

Revenue/EBITDA Inline; Orderbook Remains Strong
Est. Vs. Actual for Q4FY24: Revenue – **INLINE**; EBITDA Margin – **INLINE**; PAT – **BEAT**
Change in Estimates post Q4FY24
FY25E/FY26E: Revenue: -0.5%/-0.5%; EBITDA: 1.2%/1.1%; PAT: -0.3%/0%

Recommendation Rationale

- **New order wins:** During the quarter, the company secured lifetime orders worth ~Rs. 2,000 Cr with EV constituting over 30% of the orders won. Total new lifetime orders of Rs 10,000 Cr are won as on Mar' 24 across product segments such as vehicle access, driver information systems, die casting parts, electrical distribution systems, and new EV technologies.
- **EBITDA margin improvement:** We expect EBITDA Margins to improve from ~11.1% in FY24 to ~12.7% approximately by FY26E backed by (1) a richer product mix led by premium 2Ws (both ICE and EV), (2) increased wallet share among 4W/CV OEMs, (3) gradual recovery in exports, (4) better operating efficiencies, (5) streamlining of fixed costs, and (6) component localization initiatives.
- **The EV segment potential:** The potential EV kit value stood at ~Rs 22k-27k in Q4FY24. Out of this, ~Rs 8k-10k are new power electronic product lines commercially launched during FY24. In FY24 EV constituted 5-6% of total revenues. The company inaugurated a smart key facility in Vietnam, strategically positioned to serve customers in the ASEAN region. In India, new facilities are under construction for manufacturing Smart Keys, Die Casting Parts, Clusters & Sensors.

Company Outlook & Guidance: In Q4FY24, the 3W/PV/2W production volume grew by 8.4%/9.7%/26.4% while CV/Tractors degrew by 0.5%/15% YoY. Going forward, we expect strong demand in 2W entry level segment, SUVs in PV, recovery in CVs/Tractors and revival in exports to be positive triggers for the company to outperform industry growth in the medium term.

Current Valuation: 26x FY26 EPS (earlier 25x)

Current TP: Rs 475/share (earlier Rs 450/share)

Recommendation: We maintain a positive view on the company as it will be a key beneficiary of product premiumization, EV growth, richer product mix on account of increased businesses from CV/PV OEMs and growth opportunities via organic and inorganic routes in the future.

Financial Performance: Minda Corp reported Revenue/EBITDA inline with our estimates while PAT was a Beat. Revenue grew by 13%/4 YoY/QoQ respectively, led by increased production volumes in the 3W/2W/PV segment, partly offset by lower volumes in the CV/Tractor industry and subdued exports. It reported EBITDA of Rs 139 Cr, up 18%/7% YoY/ QoQ and EBITDA margins grew by 52bps/26bps in YoY/QoQ on the back of increasing efficiencies via low cost automation and component localization initiatives. PAT was reported at Rs 71 Cr (14% Beat), up 52%/62% YoY/QoQ on account of higher other income.

Outlook: We continue to like the company's growth story driven by new order wins, increasing kit value per vehicle and its focus on EV. With a strong order book and the management's confidence of outpacing industry growth (organic/non-organic); we estimate a CAGR of 17%/26%/38% in Revenue/EBITDA/Adj PAT over FY24-26E.

Valuation & Recommendation: Based on above robust growth trajectory and healthy balance sheet (net cash positive) we value the stock at 26x FY26 EPS (earlier 25x) as it will be a key beneficiary of product premiumization, EV growth, increased business from PV/CV OEMs and management's focus on growing the core- vehicle access space, wiring harness division, ICS, diecasting and EV mobility. We arrive at a TP of Rs 475/share implying an upside of 11% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,215	4%	13%	1,220	0%
EBITDA	139	7%	18%	140	-1%
EBITDA Margin	11.4%	26 bps	52 bps	11.4%	-4 bps
Adj Net Profit	70.8	35%	42%	62.3	14%
Reported EPS (Rs)	2.96	35%	42%	2.6	14%

Source: Company, Axis Securities

(CMP as of 22nd May 2024)

CMP (Rs)	426
Upside /Downside (%)	11%
High/Low (Rs)	449/270
Market cap (Cr)	10,185
Avg. daily vol. (6m)Shrs.	7,92,648
No. of shares (Cr)	23.91

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	64.84	64.84	64.84
FII's	5.52	3.72	5.06
MFs / UTI	11.51	13.39	16.88
Banks / FI's	0.00	0.00	0.00
Others	18.13	18.05	13.22

