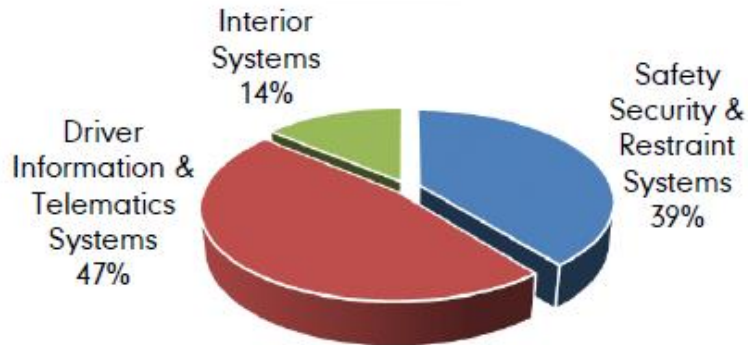


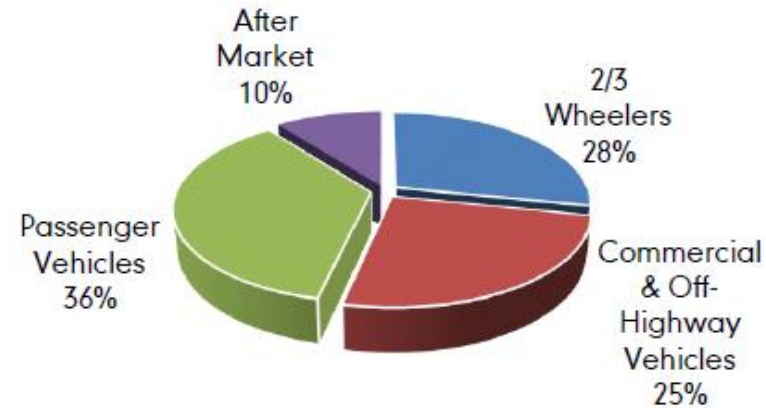
# Minda Corp Analysis

Apr-2017

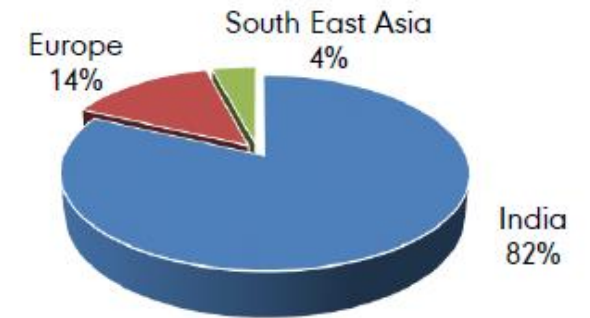
## Diversified Business Segments



## Catering to End Market across Auto Industry



## Strategic Geographic Presence



- Safety security primarily includes locksets, mechanical handles and die casting parts, catering to 2W/ commercials through Minda corp (stand alone)- 30% of FY16 revenues and c.40% of PAT
- Presence in Indonesia through PT Minda Indonesia

# Safety Security Business

Category	Product Portfolio	Company	End Market *	Plant Locations
Safety Security and Restraint system	Electronic & Mechanical locks, Door Handles, Latches, Door Checker, Key (Mechanical and Electronic), Die Casting: AL (HPDC, GDC, LPDC) and Zn: Hot Chamber, Alternators, Starter Motors	• Minda Corporation Ltd.	2/3 W, CV, Tractors, Off Road Vehicles	Aurangabad (2), Greater Noida, Noida, Pant Nagar, Pune (2)
		• Minda VAST Access Systems Pvt. Ltd.	PV	Manesar, Pune
		• PT Minda Automotive Indonesia	2 W	Indonesia
		• Minda Vietnam Automotive Co. Ltd.	2 W	Vietnam
		• Minda Autoelektrik Ltd	CV, Agriculture Machinery, Construction Equipment	Bawal

## Minda Corp (Standalone)- 30% revenue and 40% PAT- FY16

- Key business for the Group, supplies locksets, die casting and mechanical parts to 2W and commercials/ off roads (excl passenger vehicles).
- Key supplier to TVS (100%), Bajaj (c.80%), Ashok Leyland (80%), Yamaha (100%)
- Developing business include Hero- supplies for scooters: Honda-50% supplies to Gujrat plant; and Tata and Eicher motors

## Minda VAST- 50-50 JV with VAST USA. 6% of FY16 PAT

- Acquired by Minda Corp in FY14, part of group restructuring from promoters.
- Supplier to Passenger vehicles, with key customers being M&M, Tata, Nissan and Ford.
- Net profits grew 48% yoy in FY16, although scale remains small.

