

February 23, 2015

BUY

CMP ₹ 593

TARGET ₹ 860

Auto Ancillary

EARLIER RECO

BUY	
Price	₹ 434
Target	₹ 602
Date	September 12, 2014

SHARE HOLDING (%)

Promoters	70.9
FII	8.7
FI/MF	2.9
Govt. Holdings	-
Body Corporates	7.8
Public & Others	9.7

STOCK DATA

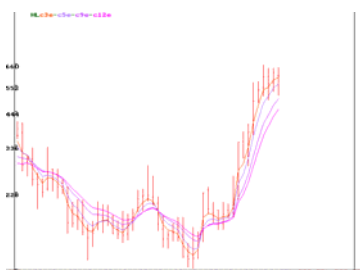
Reuters Code	MINDA.BO
Bloomberg Code	MNDA IN
BSE Code	532539
NSE Symbol	MINDAIND
Market Capitalization	₹9,410 mn
Capitalization	US\$ 150 mn
Shares Outstanding	15.9 mn
52 Weeks (H/L)	₹ 655/167
Avg. Daily Volume (6m)	7,494 Shares

Price Performance (%)

1M	3M	6M
(3)	1	56

200 Days EMA: ₹ 462

*On fully diluted equity shares



EQUITY ANALYST

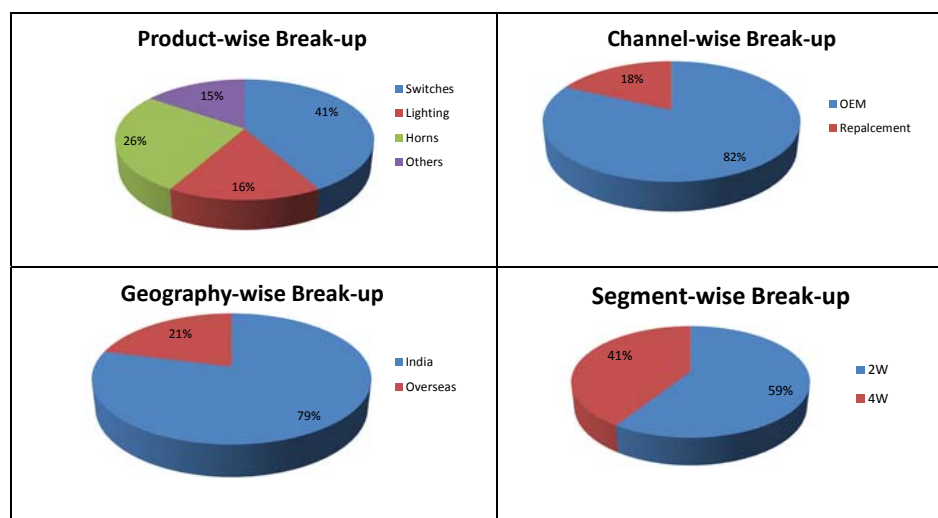
Saurabh Jain | +91 22 4093 4004

saurabh.jain@sushilfinance.com

Minda Industries Ltd. (MIL) released its Q3 FY15 performance on Saturday, February 14, 2015. Following are the highlights and key takeaways from the conference call.

Q3 FY15 Result Highlights

- On **standalone** basis, the company's turnover grew 27.9% YoY to ₹3,623.2 mn. The EBITDA grew from ₹176.4 mn in Q3 FY14 to ₹312.4 mn in Q3 FY15 as EBITDA margin expanded almost 239 bps to 8.6%. The robust performance was further carried down to bottom-level as the company registered a profit after tax of ₹126.3 mn with a net margin of 3.5% and earnings per share of ₹8.0.
- On **consolidated** basis, the turnover remained flat at ₹4,800.0 mn in Q3 FY15. Nevertheless, the EBITDA doubled from ₹280.0 mn in Q3 FY14 and to ₹600.0 mn in Q3 FY15. The profit before tax stood at ₹170 mn with a PBT margin of nearly 3.5%, during the quarter.



Other Updates

- The **'Switches'** division which contributed 41% of the top-line during the quarter, registered a y-o-y growth of ~14% and maintained an EBITDA margin of ~13.23%. During the quarter, ~5% of the switches were exported.
- The **'Lighting'** division which contributed 16% of the top-line during the quarter registered an EBITDA margin of 7.18%; The growth on yearly basis was recorded at 15% and ~5% of the 'Lights' manufactured by the company were exported.
- The **'Horns'** division which contributed ~26% of the turnover recorded a y-o-y growth of 16% and an EBITDA margin of 13.25% (Standalone).
- During the running fiscal, the consolidated capex is likely to be at ~₹650 mn; the net debt as on date stood at ₹2,800 mn.
- Going forward, the Management is targeting a double digit EBITDA margin for FY16 with anticipated increase in capacity utilizations, new facilities reaching break-even levels, rising operating efficiencies and contribution from high-margin other products.
- Alongwith the quarterly results, the Management also announced an interim dividend of Rs.2.50 per share, i.e. 25%.

