

## Minda Industries Q1FY21

### Financial Results & Highlights

#### Brief Introduction:

Minda Industries is a supplier of automotive solutions to original equipment manufacturers. The Company offers a range of products across various verticals of auto components, such as switching systems, acoustic systems and alloy wheels, among others.

Standalone Financials (In Crs)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	905	830	9.04%	232	290.09%	1137	1676	-32.16%
PBT	96	56	71.43%	-81	-218.52%	15	98	-84.69%
PAT	64	44	45.45%	-53	-220.75%	11	76	-85.53%
Consolidated Financials (In Crs)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	1478	1365	8.28%	421	251.07%	1898	2811	-32.48%
PBT	129	69	86.96%	-156	-182.69%	-27	153	-117.65%
PAT	84	52	61.54%	119	-29.41%	-34	108	-131.48%

#### Detailed Results:

- The company had a mixed quarter with a revenue rise of 8% YoY and consolidated PAT growth of 61.5% YoY.
- The EBITDA margins rose to 14.71% in Q2FY21 vs 11.9% a year ago. EBITDA for Q1 stood at Rs 215 Cr vs Rs 162 Cr last year growing 33% YoY.
- The revenue of Lighting, Acoustics, and Others grew in Q2 while Switches and Light Metal saw slight declines.
- There will a delay in commissioning of plants by 4-6 months for 2W alloy wheel and Sensors.
- Almost 83% of revenues were from domestic sources while 17% were from exports. In terms of channels, 86% of revenues were sourced from OEMs while 14% were from the replacement market. 48% of sales were for 2 wheelers while 52% were for 4 wheelers.
- The revenue share of various segments in Q1 is as follows:
  - Switches: 32%
  - Lighting: 25%
  - Acoustics: 11%
  - LMT: 12%
  - Others: 19%
- The plants are now operating at 80% of pre-COVID levels.
- The NCLT hearing for a merger with Harita Seating Systems is scheduled for 16<sup>th</sup> Nov 2020.
- The rights issue for the company has been completed for Rs 242.8 Cr.
- The latest operational updates on the company's various segments are:

1. Switches:
    1. 2W Switch: Higher kit value on account of new feature and BS-VI change over
    2. 4W: New Product: Sun Roof, Gear Shifters, and Neutral Switches been localized (Import substitution)
  2. Lighting:
    1. 2W Lighting: New orders from RE, E-Bikes TVS, Bajaj, and Honda
    2. 4W Lighting: MSIL new SUV Model LED tail lamp with rear facia
    3. Delvis: New orders from Daimler and Audi
  3. Acoustics: First order for Electronic horn for M&M PV division
  4. LMT:
    1. LPDC Line to start commissioning to be ready for customer inspection by Q4
    2. 2W alloy wheel plant is operational
  5. Others: Started supply of Wheelspeed Sensor has been started for Korean customers (In Korea)
11. Toyoda Gosei Japan (TG) and Minda are consolidating their business under one umbrella. TGMINDA has acquired a 95% stake in TGSIN from TG Japan in Sep-20.
  12. Board has in principle approved the merger of MINDATG into TGMINDA.
  13. Board has approved the purchase of a ~13% stake in Tokairika Minda Pvt. Ltd. (TRMN) from Minda Finance Limited as part of the group consolidation exercise. TRMN is engaged in the business of Seat Belts, Gear Shifters, Locks, and safety devices. For FY20 TRMN reported a turnover of Rs 600 Cr.

