

UNO Minda Ltd.

BUY

Choice

Uno Minda in Q1FY25, reported a lower than expected performance. Revenue during the quarter, saw a growth of 23.4% YoY to Rs.38.175bn vs est of Rs.39.84bn. Healthy top line growth was backed by strong growth in the switch and lighting segment which saw a growth of 14% and 26% respectively on yearly basis. Switch business growth was supported by export order in the 2W segment. Other segment which saw a growth of 68% YoY basis was largely driven by consolidation of Minda Westport during the quarter. Gross profit up by 22.7% YoY to Rs.13.57bn. EBITDA margin for the quarter remained largely flat on yearly basis to 10.7% vs (est of 12.4%) due to sharp jump in employee cost which grew by 21.8% YoY. PAT for the quarter jumped by 15% YoY to Rs.2bn. Management expects in FY25 revenue to grow better than industry with margin in the range of 11-11.5%. During the quarter the company also announced plans to foray into sunroof mfg. from Q4FY27. Company has made a TLA with Aisin Corporation, Japan and earmarked the investment of Rs.62.5cr.

- In alloy wheel, to meet growing demand, the company is expanding the Bawal facility by an additional 30,000 capacities, scheduled for commissioning in Q2FY25, also securing land for another 30,000 capacity expansion in Bawal, with the implementation work to commence shortly. Construction of a new 120,000 wheel-per-month greenfield plant at IMT Karkoda is progressing as planned.
- Positive shift in Alloy wheel and Lighting:** Company is adding up new greenfield capacity in 4W alloy wheel in addition to Bawal and Pune (2W alloy wheel) and 4W lighting in Vietnam and Pune. In alloy wheel overall penetration in 4W segment in India is around 40-45% vs global penetration of 90-95%, management expects penetration in India to reach 70-75% over next 5-7 years resulting in 3-4x growth. In lighting segment Management anticipates further revenue improvement in this segment in the upcoming quarters, driven by the commencement of production for a new customer from Pune plant and intend to increase segment revenue share from current ~14-15% to 19-20% over next 4-5 years. In the EV segment, the company further increases its presence in EV component supply by signing TLA with StarCharge for 4W-home EV charging. Casting segment is also on healthy growth phase, driven by several factors: increasing penetration of alloy wheels in both the 2W and PV, rising demand for alloy wheels in the replacement sector, and capacity expansion currently company have 10% market share in 2W alloy and aiming to reach to 16% in coming year and in PV current market share is around 45%.

View and Valuation: UNO Minda is focusing on high-growth auto components like Alloy wheel, LED lighting, Sensors, ADAS, EV chargers, Sunroof and other premium components. To meet the changing dynamic of the automotive industry, the company is aggressively expanding its capacity in the various product categories like Alloywheel, Lighting, switches, seat belts and smart switches. We expect UNO Minda to see healthy revenue growth in the coming years backed by increasing KIT value by adding more premium and high growth products, increasing SOB with clients and adding capacity expansion. We reiterate our BUY rating on the stock with a TP of Rs. 1122, (45x of FY26E EPS).

Quarterly performance

| Particulars | Q1FY25 | Q1FY24 | YoY (%) | Q4FY24 | QoQ (%) |
|--------------------------|---------------|---------------|------------------|---------------|------------------|
| Net Sales | 38,175 | 30,927 | 23.4 | 37,940 | 0.6 |
| Material Expenses | 24,603 | 19,868 | 23.8 | 24,097 | 2.1 |
| Gross Profit | 13,572 | 11,059 | 22.7 | 13,844 | (2.0) |
| Employee Expenses | 5,163 | 4,239 | 21.8 | 4,518 | 14.3 |
| Other Operating Expenses | 4,332 | 3,519 | 23.1 | 4,585 | -5.5 |
| EBITDA | 4,077 | 3,301 | 23.5 | 4,740 | (14.0) |
| Depreciation | 1,417 | 1,190 | 19.1 | 1,493 | -5.0 |
| EBIT | 2,660 | 2,111 | 26.0 | 3,248 | (18.1) |
| Interest Cost | 363 | 252 | 44 | 320 | 13 |
| PBT | 2,408 | 1,937 | 24.3 | 3,019 | (20.3) |
| MI / Associate Share | 249 | 229 | NA | 456 | NA |
| RPAT | 667 | 439 | 52 | 850 | (22) |
| APAT | 1,990 | 1,728 | 15.2 | 2,891 | (31.2) |
| Adj EPS (Rs) | 1,990 | 1,728 | 15.2 | 2,691 | (26.1) |
| Margin Analysis | Q1FY25 | Q1FY24 | YoY (bps) | Q4FY24 | QoQ (bps) |
| Gross Margin (%) | 35.6 | 35.8 | (21) | 36.5 | (94) |
| Employee Exp. % of Sales | 13.5 | 13.7 | (18) | 11.9 | 162 |
| Other Op. Exp % of Sales | 11.3 | 11.4 | (3) | 12.1 | (74) |
| EBITDA Margin (%) | 10.7 | 10.7 | 1 | 12.5 | (181) |
| Tax Rate (%) | 27.7 | 22.6 | 504 | 28.2 | (47) |
| APAT Margin (%) | 5.2 | 5.6 | (37) | 7.1 | (188) |

