

August 29, 2018

Minda Industries Ltd.

A Strong Play on the Changing Regulations

Direct Beneficiary of Growth in the Automotive Industry

Minda Industries Ltd (MIL) is a play on changing regulation in the Automotive industry, premiumization, localizing the imported products and increasing content per vehicles by entering into growth oriented products. It is present across all the segments, which gives a widespread exposure towards the industry and makes Minda Industries a direct beneficiary from the growth of the automotive industry.

Technological Advancements & Regulatory Changes

The Government introduced mandatory rules for new cars which will come into effect from 1st July 2019. It includes implementation of seat belt reminders, air bags, reverse parking sensors and a manual override for the central locking system in case of emergencies. All these norms are with respect to the increased focus on road safety and this will create new opportunities for the auto component industry. Moreover, to support the domestic auto component players, the government has raised the import duty from 7.5% to 15% at present.

Large Base of Clients and Technological Tie-ups

The company is a Tier 1 supplier to almost all the largest OEMs in India as well as Internationally. We believe the large base of OEMs & strong relationships with them, along with the resilient tie-ups with the global technology leaders provides a strong 'Moat' for Minda Industries.

Huge Opportunity Led by Premiumization

The BS6, Enhanced safety requirements and Electrification are likely to see strong demand for premium products like different variants of Sensors, Air Bags, Seat Belts, Combi Braking Systems, etc. Moreover, as the market is moving more towards premiumization, the company is likely to benefit the most as it already has a strong line-up of products viz. LED lights, Advanced Driving Assistance System, Alloy Wheels, Infotainment System, Telematics, Wireless Chargers, AMT, etc.

We believe MIL to grow at >2x the auto industry growth over the next couple of years. The key growth drivers for the company includes (a) BS 6 implementation (b) Airbags (c) Reverse parking sensors, (d) Value addition/premiumization of existing products, (e) New systems and components to be added to the portfolio.

Overall, we trust that the combination of Regulatory Norms, Enhanced Safety Requirements, Premiumization and Electrification will eventually have a positive impact on the company's performance.

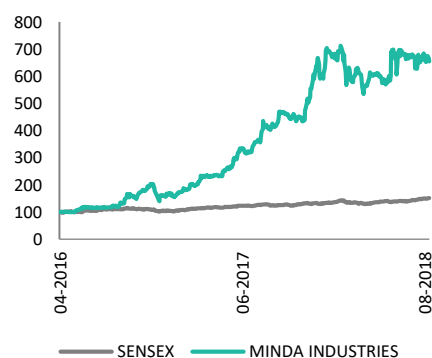
STRONG BUY*



Stock Details	
Industry	Auto Ancillaries
Sensex	38,896
Nifty	11,738
Bloomberg Code	MINDA:IN
Eq. Cap. (INR. Crs.)	52
Face Value (INR.)	2
52-w H/L	256/455
Market Cap (INR. Crs.)	11,122

Valuation Data			
	FY18	FY19E	FY20E
P/E (x)	25.0	32.4	24.7
EV/EBITDA (x)	13.7	16.0	13.0

SENSEX vs. Minda Industries



Shareholding Pattern (in %)

	Aug'18	Aug'18	Aug'17
Promoters	71%	71%	71%
FIIIs	10%	10%	8%
DIIIs	10%	10%	12%
Retail	10%	9%	11%
Total	100.0	100.0	100.0

(INR Crores)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	3,386	4,471	5,430	6,552	7,832
Growth (%)	34.0%	32.0%	21.5%	20.7%	19.5%
EBITDA	374	534	670	843	1,043
Growth (%)	57.3%	42.8%	25.5%	25.8%	23.8%
EBITDA Margin (%)	11.0%	11.9%	12.3%	12.9%	13.3%
PAT	185	331	366	481	624
Growth (%)	68.2%	78.8%	10.8%	31.2%	29.7%
Adj. EPS (INR)	6.3	11.8	13.1	17.2	22.3
P/E (x)	15.5	25.0	32.4	24.7	19.0
EV/EBITDA (x)	6.5	13.7	16.0	13.0	10.9

Source: NSPL Research

* Read last page for disclaimer & rating rationale

ANALYST

Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
 Amit Hiranandani, amit.hiranandani@nalandasecurities.com +91-22-6281-9643

NALANDA SECURITIES PRIVATE LIMITED

310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
 +91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com



Investment Rationale:

- **Minda Industries is Driving on the New Growth Up-cycle** majorly led by the huge underlying demand in the automotive industry, which can see a growth of 13% CAGR in the medium term. Along with this, the company remained the Tier 1 supplier to the domestic and international clients, which itself provides a strong competitive advantage.
- **The Triple Combination** of a Large Customer Base + Strong Tie-ups with the Global Technology Giants + Diversified Product Portfolio with improving market share in the majority of the products provides a strong 'MOAT' & entry barrier for Minda Industries.
- **Huge Scope for High Margin & Low Penetrated Products** viz. Alloy Wheels and Air Bags. The penetration level of Alloy Wheels has been just 26% and hence the scope of opportunity is huge over the next 4-5 years. Further, for Air Bags, Minda Industries has a market share of 26% and India has a penetration level of about 55% vis-à-vis almost 100% penetration level in the developed economies.
- **Enormous Opportunity due to Changing Regulations:** As the industry has mandated to move towards BS6, we see strong demand for Sensors (including engine related sensors), Advance filtration, Seat belts, etc. Apart from this, the Enhanced Safety Norms to further push higher demand for Reverse Parking Sensors, Air Bags, etc. The company is already manufacturing all these products and has a collaboration with the global technology leaders.
- **The Market is moving towards Premiumization:** Minda Industries, target those products, which gets imported in India. The company ties-up with the technology leaders, localize that product and make it affordable to the OEMs. Hence, the car manufacturers are able to install the premium products in low cost cars too. The market itself is moving towards premium components viz. LEDs, Advanced Driving Assistance System, Alloy Wheels, Infotainment System, Telematics, Wireless Chargers & AMT. All these products have enormous opportunity and high margin too. The long term opportunity is into Electronification and EVs, where the OEMs would require light weight products and Minda's R&D is already working on it.

Strong Past Financial Performance to Continue in the Coming Years

- **Minda Industries has outperformed the automotive industry growth by more than 2x** in all the past seven years. We strongly believe that the company has the capability, products line to beat the automotive industry & continue to grow twice the auto industry growth in the medium term. The company's revenues grew by 33% CAGR FY16-FY18, we believe that due to increase in the demand on account of changing regulations, contribution by existing as well as new products, the top line to grow by 20%+ in the coming three years.
- **The company's efforts are clearly visible on the margin improvement:** The EBITDA Margin continuously improved from 5.1% in FY14 to 11.9% in FY18, led by operating leverage benefits, cost rationalization measures and due to the addition of high margin products. We believe, the company on account of Enhanced Safety requirements, Premiumization and BS6, along with the operating efficiency and higher capacity utilization should aid in continuous improvement in the margins. By looking at all these circumstances, we project the margins to improve gradually from 11.9% in FY18 to 12.9% in FY20E.
- **Superior Performance to Continue:** Due to completion of group consolidation, the company would require lower capex from FY19E and hence, it will start generating very healthy cash flows. The company would maintain the debt to equity at 0.4x level, as it continues to hunt for inorganic opportunities. However, due to high cash generation, the company will be net cash positive by FY21E. We believe Minda Industries will be in a strong position to improve the dividend pay-out in the coming years. **Overall, we trust on the company's business model, the strong moat it has created and hence, believe it should continue to see higher growth in the top-line as well as bottom-line.**

Valuations:

Based on the investment rationales discussed, we strongly believe in the company's business model and its potential growth in the medium to long term on account of its competitive positioning, this along with its continued strategy of introduction of newer products in its kitty. Minda Industries revenues, EBITDA & profits increased at a CAGR of 33%, 50% & 73% from FY16-FY18. In spite of the huge potential in the automotive industry, we have conservatively estimated Minda Industries revenue, EBITDA & PAT to grow at a CAGR of 20%, 25% & 24% respectively for FY18-FY21E. Currently, Minda Industries is trading at an EV/EBITDA of 13.0x FY20E EBITDA and 24.7x FY20E EPS of Rs. 17.2. We recommend a **Strong Buy on Minda Industries with an average target price of Rs. 521 per share**, valuing the company with DCF and EV/EBITDA Methodology. We have assigned 17.4x to its FY20E EBITDA, a 20% premium to its last two years average EV/EBITDA on account of huge potential and growth opportunities in the \$49bn domestic auto ancillary industry.

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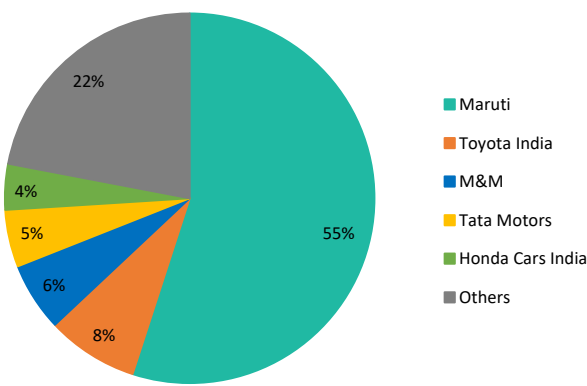
310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com



Minda Industries - Segments

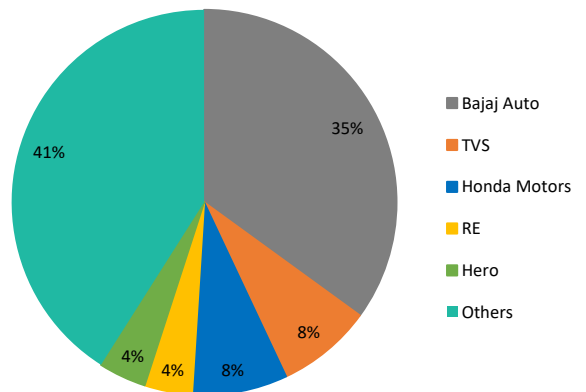
- **Minda industries with 65% market share is the leader in the Switches segment** and serves almost all the major OEMs. It is the largest manufacturer of switching systems and handle bar solutions for 2Ws & 3Ws. In addition to that, it also develops products for off-road vehicle segments. This segment has five plants in India, a facility each in Indonesia as well as in Vietnam and a design office in Japan to develop latest high-tech switching solutions.
- Under Switches, it has a separate division called ‘Sensors, Actuators and Controllers’, which supplies components to major OEMs in India. It has a facility in Pune and supplies sensors viz. Start Stop Sensors, Contact & Non-Contact type Speed Sensors, HID Ballast, TPMS (Tyre Pressure Monitoring System), EAPM (Electronic Accelerator Pedal Module), DC-AC Convertor and Head Lamp Levelling Motors, etc.
- We believe it would continue to see double digit growth on account of changes in the regulatory norms & continued growth in the automotive industry. The BS6 implementation will give a push to the growth of Sensors (including engine related sensors). Also, it continues to make high margin products such as Music System and Power Windows Switches. We expect more premiumization to continue in it.

