

Minda Industries

BSE Code	: 532539
Time Duration	: 18 months
CMP	: ₹1248.20 (as on 28 June, 2018)
Target Price	: ₹1552



**Swiftest Performers
Among Heavy Weights**

Large Rhino for the month of June is Minda Industries. It is a UNO Minda Group company, primarily engaged in automotive parts manufacturing with experience of over six decades. It has a portfolio of 20 products supplied to leading OEMs in the countries. Further, its operations are sprawled over 5 continents and 49 plants across India. Its product lines cater both the two-wheeler and four-wheeler segment in which 56 per cent of the revenue comes from four-wheeler and 44 per cent from two-wheeler segment. It has presence in replacement market with 12 per cent share of the total business and the remaining comes from the OEM segment.

Kit Model & New Business To Drive Growth

The company boasts a significant advantage over others in terms of manufacturing switches, horns, lightings and acoustic systems. The company provides all the products in a single kit for two-wheeler and four-wheeler from handlebars switches, horns, lighting to other products. The kit for two-wheeler ranges from Rs. 4,572 per kit to Rs. 6,801 per kit, which includes handlebars, sensors, lamps, switches, die-casting components, horns, equalizer assembly, noise suppressor cap, batteries, etc. Similarly, the four-wheeler kit ranges from Rs. 19,893 per kit to Rs. 75,879 per kit, which includes Auto HVAC, PWS (power window system), spoilers, fuel cap, CNG kit, LED lamps, hoses, electronic accelerator pedal module, alloy wheels, batteries, electronic horn, headlamp levelling motor etc. The company's presence in a range of products in auto component segment makes its a key supplier to all major automobile manufacturer. Further, the company also plans to increase its alloy wheel capacity. It is also vying for inorganic business growth with more technology-based products in the available market. The implementation of BS-VI and changing regulatory requirements provide good potential for growth in the new segments. These mainly include engine sensors, advanced filtration systems, airbags and reverse parking system

Strong Client Base and Market Share

The company is a diversified auto ancillary supplier, manufacturing products such as switches, horns, lights and other parts, having a leadership position in switch business with a market share of 67 per cent. It is a major auto ancillary supplier to all leading CV, PV and two-wheeler manufacturer. This comprises of Honda Motors, Maruti Suzuki, Hero Motor Corp, Royal Enfield, Bajaj Auto, Tata Motors, Mahindra & Mahindra, Toyota Auto, etc. The company promises significant sales growth considering its such strong client base and their global presence. In acoustic systems segment, which witnessed strong growth in the recent quarters, the company holds 47 per cent market share. It also holds a significant share in alloy wheel manufacturing with key customers like MSIL, HMSI, TVS, Mahindra, Toyota Kirloskar Motors and Renault Nissan.

Strong Automobile Growth Provides Buoyant Outlook

Indian automobile industry is expected to witness strong growth in FY19-20 taking a cue from robust demand. India's rising infrastructure investment and various initiatives have aided strong demand. The industry sold 22 lakh units in the month of May with 12.3 per cent yoy growth compared to the same month last year. The Utility vehicle and passenger vehicle segment witnessed 19.4 per cent growth over the previous year. The CV segment witnessed robust growth at 43 per cent versus the previous month due to a low base in the same month last year. The two-wheeler segment also witnessed 9 per cent yoy increase. Further, the US Class 8 truck sales growth also witnessed firmness which bodes well for Indian automobile component manufacturers, as these truck OEMs are their major clients. The industry is expected to witness stronger demand on the back of strong infrastructure growth, buoyant manufacturing growth and strong economic growth. Owing to this, we see the company benefit significantly due to its widespread reach.

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Robust Financial

The company posted significant growth in terms of production outperforming the market trend with 32 per cent yoy growth vs industry growth of 15 per cent. The consolidated revenue for the quarter grew by 42.2 per cent yoy and Rs. 1,371 crore in Q4FY18 vs Rs. 964 crore in Q4FY17. For the full year FY18, the revenue grew by 24 per cent yoy. EBITDA for the quarter also grew significantly by 62 per cent yoy and 33.4 per cent qoq to Rs. 170 crore in Q4FY18 vs Rs. 105 crore in Q4FY17. Further, the EBITDA margins also expanded 150 bps yoy and 30 bps qoq to 12.4 per cent vs 10.9 per cent in the same period in previous year. The company gained strong margin expansion on the back of high capacity utilisation. The bottom-line for the quarter almost doubled to Rs. 98 crore in Q4FY18 after adjusting for exceptional gain in the quarter. Similarly, the profit for the full year rose by 86 per cent yoy to Rs. 307 crore.