Source: Company, CEBPL

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Aug 08, 2024

| | |
|----------------------|------|
| CMP (Rs) | 996 |
| Target Price (Rs) | 1122 |
| Potential Upside (%) | 12.6 |

Company Info

| | |
|-------------------------|--------------------|
| BB Code | UNOMINDA IN EQUITY |
| ISIN | INE405E01023 |
| Face Value (Rs.) | 2 |
| 52 Week High (Rs.) | 1207 |
| 52 Week Low (Rs.) | 551 |
| Mkt Cap (Rs bn.) | 571.9 |
| Mkt Cap (\$ bn.) | 6.8 |
| Shares o/s (Mn.)/F.F(%) | 574.2/31 |
| Adj. TTM EPS (Rs) | 15.4 |
| FY26E EPS (Rs) | 24.9 |

Shareholding Pattern (%)

| | Jun-24 | Mar-24 | Dec-23 |
|-----------|--------|--------|--------|
| Promoters | 68.75 | 68.76 | 68.72 |
| DII's | 16.39 | 17.16 | 16.91 |
| FII's | 8.65 | 7.57 | 7.94 |
| Public | 6.21 | 6.51 | 6.43 |

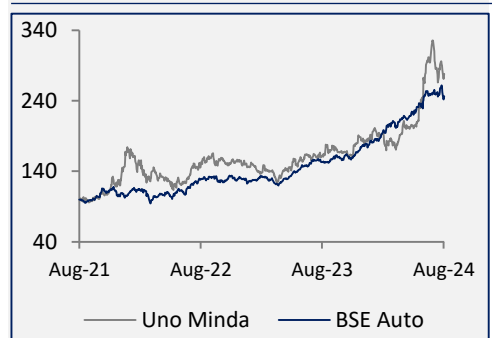
Relative Performance (%)

| YTD | 3Y | 2Y | 1Y |
|-----------|-------|------|------|
| BSE AUTO | 146.2 | 90.7 | 61.2 |
| UNO MINDA | 178.3 | 81.1 | 70.4 |

Year end March (INR bn)

| Particular | FY24 | FY25E | FY26E |
|--------------|-------|-------|-------|
| Revenue | 140.3 | 173.3 | 205.8 |
| Gross Profit | 49.7 | 61.4 | 72.8 |
| EBITDA | 15.9 | 19.8 | 23.8 |
| EBITDA (%) | 11.3 | 11.4 | 11.6 |
| EPS (INR) | 15.7 | 19.7 | 24.9 |

Rebased Price Performance



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CEBPL Estimates vs Actual

| Particulars (Rs.mn) | Actual | CEBPL Est. | Deviation (%) |
|--------------------------|-------------|-------------|-----------------|
| Revenue | 38,175 | 39,837 | (4) |
| EBIDTA | 4,077 | 4,940 | (17) |
| EBIDTA Margin (%) | 10.7 | 12.4 | (172)bps |
| PAT | 1,990 | 2,833 | (30) |

Source: Company, CEBPL

Changes in Estimates

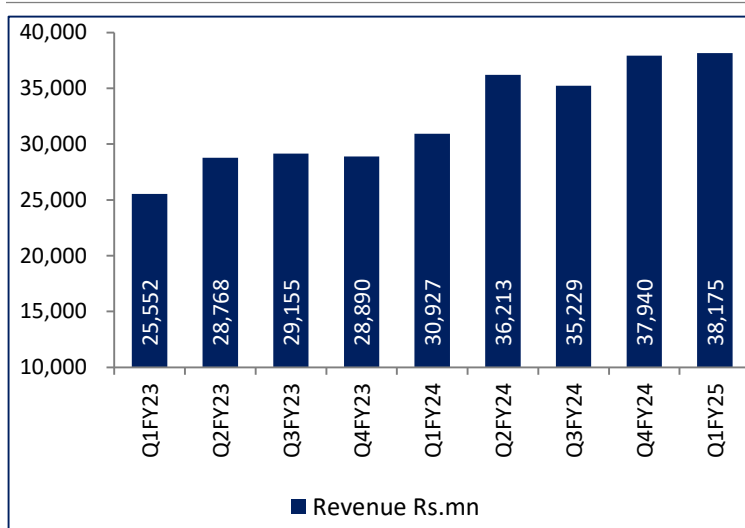
| Income Statement (INR Mn.) | FY25E | | | FY26E | | |
|-------------------------------|----------|----------|----------|----------|----------|----------|
| | New | Old | Dev. (%) | New | Old | Dev. (%) |
| Net sales | 1,73,329 | 1,65,827 | 5 | 2,05,752 | 1,89,283 | 9 |
| EBITDA | 19,802 | 18,941 | 5 | 23,823 | 21,908 | 9 |
| EBITDA margin(%) | 11.4 | 11.4 | 0bps | 11.6 | 11.6 | 0bps |
| APAT | 11,326 | 10,650 | 6 | 14,313 | 12,809 | 12 |
| EPS | 19.7 | 18.6 | 6 | 24.9 | 22.3 | 12 |

