

Healthy performance, strong growth lies ahead...

About the stock: Uno Minda (erstwhile Minda Industries, MIL) is India's largest maker of automotive switches, horns, seats & PV alloy wheels and third largest automotive lighting player.

- FY22 segment mix – 4-W 53%, 2-W 47%; switches, lighting, castings, horns and seats comprised 30%, 21%, 16%, 8% and 11% of sales, respectively
- History of vast outperformance vs. user industries riding on growth in kit value, new client and product additions & inorganic acquisitions

Q2FY23 Results: The company posted healthy Q2FY23 results.

- Consolidated revenues were at ₹ 2,877 crore, up 12.6% QoQ
- EBITDA margins for the quarter came in at 11.1%, up 66 bps QoQ
- Consolidated PAT in Q2FY23 was at ₹ 170 crore up 22.6% QoQ

What should investors do? MIL's has been one of our early finds with stock price nearly 4x since our initiation in April 2020, vastly outperforming the Nifty Auto index.

- We retain **BUY** rating on the stock amid robust demand outlook in the PV domain, consistent work on increase in content/vehicle and capabilities in developing import substitution products in the EV space

Target Price and Valuation: Upgrading our estimates, we now value the company at unchanged target price of ₹ 650 i.e. 45x P/E on FY24E EPS of ₹ 14.4/share.

Key triggers for future price performance:

- Riding on new client addition in 2-W/4-W space, new product offerings, leveraging existing client base, focus on premiumisation, expanded capacity and penchant to grow ahead of industry, we expect sales at the company to grow at 22.1% CAGR over FY22-24E (much ahead of industry)
- Largely EV immune product profile with EV order book placed at a peak annual revenue run-rate of ₹ 1,000 crore+ with ~50% EV specific products
- Rising content per vehicle amidst electrification, regulation led mandatory offerings (i.e. airbags & AVAS) & increasing share of new age products
- Mix, operating leverage to push margins, RoCE to ~12%, ~17% by FY24E
- B/s strength, with FY22 debt: equity at 0.2x amid positive CFO generation

Alternate Stock Idea: Besides MIL, in our auto coverage we like M&M.

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with target price of ₹ 1,590

Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	5,908.1	6,222.0	6,373.7	8,313.0	19.1%	10,583.4	12,399.4	22.1%
EBITDA	725.2	671.8	725.0	885.4	18.2%	1,163.8	1,487.9	29.6%
EBITDA Margins (%)	12.3	10.8	11.4	10.7		11.0	12.0	
Net Profit	285.6	155.2	206.6	355.8	16.2%	592.7	823.0	52.1%
EPS (₹)	5.0	2.7	3.6	6.2		10.4	14.4	
P/E	110.1	202.6	152.2	88.4		53.1	38.2	
RoNW (%)	19.0	8.3	9.2	10.3		14.9	17.4	
RoCE (%)	15.7	9.3	9.1	10.2		13.5	16.9	

Source: Company, ICICI Direct Research



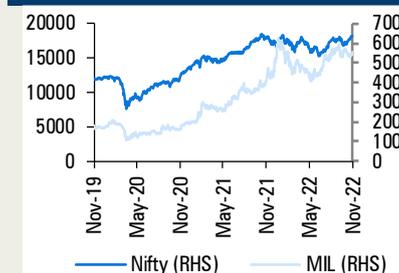
Particulars

Particulars	Amount
Market capitalisation (₹ crore)	31,446
Total Debt (FY22, ₹ crore)	816
Cash & Inv. (FY22, ₹ crore)	246
EV (₹ crore)	32,016
52 week H/L (₹)	630 / 360
Equity capital (₹ crore)	114.4
Face value (₹)	2.0

Shareholding pattern

	Mar-22	Jun-22	Jul-22	Sep-22
Promoter	67.5	67.4	67.4	70.1
FII	9.8	9.1	9.0	9.1
DII	13.2	13.8	13.9	14.0
Other	9.6	9.7	9.7	6.9

