

BUY

TP: Rs 100 | ▲ 43%

MINDA CORPORATION

Auto Components

22 July 2020

Key beneficiary of BSVI implementation – initiate with BUY

Minda Corp (MDA) is a leading manufacturer of auto components with a diverse product slate. Revenue from wiring harnesses for auto OEMs forms 46% of the mix and is expected to surge 25% in FY21 as demand spikes to meet new BSVI norms – we estimate that MDA's per-unit realisation from 2W/CV wiring harnesses will rise 100%/35% (vs. BSIV). A strong order book of >Rs 43bn across segments and steady exports will cushion growth (FY20-FY23E revenue/PAT CAGR: 3%/19%) amid the auto industry downturn, aiding return ratios. Initiate with BUY; Sep'21 TP Rs 100.

Mayur Milak | Nishant Chowhan, CFA
 research@bobcaps.in

BSVI implementation a key growth trigger: Wiring harnesses, a crucial component to meet stricter regulations under BSVI norms, now comprise 46% of MDA's revenues vs. 30% in FY20E, following insolvency filing of its plastics division. We expect new BSVI norms in India from Apr'20 to drive up the per-unit realisation of 2W wiring harnesses from the current Rs 415 to Rs 900, more than doubling MDA's segmental revenues from an estimated Rs 3.6bn in FY20 to Rs 8.3bn by FY23. Similarly, per-unit realisation for wiring harnesses used in CVs is expected to rise 35%.

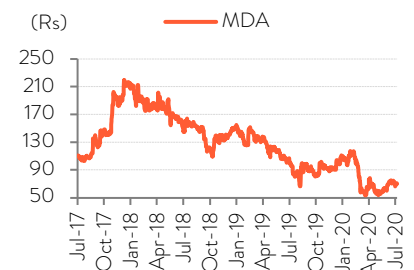
Favourable sales mix to aid financial performance: The plastics division (~21% of FY20 revenues) has recently filed for insolvency, affecting the overall revenue CAGR. Despite loss of revenue from this division and muted volume sales growth over FY20-FY23, we believe MDA's recalibrated sales mix, strong domestic order book of >Rs 43bn (as of FY20) and robust die casting exports will ensure steady growth – we model for a revenue/EBITDA/PAT CAGR of 3%/13%/19% and expect ROCE/ROE of 11%/13% in FY23.

Initiate with BUY: We value the company at 15x one year- forward EPS, in line with its five-year average multiple, to arrive at a Sep'21 TP of Rs 100. BUY.

Ticker/Price	MDA IN/Rs 70
Market cap	US\$ 212.8mn
Shares o/s	227mn
3M ADV	US\$ 1.6mn
52wk high/low	Rs 77/Rs 59
Promoter/FPI/DII	68%/9%/5%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20P	FY21E	FY22E	FY23E
Total revenue (Rs mn)	30,920	28,131	22,558	28,244	30,759
EBITDA (Rs mn)	2,941	2,499	2,348	3,287	3,626
Adj. net profit (Rs mn)	1,692	935	801	1,435	1,561
Adj. EPS (Rs)	7.5	4.1	3.5	6.3	6.9
Adj. EPS growth (%)	8.9	(44.8)	(14.3)	79.2	8.7
Adj. ROAE (%)	17.5	8.6	7.9	13.0	12.9
Adj. P/E (x)	9.4	16.9	19.8	11.0	10.2
EV/EBITDA (x)	5.4	5.0	4.1	3.8	4.0

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda

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



Contents

Focus charts	3
Investment rationale	4
Key beneficiary of new BSVI emission norms.....	4
Market leader with diverse product slate.....	7
Strong order book in both domestic and export markets	8
Sales mix shift to aid financial performance	11
Financial review.....	12
Expect 3% revenue CAGR over FY20-FY23	12
EBITDA/PAT to register 13%/19% CAGR	13
Valuation methodology.....	14
Key risks	14
Annexure A: Company profile	15

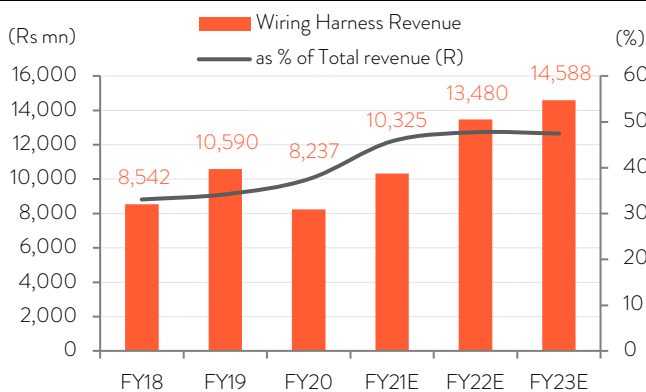
Focus charts

FIG 1 – BSIV TO BSVI CHANGES IN 2Ws (EFI) & 4Ws (CRDI + EXHAUST AFTER TREATMENT + SAFETY FEATURES)

Elements	2Ws		4Ws	
	BSIV	BSVI	BSIV	BSVI
Circuits	~50	~150	~200	~250
Connectors	~6	~16	~30	~45
Special Circuit	Not needed	Twisted pairs, Shielded cables	Twisted pairs, Shielded cables	Twisted pairs, Shielded cables