Source: Company, CEBPL

Management Call – Highlights

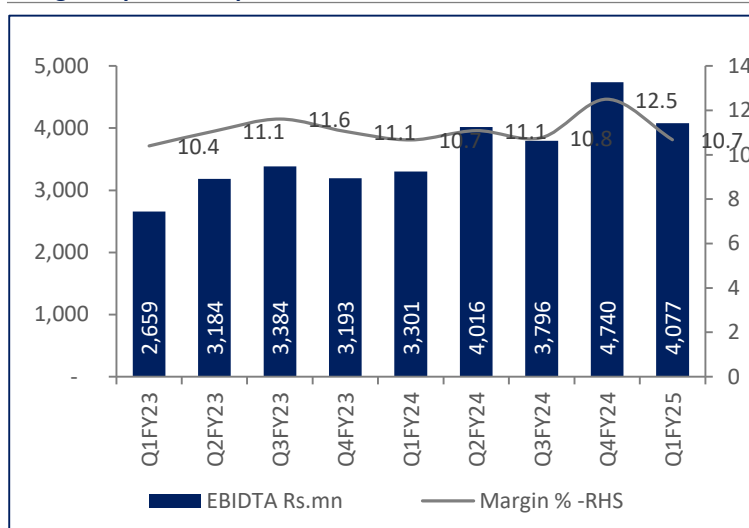
- The management maintained the margin guidance of 11% +/- 50 basis points.
- The increase in employee cost is on the account of the increments and on increased scale and volume.
- Switching revenues stood at 958 crores, contributing significantly to 25% of the consolidated revenue driven by an increase in kit value due to higher switch content and robust export performance.
- The lighting business grew 26% YoY generating revenues of 894 crores, representing 24% share of consolidated revenues. The four-wheel lighting segment has been particularly strong, driven by successful launches of new products, including another long tail lamp for a major OEM.
- The launch of Roof Star Liner lighting solution has been successful and the company is building upon this success and are developing the next generation of Roof Star Liner using TFT-based light sources.
- The casting contributed 20% to the consolidated revenues, generating revenues of 750 crores driven primarily by the alloy wheel business, which contributed INR504 crores.
- To meet growing demand, the company is expanding the Bawal facility by an additional 30,000 capacity, scheduled for commissioning in Q2FY25, also secured land for another 30,000 capacity expansion in Bawal, with the implementation work to commence shortly. Construction of a new 120,000 wheel-per-month greenfield plant at IMT Karkoda is progressing as planned.
- The seating business generated 271 crores in revenue during the quarter, remained flat on YoY basis due to CV being the major target customer and CV volumes declined YOY.
- Commenced commercial production from the new plant of JV with Tachi-S.
- The other product businesses have achieved revenue of over 740 crores. Out of this, around 112 crores by controllers, 177 crores by sensors and ADAS, 110 crores by blow molding products, 60 crores by UNO Minda JV. Revenues of around 100 crores from Minda Westport, which is being consolidated from current quarter, is also part of other product businesses and its alternate fuel business saw a 50% growth, generating INR280 crores for FY '24, with a strong start in Q1.
- Won three new orders for EV chargers for E-2W and E-3W and also won an order for BMS from E-2W OEM.
- On 1st August, 2024, entered into TLA with Aisin Corporation, Japan to manufacture Sunroof in India. Sunroof penetration has witnessed a five-fold jump in last five years, presenting a market opportunity. Won order for one OEM with expected SOP in Q4FY27. Approved capex of 63 crores for the new plant to be set up at Bawal. This capex covers only one customer and is expected to deliver sales of around 150-160 crores.
- The current penetration of Sunroof is almost 25% currently. The current business secured from the OEM, is for a larger sunroof with single glass opening, and the kit value is somewhere between INR25,000 and INR30,000.
- The final NCLT hearing for merging four joint venture entities with UNO Minda is scheduled for this month, with merger completion expected in a couple of months. Following Onkyo Japan's bankruptcy, the board has approved increasing its stake in MINDA Onkyo from 50% to 99% in phases.
- In June 2024, entered into TLA with Suzhou Innovance Automotive to manufacture and sell high-voltage EV products, including charging control units, inverters, motors, and 3-in-1 electric drive systems. This partnership aims to enhance the company's E two-wheeler portfolio and strengthen its position in the Indian EV market.
- The company expects to cross 1,000 crores in EV revenue in the next 12 months, driven by growth in the two-wheeler and three-wheeler segments.
- Capex for FY25 to be 1300-1400 crores.
- Net debt as of 30th June it is around 1800 crores.

