

EBITDA Inline; Orderbook Remains Strong

Est. Vs. Actual for Q2FY24: Revenue – **INLINE**; EBITDA Margin – **INLINE**; Adj PAT – **BEAT**;

Change in Estimates post Q2FY24

FY24E/FY25E: Revenue: -2%/-2%; EBITDA: -3%/-3%; PAT: -0%/-2%

Recommendation Rationale

- **Lifetime order wins:** The company has won lifetime orders of ~Rs 6,500 Cr during H1FY24, out of which ~30% is for the EV business. The ratio of New: Replacement order wins is 60:40. The orders in (a) Mechatronics division is 60% from the 2W followed by 35%/5% from the PV and CV segments, (b) Interior Plastic and Die casting divisions is 100% from 4Ws. (c) ICS division is 50% each from 2W and 4W. As per the management, the total order wins are distributed over a period of 4-5 years.
- **Focus on margin improvement:** EBITDA Margin stood at ~11% in Q2FY24. The company delivered double-digit margins on the back of increasing efficiencies, streamlining fixed costs, and component localization initiatives. The softening of commodity prices further aided margin expansion. The company aims to achieve a targeted EBITDA margin of 12-13% in the medium term.
- **Product Premiumization and New Partnerships:** The potential EV kit value stood at ~Rs 22k-27k in Q2FY24. Out of this, ~Rs 8k-10k are new power electronic product lines commercially launched during the quarter. Minda Corp is transforming current business lines as per technology trends (Exhibit-1). It has also entered into a partnership agreement with HCMF, Taiwan to manufacture sunroof and closure systems. The expected Capex is about Rs 150-180 Cr to be spent over 2-3 years.

Company Outlook & Guidance: In Q2FY24, the Industry grew by 0.2% YoY while Minda Corp grew by 7.1% on the back of robust domestic demand and premiumisation while exports continue to be subdued due to geopolitical issues. Going ahead, domestic demand is expected to be sustained led by gradual recovery in 2W, strong order booking in PV, a longish CV cycle, and good festive season demand.

Current Valuation: 20x Sep '25 EPS (Roll forward Jun'25 EPS)

Current TP: Rs 375/share (Unchanged)

Recommendation: We maintain a positive view on the company as it will be the beneficiary of product premiumization, EV growth, increased business from CV/PV OEMs and growth opportunities via organic and inorganic routes in the future (stake increase in Pricol remains key monitorable).

Financial Performance: Minda Corp reported Q2FY24 numbers largely in line with our estimates. Revenue (inline) grew by 4%/11% YoY/QoQ, led by increased production volumes in the PV/3W/CV segment, partly offset by lower volumes in the 2W/Tractor industry and weak exports. It reported EBITDA of Rs 131 Cr (inline), up 6%/15% YoY/QoQ and EBITDA margins (inline) grew by 18bps/31bps in YoY/QoQ. PAT was reported at Rs 59 Cr (6% Beat), up 2%/30% YoY/QoQ on account of lower depreciation and marginal profits in associates/subsidiaries (against our estimates of Rs 2 Cr loss).

Outlook: We continue to like the company's growth story driven by increasing kit value per vehicle and its focus on EV. With a strong order book and the management's confidence in outpacing industry growth (organic/non-organic), we estimate a CAGR of 16%/22%/16% in Revenue/EBITDA/PAT over FY23-26E. (In Feb'23, the company acquired a 15.7% stake in Pricol from the open market for Rs 400 Cr and has filed a CCI application for increasing a stake up to 24.5%; the matter remains pending. Return on the capital allocated towards this investment, and future strategic intent will be the major near-term trigger/risk for the share price trajectory).

Valuation & Recommendation: We value the stock at 20x Sep '25 EPS (roll forward from Jun'25 EPS) as it will be a key beneficiary of product premiumization, EV growth, increased business from CV/PV OEMs and growth opportunities via organic and inorganic routes in the future; We arrive at a TP of Rs 375/share implying an upside of 11%.

Key Financials (Consolidated)

(Rs Cr)	Q2FY24E	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,196	11%	4%	1,182	1%
EBITDA	131	15%	6%	130	1%
EBITDA Margin	11.0%	31 bps	18 bps	11.0%	-2 bps
Adj Net Profit	58.8	30%	2%	55.3	6%
Reported EPS (Rs)	2.46	30%	2%	2.3	6%

Source: Company, Axis Securities

(CMP as of 3rd Aug 2023)

CMP (Rs)	337
Upside /Downside (%)	11%
High/Low (Rs)	370/187
Market cap (Cr)	8,060
Avg. daily vol. (6m)Shrs.	13,94,701
No. of shares (Cr)	23.9

Shareholding (%)