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	4,651	5,492	6,382
EBITDA	514	635	813
APAT	227	312	435
AEPS (Rs)	9.5	13.0	18.2
PER (x)	43.9	32.7	23.4
EV/EBITDA (x)	19.6	15.6	12.0
P/BV (x)	5.0	4.1	3.5
ROE (%)	12.6	13.9	16.1

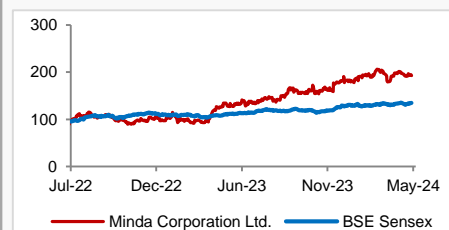
Change in Estimates (%)

Y/E Mar	FY24	FY25E	FY26E
Sales	-0.4%	-0.5%	-0.5%
EBITDA	0.1%	1.2%	1.1%
PAT	3.8%	-0.3%	0.0%

ESG disclosure Score**

Environmental Disclosure	NA
Social Disclosure Score	NA
Governance Disclosure Score	NA
Total ESG Disclosure Score	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.

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Key Concall Highlights

- In FY24, **Mechatronics** and **Aftermarket** contributed 51% of total revenues, up 5% YoY to ~Rs 2,210 Cr. In FY24, Revenues grew by 8% YoY driven by domestic 2W segment and Premiumization, partially offset due to subdued exports and CV segment.
- **Information and connected systems (ICS)** contributed ~48% to the company's top line (including MIL) with revenue of ~Rs 2,253 Cr, up 8% YoY. This growth was supported by robust domestic demand across 2W/PV partially offset by slowdown in domestic CV/Tractors operations and delay in SOP's and subdued demand from exports. Minda Corp's focus towards component localization is yielding results with more than ~15% components sourced via its in-house component division.
- **End-user market:** On the end-user market basis, in FY24 2/3Ws revenue share increased to ~47% from ~44% in FY23; the CV/PV contribution stood at ~28%/14% from 30%/14% in FY23 respectively; After-market sales shrank to ~11% from ~12% in the last year.
- **Geographical split:** In FY24, India contributed ~87% of the sales (84% in FY23) while Europe and North America contributed ~8% of total sales (same as FY23) while 5% came from South East Asia (down from 8% in FY23).
- **Capex:** Capex for FY25 and FY26 is expected to be 5% annually of total revenue.
- **Net Debt and FCF:** The company was **Net Cash Positive Rs 135 Cr** as on Mar' 24 (investments in Mutual Funds of Rs 291 Cr post stake sale in Pricol Ltd) vs Net Debt of ~Rs 450 Cr as on Dec' 23.
- **Interim Dividend:** The board of directors have recommended a final dividend of 45% on the face value i.e. Rs. 0.90 per equity share. Total dividend in FY24 is 70% of Face Value.

Key Risks to our Estimates and TP

- Slower than expected CV/tractor Industry demand.
- Macroeconomic Headwinds on global demand.
- Government Regulations on EVs.

Change in Estimates

	Current estimates			Earlier Estimates			Change in estimates (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Revenue	4,651	5,492	6,382	4,672	5,518	6,412	-0.4%	-0.5%	-0.5%
EBITDA	514	635	813	514	628	804	0.1%	1.2%	1.1%
PAT	227	312	435	219	313	435	3.8%	-0.3%	0.0%

