

UNO Minda Ltd.

ADD

Choice

Q2FY24 performance for UNO Minda was better than expected on all fronts backed by ramp up of new capacity in alloy wheel segments. The company registered a top line growth of 25.9% YoY to Rs.36.2bn (est. of 34.3bn) supported by strong growth in casting and lighting segment. During the quarter, the company achieved the highest ever production of 2W Alloy Wheel and 4W Alloy Wheel. Gross profit for the quarter was up by 23.1% YoY and EBIDTA grew by 26.1% YoY to Rs.4.01bn. EBIDTA margin for the quarter remained flat on YoY basis to 11.1% vs (est of 11.1%). Despite commissioning of a new plant which is under ramp up stage, the company is able to manage margin above 11%. Profit from associates increased to Rs.405mn compared to Rs. 229mn in Q1FY24 and PAT for the quarter jumped by 32.3% YoY to Rs.2.25bn.

View and Valuation: UNO Minda is in healthy growth trajectory led by various factors such as increasing kit value (comprising of more EV products), premiumisation trend in personal mobility, expansion into high-value growth products, addition of new clients and margin improvement achieved through localization efforts for products such as sensors, controllers, BMS, and ADAS product portfolio. However, going forward as company is adding new capacities, it will compress margin in the short term. Additionally, the company is transitioning a greater focus on premium and EV-related components, given the initial high import content will push back the margin efficiency effort. Further, at the current high valuation, we believe most of the positives are already factored in and leave limited upside from here. We introduce FY26 estimates and roll forward valuation to Sep-25E to arrive at a target price of Rs. 629, (38x of Sep-FY25E EPS) and recommend **ADD** rating.

Positive shift in Alloy wheel and Lighting: The company is adding up the new greenfield capacity in 4W alloy wheel in addition to the Bawal and Pune (2W alloy wheel) facility and 4W lighting in Vietnam and Pune. Overall penetration in the 4W segment in India is around 40-45% vs global penetration of 90-95%, and the management expects penetration in India to reach 70-75% over next 5-7 years. In the lighting segment management anticipates further revenue improvement in the upcoming quarters, driven by the commencement of production for a new customer. As penetration of LED lighting in vehicles is increasing, LED lights are getting more technically advanced and in some vehicles tail LED lighting is higher than front LED lighting due to technological advancement and new features. The company's casting segment is also in a healthy growth phase, driven by several factors viz. increasing penetration of alloy wheels in both the 2W and PV, rising demand for alloy wheels in the replacement sector, and capacity expansion. Currently the company has 10% market share in 2W alloy and is aiming to reach 16% in the coming year.

Quarterly performance

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Net Sales	36,213	28,768	25.9	30,927	17.1
Material Expenses	23,766	18,659	27.4	19,868	19.6
Gross Profit	12,447	10,110	23.1	11,059	12.6
Employee Expenses	4,487	3,648	23.0	4,239	5.8
Other Operating Expenses	3,945	3,278	20.3	3,519	12.1
EBITDA	4,016	3,184	26.1	3,301	21.7
Depreciation	1,254	1,072	16.9	1,190	5.4
EBIT	2,762	2,112	30.7	2,111	30.8
Interest Cost	272.1	192	42	252	8
PBT	2,579	2,081	23.9	1,937	33.1
MI / Associate Share	405	166	144	229	76
RPAT	2,250	1,701	32	1,728	30
APAT	2,250	1,701	32	1,728	30
Adj EPS (Rs)	3.9	3.0	32	3.0	30

Margin Analysis	Q2FY24	Q2FY23	YoY (bps)	Q1FY24	QoQ (bps)
Gross Margin (%)	34.4	35.1	(77)	35.8	(139)
Employee Exp. % of Sales	12.4	12.7	(29)	13.7	(132)
Other Op. Exp % of Sales	10.9	11.4	(50)	11.4	(48)
EBITDA Margin (%)	11.1	11.1	2	10.7	42
Tax Rate (%)	28.4	26.2	222	22.6	580
APAT Margin (%)	6.2	5.9	30	5.6	63