Revenue grew 23.4% YoY



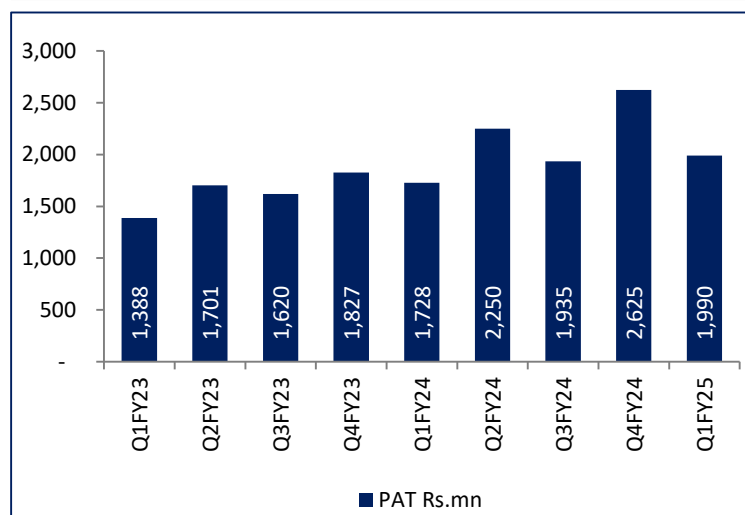
Source: Company, CEBPL

Margin improved 1bps YoY



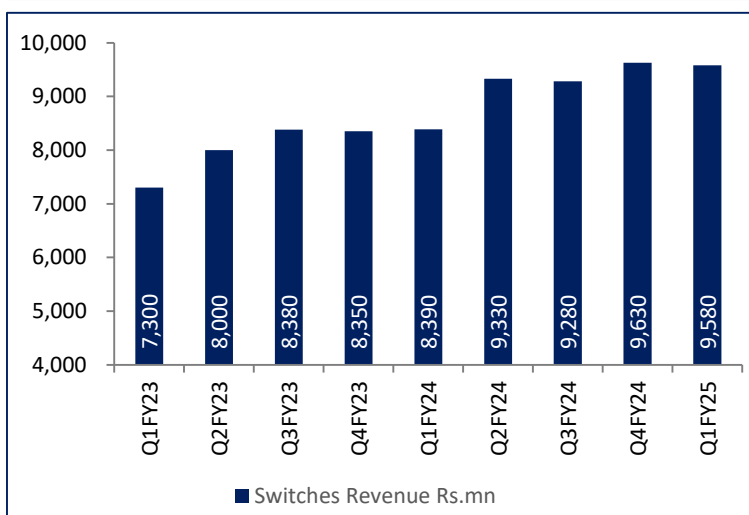
Source: Company, CEBPL

PAT jumped 15.2% YoY



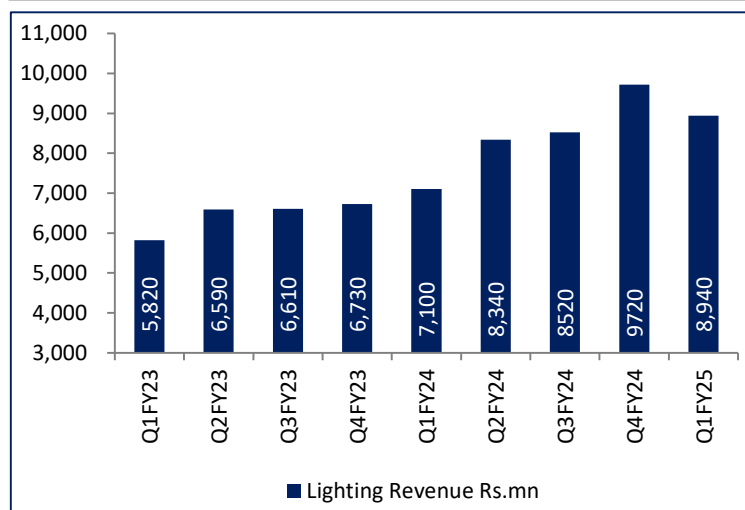
Source: Company, CEBPL

Switch revenue grew 14.2% YoY



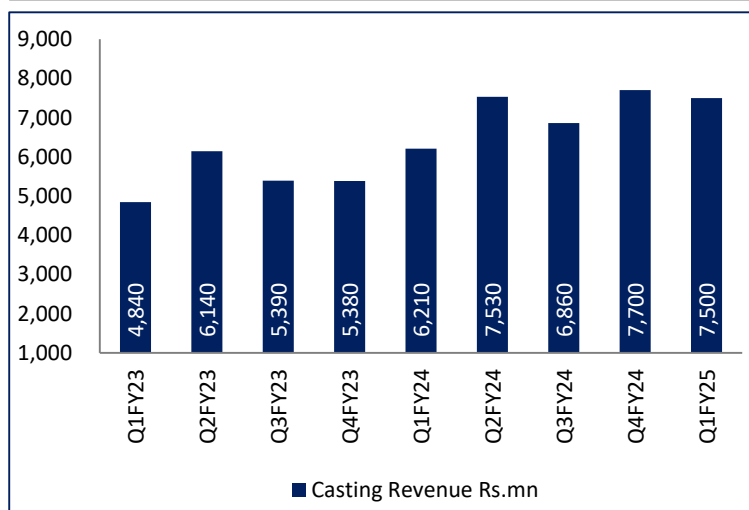
