

Healthy performance, positives priced in, recent run up in stock price to limit upside...

About the stock: Minda Corporation (MCL) primarily serves auto OEMs across two main verticals – Mechatronics & Aftermarket (i.e. MCH – safety & security system (lock & key, smart key), die-casting, starter motors, etc) and Information & Connected Systems (i.e. ICS – mainly wiring harnesses, sensors and instrument clusters).

- FY23 segment mix – 2/3-W ~44%, CV ~30%, PV ~14%, Aftermarket ~12%
- FY23 product mix – MCH ~48%, ICS ~36%. India ~84%, Exports ~16%

Q4FY23 Results:

- Posted a healthy set of numbers for Q4FY23.
- Consolidated revenues were at ₹ 1,075 crore, flat QoQ
- EBITDA margins for Q4FY23 came in at 10.9%, up 20 bps QoQ amid ~270 bps expansion in gross margins but was offset by higher employee & other expense, up 84 bps, 165 bps QoQ, respectively
- PAT came in at ₹ 122 crore vs. ₹ 52 crore in Q3FY23 (aided by tax credits)

What should investors do? MCL's share price has grown at ~9% CAGR over five years from ~₹ 175 levels in May 2018, outperforming the broader Nifty Auto Index.

- We maintain **HOLD** rating tracking continued concerns over secondary market stake purchase in competitor amid unclear strategic intent, recent price run up limiting valuation comfort amid positives like healthy orderbook

Target Price and Valuation: Revising our estimates, we now value MCL at ₹ 300 i.e. 22x P/E on FY25E EPS of ₹ 13.7 per share (earlier target price ₹ 230).

Key triggers for future price performance:

- Amid increasing SOB with existing clients, robust order wins (~₹ 7,800 crore lifetime order win in FY23; replacement & new business combined; EV order win at ₹ 1,433 crore), we build 15% sales CAGR over FY23-25E
- Benign RM prices, operational efficiencies and localisation efforts to lead to margin, RoCE recovery to 11.5%, 17.2%, respectively, by FY25E
- Prominent role to play in electrification drive in 2-W, 3-W space with potential kit value at ~₹ 16,000-20,000/unit vs. ₹ 4,000-5,000 in current ICE 2-W
- Focus on technologically advanced products like keyless entry system, connected clusters, BMS, motor controller, ADAS, etc
- Prominent EV presence with ~20% of new order wins in EV space in FY23

Alternate Stock Idea: Besides MCL, in our coverage we like Mahindra CIE

- Focused on growth capex in India & efficiencies in European operations
- BUY with a target price of ₹ 520



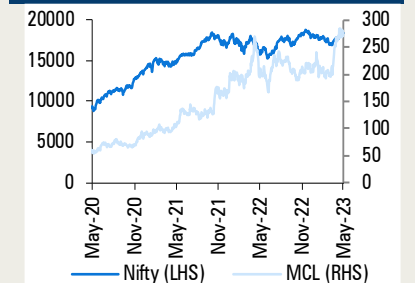
Particulars

Particulars	Amount
Market capitalisation (₹ crore)	6,687.8
Total Debt (FY23P, ₹ crore)	552.7
Cash & Inv. (FY23P, ₹ crore)	161.9
EV (₹ crore)	7,078.6
52 week H/L (₹)	289 / 164
Equity capital (₹ crore)	47.8
Face value (₹)	2.0

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	64.7	64.7	64.7	64.7
FII	3.7	4.4	3.6	5.1
DII	14.0	13.6	13.8	11.8
Other	17.6	17.3	17.8	18.4

Price Chart



Recent event & key risks

- Posted healthy results in Q4FY23
- Key Risk:** (i) Higher than anticipated sales growth over FY22-25E; (ii) B/s strain in case of potential acquisition of peer