Valuation and outlook

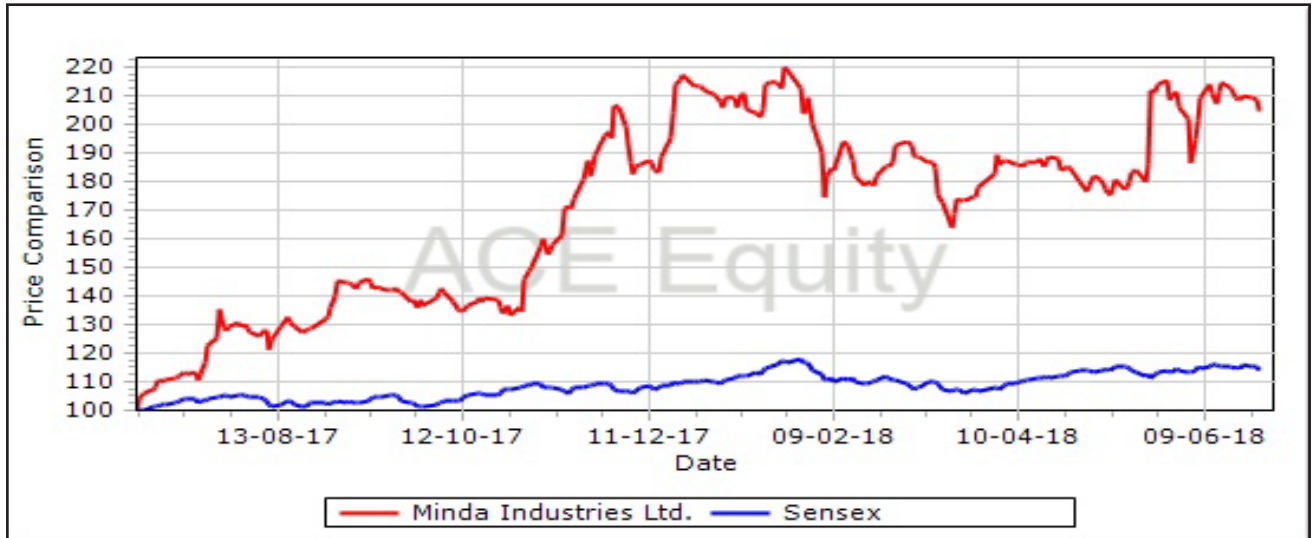
The company continues to maintain its leadership position in its core business segments such as switches and acoustics systems post consolidation with its subsidiaries and new joint venture with other companies to increase business. Further, the company boasts strong expansion plan in FY19 worth Rs. 375 crore. The company expects Chennai greenfield expansion of lighting plant to garner significant revenue as it will mainly cater to Renault Nissan. Further, its unique kit model will add more products in line post the BS-VI implementation and regulatory requirements like airbag and reverse parking system. Further, the company will ramp up its alloy wheel capacity by 60,000 wheels to 2,55,000 wheels with an investment of Rs. 55 crore. We see a positive outlook for the industry to aid robust revenue growth in FY19E to the tune of 20 per cent. The company boasts strong solvency with D/E of 0.4x as of FY18. Also, the company is trading at an attractive valuation of P/E of 35x on FY18 EPS of Rs. 35.8 per share. We recommend our investors to **BUY** the stock in tranches, considering the strong expansion plan and foray into new businesses, which will further diversify the company's product line.

Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201803	201703	201603	201503	201403
Net Sales	1903.80	1639.45	1468.74	1375.85	1108.06
Total Income	1942.19	1664.26	1491.12	1394.94	1139.09
Total Expenditure	1712.75	1483.45	1329.27	1262.73	1050.16
PBIDT	229.44	180.81	161.85	132.21	88.93
PAT	135.83	94.82	79.38	53.20	27.12
Dividend %	140.00	110.00	70.00	60.00	30.00
Adj. EPS(Rs)	15.60	11.94	9.99	6.69	3.41

Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201803	201712	Q on Q Var%	201703	Y on Y Var%
Net Sales	504.63	451.80	11.69	439.30	14.87
Total Expenditure	446.60	403.28	10.74	400.31	11.56
PBIDT (Excl OI)	58.03	48.52	19.60	38.99	48.83
PAT	36.25	33.25	9.02	20.58	76.14
PBIDTM% (Excl OI)	11.50	10.74	7.08	8.88	29.50
PBIDTM%	12.61	12.90	-2.25	9.11	38.42
PATM%	7.18	7.36	-2.45	4.68	53.42
Adj. EPS(Rs)	4.16	3.85	8.05	2.59	60.62



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