Source: Company, CEBPL

Lighting revenue grew 25.9% YoY



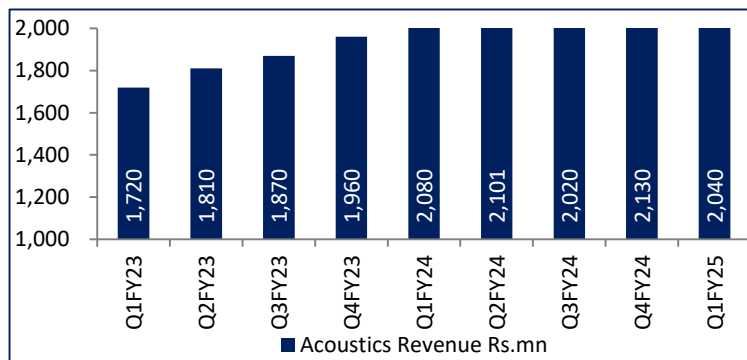
Source: Company, CEBPL

Casting revenue grew 20.8% YoY



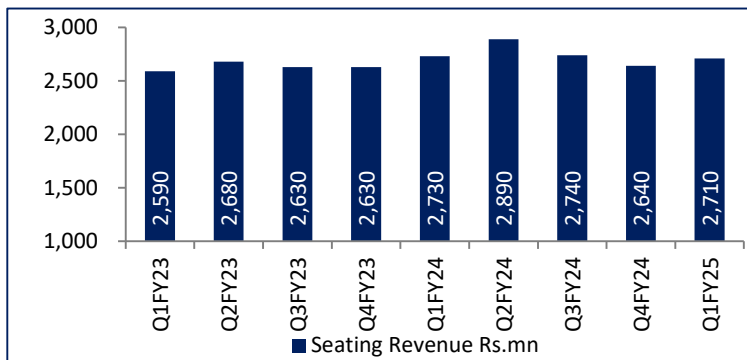
Source: Company, CEBPL

Acoustics segment de-grew 1.9% YoY



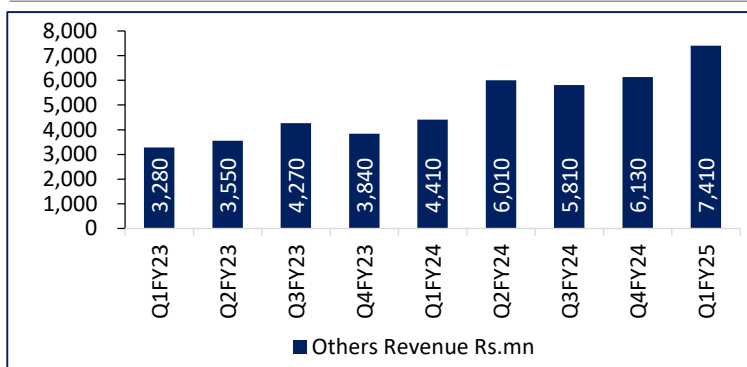
Source: Company, CEBPL

