

## Auto Ancillary

### EARLIER RECO

BUY	
Price	₹ 176*
Target	₹ 269*
Date	February 04, 2016

\*Adjusted to Stock Split

### SHARE HOLDING (%)

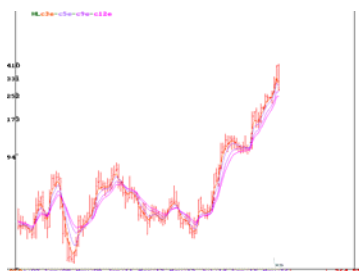
Promoters	74.0
FII	4.8
FI/MF	2.3
Govt. Holdings	-
Body Corporates	5.3
Public & Others	13.6

### STOCK DATA

Reuters Code	MINDA.BO	
Bloomberg Code	MINDA IN	
BSE Code	532539	
NSE Symbol	MINDAIND	
Market Capitalization	₹2,260 Cr US\$ 330 mn	
Shares Outstanding	7.9 Cr	
52 Weeks (H/L)	₹ 405/144	
Avg. Daily Volume (6m)	19,584 Shares	
Price Performance (%)		
1M	3M	6M
(4)	19	61

200 Days EMA: ₹ 253

\*On fully diluted equity shares

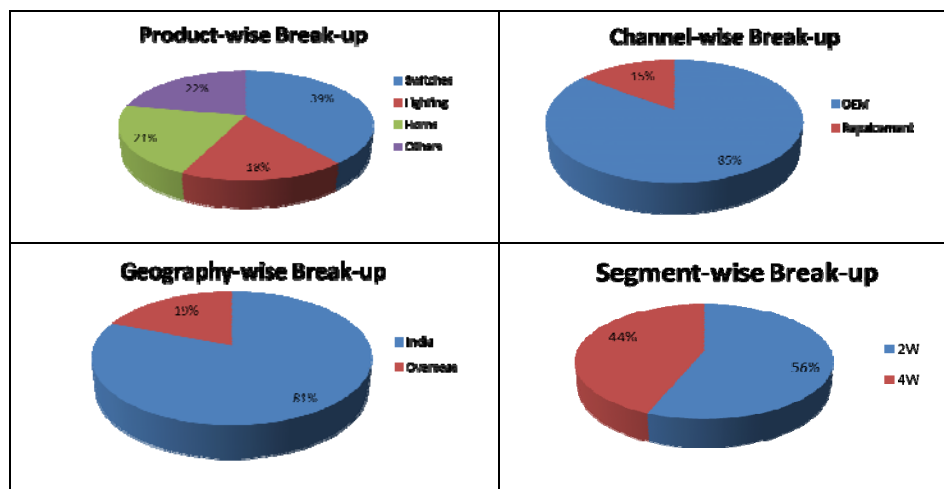


### EQUITY ANALYST

Saurabh Jain | +91 22 4093 4004

## Q2 FY17 Result Highlights

- The consolidated total income stood at Rs.905.9 cr as compared to Rs.651.7 cr in Q2 FY16 and Rs.766.6 cr in Q1 FY17; EBITDA stood at Rs.93.2 cr as compared to Rs.63.2 cr in Q2 FY16 and Rs.72.4 cr in Q1 FY17 - EBITDA margin stood at 10.3% as compared to 9.7% in Q2 FY16 and 9.4% in Q1 FY17; A-PAT stood at Rs.38.4 cr as compared to Rs.26.3 cr in Q2 FY16 and Rs.27.1 cr in Q1 FY17 - net margin improved from 3.5% in Q1 FY17 and 4.0% in Q2 FY16 to 4.2% in Q2 FY17.
- During H1 FY17, top-line stood at 1,672.4 cr as against Rs.1,184.3 cr in H1 FY16; EBITDA stood at Rs.165.6 cr vs Rs.97.3 cr; EPS stood at Rs.8.3 as against Rs.5.0, during the same period.