Price Chart



Recent event & key risks

- Post healthy Q2FY23 results.
- Key Risk:** (i) slower than anticipated acceptance of new products in EV domain, (ii) delayed margin recovery amidst elevated energy cost (power)

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Raghendra Goyal
raghvendra.goyal@icicisecurities.com

Key takeaways of recent quarter & conference call highlights

Q2FY22 Results

- Consolidated revenues for the quarter came in at ₹ 2,877 crore (up 12.6% QoQ). Sequential topline growth was primarily led by lighting segment wherein revenues grew 13% QoQ to ₹ 659 crore & Light Metal Technologies segment wherein revenues grew 27% QoQ to ₹ 614 crore
- Consolidated EBITDA for Q2FY23 was at ₹ 318.4 crore with attendant margins at 11.1%, up 66 bps QoQ. Gross margin remained flat QoQ with savings realised under employee costs which were down ~66 bps on QoQ basis at 12.7% of sales. MIL largely realised operating leverage benefits
- Reported consolidated PAT for the quarter was at ₹ 170 crore, up 22.6% QoQ aided by QoQ topline growth & higher EBITDA margins

Q2FY23 Earnings Conference Call highlights

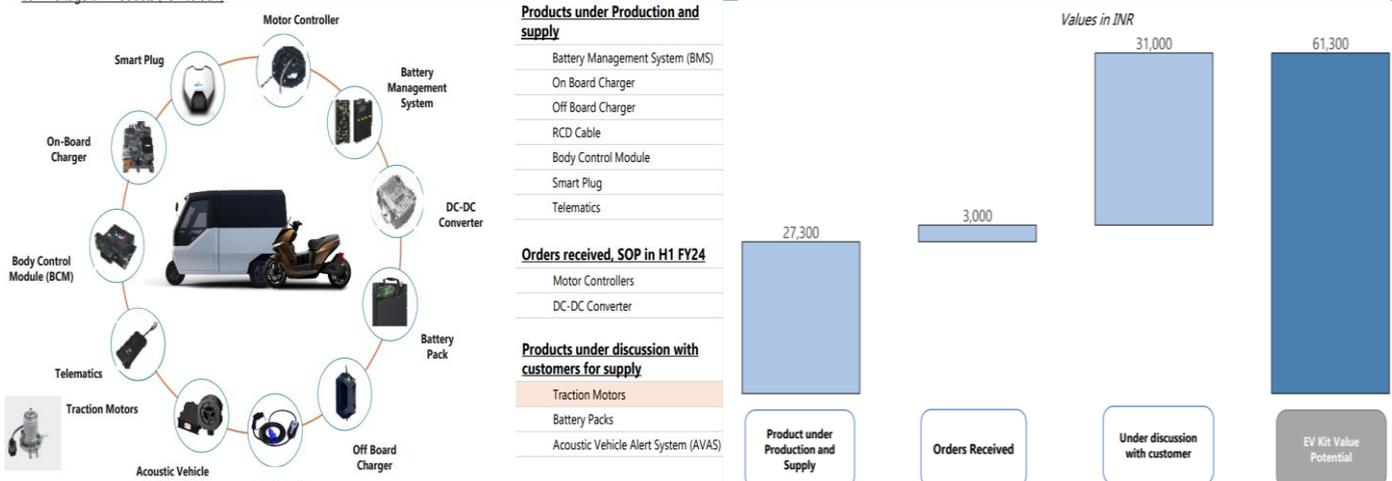
- During Q2FY23 the company witnessed healthy demand traction from both 2-W & PV OEMs amid festive season. The company also informed about extension of anti-dumping duty on 4-W alloy wheels' business to protect domestic business. It expects 2-W demand to witness good traction tracking healthy monsoon & positive rural sentiments
- During the quarter UML entered into JV with Buehler for manufacturing of traction motors for 2-W/3W. In first phase motors of up to 6 Kwhr would be made & in second phase up to 9 Kwhr would be targeted. Also company approved setting up of new 4-W lighting business with outlay of ₹ 240 crore in first phase with total capex for the same envisaged at ~₹ 400 crore
- In lighting division during Q2FY23 the company received order for front fog lamps from major American OEM, also company won complete lighting order from electric 2-W OEM
- In castings business it won an order from Indian PV OEMs apart from existing 2-W OEM clients and also received battery housing order
- Capex guidance for FY23E was in the range of ~₹ 600-700 crore
- Alloy wheel segment revenue was at ~₹ 475 crore of which 2-W alloy wheel revenues were at ~₹ 160 crore while 4-W alloy wheel revenues were at ~₹ 320 crore
- With Tachi-S JV company will initially manufacture seat recliner component only but plans to develop full seating system in coming years for PV space
- Company maintains 11-12% EBITDA margin guidance for FY23E
- Minda Kosei (4-W alloy wheel) margins are ~15% due to inflationary scenario and expanded base but management aspires it to be ~15-17%