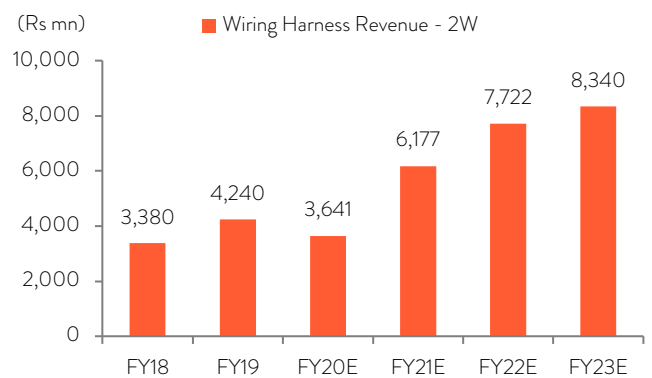
Source: Company, BOBCAPS Research

FIG 2 – MDA'S WIRING HARNESS REVENUE PRIMARILY DRIVEN BY 2W AND CV EMISSION NORM CHANGES



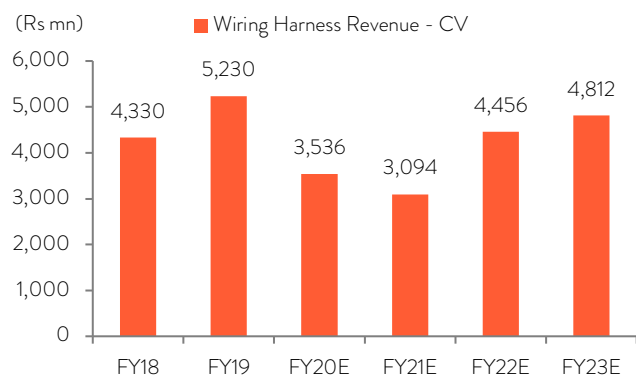
Source: Company, BOBCAPS Research

FIG 3 – 2W REVENUE TO MORE THAN DOUBLE OVER FY20-FY23E



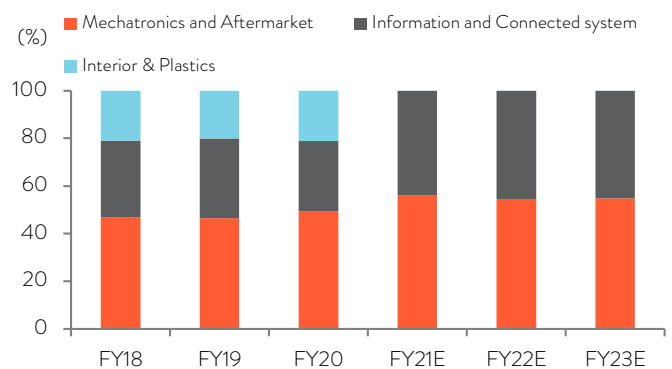
Source: Company, BOBCAPS Research

FIG 4 – CV WIRING HARNESS VALUE PER UNIT EXPECTED TO RISE 35% VS. BSIV PRICING



Source: Company, BOBCAPS Research

FIG 5 – REVENUE MIX TURNING FAVOURABLE POST-DISCONTINUATION OF PLASTICS BUSINESS



Source: Company, BOBCAPS Research

Investment rationale

Key beneficiary of new BSVI emission norms

We expect MDA to be one of the biggest beneficiaries of the new BSVI emission norms implemented in India from 1 Apr 2020 due to the sheer increase in its average content value per vehicle. The company is one of the leading suppliers of wiring harnesses to automobile OEMs and this business is estimated to contribute nearly half of its revenue at 46%, rising from 30% in FY20E post insolvency filing of the German plastics division.

An automotive wiring harness is reported to increase fuel efficiency and lower vehicular emission levels, making it a crucial component in complying with stringent emission regulations the world over. We expect BSVI emission norms to drive up the per-unit realisation on two-wheeler (2W) wiring harnesses from the current Rs 415 to Rs 900, thereby more than doubling MDA's segmental revenues from an estimated Rs 3.6bn in FY20 to Rs 8.3bn by FY23 – this despite assuming a ~2% CAGR in domestic 2W industry volumes over our forecast period.

Similarly, per-unit realisation from wiring harnesses for commercial vehicles (CV) is projected to increase 35% compared to BSIV, aiding a 5% YoY rise in revenue from the segment in FY21. Overall, MDA's wiring harness revenues are forecast to grow by 25% YoY in FY21 alone.

FIG 6 – BSIV TO BSVI CHANGES IN 2Ws (EFI)

Elements	BSIV	BSVI
Circuits	~50	~150
Connectors	~6	~16
Special Circuit	Not needed	Twisted pairs, Shielded cables

Source: Company, BOBCAPS Research

FIG 7 – BSIV TO BSVI CHANGES IN 4Ws (CRDI + EXHAUST AFTER TREATMENT + SAFETY FEATURES)

Elements	BSIV	BSVI
Circuits	~200	~250
Connectors	~30	~45
Special Circuit	Twisted pairs, Shielded cables	Twisted pairs, Shielded cables

Source: Company, BOBCAPS Research

FIG 8 – PRODUCT CHANGES UNDER VARIOUS REGULATORY AND TECHNOLOGY NORMS

Business Group	Domain	Segment	Products	Powertrain Technology			
				ICE: BSVI Apr-20	Hybrid 2022-25	Full EV 2025-30	
Safety, Security and Restraint System	Security System	2W, 4W & Off Road	Ignition Lock and Lock set	N	N	C	
			Fuel Tank Cap	C	C	X	
			Seat Lock, Magnetic Module, Mechanical Latch, Passive Antenna	N	N	N	
			Smart Key System, Keyless Entry Systems, Electronic Steering Column Lock (ESCL)	Positive impact			
			Control Cables (2W)	N	N	C	
			Outer Door, Inner Door Handles, Secondary Latches, Door Strikers	N	N	N	
			Standalone Immobilizer	N	C	C	
				Body Control Units (BCM), Gateway Controllers, Multifunction ECUs	Positive impact		
	Die Casting	2W, 4W	Upper Bracket, Handle Holder, Handle Mounting Bracket, Technology - PDC	N	N	N	
			Tandem Master Cylinder, Calliper Body	N	C	C	
			Technology-LPDC, Technology -GDC	Positive impact		C	
			Compressor / Turbocharger Housing, Engine Mounting Brackets	C	C	X	
	Starter/ Alternator	Tractors	Starter Motor, Alternator	N	N	X	
	Driver Information and Telematics System	Instrument Cluster	2W, 3W & 4W	Mechanical/Analog Instrument Clusters	N	C	C
Digital / Electronic Clusters (4W)				N	C	C	
Digital / Electronic Clusters (2W)				C	C	C	
LCD / TFT type instrument clusters				Positive impact			
Sensors		2W, 3W & 4W	Pressure, Position, Speed and Temp Sensors	N	N	C	
			Particulate Matter (PM), Soot Sensors	Positive impact		X	
			EGT / EGRT Sensors	Positive impact		X	
Wiring Harness		2W, 3W & 4W	Wiring Harness (2W, 4W)	N	N	C	
			HV Power Distribution Unit (PDU)	NA	Positive impact		
			Battery Cables (LV / HV)	N	Positive impact		
			Components (Connectors, Terminals)	N	Positive impact		
			SRC Connectors	Positive impact			
Telematics		2W, 3W & 4W	Intelligent Transport Systems (ITS)	N	C	C	
			Fleet Management Systems and Solutions	C	C	C	
	Telematics Gateway Controllers, AIS 140 Devices		Positive impact				

Source: Company, BOBCAPS Research | C = Change; N= No Change; X= Obsolescence possible; NA = Not Applicable

What is a wiring harness?

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 and receiving sensor signals, and supplying power. The assembled components include speed sensors, heating, ventilation and air conditioning (HVAC) systems, electrical devices, and other electronic components.

Incorporation of advanced wiring harnesses is expected to result in production of fuel-efficient and eco-friendly vehicles. The increase in use of safety sensors, such as blind spot detection and automated steering control systems, provides numerous opportunities for market expansion.

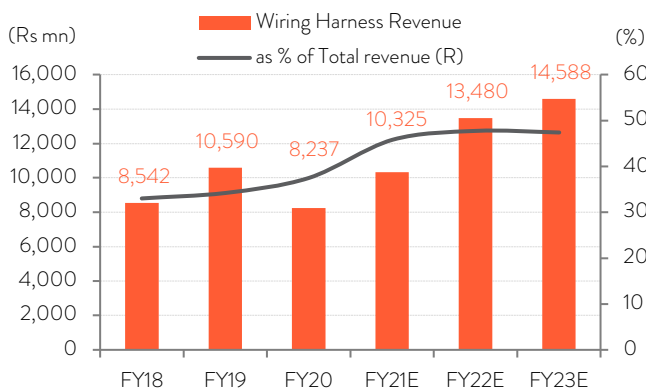
FIG 9 – KEY OPERATORS IN INDIAN AUTO WIRING HARNESS MARKET

SN	Company	SN	Company
1	Delphi Automotive LLP	6	Spark Minda
2	Furukawa Electric Co	7	Samvardhana Motherson Group
3	Sumitomo Electric Industries	8	Nexans Autoelectric
4	Lear Corporation	9	Yazaki Corporation
5	THB Group	10	Yura Corporation