Revenue Share FY18 - Switching Segment - 4Ws



Source: Company, NSPL Research

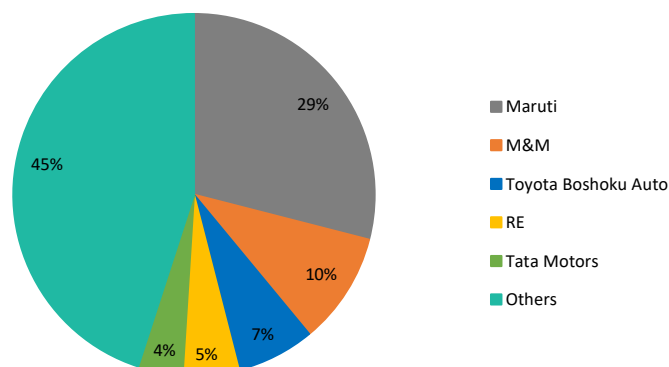
Revenue Share FY18 - Switching Segment - 2Ws



Source: Company, NSPL Research

- **The Lighting Segment** manufactures premium lights for 2Ws, 3Ws, 4Ws and off-road vehicles from its plants at Pantnagar, Sonapat, Manesar and Pune. The company has a good hold in the aftermarket. Minda Industries has a technical tie-up with AMC Co. Ltd, Korea and in June 2016, it acquired the Global Lighting business of the Rinder Group, Spain, including its plants in India, Spain & Columbia.
- **The past growth has been substantial in the Lighting Segment (~63% CAGR FY16-FY18)** and we expect lower double digit growth to continue as the company keeps adding newer customers especially in the 2Ws segment and innovating products under lighting segment. Minda’s peer ‘Lumax Industries’ is the market leader in LED lighting with a 37% market share. Minda is number 3 player in it and continues to gain market share. We believe all this along with premiumization of products should help the company to grow the revenue in double digit. Further, lower PV penetration, should help Minda to grow its products like Headlamp Levelling Motors.

Revenue Share FY18 - Lighting Systems



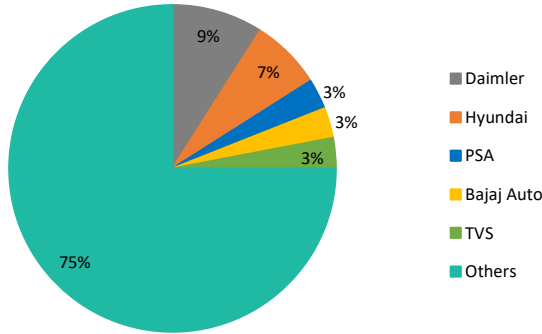
Source: Company, NSPL Research



Minda Industries - Segments

The company is a market leader in the **automotive horn manufacturing segment** and caters to the 2Ws, 4Ws, Off-road and Commercial Vehicle segment. It has plants in Manesar & Pantnagar and has a R&D team. In 2013, it acquired Clartron Horns S.A.U., Spain, which is a leading manufacturer of Automotive Horns, Trumpet Horns and Disc Horns. Post this acquisition, the company has become 2nd largest player globally. Additionally, the leading OEMs of the developed economies viz. the US and EU are now accessible to the company.

Revenue Share FY18 - Acoustics Systems

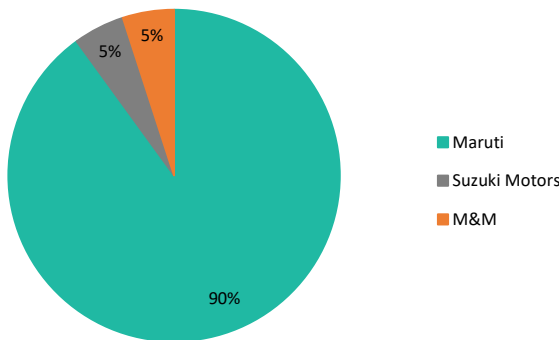


- **The company is a market leader and has 47% market share in 2W+4W Horns.** We expect it to gradually improve its market share and grow little higher than the automotive vehicles growth of 13% CAGR in the coming three years. The growth to continue as the industry is moving from Electromechanical Horns to Electronic Horns, which is a high margin product.

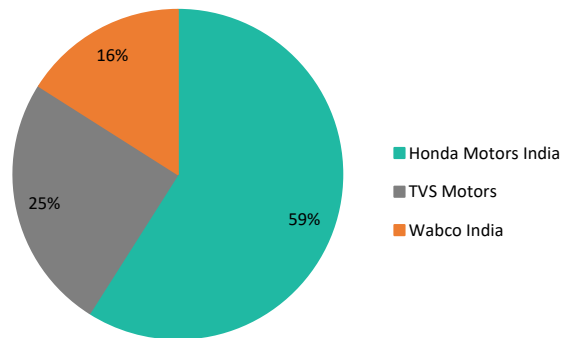
Source: Company, NSPL Research

- **The 'Others' Segment** majorly consists of 'Alloy Wheels & Die Casting' and 'Blow Moulding' businesses. It has many products under it and we think due to regulatory push, safety norms and premiumization, there are certain products, which should see higher growth. These products are Advanced Filters, Alloy Wheels, Seat Belts, Air Bags, Combi braking systems, Battery management, Advanced driving assistance system, Infotainment system, Telematics, Wireless chargers, AMT, etc. Hence, we expect a continued high double digit growth in it. The current penetration for alloy wheels in the country is just 26%, thereby providing huge scope for growth over the next 4-5 years. The company has set-up a plant in Gujarat for Alloy Wheels with an installed capacity of 60,000 per month, in addition to already installed capacity of 1,20,000 wheels per month in Haryana. The company's total capacity including Kosei Minda stands at 2,55,000 wheels per month. It also has a fuel tank cap division for 4Ws and seeing a gradual shift in preference towards domestic manufacturing, which we think should see higher sales and improvement in the margins.

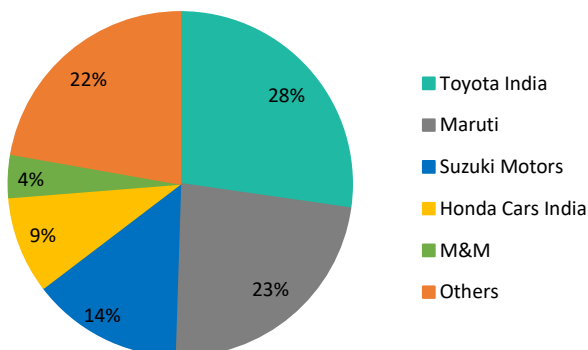
Revenue Share FY18 - Alloy Wheels



Revenue Share FY18 - Die Casting



Revenue Share FY18 - Blow Molding



Source: Company, NSPL Research



STRENGTHS

Minda Industries has a wide distribution reach at about 30,000 touch points, which gives us confidence that its products would reach the farthest corners of India.

We strongly believe that the company's strategic tie-ups with the technology leaders globally would provide strong Moat. It has alliances with global leaders like Tokai Rika, Emer, Toyoda Gosei, Kyoraku, Torica, Kosei, etc.

It has strong, long standing relationships with OEMs, which resulted in a Tier 1 preferred supplier status to Minda Industries. The company has over 50 OEMs as its clients.

Minda Industries has strategically placed its manufacturing locations near to the automotive hubs in India, which resulted in efficient supply chain distribution and lower logistics cost.

The company continues to work on its R&D and keep introducing innovative products. It has six R&D centres globally and spends ~4% of its revenues for R&D activities.

OPPORTUNITIES

The Government has mandated to shift to BS6 norms by April 2020, which would reduce NOx emissions. This transition will present the Auto Component manufacturers with the opportunity to participate in New/Complex/Futuristic products, which provides better margins.

The Indian Government's push for Electric Cars to meet the emission reduction targets could provide new opportunities for auto component players. The EVs requires newer lightweight and more premium products as compared to the normal ICE engine vehicles.

The OEMs product life cycle is getting shorter, which could provide auto component players an added advantage as new models will require new, better & premium parts. This will provide a continued growth for the auto component industry.

Due to regulatory requirements, technology changes, high costs, etc. the global OEMs prefer to outsource the component manufacturing to low cost countries like India.

Minda Industries - SWOT Analysis

WEAKNESSES

The Exports contribute about 18% of the revenues and the management expects it to increase to 25% in the coming years. Any slowdown in the major economies can impact it's financials.

In few of its segments viz. 4W Switches, 2W Switches, Alloy Wheels and Die Casting, the company majorly depends on one-two customers for its revenues. Any breakup in the association with the largest customers can impact the company's performance.

THREATS

Although, Minda Industries has its separate R&D, but it majorly depends upon its technology partners for new innovations. A separation with the global technology partners can possibly lose its competitive advantage and in turn impact its performance.

MIL's growth is dependent on the Automotive Industry, which in turn depends upon the macro-economic stability. Any decline in the growth of the automotive industry can impact the performance of Minda Industries.

ANALYST

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NALANDA SECURITIES PRIVATE LIMITED

310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com



About Minda Industries

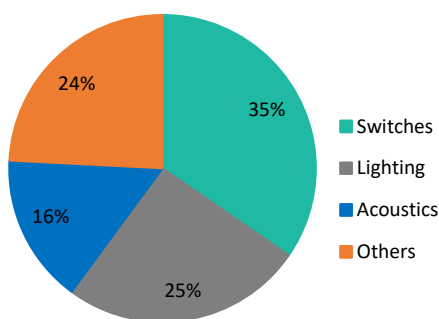
Minda Industries Ltd (MIL) founded in 1958, is headquartered in Gurgaon, India. It is a subsidiary of the N.K. Minda Group. The company together with its subsidiaries, manufactures and sells auto components, including auto electrical parts and accessories in India and Internationally. It primarily sells its products to original equipment manufactures and replacement markets.

The company majorly has four segments viz. Switches, Lighting, Acoustic/Horns and Others segment, which broadly includes Alloy Wheels, Die Casting & Blow Molding businesses.

Under Switches segment, it provides switching systems and handle bar solutions for 2Ws, 3Ws, 4Ws and off-road vehicles; sensors, actuators and controllers comprising start-stop sensors, contact and non-contact type speed sensors, HID ballasts, tire pressure monitoring systems, electronic accelerator pedal modules, DC-AC converters, head lamp levelling motors, etc.