Source: Company, CEBPL

Nov 8, 2023

CMP (Rs)	583
Target Price (Rs)	629
Potential Upside (%)	7.9

Company Info

BB Code	UNOMINDA IN EQUITY
ISIN	INE405E01023
Face Value (Rs.)	2
52 Week High (Rs.)	660
52 Week Low (Rs.)	433
Mkt Cap (Rs bn.)	333.9
Mkt Cap (\$ bn.)	4.0
Shares o/s (Mn.)/F.F(%)	573.1/30
Adj. TTM EPS (Rs)	13.0
Sep-25E EPS (Rs)	16.6

Shareholding Pattern (%)

	Sep-23	Jun-23	Mar-23
Promoters	68.74	70.10	70.05
DII's	16.97	17.10	16.96
FII's	7.79	6.50	6.30
Public	6.50	6.30	6.69

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE AUTO	102.7	40.5	18.9
UNO MINDA	256.8	39.6	4.9

Year end March (INR bn)

Particular	FY24E	FY25E	FY26E
Revenue	131.6	151.9	170.8
Gross Profit	48.7	56.2	63.2
EBITDA	15.4	18.1	20.3
EBITDA (%)	11.7	11.9	11.9
EPS (INR)	12.7	15.4	17.7

Rebased Price Performance



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- **Promising EV growth opportunity:** The company is strategically focusing on the high growth EV market. Current EV order book consists of various products such as chargers, BMS, controllers, EV motors and various other products. The company expects to achieve market leadership in various EV components like Off-board, on-board chargers, BMS, motors, motor controllers, etc.

CEBPL Estimates vs Actual

Particulars (Rs.mn)	Actual	CEBPL Est.	Deviation (%)
Revenue	36,213	34,338	5.5
EBIDTA	4,016	3,794	5.8
EBIDTA Margin (%)	11.1	11.1	(4)Bps
PAT	2,250	1,598	40.8

Source: Company, CEBPL

Changes in Estimates

Income Statement (INR Mn.)	FY24E			FY25E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	1,31,598	1,29,919	1.3%	1,51,932	1,49,245	1.8%
EBITDA	15,393	15,455	(0.4)	18,084	18,060	0.1%
EBITDA margin(%)	11.7	11.9	(20)Bps	11.9	12.1	(20)Bps
APAT	7,257	7,564	(4.1)	8,829	9,147	(3.5)
EPS	12.7	13.2	(4.1)	15.4	16	(3.5)

Source: Company, CEBPL

Management Call – Highlights

Outlook

- Growth in the overall economy, PLI scheme, changing preference is expected to drive the automotive industry volume.
- PV segment growth was driven by compact SUV segment, OEM continues to build inventory on the back of festive season. Q2FY24 grew on a YoY basis. The growth in 2W sales is indicating a recovery in the rural market. HCV continues to show healthy growth.
- 2W EV penetration at 2.3% for industry. The cost engineering efforts and low price offering will support the EV growth. Near to medium term looks promising and the long term is also encouraging for the EV sector. Diversified product portfolio, cross sales and increasing content per vehicle will support the growth of UNO Minda and help to outperform the industry by ~1.5 times. Management expects H2FY24 to be better than last year.
- The company has achieved highest 4W and 2W production during the quarter. The second EV systems plant under Buehler JV commissioned in August 2023 and is expected to start supplies by Q4FY24.
- Company has approved to set up 4W alloy wheel capacity with total investment of Rs.5.42bn in two phases and is also looking to issue NCD worth Rs.4bn.
- The company is looking for land acquisition in North, West and South region.
- EBIDTA margin came at 11.09% despite lower op.lev. of newly commissioned plant.
- Interest cost increased due to interest price hike.

Segment Update

Switches:

- Revenue grew by 16.6% YoY to Rs.9.3bn. Healthy growth was driven by increasing share of Korean customers and export volume.
- The company received 1st order for touch based switches from Indian OEM. EV switch realisation will be largely similar to ICE based switch. Chennai plant commenced operation for 4W.

