

UNO Minda Ltd



UNO Minda Ltd

“Quarterly steady performance ensures long-term healthy outlook”

CMP INR 550	Target INR 594	Potential Upside 8%	Market Cap (INR Mn) 314,464	Recommendation ACCUMULATE	Sector Auto & Ancillary
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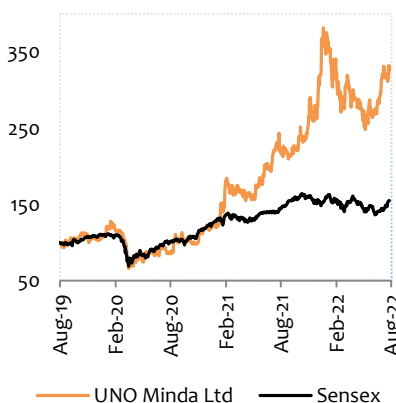
Result highlights

- UNO Minda revenue grew by 59.5% yoy at INR 25,552Mn (5.8% qoq, ~1.2% below KRC estimates) backed by ease in supply side constraints; rise in 2W volumes / PVs segment owing to pick up in demand led by new launches.
- EBITDA reported at INR 2,659Mn (81.2% yoy / -3.5% qoq) and EBITDA margin stood at 10.4% (+125bps yoy / -100bps qoq). There was a sequential impact on EBITDA margins due to rise in energy costs and raw material inflationary pressures.
- PAT reported at INR 1,499Mn (+502.7% yoy / -4.0% qoq); PAT margin stood at steady levels of 5.87% (+490bps yoy / -11bps qoq).
- Diluted EPS reported at INR 2.42 as against INR 0.27 in Q1FY22 and INR 2.56 in Q4FY22.
- Recently, the company has changed its name from ‘Minda Industries Limited’ to ‘UNO Minda Limited’ with a new tagline of “Driving the new”. This change was with an intention to reflect its unique legacy in Indian automotive system suppliers and extend its brand identity of ‘UNO Minda’.

MARKET DATA

Shares outs (Mn)	571
Equity Cap (INR Mn)	1,142
Mkt Cap (INR Mn)	314,464
52 Wk H/L (INR)	1,260/562
Volume Avg (3m K)	729.9
Face Value (INR)	2
Bloomberg Code	UNOMINDA IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	58,853
NIFTY	17,525

SHARE HOLDING PATTERN (%)

Particulars	Jun-22	Mar-22	Dec-21
Promoters	67.4	67.5	67.5
FIIIs	9.0	9.8	9.9
DIIIs	13.9	13.2	13.1
Others	9.7	9.6	9.5
Total	100.0	100.0	100.0

KEY FINANCIALS

Particulars (INR Mn)	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
Net Sales	62,220	63,737	83,130	1,04,686	1,30,943
EBITDA	6,728	7,251	8,854	12,649	17,743
PAT	1,562	2,068	3,558	5,957	8,923
EPS	5.98	7.60	12.64	10.43	15.62
EBITDA Margin (%)	10.8%	11.4%	10.7%	12.1%	13.6%
PAT Margin (%)	2.5%	3.2%	4.3%	5.7%	6.8%

Source: Company, KRChoksey Research

Performance remained stable; positive demand across industry

- UNO Minda reported healthy revenue growth backed by positive momentum in overall automotive industry. The management expects EBITDA margins to be in the range of 11% - 12% in FY23. In Q1FY23, EBITDA margin was largely impacted by high energy costs and inflationary pressure on commodities, such as aluminum and electronic components. Further, increased employee and other operating costs had also an impact on margins.
- During the quarter, it has received incremental order of INR 4,700Mn from EV OEM for motor controllers and DC-DC converters. The products like battery packs and Acoustic Vehicle Alert System (AVAS) are under discussion with customers for supply.