Source: Company, Axis Securities

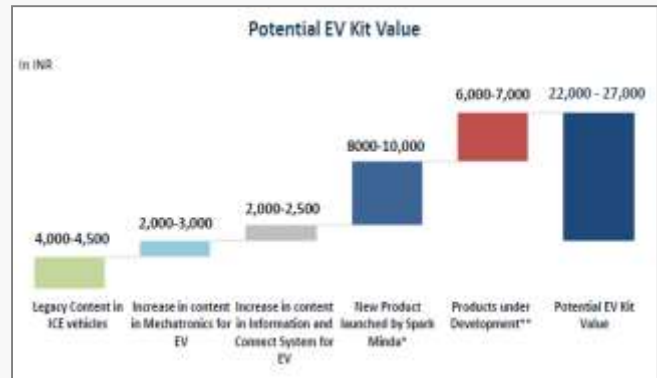
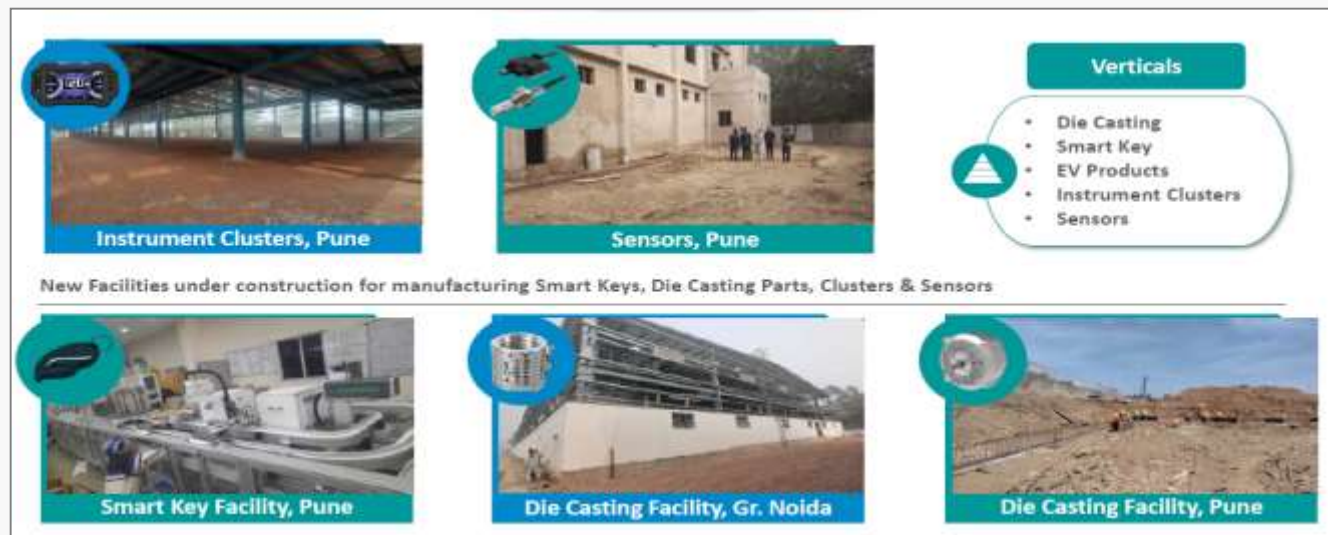
Q4FY24 Results Review

	Q4FY23	Q3FY24	Axis Estimates	Q4FY24	% Change (YoY)	% Change (QoQ)	% Variances
Total Revenue	1,075	1,166	1,220	1,215	13%	4%	0%
Expenditure							
Net Raw Material	629	690	722	748	19%	8%	4%
Employee expenses	167	186	192	179	7%	-4%	-7%
Purchase of traded goods	42	36	36	18	-57%	-50%	-51%
Other Expenses	120	124	130	131	10%	6%	1%
Total Expenditure	958	1,036	1,081	1,076	12%	4%	0%
EBITDA	117	130	140	139	18%	7%	-1%
EBITDA Margin (%)	10.9%	11.1%	11.4%	11.4%	52 bps	26 bps	-4 bps
Other Income	2	2	3	10	310%	395%	220%
Interest	12	14	12	12	5%	-13%	6%
Depreciation	39	42	49	44	13%	5%	-10%
Exceptional Item	69	76	82	92	34%	22%	12%
PBT	-55	25	19	23	NA	-9%	17%
Tax	-72	0	0	0	NA	NA	NA
PAT before share of Associates	52	51	60	70	35%	37%	16%
Share of Profit & Loss of Associates	(2)	2	2	1	NA	-32%	-43%
PAT after share of profit from Asso.	50	52	62	71	42%	35%	14%
EPS (Rs.)	2.08	2.20	2.60	2.96	42%	35%	14%
Gross Margins%	41.5%	40.8%	40.9%	38.5%	-300 bps	-238 bps	-241 bps
Employee % to sales	15.6%	16.0%	15.8%	14.8%	-80 bps	-123 bps	-100 bps
Other Expenses % to Sales	11.15%	10.62%	10.69%	10.82%	-33 bps	20 bps	13 bps
NP %	4.6%	4.5%	5.1%	5.8%	120 bps	132 bps	72 bps
Effective Tax%	-79.9%	33.0%	23.5%	24.6%	NA	-844 bps	108 bps