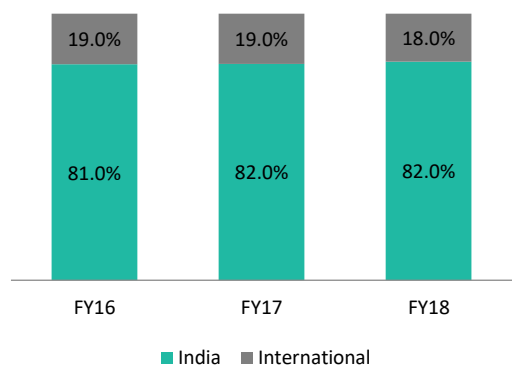
Under Horns segment, the company broadly provides 2W Horns and 4W Electronic Horns. Under Lighting segments, it majorly provides products viz. 2W Lamps, Headlamp levelling motors and LED lamps. Under Others segment, it manufactures, Filters/Canisters, Battery, Noise Suppressor Cap, Equalizer Assembly, Die Casting Components, Batteries, Alloy Wheels, Electronic Accelerator Pedal Module, Hoses, CNG Kits, Fuel Cap, Spoilers, etc.

Segmental Revenue Breakup (%) - FY18



Source: Company, NSPL Research

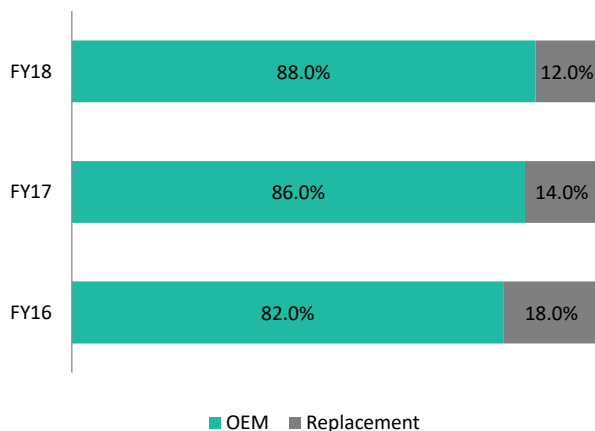
Geographic Revenue Breakup



Source: Company, NSPL Research

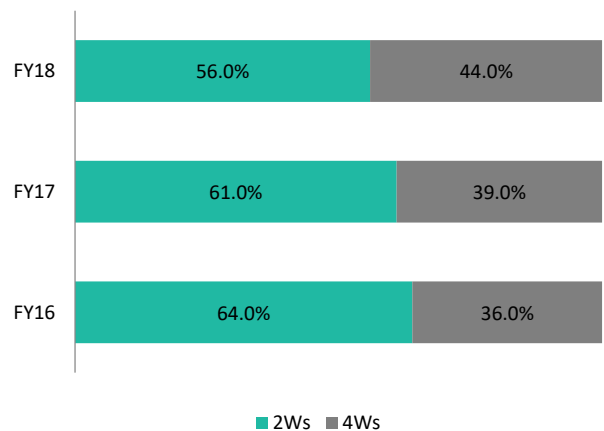
Minda Industries is Number 1 in Automotive Switches and Automotive Horns, Number 2 in Air Filters and Air Bags and Number 3 in Automotive Lighting. The company provides a lot of emphasis on R&D and spends about 4% of the revenues. In R&D, it has 200 people working across five centres' and has 14 design centres'.

Channel-wise Revenue Breakup



Source: Company, NSPL Research

Segment-wise Revenue Breakup



Source: Company, NSPL Research

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NALANDA SECURITIES PRIVATE LIMITED

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Important Historical Milestones

1958

- UNO MINDA took its first step in its illustrious journey by manufacturing ammeters for Royal Enfield

1960

- Took the first step towards expanding the portfolio by venturing into the realm of automotive switches.

1980

- Took another step towards horizontal diversification with the manufacturing of automotive lighting products.

1993

- Added another product to the portfolio by venturing into the horns segment.

1995

- Commenced the production of automotive 4W switches through associate company (Mindarika Private Limited).

2005

- Made its presence felt on international shores with a manufacturing facility in Indonesia.

2007

- Forayed into the Battery segment with a new manufacturing facility at Pantnagar.

2008

- Commenced manufacturing of blow moulded products from its Bengaluru site.

2009

- Reinforced its international presence with a new manufacturing facility in Vietnam. Initiated the design and development of alternative fuel kits at its Manesar facility.

2010

- Bolstered its product portfolio with the addition of aluminium die-cast products for automobiles.

2011

- Scaled up the blow moulded manufacturing facility at Bawal.

2013

- Acquired Clarton (leading horn manufacturers in Europe) of Spain.

2014

- Commenced manufacturing of fuel caps.

2015

- Entered into joint venture with Kosei for manufacturing alloy wheels for passenger vehicles.

2016

- Acquired Rinder Group of Spain, widening our lighting segment with LED lights.

2017

- Entered into Joint venture with Katolec Japan (EMS), and Onkyo (Infotainment accessories).

2018

- Entered into an agreement with TTE, Taiwan for ADAS. Entered into an agreement with SENSATA Technologies USA for High end sensors for BS VI Application. Setup CREAT for Advanced research engineering and technologies.

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Minda Industries Plants and R&D Locations

Plants in North India	Plants in West India	Plants in South India	Overseas Plants	R&D Centres
<ul style="list-style-type: none"> •Delhi, •Manesar •Sonipat •Bawal •Pantnagar •Surajpur •Haridwar •Rudrapur •Bahadurgarh •Nalagarh 	<ul style="list-style-type: none"> •Gujarat •Pune •Aurangabad 	<ul style="list-style-type: none"> •Bengaluru •Chennai •Hosur •Mysore 	<ul style="list-style-type: none"> •Mexico •Columbia •Morocco •Spain •Indonesia •Vietnam 	<ul style="list-style-type: none"> •Manesar •Sonipat •Bawal •Pune

Source: Company

In total the plants are located at 23 locations. Six in Overseas and 17 in Domestic.

Minda Industries wants to become a pioneer in technology and has launched its first flagship centre for advance technologies called CRETA (Centre for Research, Engineering and Advance Technologies). It puts more emphasis on electronics products related to connected vehicles, telematics, ADAS, infotainment, EV technologies, controllers and sensors, advance lighting and similar technologies with respect to looking at the future set of technologies. The company has developed two products, which relates to advance lighting, alloy wheels, connected vehicles, telematics, integrated in-vehicle infotainment, ADAS and Switches.

List of Domestic Customers

•TVS, Yamaha, Bajaj, KTM, BMW, Hero, Honda, PIAGGIO, Suzuki, RE, Toyota, GM, VW, M&M, FCA, Ford, Hyundai, Honda, Maruti, Daimler, VECV, Ashok Leyland, Tata Motors, Renault Nissan, TAFE, Eicher, Escorts, JCB, M&M, Swaraj, Sonalika.

List of International Customers

•Polaris, Yamaha, Kawasaki, KTM, Suzuki, Peugeot, SYM, BMW, Aprilia, Ford, BMW, Grote, Suzuki, Toyota, Daihatsu, Renault Nissan, Tata Daewoo, VW, PSA ISEKI, CNH, Yanmar, JCB, TORICA, KOMATSU, Caterpillar, Kubota, etc.

Source: Company

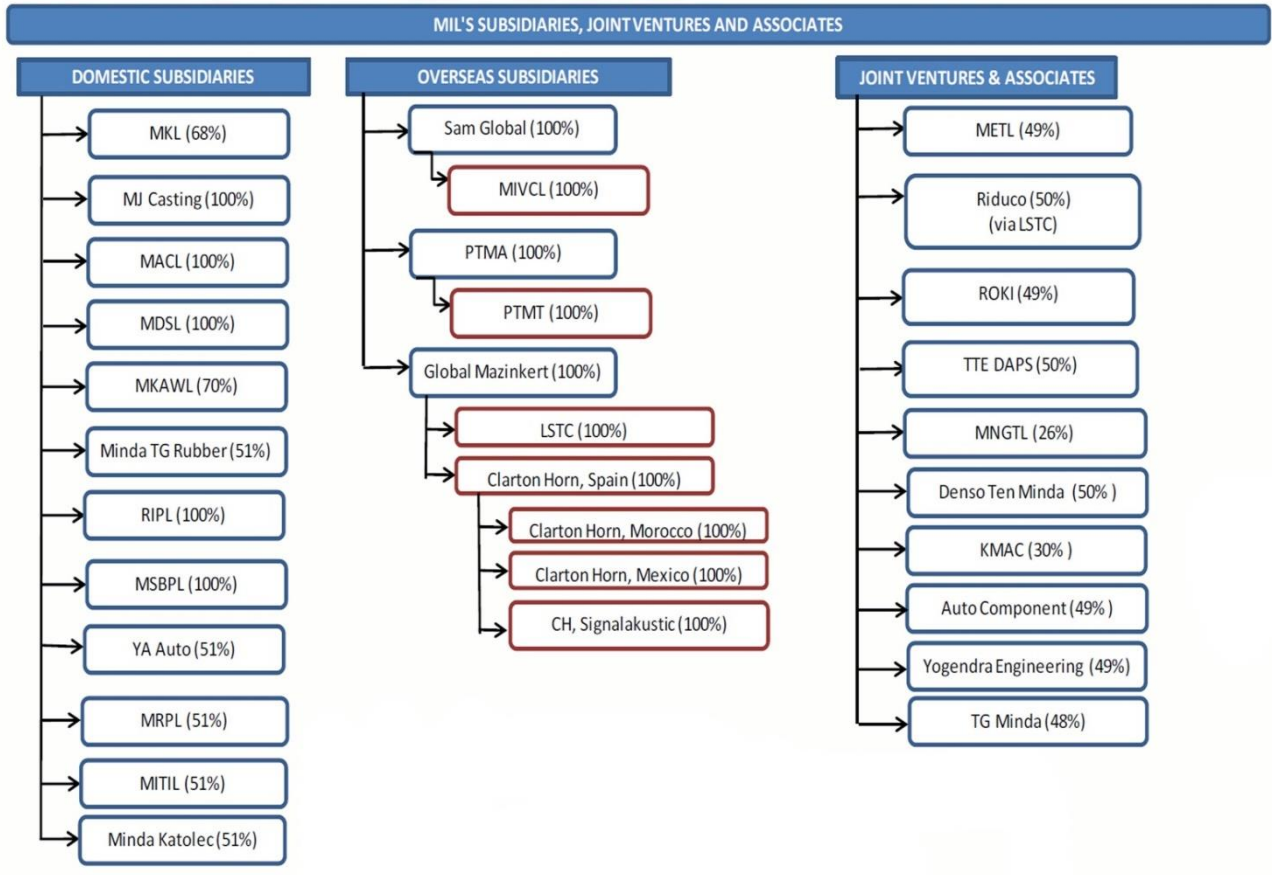
Minda Industries serves to over 50 OEMs in India and Overseas markets across 2Ws, 3Ws, 4Ws and Off Road Segments. The company keeps on adding newer customers and they approach the OEMs, once they start planning for fresh launch of models and its variants.

