

ADD

TP: Rs 110 | ▲ 14%

MINDA CORPORATION

Auto Components

03 February 2021

Q3 results in line; upside limited – downgrade to ADD

With higher revenue growth in the mechatronics & aftermarket division, Minda Corp's (MDA) Q3FY21 topline increased 7% YoY to Rs 7.2bn. Operating margin met projections at 10.9% despite below-expected gross margins. Adj. PAT was down 5% YoY to Rs 395mn. We remain bullish on MDA as better per-unit realisations, a strong order book and exports momentum are expected to cushion profitability. However, the recent run-up in stock price leaves little upside – cut to ADD (from BUY) with an unchanged Mar'22 TP of Rs 110.

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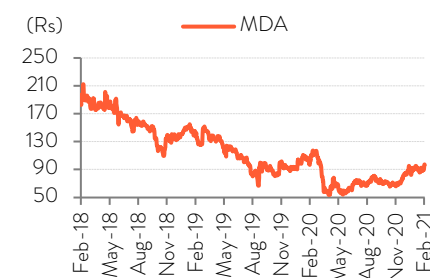
Operating performance in line: Revenue grew 7% YoY to Rs 7.2bn which was lower than expected. Despite a miss on gross margins, better operating efficiencies led to an in-line EBITDA margin of 10.9% while EBITDA grew 2% YoY to Rs 778mn. Adj. PAT dipped 5% YoY to Rs 395mn. MDA reported new order wins of Rs 16.5bn in Q3 (Rs 54.8bn in FY21 YTD). The mechatronics & aftermarket division posted revenue growth of 32% YoY for the quarter with EBITDA margin at 13.8%. Revenues for the informatics & connected systems division grew 5% YoY with margins at 7.1%.

Ticker/Price	MDA IN/Rs 97
Market cap	US\$ 301.2mn
Shares o/s	227mn
3M ADV	US\$ 1.4mn
52wk high/low	Rs 122/Rs 53
Promoter/FPI/DII	68%/9%/5%

Source: NSE

Favourable sales mix to aid financial performance: The plastics division (~21% of FY20 revenue) has recently filed for insolvency, affecting the overall revenue CAGR. Despite loss of revenue from this division and muted volume sales growth over FY20-FY23, we believe MDA's recalibrated sales mix, strong domestic order book and robust die casting exports will ensure steady growth.

STOCK PERFORMANCE



Downgrade to ADD: We expect MDA to clock a revenue/PAT CAGR of 16%/39% over FY21-FY23 and retain our Mar'22 target price of Rs 110 set at an unchanged 16x one-year forward P/E multiple. However, we cut our rating from BUY to ADD as the recent stock rally limits upside potential.

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	30,920	28,131	23,582	29,092	31,646
EBITDA (Rs mn)	2,941	2,499	2,102	2,975	3,313
Adj. net profit (Rs mn)	1,692	935	829	1,433	1,584
Adj. EPS (Rs)	7.5	4.1	3.7	6.3	7.0
Adj. EPS growth (%)	8.9	(44.7)	(11.4)	73.0	10.5
Adj. ROAE (%)	14.2	9.6	7.9	12.4	12.5
Adj. P/E (x)	13.0	23.4	26.5	15.3	13.8
EV/EBITDA (x)	7.5	7.4	7.4	5.8	5.7

Source: Company, BOBCAPS Research

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Important disclosures, including any required research certifications, are provided at the end of this report.



FIG 1 – QUARTERLY PERFORMANCE

(Rs mn)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	9MFY21	9MFY20	YoY (%)
Net Revenues	7,164	6,714	6.7	6,561	9.2	15,505	21,152	(26.7)
Total Income (A)	7,164	6,714	6.7	6,561	9.2	15,505	21,152	(26.7)
Operating Expenses:								
Raw materials consumed	4,516	3,901	15.8	4,165	8.4	9,789	12,750	(23.2)
Employee Expenses	1,086	1,219	(10.9)	965	12.5	2,590	3,716	(30.3)
Other Expenses	784	834	(5.9)	765	2.6	1,887	2,571	(26.6)
Total Expenditure (B)	6,386	5,954	7.3	5,896	8.3	14,265	19,037	(25.1)
EBITDA (A-B)	778	761	2.2	666	16.8	1,240	2,114	(41.4)
Other Income	80	198	(59.5)	75	7.7	243	425	(42.7)
Depreciation	234	298	(21.5)	248	(5.6)	685	877	(21.9)
EBIT	624	660	(5.5)	492	26.7	798	1,661	(52.0)
Finance Costs	96	110	(12.7)	110	(12.4)	282	361	(21.9)
PBT before excep items	528	550	(4.1)	383	38.0	516	1,300	(60.3)
Exceptional items	-	-	-	-	-	(9)	-	-
PBT after excep items	528	550	(4.1)	383	38.0	525	1,300	(59.6)
Tax expense	133	134	(1.2)	108	22.9	151	301	(49.6)
Reported PAT	395	416	(5.0)	275	43.9	374	1,000	(62.6)
Adjusted PAT	395	416	(5.0)	275	43.9	365	1,000	(63.5)
EPS (Rs)	22.9	14.2	61.0	19.1	19.7	49.2	55.9	(12.0)