Source: Company, Axis Securities

Exhibit 1: Transforming Current Business Lines


Source: Company PPT Q4FY24, Axis Securities

Exhibit 2: Potential EV kit value

Exhibit 3: Expanding Capacities


Source: Company PPT Q3FY24

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23A	FY24	FY25E	FY26E
Net sales	4,300	4,651	5,492	6,382
Other operating income	0	0	0	0
Total income	4,300	4,651	5,492	6,382
Raw Material	2,777	2,924	3,461	3,951
Employee expenses	625.5	728.5	847.1	931.9
Other expenses	435.8	484.4	549.2	686.2
EBITDA	462	514	635	813
Other income	16	16	7	16
PBIDT	477	530	643	829
Depreciation	138	166	191	223
Interest & Fin Chg.	41	56	46	36
E/o income / (Expense)	0	0	0	0
Pre-tax profit	299	308	406	570
Tax provision	4	83	99	140
(-) Minority Interests	0	0	0	0
Associates	-10	2	5	5
Reported PAT	285	227	312	435
Adjusted PAT	219	227	312	435

Source: Company, Axis Securities;

*one-time tax benefit

Balance Sheet

(Rs Cr)

Y/E March	FY23A	FY24	FY25E	FY26E
Total assets	2,362	2,580	3,023	3,313
Net Block	864.4	1,113.8	1,104.8	1,063.2
CWIP	85.2	63.2	131.7	200.1
Goodwill	92.9	93.0	93.0	93.0
Investments	451.3	56.9	56.9	56.9
Wkg. cap. (excl cash)	706	1,061	1,101	1,213
Cash / Bank balance	161.9	192.0	535.6	686.3
Misc. Assets	0.0	0.0	0.0	0.0
Capital employed	2,362	2,580	3,023	3,313
Equity capital	47.8	47.8	47.8	47.8
Reserves	1,543	1,933	2,439	2,853
Pref. Share Capital	0.0	0.0	0.0	0.0
Minority Interests	0.0	0.0	0.0	0.0
Borrowings	756	586	514	389
Def Tax Liabilities	15.2	13.3	21.5	23.4

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY23A	FY24	FY25E	FY26E
Sources	586.9	393.8	623.9	513.3
Cash profit	473	447	543	689
(-) Dividends	16.7	33.5	16.7	16.7
Retained earnings	456.5	413.4	526.5	672.5
Issue of equity	0.0	0.0	0.0	0.0
Change in Oth. Reserves	(17.1)	208.0	207.5	0.0
Borrowings	207.1	(177.9)	(72.2)	(125.0)
Others	(59.6)	(49.8)	(37.9)	(34.2)
Applications	586.9	393.8	623.9	513.3
Capital expenditure	341.1	379.0	250.0	250.0
Investments	387.1	(103.7)	0.0	0.0
Net current assets	30.3	87.9	30.3	112.6
Change in cash	(171.6)	30.6	343.6	150.7

Source: Company, Axis Securities

Ratio Analysis

(%)

Y/E March	FY23A	FY24	FY25E	FY26E
Sales growth	44.5	8.2	18.1	16.2
EBIDTA margin	10.7	11.1	11.6	12.7
EBITDA growth	56.7	11.5	23.5	28.0
COGS / Net sales	24.7	26.1	25.4	25.4
Overheads/Net sales	29.0	28.4	27.4	27.4
Depreciation / G. block	9.6	8.9	9.3	10.0
Effective interest rate	7.5	6.5	6.7	8.9
Net wkg.cap / Net sales	0.13	0.16	0.17	0.16
Net sales / Gr block (x)	3.0	2.5	2.7	2.9
RoCE	19.3	17.0	17.6	20.1
Debt / equity (x)	0.45	0.27	0.19	0.12
Effective tax rate	1.4	27.0	24.5	24.5
RoE	19.4	12.6	13.9	16.1
Payout ratio (Div/NP)	5.9	14.7	5.4	3.8
EPS (Rs.)	11.90	9.50	13.05	18.20
EPS Growth	48.3	(20.1)	37.3	39.5
Adj EPS (Rs.)	11.9	9.5	13.0	18.2
Adj EPS growth	78.7	(20.1)	37.3	39.5
CEPS (Rs.)	17.7	16.4	21.0	27.5
DPS (Rs.)	0.7	1.4	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
03-Nov-23	BUY	400	Result Update
05-Feb-24	BUY	450	Result Update
23-May-24	BUY	475	Result Update

Source: Axis Securities

About the Analyst



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