Management Call – Highlights (contd.)

Lighting:

- Revenue grew by 26.6% to Rs.8.3bn. In interior lighting, the company won ambient lighting. The commissioning of new 4W lighting led to higher sales during the quarter. Land acquisition completed and production is expected to start from Q2FY25.
- Tail lamp lighting ASP in one of the models is higher than headlamp due to technological complexity.

Casting:

- Revenue grew by 22.6% YoY to Rs.7.53bn. Revenue was driven by increasing 4W alloy wheel revenue and product mix.
- Third line is expected to start production from Q3FY24. The first 2 lines have started production.
- The company is increasing green field capacity at Bawal and Gujarat 1.2 lakh units p.m. and is in discussion with government agency to acquire ~100 acre land. The company will spend Rs.5.24bn over next 5 years for this capex.
- Current alloy wheel penetration in India is around 42-44% and penetration level globally is around 95%. The company expect penetration to reach 70-75% over next 5-6 years.
- It is serving to Toyota, Honda, Renault Nissan from South plant, MSIL and M&M from North and Korean customer from West plant.
- Alloy wheel revenue for 2W was Rs.1.75bn and 4W was Rs.3.70bn

Acoustic:

- Revenue grew by 16% on YoY basis to Rs.2.1bn, India and European business grew at steady rate.

Seating:

- Revenue grew by 7.8% YoY to Rs.2.9bn. The company has won a new order from OEM which is expected to start production from Q2FY25.

Other Segments:

- Revenue grew by 69% YoY to Rs.6bn and the growth was mainly on account of EV products, controller and sensor. The company has received orders for wireless charges from EV OEMs. Control and sensor revenue for the quarter Rs.2.3bn.

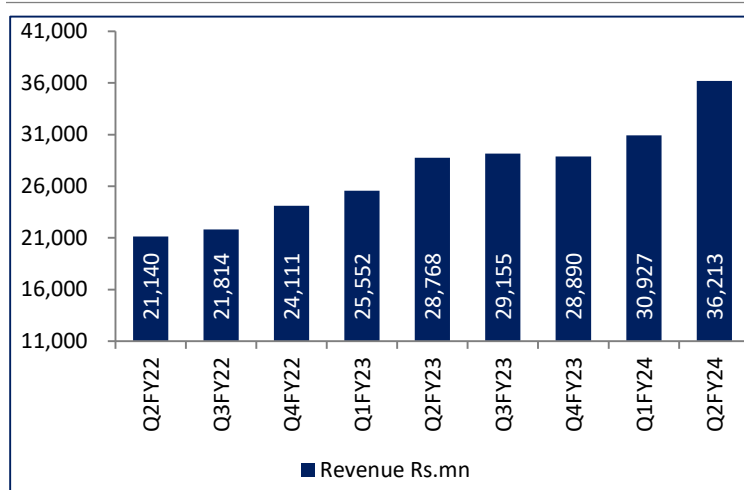
EV sales

- EV order book consists of various products such as chargers, BMS, controllers, EV motors and various other products. Annual peak revenue stood at Rs.30bn.