## Minda Automotive Indonesia and Vietnam- 12% revenue and 7% PAT-FY16

- Supplier of locksets and other components to Yamaha, Suzuki and Kawasaki.
- Recently won order for exports to Japan and Brazil, valued at 35 cr or 60% of FY16 revenues.

## Minda Autoelektrik (earlier Panalfa Autoelektrik)

- Acquired in FY17 for 40 cr.
- Supplier of starter motors to Agri industry, including all the key names like Eicher, Sonalika, Escorts
- Annual revenues of 75 crores, with company tuning in green (expected Pat of 4 crs), as against marginal loss in FY16.

## Key business drivers for the segment:

- Minda commands c.35% market share in security safety equipment business.
- Minda's security business is expected to grow along the lines of industry growth rates, with possible benefits coming from incremental share of business (SOB) from Hero's and Honda's business
- It is also aggressively targeting exports as an avenue for growth, winning an order of 340 crores (till FY2020), comprising primarily of casting and security business.
- In process to setup a new die-casting line, increasing capacity from 4.6Ktonnes to 9.6Ktonnes and expected to be operational by 2QFY18
- Its ASEAN business has been performing steadily and is expected to benefit from incremental small export orders
- Minda VAST, the JV business remains profitable; however, any meaningful growth in the business would be dependent on wins from key domestic plyers (Maruti and Hyundai).
- Minda Autoelektrik to provide opportunities for cross-sell and enhanced product portfolio.
- Overall this business segment would be driven by incremental growth in domestic volumes and company's ability to increase exports in its die-casting business.

## Driver information and telematics

Category	Product Portfolio	Company	End Market *	Plant Locations
Driver Information and Telematics System	Wiring Harness, Connectors, Terminals, Steering Roll connectors, Relay & Fuse box, Instrument Clusters, , Dashboard Assemblies, Sensors - Speed, Temperature, Position, Pressure etc.	• Minda Furukawa Electric Pvt. Ltd.	PV	Bawal, Chennai (2), Noida, Tihar Jail
		• Minda Stoneridge Instruments Ltd.	2/3 W, PV, CV, Tractors	Chennai, Pune
		• Minda SAI Ltd.	2/3 W , CV, PV	Chennai (2), Greater Noida (2), Haridwar, Murbad, Pithampur, Pune, Yerwada Jail

### Minda SAI- 21% Revenue and 25% PAT- FY16

- Second most important entity in the Minda Group, after Minda Corp (standalone)
- Minda Sai supplies wiring harness and connectors to 2/3 wheelers, commercial vehicles and passenger vehicles (excl Japanese players like Maruti)
- Largest supplier to Leyland, Mahindra along with suppliers to Tata Motors, Volvo Eicher
- In 2 wheelers its supplies to TVS (100%), Hero and Honda.

### Minda Stoneridge- 51% JV with Stoneridge, USA (49%)- 11% Revenue and PAT- FY16

- Acquired in FY16 for 65 cr, from promoters as part of group restructuring
- The JV manufactures instrument clusters and sensors for domestic OEMs
- Instrument business is around 220 cr, while sensors business is c. 50 crs
- Caters across 2/3 & 4 wheelers. Customers include Leyland, Mahindra and Bajaj
- Amongst the few domestic sensor manufacturers with vertical integration and access to advanced sensor technology from Stoneridge. Maruti was a new addition in 2q17

### Minda Furukawa- 51% JV with Furukawa (49%)- 17% Revenue and loss at PAT- FY16

- Acquired in FY14 as part of group restructuring from promoters
- Wiring harness supplier to Japanese OEMs (Maruti- 50% of revenue, Honda Nissan)
- Loss making driven by high import share of components and lack of comprehensive portfolio, compared to competitors like Motherson
- Incremental share wins at Maruti, but unable to achieve targeted 30% SOB. Focus now on profitability instead of revenues.

### Key business drivers for the segment:

#### Minda Sai

- Growth to come from changes in industry including requirement for ABS / Airbags in cars and CBS in two wheelers industry.
- The above should increase the demand for higher value equipment's like steering rod connectors, pushing up revenues further.