Management informed about energy cost impacting margins thus limiting operating leverage.

Within lightning revenue 2W forms ~₹250 crores & ~₹200 crores by PV.

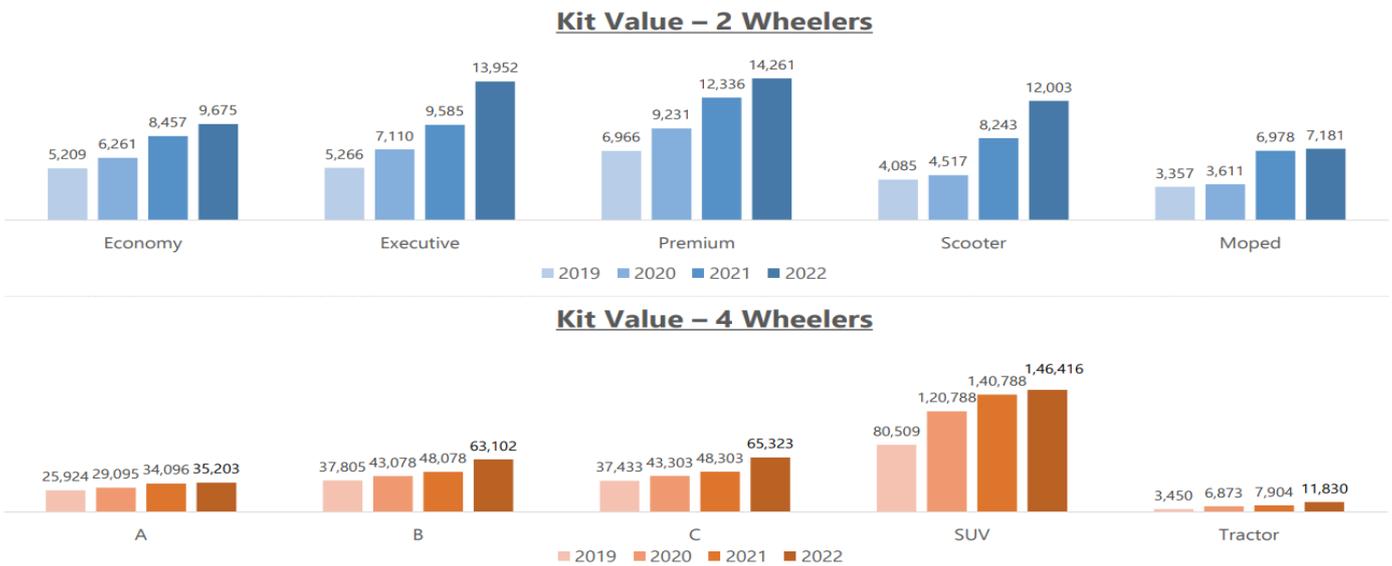
Company is ready to supply with airbags to OEMs as and when regulation comes into effect. Further w.r.t mandatory seatbelt management informed about requirement of vehicle alert system (AVAS) being required in coming year and same is being already produced and is in discussion with client.

