1.71	1.09	56.9%	1.82	-6.0%

Actual Vs Variance

SMIFS Estimates (INR Cr.)	Actual	Estimates	Variance (%)
Net Revenue	778.3	777.3	0.12%
EBITDA	73.1	86	-14.51%
EBITDA margin(%)	9.4%	11.0%	-161bps
Net Profit	37.6	46.6	-19.4%
Net Profit margin(%)	4.8%	6.0%	-117bps

Concall Highlights

- The management is guiding for a growth of 18-20% for the medium term.
- The 177 bps YoY improvement in EBITDA margin is majorly due to ramping up of margins from new greenfield plants and savings in employee costs and other expenses.
- The management is confident about keeping an EBITDA margin around 11%-12% in near future and improve it further going forward on back of better product mix and increasing sales of technologically advanced products.
- Minda Furukawa for Q1FY19 was operationally profitable and managed to breakeven at PAT level.
- Recent QIP worth ~INR310 crore will majorly be deployed for acquisitions, reduction of debt and working capital management.
- In Q1FY19, the company has got orders worth INR1100 crore which will be executed in a span of 3-5 years.
- New business win from Japanese manufacturer for the supplies of die-casted parts for its fuel injection pump in accordance with BS VI requirement. Co. made a breakthrough with German Automaker and bagged new business for Seat Latches.
- LOI received from four OEM customers for Smart Key for 2Ws. LOI also received from two OEM customers for DC/DC Converter for Electric Vehicle solutions.
- In Q1FY19, Co. received a new business from a leading 2W OEM for Engine Oil Temperature Sensor and Engine Speed Sensor with a peak annual value of approx. INR35 crore.
- During the last quarter, Co. made a foray in European EV business and bagged order from a Dutch EV maker.
- Co. also won new business to supply BS VI—EFI wiring harness from leading 2W OEM with peak annual value of approx. INR30 crore.
- Co. has also managed to bag an order for Compressor Housing from leading German Tier-1 OEM with peak annual value approx. INR13 crore.

Outlook & Valuation

Going forward we believe, BS-IV to BS-VI transitions, mandatory ABS for two wheelers above 125 CC engines and CBS for two wheelers below 125CC engines, electric vehicles and the concept of smart cities are opportunities for the company which should result into healthy orders for Minda Corp. We believe company's focus on bringing technologically advanced product and solutions at low cost should help company make inroads with large OEMs both on domestic and export front leading to healthy revenue growth with good margins. While the company focuses on low cost technology and innovation on other hand company's focus on turning around its key JVs and subsidiaries and bringing in operational efficiency should help company in faster turnaround.

Considering high value, technologically advanced products, robust order book, implementation of fleet modernization of CV, introduction of electric vehicles, global presence with 34 plants, technological tie ups with global automotive component manufacturers, well diversified customer base, product portfolio and low leverage we are maintaining our target price of **INR237** as stated in our Q4FY18 result analysis dated 29th May, 2018.

For our earlier reports, please find the links below:

Date: 29th May, 2018

CMP: INR191.70

Target: INR237

https://www.smifs.com/files/reports/636632704096049575_Stewart%20%20Mackertich%20Research_Minda%20Corp_Q4FY18%20Result%20Analysis.pdf

Date: 16th Feb, 2018

CMP: INR190.35

Target: INR237

https://www.smifs.com/files/reports/636544029860773938_SMIFS%20Research_Minda%20Corp%20Q3FY18%20Result%20Analysis.pdf

Date: 29th Jan, 2018

CMP: INR212.35

Target: INR237

https://www.smifs.com/files/reports/636528441561930796_SMIFS%20Research_Initiating%20Coverage%20Report%20on%20Minda%20Corporation%20Limited.pdf