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Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	FY23P	5 year CAGR (FY18-23P)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	3,092.0	2,222.6	2,368.0	2,975.9	4,300.1	10.6%	4,946.5	5,688.5	15.0%
EBITDA	292.4	245.4	217.0	294.5	461.5	11.1%	554.0	654.2	19.1%
EBITDA Margins (%)	9.5	11.0	9.2	9.9	10.7		11.2	11.5	
Net Profit	169.2	(199.8)	52.8	191.9	284.5	15.0%	272.1	327.7	7.3%
EPS (₹)	7.5	(8.8)	2.2	8.0	11.9		11.4	13.7	
P/E	37.5	(31.8)	126.6	34.9	23.5		24.6	20.4	
RoNW (%)	14.2	(20.5)	4.6	14.4	17.9		14.9	15.5	
RoCE (%)	10.8	10.5	7.5	10.5	15.0		16.3	17.2	

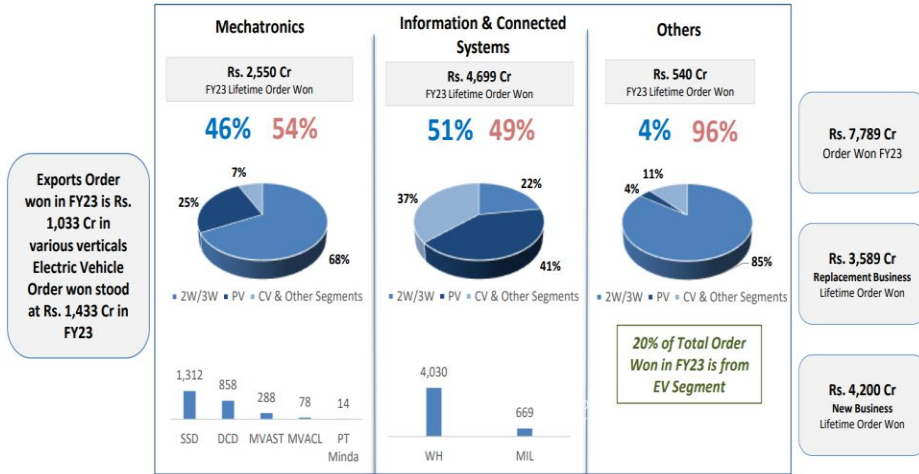
Source: Company, ICICI Direct Research; Note – FY20 numbers have been restated post exit from loss making European subsidiary and this report reflects these restated numbers

Quarterly results & Key conference call highlights...

Q4FY23 Results: Posted a steady set of numbers for Q4FY23.

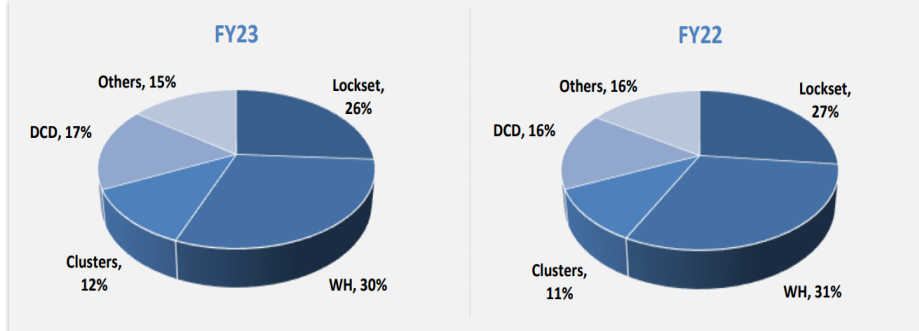
- Topline came in at ~₹ 1,075 crore, flat QoQ
- EBITDA came in at ~₹ 117 crore with margins at 10.9%, up 20 bps QoQ. Substantial savings were realised on the RM front
- Consequently, PAT came in at ₹ 122 crore, up 133% QoQ, aided by tax credits worth ~₹ 55 crore