Seating revenue de-grew 0.7% YoY



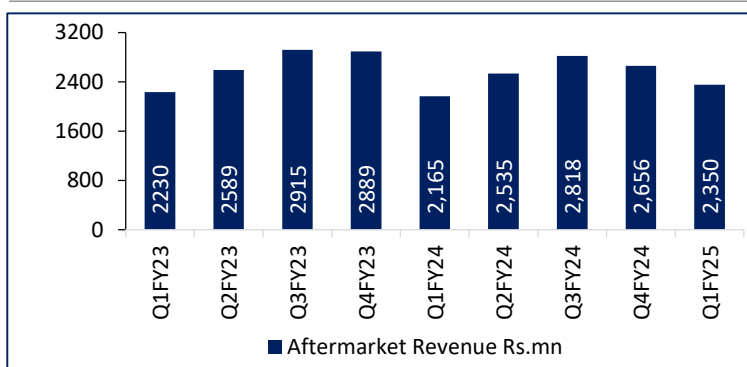
Source: Company, CEBPL

Other segment grew 68.0% YoY



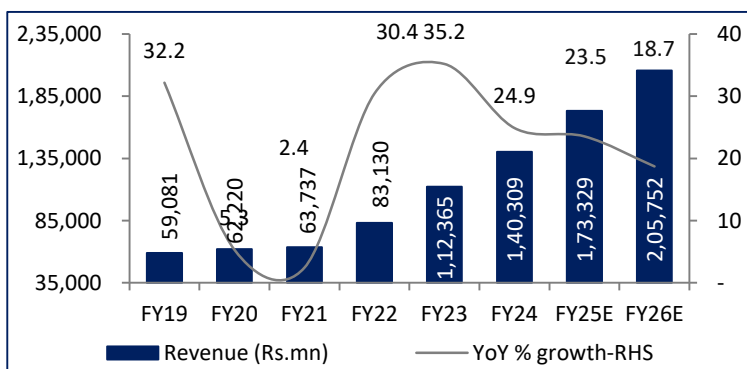
Source: Company, CEBPL

After market segment revenue trend



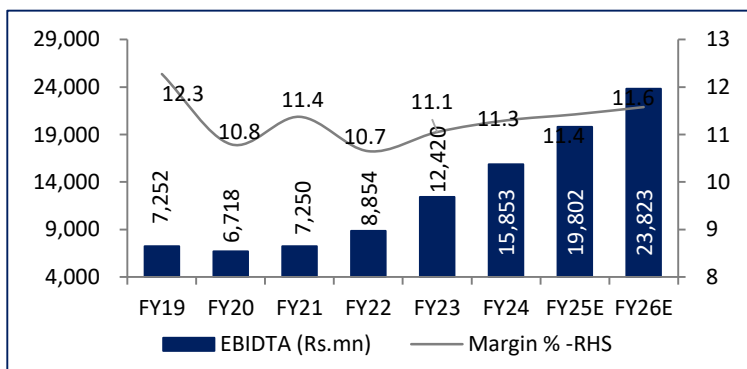
Source: Company, CEBPL

Revenue and YoY growth(%)



