

Retail Equity Research  
**UNO Minda Ltd.**

Automobile – Auto Ancillaries

BSE CODE : 532539 NSE CODE: UNOMINDA  
BLOOMBERG CODE: UNOMINDA: IN SENSEX : 73,745

**BUY**

12 Months Investment Period Rating as per Midcap  
CMP Rs. 660 TARGET Rs.792 RETURN 20% ↑  
(Closing: 01-03-24)

**KEY CHANGES:**

TARGET ↑

RATING ↔

EARNINGS ↓

**Key order book remains strong.**

UNO Minda Ltd. (UML) is a diversified auto ancillary supplier, manufacturing products such as switches, horns & lights. UML holds a leadership position in the switch business with a market share of 67%.

- The content per vehicle has continued to grow at 10%-15%, and it is expected to add more components to its product portfolio. The annual order value from EV OEM is Rs.3,292cr.
- Q2FY24 revenue came above expectations, registering a growth of 26%YoY. This was mainly on account of new customer additions in 2W/4W segment, new contents & leveraging the client base.
- EBITDA margin came in at 10.9%. However, higher personal costs and low operating leverage due to capacity expansion restricted the margin upside.
- We expect revenue CAGR to grow by 17% over FY24E-26E, factoring in demand stability, diversification and increase in content per vehicle.
- Currently, UML is trading at its long term historical avg of 36x. We believe the stock will continue to outperform owing to its diversified portfolio and strong order wins, and value UML at 33x FY26E EPS.

**Potential portfolio to drive future growth**

Q3FY24 consolidated revenue grew by 21% YoY, outperforming the industry growth of 16%YoY. The top line was fuelled by growth across all segments, in which core businesses like switches, lighting, and acoustics grew by 14%, 32%, and 8%, YoY, whereas new businesses like LMT, seating, and other businesses grew by 18%, 4%, and 36% YoY, respectively. EBITDA margin came in at 10.8% owing to a superior product mix and lower other expenses. PAT grew by 19.4% YoY. For the year, the company executed the JV agreement with Buehler Motor & Tach-S and received orders from multiple 2W EV OEMs for Traction motors. To meet the upcoming regulatory Airbag demand, Toyota Kosei Minda India has allocated capex of Rs.175cr, to expand its Neemarana plant and install airbag production equipment.

**Sustained outperformance with new product development.**

UML's product diversification and increasing growth from new products give it better visibility on the revenue front. Enacting the auto norms and enhancing safety features will further lead to an increase in kit value per vehicle across the auto segment. The potential kit value of the EV 2/3W will further increase with the addition of traction motors. The company reiterated that the potential EV kit value for 2/3W is Rs.35,300 per vehicle. The product under production & supply is Rs.27,300/-, new orders received are Rs. 8,000/- respectively. The annual order value from EV 2W and PV is Rs 3,292cr. and Rs 829cr, respectively. Currently, the share from the EV is 12% of domestic 2W revenues, which is higher than the 2W industry penetration of 4%.

**New orders and expansion.**

UML has a robust capex plan of Rs.750cr. for FY24. Incremental orders in the 4W lighting business from Indian and Japanese OEMs I received an incremental order for a 2W switch and heated handle grip from an American marque auto major. The revenue from other segments has grown by 47%YoY in the last 9 months. Within this controller and sensors was around Rs.230 cr. and was expected to cross Rs. 800cr. for the full year. The company is in the process of continuous expansion of its existing product portfolio and the addition of new product lines in alloy wheels, lighting, infotainment, seating, airbags, and blow molding.

**Valuations**

Despite the near-term pressure due to a reduction in the underlying volume and macroeconomic headwinds, we believe stability in commodity prices and chip supplies augurs well. The company is actively increasing its kit value across all segments and outpacing the industry's growth. UML's strong balance sheet and quick ramp-up reflect higher revenue visibility on a medium- to long-term basis. The stock has always traded at a premium due to its diversified product portfolio and new product offerings, according to changing trends. We value UML at 33x FY26E EPS, arrive at a target price of Rs.792, and maintain our Buy rating.