Exhibit 1: Uno Minda's EV portfolio & Potential Kit value



Source: Company, ICICI Direct Research

Exhibit 2: Evolvement of Kit value over the years at MIL



Source: Company, ICICI Direct Research

Exhibit 3: Strategic business update (JV with Buehler)

Joint Venture with Buehler

About JV Partner

- Buehler Motor GmbH ("Buehler"), is a Germany based, leading global company providing Intelligent e-drive solutions.
- Being the leading suppliers of customized mechatronic drive solutions today with 11 sites on three continents. They specialize in product offerings like DC and BLDC motors, gear motors, pumps and more.
- They have a well diversified customer mix and their customer base not only covers automotive industry but aviation and other industries too.
- Uno Minda shall hold 50.1% stake in this JV, while remaining stake shall be held by Tachi-S.
- Total Capex for the project is envisaged to be Rs ~110 Crores over the course of next 5 years including sustaining capex. This shall be funded through an appropriate mix of Equity, Debt and Internal Accruals.



JV Rationale and Way Forward

- The Joint Venture currently, will offer traction motors for battery driven electric 2 wheelers and 3 wheelers
- The joint venture will also explore development of traction motors between 9kW up to 15 kW based on technical and commercial feasibility

Source: Company, ICICI Direct Research

Exhibit 4: Strategic business update (JV with Tachi-S & Capacity Expansion)

Joint Venture with Tachi-S

About JV Partner

- Established in 1954, Tachi-S is a leading seats manufacturer headquartered in Tokyo, Japan.
- With a diversified revenue of 206 BN ¥, TACHI-S is an integrated automobile seat manufacturer having 70 facilities in 13 countries.
- Uno Minda shall hold 51% stake in this JV, while remaining stake shall be held by Tachi-S



JV Rationale and Way Forward

- Uno Minda group is already an established automotive seating system supplier for CVs, 2Ws and Off-road vehicles. With this JV, we firmly announce our expansion into 4Ws too
- In addition to its current offerings, the JV intends to develop following products in a phased manner subject to feasibility:
 - ✓ Seating mechanisms including sliders, height adjusters
 - ✓ Seat Frames
 - ✓ Full Seats and Seating Assembly

Capacity Enhancement - 4W Lighting Project

- Lighting, along with the Alloy Wheel business has been a major contributor to revenue growth of the group as we have been able to make significant in-roads with new OEMs. As a result, capacity constraint at our current manufacturing facilities have arisen amidst plethora of new launches.
- The Board has now approved a new project with a total outlay of Rs ~430 Crs over the course of next 6 years including sustaining capex. This shall be funded through an appropriate mix of Equity, Debt and Internal Accruals.
- The project shall be operational by Q4FY24

Source: Company, ICICI Direct Research

Exhibit 5: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY%	Q1FY23	QoQ%	Comments
Total Operating Income	2,876.8	2,709.4	2,114.0	36.1	2,555.2	12.6	Topline came in ahead of our estimates and was up 12.6% QoQ at ₹ 2,877 crore
Raw Material Expenses	1,865.9	1,747.6	1,340.6	39.2	1,656.2	12.7	
Employee Expenses	364.8	352.2	302.5	20.6	341.0	7.0	Savings were realised under the employee costs head and was down 67 bps QoQ at 12.7% of sales
Other Expenses	327.8	318.4	243.0	34.9	292.2	12.2	
EBITDA	318.4	291.3	227.9	39.7	265.9	19.8	
EBITDA Margin (%)	11.1	10.8	10.8	29 bps	10.4	66 bps	EBITDA margins came in ahead of estimates tracking o/p leverage benefits in terms of lower overhead costs
Depreciation	107.2	109.3	96.8	10.8	99.5	7.8	
Interest	19.2	17.4	17.7	8.5	16.8	13.9	Interests costs came in on expected lines
Other Income	16.1	11.8	21.1	-23.6	9.7	66.1	Other income came in tad higher
PBT (before exceptional)	208.1	176.4	134.5	54.8	159.2	30.7	
Total Tax	54.6	44.5	42.3	29.1	31.1	75.5	
Reported PAT	170.1	143.1	94.7	79.6	138.8	22.6	PAT for the quarter was much ahead of estimates tracking beat on sales growth as well as margins