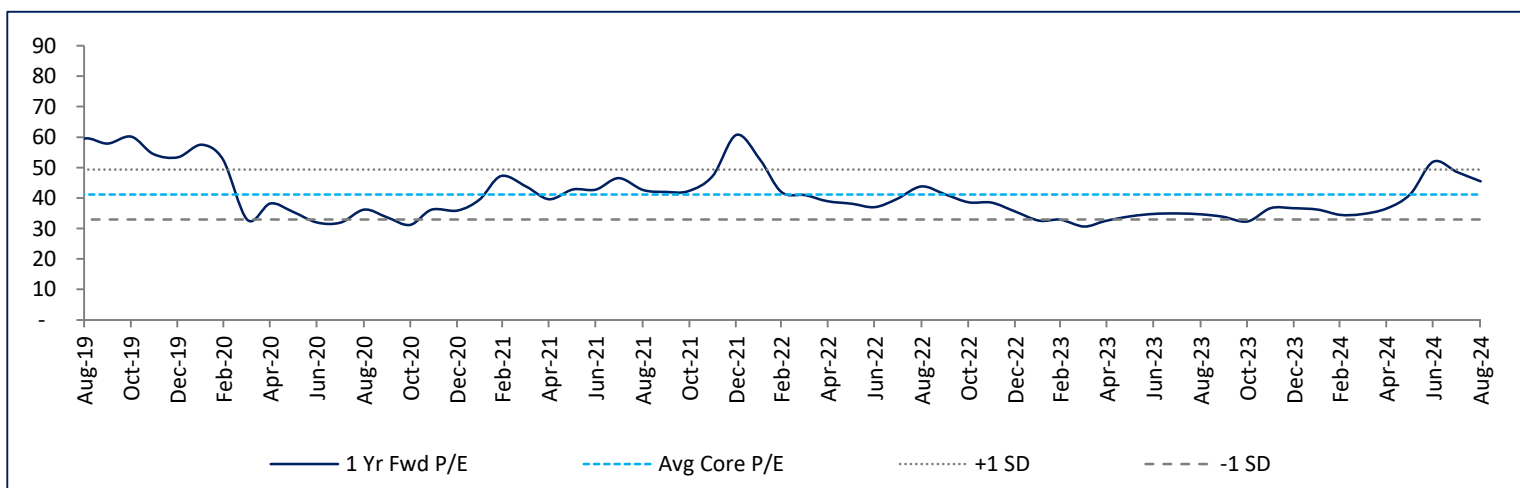
Source: Company, CEBPL

EBITDA and EBITDA margin trend



Source: Company, CEBPL

1 Year Forward PE (x) band



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

| Particular | FY22 | FY23 | FY24 | FY25E | FY26E |
|--------------------|--------|----------|----------|----------|----------|
| Revenue | 83,130 | 1,12,365 | 1,40,309 | 1,73,329 | 2,05,752 |
| YoY growth (%) | 30.4 | 35.2 | 24.9 | 23.5 | 18.7 |
| Gross profit | 30,410 | 40,120 | 49,671 | 61,361 | 72,839 |
| EBITDA | 8,854 | 12,420 | 15,853 | 19,802 | 23,823 |
| YoY growth (%) | 22 | 40 | 28 | 25 | 20 |
| EBITDA Margin (%) | 10.7 | 11.1 | 11.3 | 11.4 | 11.6 |
| Depreciation | 3,918 | 4,299 | 5,262 | 6,344 | 7,326 |
| EBIT | 5,566 | 8,609 | 10,928 | 13,829 | 16,905 |
| Interest expense | 623 | 695 | 1,130 | 1,258 | 1,251 |
| Extraordinary item | 652 | 999 | 1,854 | 2,503 | 3,254 |
| RPAT | 4,126 | 7,002 | 9,247 | 11,842 | 14,854 |
| Minority Interest | 568 | 467 | 444 | 516 | 542 |
| Adjusted PAT | 3,558 | 6,536 | 9,012 | 11,326 | 14,313 |
| YoY growth (%) | 71.2 | 83.7 | 37.9 | 25.7 | 26.4 |
| EPS (Rs) | 6.2 | 11.4 | 15.7 | 19.7 | 24.9 |
| NOPAT | 4,105 | 6,763 | 8,585 | 10,864 | 13,280 |

Balance sheet (Consolidated in INR Mn.)

| Particular | FY22 | FY23 | FY24 | FY25E | FY26E |
|--|---------------|---------------|---------------|---------------|-----------------|
| Net worth | 34,385 | 41,559 | 49,428 | 61,223 | 76,019 |
| Minority Interest | 3,263 | 2,784 | 3,222 | 4,806 | 6,738 |
| Deferred tax | 624 | 487 | 194 | 194 | 194 |
| Total debt | 9,482 | 13,953 | 17,063 | 17,263 | 17,163 |
| Other liabilities & provisions | 1,766 | 1,720 | 1,437 | 1,437 | 1,437 |
| Total Net Worth & liabilities | 49,519 | 60,502 | 71,344 | 84,923 | 1,01,551 |
| Net Fixed Assets | 25,207 | 30,058 | 35,930 | 41,585 | 43,259 |
| Capital Work in progress | 3,465 | 2,927 | 2,157 | 3,500 | 3,800 |
| Goodwill | 2,840 | 3,103 | 3,376 | 3,376 | 3,376 |
| Investments | 6,067 | 8,692 | 9,514 | 11,718 | 13,883 |
| Cash & bank balance | 2,342 | 1,791 | 2,603 | 803 | 8,128 |
| Loans & Advances & other assets | 4,165 | 3,315 | 5,322 | 5,588 | 5,867 |
| Net Current Assets | 11,940 | 13,068 | 17,271 | 24,743 | 37,233 |
| Total Assets | 49,519 | 60,502 | 68,248 | 84,923 | 1,01,551 |
| Capital Employed | 43,866 | 55,512 | 66,491 | 78,487 | 93,182 |
| Invested Capital | 38,059 | 50,794 | 61,731 | 74,183 | 81,254 |
| Net Debt | 7,140 | 12,163 | 14,461 | 16,460 | 9,035 |
| FCFF | (1,894) | (1,125) | (1,340) | 2,134 | 14,121 |

