

Accumulate

Key Data

DATE	26.06.2023
Reco Price	280-285
Target	383
Sector	Auto Ancillaries
BSE Code	538962
NSE Code	MINDACORP
EPS (FY23)	11.90
Face Value (Rs.)	2.00
Market Cap (Mn)	68,832
52-week High/Low (Rs)	301.80 / 163.55

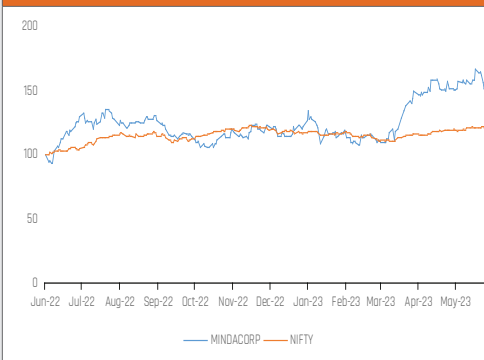
Source : NSE, BSE

Shareholding pattern (Mar-2023)

	%
Promoters	64.72
DII's	11.83
FII's	5.06
Public	16.68
Others	1.68
Total	100.00

Source : NSE, BSE

Price Performance



Rebase to 100

Minda Coporation Limited

Company Background

Minda Corporation Limited (MINDACORP) based in Noida, was incorporated as Minda Switch Auto Ltd in 1985 and is one of the leading automotive component manufacturing company in India with a pan-India presence and international footprint. It is the flagship company of Spark Minda, which was part of the erstwhile Minda Group. The Company has a diversified product portfolio that includes mechatronics, information and connected systems, interior plastic, and electronics for auto original equipment manufacturers (OEMs). The Company manufactures automotive components, including electronic and mechanical security systems, die casting, keyless solutions, starter & alternator motors, telematics, wiring harnesses, components, instrument clusters, sensors, interior plastics, and new components on electronics. The Company also provides lock kits, spares, locks, and ignition switches. The Company's products cater to 2W, 3W, PV's, CV's, and off-road vehicles. The Company manufactures aluminum & zinc die-casted components for the global automotive and non-automotive industries.

Outlook and Valuation

Minda Corporation Limited is an India-based holding company primarily engaged in the manufacturing and assembling of safety and security systems and their associated components for the automotive industry. The company benefits from higher contributions across all segments, an improved working capital cycle, new joint venture partnerships, and the entry into new technologies. These factors collectively drive growth momentum and enable the company to expand its scale in emerging areas. We believe Minda Coporation Limited is well placed to capitalize on these opportunities. Going ahead, **we expect the company's revenue to grow at a CAGR of ~20.48% over FY23-FY26E**. Hence, we recommend Minda Corporation Limited with a target price of Rs 383 based on FY26E EPS of Rs 23.96; it's available at a reasonable forward PE valuation of 16 at the recommended price. As compared with other peers, the Company is available at a very lower PE valuation. Hence, **we recommend ACCUMULATE rating for the long term.**

Financial Snapshot

Particulars (₹ in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR(FY23-FY26E)
Sales	43,001	51,602	62,154	75,207	20.48%
EBITDA	4,615	5,934	7,459	9,401	26.77%
EBITDA Margin %	10.73%	11.50%	12.00%	12.50%	
Net profit	2,845	3,185	4,296	5,725	26.25%
EPS	11.90	13.32	17.98	23.96	26.25%
ROE %	17.88%	18.70%	22.81%	26.56%	
ROCE %	14.29%	19.34%	23.75%	28.16%	

Source : Company, ACMIIL Research

Investment Idea

Company at a glance

- The company has been a leading automotive component supplier since 1958.
- The company caters to leading manufacturers of passenger vehicles, commercial vehicles, motorcycles, scooters, and off-road vehicles in India. It also has a presence in Indonesia, Vietnam, Uzbekistan, the USA, and Japan.
- In addition, the company has a strong dealer distributorship network of approximately 450 dealers in India, serving the after-market segment.
- The company is a market leader in the 2W lockset and wiring harness business.
- It is also a pioneer in keyless entry solutions for 2W vehicles and maintains better control over quality in locksets through its die casting division.

