BUSINESS

Multi Bagger for 2016: Buy Minda Corp for a target price of Rs.120

By Alex

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Minda Corporation is a diversified company with a product portfolio encompassing from Mechanical and Electronic Security System, Electronic Controllers for Electric Vehicles and for Auto OEM's across the Globe. We initiate a 'BUY' on the stock with a target price of Rs 120 with the medium to long term investment horizon.

Minda Corporation Ltd. is a leading automotive component company. It has a diversified product portfolio that encompasses Safety, Security & Restraint Systems; Driver Information & Telematics Systems and Interior Systems for auto OEMs. These products cater to 2/3 wheelers, passenger vehicles, commercial vehicles and after-market.

The company has registered decent results for the quarter ending September 2015. The consolidated revenues grew by 27.16% to Rs.616.22 crores vs. Rs.484.59 cr. in the year ago quarter while it grew ~17% q-o-q. The growth was due to the combined effect of new products that started during the year and of increase in the share of business of few of the existing customers. Operating profit too grew sharply by

29% at Rs.58.56 crores as against Rs.45.43 crores in the preceding quarter while it climbed 24% on a q-o-q basis. The company's continued focus on value added products coupled with the ongoing cost optimization initiatives helped the profits. The adjusted net profit surged at Rs.23.04 crore as against Rs.21.73 crore; registering growth of mere 6% on a y-o-y basis while it surged by 30% as compared to like quarter last year mainly attributed to lower interest outgo. Interest expense decreased on account of better cash management, lower working capital requirements and repayment of term loan.

Minda Corporation achieved a higher growth on the back of new business and strong performance by Wiring Harness, After Market & Die Casting operations.

Valuation

New product launches through technological advances and developments, client addition, increasing penetration in new territories, operational efficiency, capacity expansion and improving financial metrics bodes well for the company growth going forward. We believe the company is trading at an attractive valuation at 16.87x and 11.49x of FY16EPS of Rs.5.30 and FY17EPS of Rs.7.78. We initiate a 'BUY' on the stock with a target price of Rs 120 (appreciation of about 34%) with the medium to long term investment horizon.

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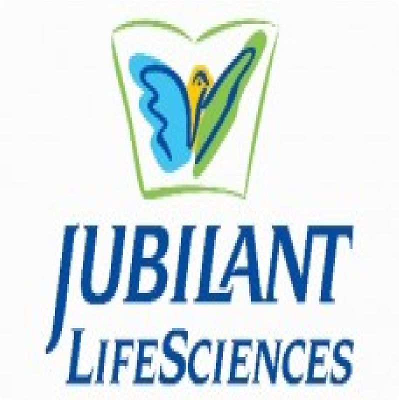

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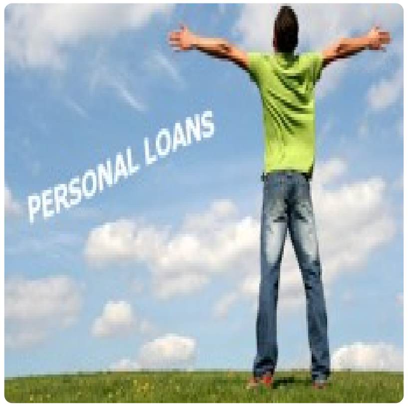

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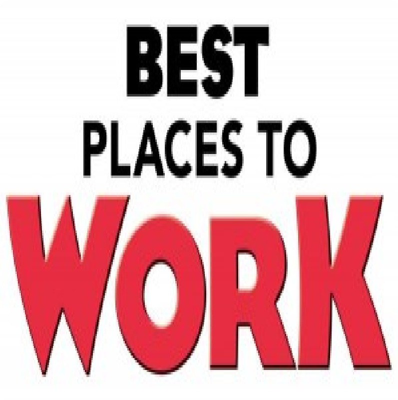

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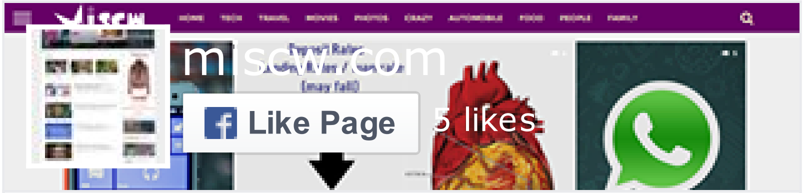

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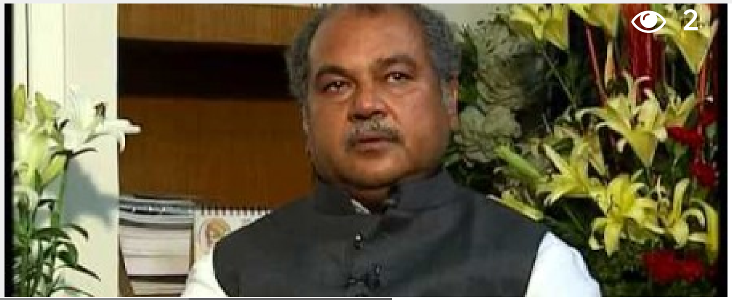

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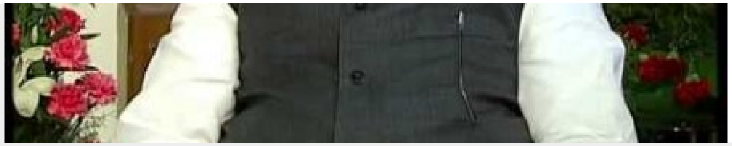

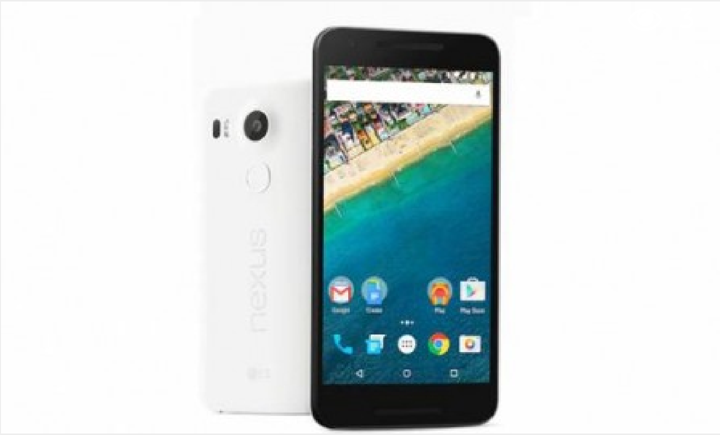

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