Research & Development Strategies

Mr. Rahul Kayan
Director

rahul.kayan@smifs.com
+91 33 66345419 / 40115419
Mobile No: +91 9831893232

Mr. Ashiwini Kumar Tripathi
Director

aswin.tripathi@smifs.com
+91 33 66345415 / 40115415
Mobile No: +91 9831155058

Mr. Ajay Jaiswal

President: Strategies and Head Research
ajaiswal@smifs.com
+91 33 66345408/40115408
Mobile No: +91 9836966900

Mr. Rajesh Basu Majumdar

Head Equities- Institutional
rajesh.majumdar@smifs.com
+91 33 66345400/40115400
Mobile No: +91 9830267133

Mr. Monal Desai

Sr. VP - Institutional Sales
monal.desai@smifs.co.in
+91 2242005555
Mobile No: +91 9821137303

Mr. Shivaji Roy

Sr. VP - Sales
shivaji.roy@smifs.co.in
+91 33 66345400/40115400
Mobile No: +91 9830173200

Research Team

Mr. Ajay Srivastava

Associate VP- Research
ajay.srivastava@smifs.co.in
+91 33 66345400

Mr. Saurabh Ginodia

Associate VP- Research & Strategies
saurabh.ginodia@smifs.com
+91 33 66345407

Mr. Dipanjan Basuthakur

Sr. Research Analyst
dbasuthakur@smifs.com
+91 33 66345486

Ms. Sutapa Biswas

Sr. Research Analyst
Economy
sutapa.biswas@smifs.com
Mobile No: +91 9836020612

Mr. Abhishek Roy

Research Analyst
FMCG/Retail/Consumer Durables
abhishek.roy@smifs.com
+91 33 40115468

Mr. Kapil Joshi

Research Analyst
Infrastructure/Power
kapil.joshi@smifs.com
+91 33 40115468

Ms. Mononita Mitra

Research Analyst
Agro/Chemicals
m.mitra@smifs.com
+91 33 40115468

Mr. Pratim Roy

Research Analyst
Oil & Gas/Textiles
pratim.roy@smifs.co.in
+91 33 40115400

Mr. Debjit Maji

Research Analyst
Auto & Auto Ancillary/Telecom
debjit.maji@smifs.co.in
+91 33 40115474

Mr. Anmol Das

Research Analyst
Metals and Mining
anmol.das@smifs.co.in
+91 33 40115474

Mr. Sarthak Mukherjee

Research Analyst
Aviation/Hospitality/Logistics
sarthak.mukherjee@smifs.co.in
+91 33 40115474

Mr. Anupam Goswami

Research Analyst
Building Products/Capital Goods/
Construction Equipment
anupam.goswami@smifs.co.in
+91 33 40115474

Mr. Anik Mitra

Research Analyst
Pharmaceuticals
anik.mitra@smifs.com
+91 33 40115400

Mr. Sudip Dugar

Research Analyst
BFSI
sudip.dugar@smifs.com
+91 33 40115400

Mr. Shubham Kakrania

Research Analyst
IT
shubham.kakrania@smifs.com
+91 33 40115400

Commodity Research

Mr. Sam Nair

AVP-Commodities
sam.nair@smifs.com
Mobile No: +91 81138 52263

Technical Research

Mr. Jaydeb Dey

Technical Analyst Equities
jaydeb.dey@smifs.com
+91 33 66345433

Sales Leadership Team

Mr. Jaydeep Pattanayak

Plot No. 15-B, Bapuji Nagar, Unit-I,
Ashok Nagar, **Bhubaneswar- 751009**, Odissa, India.
jaydeep.pattanayak@smifs.co.in
Mobile No: +91 9583099025

Mr. Taj Mohammad

6th Floor, 654, Aggarwal Metro Heights,
Netaji Subhash Place, Pitampura,
New Delhi – 110034, India.
taj.mohammad@smifs.com
Mobile No: +91 9818754786

Mr. Sohil I Khan

Office No. 5G, New Marine Lines, Court
Chamber, **Mumbai - 400 020**,
Maharashtra, India
Mobile No: +91 9930294893

