

September 12, 2014

BUY

CMP ₹ 434

TARGET ₹ 602

## Auto Ancillary

### EARLIER RECO

<b>HOLD</b>	
Price	₹ 330
Target	₹ 321
Date	June 30, 2014

### SHARE HOLDING (%)

Promoters	70.9
FII	8.8
FI/MF	2.9
Govt. Holdings	-
Body Corporates	8.3
Public & Others	9.1

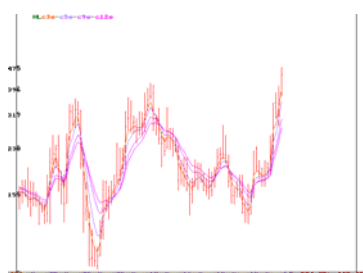
### STOCK DATA

Reuters Code	MINDA.BO
Bloomberg Code	MNDA IN
BSE Code	532539
NSE Symbol	MINDAIND
Market Capitalization	₹6,888 mn US\$ 113 mn
Shares Outstanding	15.9 mn
52 Weeks (H/L)	₹ 470/131
Avg. Daily Volume (6m)	11,808 Shares

Price Performance (%)		
1M	3M	6M
47	61	144

200 Days EMA: ₹ 264

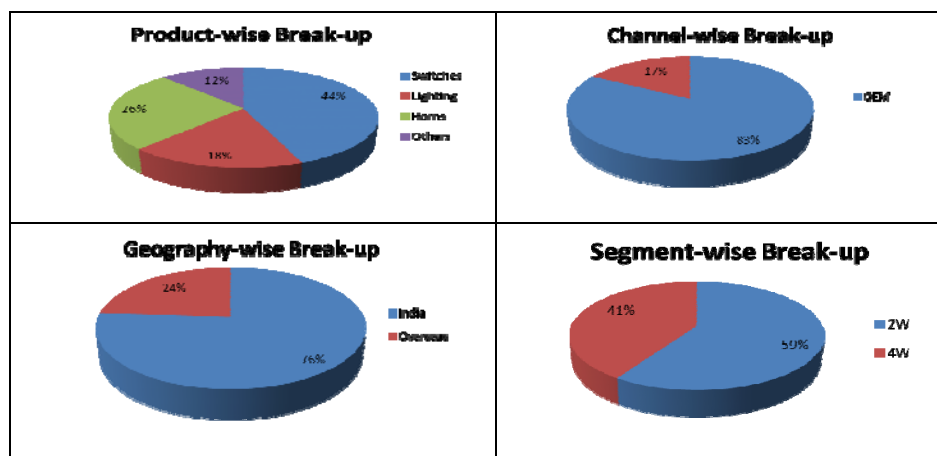
\*On fully diluted equity shares



Minda Industries Ltd. (MIL) released its Q1 FY15 performance on Tuesday, August 12, 2014. Following are the highlights and key takeaways from the conference call.

### Q1 FY15 Result Highlights

- On **standalone** basis, the leading auto-ancillary company's turnover grew 22.3% YoY to ₹3,045.7 mn. The EBITDA grew from ₹131.2 mn in Q1 FY14 to ₹271.4 mn in Q1 FY15 as EBITDA margin expanded almost 364 bps to 8.9%. The **robust performance** was further carried down to bottom-level as the company registered a profit after tax of ₹126.3 mn with a net margin of 4.1% and earnings per share of ₹8.0.
- On **consolidated** basis, the turnover increased ~27.0% YoY from ₹3,840 mn in Q1 FY14 to ₹4,870.0 mn in Q1 FY15. The EBITDA grew ~60.0% YoY from ₹250.0 mn in Q1 FY14 to ₹400.0 mn in Q1 FY15. The profit after tax stood at ~₹150.0 mn with a net margin of nearly 3.1% and earnings per share of ₹9.4.