Source: Company, ICICI Direct Research

Exhibit 6: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	10,418	10,583	1.6	12,135	12,399	2.2	Marginally tweaked estimates. We expect sales at the company to grow at a CAGR of 22% over FY22-24E
EBITDA	1,150	1,164	1.2	1,426	1,488	4.4	
EBITDA Margin (%)	11.0	11.0	-5 bps	11.8	12.0	25 bps	Marginally upgraded margin estimates tracking robust Q2FY23 and upbeat management commentary
PAT	573	593	3.4	778	823	5.8	
EPS (₹)	10.0	10.4	3.4	13.6	14.4	5.8	Our earnings estimates stage a single digit upgrade. We expect earnings at the company to grow at a CAGR of 52% over FY22-24E, albeit on a low base

Source: ICICI Direct Research

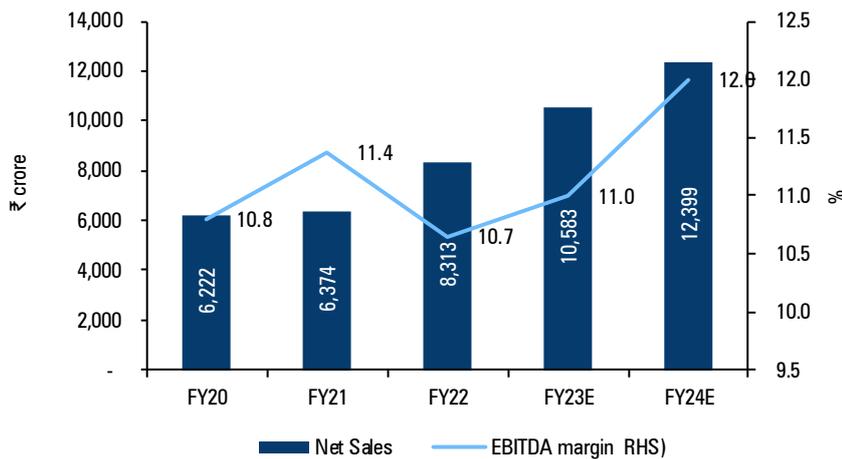
Exhibit 7: Assumptions

(₹ crore)	Current					Earlier		Comments
	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Switches	2,014	1,814	2,455	2,995	3,444	2,946	3,358	Lighting and LMT (incl. alloy wheels) divisions are seen spear heading the growth at the company and are expected to grow at a CAGR of 25% and 33% respectively. Acoustic space is seen underperforming the pack with CAGR growth pegged at 12% in the aforesaid period
Lighting	1,223	1,417	1,787	2,412	2,774	2,322	2,648	
Acoustics	653	607	647	725	812	725	812	
LMT	781	748	1,365	1,938	2,423	1,843	2,303	
Others	1,551	1,788	2,059	2,514	2,947	2,582	3,014	
Total Sales	6,222	6,374	8,313	10,583	12,399	10,418	12,135	