Others

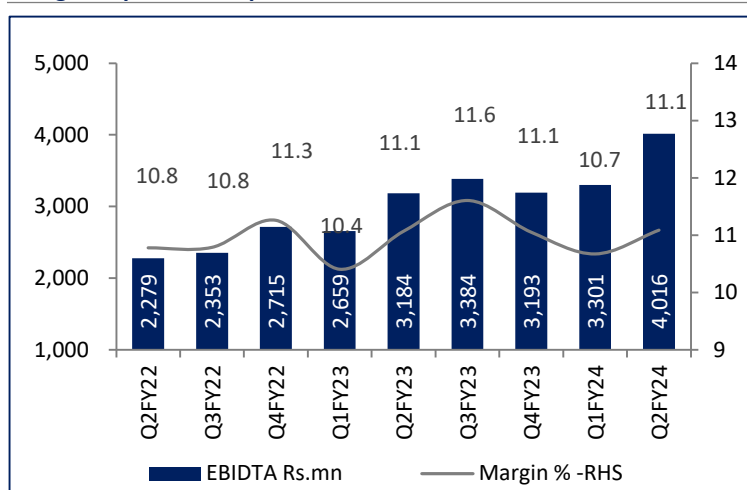
- Gross margin was impacted due to commissioning of new plant
- The market stood at 7% in Q2FY24. International business contributed 13%
- The company spent Rs.5.24bn on capex including land bank of Rs.1.1bn, RoCE stood at 19.3% (annualised) which includes capex for land in capital employed.
- Capex for FY24 would be around Rs.6 –7bn.
- Net debt stood at Rs. 11.74bn during the quarter.