Exhibit 1: Order wins during FY23



Source: Company, ICICI Direct Research

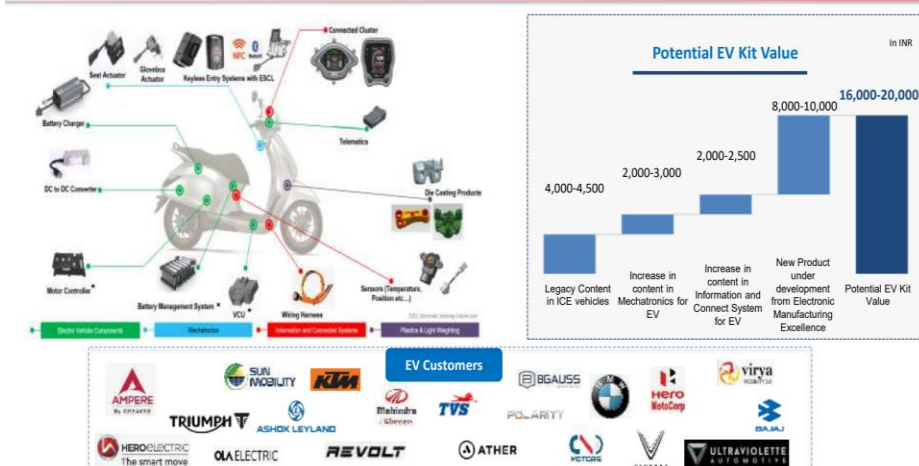
Exhibit 2: Divisional mix



- Market Leader in 2W Lockset and Wiring harness business
- Pioneer in Keyless Entry Solutions for 2W, Better control over quality in lockset with our own die casting division
- Moving from mechanical cluster to incorporate latest technology of TFT (digital) cluster, the company is one of the key Players in 2W and CV Segment, of late also gaining traction in PV space. Secured large orders for TFT cluster from key PV OEMs in India
- In Die casting division focus is on Niche Products which are margin accretive

Source: Company, ICICI Direct Research

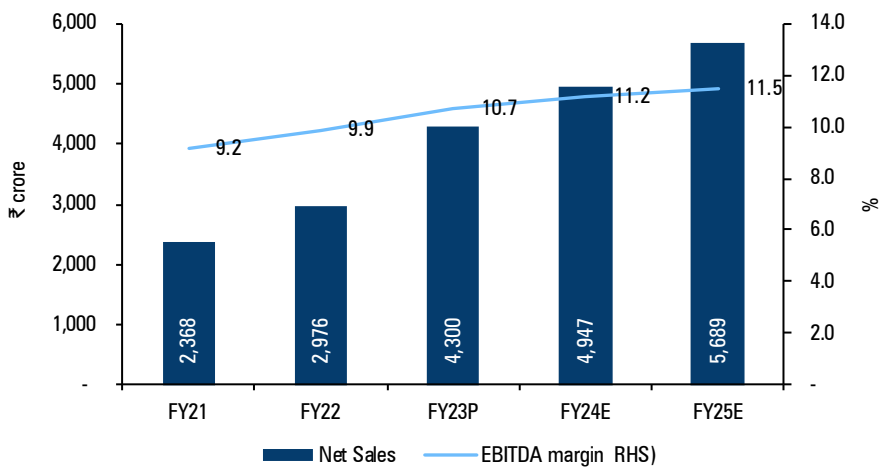
Exhibit 3: Kit value journey in electric 2-W



Source: Company, ICICI Direct Research

Financial story in charts

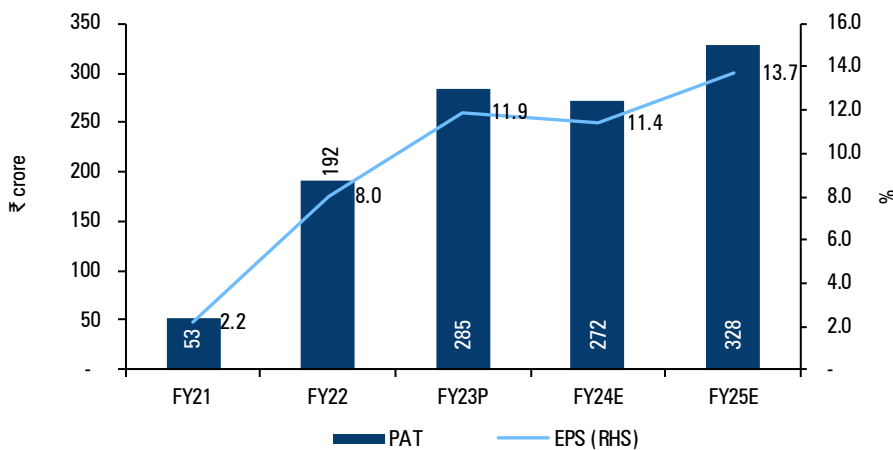
Exhibit 4: Topline, margin trend



We expect sales to grow at a CAGR of 15% over FY23-25E. Margins are seen climbing to 11.5% by FY25E on the back of operational efficiencies and localisation initiatives in wiring harness space