Lighting, Seating and Castings observed healthy growth

- Revenue from switching system observed muted sequential growth at INR 7,300Mn that contributes 29% of total revenue in Q1FY23. UNO Minda has been receiving orders for its new products in this segment, such as power window switches, panel switches, vehicle stability switches, etc.
- Revenue from lighting system stood at INR 5,820Mn grew 11% qoq and contributed 23% of total revenue during the quarter. It has received orders for Head lamps, tail lamps and blinkers of 2W EV OEMs.
- Casting and seating both the businesses delivered a robust sequential growth of 14% with a revenue of INR 4,840Mn and INR 2,590Mn that contributed 19% / 10% of total revenue, respectively. Rise in volumes from 2W segment and recovery in CV segment has sustained the seating business. It has recently completed expansion of alloy wheel lines at Bawal and ongoing expansion at Gujarat ensures near to long term business growth in casting business.
- There was a de-growth in revenue from acoustic segment due to an impact on the Clarton Horn, European subsidiary, due to high energy costs. The domestic business remained stable during the quarter. The revenue stood at INR 1,720Mn (-10% qoq) and contributed 7% of total revenue.
- Revenue from other segments (controller, sensors, ADAS, blow molding business, battery and aftermarket, etc.) grew 3% qoq at INR 3,280Mn, contributing 13% of total revenue. UNO Minda received incremental order for oil sensors from Japanese PV OEM and large orders won from EV OEMs for EV plus existing products.

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Con-call Highlights:

- The Indian Automotive Industry has faced many challenges with regards to rising commodity prices, semiconductors shortages, supply chain issues and geopolitical tensions. Despite these challenges, it expects resilient demand with learning from pandemic period and other major challenges. The industry is progressing well post recovery in economic activities, mainly in 2W and PVs segment. It has also observed pick up in CVs demand. The management has a positive outlook on the overall automotive industry.
- In the PV segment, new models are being launched which suggests uptick in demand post recovery in economic activities approaching near normal.
- In the EV segment, the penetration is expected to rise in 2Ws, 3Ws and PV segment on the back of advancement in market and technology. There is a pick up in demand for electric 2Ws during the FY22 and Q1FY23. The management foresees EV adoption and penetration in CV segment as well which will support the rise in content per vehicle.
- During the quarter, it has completed alloy wheel expansion plan at Bawal with 60K 4W lines, of which 30K commissioned in Apr'22 and remaining 30K commissioned in Jun'22. Another expansion at Gujarat of 30K 4W is in progress which is expected to be commissioned in Q1FY24. All four lines in 2W alloy wheel are fully operational.
- In 2W segment, phase 1 expansion plan of 3.6Mn wheels is now fully operational and it expects to generate revenue from Q2FY23 onwards. It has also started commercial operations of 4W lighting plant.
- UNO Minda has continued to increase its kit value for some of its recently launched facelift models for Japanese and Indian OEMs backed by the incremental order wins for EV components as well as existing products.
- Full year EBITDA guidance for FY23E stands at 11% - 12%.
- Overall finance costs increased due to increase in debt as well as interest rates hike by Reserve Bank of India.
- From FY23 onwards, UNO Minda has moved from old tax regime to new tax regime and it has resulted into sequential reduction in tax expenses from INR 48Cr in Q4FY22 to INR 31Cr in Q1FY23 for the quarter.
- It has expanded its aftermarket business network over the years which covers 620 cities in India, with 1,473 business partners and 44,503 retailers on board.

Valuation & Outlook

UNO Minda has a planned CAPEX worth INR 6,000Mn which confirms available potential demand in the market for its various products. The industry is estimating multi-fold growth in EV segment with a faster adoption in 2W and 3Ws, while gradual acceptance in PV and CV segments. We estimate revenue to grow at 26% CAGR and PAT to grow by 58% CAGR over FY22-24E. UNO Minda has recently issued bonus shares to its shareholders in 1:1 ratio. **Currently, the stock is trading at PE multiple of 52.7x and 35.2x based on our FY23E / FY24E EPS estimates, respectively. We assign PE multiple of 38.0x to FY24 EPS of INR 15.6 to arrive at a target price of INR 594/share (Previous target: INR 590) and change our recommendation from BUY to ACCUMULATE with an upside of 8% over the CMP.**

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Q1FY23 Result Performance

Particular (INR Mn)	Q1FY23	Q4FY22	Q1FY22	QoQ (%)	YoY (%)
Total Income	25,552	24,151	16,026	5.80%	59.45%
COGS	16,562	15,475	9,820	7.02%	68.66%
Gross Profit	8,990	8,676	6,206	3.62%	44.87%
Gross Margin (%)	35.2%	35.9%	38.7%	-74bps	-354bps
Employee benefits expense	3,410	3,325	2,762	2.58%	23.46%
Other expenses	2,922	2,597	1,977	12.52%	47.80%
EBITDA	2,659	2,755	1,467	-3.50%	81.23%
EBITDA Margin (%)	10.4%	11.4%	9.2%	-100bps	125bps
Depreciation & Amortization expense	995	1,103	905	-9.80%	9.92%
EBIT	1,664	1,652	562	0.71%	196.03%
Finance costs	168	135	185	24.87%	-9.23%
Finance & other income	97	232	61	-58.29%	57.65%
EBT	1,593	1,750	438	-8.97%	263.44%
Tax Expense	311	483	139	-35.56%	123.42%
Net profit after tax	1,282	1,267	299	1.15%	328.63%
Share of loss of joint venture	217	295	-50	-26.32%	-531.81%
PAT	1,499	1,562	249	-4.03%	502.65%
PAT Margin	5.9%	6.5%	1.6%	-60bps	431bps
Diluted EPS	2.42	2.56	0.27	-5.47%	796.30%