### Other Updates

- The **'Switches'** division which contributed 44% of the top-line during the quarter registered a significant improvement in the EBITDA margin to ~14%. During the quarter, ~10% of the switches were exported and the capacity utilization levels stood at ~80% which can further be enhanced to over 100% when required. During the quarter, the Hosur plant came to break-even.
- The **'Lighting'** division which contributed 18% of the top-line during the quarter registered an EBITDA margin of 7%; The capacity utilization levels stood at ~75% and 10% of the 'Lights' manufactured by the company were exported. The green-field expansion at the Chennai plant and the expansion at Manesar facility are likely to be completed by end of Q2 FY15 and would start contributing to the top-line during Q3 FY15.
- The **'Horns'** division which contributed ~26% of the turnover also recorded substantial improvement in the EBITDA margin to ~14%. The division which includes Clarton Horn recognized 30% of its products being sold in the domestic markets. The Management is planning to indigenize the products of international markets such as electric horns to Indian markets. The 'Horns' division is likely to have cost-benefits of 15-20% through synchronization of technology and products. The benefits would only be realized from second year onwards.
- During the previous fiscal, the company had forayed into manufacturing of **'Fuel-caps'** for Maruti. The Management is of the view that this could be a very promising product for the company in the long-run and they might be adding capacities to cater to other OEMs as well.

### KEY FINANCIALS

Y/E	Revenue (Rs mn)	EBITDA Margin (%)	Net Profit (Rs mn)	Net Margin (%)	EPS (Rs)	P/E (x)	P/B (x)	P/S (x)
Mar.								
FY13	13,404.0	7.0%	282.2	2.1%	17.8	24.4	2.2	0.5
FY14	17,061.3	4.6%	71.8	0.4%	4.5	NA	2.2	0.4
<b>FY15E</b>	<b>19,620.4</b>	<b>8.3%</b>	<b>574.1</b>	<b>2.9%</b>	<b>36.2</b>	<b>12.0</b>	<b>1.9</b>	<b>0.4</b>
<b>FY16E</b>	<b>21,980.3</b>	<b>8.7%</b>	<b>734.2</b>	<b>3.3%</b>	<b>46.3</b>	<b>9.4</b>	<b>1.6</b>	<b>0.3</b>

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**QUARTERLY STATEMENT (Standalone)**

₹ mn

Y/E March	Q1 FY14	Q4 FY14	Q1 FY15
<b>Net Sales</b>	<b>2,458.9</b>	<b>2,991.4</b>	<b>3,004.6</b>
Other Operating Inc	31.6	39.3	41.2
<b>Total Revenue</b>	<b>2,490.5</b>	<b>3,030.4</b>	<b>3,045.7</b>
Raw Material Exp	1,692.8	2,077.2	2,043.6
Employee Cost	325.1	335.6	372.7
Other Expenditure	341.4	322.1	358.0
Exceptional Items	-	-	-
Total Expenditure	2,359.3	2,734.9	2,774.3
<b>EBITDA</b>	<b>131.2</b>	<b>295.5</b>	<b>271.4</b>
Depreciation	94.0	114.5	121.0
<b>EBIT</b>	<b>37.1</b>	<b>181.0</b>	<b>150.4</b>
Other Income	51.3	9.2	22.9
Interest Expense	42.3	30.8	31.5
Exceptional Items	-	15.0	-
Tax Expense	8.5	18.1	15.5
<b>PAT</b>	<b>37.6</b>	<b>141.3</b>	<b>126.3</b>

**PROFIT & LOSS STATEMENT (Cons.)**

₹ mn

Y/E March	FY13	FY14	FY15E	FY16E
<b>Net Sales</b>	<b>13,283.9</b>	<b>16,904.8</b>	<b>19,440.5</b>	<b>21,773.4</b>
Other Operating Inc	120.1	156.5	180.0	206.9
<b>Total Revenue</b>	<b>13,404.0</b>	<b>17,061.3</b>	<b>19,620.4</b>	<b>21,980.3</b>
Raw Material Exp.	9,406.7	11,711.6	13,145.7	14,726.8
Employee Cost	1,439.3	2,248.5	2,452.6	2,703.6
Other Expenditure	1,623.5	2,323.1	2,393.7	2,637.6
Exceptional Items	-	-	-	-
Total Expenditure	12,469.5	16,283.1	17,991.9	20,068.0
<b>EBITDA</b>	<b>934.6</b>	<b>778.2</b>	<b>1,628.5</b>	<b>1,912.3</b>
Depreciation	462.7	590.8	621.0	659.5
<b>EBIT</b>	<b>471.8</b>	<b>187.4</b>	<b>1,007.5</b>	<b>1,252.8</b>
Other Income	109.8	168.7	185.5	204.1
Interest Expense	190.6	241.8	361.2	393.1
Exceptional Items	2.0	15.0	-	-
Tax Expense	109.9	75.9	274.5	351.1
<b>PAT</b>	<b>282.2</b>	<b>71.8</b>	<b>574.1</b>	<b>734.2</b>