## Other Updates

- The jump in top-line was mainly due to consolidation of Minda TG, Minda Kosei Aluminum Wheel (MKAWL) & Rinder Group; nevertheless, the standalone business grew 17.3% YoY as well.
- The capacity at MKAWL has been ramped up from 30,000 wheels/mth to 60,000 wheels/mth - the company would be investing further Rs.55 cr to further increase the capacity to 120,000 wheels/mth. The business has higher EBITDA margin (range of 16-17%) than most of the usual businesses of the company. The clients include Maruti (80%) for Baleno and Brezza, and M&M (20%). The company is also in talks with these OEMs for other models. The Management expects the alloy wheels penetration to increase from current ~18% to ~45% over the next 3-5 years.
- On the restructuring front, the board has approved acquisition of balance 49.0% equity in SAM Global, Singapore and 31.4% share in PTMA Co. Pvt. Ltd. for a consideration of Rs.13.5 cr and Rs.15.9 cr, respectively. The transaction is likely to be completed by April, 2017. Subsequently, the company will have 100% interest in PTMA, Indonesia and MIVCL, Vietnam. PTMA, Indonesia is engaged in business of Switches (2W/3W) and Light (4W), and MIVCL is in business of switches.
- Currently, approximately 65% of the group's turnover is covered under the consolidated entity; Management expects this share to increase to 80-85% by Q1 FY18 and 100% by end of Q4 FY18.
- The increase in finance costs over the last two quarters is primarily on account of acquisition of Rinder and undergoing consolidation activities, thereby, leading to an increase in working capital requirement. The company is considering several options to reduce the overall finance costs.
- During the quarter, the associate company, Mindarika has bagged first-time-orders from Maruti Suzuki (India) Ltd. for HVAC (Heating, Ventilation & Air-Conditioning) systems for their upcoming models in India and Indonesia. The company also bagged fresh orders from Royal Enfield Motors Ltd. (REML) for supplying tail lamps for their new models. The order size is Rs.20-25 cr but would be repetitive in nature.

## KEY FINANCIALS

Y/E Mar.	Net Sales (Rs Cr)	EBITDA Margin (%)	Adj. Net Profit (Rs Cr)	Adj. Net Margin (%)	EPS (Rs)	P/E (x)	P/B (x)	P/S (x)
FY16	2527.3	9.4%	106.2	4.2%	13.4	21.3	4.8	0.9
FY17E	3372.8	9.8%	132.8	3.9%	16.7	17.0	3.8	0.7
FY18E	3876.5	10.0%	161.6	4.2%	20.4	14.0	3.1	0.6
FY19E	4340.1	10.2%	193.3	4.5%	24.4	11.7	2.5	0.5

## Organization Structure

Entity Name	Nature	Stake	Q1 FY17			Q2 FY17		
			Sales (Cr)	PBT (Cr)	PBT (%)	Sales (Cr)	PBT (Cr)	PBT (%)
Minda Industries	Std	100%	401	27.2	6.8%	434	43	9.9%
Minda TG Rubber (Minda TG)	Sub	51%	7	(2.1)	(30.0%)	8	(1)	(12.5%)
Minda Auto Component Ltd (MACL)	Sub	100%	19	0.6	3.2%	39	1	2.6%
MJ Casting (MJCL)	Sub	98%	55	1.1	2.0%	56	2	3.6%
Minda Kyurako Ltd (MKL)	Sub	72%	29	2.8	9.7%	30	2	6.7%
Minda Kosei Aluminum Wheels Pvt. Ltd.	Sub	70%	28	(3.5)	(12.5%)	44	6	13.6%
Minda Distribution & Services Ltd. (MDSL)	Sub	100%	105	(0.1)	(0.1%)	110	1	0.9%
ASEAN (Note 1)	Sub	51%	45	5.6	12.4%	44	6	13.6%
Clarton (Note 2)	Sub	100%	98	2.8	2.9%	101	5	5.0%
Rinder	Sub	100%	32	0.2	0.6%	100	3	3.0%
Rinder India Pvt. Ltd. (RIPL)			-	-	-	-	-	-
Minda Storage Batteries Pvt. Ltd.	Sub	100%	-	-	-	-	-	-
YA Auto	Sub	51%	-	-	-	5	1	20.0%
Minda Emer Technologies Ltd. (METL)	JV	49%	7	(0.6)	(8.6%)	9	0	0.0%
Rinder Riduco, SAS, Columbia	JV	50%	-	-	-	-	-	-
Minda NextGen Tech Ltd. (MNGTL)	Asso	26%						
Mindarika Private Ltd. (MRPL)	Asso	27%						
Kosei Minda Aluminum Co. Pvt. Ltd. (KMAC)	Asso	30%						
Auto Component	Asso	49%						
Yogendra Engineering	Asso	49%						
Intersegment			(59)	(0.3)	0.5%	(77)	(14)	18.2%
<b>Consolidated</b>			<b>767</b>	<b>33.7</b>	<b>4.4%</b>	<b>903</b>	<b>55</b>	<b>6.1%</b>