Source: Company, ICICI Direct Research

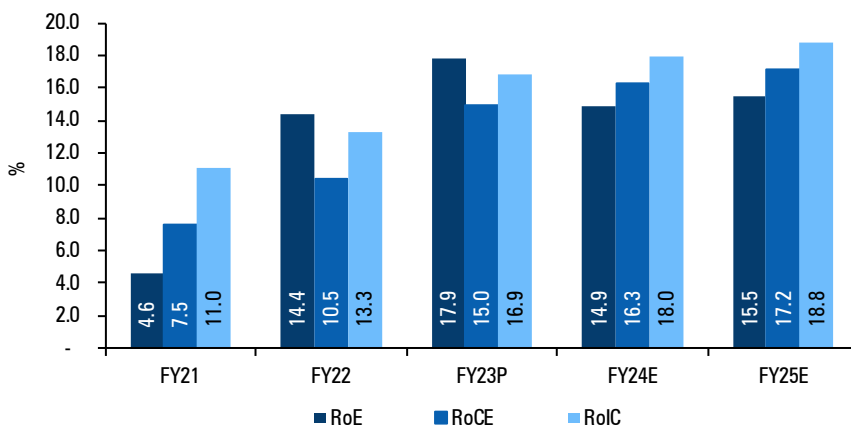
Exhibit 5: Trend in PAT and EPS



PAT is seen growing at 7.3% CAGR over FY23-25E on the back of higher sales and margin improvement; albeit on a high base of FY23 (amid tax credits)

Source: Company, ICICI Direct Research

Exhibit 6: Trend in return ratios



The company is seen posting ~17% RoCE by FY25E with reading for RoIC at ~18%+ in that time frame. Return ratios, however, are comfortably placed for the company at >15%

Source: Company, ICICI Direct Research

Exhibit 7: Valuation Summary

	Sales (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	2,223	(28.1)	(8.8)	(217.8)	NM	27.5	(20.5)	10.5
FY21	2,368	6.5	2.2	LP	126.6	30.7	4.6	7.5
FY22	2,976	25.7	8.0	263.2	34.9	22.9	14.4	10.5
FY23P	4,300	44.5	11.9	48.3	23.5	15.3	17.9	15.0
FY24E	4,947	15.0	11.4	(4.3)	24.6	12.8	14.9	16.3
FY25E	5,689	15.0	13.7	20.4	20.4	10.8	15.5	17.2

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 8: Profit and loss statement		₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E	
Net Sales	2975.9	4300.1	4946.5	5688.5	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	2,975.9	4,300.1	4,946.5	5,688.5	
Growth (%)	25.7	44.5	15.0	15.0	
Raw Material Expenses	1,875.8	2,777.4	3,165.8	3,640.7	
Employee Expenses	474.2	625.5	707.4	796.4	
Other Operating Expense	331.4	435.7	519.4	597.3	
Total Operating Expenditure	2,681.4	3,838.7	4,392.5	5,034.3	
EBITDA	294.5	461.5	554.0	654.2	
Growth (%)	35.7	56.7	20.0	18.1	
Depreciation	112.0	138.1	163.2	193.4	
Interest	30.9	40.7	41.5	38.7	
Other Income	24.2	15.8	11.8	10.7	
PBT	175.7	298.5	361.2	432.8	
Excep. charge & P/L from Asso.	40.2	-9.9	2.0	4.0	
Total Tax	24.0	4.1	91.0	109.1	
PAT	191.9	284.5	272.1	327.7	
Growth (%)	263.2	48.3	-4.3	20.4	
EPS (₹)	8.0	11.9	11.4	13.7	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement		₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E	
Profit after Tax	191.9	284.5	272.1	327.7	
Add: Depreciation	112.0	138.1	163.2	193.4	
(Inc)/dec in Current Assets	-224.8	-209.8	-240.0	-327.1	
Inc/(dec) in CL and Provisions	82.0	194.4	112.1	151.7	
Others	6.8	25.0	29.6	28.0	
CF from operating activities	167.9	432.1	337.1	373.6	
(Inc)/dec in Investments	12.5	-365.8	6.8	0.7	
(Inc)/dec in Fixed Assets	-272.6	-334.9	-247.3	-284.4	
Others	56.2	0.4	-5.0	-5.0	
CF from investing activities	-204.0	-700.3	-245.5	-288.7	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-90.6	161.2	0.0	0.0	
Interest and Dividend outgo	-54.8	-69.4	-77.3	-80.5	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	15.5	4.8	0.0	0.0	
CF from financing activities	-129.9	96.6	-77.3	-80.5	
Net Cash flow	-165.9	-171.6	14.3	4.4	
Opening Cash	499.4	333.4	161.9	176.2	
Closing Cash	333.4	161.9	176.2	180.5	