Source: Company, KRChoksey Research

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Income Statement

Particulars (INR Mn)	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E
Total Sales	62,220	63,737	83,130	1,04,686	1,30,943
COGS	38093	39192	52720	64905	79875
Gross Profit	24128	24546	30410	39781	51068
Employee cost	9438	9817	12065	15179	18790
Other manufacturing expenses	7961	7478	9491	11952	14535
EBITDA	6,728	7,251	8,854	12,649	17,743
Depreciation	3,401	3,753	3,918	4,177	4,937
EBIT	3,327	3,498	4,936	8,472	12,806
Interest & Finance charges	942	737	623	681	713
Other Income	405	470	629	837	1,048
EBT	2,790	3,232	4,943	8,629	13,141
Exceptional items (gains) / losses	-345	17	0	0	0
Tax	686	1,005	1,468	2,589	3,942
Min. Int / others/ jv	-198	-176	83	-83	-276
PAT	1,562	2,068	3,558	5,957	8,923
EPS (INR)	5.98	7.60	12.64	10.43	15.62

Source: Company, KRChoksey Research

Balance Sheet

Particulars (INR Mn)	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
Equity Share Capital	524	544	571	571	571
Reserves	18,086	22,022	33,813	38,948	47,048
Minority Interest	2,828	3,065	3,263	4,212	5,658
Net worth	21,439	25,630	37,648	43,731	53,277
Total loans	10,788	8,543	6,623	8,774	8,717
Deferred tax liability (Net)	410	424	624	624	624
Capital Employed	32,637	34,597	44,895	53,130	62,619
Net block	19,109	20,507	20,527	21,659	24,723
CWIP	3,400	1,119	3,353	3,688	4,057
Right of use assets	2,140	2,011	2,146	2,238	2,334
Intangible	6,174	5,936	5,801	5,698	5,599
Investments	3,734	5,286	5,946	7,328	9,166
Long-term loans and advances	162	310	260	286	314
Other non-current assets	632	517	725	523	523
Inventories	6,095	7,506	10,464	14,955	18,706
Sundry debtors	8,632	11,988	13,765	14,955	18,706
Cash and bank	3,439	2,382	2,344	4,366	5,512
Loans and advances	63	302	462	462	462
Other Current Assets	1,936	2,020	2,404	2,644	2,909
Total Current assets	20,415	24,214	29,559	37,503	46,416
Total Current liabilities	23,128	25,302	23,422	25,793	30,513
Net Current assets	-2,713	-1,088	6,137	11,710	15,903
Capital Deployed	32,637	34,597	44,895	53,130	62,619

Source: Company, KRChoksey Research

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Cashflow Statement

Particulars (INR Mn)	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
Net Cash Generated From Operations	10,486	3,487	4,004	5,831	12,137
Net Cash Flow from/(used in) Investing Activities	-8,352	-3,610	-6,987	-9,854	-10,207
Net Cash Flow from Financing Activities	-453	-406	3,110	6,135	-784
Net Inc./Dec in cash equivalents	1,681	-530	128	2,113	1,146
Closing Balance Cash and Cash Equivalents	2,502	2,112	2,254	4,366	5,512

Source: Company, KRChoksey Research

Ratios

Particulars	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
EBITDA Margin%	10.8%	11.4%	10.7%	12.1%	13.6%
APAT Margin%	2.5%	3.2%	4.3%	5.7%	6.8%
ROE%	8.4%	9.2%	10.3%	15.1%	18.7%
ROCE%	11.6%	11.3%	11.6%	17.1%	22.3%
Cash Conversion Cycle (days)	92	94	83	91	91

Source: Company, KRChoksey Research

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UNO Minda Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
10-08-2022	550	594	ACCUMULATE	Buy	More than 15%
26-05-2022	889	1,180	BUY		
10-02-2022	1,025	1,180	ACCUMULATE	Accumulate	5% – 15%
				Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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