Source: ICICI Direct Research

Financial story in charts

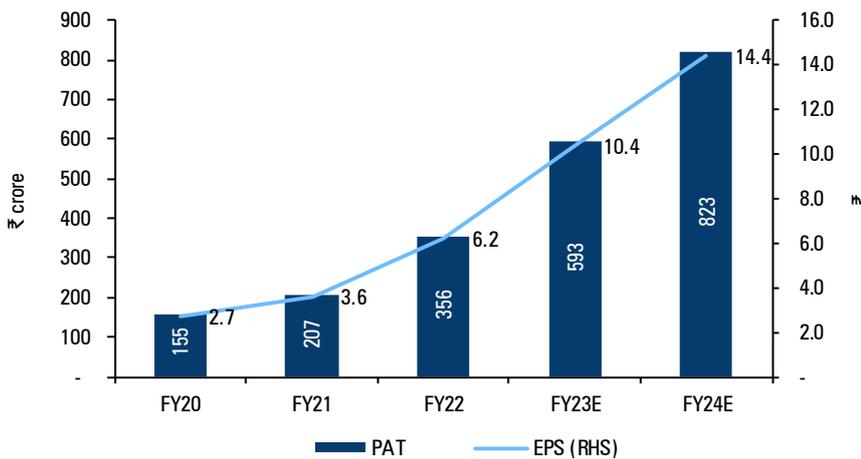
Exhibit 8: Topline and margin trend



We expect sales to grow at a CAGR of 22.1% over FY22-24E with EBITDA margins set to improve to 12% by FY24E

Source: Company, ICICI Direct Research

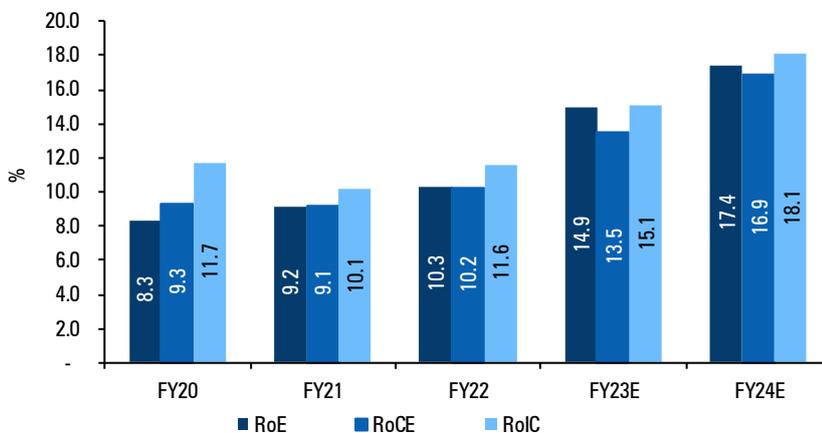
Exhibit 9: Trend in PAT and EPS



We expect MIL to report an EPS of |10.4 in FY23E and |14.4 in FY24E. With improving margin profile PAT growth is seen healthy at ~52.1% CAGR over FY22-24E

Source: Company, ICICI Direct Research.1

Exhibit 10: Trend in return ratios



The company is seen reporting healthy double-digit return ratio territory (~15-17%) from FY23E

Source: Company, ICICI Direct Research

Exhibit 11: Valuation Summary

	Sales (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY19	5,908	32.2	5.0	(57.8)	110.1	44.7	19.0	15.7
FY20	6,222	5.3	2.7	(45.7)	202.6	48.1	8.3	9.3
FY21	6,374	2.4	3.6	33.1	152.2	44.5	9.2	9.1
FY22	8,313	30.4	6.2	72.2	88.4	36.2	10.3	10.2
FY23E	10,583	27.3	10.4	66.6	53.1	27.5	14.9	13.5
FY24E	12,399	17.2	14.4	38.9	38.2	21.4	17.4	16.9

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Net Sales	6373.7	8313.0	10583.4	12399.4	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	6,373.7	8,313.0	10,583.4	12,399.4	
Growth (%)	2.4	30.4	27.3	17.2	
Raw Material Expenses	3,919.3	5,272.0	6,818.9	7,935.6	
Employee Expenses	981.7	1,206.5	1,388.3	1,549.9	
Other Operating Expense	747.8	949.1	1,212.3	1,425.9	
Total Operating Expenditure	5,648.8	7,427.6	9,419.5	10,911.5	
EBITDA	725.0	885.4	1,163.8	1,487.9	
Growth (%)	7.9	22.1	31.5	27.8	
Depreciation	375.3	391.8	423.3	465.0	
Interest	73.7	62.3	82.3	63.3	
Other Income	47.0	62.9	45.4	51.1	
PBT	323.1	494.3	703.7	1,010.8	
Others	15.9	-8.3	-59.4	-66.9	
Total Tax	100.5	146.8	170.4	254.7	
PAT	206.6	355.8	592.7	823.0	
Growth (%)	33.1	72.2	66.6	38.9	
EPS (₹)	3.6	6.2	10.4	14.4	