Source: Company, BOBCAPS Research

FIG 2 – KEY PARAMETERS

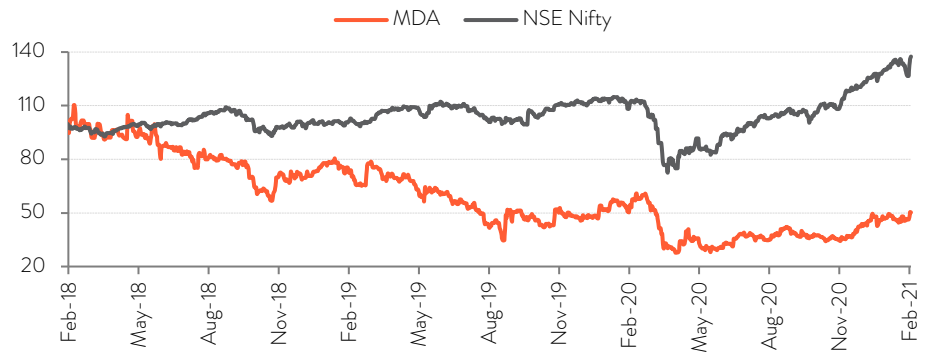
(%)	Q3FY21	Q3FY20	YoY (bps)	Q2FY21	QoQ (bps)	9MFY21	9MFY20	YoY (bps)
Gross margin	37.0	41.9	(494)	36.5	45	36.9	39.7	(285)
EBITDA margin	10.9	11.3	(48)	10.1	71	8.0	10.0	(200)
EBIT margin	8.7	9.8	(113)	7.5	121	5.1	7.9	(271)
PBT margin	7.4	8.2	(83)	5.8	154	3.3	6.1	(282)
Tax rate	25.1	24.4	74	28.2	(308)	28.8	23.1	570
Adj PAT margin	5.5	6.2	(68)	4.2	133	2.4	4.7	(237)

Source: Company, BOBCAPS Research

Valuation methodology

We expect MDA to clock a revenue/PAT CAGR of 16%/39% over FY21-FY23 and retain our Mar'22 target price of Rs 110 set at an unchanged 16x one-year forward P/E multiple. However, we cut our rating from BUY to ADD as the recent stock rally limits upside potential.

FIG 3 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

- Below-expected volume growth

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue	30,920	28,131	23,582	29,092	31,646
EBITDA	2,941	2,499	2,102	2,975	3,313
Depreciation	883	1,179	965	1,125	1,309
EBIT	2,868	1,764	1,487	2,232	2,432
Net interest income/(expenses)	(507)	(499)	(385)	(321)	(321)
Other income/(expenses)	810	443	350	382	428
Exceptional items	(117)	(2,933)	(9)	0	0
EBT	2,244	(1,668)	1,093	1,911	2,111
Income taxes	669	454	273	478	528
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	1,575	(1,998)	820	1,433	1,584
Adjustments	117	2,933	9	0	0
Adjusted net profit	1,692	935	829	1,433	1,584