	Dec-22	Mar-23	Jun-23
Promoter	64.7	64.7	64.8
FII	5.1	5.7	5.5
MFs / UTI	4.8	5.9	11.5
Banks / FI	0.0	0.0	0.0
Others	25.4	23.7	18.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
Net Sales	4,719	5,734	6,721
EBITDA	521	649	828
APAT	227	318	439
AEPS (Rs)	9.5	13.3	18.4
PER (x)	35.6	25.4	18.3
EV/EBITDA (x)	15.6	12.4	9.4
P/BV (x)	4.5	3.8	3.2
ROE (%)	13.3	16.2	18.9

Change in Estimates (%)

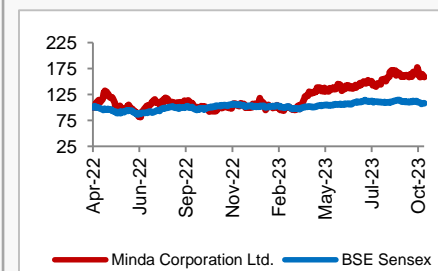
Y/E Mar	FY23	FY24E	FY25E
Sales	0.0%	-1.8%	-1.8%
EBITDA	0.0%	-2.6%	-3.1%
PAT	0.0%	-0.2%	-1.6%

ESG disclosure Score**

Environmental	NA
Social Disclosure Score	NA
Governance Disclosure	NA
Total ESG Disclosure	NA
Sector Average	45

Source: Bloomberg, Scale: 0:1-100
 **Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: Ace Equity, Axis Securities.

Aditya Welekar

Sr. Research Analyst
 Email: aditya.welekar@axissecurities.in

Shridhar Kallani

Research Associate
 Email: shridhar.kallani@axissecurities.in

Key Concall Highlights

- **Mechatronics and Aftermarket** contributed 48% of total revenues, up 8%/12% YoY/QoQ to ~Rs 575 Cr. Revenue growth YoY in Q2FY24 was supported by robust demand in the domestic market, product premiumisation and increased share of business with key customers while exports remained impacted due to geo-political issues in key geographies.
- **Information and connected systems (ICS)** contributed ~52% to the company's top line (including MIL) with revenue of ~Rs 621 Cr, up 1%/10% YoY/QoQ supported by resilient domestic demand while exports remain subdued. The focus on in-house manufacturing of connection systems and terminals is to have better control and reduced dependency on imports. The company's endeavour is to further improve margins at WH with more localization and improving productivity and plant efficiencies.
- **End-user market:** On the end-user market basis, in Q2FY24 2/3Ws revenue share increased to ~46% from ~45% in Q2FY23; the CV/PV contribution remained the same at ~28%/14% respectively; After-market sales shrank to ~11% from ~12% in the last year.
- **Geographical split:** In Q2FY24, India contributed ~88% of the sales (83% in Q2FY23) while Europe and North America contributed ~7% of total sales (same Q2FY23) while 5% came from South East Asia (down from 10% in Q1FY23).
- **Capex:** Capex is ~5-6% of the business topline. Out of this, ~3% goes to R&D, 1-2% to future product development and technologies and 1-2% to maintenance.
- **Net Debt and FCF:** Net Debt increased to Rs 468 Cr as of Sep'23 end from Rs 391 Cr as of FY23 (from Rs 58 Cr in FY22) and Net Debt to Equity stood at 0.25x. Management is bullish on the instrument cluster business and is increasing its plant capacity in Pune.
- MindaCorp has signed an agreement for entering into a **joint venture with HCMF of Taiwan** for sunroof and automotive closure systems, moving towards its goal of becoming a complete system solution provider in the passenger vehicle domain. HCMF is a Taiwanese-based company having various facilities over 29 across the world and having multiple R&D facilities. The joint venture will be signed for the Indian market and cater to products such as the panoramic sunroofs, the Top & bottom loaded sunroof, as well as closure systems. The company expects the industry to be about ~Rs 4,000 Cr to Rs 5,000 Cr by 2030 in the sunroof, as the premiumization trend in the passenger vehicles grows.