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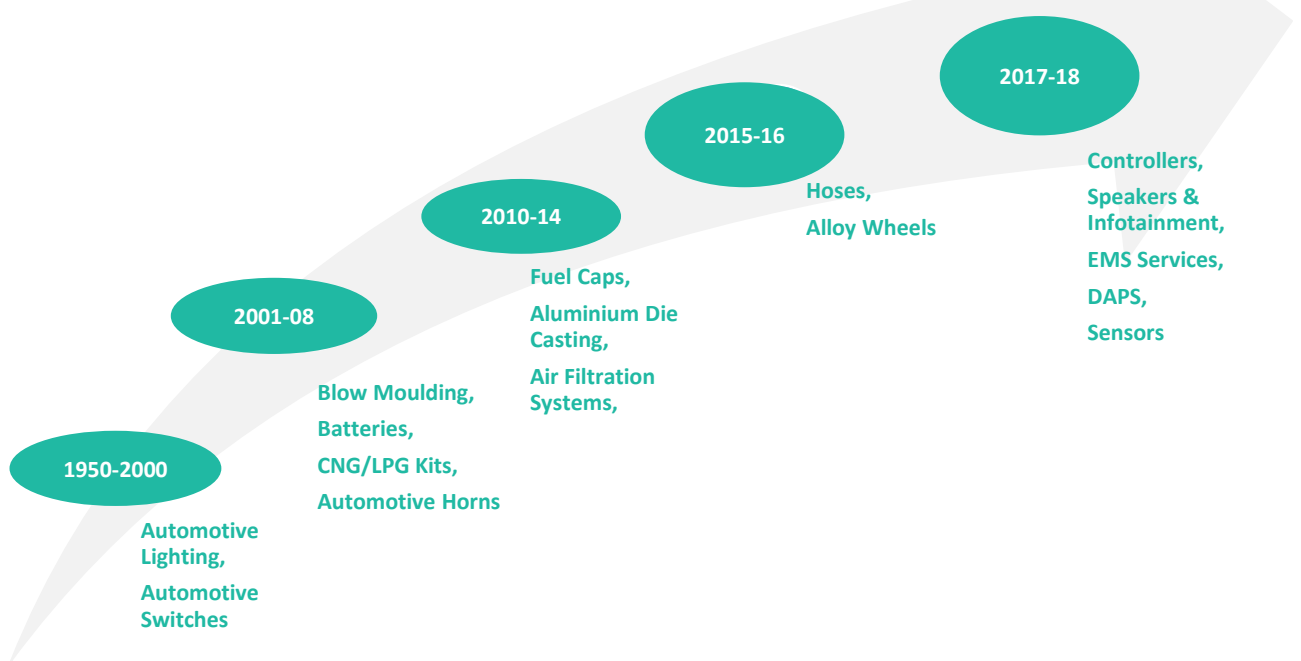
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Source: Company

Minda Industries keeps entering into newer growth oriented products, which has improved its content per vehicle, and it also helps the company in cross selling its existing products to OEMs. The company has grown its product basket by organic as well as inorganically.

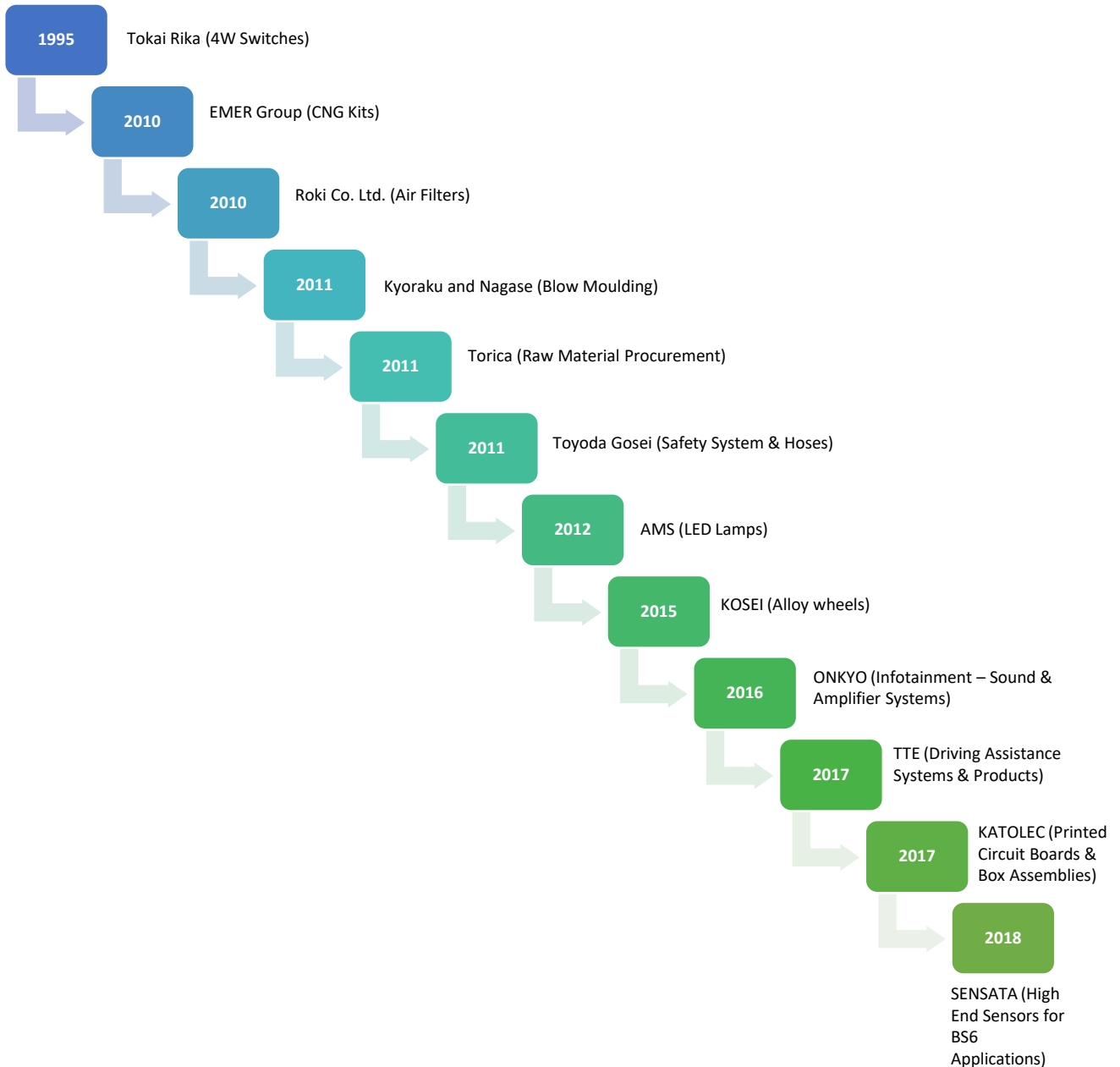


Source: Company



Strong Technology Alliances

Minda Industries mainly targets those products which are imported into India. The company makes JVs with the international companies and localize the products, which resulted into lower costs and benefits to the OEMs. Since, the company's inception, it has tied-up with more than 10 global technology leaders. We believe that the resilient technology tie-ups with its JV partners and associates, who are the global technology leaders provides a strong 'Moat' for the company.



Source: Company

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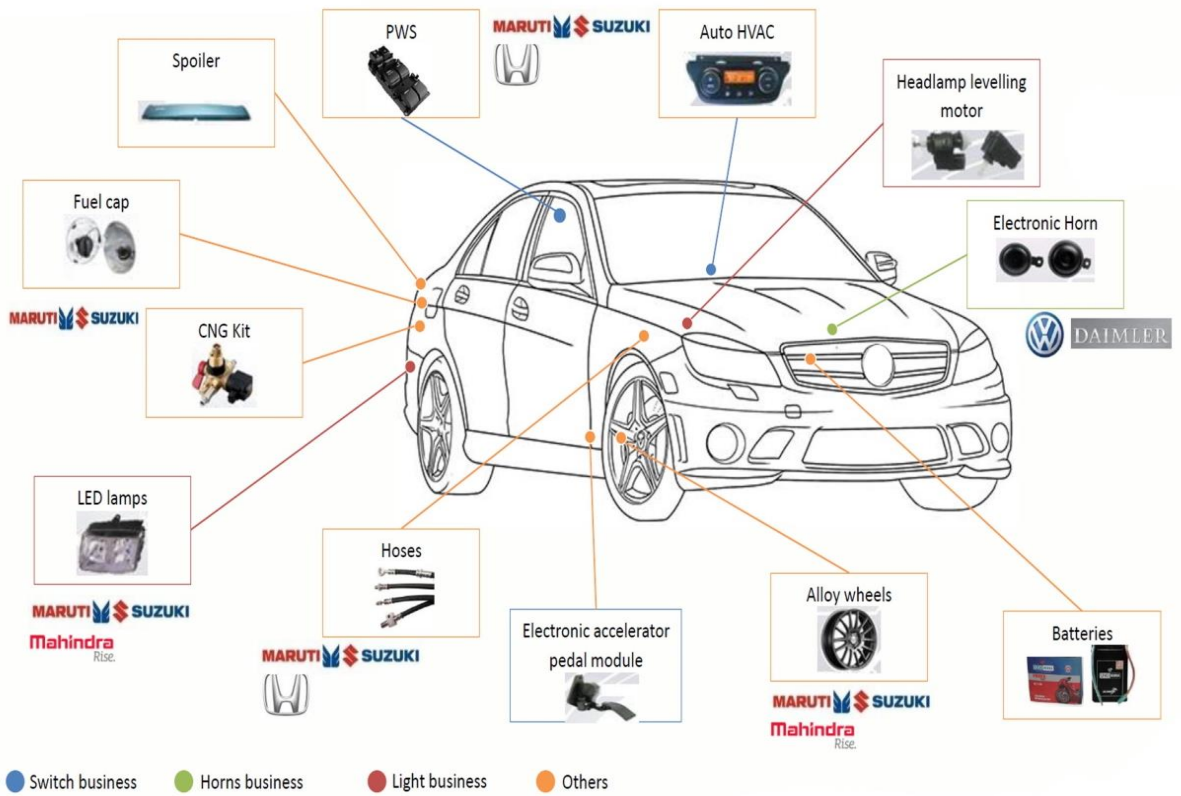
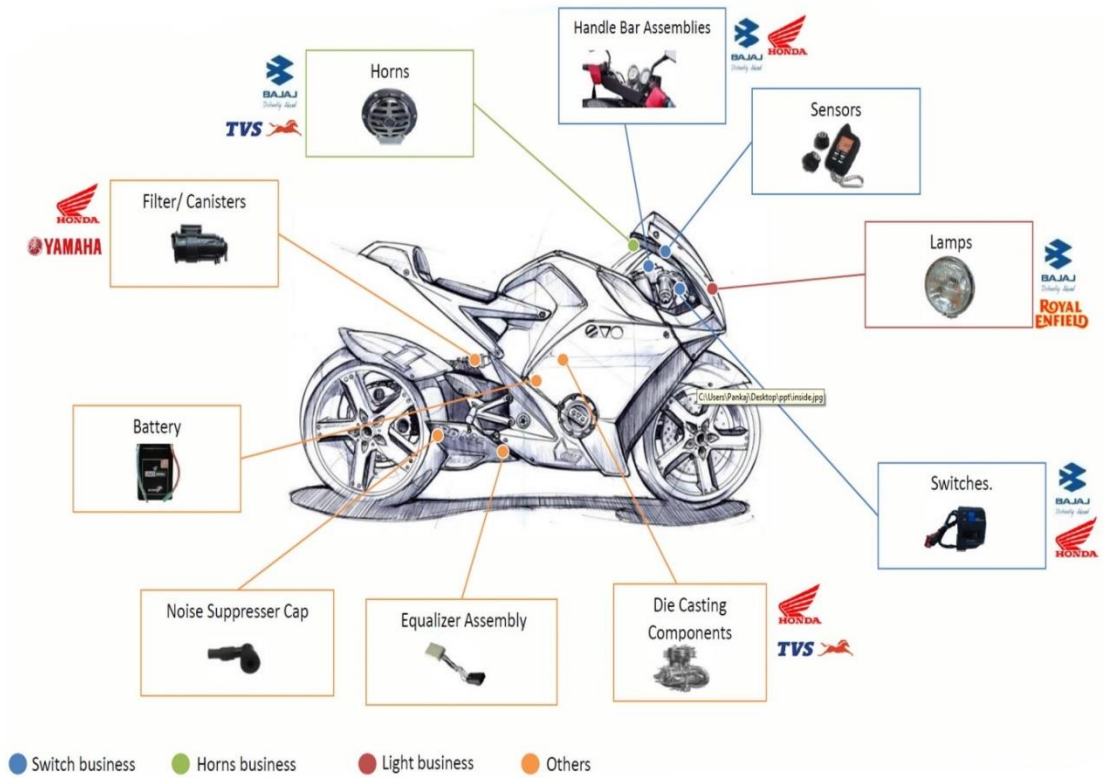
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Product Portfolio – Two and Four Wheelers