Company Business and Products

Minda Corporation Limited, a part of the Spark Minda Group, is a leading manufacturer of diversified auto components. The company specializes in products such as locksets, wiring harnesses, plastics, and interior components. It supplies these components to original equipment manufacturers in various segments, including 2W/3W, CV, PV, and off-the-road vehicles. Additionally, Minda Corporation serves the aftermarket sector.

With a presence in 34 plants across India and abroad, Minda Corporation has established a strong production base. The company prides itself on its diverse product portfolio and its commitment to serving different verticals within the auto industry. It encompasses a wide range of offerings, including Mechatronics, Information and Connected Systems, Plastics & Interiors, Aftermarket, and Electronics Manufacturing Excellence.

The product portfolio of different segments include:

A) Mechatronics

The Electronic and Mechanical Security Systems division comprises a range of products, including ignition switch cum steering locks, smart key systems, mechatronics handles, and immobilizer systems. The Die Casting Components division specializes in aluminum high-pressure die casting and compressor housing. Additionally, the Mechatronics business offers starter motors and alternators, among several other product lines. Given the growing prevalence of electronic components in vehicles, the business remains focused on developing products that provide improved safety and convenience. It aims to offer technologically advanced products that make significant contributions in terms of both functionality and performance.

B) Information and Connected systems

This business vertical encompasses products such as instrument clusters (speedometers), wiring, junction boxes, and sensors including positional, temperature, speed, and exhaust gas temperature (EGT) sensors, among others. The company's product offering is known for its high quality and caters to major Indian and global original equipment manufacturers (OEMs).

C) Interior plastic division

This division includes a vast product range like air vents, glove boxes, centre consoles, cup holders, ash trays, louvers, oil slumps, cylinder heads, and battery trays.

D) Aftermarket

The Company markets all products manufactured by the Group Companies and certain outsourced products in the aftermarket segment. Moving ahead, the company's focus is to grow Aftermarket at a CAGR of 20% within the next 3-5 years. To achieve this goal, the company aims to add more products to its current portfolio and also make significant inroads in the export market.

E) Electronic manufacturing excellence

The Electronic Manufacturing Excellence vertical consists of products related to electric vehicles, connected systems, Antenna, and Surface Mounting Technology i.e. PCBA etc. It will also encompass all new products developed by the company, as well as joint ventures, technical licensing, and agreements with high electronic content.

Investment Idea

Mechatronics (Business Vertical 1)	 Ignition Switch Cum Steering Lock	 Smart Key System	 Mechatronics Handles	 Immobilizer System	 Aluminum Die Casting	 Compressor Housing	 Alternator	 Starter Motor		
Information & Connected Systems (Business vertical 2)	 Speedometer	 Wiring Harness	 Steering Roll Connector	 Junction Box	 Speed	 EGT & EGRT	 PM / SOOT Sensor			
Plastics & Interiors (Business vertical 3)	 Cup Holder	 Ash Tray	 Louvers	 Glove Box	 Steering Column Shroud	 Seat Panel	 Structural Parts	 Oil Sump	 Cylinder Head	 Battery Tray
Aftermarket (Business vertical 4)	 Spares of BV1 & BV2	Electronics Manufacturing Excellence			 DC/DC & Chargers	 Antenna Products	 ITS	 BCM/MFECU Telematics		

Source: Investor Presentation Q4FY23, Minda Corporation Limited.