Key Risks to our Estimates and TP

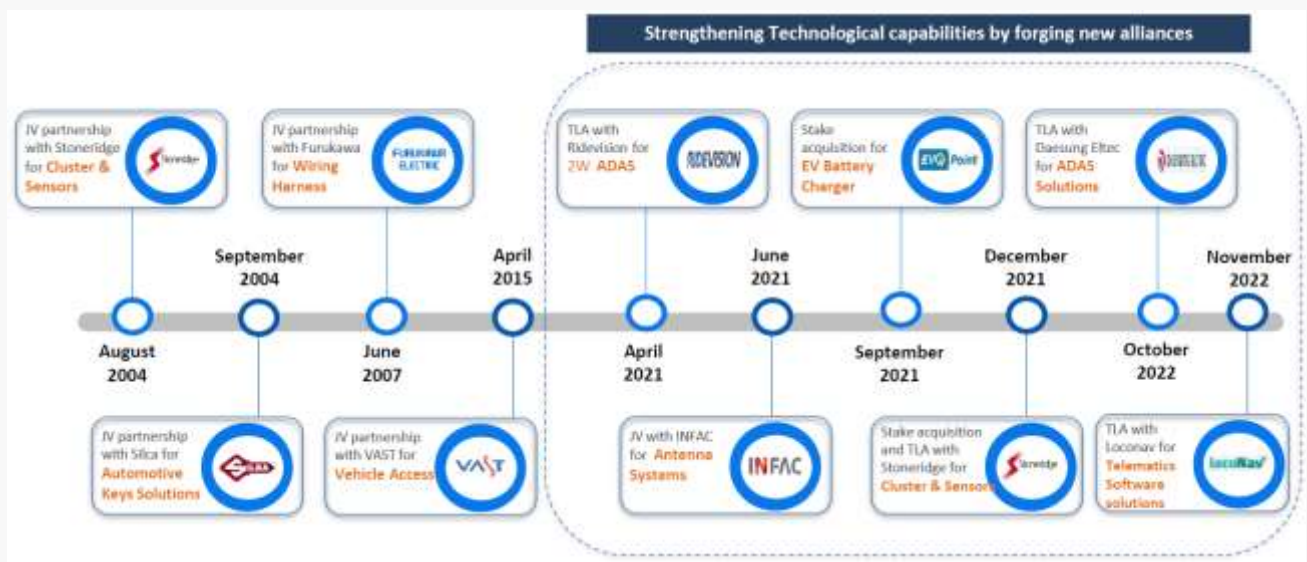
- Lower than expected 2W/PV/CV Industry demand.
- Macroeconomic Headwinds on global demand
- Government Regulations on EVs.
- Investment in Pricol and other strategic investments not generating a return on capital leading to inefficient capital allocation.

Change in Estimates

	Current estimates			Earlier Estimates			Change in estimates (%)		
	FY23	FY24E	FY25E	FY23E	FY24E	FY25E	FY23	FY24E	FY25E
Revenue	4,300	4,719	5,734	4,300	4,807	5,841	0.0%	-1.8%	-1.8%
EBITDA	462	521	649	462	535	669	0.0%	-2.6%	-3.1%
PAT	285	227	318	285	227	323	0.0%	-0.2%	-1.6%

Source: Company, Axis Securities

Exhibit 3: Journey of Latest Alliances Showcasing Commitment to Future Technologies



Source: Company PPT

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23A	FY24E	FY25E	FY26E
Net sales	4,300	4,719	5,734	6,721
Other operating income	0	0	0	0
Total income	4,300	4,719	5,734	6,721
Raw Material	2,777	2,983	3,641	4,212
Employee expenses	625.5	741.1	871.0	958.0
Other expenses	435.8	474.0	573.4	722.9
EBITDA	462	521	649	828
Other income	16	10	13	15
PBIDT	477	531	662	843
Depreciation	138	176	191	215
Interest & Fin Chg.	41	56	52	48
E/o income / (Expense)	0	0	0	0
Pre-tax profit	299	300	419	580
Tax provision	4	75	103	142
(-) Minority Interests	0	0	0	0
Associates	-10	1	1	1
Reported PAT	285*	227	318	439

Source: Company, Axis Securities;

*one-time tax benefit

Balance Sheet

(Rs Cr)

Y/E March	FY23A	FY24E	FY25E	FY26E
Total assets	2,362	2,522	2,774	3,148
Net Block	864.4	870.2	861.2	828.2
CWIP	85.2	153.7	222.1	290.6
Goodwill	92.9	92.9	92.9	92.9
Investments	451.3	451.3	451.3	451.3
Wkg. cap. (excl cash)	706	744	860	982
Cash / Bank balance	161.9	210.1	286.6	502.3
Misc. Assets	0.0	0.0	0.0	0.0
Capital employed	2,362	2,522	2,774	3,148
Equity capital	47.8	47.8	47.8	47.8
Reserves	1,543	1,752	2,052	2,473
Pref. Share Capital	0.0	0.0	0.0	0.0
Minority Interests	0.0	0.0	0.0	0.0
Borrowings	756	706	656	606
Def Tax Liabilities	15.2	17.1	19.0	20.9