Source: ACMA, BOBCAPS Research

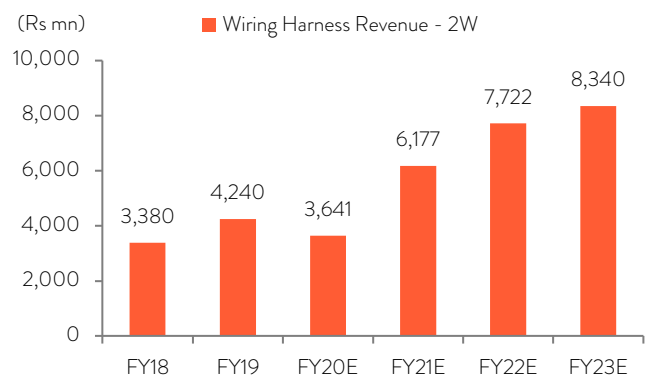
MDA: Wiring harness revenue trends

FIG 10 – MDA’S WIRING HARNESS REVENUE PRIMARILY DRIVEN BY 2W AND CV NORM CHANGES



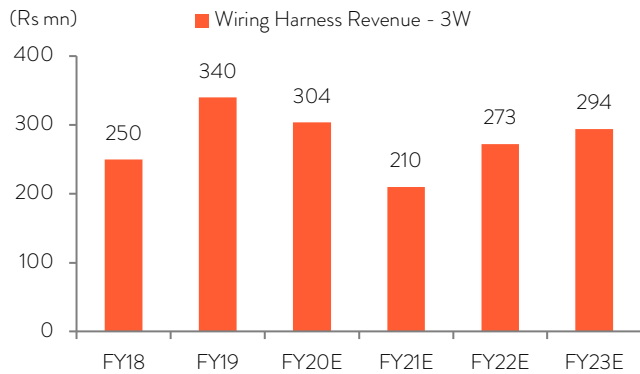
Source: Company, BOBCAPS Research

FIG 11 – 2W REVENUE TO MORE THAN DOUBLE OVER FY20-FY23E



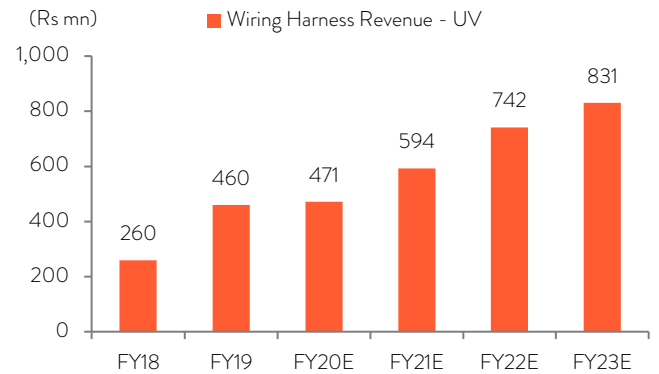
Source: Company, BOBCAPS Research

FIG 12 – 3W VOLUME DECLINE TO IMPACT REVENUES



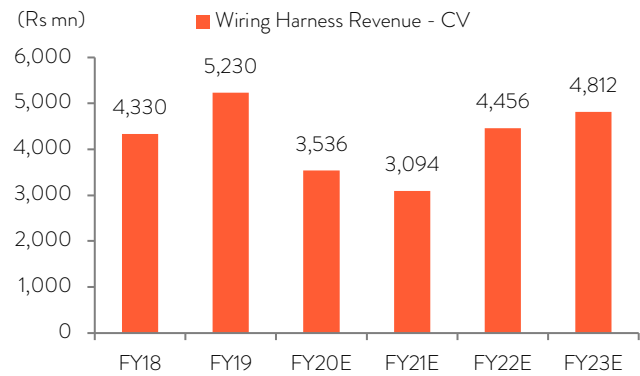
Source: Company, BOBCAPS Research

FIG 13 – UV REVENUE TO SEE STEADY GROWTH



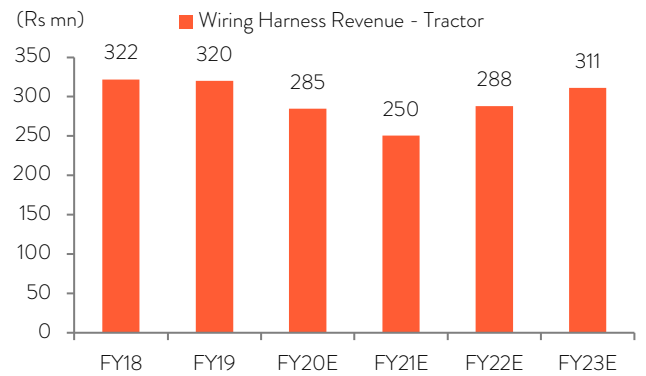
Source: Company, BOBCAPS Research

FIG 14 – CV WIRING HARNESS VALUE PER UNIT EXPECTED TO RISE 35% VS. BSIV PRICING



Source: Company, BOBCAPS Research

FIG 15 – TRACTOR REVENUE TO GROW IN LINE WITH VOLUMES



Source: Company, BOBCAPS Research

Market leader with diverse product slate

MDA manufactures automotive components across the 2W, CV, utility vehicle (UV) and tractor segments. In the wiring harness segment, the company is a market leader in the domestic 2W industry with ~35% market share and also commands ~35% share in CVs and ~25% in the tractor industry.

In the 2W space, MDA manufactures wiring harnesses, aluminum die casting components, instrument clusters, ignition switches and steering locks. Its marquee customers are TVS Motor, Bajaj Auto, Hero MotoCorp, Honda Motorcycles and Scooter India, Yamaha Motors and Suzuki Motors. In 4Ws, the company deals in wiring harnesses, instrument clusters, sensors, locksets and door handles. It also manufactures starter motors and alternators for tractors. Key customers are Ashok Leyland, Tata Motors, M&M, Hyundai Motors, TAFE, Escorts and VECV.

Strong order book in both domestic and export markets

MDA has two business segments: (1) the Mechatronics division which comprises safety security systems, die casting for 2Ws, and starter motors for tractors (~54% revenues), and (2) the Information and Connected System (I&CS) division which comprises wiring harnesses and telematics (~46% of revenues).

Order book of over Rs 43bn as of FY20

In FY19, the Mechatronics division reported revenues of Rs 11.6bn and I&CS revenue stood at Rs 10.2bn. As of FY20, their respective order books totaled ~Rs 23bn and ~Rs 18bn. These figures include lifetime business orders wherein the OEM is obligated to buy the component from MDA until production of the model against which the order was placed is fully discontinued. These order book figures are estimated values, forecasted based on volume projections by OEMs.