Source: Company



Regulatory Changes & Technology Advancements to see Positive Impact on Minda Industries

Based on the below mentioned comparison, we don't expect any significant negative impact due to regulatory changes and moving towards electrification. In fact, we do see some positive impact and premiumization of the products. We believe the combination of BS6 + Enhanced Safety Norms + Premiumization + Electrification will see strong demand for the products of Minda Industries and trust that the company led by its global technology partners is at the forefront to deal with it.

S. No	Product Lines	Company Name	Technologies			
			BS VI	PEV	BEV	
Approximate timelines			Apr-20	2022-25	2025-2030	
1	Engine & Transmission Parts	Alternate Fuel Systems	METL	✓	X	X
2		Air Filtration Systems	Roki Minda	Δ	Δ	X
3		Canisters	Roki Minda	Δ	Δ	X
4		Brake Hoses	Minda TG	✓	✓	Δ
5		Fuel Hoses	Minda TG	✓	✓	X
6	Safety Parts	Alloy Wheels	Minda Kosei	✓	✓	✓
7		Seat Belts	TRMN	✓	✓	✓
8		Cameras	MFTL, Minda TTE	✓	✓	✓
9		EA Pad	MKL	✓	✓	✓
10		Steering Wheel with Airbags	TGMN	✓	✓	✓
11		Fuel Caps	TGMN	✓	✓	X
12	Body Parts	Lamps	MIL-Ltg Div	✓	Δ	Δ
13		Air Ducts & Washer Bottle	MKL	✓	✓	✓
14		Spoiler	MKL	✓	✓	✓
15		Body Sealings	TGMN	✓	✓	✓
16		4W Switches & HVAC	MRPL	✓	Δ	Δ
17		Cigar Lighters & Chargers	MRPL	✓	✓	✓
18		Wheel Covers	MRPL	✓	✓	✓
19		Shifters	TRMN	✓	✓	X
20	Comfort & Convenience Parts	Infotainment Systems (CD Tuners, Display Audio & Audio Video Navigations)	Minda D Ten	✓	✓	✓
21		Speakers	Minda Onkyo	✓	✓	✓
22		Reverse Parking Aid Systems & Advanced Driver Assistance Products and Systems	Minda TTE			✓
23		Sensors	MIL-SAC Div	Δ	Δ	Δ
24		Actuators	MIL-SAC Div	✓	✓	✓
25		Controllers	MIL-SAC Div	✓	Δ	Δ
26		End to End Telematics & Connected Car Solutions	MIL	✓	✓	✓
27		Horns	MIL-Accoustics Div	✓	Δ	Δ
28	Others	Batteries-Lead Acid	MIL-Battery Div	✓	Δ	Δ

Legend

- ✓ To continue as it is
- Δ To continue with changes
- X Obsolete
- Positively Impacted

Source: Company

BS6 to see Strong Demand for:

1. Sensors and engine related sensors,
2. Advance filtration and canisters,
3. On-board diagnostics and
4. Seat belts

Premiumization to see Higher Demand for:

1. LEDs,
2. Advanced Driving Assistance System,
3. Alloy Wheels,
4. Infotainment System,
5. Telematics,
6. Wireless Chargers and
7. AMT

Enhanced Safety Norms to increase the demand for:

1. Air bags & Seat belts
2. Reverse Parking Sensors
3. Combi Braking Systems

Electronification and EVs:

1. Cockpit Electronics
2. Body Exterior & Advanced Lighting Air Bags & Seat Belts,
3. Controllers & Sensors,
4. EV Technologies



Brief about Principal Subsidiaries

CLARTON HORN, SPAIN (100%)

Clarton Horn is a leading horn manufacturer for the automotive sector. With over 175 million units produced since the inception of the company - in 1973 -, the company has experienced steady growth that allows them to have a manufacturing capacity of 20 million horns each year. It has facilities in Spain, Mexico and Morocco.

Products:

- Electronic Horn Disc Shaped
- Electronic Horn Trumpet Shaped

Clarton Horn (in thousand euro)	FY18	FY17	YoY (%)
Revenues	53,119	51,307	3.5%
EBITDA	3,675	4,980	-26.2%
EBITDA Margin (%)	6.9%	9.7%	-2.8%
PAT	2,335	3,101	-24.7%

MINDA DISTRIBUTION & SERVICES LTD (MDSL) (100%)

Minda Distribution and Services Limited, the aftermarket arm of the UNO MINDA Group is one of the leading automotive aftermarket company in India. At present MDSL distributes 12 major product categories with a wide distribution network of over 800 Business Partners, 12,000+ Retailers & 6,000+ Mechanics.

The major product categories distributed by MDSL in Indian & Global aftermarket are Switch, Horn, Automotive Lighting, Automotive Bulbs, Blinker, Automotive Sensor, Relay & Flasher, Rear View Mirror, Lever & Yoke, CDI/Ignitor/Regulator Rectifier, Automotive Batteries and Accessories.

Minda Distribution Services Ltd (INR Crores)	FY18	FY17	YoY (%)
Revenues	451	424	6.3%
EBITDA	8.2	4.8	70.7%
EBITDA Margin (%)	1.8%	1.1%	0.7%
PAT	5.2	2.7	89.7%

MINDA D-TEN INDIA PVT. LTD.

Minda D-Ten India Private Limited (formerly known as Minda F-Ten Private Ltd) was incorporated on 11th July 2012 and is a 51% subsidiary of MIL. Since 1st Jan 2018, MIL has a 51% shareholding in Minda D-Ten as it acquired shares from Minda Investments Ltd and Mr. NK Minda who hold 31% and 20% shareholding.

The company is engaged in the business of trading of car infotainment products. It purchases products exclusively from the Denso Company (earlier known as Fujitsu Company).

Minda D-Ten India Pvt. Ltd (INR Crores)	FY18	FY17	YoY (%)
Revenues	349	315	11.0%
EBITDA	5.8	1.5	289.3%
EBITDA Margin (%)	1.7%	0.5%	1.2%
PAT	3.7	1.0	270.7%

ANALYST

Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
Amit Hiranandani, amit.hiranandani@nalandasecurities.com +91-22-6281-9643

NALANDA SECURITIES PRIVATE LIMITED

310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com



Brief about Principal Subsidiaries

Minda Kosei Aluminium Wheel Pvt. Ltd (MKAWL) (70%):

Minda Industries Ltd. established a 70:30 Joint Venture with Kosei Aluminium Co. Ltd. in February 2015 and started alloy wheel manufacturing in May 2016. Kosei Aluminium Co. Ltd. is a leading manufacturer of Alloy Wheels in Japan with head office in Toyota City, Aichi Prefecture. The JV Company Minda Kosei Aluminium Wheel Pvt. Ltd. is established in Bawal, Haryana and is one of the largest alloy wheel manufacturer in India.

MKAWL is engaged in the development, manufacturing and sales of aluminium alloy wheels for major OE car manufacturers and aftermarket in India. Minda Industries along with its subsidiaries has installed capacity of 2,55,000 wheels per month.

Minda Kosei Aluminum Wheel Pvt. Ltd. (INR Crores)	FY18	FY17	YoY (%)
Revenues	457	218	109.2%
EBITDA	122.7	49.1	150.1%
EBITDA Margin (%)	26.9%	22.5%	4.4%
Exceptional Expenses	-32	0	-
PAT	31.7	26.0	21.7%

MINDARIKA PVT. LTD (MRPL) (51%):

Incorporated in 1992, Mindarika Pvt. Ltd. is a Joint Venture between Minda Industries Ltd. and Tokairika Co. Ltd. With almost 47% market share in its product range, the company is a market and technology leader in the field of Automotive Switches in India. It has plants in Manesar, Pune and Chennai with 1,000+ employees.