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Profit after Tax	206.6	355.8	592.7	823.0	
Add: Depreciation	375.3	391.8	423.3	465.0	
(Inc)/dec in Current Assets	-512.6	-526.7	-706.8	-590.7	
Inc/(dec) in CL and Provisions	130.0	34.2	423.3	379.5	
Others	73.7	62.3	82.3	63.3	
CF from operating activities	273.0	317.3	814.8	1,140.1	
(Inc)/dec in Investments	-127.6	-78.8	-62.9	-50.0	
(Inc)/dec in Fixed Assets	-276.4	-609.5	-700.0	-750.0	
Others	60.9	39.9	37.1	45.2	
CF from investing activities	-343.1	-648.5	-725.8	-754.8	
Issue/(Buy back) of Equity	2.0	2.7	57.2	0.0	
Inc/(dec) in loan funds	-147.9	-236.5	50.0	-200.0	
Interest and Dividend outgo	-96.8	-105.2	-139.4	-134.7	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	210.0	666.1	-57.2	0.0	
CF from financing activities	-32.7	327.2	-89.4	-334.7	
Net Cash flow	-102.7	-4.0	-0.4	50.6	
Opening Cash	340.9	238.1	234.1	233.7	
Closing Cash	238.1	234.1	233.7	284.3	

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet					₹ crore
(Year-end March)	FY21	FY22	FY23E	FY24E	
Liabilities					
Equity Capital	54.4	57.1	114.4	114.4	
Reserve and Surplus	2,202.2	3,381.3	3,859.5	4,611.1	
Total Shareholders funds	2,256.6	3,438.4	3,973.9	4,725.4	
Total Debt	1,052.4	815.9	865.9	665.9	
Deferred Tax Liability	29.9	62.4	62.4	62.4	
Minority Interest / Others	486.6	528.8	565.9	611.1	
Total Liabilities	3825.4	4,845.5	5,468.1	6,064.9	
Assets					
Gross Block	3,753.5	4,150.8	4,897.3	5,847.3	
Less: Acc Depreciation	1,238.4	1,630.2	2,053.5	2,518.5	
Net Block	2,515.1	2,520.7	2,843.8	3,328.9	
Capital WIP	134.3	346.5	300.0	100.0	
Total Fixed Assets	2,649.4	2,867.2	3,143.8	3,428.9	
Investments & Goodwill	811.9	890.7	953.7	1,003.7	
Inventory	750.6	1,046.4	1,304.8	1,528.7	
Debtors	1,198.8	1,376.7	1,739.7	2,038.3	
Loans and Advances	30.2	26.0	33.0	38.7	
Other Current Assets	229.3	286.6	364.8	427.4	
Cash	238.1	234.1	233.7	284.3	
Total Current Assets	2,447.0	2,969.7	3,676.1	4,317.4	
Current Liabilities	1,977.9	1,836.6	2,225.1	2,573.0	
Provisions	174.1	149.6	184.4	216.0	
Current Liabilities & Prov	2,152.0	1,986.2	2,409.4	2,789.0	
Net Current Assets	295.0	983.6	1,266.7	1,528.4	
Others Assets	69.1	104.0	104.0	104.0	
Application of Funds	3,825.4	4,845.5	5,468.1	6,064.9	