FIG 16 – FY20 KEY ORDER WINS

OEM	Parts	Value (Rs mn)
Hero MotoCorp, Honda, MM	Wiring harness	8,290
Borg Warner, Endurance, Minda Industries	Die casting parts	6,200
Yamaha, Honda, ASEAN OEM, Hero MotoCorp, TVS Motor, PV OEM	Lockets and fuel tank caps	3,120
2W OEM, M&M 3Ws	Instrument cluster	1,350
MM, Swaraj Engine	Alternator	750
Maruti Suzuki	Centre console	600

Source: Company, BOBCAPS Research

FIG 17 – FY19 KEY ORDER WINS

OEM	Parts	Value (Rs mn)
Maruti Suzuki, 2W OEMs	Door handles and locksets	4,710
M&M, 2W OEMs	Instrument cluster	3,250
Leading 2W OEMs	BSVI compliant EFI wiring harness	2,090
European 4W OEM	Kinematic parts	1,740
Bajaj Auto	Smart key system	1,500
Hero MotoCorp	Control cables	890
Leading 4W OEM	EGT sensor	700
Leading PV OEM	CAM box	510
Leading 2W OEMs	Engine oil temperature sensor	350
Turkish Tractor manufacturer	Starter motor	310
Indian 4W OEM	Plastic parts	170
TAFE	Compressor housing	130
Ashok Leyland	DC-DC converter	130

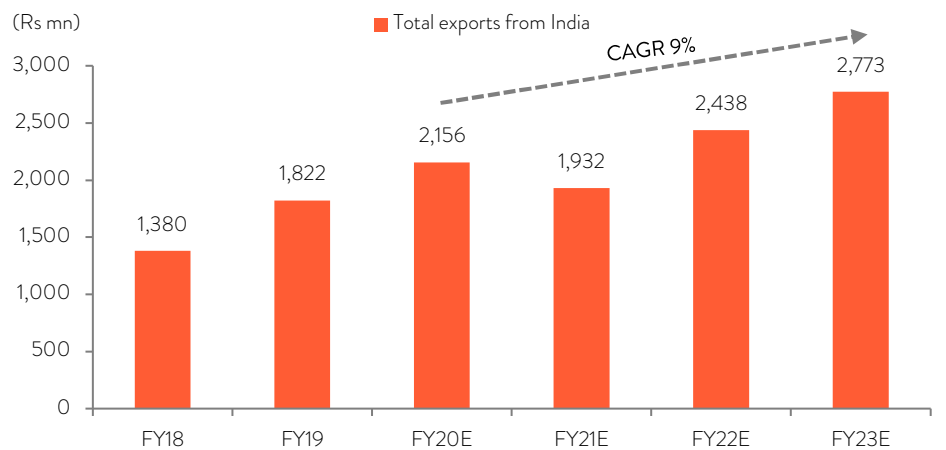
Source: Company, BOBCAPS Research

Export revenue to log 9% CAGR during FY20-FY23

In exports, MDA caters to segments such as 2Ws and all-terrain vehicles (ATV), tractors and farm equipment. The company exports to major countries in Europe, North America, ASEAN and to Turkey. It supplies aluminium die castings, wiring harnesses and connectors, starters and alternators, and security systems.

In FY19, export revenues stood at Rs 1.8bn, contributing ~6% of MDA's consolidated revenues. Die casting formed ~38% of total exports and comprises sales of housing compressors to turbocharger manufacturers. This segment is registering exponential growth and we expect the trend to continue, as detailed in the section below. We forecast a 9% export revenue CAGR to Rs 2.8bn over FY20-FY23, with revenues from die casting growing at 27% to Rs 2bn in FY23.

FIG 18 – EXPORT REVENUES



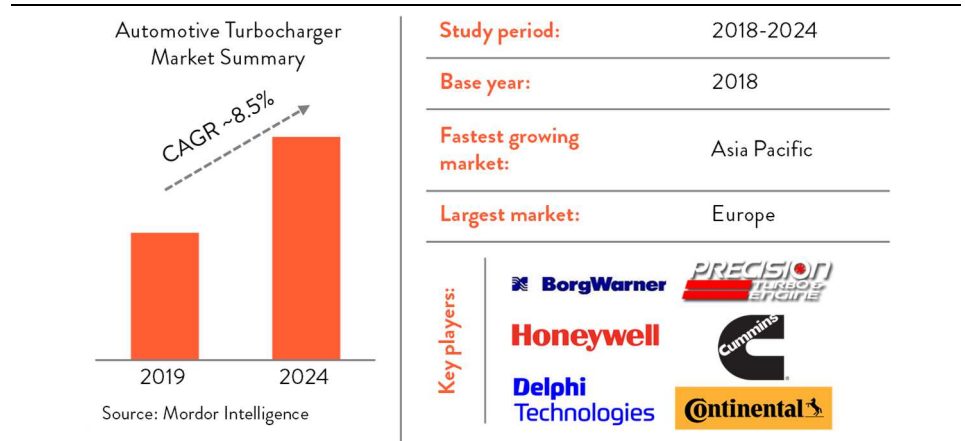
Source: Company, BOBCAPS Research

Auto turbocharger industry – growth catalyst for die casting exports

The global automotive turbocharger market is expected to register an ~8.5% CAGR during 2019-24, as per Mordor Intelligence. The Asia Pacific region is projected to dominate turbocharger demand during this period, followed by North America and Europe. Increasing usage of vehicles together with demand for power- and fuel-efficient PVs and CVs in countries such as China and India will spur the turbocharger market in the Asia-Pacific region.

Automotive emission regulation is a major factor fuelling the introduction of cleaner and low-emission vehicles among automakers. Many car manufacturers consider turbochargers – a turbine-driven, forced induction device – to be a viable option to keep internal combustion (IC) engines cleaner, thus increasing the share of turbocharged vehicles every year. At the current pace, about half of the cars rolling out of production are expected to be turbocharged by 2022.

FIG 19 – AUTOMOTIVE TURBOCHARGER INDUSTRY



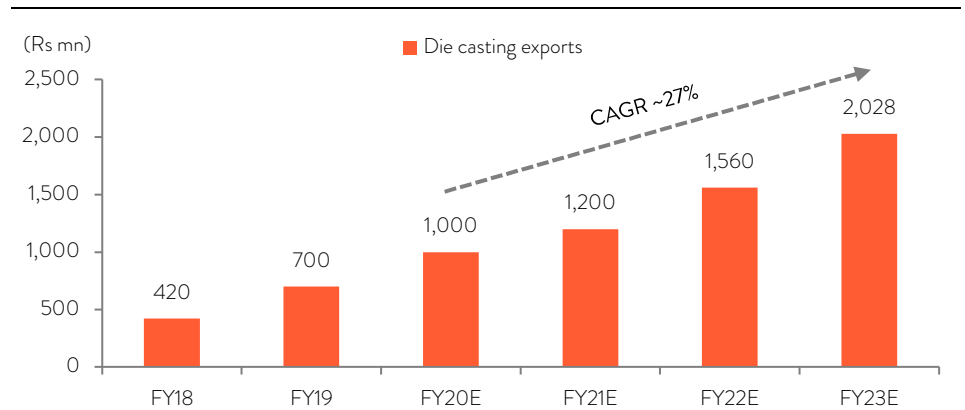
Source: Mordor Intelligence, BOBCAPS Research

The top three automotive turbocharger manufacturers globally are BorgWarner (market share ~35%), Honeywell (~35%) and Mitsubishi (~15%) – these players annually consume ~Rs 35bn of housing compressors, a key component of turbochargers. Most of the compressor units are currently being imported from China, but OEMs have recently announced that they intend to de-risk their sourcing by looking at manufacturers outside China.

With a long-term focus on exports, MDA has set up its third aluminium die casting plant at an overall investment of Rs 1bn and expanded its existing production capacity for housing compressors from 4,600mpa to 9,600mpa. The company began production in Q2FY18 and has already tied up with the top three turbocharger manufacturers.

Management is targeting a strong 25% revenue CAGR in die casting exports – similarly, we expect export revenues from the business to rise from Rs 700mn in FY19 to Rs 2bn in FY23. Other exports, which include locksets, starter motors and alternators (currently forming ~62% of total exports), are forecast to decline 14% during FY20-FY23.