#### Minda Stoneridge:

- Regulatory changes like ABS to add demand for sensors
- BS6 coming up in 2020 to push for increased sensor requirements in the industry.
- Company is targeting 250-300 cr business from sensors business by 2020
- Regular instrument cluster business to be driven by volume led growth

#### Minda Furukawa

- Restructuring to improve profitability; including production optimization by closure of a plant, 50% reduction in royalty, and increased localization of components
- Airbags compulsion to present growth opportunity, with Furukawa being a leading player in SRC connector and ABS wiring harness being 25% to 30% more expensive

# Interior Systems

Category	Product Portfolio	Company	End Market *	Plant Locations
Interior Systems	Plastic Interior trims & Sub-system, Kinematic Modules, Structural Modules, Soft Touch Technology etc.	• Minda KTSN Plastic Solution GmbH & C	PV, CV	Germany
		• Minda KTSN Plastic & Tooling Solutions	PV, CV	Poland
		• Minda KTSN Plastic Solutions s.r.o.	PV, CV	Czech Republic
		• Minda KTSN Plastic Solutions Mexico, S	PV, CV	Mexico

## Minda KTSN (Europe)- 16% revenue and 13% PAT

- Key customers include VW, Daimler, BMW
- Manufactures interior products for the car like glove box, ashtray etc
- Revenues & profitability have been stable for past few years at cr. 400 crores and 15 crore in PAT

## Key business drivers for the segment:

- Europe business to remain stable and unlikely to grow significantly
- Incremental growth to come from Mexico plant.

## Minda Mexico

- Key customer being VW
- Plant is scheduled to start production in 1QFY18
- Capex of c110 cr and an additional 100 crs in tooling
- Tooling money to be recovered over next two years from the customer
- Expected revenues of c. Eur 20 to Eur 25 mm (140- 170 cr)

# Corporate Governance

- No negative news/ frauds on google check on the Company/ promoter.
- No equity dilution over past few years, either outright OFS or rights issue or warrants issuance
- **Promoter Holdings:**
  - Promoters have constantly increased stake every year since FY14, buying from the open market instead of warrant issuances.
  - Recent purchase was of c.5% stake from Kotak PE (which sold 5.9% stake) at around 100 a piece, which was bought by promoters.
  - Overall, Promoters have increased their stake from 53.9% in FY13 to 65.3% in FY16 and further to 70.2% by FY17.
  - No pledging by promoters.
- **Management Compensation:** CEO Ashok Minda's salary for FY16 was c.2 crore, which is ok considering the scale of the Company. Good point was the Company paid Sudhir Kashyap (ED and CEO of security business) slightly more than the promoter Ashok Minda. Salary of both of these didn't have any component of net profit commissions.
- **BOD composition:** Of the 7 directors at FY16, Ashok Minda and Sudhir Kashyap are executive directors. Four are independent, with significant experience in auto industry and last one is a nominee of Kotak PE (Laxman Narayan). Mr Laxman has recently joined Minda as President Finance, and I think would be a valuable addition.
- **Group Restructuring:**
  - Over the last few years, the Group has consolidated entities owned by promoters under Minda Corp. This included Minda Furukawa and Minda Vast in Feb 2014 and Minda Stoneridge in Oct 2015. So far this is positive, with all the auto related entities of promoters coming under one-roof in Minda Corp; however, this needs to be checked in conjunction with the consideration paid.
  - **Related Party transactions:** As mentioned above, Minda has brought in some promoter owned companies into the fold, resulting in overall reduced related transactions.
    - However, there are some management fees entry, which appears to be directed towards promoter holding company- Minda Capital. In addition, Minda corp regularly keeps on advancing money to Minda Capital. This needs to be checked and a negative on the part of company.