Revenue grew 25.9% YoY



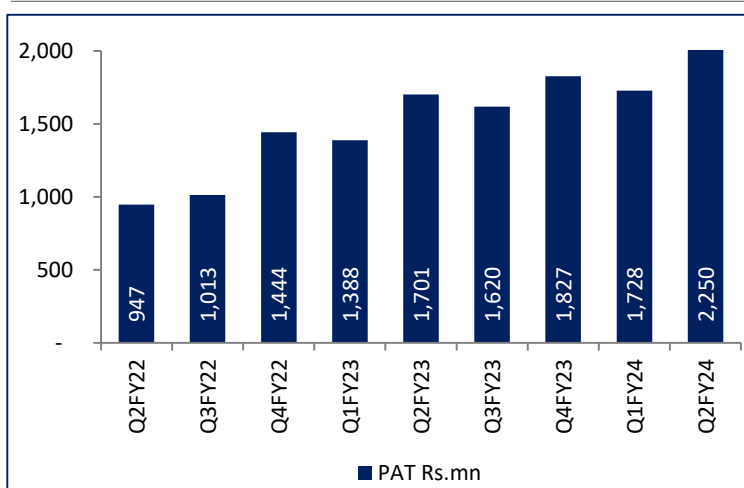
Source: Company, CEBPL

Margin improved 42bps QoQ



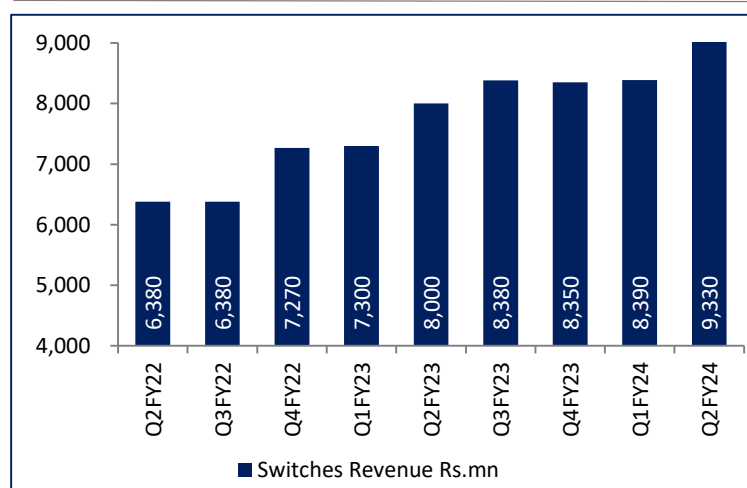
Source: Company, CEBPL

PAT jumped 32% YoY



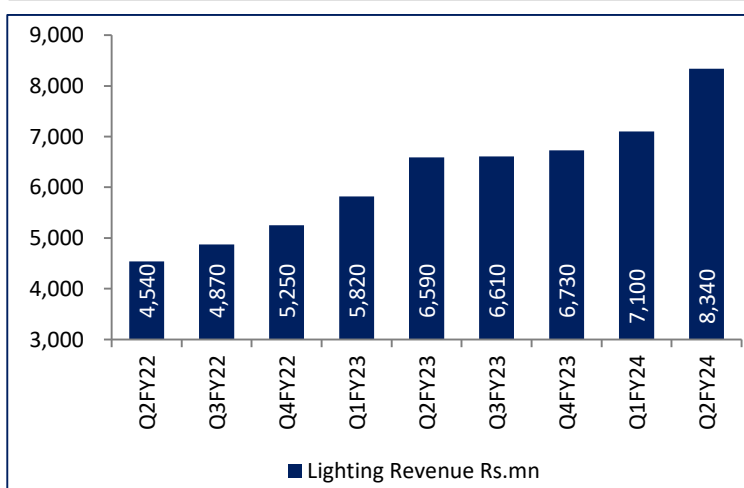
Source: Company, CEBPL

Switch revenue grew 11.2% sequentially



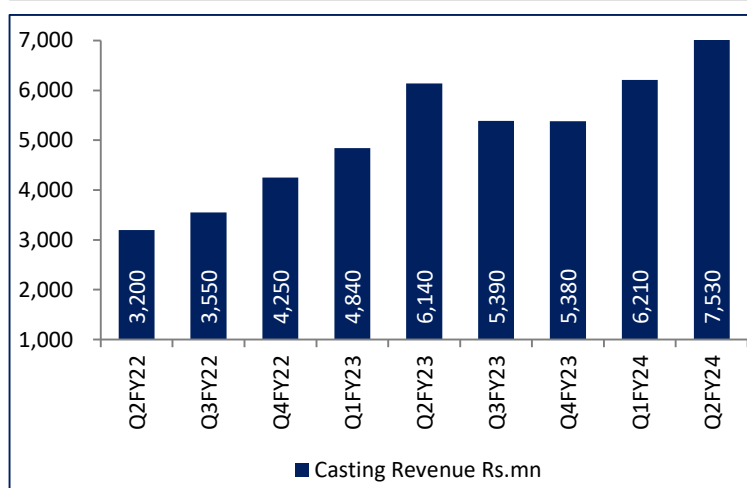
Source: Company, CEBPL

Lighting revenue grew 26.6% YoY



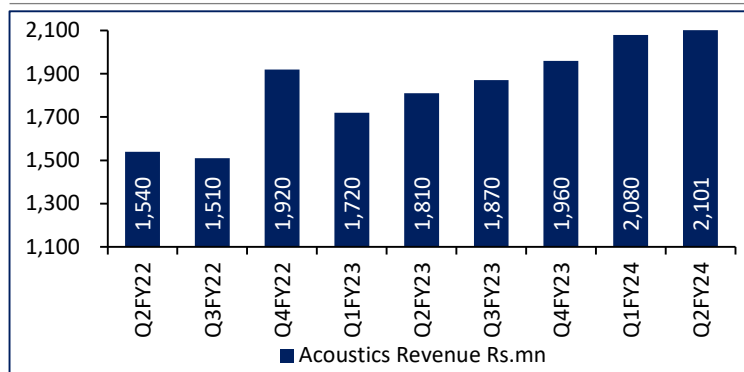
Source: Company, CEBPL

Casting revenue grew 22.6% YoY



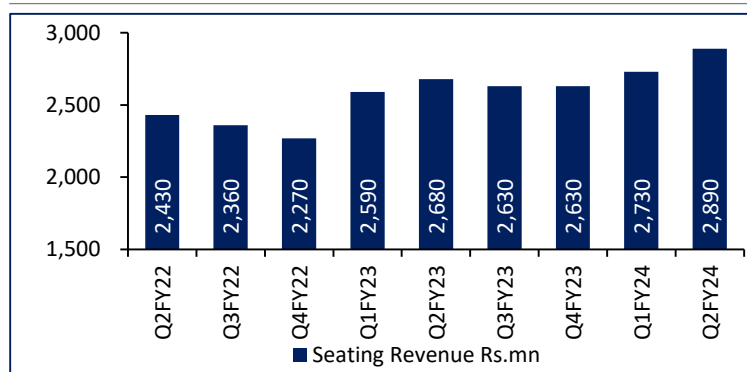
Source: Company, CEBPL

Acoustics segment grew 16.1% YoY



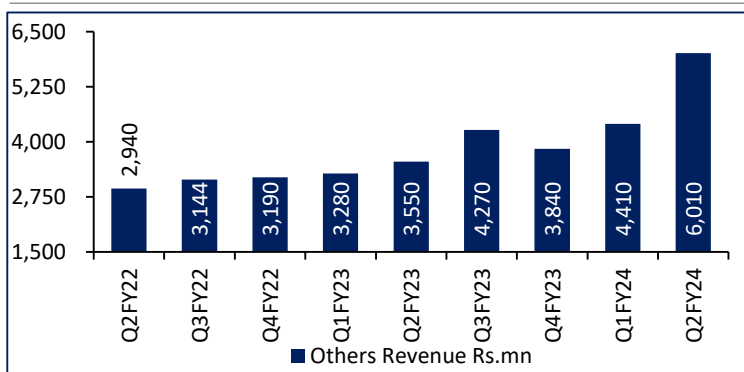