FIG 20 – DIE CASTING EXPORT REVENUE



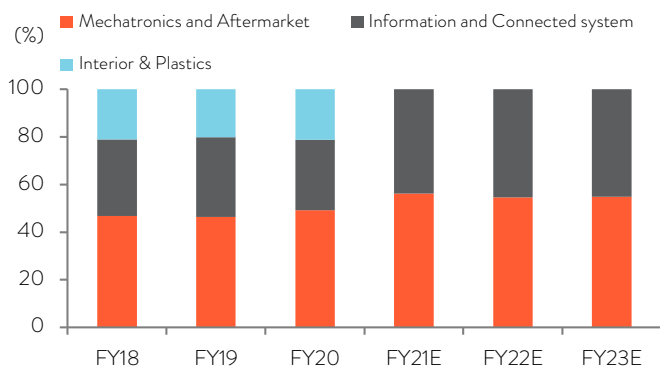
Source: Company, BOBCAPS Research

Sales mix shift to aid financial performance

During FY17-FY19, MDA’s revenue, EBITDA and PAT grew at a CAGR of 23%, 24% and 31% respectively. Following the recent filing of insolvency at its loss-making German subsidiary which was engaged in interiors and plastics (~21% of revenue in FY20E), the revenue share of wiring harnesses (I&CS division) has risen from 30% to 46%.

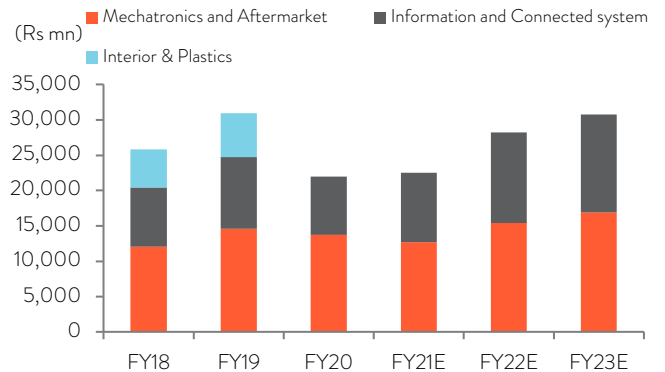
Given this favourable shift in sales mix amid new emission regulations, together with a healthy order book and exports, we expect the company’s revenue, EBITDA and PAT to log a CAGR of 3%, 13% and 19% respectively during FY20-FY23. This is despite our assumptions of muted sales volume growth for the domestic auto industry, at a CAGR of 2% for 2Ws and 3% each for CVs and tractors. We expect ROCE and ROE to clock in at 11.2% and 12.9% by FY23-end.

FIG 21 – SEGMENT-WISE REVENUE MIX



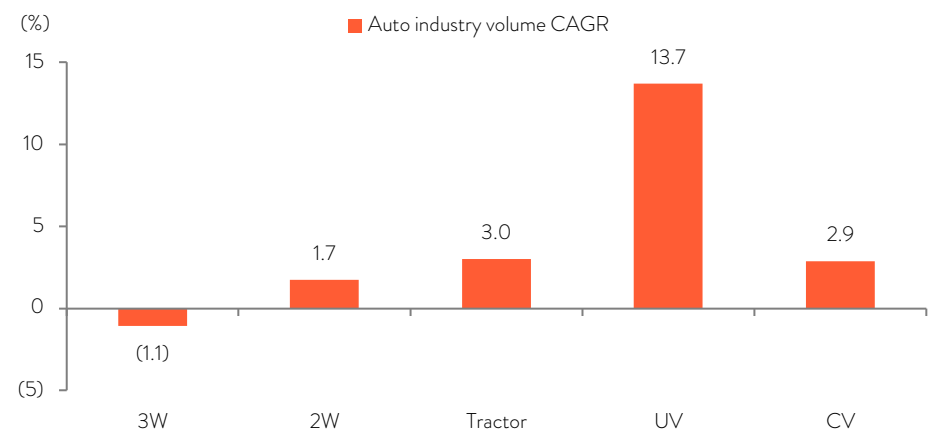
Source: Company, BOBCAPS Research

FIG 22 – SEGMENT-WISE REVENUE



Source: Company, BOBCAPS Research

FIG 23 – INDIA AUTO INDUSTRY SALES VOLUME CAGR, FY20-FY23E



Source: BOBCAPS Research

Financial review

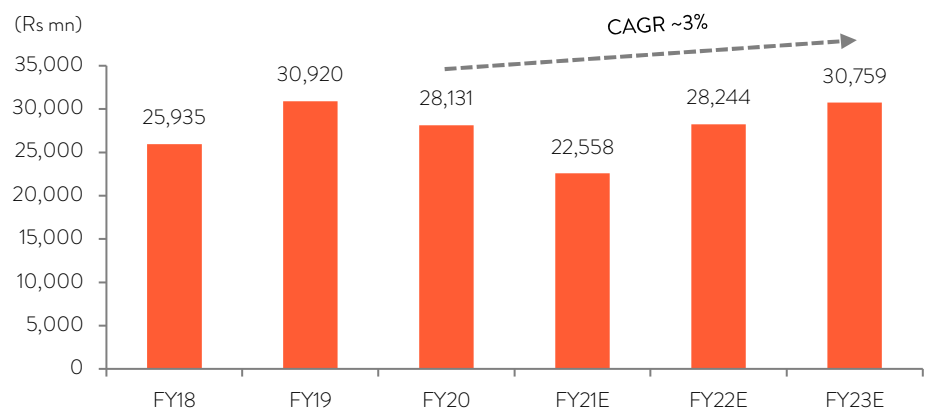
Expect 3% revenue CAGR over FY20-FY23

MDA's plastics division (21% of FY20E revenues at Rs 5.9bn) has now filed for insolvency, which will weigh on topline growth. This apart, we assume muted volumes for the domestic auto industry with 2Ws projected to grow at a 2% CAGR over FY20-FY23 while CV sales grow by 3% amid slow economic recovery. Tractor volumes are also forecast to log a mere 3% CAGR.

Despite loss of revenue from the plastics division and lacklustre volume growth, we expect MDA's revenues to log a 3% CAGR through to FY23 backed by (1) a recalibrated sales mix in favour of wiring harnesses which are expected to see a BSVI-related one-time jump in average realisation, and (2) a strong >Rs 43bn order book from both domestic and export markets. Adjusting for loss of revenue from the plastics division, revenue CAGR over FY20-FY23 would have been 12%.

We have not included any income that the company will earn out of its three joint ventures. In FY20, MDA's share of revenues earned by JVs stood at Rs 3.8bn or 13% of the then consolidated revenues. The company has also entered into partnerships with global players in futuristic technologies including block-chain, artificial intelligence and sensors, which should assist outperformance vis-à-vis peers over the next 3-4 years.