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY23A	FY24E	FY25E	FY26E
Sources	586.9	336.3	442.4	587.8
Cash profit	473	457	559	700
(-) Dividends	16.7	16.7	16.7	16.7
Retained earnings	456.5	440.0	542.2	683.7
Issue of equity	0.0	0.0	0.0	0.0
Change in Oth. Reserves	(17.1)	0.0	0.0	0.0
Borrowings	207.1	(50.0)	(50.0)	(50.0)
Others	(59.6)	(53.7)	(49.8)	(45.9)
Applications	586.9	336.3	442.4	587.8
Capital expenditure	341.1	250.0	250.0	250.0
Investments	387.1	0.0	0.0	0.0
Net current assets	30.3	38.1	116.0	122.1
Change in cash	(171.6)	48.2	76.5	215.7

Source: Company, Axis Securities

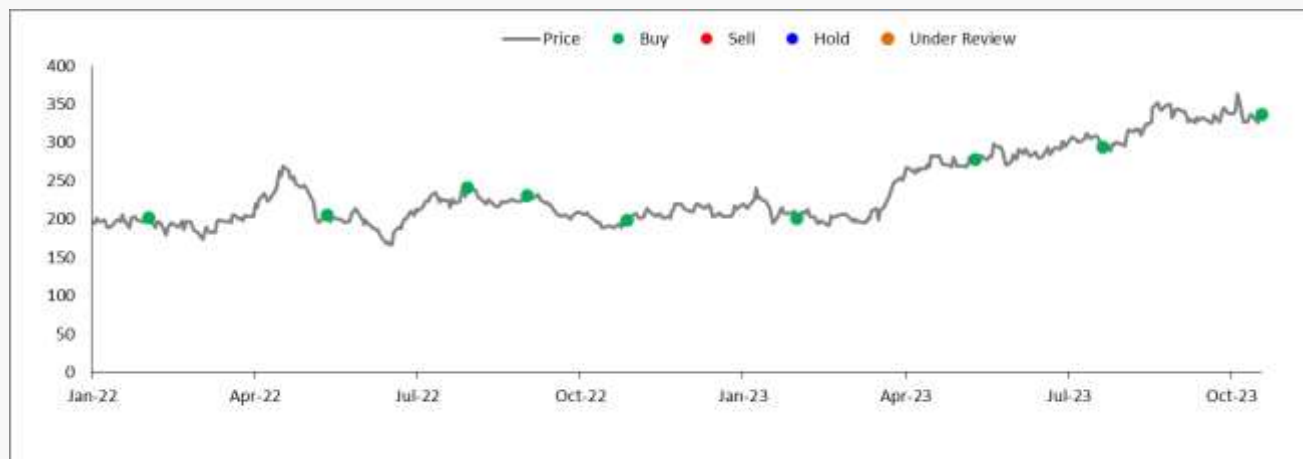
Ratio Analysis

(%)

Y/E March	FY23A	FY24E	FY25E	FY26E
Sales growth	44.5	9.7	21.5	17.2
EBIDTA margin	10.7	11.0	11.3	12.3
EBITDA growth	56.7	13.0	24.4	27.6
COGS / Net sales	24.7	25.8	25.2	25.0
Overheads/Net sales	29.0	27.9	28.2	28.0
Depreciation / G. block	9.6	10.8	10.5	10.8
Effective interest rate	7.5	6.5	6.7	8.1
Net wkg.cap / Net sales	0.13	0.12	0.11	0.12
Net sales / Gr block (x)	3.0	2.9	3.2	3.4
RoCE	19.3	17.4	20.7	24.0
Debt / equity (x)	0.45	0.37	0.29	0.22
Effective tax rate	1.4	24.9	24.5	24.5
RoE	19.4	13.3	16.2	18.9
Payout ratio (Div/NP)	5.9	7.4	5.3	3.8
EPS (Rs.)	11.90	9.47	13.29	18.37
EPS Growth	48.3	(20.4)	40.3	38.2
Adj EPS (Rs.)	11.9	9.5	13.3	18.4
Adj EPS growth	78.7	(20.4)	40.3	38.2
CEPS (Rs.)	17.7	16.8	21.3	27.3
DPS (Rs.)	0.7	0.7	0.7	0.7

Source: Company, Axis Securities

Minda Corporation Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
07-Feb-22	BUY	230	Result Update
18-May-22	BUY	245	Result Update
08-Aug-22	BUY	270	Result Update
09-Sep-22	BUY	270	Company Update
07-Nov-22	BUY	255	Result Update
10-Feb-23	BUY	230	Result Update
22-May-23	BUY	230	Result Update
04-Aug-23	BUY	325	Result Update
13-Oct-23	BUY	375	PoW
03-Nov-23	BUY	375	Result Update

Source: Axis Securities

About the analyst

1. **Sr Research Analyst: Aditya Welekar** is a PGDBM in Finance with 12 years of experience in Equity Market/Research.

2. **Research Associate: Shridhar Kallani** is a Chartered Accountant and a graduate from St.Xaviers College Kolkata.

Sector: Automobiles

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