Source: Company, CEBPL

Seating revenue grew 7.8% YoY



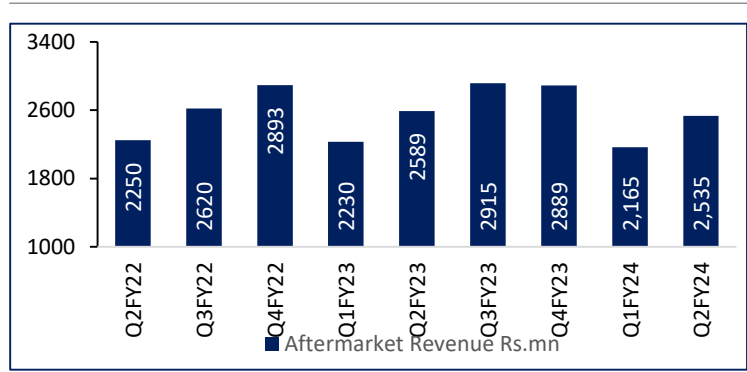
Source: Company, CEBPL

Other segment grew 69.3% YoY



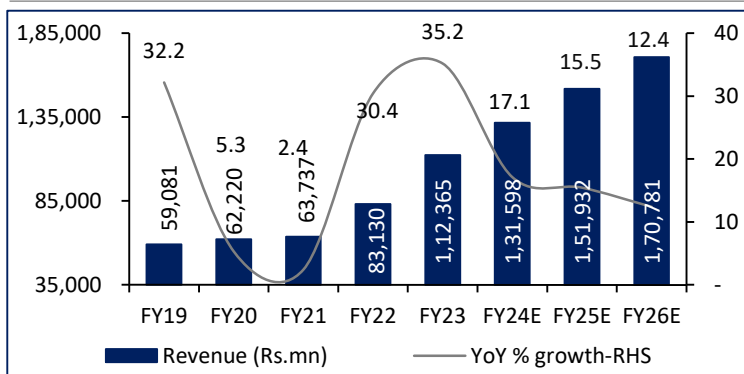
Source: Company, CEBPL

After market segment revenue trend



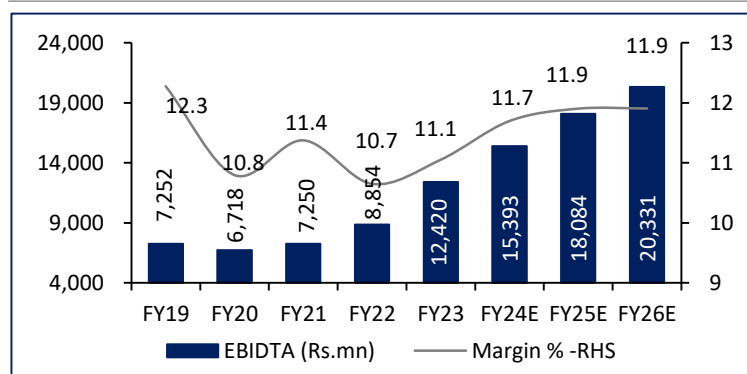
Source: Company, CEBPL

Revenue to grow on back of Premiumisation and EVficiation



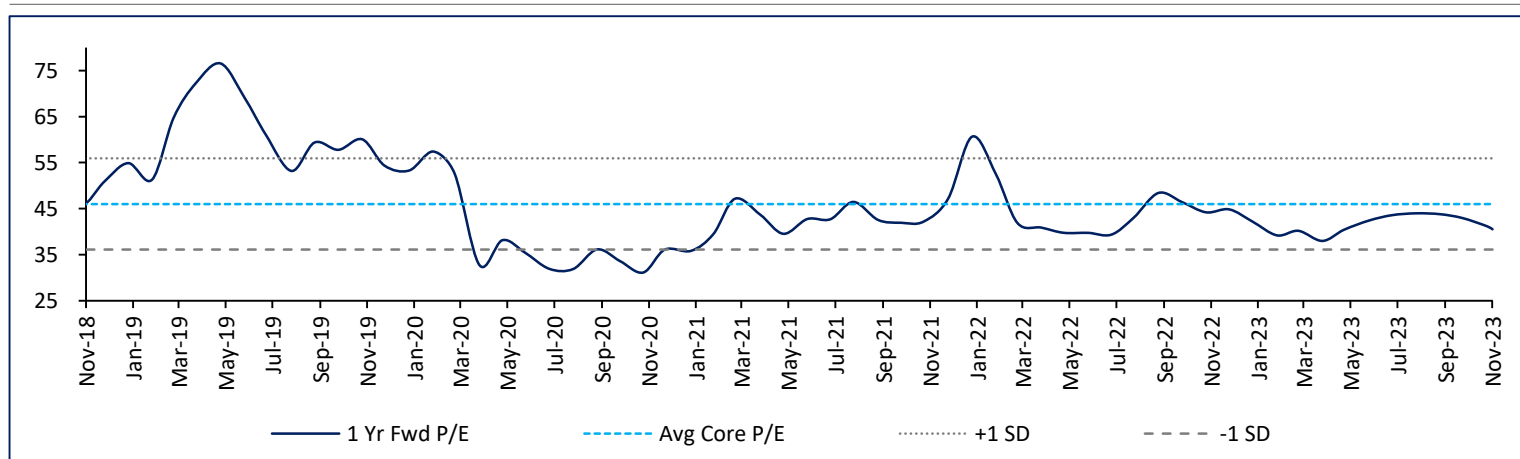
Source: Company, CEBPL

EBITDA margin to rebound on operating leverage



Source: Company, CEBPL

1 Year Forward PE (x) band



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24E	FY25E	FY26E
Revenue	83,130	1,12,365	1,31,598	1,51,932	1,70,781
YoY growth (%)	30.4	35.2	17.1	15.5	12.4
Gross profit	30,410	40,120	48,691	56,215	63,189
EBITDA	8,854	12,420	15,393	18,084	20,331
YoY growth (%)	22	40	24	17	12
EBITDA Margin (%)	10.7	11.1	11.7	11.9	11.9
Depreciation	3,918	4,299	5,419	6,119	6,769
EBIT	5,566	8,609	10,512	12,556	14,213
Interest expense	623	695	1,061	1,076	1,069
Extraordinary item	-	-	-	-	-
RPAT	4,126	7,002	7,721	9,345	10,685
Minority Interest	568	467	464	516	542
Adjusted PAT	3,558	6,536	7,257	8,829	10,143
YoY growth (%)	71.2	83.7	11.0	21.7	14.9
EPS (Rs)	6.2	11.4	12.7	15.4	17.7
NOPAT	4,105	6,763	8,258	9,864	11,165