Note 1			Note 2		
<b>ASEAN</b>			<b>Global Mazinkert (GM)</b>	Sub of MIL	100%
SAM Global (SG)	Sub of MIL	51%	Light & Systems Technical Centre, SL Spain (LSTC)	Sub of GM	100%
Minda Industries Vietnam Company Ltd. (MIVCL)	Sub of SG	100%	Clarton Horn, Spain (CHS)	Sub of GM	100%
PT Minda Asean Automotive, Indonesia (PTMA)	Sub of MIL	51%	- Clarton Horn, Morocco	Sub of CHS	100%
PT Minda Trading, Indonesia	Sub of PTMA	100%	- Clarton Horn, Mexico	Sub of CHS	100%
			- Clarton Horn, Signalakustic	Sub of CHS	100%

## OUTLOOK & VALUATIONS

The auto components industry recorded robust growth of 19% YoY during the quarter in value terms – the 2W segment grew ~20% YoY on account of some recovery in rural spending on good monsoon – the 4W passenger vehicles segment also grew ~17% YoY driven by seventh pay commission and new models launches. The commercial vehicles segment is still showcasing a slow turnaround.

The auto-industry is expected to undergo a structural shift on account of implementation of GST and recent move of demonetization. We believe, the demonetization move may lead to a drag in the performance for next couple of months, specially in the rural India driven two-wheeler segment but in the mid-to-long-term we expect the things to smoothen out as the demonetization event coincides with reviving consumer demand that has witnessed two-wheelers and passenger cars volumes growing in the backdrop. The consumption-led-demand-decisions can be delayed in such events but can not be dropped. However, we have been conservative to some extent while projecting the financials for coming couple of quarters.

Meanwhile, the company has showcased another strong quarter outperforming the industry once again. Though the robust performance was primarily on account of consolidation of new entities, yet, the standalone business has also depicted healthy growth and substantial improvement in the profitability. The ongoing restructuring exercise will not only aid the company to achieve the size but the simplification would also be applauded by the investors.

We expect the company to report a consolidated top-line of Rs.4,340 cr in FY19 and an EBITDA margin of 10.2% and a net margin of 4.5% translating into net profit of Rs.193.3 cr and EPS of Rs.24.4. Assigning a target multiple of 18.0x to FY19 earnings, we derive a target price of Rs.438 in the next 18-24 months.

**QUARTERLY STATEMENT (Cons)**

₹ Cr

Y/E March	Q2 FY16	Q1 FY17	Q2 FY17
<b>Net Sales</b>	<b>645.0</b>	<b>759.8</b>	<b>901.2</b>
Other Operating Inc	6.7	6.8	4.7
<b>Total Revenue</b>	<b>651.7</b>	<b>766.6</b>	<b>905.8</b>
Raw Material Exp	420.1	478.9	572.2
Employee Cost	81.2	101.8	114.1
Other Expenditure	87.3	113.4	126.4
Exceptional Items	-	-	-
Total Expenditure	588.6	580.7	812.6
<b>EBITDA</b>	<b>63.2</b>	<b>72.4</b>	<b>93.2</b>
Depreciation	24.5	27.7	34.4
<b>EBIT</b>	<b>38.6</b>	<b>44.8</b>	<b>58.8</b>
Other Income	4.9	2.0	4.1
Interest Expense	8.2	13.0	10.1
Exceptional Items	-	-	-
Tax Expense	8.3	8.4	14.0
<b>PAT</b>	<b>26.3</b>	<b>27.1</b>	<b>38.4</b>