## Financials: IS & Cash flow

Income Statement (INR mm)	Mar-14	Mar-15	Mar-16	Dec-16
Revenue	15,939	19,706	24,455	22,007
Cost Of Material	9,733	11,969	14,986	13,879
Salary	2,657	3,365	4,165	3,773
Gross Profit	3,549	4,372	5,304	4,354
Gross Profit %	22.3%	22.2%	21.7%	19.8%
EBITDA	1,258	1,818	2,234	1,643
Margin %	7.9%	9.2%	9.1%	7.5%
D&A	478	603	745	629
EBIT	779.62	1,215.02	1,489.20	1,014.10
Margin %	4.9%	6.2%	6.1%	4.6%
Interest Expense	(275)	(357)	(334)	(318)
Other Income	304	227	173	
Associate inc	10	44	3	3
Net-Non ops	170	24	138	181
PBT	988	1,153	1,469	880
Taxes	195	271	366	297
PAT	794	882	1103	583
Minority Share	0	(14)	30	(190)
PAT Owners	794	896	1074	773
Cash Flow Statement	Mar-14	Mar-15	Mar-16	
FFO	1520	1960	2538	
Taxes	(169)	(241)	(414)	
Trade Working Cap	(428)	573	(336)	
Others-working cap	(1100)	749	469	
Interest Paid	(241)	(341)	(332)	
CFO	(418)	2700	1926	
Capex	(733)	(870)	(981)	
Stake in sub	(491)	(25)	(651)	
Fixed Asset Sales	37	61	67	
Net Investments	(96)	322	(32)	
Cash Flow From Inv	(1283)	(512)	(1597)	
Dividends	(49)	(99)	(100)	
Net Loans	1621	(1946)	124	
Net Equity				
Others	3	3	18	
Cash Flow From Financing	1575	(2042)	42	

- Revenue: Minda has consistently grown its revenue its revenue since FY14 at over 20%.
  - However, to note primary contribution to incremental revenue in FY15 and FY16 were driven from acquisitions. FY15 was driven by consolidation of Furukawa (300 cr) while FY16 was aided by Minda Stoneridge (270 cr). Minda continued its revenue growth in 9M17, primarily from organic numbers (acquired Panalfa, with revenue contribution of c.75 cr).
  - Organic growth since FY14, primarily came from Minda corp (stand alone entity catering to 2 wheelers security), likely reflecting volume growth in end consumer; Minda SAI (entity supplying wiring harness etc to 2/3 wheelers and commercials) along with growth in its East Asia business and growth post consolidation of entities/
- Operational Profitability: Till FY16, Minda continued its profitable journey, maintaining EBITDA at 9%. This was despite headwinds with Furukawa business, which reported marginal losses I FY16; however, in 9M17, situation turned bad, with EBITDA margins dropping to 7.5% with Furukawa JV reporting substantial losses also reflected in minority share loss). Minda is trying to revive the JV which supplies wiring harness and other equipment to Japanese passenger car manufacturers (including Maruti).
- Interest expense: Interest has remained fairly stable over time at around 32cr, was due to fairly stable debt levels until FY16. 9MFY17 is slightly higher on annualized basis, driven by incremental debt which was to fund incremental capex. Also, proportionately, the debt is cheaper; and likely due to some part being in foreign currency to fund its plastics business.
- Other non-ops: Minda has been earning significant other income, in FY15 and FY16 this was primarily driven by write-back of provisions and interest income from deposits. Associate income has come down due to consolidation. Net non-ops line item is from sale of subsidiary in FY16 and sale of land in 9M17.
- Cash flows operations: The Company's FFO, taxes and interest have broadly tracked its income statement. Changes in working cap have been a bit erratic and decline in other working cap reflected lower loans and advances, including that to related parties.
- Cash flow investing: Primarily two reasons for outflow, of which one is capex at 80 to 90 cr per annum, recent ones reflected expansion in Mexico and Minda technical centre. Stake in sub, as mentioned earlier was from busying stakes in Furukawa, Stoneridge and Minda Vast.
- Dividends as over all proportion have remained marginal, but reflected in need for capital conservation.