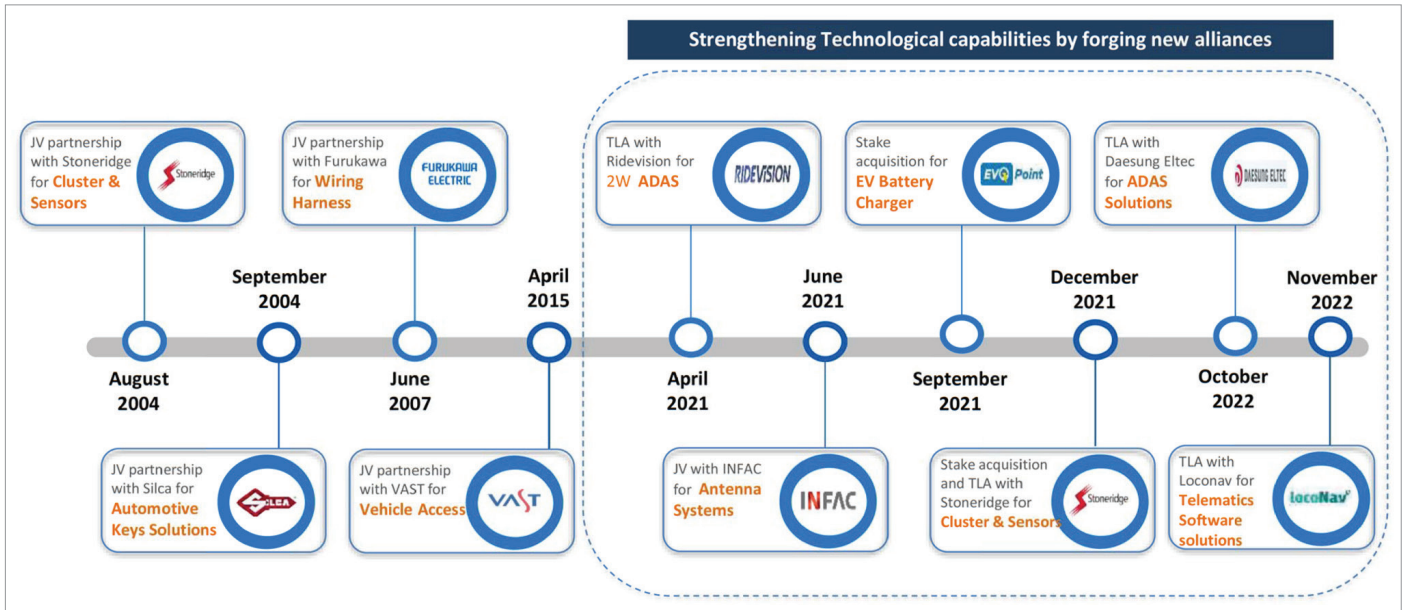
Key Customers:

2-3 Wheelers	Commercial & Off Highway Vehicles	Passenger Vehicles	Other Market
			

Source: Investor Presentation Q4FY23, Minda Corporation Limited.

Investment Idea

Journey of New Alliances:



Source: Investor Presentation Q4FY23, Minda Corporation Limited.

Investment Rationale

Strong business to remain intact with active collaborations

Minda has entered into new technology licensing agreements, enabling them to pursue new joint ventures, organic and inorganic expansions, as well as new collaborations. These initiatives aim to enhance the company's presence in emerging technologies.

The company has established technology tie-ups with INFAC Elecs, Ride Vision, EVQPOINT Solutions Private Limited, Stoneridge Inc., and Daesung Eltec Co. Ltd. These partnerships are expected to contribute to the company's future growth and diversify its business profile.

Acquisition with Pricol to enhance further growth

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 management is bullish on the instrument cluster business as Pricol is the market leader in 2W instrument clusters (~40 percent market share) while Minda Corp has ~15 percent share. This gives them further consolidation in the instrument cluster market for 2W space.

Sustained market position

The Company is among the market leaders and commands a strong market share of around 40% in 2W lock sets, and wiring harnesses for 2W, 3W, tractors, and CVs. Minda's ability to forge technological tie-ups, continue product innovations in existing categories, enter into related product categories and maintain cost efficiency would determine the retention of the market share. The company has leveraged this market position, enabling it to grow at a much higher growth rate than the industry growth rate.

Industry demand outlook

In FY23, the auto industry experienced a robust growth of 12.5% YoY, with all segments except 2Ws showing double-digit YoY growth. 2Ws grew by 9.2% YoY due to sluggish rural demand. Looking ahead, the domestic industry growth is expected to remain favorable and will be driven by the Capex push, the new PLI scheme, export thrust, and the recently announced gas pricing guidelines.

Robust order book

The company's total order book stands at Rs 7,789 Cr in FY23, out of which 33% is from Mechatronics, 60% is from ICS, and the remaining comes from other segments. Exports constitute 13% of the total orders, while EVs account for 20%. Additionally, 54% of the orders are from new business, with the remaining 46% coming from the replacement market. Therefore, we remain optimistic about the company's growth story, driven by the increasing kit value per vehicle and its focus on EVs.

Focus on margin improvement

The company is focused on automation and reducing employee costs, as well as working capital. Furthermore, it is driving component internalization, particularly in the wiring harness business, and scaling up its PV/CV product offerings and exports to aid in margin improvement over the next 2-3 years.