Mr. Saurasanta Biswas

Vaibhav, 4 Lee Road,
Kolkata - 700020, India.
saurasanta.biswas@smifs.co.in
Mobile No: +91 9883604672

Investor Relations and Data Support

Ms. Tania Das

Sr. Associate Client Relation
tania.das@smifs.co.in
Mobile No: +91 9836162494

Mr. Deepankar Saha

Research Assistant
deepankar.saha@smifs.co.in
Phone: +91 33 40115468
Mobile No: +91 9831260464

Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 12% and 20%
Accumulate	between 6% and 12%
Hold	between 0% and 6%
Sell	0 to <-10%
Neutral	No Rating

Bloomberg Ticker for Stewart & Mackertich Research: SMIF<Enter>

Contact Details

REGISTERED OFFICE
Mr. Sandipan Chatterjee

Vaibhav, 4 Lee Road,
Kolkata 700020, India.
Phone: +91 33 66345400 / 40115400
Mobile No: +91 9748899161

REGISTERED OFFICE

Ms. Debjani Sen
Vaibhav, 4 Lee Road,
Kolkata 700020, India.
Phone: +91 33 66345401
Mobile No: +91 9748899162

MUMBAI

Mr. Vaibhav Wadke
Office No. 5G, New Marine Lines,
Court Chamber, Mumbai - 400 020,
Maharashtra, India
Mobile No: +91-9967642795

NEW DELHI

Mr. Rajesh Kumar Jha
6th Floor, 654, Aggarwal Metro
Heights, Netaji Subhash Place,
Pitampura,
New Delhi – 110034, India.
Mobile No: +91 9999243622

BANGALORE

Mr. S. Srikanth
No.153, 2nd Floor, Sheela Arcade, 7th
Block Koramangala,
(Opp.—Sai Baba Mandir)
Bangalore - 560095, India.
Mobile No: +91 9845020017

CHENNAI

Mr. K.K.Raja Gopalan
New No.4/2, Bajaj Apartments,
Seethamala Colony, 1st Cross Corner,
Alwarpet, Chennai – 600018, India.
Mobile No: +91 9383931590

LUCKNOW

Mr. Ashish Verma
6 Park Road, UGF 4, Hazratganj,
Lucknow - 226001, Uttar Pradesh, India.
Mobile No: +91 9559378972

BHUBANESHWAR

Mr. Jeetendra Nath Sahoo
Plot No. 15-B, Bapuji Nagar,
Unit-I, Ashok Nagar,
Bhubaneswar - 751009, Odissa, India.
Mobile No: +91 9668257514

PATNA

Mr. Ram Singh
606/A, Ashiana Plaza, Budha Marg,
Patna - 800001, Bihar, India.
Mobile No: +91 9570507409

KANPUR

Mr. Amit Kumar Gupta
Office No.212 -213, 2nd Floor, KAN
Chamber, Adjacent to UP Stock Ex-
change, 14/113, Civil Lines, Kanpur-
208001, Uttar Pradesh, India.
Mobile No: +91 9151104767

RANCHI

Mr. Wasimur Rahman
4th Floor, Sethi Corporate,
Pee Pee Compound, Near Sujata Chowk,
Main Road Ranchi - 834001
Mobile No: +91 9534212670

PATHANKOT

Ms. Anuradha Marwaha
SCO G - 69, Netaji Market,
Opp. Hindu Co.op. Bank, Dalhousie Road,
Pathankot - 145001, Punjab, India.
Phone: 0186 - 2222201/ 2222205

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Website: www.smifs.com | Email: investors@smifs.com

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Stewart & Mackertich Wealth Management Ltd.
Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.
Tel.: +91 33 6634 5408 /, Fax: 91 33 22893401

Website: www.smifs.com

For queries related to compliance of the report, please contact:

- Sudipto Datta, Compliance Officer

Contact No.: +91 33 66345414 / 4011 5414

Email Id.: compliance@smifs.com / sudipta@smifs.com