**BALANCE SHEET \***

₹ mn

As on 31 <sup>st</sup> March	FY13	FY14	FY15E	FY16E
Share Capital	193.7	193.7	193.7	193.7
Reserves & Surplus	2,894.6	2,919.6	3,446.1	4,132.6
<b>Net Worth</b>	<b>3,088.2</b>	<b>3,113.3</b>	<b>3,639.7</b>	<b>4,326.3</b>
Total Loan funds	1,695.3	2,778.8	2,911.8	2,812.1
Deferred Revenue	-	8.6	8.6	8.6
Trade Payables	2,164.0	2,473.5	2,701.2	3,026.1
Other Current Lia	622.7	935.3	1,080.5	1,210.4
Provisions	288.2	347.3	347.3	347.3
Other LT Liabilities	74.2	19.5	19.5	19.5
Minority Interest	123.0	138.1	138.1	138.1
Fixed Assets	3,604.3	4,224.2	4,486.1	4,815.8
Goodwill	4.3	-	-	-
Others	58.6	-	-	-
LT Loans & Advances	223.7	205.6	205.6	205.6
Non-current Invest	218.1	244.2	244.2	244.2
Sundry Debtors	2,172.6	2,610.4	2,956.5	3,251.9
Cash & Bank Balances	385.3	277.6	507.9	670.6
Inventories	894.9	1,246.7	1,440.6	1,694.6
Other current assets	28.1	74.8	74.8	74.8
ST Loans & Advances	465.8	598.6	598.6	598.6
<b>Total Assets</b>	<b>8,055.2</b>	<b>9,814.2</b>	<b>10,846.6</b>	<b>11,888.2</b>

**FINANCIAL RATIO STATEMENT**

Y/E March	FY13	FY14	FY15E	FY16E
<b>Growth Ratios (%)</b>				
Net Sales	13.7	27.3	15.0	12.0
EBITDA	23.2	(16.7)	109.3	17.4
APAT	(1.6)	(74.6)	699.9	27.9
<b>Profitability (%)</b>				
EBITDA Margin (%)	7.0	4.6	8.3	8.7
Net Profit Margin (%)	2.1	0.4	2.9	3.3
ROCE (%)	9.9	3.2	15.4	17.6
ROE (%)	9.1	2.3	15.8	17.0
<b>Per Share Data (Rs.)</b>				
AEPS	17.8	4.5	36.2	46.3
CEPS	46.9	41.8	75.3	87.8
BVPS	194.6	196.2	229.3	272.6
<b>Valuation Ratios (x)</b>				
PER	24.4	NA	12.0	9.4
P/BVPS	2.2	2.2	1.9	1.6
EV/EBITDA	8.8	10.5	5.0	4.3
P/Net Sales	0.5	0.4	0.4	0.3
<b>Turnover Days</b>				
Debtors Days	59	56	55	54
Creditors Days	84	77	75	75
Inventory Days	35	39	40	42
<b>Gearing Ratio</b>				
Total Debt- Equity	0.5	0.9	0.8	0.7

## OUTLOOK & VALUATIONS

FY14 was broadly a low year for the automobile industry witnessing the slowdown. The financials of MIL were further impacted negatively as the company was in investment mode and most of the capacities of the company were under-utilized. Consequently, the bottom-line turned extremely weak despite a robust growth in the turnover. We believe, the current fiscal would be a turnaround year for the company as indicated in the Q1 performance (which is seasonally a weak quarter). During the current fiscal, not only the recently expanded facilities would start functioning, the improving capacity utilization levels and profitability would result into a substantial jump in the profits of the company. In light of strengthening auto-demand and enhanced sector outlook we remain bullish about the business. We upgrade MIL from HOLD to BUY with the increase target price of ₹602 (13x of FY16 EPS of ₹46.3) as we introduce FY16 to our financial model. The stock is currently trading at 9.4x of its FY16 earnings.

**Please Note that our technical calls are totally independent of our fundamental calls.**

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