# Financials Balance Sheet

Balance Sheet	Mar-14	Mar-15	Mar-16	Sep-16	Mar-14	Mar-15	Mar-16	Sep-16
Acc. Receivables	2,915	3,176	4,353	5,116	22%	22%	25%	26%
Inventory	1,867	2,308	3,210	3,293	14%	16%	18%	17%
Loans and Advances	1,882	1,752	1,601	2,136	14%	12%	9%	11%
Cash & Equivalents	540	441	882	575	4%	3%	5%	3%
Others	101	187	20	3	1%	1%	0%	0%
<b>Total Current Assets</b>	<b>7,305</b>	<b>7,864</b>	<b>10,065</b>	<b>11,123</b>	<b>56%</b>	<b>55%</b>	<b>57%</b>	<b>56%</b>
Tangible Assets	4,113	4,546	5,748	6,769	31%	32%	32%	34%
CWIP	150	153	131	-	1%	1%	1%	0%
Intangibles	1,155	1,162	1,439	1,543	9%	8%	8%	8%
Long Term Loans & Advances	150	192	268	325	1%	1%	2%	2%
Associates	245	289	52	52	2%	2%	0%	0%
Investments	4	10	3	3	0%	0%	0%	0%
<b>Total Non-current Assets</b>	<b>5,817</b>	<b>6,352</b>	<b>7,642</b>	<b>8,692</b>	<b>44%</b>	<b>45%</b>	<b>43%</b>	<b>44%</b>
<b>Total Assets</b>	<b>13,121</b>	<b>14,215</b>	<b>17,707</b>	<b>19,814</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Short Term Debt	2,789	2,644	3,174	3,338	21%	19%	18%	17%
Trade Payables	2,488	3,076	4,256	5,010	19%	22%	24%	25%
Provisions	153	244	427	512	1%	2%	2%	3%
Other Liabilities	1,448	1,268	1,767	2,094	11%	9%	10%	11%
<b>Current Liabilities</b>	<b>6,877</b>	<b>7,233</b>	<b>9,624</b>	<b>10,955</b>	<b>52%</b>	<b>51%</b>	<b>54%</b>	<b>55%</b>
Long Term Debt	2,097	1,807	1,416	1,652	16%	13%	8%	8%
Defered Tax	86	57	113	93	1%	0%	1%	0%
Others	167	212	244	276	1%	1%	1%	1%
<b>Total Non-current</b>	<b>2,350</b>	<b>2,075</b>	<b>1,773</b>	<b>2,021</b>	<b>18%</b>	<b>15%</b>	<b>10%</b>	<b>10%</b>
Equity Capital	395	607	608	608	3%	4%	3%	3%
Reserves	3,499	4,059	5,066	5,614	27%	29%	29%	28%
<b>Shareholder's Equity</b>	<b>3,894</b>	<b>4,666</b>	<b>5,673</b>	<b>6,222</b>	<b>30%</b>	<b>33%</b>	<b>32%</b>	<b>31%</b>
Minority Interest	-	241	637	616	0%	2%	4%	3%

- On the left is actual balance sheet, while on right you have common-size balance sheet.
- Current assets: Overall proportion of current assets have remained constant, but internally there is a slight change with increasing proportion of receivables and inventory. This reflects lower loans/advances along with increasing asset turnover rather than plain increase in inventory/ receivables.
- Fixed Assets: Tangible assets have increased on absolute basis, driven by acquisitions and capex, but overall proportion has broadly remained stable.
- Current liabilities: The slight increase in common size is driven by increase in payables, also reflected in slight increase in payable days, but bigger change is from downsizing of short term debt.
- The downtrend in debt, is visible to a greater extent in long term portion; with overall composition of debt decreasing from 37% in FY14 to 25% in 1H17.
- Equity base has improved gradually, but more so due to minority interest; reflected from consolidation of some of the JVs including Furukawa and Stoneridge.



# Ratio Analysis

Ratio Analysis	Mar-14	Mar-15	Mar-16	Dec-16
Current Ratio	1.1	1.1	1.0	1.0
Receivable Days	67	56	56	59
Inventory Days	70	64	67	64
Payable Days	93	85	89	92
CCC cycle	43	35	34	32
Du-pont				
NI margin	5.0%	4.5%	4.4%	3.5%
Asset Turnover	1.2	1.4	1.5	1.6
Equity Multiplier	3.4	3.2	3.1	3.2
ROE	20.4%	20.9%	20.8%	17.3%
Net Debt/ EBITDA	3.5	2.2	1.7	2.0
Net Debt/ Equity	1.1	0.8	0.6	0.6
EBITDA/ Interest	4.6	5.1	6.7	5.2

- As covered in the balance sheet section, Minda's balance sheet has remained fairly static, which is also reflected in its fairly stable current ratio. Although slightly on the lower side, this is not a reflect liquidity crunch scenario.
- Cash Conversion cycle: Overall the cash cycle has reduced slightly, reflected in decreasing receivable and inventory days, while Minda maintained its payable days, resulting in overall decrease from 43 days in FY15 to 32 days in 1H17.
- ROE: Increase in-past and decrease in recent interim period is primarily driven by lower net margins. The Company's margins have suffered in part due to lower profitability from its Furukawa JV, which is eating away on its margins.
- Debt protection: Over last few years, debt protection metrics have improved for the company, with consistently decreasing debt to equity and net debt to EBITDA. Debt protection metrics are expected to improve slightly as Minda completes its Mexican JV, funds its Pune facility and expansion in casting business. However, with limited requirement of incremental capex from FY18 onwards, the ratios would start declining trend after peaking with FY17 full year results.