KEY FINANCIALS

Y/E	Net Sales (Rs mn)	EBITDA Margin (%)	Adj. Net Profit (Rs mn)	Net Margin (%)	EPS (Rs)	P/E (x)	P/B (x)	P/S (x)
Mar.								
FY13	13,404.0	7.0%	282.2	2.1%	17.8	33.4	3.0	0.7
FY14	17,061.3	4.6%	71.8	0.4%	4.5	131.1	3.0	0.6
FY15E	19,778.6	8.5%	543.6*	2.7%	34.3	17.3	2.6	0.5
FY16E	22,745.4	9.0%	780.3	3.4%	49.2	12.1	2.2	0.4

(*Adjusted to exception income of Rs.157.6 mn in Q2 FY15)

QUARTERLY STATEMENT (Standalone)

₹ mn

Y/E March	Q3 FY14	Q2 FY15	Q3 FY15
Net Sales	2,801.5	3,422.7	3,570.9
Other Operating Inc	30.8	47.6	52.3
Total Revenue	2,832.2	3,470.3	3,623.2
Raw Material Exp	1,932.6	2,367.1	2,446.0
Employee Cost	370.4	399.6	408.4
Other Expenditure	352.8	428.9	456.5
Exceptional Items	-	-	-
Total Expenditure	2,655.8	3,195.6	3,310.8
EBITDA	176.4	274.7	312.4
Depreciation	103.3	122.8	140.9
EBIT	173.1	151.9	171.5
Other Income	10.0	60.4	33.3
Interest Expense	37.3	36.6	32.2
Exceptional Items	-	157.6	-
Tax Expense	5.3	77.6	46.3
PAT	40.5	98.2	126.3

PROFIT & LOSS STATEMENT (Cons.)

₹ mn

Y/E March	FY13	FY14	FY15E	FY16E
Net Sales	13,283.9	16,904.8	19,778.6	22,745.4
Other Operating Inc	120.1	156.5	180.0	206.9
Total Revenue	13,404.0	17,061.3	19,958.5	22,952.3
Raw Material Exp.	9,406.7	11,711.6	13,372.2	15,309.2
Employee Cost	1,439.3	2,248.5	2,494.8	2,823.1
Other Expenditure	1,623.5	2,323.1	2,395.0	2,754.3
Exceptional Items	-	-	-	-
Total Expenditure	12,469.5	16,283.1	18,262.1	20,886.6
EBITDA	934.6	778.2	1,696.5	2,065.7
Depreciation	462.7	590.8	739.2	767.0
EBIT	471.8	187.4	957.2	1,298.7
Other Income	109.8	168.7	185.5	204.1
Interest Expense	190.6	241.8	347.3	360.9
Exceptional Items	2.0	15.0	-	-
Tax Expense	109.9	75.9	262.5	376.8
PAT	282.2	71.8	543.6	780.3

BALANCE SHEET *

₹ mn

As on 31 st March	FY13	FY14	FY15E	FY16E
Share Capital	193.7	193.7	193.7	193.7
Reserves & Surplus	2,894.6	2,919.6	3,415.6	4,148.4
Net Worth	3,088.2	3,113.3	3,609.3	4,342.0
Total Loan funds	1,695.3	2,778.8	2,887.4	2,822.3
Deferred Revenue	-	8.6	8.6	8.6
Trade Payables	2,164.0	2,473.5	2,747.7	3,145.7
Other Current Lia	622.7	935.3	1,099.1	1,258.3
Provisions	288.2	347.3	347.3	347.3
Other LT Liabilities	74.2	19.5	19.5	19.5
Minority Interest	123.0	138.1	138.1	138.1
Fixed Assets	3,604.3	4,224.2	4,383.1	4,648.9
Goodwill	4.3	-	-	-
Others	58.6	-	-	-
LT Loans & Advances	223.7	205.6	205.6	205.6
Non-current Invest	218.1	244.2	244.2	244.2
Sundry Debtors	2,172.6	2,610.4	3,007.5	3,395.7
Cash & Bank Balances	385.3	277.6	545.6	820.2
Inventories	894.9	1,246.7	1,465.4	1,761.6
Other current assets	28.1	74.8	74.8	74.8
ST Loans & Advances	465.8	598.6	598.6	598.6
Total Assets	8,055.2	9,814.2	10,856.9	12,081.7

FINANCIAL RATIO STATEMENT

Y/E March	FY13	FY14	FY15E	FY16E
Growth Ratios (%)				
Net Sales	13.7	27.3	17.0	15.0
EBITDA	23.2	(16.7)	118.3	21.8
APAT	(1.6)	(74.6)	657.5	43.5
Profitability (%)				
EBITDA Margin (%)	7.0	4.6	8.5	9.0
Net Profit Margin (%)	2.1	0.4	2.7	3.4
ROCE (%)	9.9	3.2	14.7	18.1
ROE (%)	9.1	2.3	15.1	18.0
Per Share Data (Rs.)				
AEPS	17.8	4.5	34.2	49.2
CEPS	46.9	41.8	80.8	97.5
BVPS	194.6	196.2	227.4	273.6
Valuation Ratios (x)				
PER	33.4	131.1	17.3	12.1
P/BVPS	3.0	3.0	2.6	2.2
EV/EBITDA	11.5	13.8	6.3	5.2
P/Net Sales	0.7	0.6	0.5	0.4
Turnover Days				
Debtors Days	59	56	55	54
Creditors Days	84	77	75	75
Inventory Days	35	39	40	42
Gearing Ratio				
Total Debt- Equity	0.5	0.9	0.8	0.7

OUTLOOK & VALUATIONS

As we mentioned earlier, the current fiscal is being proven as a year of turnaround for the company. The expansions made by the company over the last few years are now stepping towards optimum utilizations to turn break-even. The improving industry demand is taking the overall utilizations of the consolidated entity higher. The introduction of new products and improving capacity utilizations have helped in the expansion of profit margins. Going forward, we continue to remain bullish on the business and expect the company to report robust top-line and bottom-line growth. In-line with the recent quarterly performances, we have revised our revenue and profit estimates and target multiple upwards. We upgrade MIL from HOLD to BUY with the increase target price of ₹860 (17.5x of FY16 EPS of ₹49.2); the stock is currently trading at 12.x of its FY16 earnings.

Please Note that our technical calls are totally independent of our fundamental calls.

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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