**Company Data**

Market Cap (Rs.cr)	36,359
Enterprise Value (Rs.cr)	37,971
Outstanding Shares (cr)	57.3
Free Float	31%
Dividend Yield	0.2%
52 week high (Rs.)	727
52 week low (Rs.)	433
6m average volume (cr)	0.06
Beta	0.8
Face value (Rs.)	2

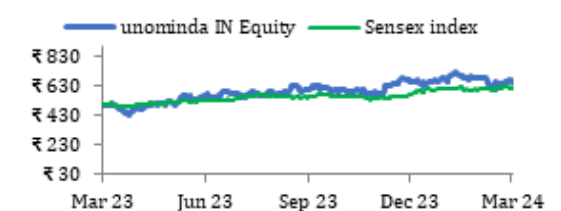
**Shareholding (%)**

	Q1FY24	Q2FY24	Q3FY24
Promoters	70.1	68.7	68.7
FII's	6.5	7.8	7.9
MFs/Insti	17.1	17.0	16.9
Public	6.3	6.5	6.4
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

**Price Performance**

	3 Month	6 Month	1 Year
Absolute Return	-1.1%	-0.4%	19.2%
Absolute Sensex	8.9%	9.7%	18.3%
Relative Return*	-9.9%	-10.1%	0.9%

**\*over or under performance to benchmark index**



**Consolidated (cr)**

	FY24E	FY25E	FY26E
Sales	13,902	16,286	19,106
Growth (%)	23.7	17.2	17.3
EBITDA	1,543	1,905	2,388
EBITDA Margin (%)	11.1	11.7	12.5
Adj. PAT	829	1,054	1,373
Growth (%)	26.8	27.2	30.2
Adj. EPS	14.5	18.4	24.0
Growth (%)	26.8	27.2	30.2
P/E	46.0	36.2	27.8
P/B	4.2	3.4	2.7
EV/EBITDA	11.8	9.7	7.8
ROE (%)	22.2	22.6	23.5
D/E	0.2	0.2	0.2

**Saji John**  
Research Analyst



## Quarterly Financials (Consolidated)

### Profit & Loss

Rs (cr)	Q3FY24	Q3FY23	YoY Growth (%)	Q2FY24	QoQ Growth (%)	9MFY24	9MFY23	YoY Growth (%)
<b>Sales</b>	<b>3,523</b>	<b>2,915</b>	<b>20.8</b>	<b>3,621</b>	<b>-2.7</b>	<b>10,237</b>	<b>8,348</b>	<b>22.6</b>
<b>EBITDA</b>	<b>380</b>	<b>338</b>	<b>12.2</b>	<b>402</b>	<b>-5.5</b>	<b>1111</b>	<b>923</b>	<b>20.4</b>
EBITDA margins (%)	10.8	11.6	-83bps	11.1	-31bps	10.9	11.1	-20bps
Depreciation	133	115	15.3	125	5.7	377	322	17.2
<b>EBIT</b>	<b>247</b>	<b>223</b>	<b>10.6</b>	<b>211</b>	<b>17.0</b>	<b>734</b>	<b>601</b>	<b>22.2</b>
Interest	29	13	127.7	27	5.3	77	49	58.2
Other Income	8	4	99.2	9	-11.4	25	30	-17.1
Exceptional Items	0	0	0.0	0	-	0	0	0.0
<b>PBT</b>	<b>226</b>	<b>215</b>	<b>5.3</b>	<b>258</b>	<b>-12.2</b>	<b>682</b>	<b>582</b>	<b>17.1</b>
Tax	65	66	-1.5	73	-11.5	182	152	20.1
Share of profit from associates	44	25	74.5	53	-17.8	127	76	68.4
Minority interest	-12	-12	0.0	-13	-	-32	-35	0.0
<b>Reported PAT</b>	<b>193</b>	<b>162</b>	<b>19.4</b>	<b>225</b>	<b>-14.0</b>	<b>595</b>	<b>471</b>	<b>26.4</b>
Adjustments	0	0	0.0	0	-	0	0	0.0
<b>Adj PAT</b>	<b>193</b>	<b>162</b>	<b>19.4</b>	<b>225</b>	<b>-14.0</b>	<b>595</b>	<b>471</b>	<b>26.4</b>
No. of Shares	57	57	-	57	-	57	57	-
<b>Adj EPS (Rs)</b>	<b>7.4</b>	<b>6.2</b>	<b>19.4</b>	<b>8.6</b>	<b>-14.0</b>	<b>22.8</b>	<b>18.0</b>	<b>26.4</b>