It is a supplier to all OEMs in 4 Wheeler and Commercial Vehicles segments. The major customers are Maruti Suzuki, Tata, Mahindra, Toyota, Honda, Nissan, Ford, GM, Volvo Eicher, VW, Ashok Leyland, etc. The company also exports to Toyota, Torica and Ford. Tokai Rika Co. Ltd. was founded in 1948 and is headquartered in Aichi prefecture, Japan. It is a leading manufacturer of automobile control systems, safety and security devices in Japan, North America, Asia and Europe.

It manufactures the following products:

- Audio & Cruise Switch
- Cigarette Lighter & Socket Assy
- Door Lamp Switch
- E HVAC
- Lever Combination Switch
- M HVAC
- Mirror Switch
- Panel Switches
- Plunger Type Switch
- Power Window Switch
- Wheel Cover

Mindarika Pvt. Ltd (INR Crores)	FY18	FY17	YoY (%)
Revenues	744	633	17.6%
EBITDA	89.6	72.4	23.8%
EBITDA Margin (%)	12.0%	11.4%	0.6%
PAT	56.5	36.9	53.1%

ANALYST

Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
Amit Hiranandani, amit.hiranandani@nalandasecurities.com +91-22-6281-9643

NALANDA SECURITIES PRIVATE LIMITED

310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com



Industry Overview

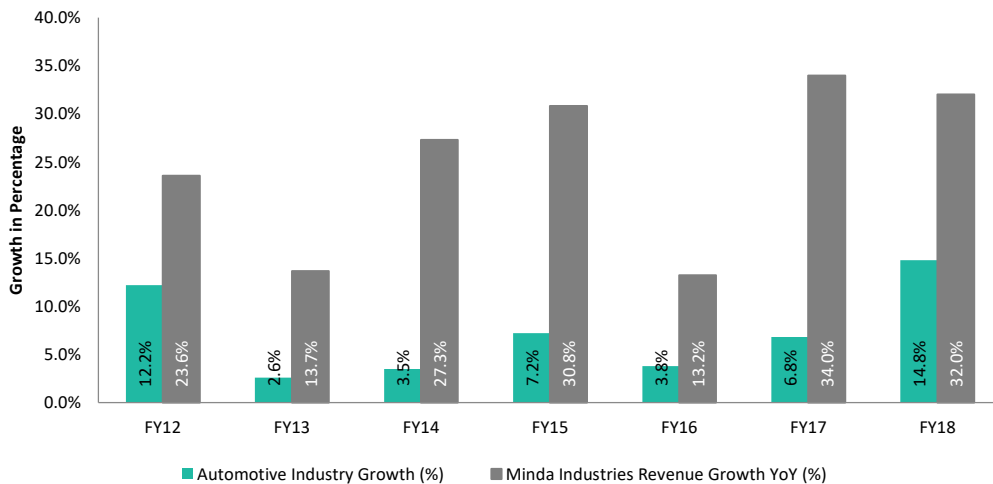
Global Automobile Industry

The new market operations, surge in M&A activities, site relocations, vertical integration of operations and improvement in the economic prospects is driving the global automotive industry. Additionally, the demand is improving for environment-friendly, fuel efficient and smart vehicles on account of climate-related policies, shifting consumer taste with technology advancements. The industry is witnessing a pickup in the SUVs, Crossovers and Small Trucks with premium features, which is increasing realizations of OEMs. The evolution of technologies, digitisation, connectivity and EVs, there will be a continued demand for the auto component manufacturers all over the world.

Indian Automotive Industry

India's automotive industry is the 4th largest market and 7th largest manufacturer of CVs. In that, the two wheeler industry dominates with around 79% share. The total production increased by about 15% YoY to 2.9 crores units in FY18 and as per the readings, we believe the industry should continue to grow at 13% CAGR in the medium term led by a) Rural & Agriculture sector push, b) Investment in Infrastructure, and c) Support for MSME.

Automotive Industry Growth vis-a-vis Minda Industries Growth



Source: NSPL Research, IBEF

Passenger Vehicles

In India, the penetration of passenger vehicles is very low, which makes India as one of the world's most attractive automotive markets. We have observed a high single digit growth in the domestic PV industry from the past few years and expect it to continue to post lower double digit growth in the medium term on account of improved affordability, higher disposal income, strong GDP and 7th Central Pay Commission implementation. Recently, we have also observed more customers are buying compact utility vehicles as compared to Sedans in the earlier years.

Industry Segment Growth	FY12	FY13	FY14	FY15	FY16	FY17	FY18
PVs	4.7%	2.2%	-6.0%	3.9%	7.2%	9.2%	7.9%

Two Wheelers

The growth of 2W industry remains in the low single digit, however, it grew by about 15% in FY18 and the expected growth for FY19E is also in the low double digit for the industry. We believe the 2W industry to continue to grow in the high single digit in the medium term, driven by a number of factors viz. growing middle-class population, higher disposal income, uptrend of dual vehicles per family, improvement in rural road infrastructure and inadequate public transport availability. Additionally, a significant rise in women riders in the 2W segment has also been noticed.

Industry Segment Growth	FY12	FY13	FY14	FY15	FY16	FY17	FY18
2Ws	14.2%	2.9%	7.3%	8.1%	3.0%	6.9%	14.8%

ANALYST

Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
Amit Hiranandani, amit.hiranandani@nalandasecurities.com +91-22-6281-9643

NALANDA SECURITIES PRIVATE LIMITED

310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com



Industry Overview

Commercial Vehicles

The demand from the commercial vehicle manufacturers to remain robust in the medium term driven by an uptick in the Indian Economy led by an improvement in the Industrial Production Index and Government’s push towards Infrastructure development. In addition, the implementation of vehicle scrap policy, requirement of the last mile connectivity and growing e-commerce sales to drive demand further in the commercial vehicles.

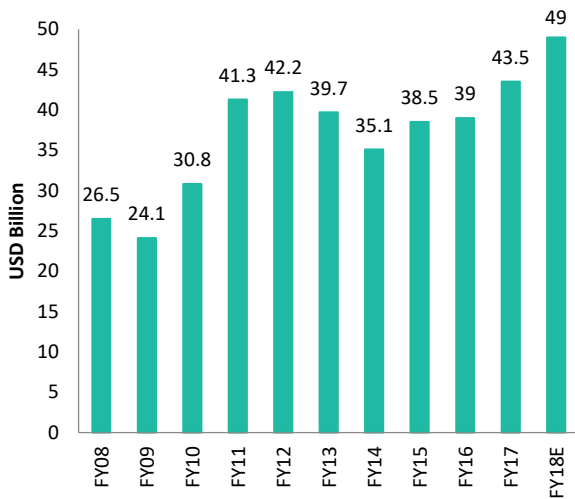
Industry Segment Growth	FY12	FY13	FY14	FY15	FY16	FY17	FY18
CVs	18.2%	-2.0%	-20.2%	-2.8%	11.5%	4.2%	19.9%

Indian Automotive Component Industry

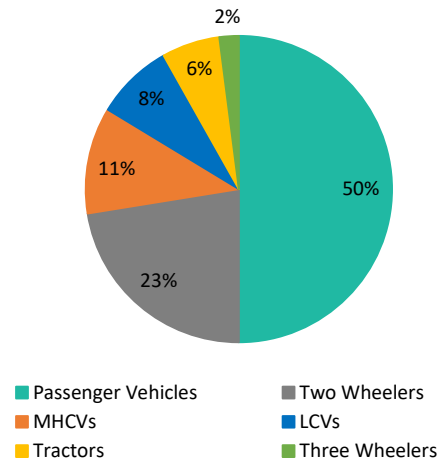
Industry snapshot:

- Revenues have risen from USD 26.5 billion in FY08 to USD 43.5 billion in FY17 at a CAGR of 5.7% during FY08-17.
- The market size for the auto component sector increased by 11.5%, reaching to USD 43.5 billion in FY17 from USD 39 billion in FY16.
- As per the Automobile Component Manufacturers Association (ACMA) forecasts, automobile component exports from India are expected to reach USD 70 billion by 2026 from USD 10.9 billion in FY17. The Indian auto component industry aims to achieve USD 200 billion in revenues by 2026.
- The industry is expected to post a 13-15% growth rate, on the back of robust growth in the domestic passenger vehicle, commercial vehicle, tractor and two-wheeler segments.

Indian Auto Components Industry



Auto Components supply to OEMs (%)

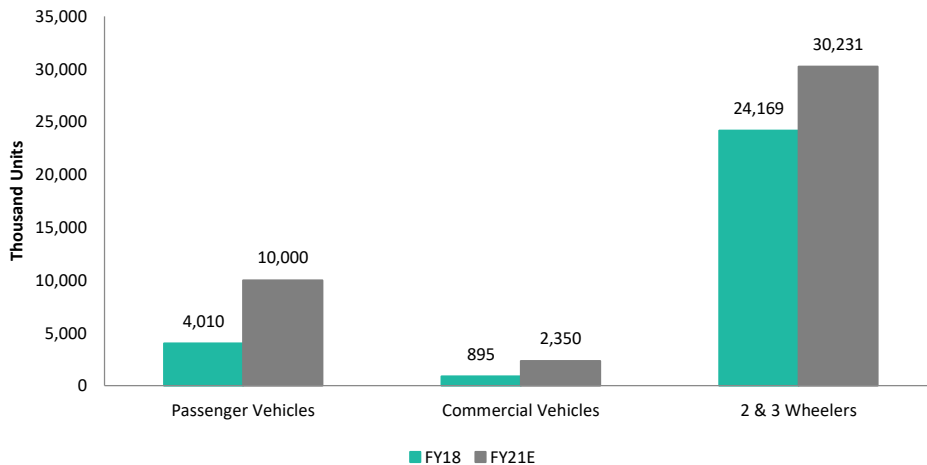


Source: NSPL Research, IBEF

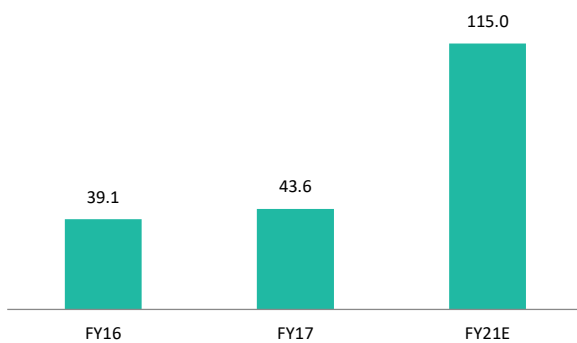


Industry Overview

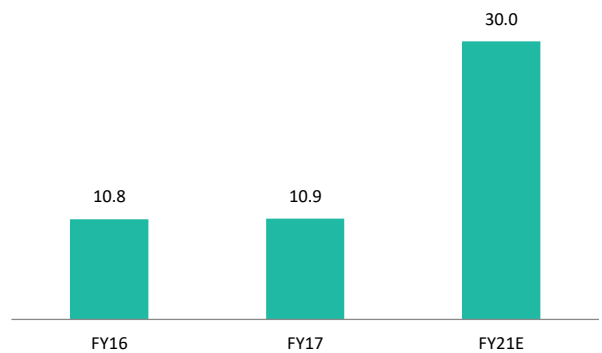
Vehicle Production - Domestic*



Domestic Market Potential* (USD billion)



Export Market Potential* (USD billion)



*Source: NSPL Research, IBEF

The domestic market is expected to account for 71% of total sales by 2021 with a total market size of USD 115 billion and Exports will account for as much as 26% of the market by 2021.