Balance sheet (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24E	FY25E	FY26E
Net worth	34,385	41,559	49,250	58,559	69,202
Minority Interest	3,263	2,784	3,367	4,593	6,125
Deferred tax	624	487	487	487	487
Total debt	9,482	13,953	14,153	14,353	14,253
Other liabilities & provisions	1,766	1,720	1,720	1,720	1,720
Total Net Worth & liabilities	49,519	60,502	68,977	79,712	91,788
Net Fixed Assets	25,207	30,058	31,639	32,520	31,751
Capital Work in progress	3,465	2,927	3,000	3,500	3,800
Goodwill	2,840	3,103	3,103	3,103	3,103
Investments	6,067	8,692	10,592	12,218	13,726
Cash & bank balance	2,342	1,791	1,831	7,402	15,416
Loans & Advances & other assets	4,165	3,315	3,480	3,654	3,837
Net Current Assets	11,940	13,067	20,644	28,371	39,408
Total Assets	49,519	60,502	68,977	79,712	91,788
Capital Employed	43,866	55,512	63,403	72,912	83,455
Invested Capital	38,059	50,794	58,572	62,010	64,239
Net Debt	7,140	12,163	12,322	6,951	(1,163)
FCFF	(1,894)	(1,169)	3,503	12,070	14,875

Source: Company, CEBPL

Cash Flows (INR Mn.)	FY22	FY23	FY24E	FY25E	FY26E
CFO	3,829	7,982	10,503	19,070	20,875
Capex	(5,723)	(9,151)	(7,000)	(7,000)	(6,000)
FCF	(1,894)	(1,169)	3,503	12,070	14,875
CFI	(4,865)	(12,395)	(8,900)	(8,627)	(7,508)
CFF	3,110	3,009	(891)	(913)	(1,210)

Ratio Analysis	FY22	FY23	FY24E	FY25E	FY26E
Margin ratios (%)					
EBITDA Margin	10.7	11.1	11.7	11.9	11.9
PAT Margin	5.0	6.2	5.9	6.2	6.3
Performance Ratios (%)					
OCF/EBITDA (X)	0.4	0.6	0.7	1.1	1.0
OCF/IC	(0.8)	(0.6)	(1.2)	(2.2)	(2.8)
RoE	12.0	16.8	15.7	16.0	15.4
ROCE	12.7	15.5	16.6	17.2	17.0
RoIC(Post tax)	10.8	13.3	14.1	15.9	17.4
ROIC(Pre tax)	14.6	16.9	17.9	20.2	22.1
Fixed asset Turnover (x)	3.30	3.74	4.16	4.67	5.38
Turnover Ratios (days)					
Inventory	46	43	48	45	45
Debtors	60	56	60	60	60
Payables	62	55	50	50	50
Cash Conversion Cycle	44	44	58	55	55
Financial Stability ratios (x)					
Net debt to Equity	0.2	0.3	0.3	0.1	(0.0)
Net debt to EBITDA	0.8	1.0	0.8	0.4	(0.1)
Interest Cover	8.9	12.4	9.9	11.7	13.3
Valuation metrics					
Fully diluted shares (mn)	571	573	573	573	573
Price (Rs)	583	583	583	583	583
Market Cap (Rs. Mn)	3,33,033	3,34,067	3,34,067	3,34,067	3,34,067
PE (x)	94	51	46	38	33
EV (Rs.mn)	3,43,436	3,49,013	3,49,756	3,45,611	3,39,029
EV/EBITDA (x)	39	28	23	19	17
Book value (Rs/share)	60	73	86	102	121
Price to BV (x)	10	8	7	6	5
EV/OCF (x)	90	44	33	18	16

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

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OUTPERFORM	The security is expected to generate more than 15% returns over the next 12 months
ADD	The security is expected to generate greater than 5% to less than 15% returns over the next 12 months
NEUTRAL	The security expected to show downside or upside returns by 5% over the next 12 months
REDUCE	The security expected to show less than -5% to greater than -15% over the next 12 months
UNDERPERFORM	The security is expected to generate returns in excess of -15% over the next 12 months

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