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	3.6	6.2	10.4	14.4
Cash EPS	10.2	13.1	17.8	22.5
BV	39.5	60.1	69.5	82.6
DPS	0.4	0.7	1.0	1.3
Cash Per Share (Incl Invst)	4.2	4.3	4.5	5.4
Operating Ratios (%)				
EBITDA Margin	11.4	10.7	11.0	12.0
PAT Margin	3.2	4.3	5.6	6.6
Inventory days	43.0	45.9	45.0	45.0
Debtor days	68.7	60.4	60.0	60.0
Creditor days	73.9	62.0	60.0	60.0
Return Ratios (%)				
RoE	9.2	10.3	14.9	17.4
RoCE	9.1	10.2	13.5	16.9
RoIC	10.1	11.6	15.1	18.1
Valuation Ratios (x)				
P/E	152.2	88.4	53.1	38.2
EV / EBITDA	44.5	36.2	27.5	21.4
EV / Net Sales	5.1	3.9	3.0	2.6
Market Cap / Sales	4.9	3.8	3.0	2.5
Price to Book Value	13.9	9.1	7.9	6.7
Solvency Ratios				
Debt/EBITDA	1.5	0.9	0.7	0.4
Debt / Equity	0.5	0.2	0.2	0.1
Current Ratio	1.1	1.5	1.6	1.6
Quick Ratio	0.7	0.9	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 16: ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)		(₹ Cr)	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Apollo Tyre (APOTYR)	295	335	Buy	18,734	10.1	16.5	25.0	29.3	17.8	11.8	9.1	7.0	5.3	6.3	9.4	13.0	5.4	8.4	11.7
Ashok Leyland (ASHLEY)	147	180	Buy	43,028	1.8	1.7	4.8	79.6	86.0	30.8	44.4	27.1	15.3	2.1	7.6	17.7	0.2	6.5	17.1
Bajaj Auto (BAAUTO)	3,731	3,910	Hold	1,07,958	173.4	200.2	232.2	21.5	18.6	16.1	16.5	13.6	11.6	18.4	24.7	28.0	17.6	22.6	25.4
Balkrishna Ind. (BALIND)	1,888	2,550	Buy	36,498	73.0	65.3	98.3	25.9	28.9	19.2	19.3	20.2	13.3	15.9	13.1	19.7	20.4	16.0	20.4
Bharat Forge (BHAFOR)	880	900	Buy	40,970	23.1	19.8	28.3	38.0	44.5	31.1	21.9	21.3	16.7	9.6	9.2	12.2	15.2	12.7	16.1
Eicher Motors (EICMOT)	3,727	4,170	Buy	1,01,859	61.3	101.8	122.0	60.8	36.6	30.5	43.0	26.1	21.9	13.3	20.4	20.9	13.3	19.3	20.1
Escorts Kubota (ESCORT)	2,023	2,330	Buy	26,686	58.0	47.8	72.5	34.9	42.3	27.9	23.0	26.4	18.9	10.4	7.8	10.0	9.7	8.4	10.4
Hero Moto (HERHON)	2,715	2,910	Hold	54,219	123.8	138.0	178.2	21.9	19.7	15.2	13.6	11.5	9.1	16.3	19.4	23.9	15.7	16.8	20.6
M&M (MAHMAH)	1,296	1,590	Buy	1,61,119	41.4	48.7	60.6	31.3	26.6	21.4	22.2	17.8	14.0	9.3	11.4	13.9	13.1	13.5	14.9
Maruti Suzuki (MARUTI)	9,109	11,200	Buy	2,75,165	124.7	234.9	350.2	73.1	38.8	26.0	40.9	22.0	15.6	5.1	12.5	16.7	7.0	12.0	16.0
Uno Minda (MININD)	550	650	Buy	31,446	6.2	10.4	14.4	88.4	53.1	38.2	36.2	27.5	21.4	10.2	13.5	16.9	10.3	14.9	17.4
Tata Motors (TATMOT)	415	465	Hold	1,58,904	-29.9	-22.3	8.2	-13.9	-18.6	50.6	6.9	7.3	4.8	4.8	4.4	11.9	-23.5	-21.3	7.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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