Source: Company, CEBPL

| Cash Flows (INR Mn.) | FY22 | FY23 | FY24 | FY25E | FY26E |
|----------------------|---------|----------|----------|----------|----------|
| CFO | 3,829 | 8,026 | 9,793 | 14,134 | 23,121 |
| Capex | (5,723) | (9,151) | (11,133) | (12,000) | (9,000) |
| FCF | (1,894) | (1,125) | (1,340) | 2,134 | 14,121 |
| CFI | (4,865) | (11,901) | (9,534) | (14,205) | (11,165) |
| CFF | 3,110 | 3,010 | 905 | (1,104) | (1,409) |

| Ratio Analysis | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------------------------|----------|----------|----------|----------|----------|
| Margin ratios (%) | | | | | |
| EBITDA Margin | 10.7 | 11.1 | 11.3 | 11.4 | 11.6 |
| PAT Margin | 5.0 | 6.2 | 6.6 | 6.8 | 7.2 |
| Performance Ratios (%) | | | | | |
| OCF/EBITDA (X) | 0.4 | 0.6 | 0.6 | 0.7 | 1.0 |
| OCF/IC | (0.8) | (0.7) | (1.0) | (1.0) | (2.1) |
| RoE | 12.0 | 16.8 | 18.7 | 19.3 | 19.5 |
| ROCE | 12.7 | 15.5 | 16.4 | 17.6 | 18.1 |
| RoIC(Post tax) | 10.8 | 13.3 | 13.9 | 14.6 | 16.3 |
| RoIC(Pre tax) | 14.6 | 16.9 | 17.7 | 18.6 | 20.8 |
| Fixed asset Turnover (x) | 3.30 | 3.74 | 3.91 | 4.17 | 4.76 |
| Turnover Ratios (days) | | | | | |
| Inventory | 46 | 43 | 43 | 45 | 45 |
| Debtors | 60 | 56 | 54 | 60 | 60 |
| Payables | 62 | 55 | 52 | 50 | 50 |
| Cash Conversion Cycle | 44 | 44 | 45 | 55 | 55 |
| Financial Stability ratios (x) | | | | | |
| Net debt to Equity | 0.2 | 0.3 | 0.3 | 0.3 | 0.1 |
| Net debt to EBITDA | 0.8 | 1.0 | 0.9 | 0.8 | 0.4 |
| Interest Cover | 8.9 | 12.4 | 9.7 | 11.0 | 13.5 |
| Valuation metrics | | | | | |
| Fully diluted shares (mn) | 571 | 573 | 574 | 574 | 574 |
| Price (Rs) | 996 | 996 | 996 | 996 | 996 |
| Market Cap (Rs. Mn) | 5,68,956 | 5,70,722 | 5,71,798 | 5,71,798 | 5,71,798 |
| PE (x) | 161 | 87 | 63 | 50 | 40 |
| EV (Rs.mn) | 5,79,359 | 5,85,668 | 5,89,481 | 5,93,064 | 5,87,572 |
| EV/EBITDA (x) | 65 | 47 | 37 | 30 | 25 |
| Book value (Rs/share) | 60 | 73 | 86 | 107 | 132 |
| Price to BV (x) | 17 | 14 | 12 | 9 | 8 |
| EV/OCF (x) | 151 | 73 | 60 | 42 | 25 |

Source: Company, CEBPL

Historical recommendations and target price: UNO Minda Ltd



UNO Minda

| | | | |
|-----|------------|-------------|-----------------------|
| 1. | 31-03-2022 | ADD, | Target Price Rs.507 |
| 2. | 24-05-2022 | ADD, | Target Price Rs.471 |
| 3. | 09-08-2022 | ADD, | Target Price Rs. 604 |
| 4. | 11-11-2022 | ADD, | Target Price Rs. 616 |
| 5. | 09-02-2023 | OUTPERFORM, | Target Price Rs. 622 |
| 6. | 19-05-2023 | OUTPERFORM, | Target Price Rs. 618 |
| 7. | 10-08-2023 | NEUTRAL, | Target Price Rs. 607 |
| 8. | 08-11-2023 | ADD, | Target Price Rs. 629 |
| 9. | 08-02-2024 | ADD, | Target Price Rs. 763 |
| 10. | 23-05-2024 | BUY, | Target Price Rs. 892 |
| 11. | 08-08-2024 | BUY, | Target Price Rs. 1122 |

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CHOICE RATING DISTRIBUTION & METHODOLOGY

| | |
|-------------------|---|
| OUTPERFORM | The security is expected to generate more than 25% returns over the next 12 months |
| BUY | The security is expected to generate greater than 5% to less than 25% returns over the next 12 months |
| REDUCE | The security expected to show downside or upside returns by 0% to 5% over the next 12 months |
| SELL | The security expected to show Below 0% next 12 months |

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