Strong EV push

EVs recorded robust growth in 2023, supported by the implementation of favorable policies and programs by the government. The Company is in line with several initiatives taken by the government to support the manufacturing and adoption of electric vehicles in the country which altogether going to help in achieving the target of 100% EV adoption by 2030. Its EV product portfolio includes DC-DC converters, battery chargers, connected clusters, HV wiring harnesses, EV telematics, etc.

FAME India Scheme to give an edge

FAME-II scheme was launched in India with a budget outlay of US\$ 1.3 billion (Rs. 10,000 crores) to support 1 million e-two-wheelers, 0.5 million e-three-wheelers, 55,000 e-passenger vehicles, and 7,000 e-buses. The government extended the scheme until 2024, as announced in Union Budget 2022-23.

Industry Overview

Indian Automobile Industry

The Indian automobile industry has historically served as a good indicator of the economy's well-being. The automobile sector plays a crucial role in both macroeconomic expansion and technological advancement. In terms of volume, the two-wheelers segment dominates the market, benefiting from a growing middle class and a significant percentage of India's young population. Additionally, the sector's growth has been supported by companies' increasing interest in exploring rural markets. The rising logistics and passenger transportation industries are also contributing to the demand for commercial vehicles. Future market growth is expected to be driven by emerging trends such as the electrification of vehicles, particularly three-wheelers and small passenger automobiles. The increasing presence of electric vehicles on the roads as of March 2023 serves as an indication of shifting customer perceptions, encouraging original equipment manufacturers (OEMs) and their partners to make substantial investments. Furthermore, by 2030, India has the potential to become a leader in shared mobility, creating enhanced opportunities for electric and autonomous vehicles.

Industry Leading Growth

Particulars	FY19	FY20	FY21	FY22	FY23
Industry Volume Growth	6.20%	-14.70%	-12.90%	1.20%	12.50%
Minda Corporation Revenue Growth	19.20%	-9.00%	6.50%	25.70%	44.50%

Source: Investor Presentation Q4FY23, Minda Corporation Limited.

Note: Minda corporation remained outperformer compare to Industry growth as per above data.

Indian Auto Components Industry

India's auto components industry's market share has significantly expanded, driven by the increasing demand for automobiles from the growing middle class and global exports. As a result of this remarkable growth in demand for Indian auto components, several Indian and international players have entered the industry. India's auto component industry is broadly classified into organized and unorganized sectors. The unorganized sector comprises low-value items and mostly serves the aftermarket category, while the organized sector caters to OEMs and includes high-value precision instruments.

A) Wiring Harness:

The wiring harness is an assembly of wires, terminals, and connectors that transmit electrical power and signals in automobiles. Those products are used in vehicles such as two-wheelers, three-wheelers, passenger cars, utility vehicles, and commercial vehicles. An automotive wiring harness is an electrical assembly of various components in a vehicle that transmits power and information to a single system. It plays an important role in transmitting information about the operation of the vehicle, sending & receiving sensor signals, and supplying power. The components that are assembled include speed sensors, heating, ventilation, and air conditioning (HVAC) systems, electrical devices, and other electronic components. According to reports, the wiring harness segment will register a compound annual growth rate (CAGR) of around 6% from 2021-2026.

Investment Idea

B) Keyless Solutions

The automotive industry has witnessed remarkable growth in penetration of high-end technology such as ADAS systems, autonomous driving, and connected mobility among others. These integrations of smart technologies are creating demand for advanced automotive access control solutions for effective operation, improved security of the vehicle, and better convenience solutions. Moreover, the introduction of safety and security standards for automotive manufacturing in emerging nations such as India, is expected to spur the demand for automotive keyless entry systems and is expected to create attractive opportunities for the market players in these regions over the forecast period. The introduction of these systems in modern vehicles is expected to boost revenues in the global automotive keyless entry system market.

C) Automotive Interior Plastic:

Interior components for automobiles are specifically developed to provide comfort, grip, and sound insulation to the vehicle cabin, as well as enhanced driver safety features. The infotainment system, body panels, headliners, cockpit modules, door panels, and automotive seats, among other things, make up the interior of the car cabin. The interior components of a vehicle play an important role in improving its performance, giving it a more appealing appearance, and increasing its salability. Individuals' income levels are rising, and consumers' disposable income is driving market growth.