FIG 24 – REVENUE GROWTH TREND

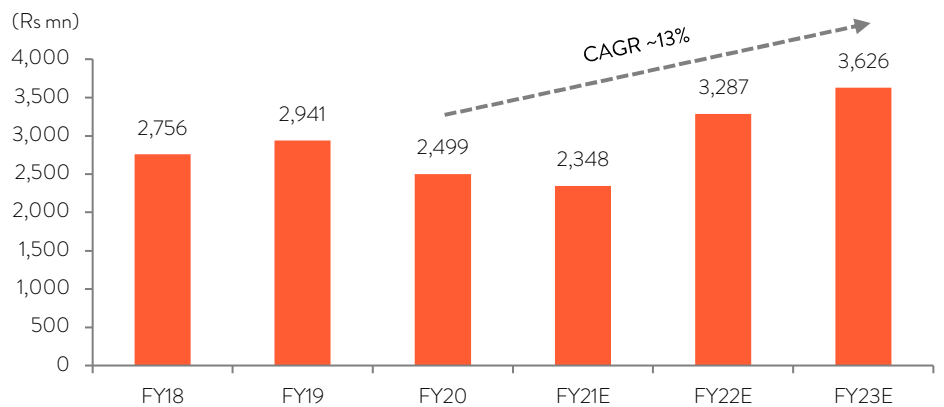


Source: Company, BOBCAPS Research

EBITDA/PAT to register 13%/19% CAGR

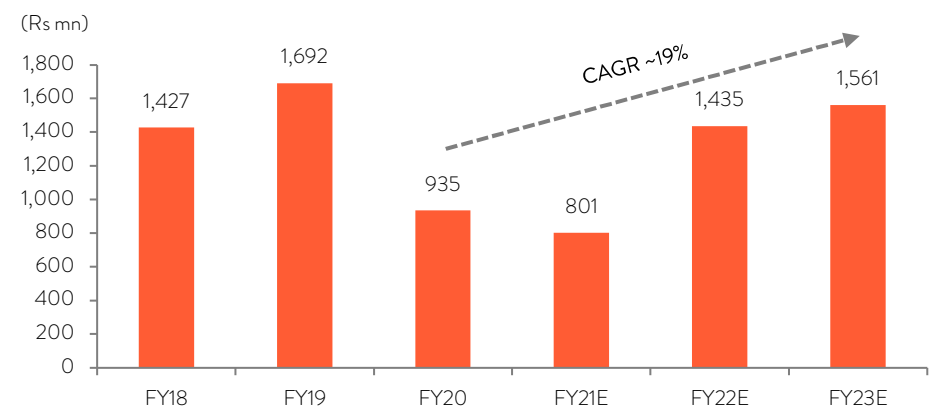
With higher average realisation and closure of the loss-making plastic products subsidiary, the company should be able to report stronger operating margins (well above the 10% mark). We model for a 13% CAGR in EBITDA over FY20-FY23. We expect the improved operating performance to flow into profits, aiding a 19% CAGR in PAT for our forecast period.

FIG 25 – EBITDA GROWTH TREND



Source: Company, BOBCAPS Research

FIG 26 – PAT GROWTH TREND

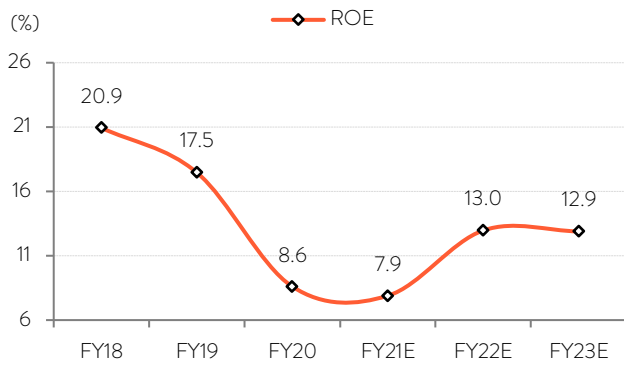


Source: Company, BOBCAPS Research

Valuation methodology

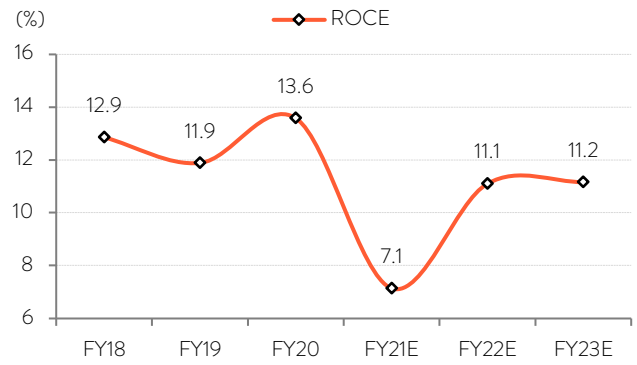
The stock is currently trading at 11.2x/10.3x FY22E/FY23E EPS. We value MDA at a P/E of 15x one-year forward EPS, in line with its five-year average, to arrive at a Sep'21 target price of Rs 100. Initiate with BUY.

FIG 27 – ROE TO CLOCK STRONG GROWTH IN FY23E



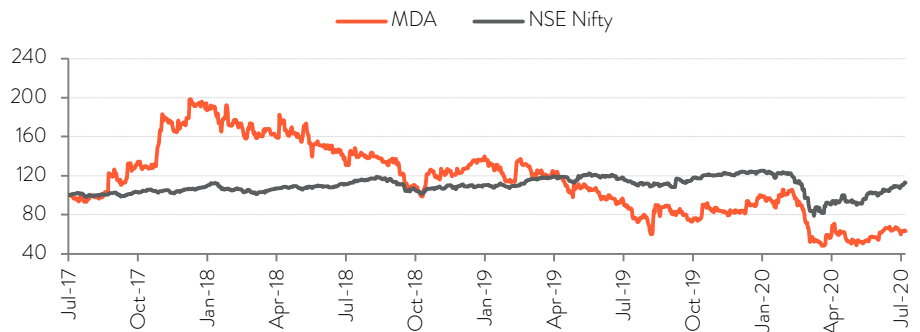
Source: Company, BOBCAPS Research

FIG 28 – ROCE TO ALSO IMPROVE



Source: Company, BOBCAPS Research

FIG 29 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks






























- Lower-than-expected volume growth

Annexure A: Company profile

Minda Corp (erstwhile MINDA Group) has a major presence in the global automotive industry and is one of the leading manufacturers of automotive components for OEMs. The company caters to prominent PV, CV, motorcycle, scooter, and off-road vehicle manufacturers in India, besides having a footprint across Germany, Poland, the Czech Republic, Mexico, China, Indonesia, Vietnam, Uzbekistan and Japan. It also serves the aftermarket segment in India through a strong network of ~500 dealers.