#### **Investor Conference Call Highlights**

1. The finance cost is lower on account of reduced interest rates and utilization of cheaper sources of funding like commercial papers.
2. The depreciation had been higher due to the amortization of intangibles related to the acquisition of Delvis and commissioning of the new alloy wheel plant at SUPA.
3. The total borrowings as of September 30, 2020, were at around Rs 1,152 Cr compared to Rs 1,159 Cr for Q1FY21. Approximately Rs 298 Cr of cash was available as of September, resulting in net debt of around Rs 823 Cr.
4. Sales in Sep of the 2W alloy wheels were at Rs 3 Cr. The peak revenues from the segment are expected to be Rs 470 Cr.
5. The cost savings have been Rs 6-6.5 Cr a month.
6. The cost savings have come from a reduction in other expenses and renegotiation of rental agreements to include a full-year reduction.
7. The main rationale behind the consolidation is the savings of nearest overheads and common costs of common functions which should help improve overall margins.
8. A major part of the proceeds from the rights issue has been used by TG Minda for the acquisition of TGSIN. The rest was used to repay debt.
9. In TRMN, the company has the option to increase the shareholding from 13% to 30% and it is looking into it now.
10. The management expects the merger with Harita to be completed by the end of the current financial year.
11. The company has already gotten some business for Harita from a Japanese OEM so far.
12. The company also plans to launch the Harita Seating Systems into our aftermarket channel.

13. The company's goal remains to outperform industry growth and double revenues in the next 4-5 years.
14. The management is also looking to create significant cross-sell opportunities with customers of Harita.
15. Demand is coming back to the auto sector mainly on the back of increased demand for personal mobility at the expense of public transport due to COVID-19.
16. Gross margins for TRMN have been 25-26% while EBITDA margin was at 8%.
17. The company expects to commence production in all 4 lines for the 2W alloy wheels by the end of FY21 and take roughly around a couple of quarters to stabilize the plant.
18. Maruti has been an Anchor customer for the company and Minda has 5 dedicated plants for Maruti alone.
19. For the wheel speed sensor, the company has not only bought the customers, it has also gotten a few Korean customers with it as well. The company has also manufactured some volumes of inventory in China with the newly constructed lines and then moved those lines to India.
20. The company will be able to start exports from India for this segment from Q4 onwards.
21. The pass-through lag for input commodity price increases is typically 1 quarter.
22. On a full-year basis, most of Minda's contracts are structured in such a way that they have a quarterly or annual price adjustment only.
23. The company spent Rs 150 Cr in Capex in H1, most of which was in the alloy wheel project and the sensor project. The total Capex for the year is expected to be at Rs 250 Cr.
24. The investment in TRMN should be around INR 65-odd crore in total.
25. Minda TG is a company where Minda has 51% holding and it makes fuel hoses and brake hoses. It has annual revenues of Rs 60-70 Cr.
26. Total revenues for TG are at Rs 600 Cr while for TG Minda is at Rs 300-350 Cr. The merged entity should have annual revenues close to Rs 1000 Cr.
27. The company has seen revenue decline despite volume growth due to a shift in product mix towards lower-end products.
28. The ordering cycle in lighting should yield revenues from FY23 onwards and should bring in Rs 200 Cr.
29. Delvis is not doing any manufacturing on its own and is mainly operating through contract manufacturing.
30. The management has stated that the majority of the Capex to pursue growth has already been done and it does not expect that kind of CapEx cycle to come soon.
31. Penetration of alloy wheels is increasing in general and the company is now in process of installing another 30,000 wheels a month line in Gujarat.
32. The new orders for switches for sunroof and gears have take value of around Rs 500 per car.
33. In acoustics, around 2/3<sup>rd</sup> of sales comes from exports while only 1/3<sup>rd</sup> comes from India.

#### **Analyst Views:**

Minda Industries has been one of the top auto ancillaries providers in the country. They have steadily expanded their product offerings such that their kit value is increasing year on year with the addition of newer products in the mix. The company has had a good quarter with swift demand revival and good reception for its new segments of alloy wheels and lighting orders. The company has also managed to gain good orders for its Lighting business from Audi & Daimler through its acquisition of DELVIS. It has also gained good orders for Lighting from Royal Enfield, Honda, Bajaj Chetak, etc. It



remains to be seen whether recovery will be as fast as the management expects. The management has a goal of doubling revenues in 4-5 years. It is still early days to comment on that. Nonetheless, given the new orders that the company has bagged, their improving product portfolio, and massive import substitution opportunity, Minda remains a compelling auto ancillary stock to watch out for.

If you found this report useful and would like to receive more such investing insights, you can [subscribe to our updates.](#)

**Subscribe**



Click here to Subscribe  
on WhatsApp