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	13,980	17,128	13,902	16,286	-0.6	-4.9
EBITDA	1,587	2,141	1,543	1,905	-2.8	-11.0
Margins (%)	11.4	12.5	11.1	11.7	-25bps	-80bps
Adj. PAT	846	1,218	829	1,054	-2.0	-13.5
EPS	14.8	21.3	14.5	18.4	-2.0	-13.5

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>6,374</b>	<b>8,313</b>	<b>11,236</b>	<b>13,902</b>	<b>16,286</b>	<b>19,106</b>
% change	16.6	30.4	35.2	23.7	17.2	17.3
<b>EBITDA</b>	<b>725</b>	<b>885</b>	<b>1,242</b>	<b>1,543</b>	<b>1,905</b>	<b>2,388</b>
% change	17.1	22.1	40.3	24.2	23.5	25.3
Depreciation	336	371	409	481	544	606
<b>EBIT</b>	<b>350</b>	<b>494</b>	<b>812</b>	<b>1,043</b>	<b>1,343</b>	<b>1,763</b>
Interest	74	62	70	100	105	116
Other Income	47	63	49	35	49	76
<b>PBT</b>	<b>325</b>	<b>494</b>	<b>791</b>	<b>978</b>	<b>1,286</b>	<b>1,723</b>
% change	28.8	52.2	60.1	23.6	31.5	33.9
Tax	101	147	191	264	347	465
Tax Rate (%)	31.0	29.7	24.2	27.0	27.0	27.0
<b>Reported PAT</b>	<b>207</b>	<b>356</b>	<b>654</b>	<b>829</b>	<b>1,054</b>	<b>1,373</b>
Adj*	1.7	0.0	0.0	0.0	0.0	0.0
<b>Adj PAT</b>	<b>205</b>	<b>356</b>	<b>654</b>	<b>829</b>	<b>1,054</b>	<b>1,373</b>
% change	21.2	73.7	83.7	26.8	27.2	30.2
No. of shares (cr)	27	57	57	57	57	57
<b>Adj EPS (Rs.)</b>	<b>7.8</b>	<b>6.2</b>	<b>11.4</b>	<b>14.5</b>	<b>18.4</b>	<b>24.0</b>
% change	22	-21	84	27	27	30
DPS (Rs.)	0.5	0.2	0.2	0.2	0.2	0.2
CEPS (Rs.)	21	13	19	23	28	35

### CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>700</b>	<b>886</b>	<b>1,221</b>	<b>1,478</b>	<b>1,849</b>	<b>2,349</b>
Non-cash adj.	-2	0	0	0	0	0
Changes in W.C	-404	-198	-205	-471	-369	-488
<b>C.F. Operation</b>	<b>294</b>	<b>688</b>	<b>1,016</b>	<b>1,007</b>	<b>1,480</b>	<b>1,860</b>
Capital exp.	-300	-618	-705	-755	-755	-755
Change in inv.	146	-288	-34	-246	-119	-141
Other invest.CF	17	65	100	160	160	160
<b>C.F - Investment</b>	<b>-137</b>	<b>-841</b>	<b>-639</b>	<b>-841</b>	<b>-714</b>	<b>-736</b>
Issue of equity	231	60	0	0	0	0
Issue/repay debt	-165	-85	-135	215	215	215
Dividends paid	-13	-13	-13	-13	-13	-13
Other finance.CF	-18	-57	-47	-45	-45	-45
<b>C.F - Finance</b>	<b>34</b>	<b>-95</b>	<b>-195</b>	<b>157</b>	<b>157</b>	<b>157</b>
Chg. in cash	191	-249	182	323	923	1,281
Closing cash	360	112	294	617	1540	2821

### BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	360	112	294	617	1,540	2,821
Accounts Receivable	1,199	1,480	1,909	2,361	2,766	3,245
Inventories	751	939	1,227	1,535	1,784	2,077
Other Cur. Assets	241	367	496	613	718	843
Investments	127	416	449	695	814	955
Gross Fixed Assets	4,087	4,687	5,387	6,137	6,887	7,637
Net Fixed Assets	2,290	2,519	2,810	3,079	3,285	3,428
CWIP	112	125	125	125	125	125
Intangible Assets	605	590	574	560	546	532
Def. Tax (Net)	6.2	6.2	6.2	6.2	6.2	6.2
Other Assets	0	0	0	0	0	0
<b>Total Assets</b>	<b>5,786</b>	<b>6,713</b>	<b>8,105</b>	<b>9,858</b>	<b>11,898</b>	<b>14,399</b>
Current Liabilities	888	1,139	1,231	1,523	1,785	2,094
Provisions	174	228	308	381	446	523
Debt Funds	853	768	633	848	1,063	1,278
Other Liabilities	1,290	1,594	2,309	2,666	3,123	3,664
Equity Capital	54	114	114	114	114	114
Reserves & Surplus	2,221	2,563	3,204	4,019	5,060	6,419
Shareholder's Fund	2,275	2,678	3,318	4,134	5,174	6,534
<b>Total Liabilities</b>	<b>5,786</b>	<b>6,713</b>	<b>8,105</b>	<b>9,858</b>	<b>11,898</b>	<b>14,399</b>
<b>BVPS (Rs.)</b>	<b>64</b>	<b>80</b>	<b>105</b>	<b>137</b>	<b>177</b>	<b>230</b>

### RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Profitab. &amp; Return</b>						
EBITDA margin (%)	11.4	10.7	11.1	11.1	11.7	12.5
EBIT margin (%)	5.5	5.9	7.2	7.5	8.2	9.2
Net profit mgn.(%)	3.2	4.3	5.8	6.0	6.5	7.2
ROE (%)	9.9	14.4	21.8	22.2	22.6	23.5
ROCE (%)	5.2	7.7	14.1	14.8	14.7	15.0
<b>W.C &amp; Liquidity</b>						
Receivables (days)	59.0	58.8	55.0	56.1	57.5	57.4
Inventory (days)	38.9	37.1	35.2	36.3	37.2	36.9
Payables (days)	69.0	63.3	63.4	65.3	64.9	64.8
Current ratio (x)	2.5	2.2	2.7	2.8	3.2	3.6
Quick ratio (x)	1.4	1.3	1.6	1.6	1.6	1.6
<b>Turnover &amp; Leverage</b>						
Gross asset T.O (x)	1.7	1.9	2.2	2.4	2.5	2.6
Total asset T.O (x)	1.1	1.3	1.5	1.5	1.5	1.5
Int. coverage ratio (x)	4.7	7.9	11.7	10.4	12.8	15.2
Adj. debt/equity (x)	0.4	0.3	0.2	0.2	0.2	0.2
<b>Valuation</b>						
EV/Sales (x)	2.9	2.2	1.6	1.3	1.1	1.0
EV/EBITDA (x)	25.2	20.5	14.5	11.8	9.7	7.8
P/E (x)	85.0	107.1	58.3	46.0	36.2	27.8
P/BV (x)	7.7	6.5	5.2	4.2	3.4	2.7

## Recommendation summary (Last 3 Years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
19 <sup>th</sup> November 2020	Accumulate	204
25 <sup>th</sup> February 2021	Accumulate	314
24 <sup>th</sup> June 2021	Accumulate	361
14 <sup>th</sup> December 2021	Buy	544
31 <sup>st</sup> May 2022	Buy	538
23 <sup>rd</sup> November 2022	Accumulate	634
17 <sup>th</sup> February 2023	Buy	586
25 <sup>th</sup> May 2023	Buy	601
4 <sup>th</sup> September 2023	Buy	704
21 <sup>st</sup> November 2023	Buy	745
01 <sup>st</sup> March 2024	Buy	792

## Investment Criteria

Ratings	Large caps	Midcaps	Small caps
<b>Buy</b>	<b>Upside is above 10%</b>	<b>Upside is above 15%</b>	<b>Upside is above 20%</b>
<b>Accumulate</b>	-	<b>Upside is between 10% - 15%</b>	<b>Upside is between 10% - 20%</b>
<b>Hold</b>	<b>Upside is between 0% - 10%</b>	<b>Upside is between 0% - 10%</b>	<b>Upside is between 0% - 10%</b>
<b>Reduce/sell</b>	<b>Downside is more than 0%</b>	<b>Downside is more than 0%</b>	<b>Downside is more than 0%</b>
<b>Not rated/Neutral</b>	-	-	-

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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