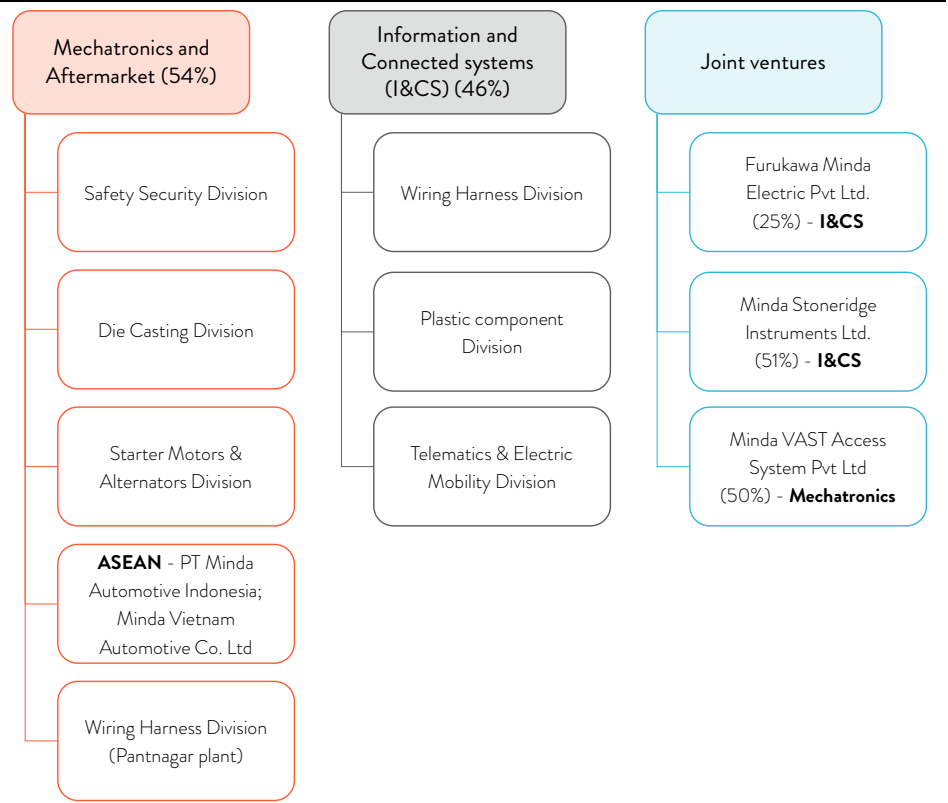
MDA manufactures electronic & mechanical security systems, die casting, key solutions, telematics, ITS & IoT, wiring harnesses, steering roll connectors, instrument clusters and sensors. The company has a dedicated R&D facility and multiple strategic alliances with pioneers and leaders in the automobile industry. Several acquisitions across the globe to assimilate the latest technologies give it the requisite cutting-edge in product design and technology to meet strict international quality standards.

FIG 1 – DIVERSIFIED PRODUCT MIX

Mechatronics	 Ignition Switch Cum Steering Lock	 Smart Key System	 Mechanics Handles	 Immobilizers System	 Braking System Parts	 Compressor Housing	 Alternator	 Starter Motor			
	Electronic and mechanical security systems				Die casting components		Starter motors and alternators				
Information & Connected Systems	 Wiring Harness	 Steering Roll Connector	 Junction Box	 Speedometer	 Speed	 EGT & EGRT	 PM / SOOT Sensor	 ITS	 EKO		
	Wiring Harness			Instrument Clusters		Sensors			ITS & IOT		
Plastics & Interiors	 Cup Holder	 Ash Tray	 Louvers	 Glove Box	 Steering Column Shroud	 Seat Panel	 Structural Parts	 Oil Sump	 Cylinder Head	 Battery Tray	
Aftermarket	Major products of Mechatronics			Major products of Information & Connected Systems			 Filters	 Clutch Plates	 Bearings	 Wiper Blades	 Brake Shoe
							Other Contract Manufactured Products				

Source: Company, BOBCAPS Research

The merger of five wholly owned subsidiaries into MDA was executed in 2019. This unified entity has benefitted from efficiencies of scale along with simplification of the corporate structure, together with better market perception, enhanced treasury management, effective access to borrowings, and tax savings on dividends from stepdown subsidiaries.

FIG 2 – MDA'S NEW BUSINESS STRUCTURE

Source: Company

Joint ventures

MDA has three joint ventures that contributed 13% of consolidated revenues in FY20. MDA has not undertaken any investments or capital infusion into the JVs. All the required investments are self-funded by the respective entity.

- Minda VAST Access Systems Private Limited** is a 50:50 JV between VAST USA, and MDA. Minda VAST is a leading supplier in the Indian OEM and aftermarket space for security/access control products, viz. locksets and door handles. It manufactures and supplies to leading segments of the auto industry including PVs and CVs. The company has been successful in realigning with the changing trends, i.e. shifting from Mechanical to Mechatronics, in line with the government's stringent regulatory requirements and the need for weight reduction in products.
- Minda Stoneridge (MSIL)** is a 51:49 JV between MDA and Stoneridge Inc, USA, a leading manufacturer of electronic instruments and automotive sensors. More than 80% of the JV's revenue comes from panel clusters, whereas the remaining is driven by the sensor business.

Product premiumisation due to safety and aspirational needs of customers will be the driving factor for volume growth in the cluster segment, whereas regulatory push (movement from BSIV to BSVI) will result in increased revenue from the sensor business. MSIL has retained market leadership in CVs, tractors and 3Ws in the cluster segment and is striving to increase its penetration in 2Ws.

- **Furukawa Minda** is a 75:25 JV between Furukawa Group of Japan and MDA. The company develops and produces the entire range of wiring harnesses and related components (e.g. relay box, junction box and steering roll connectors used for airbag systems) for Japanese 4W customers. In addition to the wiring harness, it is a pioneer in steering roll connector (SRC) technology in India. The company is optimistic about its growth potential as regulations become more stringent and demand improves.

FIG 3 – A BIRD’S EYE VIEW ON CORPORATE GOVERNANCE

Name	Designation	Total Remuneration (Rs mn)	No. of board meetings attended	Attended last AGM	Committees (Y/N)/ No of meetings attended					
					1- Audit	2- Nomination & remuneration	3- Stakeholders relationship	4- CSR	5- Securities issue committee	6- Risk Management committee
Mr Ashok Minda	Chairman & Group CEO	48.2	6	Yes				Y/1		
Mr Avinash P. Gandhi	Independent director	0.66	6	Yes	Y/6	Y/1	Y/4	Y/2	Y/4	
Mr Rakesh Chopra	Independent director	0.56	6	Yes	Y/7	Y/1				
Mr Ashok Kumar Jha	Independent director	0.58	6	Yes	Y/6	Y/1	Y/5			Y/NA
Mrs Pratima Ram	Independent director	0.2	5	Yes				Y/2		
Mr Sudhir Kashyap	Executive director & CEO	33.5	6	Yes				Y/1	Y/4	Y/NA
Mr Laxman Ramnarayan	Director & Group President	NA	6	Yes			Y/5		Y/4	Y/NA

Source: Company, BOBCAPS Research

FIG 4 – AUDITOR, BANKER AND CSR DETAILS

Auditors	BSR & Co LLP		
Secretarial Auditors	Sanjay Grover & Associates		
Cost Auditors	Chandra Wadhwa & Co		
Internal Auditors	T R Chadha & Co	AHPN & Associates	
Bankers	HSBC	IndusInd Bank	Standard Chartered Bank
	HDFC Bank	Kotak Mahindra Bank	
CSR (in FY19)			
Prescribed CSR (Rs mn)	14.6		
CSR expensed (Rs mn)	14.7		

Source: Company, BOBCAPS Research

FIG 5 – PROMOTER’S REMUNERATION

(Rs mn)	FY15	FY16	FY17	FY18	FY19
Salary	19.5	20.3	21.2	23	26.8
Commission	0	0	0	19.4	19.4
Others	1.5	1.5	1.6	1.9	2
Total	21	21.8	22.8	44.3	48.2
PAT	895	1,073	1,021	1,427	1,692
Remuneration as a % of profit	2.3	2	2.2	3.1	2.8