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Accounts payables	4,159	5,093	4,591	4,556	4,980
Other current liabilities	952	928	1,905	2,876	2,793
Provisions	250	1,155	1,155	1,155	1,155
Debt funds	6,806	6,427	4,582	4,582	4,582
Other liabilities	218	34	34	34	34
Equity capital	500	500	500	500	500
Reserves & surplus	11,451	9,250	10,038	11,041	12,150
Shareholders' fund	11,951	9,750	10,538	11,541	12,650
Total liabilities and equities	24,336	23,386	22,804	24,743	26,192
Cash and cash eq.	3,530	4,724	4,248	3,291	3,245
Accounts receivables	5,464	3,898	3,230	3,826	4,162
Inventories	4,464	3,949	3,230	3,826	3,988
Other current assets	1,035	1,021	481	526	547
Investments	1,650	1,761	3,261	3,761	4,261
Net fixed assets	7,316	7,629	7,949	9,109	9,585
CWIP	210	285	285	285	285
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(84)	(30)	(30)	(30)	(30)
Other assets	751	149	149	149	149
Total assets	24,336	23,386	22,804	24,743	26,192

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net income + Depreciation	2,575	2,114	1,793	2,559	2,892
Interest expenses	507	499	385	321	321
Non-cash adjustments	(810)	(443)	(350)	(382)	(428)
Changes in working capital	(403)	4,327	2,401	(300)	(179)
Other operating cash flows	38	(3,018)	0	0	0
Cash flow from operations	1,907	3,479	4,230	2,197	2,606
Capital expenditures	(1,135)	(1,567)	(1,285)	(2,285)	(1,785)
Change in investments	(257)	(111)	(1,500)	(500)	(500)
Other investing cash flows	810	443	350	382	428
Cash flow from investing	(582)	(1,235)	(2,435)	(2,403)	(1,857)
Equities issued/Others	3,064	6	0	0	0
Debt raised/repaid	(426)	(379)	(1,845)	0	0
Interest expenses	(507)	(499)	(385)	(321)	(321)
Dividends paid	(96)	(199)	0	(430)	(475)
Other financing cash flows	(91)	21	(41)	0	0
Cash flow from financing	1,944	(1,050)	(2,271)	(751)	(796)
Changes in cash and cash eq.	3,269	1,194	(476)	(956)	(47)
Closing cash and cash eq.	3,530	4,724	4,248	3,291	3,245

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20A	FY21E	FY22E	FY23E
Reported EPS	7.5	4.1	3.7	6.3	7.0
Adjusted EPS	7.5	4.1	3.7	6.3	7.0
Dividend per share	0.3	0.8	0.0	1.9	2.1
Book value per share	52.8	43.0	46.5	51.0	55.8

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20A	FY21E	FY22E	FY23E
EV/Sales	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	7.5	7.4	7.4	5.8	5.7
Adjusted P/E	13.0	23.4	26.5	15.3	13.8
P/BV	1.8	2.2	2.1	1.9	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Tax burden (Net profit/PBT)	75.4	(56.1)	75.8	75.0	75.0
Interest burden (PBT/EBIT)	78.2	(94.6)	73.5	85.6	86.8
EBIT margin (EBIT/Revenue)	9.3	6.3	6.3	7.7	7.7
Asset turnover (Revenue/Avg TA)	182.6	159.9	150.4	185.8	189.4
Leverage (Avg TA/Avg Equity)	1.7	1.6	1.5	1.4	1.4
Adjusted ROAE	17.5	8.6	8.2	13.0	13.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
YoY growth (%)					
Revenue	19.2	(9.0)	(16.2)	23.4	8.8
EBITDA	6.7	(15.0)	(15.9)	41.5	11.4
Adjusted EPS	8.9	(44.7)	(11.4)	73.0	10.5
Profitability & Return ratios (%)					
EBITDA margin	9.5	8.9	8.9	10.2	10.5
EBIT margin	9.3	6.3	6.3	7.7	7.7
Adjusted profit margin	5.5	3.3	3.5	4.9	5.0
Adjusted ROAE	14.2	9.6	7.9	12.4	12.5
ROCE	11.9	12.8	7.1	10.7	10.9
Working capital days (days)					
Receivables	66	61	55	44	46
Inventory	53	55	56	44	45
Payables	83	99	118	91	87
Ratios (x)					
Gross asset turnover	0.0	0.0	0.0	0.0	0.0
Current ratio	2.7	1.9	1.5	1.3	1.3
Net interest coverage ratio	(5.7)	(3.5)	(3.9)	(7.0)	(7.6)
Adjusted debt/equity	0.6	0.7	0.4	0.4	0.4

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

RATINGS AND TARGET PRICE (3-YEAR HISTORY): MINDA CORPORATION (MDA IN)



B – Buy, A – Add, R – Reduce, S – Sell

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