**BALANCE SHEET \***

₹ Cr

As on 31 <sup>st</sup> March	FY16	FY17E	FY18E	FY19E
Share Capital	19.4	19.4	19.4	19.4
Reserves & Surplus	452.3	570.9	716.7	890.1
<b>Net Worth</b>	<b>471.7</b>	<b>590.3</b>	<b>736.1</b>	<b>909.5</b>
Total Loan funds	353.1	501.7	544.7	500.2
Provisions	52.5	52.5	52.5	52.5
Trade Payables	321.5	384.5	429.6	467.4
Other Current Lia	169.5	209.7	221.5	241.3
Other LT Liabilities	9.1	9.1	9.1	9.1
Minority Interest	109.6	109.6	109.6	109.6
Total Liabilities	<b>1486.9</b>	<b>1857.4</b>	<b>2102.9</b>	<b>2289.6</b>
Fixed Assets	696.5	773.5	853.7	908.1
Goodwill	6.3	6.3	6.3	6.3
Loans & Advances	112.4	112.4	112.4	112.4
Non-current Invest	444.2	444.2	444.2	444.2
Sundry Debtors	363.9	545.2	647.9	737.2
Cash & Bank Balances	56.7	73.2	79.9	81.3
Inventories	183.8	279.6	335.6	376.9
Other current assets	8.4	8.4	8.4	8.4
Deferred Tax Assets	7.2	7.2	7.2	7.2
<b>Total Assets</b>	<b>1486.9</b>	<b>1857.4</b>	<b>2102.9</b>	<b>2289.6</b>

Source: Company, Sushil Finance

**PROFIT & LOSS STATEMENT (Cons.)**

₹ Cr

Y/E March	FY16	FY17E	FY18E	FY19E
<b>Net Sales</b>	<b>2506.2</b>	<b>3350.6</b>	<b>3853.2</b>	<b>4315.6</b>
Other Operating Inc	21.2	22.2	23.4	24.5
<b>Total Revenue</b>	<b>2527.3</b>	<b>3372.8</b>	<b>3876.4</b>	<b>4340.0</b>
Raw Material Exp.	1609.8	2126.4	2450.0	2751.6
Employee Cost	326.3	439.9	500.1	551.2
Other Expenditure	353.4	476.1	538.8	594.6
Exceptional Items	5.2	-	-	-
Total Expenditure	2289.5	3042.4	3488.9	3897.4
<b>EBITDA</b>	<b>237.8</b>	<b>330.4</b>	<b>387.7</b>	<b>442.7</b>
Depreciation	92.6	125.4	133.0	140.9
<b>EBIT</b>	<b>145.2</b>	<b>205.0</b>	<b>254.6</b>	<b>301.8</b>
Other Income	19.1	19.2	20.1	21.1
Interest Expense	25.7	44.1	50.2	54.5
Exceptional Items	-	-	-	-
Tax Expense	27.8	48.6	62.9	75.2
<b>A-PAT</b>	<b>106.2</b>	<b>132.9</b>	<b>161.7</b>	<b>193.2</b>

**FINANCIAL RATIO STATEMENT**

Y/E March	FY16	FY17E	FY18E	FY19E
<b>Growth Ratios (%)</b>				
Net Sales	13.5	33.5	14.9	12.0
EBITDA	54.1	38.9	17.3	14.2
APAT	104.1	25.1	21.7	19.6
<b>Profitability (%)</b>				
EBITDA Margin (%)	9.4	9.8	10.0	10.2
Net Profit Margin (%)	4.2	3.9	4.2	4.5
ROCE (%)	17.6	18.8	19.9	21.4
ROE (%)	22.5	22.5	22.0	21.3
<b>Per Share Data (Rs.)</b>				
AEPS	13.4	16.7	20.4	24.4
CEPS	25.1	32.5	37.1	42.1
BVPS	59.4	74.4	92.8	114.6
<b>Valuation Ratios (x)</b>				
PER	21.3	17.0	14.0	11.7
P/BVPS	4.8	3.8	3.1	2.5
EV/EBITDA	11.0	8.0	6.8	5.9
P/Net Sales	0.9	0.7	0.6	0.5
<b>Turnover Days</b>				
Debtors Days	53	59	61	62
Creditors Days	73	66	64	62
Inventory Days	42	48	50	50
<b>Gearing Ratio</b>				
Total Debt- Equity	0.7	0.9	0.7	0.6

## Holding Disclosure

Analyst Stock Ownership	Yes
Stock traded in Last 30 days (No trading or investment activities done)	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	Yes
Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No

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