The Indian Automotive Component industry is expected to grow at a healthy pace of 15% CAGR in the medium term led by a) Two wheeler segment due to improved rural sentiment; b) Passenger Vehicles due to increasing affordability, easier access to finance and launch of various new models and c) Commercial Vehicles space led by freight improvement on account of demand from sectors such as Infrastructure. Overall, according to ACMA, the industry is set to become the 3rd largest in the world by 2025.

We believe that there are several growth drivers in the auto component industry:

1. Demand-side Drivers

- Robust growth in the domestic automotive industry
- Increasing investment in road infrastructure
- Growth in the working population & middle class income to drive the market

2. Supply-side Drivers

- Competitive advantages facilitating emergence of outsourcing hub
- Technological shift; focus on R&D

3. Policy Support

- Establishing special auto parks & virtual SEZs for auto components
- Lower excise duty on specific parts of hybrid vehicles
- Policies such as Automotive Mission Plan 2016-26, Faster Adoption of Manufacturing of electric Hybrid Vehicles, NMEM 2020, likely to infuse growth in the auto component sector of the country
- The government is going to come out with a National Automotive Policy for boosting the growth of India's automotive sector

ANALYST

Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
Amit Hiranandani, amit.hiranandani@nalandasecurities.com +91-22-6281-9643

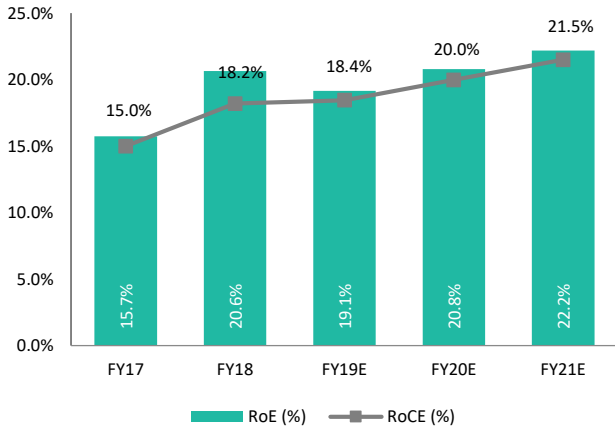
NALANDA SECURITIES PRIVATE LIMITED

310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com

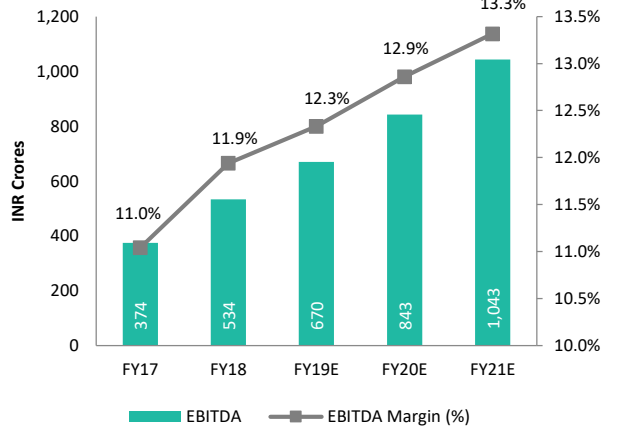


Minda Industries - Story in Charts

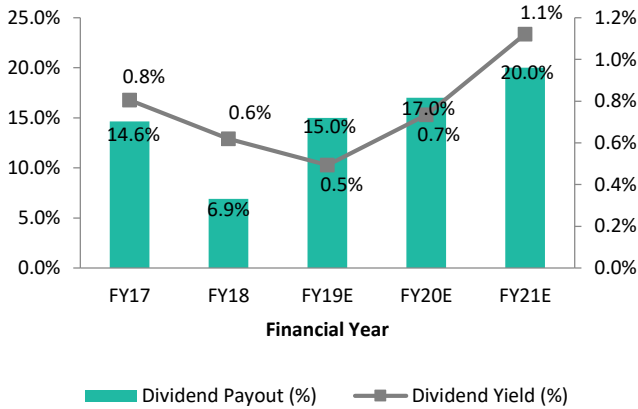
Return Ratios to Improve



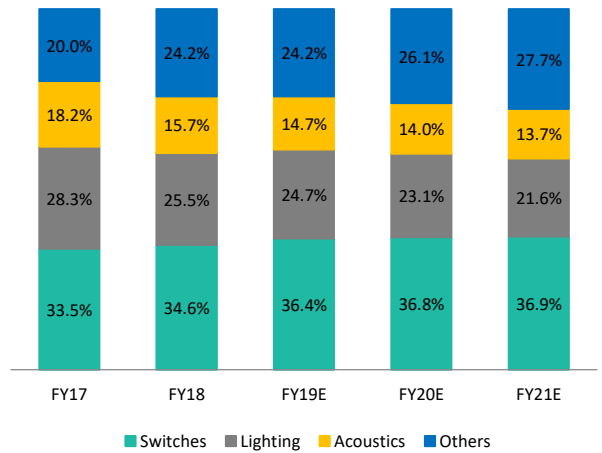
EBITDA Margin to remain Healthy



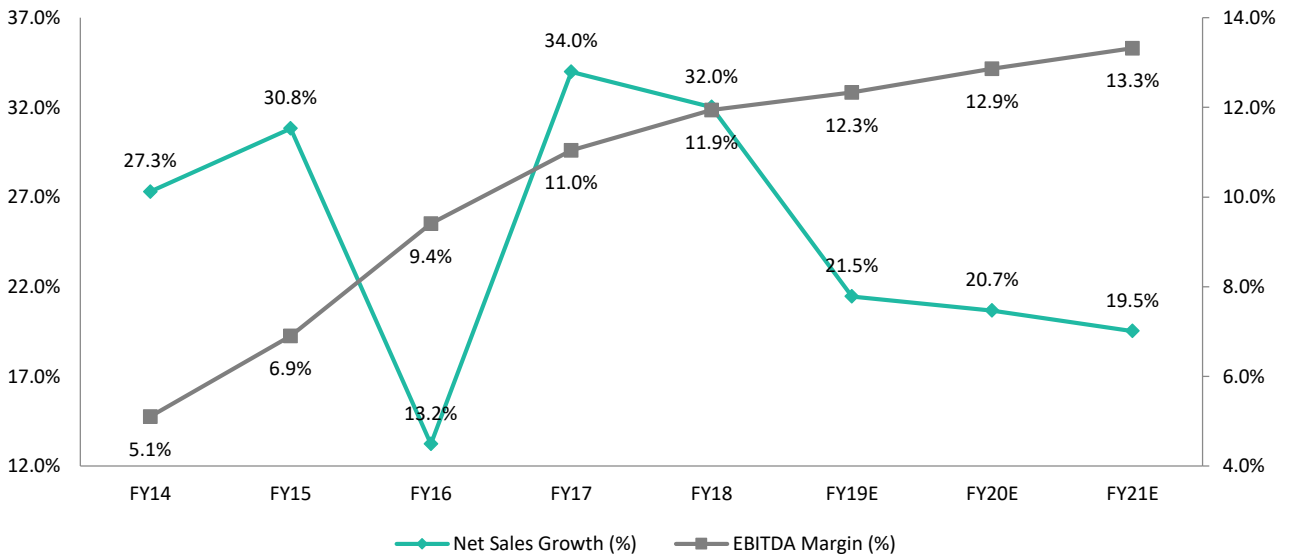
Dividend Payout to Improve Going Forward



Switches and Others Segment to Lead Growth



Robust Past High Double Digit Growth Performance Should Persist Going Forward



Source: Company, NSPL Research

ANALYST

Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
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Qualified and Experienced Management Team

Name	Current Position
Nirmal Minda	Chairman & Managing Director
Anand Minda	ED & CEO - Battery & Aftermarket Business
Sudhir Jain	ED & Group Chief Financial Officer
J. K. Menon	CEO - Electrical & Electronics Domain
Mr. Pradeep Tewari	CEO - Body & Structure Domain
Ravi Mehra	CEO - Interior, Controls & Safety Domain
Kundan Kumar Jha	CEO - Light Metal Technology Domain

Mr. Nirmal K. Minda

Chairman & Managing Director

Mr. Nirmal K. Minda is the Chairman & Managing Director of the company. He is an industrialist with a rich business experience of more than three decades in the Auto Components Sector. Under his dynamic leadership, the Group has grown manifold and has established footprints across the globe. He has been instrumental in forging new alliances and joint venture partnership with globally renowned names. Currently, UNO MINDA has a revenue of US\$ 662 million and has received numerous awards and recognitions. "Haryana Ratna Award" has been bestowed upon Mr. Nirmal K. Minda for his professional and social achievements. He has served as the Chairman of ACMA, Northern Region, for three consecutive years. Currently, he is designated as Vice President at ACMA for the year 2016-17.

Mr. A K Minda

ED & CEO – Battery & Aftermarket Business

Mr. Anand Kumar Minda is the Non-Executive Director of our Company. He has over 35 years of hands-on experience in financial control, reviews, manufacturing, and project management. He has been appointed as a member of the Board since 2011. Mr. Anand Kumar Minda plays a pivotal role in new projects and strategy formulation. He is also the member of the Audit Committee, Stakeholders Relationship Committee, and CSR Committee of the Company.

Mr. Sudhir Jain

ED & Group Chief Financial Officer

Mr. Sudhir Jain is the Chief Financial Officer of UNO MINDA Group. A Chartered Accountant and a Company Secretary by qualification, he has been with the Group for more than 20 years. He has been actively involved in all strategic planning activities of the Group, global acquisitions, collaborations, and group restructuring, besides others. Other key activities undertaken by Mr. Jain include globalisation of operations, i.e. setting up manufacturing bases in ASEAN countries, international funding, as well as domestic and global benchmarking of key performance indicators, including PPM levels, technology levels, methods, and processes.