Future Key Growth Drivers

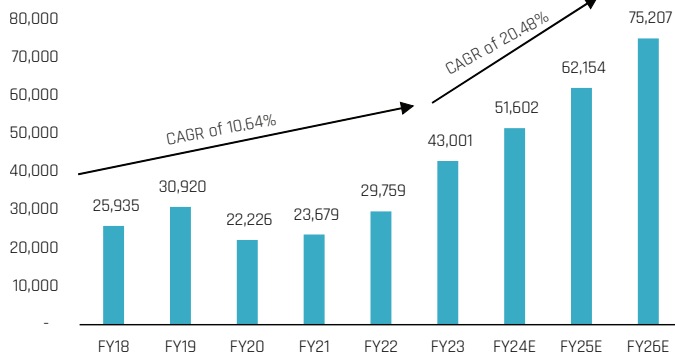
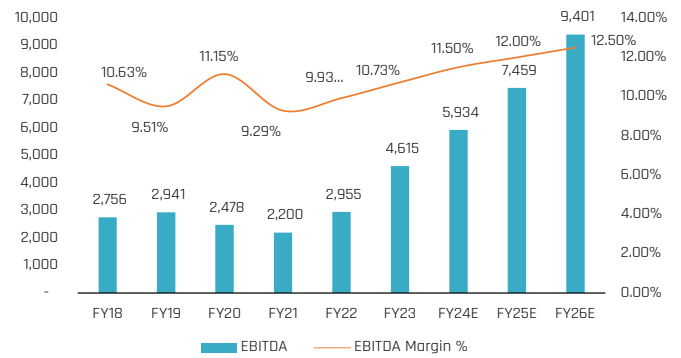
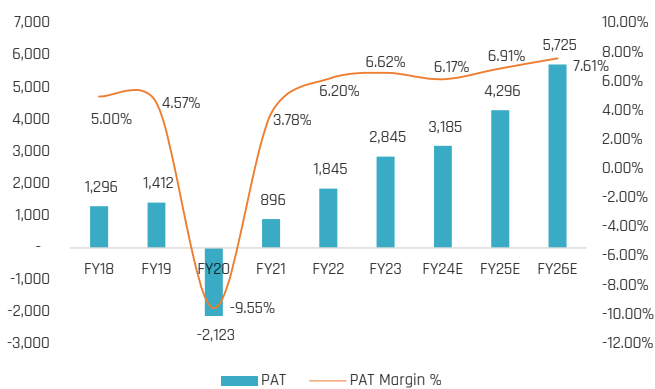
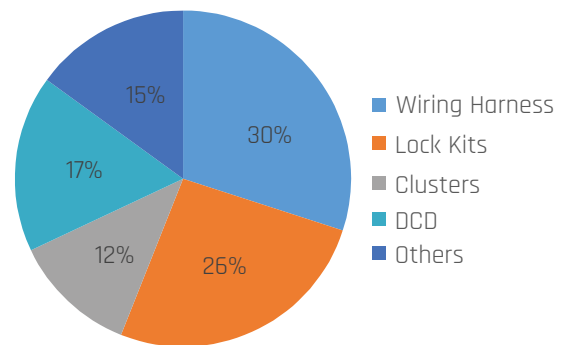
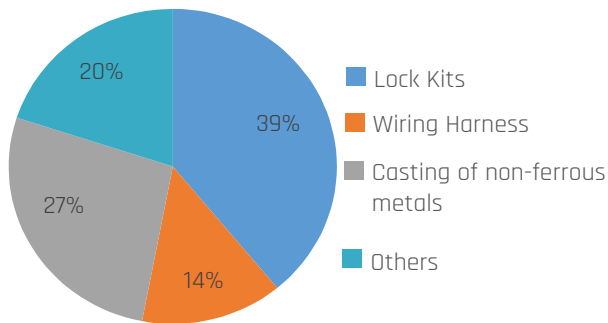
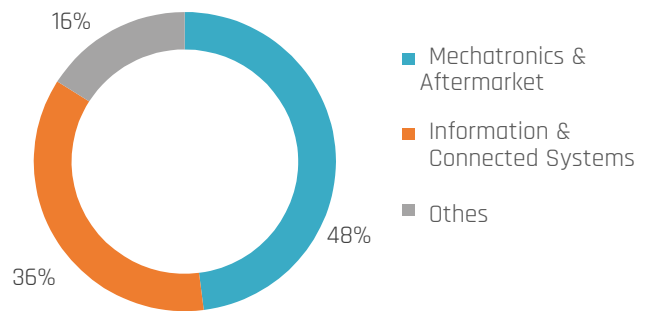
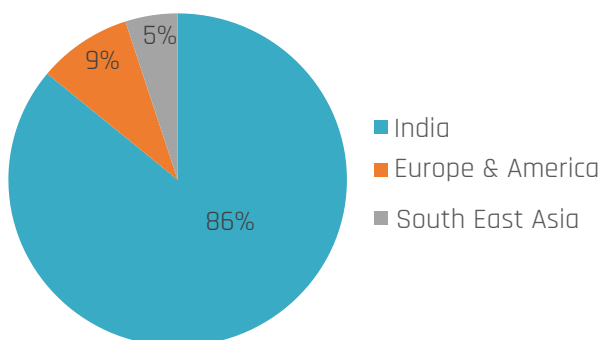
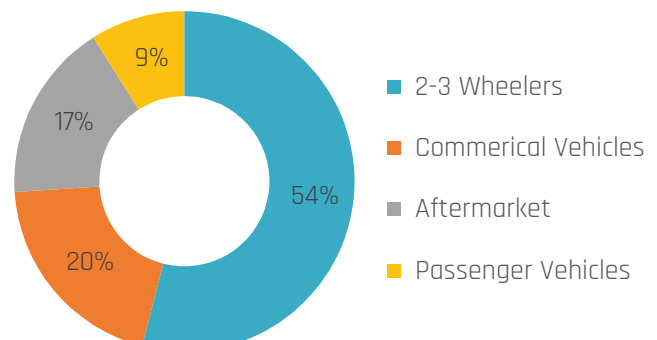
- Overall demand continued to remain strong across segments despite the increase in vehicle cost on the back of improved consumer sentiments, new product launches with EVs, and the easing of supply chain constraints.
- Government budget proposals for huge infrastructure Capex, replacement demand, and better freight rates enable the CV segment as a whole to rebound which will continue to do well going forward with a strong current order book across the OEMs.
- The company's exports grew in line with the topline growth. Going forward, it continues to be driven by the addition of new customers across geographies.
- In Mechatronics & Aftermarket segment, it has contributed ~48% of total revenues, up 14% YoY. The management said that with the technology change the first priority will be to stabilize operations and achieve higher utilization which will lead to an increase in margins on a YoY basis going ahead.
- The Company is in line with the strategy to further improve margins at Wiring Harness with more localization and improving productivity and plant efficiencies.
- MINDACORP entered into two strategic technology partnerships with Daesung Eltec from Korea and LocoNav for telematics software solutions.
- The company is focusing on enhancing its core, becoming a complete solution provider, and achieving cost and thought leadership in manufacturing and technology.
- Management is committed to becoming carbon-neutral in the next few years and has won various awards for its ESG framework.