# Going forward

- Minda's CFO in 2Q concall mentioned the target of 5,500 crore by FY2020 from organic growth. Lets see if it works out:
- Minda's current annualized revenue for FY17 is expected to be c. 2,900 cr. To reach 5,500 crore, they need to add close to 2,600 crores.
- Incremental revenue by FY2020:
  - Minda's Mexico plant is expected to add c. 150 crores/ year, starting from FY18.
  - With increased focus on exports, Minda has already won export orders of c.340 crores for three years. With Exports being focus of the Company and new team setup to reach out to export markets, I am assuming 300 crore/ year by FY20 from this segment.
  - Minda's standalone: business grows at 14%, which supplied security systems to 2 wheelers and commercials, it should add 400 cr incremental revenue from FY17 base.
  - Minda SAI: Assuming the same rate as that of Minda standalone, this should add close to 300 crores to topline. The number could get higher with ABS being mandatory from 2018, which would result in higher revenue/ unit for harnesses.
  - Minda Stoneridge: The entity in FY16 reported 270 cr revenue, of which 2202 crore came from instrument business, while the remaining was c. 50 crore was from sensor business. With BS6 to come up in 2020, the sensor business is expected to grow in multiples; especially with Minda being amongst the few (probably only one) manufacturing sensors from start and not just plain assembling. Assuming the 300cr for Sensor business and 14% growth for other business, this JV could alone add 400 crores to the revenue.
  - Minda Furukawa: I am not expecting any remarkable growth from this business, given the focus for now would be on improving profitability rather than increasing topline. Also, this business competes directly with another enterprising entity in automotive space (Motherson Sumi), which has better product range and incremental revenue can come from eating away their share of Business (Furukawa just caters to Japanese passenger vehicle manufacturer). Although this was 437 cr business in FY16, I expect only 200 crore growth coming from the entity and that to back ended.
  - Minda's South East Asian business can add another 100 crore, if it grows at 15-18% annually.
  - The Company has also entered into a JV with Chinese company (BAIC group), with production expected in FY19, targeting plastic parts. Although scale is not yet known, this should at least add 150 crore (although this is a JV, not a subsidiary).
  - Overall, the target of adding another 2,600 crore looks aggressive, but Minda might be able to achieve close to 1,800 to 1,900 crore by FY20.
  - Also,, to note, some of this incremental revenue come from JC partnership, which will limit the growth in PAT; however, with improving profitability from Furukawa, target of lowering personnel cost and with focus on cost; net profit after minority could possibly be tracking the topline growth. However, FY18 is not expected to be melodramatic for the Company; rather FY19 should be the year with all transitions (cost savings, profitability improvement) should come in.

## Subsidiary info:

Company (INR mm)	Revenue				Company (INR mm)	Net profit			
	FY14	FY15	FY16	% Share FY16		FY14	FY15	FY16	% Share FY16
Minda Corp Stand alone	6,486	6,830	7,512	29%	Minda Corp Stand alone	218	349	465	42%
Minda Sai	4,453	5,088	5,334	21%	Minda Sai	165	124	274	25%
Minda Furukawa		3,038	4,371	17%	Minda Furukawa		53	(6)	-1%
Minda KTSN Plastic	3,969	3,888	3,611	14%	Minda KTSN Plastic	100	86	105	9%
Minda Stoneridge			2,777	11%	Minda Stoneridge			121	11%
Minda Automotive	1,609	1,938	2,203	9%	Minda Automotive	4	30	30	3%
PT Minda Automotive	168	1,064	959	4%	PT Minda Automotive	35	46	40	4%
Mida KTSN Tool	578	628	601	2%	Mida KTSN Tool	22	50	42	4%
Minda Mgmt	298	350	350	1%	Minda Mgmt	12	37	5	0%
Minda Vietnam	30	255	214	1%	Minda Vietnam	1	24	12	1%
PT minda Trading	5	133	93	0%	PT minda Trading	(0)	3	(3)	0%
Minda Vast				0%	Minda Vast		44	65	6%
Sum of above	17,595	23,209	28,025	108%	Sum of above	557	846	1,150	104%
Intercompany	(675)	(3,519)	(2,145)	-8%	Intercompany	236	36	(48)	-4%
Consol numbers as per financials	16,920	19,690	25,879	100%	Consol numbers as per financials	793	881	1,102	100%

Thanks for reading!

Feel free to reach out, should you have suggestion/ critique on the Company; or ony suggestion to improve the report.

I am not SEBI registered analyst, and this is purely from information perspective and doesnot include any reccomendation to buy/ sell shares of the company.