Mr. J K Menon

CEO – Electrical & Electronics Domain

Mr. J. K. Menon is an alumnus of IIT Madras. He has a work experience spanning a total of 30 years, which has provided him with well-rounded exposure to various aspects of management, including strategy, finance, marketing, manufacturing, materials and technology development. His association with UNO MINDA dates back to 1997, when he joined the Group as Business Head. Since then he has held various leadership positions in the UNO MINDA Group. Under his leadership, UNO MINDA Group's 4W switch, Fuel Cap, and Blow Molding businesses, among others, have grown manifold, leading to UNO MINDA becoming the supplier of choice for these products. Prior to UNO MINDA, Mr. Menon has had stints with various reputed organizations, like DCM (as Managing Director), Eicher, HCL Ltd., and AKG Acoustics.

Mr. Pradeep Tewari

CEO – Body & Structure Domain

Mr. Pradeep Tewari is a Graduate from IIT Kanpur; he was a bright Scholar and has undergone a Business Leadership Program at Carnegie Mellon University, USA. Mr. Tewari is endowed with a sharp business acumen, competent people management skills, cross-cultural capabilities, and a transformational style of leadership, all of which he has acquired over his 36 years of experience in the industry. He has been working with the UNO MINDA Group since 2005. Before joining the MINDA Group, Mr. Tewari was the CEO for Tata Yazaki Autocomp Ltd., from 2002 to 2005. He has had stints in many reputed organisations, such as Murugappa Group and Thermax Group.

Mr. R Mehra

CEO – Interior, Control & Safety Domain

Mr. Ravi Mehra is a qualified Chartered Accountant, and a fellow member of the Institute of Chartered Accountants of India and The Institute of Company Secretaries of India. With 31 years in the industry, Mr. Mehra has a rich management experience and has handled roles in strategy, finance, marketing, manufacturing, materials, HR, and product/technology development. Mr. Mehra's association with UNO MINDA dates back to 1995, when he joined the Group as General Manager (Finance). He has held various leadership positions in the UNO MINDA Group. Under his leadership, the Group's 2W/3W switch business has expanded globally, catering to ASEAN countries, Europe, and Japan, besides being No. 1 in India. Prior to UNO MINDA, Mr. Mehra has had stints with various reputed organizations like Kelvinator, Pure Drinks Group, etc.

Mr. Kundan K. Jha

CEO – Light Metal Technology Domain

Mr. Kundan K. Jha's academic exposure includes a Post Graduate in Quality Management from England, as well as a Bachelor's Degree in Mechanical Engineering from the prestigious Birla Institute of Technology. His professional exposure includes rich corporate exposure of more than 32 years, with his association with UNO MINDA starting in November 2017. Before joining MIL, he worked with Aurangabad Electricals Ltd. as ED and CEO. Prior to that, Mr. Jha has worked with Bharat Forge Ltd, Sundaram Clayton Ltd., Enkei Castalloy Ltd., and Maruti Suzuki India Ltd.

ANALYST

Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
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NALANDA SECURITIES PRIVATE LIMITED

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+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com



Risks:

- **Quality Compromise:** To reduce quality risk, skilled workforce has provided job skill enhancement training. Additionally, the company regularly interacts with its suppliers and supervises by conducting periodical audits in their plants. Hence, the raw material plus processes meets the quality standards.
- **Competition:** To offset this, the company undertakes continuous R&D activities and has strong technical tie-ups.
- **Technology obsolescence:** Minda is associated with its JVs and associations with the global majors to deliver cutting edge technology products.
- The **on-going trade wars** between the major economies can disrupt the global automotive demand and in-turn impact the financials of Minda Industries.
- The sudden and continuous **increase in the commodities** and major raw material prices can bring down its overall margins. Although, the company has some pass through clause with its major customers.
- **Any separation from its global technology tie-ups.**

Peer Companies

Peer Comparison (Rs. In Crores)	Market Cap*	Net Revenues			EBITDA Margin (%)			PAT			RoE (%)			RoCE (%)			P/E (x)			EV/EBITDA (x)		
		FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Motherson Sumi	65,334	56,923	67,381	81,130	9.1%	10.9%	12.1%	1,597	2,530	3,566	19.5%	24.8%	28.9%	12.2%	17.0%	21.1%	37.7	25.8	18.3	14.3	9.8	6.9
Bosch	58,508	11,690	13,391	15,000	17.9%	19.0%	19.0%	1,371	1,787	1,970	14.4%	16.2%	16.0%	21.4%	24.2%	23.9%	42.0	32.3	29.3	26.8	21.9	19.1
Bharat Forge	31,624	8,358	9,890	11,319	20.6%	21.7%	22.3%	858	1,168	1,423	19.3%	23.0%	23.4%	20.2%	23.0%	25.1%	35.6	26.1	21.5	18.2	14.4	12.0
Minda Industries	11,122	4,471	5,430	6,552	11.9%	12.3%	12.9%	331	366	481	20.6%	19.1%	20.8%	18.2%	18.4%	20.0%	25.0	32.4	24.7	13.7	16.0	13.0
Jamna Auto	3,305	1,738	2,096	2,428	13.7%	13.8%	14.5%	125	161	200	33.1%	33.9%	33.9%	31.3%	30.1%	29.6%	27.0	20.9	16.8	14.2	11.7	9.5
Lumax Industries	1,870	165	205	247	8.2%	8.5%	9.5%	7.1	9.2	13.1	21.3%	23.4%	27.5%	19.5%	23.2%	31.6%	26.5	20.4	14.4	15.6	11.8	8.7

*As on 29th Aug 2018

ANALYST

Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
Amit Hiranandani, amit.hiranandani@nalandasecurities.com +91-22-6281-9643

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+91-22-6281-9600 | research@nalandasecurities.com | www.nalandasecurities.com



Profit & Loss (INR Crores)	FY17	FY18	FY19E	FY20E	FY21E
Net sales	3,386	4,471	5,430	6,552	7,832
COGS	2,116	2,763	3,335	4,007	4,780
Employee Expenses	451	587	716	867	1,030
Other Expenses	445	587	709	835	979
EBITDA	374	534	670	843	1,043
D&A	136	165	204	232	254
Other income	14	33	26	28	32
EBIT	252	402	492	639	821
Interest Expense	40	35	43	50	56
PBT	212	367	449	589	764
Exceptional Items	0	38	0	0	0
PBT (Including exceptional items)	212	405	449	589	764
Tax	46	98	108	142	184
PAT	165	308	341	447	580
Add:- Share of profit of associates and joint ventures	20	23	26	34	44
Total Profit After Share of Profit of Associates and Joint Ventures	185	331	366	481	624
Adj. EPS in INR	6.3	11.8	13.1	17.2	22.3

Balance Sheet (INR Crores)	FY17	FY18	FY19E	FY20E	FY21E
Share Capital	16	17	52	52	52
Net Worth	1,176	1,603	1,914	2,313	2,812

Long Term Borrowings	177	240	302	348	390
Other Financial Liabilities	54	51	63	75	90
Long Term Provisions	59	104	126	152	182
Total Non Current Liabilities	290	395	491	575	662

Short Term Borrowings	261	303	369	443	510
Trade Payables	486	798	969	1,175	1,414
Other Financial Liabilities	120	155	190	227	266
Other Current Liabilities	48	92	102	117	149
Short Term Provisions	9	15	18	22	26
Current tax liabilities (net)	7	4	4	6	7
Total Current Liabilities	931	1,367	1,652	1,989	2,372

Total Equity and Liabilities	2,398	3,365	4,057	4,878	5,846
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Fixed and Intangible Assets	1,002	1,561	1,721	1,777	1,771
Long Term Financial Assets	129	187	233	291	358
Deferred tax assets (net)	30	19	0	0	0
Other tax assets	15	31	35	45	59
Other non-current assets	20	40	49	59	71
Total Non-Current Assets	1,196	1,838	2,037	2,172	2,259

Inventories	238	418	493	582	681
Short Term Financial assets					
Trade receivables	500	790	959	1,157	1,383
Cash and cash equivalents	358	126	339	698	1,208
Bank balances other than those included under cash and cash equivalents	16	34	34	34	34
Loans	1	2	2	2	3
Other current financial assets	8	18	22	26	32
Other current assets	82	141	171	206	247
Total Current Assets	1,202	1,527	2,020	2,706	3,587

Total Assets	2,398	3,365	4,057	4,878	5,846
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Source: NSPL Research

ANALYST
Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
Amit Hiranandani, amit.hiranandani@nalandasecurities.com +91-22-6281-9643

NALANDA SECURITIES PRIVATE LIMITED
310-311 Hubtown Solaris, NS Phadke Marg, Opp Teli Gali, Andheri East, Mumbai 69
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Cash Flow (INR Crores)	FY17	FY18	FY19E	FY20E	FY21E
PBT	212	405	449	589	764
Operating Profit before Working Capital Changes	382	550	678	851	1,053
Cash Generated from Operations	390	447	638	813	1,027
Less: income tax paid	-56	-85	-108	-142	-184
Cash Flow from Operating	334	362	529	671	843
(Incr)/ Decr in Gross PP&E	-254	-517	-350	-250	-200
Cash Flow from Investing	-271	-641	-382	-300	-259
(Decr)/Incr in Debt	-3	84	129	119	108
Finance costs	-39	-35	-43	-50	-56
Cash Flow from Financing	253	46	66	-12	-73
Incr/(Decr) in Balance Sheet Cash	320	-232	213	359	510
Cash at the Start of the Year	38	358	125	339	698
Cash at the End of the Year	358	125	339	698	1,208

RATIOS	FY17	FY18	FY19E	FY20E	FY21E
Profitability:					
Return on Capital (%)	15.0%	18.2%	18.4%	20.0%	21.5%
Return on Equity (%)	15.7%	20.6%	19.1%	20.8%	22.2%
Margin Trend:					
EBITDA Margin (%)	11.0%	11.9%	12.3%	12.9%	13.3%
Net profit Margin (%)	5.5%	7.4%	6.7%	7.3%	8.0%
Solvency:					
Total Debt / Equity	0.4	0.4	0.4	0.4	0.4
Valuation Ratios:					
P/E	15.5	25.0	32.4	24.7	19.0
EV/EBITDA	6.5	13.7	16.0	13.0	10.9
P/B	2.2	4.8	5.8	4.8	4.0

Source: NSPL Research

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Minda Industries				Rating Legend	
Date	CMP (INR)	Target Price (INR)	Recommendation	Strong Buy	More than 15%
August 29, 2018	424	521	Strong Buy	Buy	5% - 15%
				Hold	0 - 5%
				Reduce	-5% - 0
				Sell	Less than -5%

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Other disclosures	NO

ANALYST

Vaibhav Chowdhry, vaibhav.chowdhry@nalandasecurities.com, +91-22-6281-9649
Amit Hiranandani, amit.hiranandani@nalandasecurities.com +91-22-6281-9643

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