Source: Company, ICICI Direct Research

Exhibit 10: Balance Sheet		₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E	
Liabilities					
Equity Capital	47.8	47.8	47.8	47.8	
Reserve and Surplus	1,282.3	1,542.9	1,779.2	2,065.2	
Total Shareholders funds	1,330.1	1,590.7	1,827.0	2,112.9	
Total Debt	391.4	552.7	552.7	552.7	
Deferred Tax Liability	17.3	15.2	15.2	15.2	
Minority Interest / Others	100.9	139.1	134.1	129.1	
Total Liabilities	1,839.7	2,297.6	2,528.9	2,809.9	
Assets					
Gross Block	1,136.5	1,418.7	1,701.2	1,985.7	
Less: Acc Depreciation	416.1	554.2	717.4	910.8	
Net Block	720.4	864.5	983.8	1,074.8	
Capital WIP	32.5	85.2	50.0	50.0	
Total Fixed Assets	752.9	949.7	1,033.8	1,124.8	
Investments & Goodwill	230.8	612.4	617.4	627.4	
Inventory	478.9	573.3	677.6	779.2	
Debtors	568.8	640.9	745.4	935.1	
Loans and Advances	73.4	83.2	95.7	110.1	
Other Current Assets	90.6	124.1	142.7	164.2	
Cash	333.4	161.9	176.2	180.5	
Total Current Assets	1,545.1	1,583.3	1,837.6	2,169.1	
Current Liabilities	686.8	875.9	981.8	1,125.0	
Provisions	45.5	50.7	56.8	65.4	
Current Liabilities & Prov	732.2	926.6	1,038.7	1,190.3	
Net Current Assets	812.8	656.7	798.9	978.8	
Others Assets	43.2	78.8	78.8	78.8	
Application of Funds	1,839.7	2,297.6	2,528.9	2,809.9	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios					
(Year-end March)	FY22	FY23P	FY24E	FY25E	
Per share data (₹)					
EPS	8.0	11.9	11.4	13.7	
Cash EPS	12.7	17.7	18.2	21.8	
BV	55.7	66.6	76.5	88.5	
DPS	1.0	1.2	1.5	1.8	
Cash Per Share (Incl Invst)	14.0	6.8	7.4	7.6	
Operating Ratios (%)					
EBITDA Margin	9.9	10.7	11.2	11.5	
PAT Margin	6.4	6.6	5.5	5.8	
Inventory days	58.7	48.7	50.0	50.0	
Debtor days	69.8	54.4	55.0	60.0	
Creditor days	69.6	61.6	60.0	60.0	
Return Ratios (%)					
RoE	14.4	17.9	14.9	15.5	
RoCE	10.5	15.0	16.3	17.2	
RoIC	13.3	16.9	18.0	18.8	
Valuation Ratios (x)					
P/E	34.9	23.5	24.6	20.4	
EV / EBITDA	22.9	15.3	12.8	10.8	
EV / Net Sales	2.3	1.6	1.4	1.2	
Market Cap / Sales	2.2	1.6	1.4	1.2	
Price to Book Value	5.0	4.2	3.7	3.2	
Solvency Ratios					
Debt/EBITDA	1.3	1.2	1.0	0.8	
Debt / Equity	0.3	0.3	0.3	0.3	
Current Ratio	1.9	1.8	1.9	1.9	
Quick Ratio	1.2	1.1	1.1	1.2	

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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