- MINDACORP sees opportunities to increase content per vehicle through premiumization and the shift towards keyless solutions, complex wiring harnesses, digital instrument clusters, and connected technologies. The company is focusing on personalization and electrification in their R&D initiatives, as well as filling more patents and improving design quality.
- The company is working on digital transformation initiatives to improve operational efficiency and expanding their international footprint through localization of components and supply partners.
- MINDACORP is focusing on improving end-to-end traceability, low-cost automation, robotics, IoT, and digital control in their processes through partnerships with external companies.
- The Company is not going to raise debt further for any kind of future Organic or Inorganic Acquisition. The company is in line with the strategy that it will dilute the promoter's stake for further fund raising.
- MINDACORP is going to spend around 4% of Revenue for Maintenance capex in general (Includes R&D, Technology development, Plant upgradation etc.) for next 2-3 years.
- The Management guided Revenue growth target in the range of 20-25% in next 2 to 3 years.
- The company is bullish on the instrument cluster business and plans to solidify its market position by providing high-quality, innovative products and securing new business from its customers in various products.
- MINDACORP inaugurated a state-of-the-art plant in Q3FY23 and is planning to add other plants as per additional capacity requirements. These plants not only increase their production capacities and keep the company closer to the customer, but also well equipped with advanced machines backed by cutting-edge technology.
- The company does agreement with customers and suppliers to mitigate commodity inflation risk.
- Management is going to grow from components manufacture to complete system solutions provider in next 5 years.