Source: Company, BOBCAPS Research

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20P	FY21E	FY22E	FY23E
Total revenue	30,920	28,131	22,558	28,244	30,759
EBITDA	2,941	2,499	2,348	3,287	3,626
Depreciation	883	1,179	1,340	1,546	1,780
EBIT	2,868	1,763	1,339	2,157	2,324
Net interest income/(expenses)	(507)	(499)	(271)	(243)	(243)
Other income/(expenses)	810	443	332	415	477
Exceptional items	(117)	(2,933)	0	0	0
EBT	2,244	(1,669)	1,068	1,914	2,081
Income taxes	669	454	267	478	520
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	1,575	(1,998)	801	1,435	1,561
Adjustments	117	2,933	0	0	0
Adjusted net profit	1,692	935	801	1,435	1,561

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20P	FY21E	FY22E	FY23E
Accounts payables	4,159	5,093	4,326	4,036	4,453
Other current liabilities	952	2,931	1,718	3,014	2,941
Provisions	250	1,155	1,155	1,155	1,155
Debt funds	6,806	4,274	3,474	3,474	3,474
Other liabilities	218	34	34	34	34
Equity capital	500	453	453	453	453
Reserves & surplus	11,451	9,298	10,100	11,104	12,197
Shareholders' fund	11,951	9,751	10,553	11,557	12,650
Total liabilities and equities	24,336	23,237	21,258	23,269	24,706
Cash and cash eq.	3,530	4,724	2,910	2,387	2,804
Accounts receivables	5,464	3,898	3,090	3,714	4,045
Inventories	4,464	3,949	3,090	3,714	3,876
Other current assets	1,035	873	929	975	996
Investments	1,650	1,761	3,261	3,761	4,261
Net fixed assets	7,316	7,629	7,574	8,313	8,319
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	23,237	21,258	23,269	24,706

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY19A	FY20P	FY21E	FY22E	FY23E
Net income + Depreciation	2,575	2,114	2,141	2,981	3,340
Interest expenses	507	499	271	243	243
Non-cash adjustments	(810)	(443)	(332)	(415)	(477)
Changes in working capital	(403)	6,479	(370)	(288)	(170)
Other operating cash flows	38	(2,954)	0	0	0
Cash flow from operations	1,907	5,694	1,711	2,520	2,936
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	332	415	477
Cash flow from investing	(582)	(1,235)	(2,453)	(2,370)	(1,808)
Equities issued/Others	3,064	(47)	0	0	0
Debt raised/repaid	(426)	(2,532)	(800)	0	0
Interest expenses	(507)	(499)	(271)	(243)	(243)
Dividends paid	(96)	(95)	0	(431)	(468)
Other financing cash flows	(91)	(92)	0	0	0
Cash flow from financing	1,944	(3,265)	(1,071)	(674)	(711)
Changes in cash and cash eq.	3,269	1,194	(1,813)	(523)	417
Closing cash and cash eq.	3,530	4,724	2,910	2,387	2,804

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20P	FY21E	FY22E	FY23E
Reported EPS	7.5	4.1	3.5	6.3	6.9
Adjusted EPS	7.5	4.1	3.5	6.3	6.9
Dividend per share	0.3	0.4	0.0	1.9	2.1
Book value per share	52.8	43.1	46.6	51.0	55.8

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20P	FY21E	FY22E	FY23E
EV/Sales	0.5	0.4	0.4	0.4	0.5
EV/EBITDA	5.4	5.0	4.1	3.8	4.0
Adjusted P/E	9.4	16.9	19.8	11.0	10.2
P/BV	1.3	1.6	1.5	1.4	1.3

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20P	FY21E	FY22E	FY23E
Tax burden (Net profit/PBT)	75.4	(56.0)	75.0	75.0	75.0
Interest burden (PBT/EBIT)	78.2	(94.6)	79.8	88.7	89.5
EBIT margin (EBIT/Revenue)	9.3	6.3	5.9	7.6	7.6
Asset turnover (Revenue/Avg TA)	182.6	170.3	160.5	194.0	197.0
Leverage (Avg TA/Avg Equity)	1.7	1.5	1.4	1.3	1.3
Adjusted ROAE	17.5	8.6	7.9	13.0	12.9

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

Ratio Analysis

Y/E 31 Mar	FY19A	FY20P	FY21E	FY22E	FY23E
YoY growth (%)					
Revenue	19.2	(9.0)	(19.8)	25.2	8.9
EBITDA	6.7	(15.0)	(6.1)	40.0	10.3
Adjusted EPS	8.9	(44.8)	(14.3)	79.2	8.7
Profitability & Return ratios (%)					
EBITDA margin	9.5	8.9	10.4	11.6	11.8
EBIT margin	9.3	6.3	5.9	7.6	7.6
Adjusted profit margin	5.5	3.3	3.6	5.1	5.1
Adjusted ROAE	17.5	8.6	7.9	13.0	12.9
ROCE	11.9	13.6	7.1	11.1	11.2
Working capital days (days)					
Receivables	66	61	57	44	46
Inventory	53	55	57	44	45
Payables	83	99	131	93	87
Ratios (x)					
Gross asset turnover	0.0	0.0	0.0	0.0	0.0
Current ratio	2.7	1.5	1.4	1.3	1.4
Net interest coverage ratio	(5.7)	(3.5)	(4.9)	(8.9)	(9.6)
Adjusted debt/equity	0.6	0.4	0.3	0.3	0.3

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

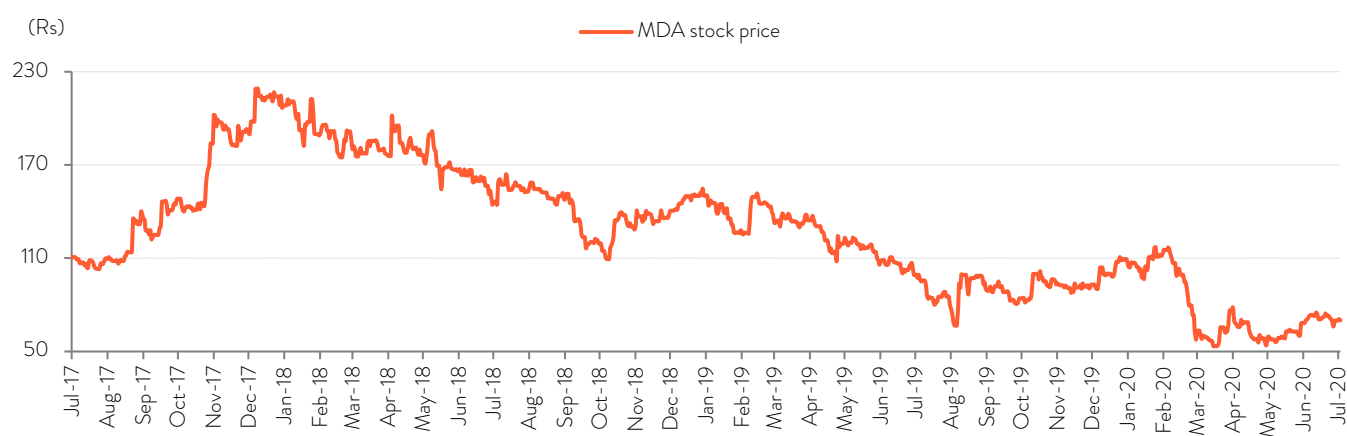
ADD – Expected return from >+5% to +15%

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

Rating distribution

As of 30 June 2020, out of 95 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 49 have BUY ratings, 23 have ADD ratings, 12 are rated REDUCE, 10 are rated SELL and 1 is UNDER REVIEW. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations

expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.