Investment Idea

Industry Growth Drivers

- India's Automotive Market was valued at USD 100 billion in 2021 and is expected to reach USD 160 billion in 2027, registering a CAGR of 8.1% over the forecast period (2022-2027).
- The government of India has undertaken multiple initiatives to promote the manufacturing and adoption of electric vehicles in India to reduce emissions and develop e-mobility in the wake of rapid urbanization.
- The National Electric Mobility Mission Plan (NEMMP) and Faster Adoption and Manufacturing of Hybrid & Electric Vehicles in India (FAME I and II) helped create the initial interest and exposure for electric mobility.
- The government has also provided tax exemptions and subsidies to EV manufacturers and consumers to promote the domestic electric vehicle industry.
- The automobile scrappage policy which was approved by the Government of India will help to boost the auto sector as old and unfit vehicles are replaced by more efficient new vehicles. This policy implementation has begun with heavy commercial vehicles, subject to mandatory fitness testing from April 1, 2023. All other vehicles will be tested from June 1, 2024.

Story in Charts (Values in Mn.)

Exhibit 1: Sales Growth

Exhibit 2: EBITDA & EBITDA Margin (%)

Exhibit 3: PAT Growth

Exhibit 4: Aftermarket Product wise breakup

Exhibit 5: Product wise breakup

Exhibit 6: By Business Verticals

Exhibit 7: By Geography

Exhibit 8: By End Market


Source : Company, ACMIIL Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (₹ in Mn.)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	25,935	30,920	22,226	23,679	29,759	43,001	51,602	62,154	75,207
Expenses	23,179	27,979	19,748	21,479	26,804	38,387	45,667	54,696	65,806
EBITDA	2,756	2,941	2,478	2,200	2,955	4,615	5,934	7,459	9,401
EBITDA Margin %	10.63%	9.51%	11.15%	9.29%	9.93%	10.73%	11.50%	12.00%	12.50%
Other Income	163	530	-2,868	332	570	59	162	165	168
Depreciation	738	883	866	936	1,120	1,381	1,420	1,450	1,480
Interest	398	507	413	388	320	407	430	445	455
Profit before tax	1,783	2,081	-1,669	1,208	2,085	2,886	4,246	5,729	7,634
Tax	487	669	454	312	240	41	1,062	1,432	1,908
Net profit	1,296	1,412	-2,123	896	1,845	2,845	3,185	4,296	5,725
EPS	6.82	7.45	-8.79	2.21	8.03	11.90	13.32	17.98	23.96
ROE %	17.61%	11.86%	-21.88%	7.85%	13.92%	17.88%	18.70%	22.81%	26.56%
ROCE %	14.95%	13.83%	-7.90%	9.56%	13.13%	14.29%	19.34%	23.75%	28.16%

Source : Company, ACMIIL Research

Balance Sheet:

Particulars(₹ in Mn.)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Liabilities:									
Equity Share Capital	416	453	454	478	478	478	478	478	478
Reserves	6,944	11,451	9,249	10,941	12,776	15,429	16,550	18,360	21,077
Borrowings	7,232	6,806	6,201	5,277	5,060	7,132	7,149	7,157	7,165
Other Liabilities	5,920	5,710	7,364	6,585	7,357	9,204	17,661	13,511	23,323
Total	20,512	24,420	23,268	23,281	25,671	32,243	41,838	39,506	52,044
Assets:									
Net Block	7,113	7,316	5,701	6,127	8,870	10,257	9,250	8,297	7,419
WIP	161	210	284	178	325	852	852	852	852
Investments	1,393	1,650	1,761	1,805	642	4,511	4,511	4,511	4,511
Other Assets	11,584	11,714	10,798	10,177	12,500	15,003	24,754	21,835	33,182
Cash & Bank	261	3,530	4,724	4,994	3,334	1,619	2,470	4,010	6,079
Total	20,512	24,420	23,268	23,281	25,671	32,243	41,838	39,506	52,044

Source : Company, ACMIIL Research

Risks and Concerns

- Global Semiconductor shortage & supply chain disruption due to prevailing Geo-Political Risk are expected to impact Automobile sales.
- Economic slowdown due to external & internal factors can affect overall GDP growth of Country.
- Any kind of unexpected change in government policies & Regulations

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