

Retail Equity Research UNO Minda Ltd.

Automobile – Auto Ancillaries

BSE CODE : 532539

NSE CODE: UNOMINDA

BLOOMBERG CODE: UNOMINDA: IN

SENSEX : 65,931

BUY

12 Months Investment Period

Rating as per Midcap

CMP Rs. 648 TARGET Rs.745 RETURN 15% ↑

(Closing: 21-11-23)

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.3,043cr.
- 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 11.1%. However, higher personal cost and low operating leverage due to capacity expansion restricted the margin upside.
- We build our revenue CAGR over FY23-25E by 23%, factoring in demand stability, diversification, and increase in content per vehicle.
- Currently, UML is trading at its long term historical avg of 35x. We believe the stock will continue to outperform owing to its diversified portfolio and strong order wins, and value UML at 35x FY25E EPS.

Key order book continue to grow.

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.61,500 per vehicle. The product under production & supply is Rs.35,500/-, new orders received are Rs. 8,000/-, and product under development is Rs. 26,000/-, respectively. The peak order value from EV 2w and PV is Rs 3,043 cr and Rs 685cr, respectively. Currently, the share from the EV is 12% of domestic 2W revenues, which is higher than the 2W industry penetration of 4%.

Potential portfolio to drive future growth

Q2FY24 consolidated revenue grew by 26% YoY, outperforming the industry growth of 1%YoY. The top line was fueled by growth across all segments, in which core businesses like switches, lighting, and acoustics grew by 17%, 27%, and 16%, YoY, whereas new businesses like LMT, seating, and other businesses grew by 23%, 8%, and 39% YoY, respectively. EBITDA margin came in at 11.1% owing to a superior product mix and lower other expenses. PAT grew by 32% 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.

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 is growing at 70%YoY to Rs.601cr. 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 35x FY25E EPS, arrive at a target price of Rs.745, and maintain our Buy rating.

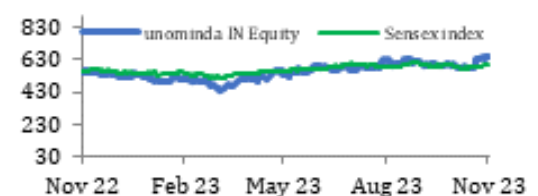
Company Data

Market Cap (Rs.cr)	35,697
Enterprise Value (Rs.cr)	45,273
Outstanding Shares (cr)	40.1
Free Float	35%
Dividend Yield	0.2%
52 week high (Rs.)	660
52 week low (Rs.)	433
6m average volume (cr)	0.11
Beta	1.0
Face value (Rs.)	2

Shareholding (%)	Q4FY23	Q1FY24	Q2FY24
Promoters	70.1	70.1	68.7
FII's	6.3	6.5	7.8
MFs/Insti	17.0	17.1	17.0
Public	6.7	6.3	6.5
Total	100.0	100.0	100.0
Promotor pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	1.7%	23.5%	16.9%
Absolute Sensex	0.7%	6.3%	6.5%
Relative Return*	1.0%	17.2%	10.4%

*over or under performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	11,236	13,980	17,128
Growth (%)	35.2	24.4	22.5
EBITDA	1,242	1,587	2,141
EBITDA Margin (%)	11.1	11.4	12.5
Adj. PAT	654	846	1,218
Growth (%)	83.7	29.4	44.0
Adj. EPS	11.4	14.8	21.3
Growth (%)	83.7	29.4	44.0
P/E	56.1	43.4	30.1
P/B	5.1	4.0	3.1
EV/EBITDA	14.0	10.9	8.0
ROE (%)	21.8	22.7	25.6
D/E	0.2	0.1	0.1

Saji John
Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

Rs (cr)	Q2FY24	Q2FY23	YoY Growth (%)	Q1FY24	QoQ Growth (%)	H1FY23	H2FY24	YoY Growth (%)
Sales	3,621	2,877	25.9	3,093	17.1	5,432	6,714	23.6
EBITDA	402	318	26.1	330	21.7	584	732	25.2
EBITDA margins (%)	11.1	11.1	2bps	10.7	42bps	10.8	10.9	14bps
Depreciation	125	107	16.9	119	5.4	207	244	18.2
EBIT	276	211	30.7	211	30.7	378	487	29.0
Interest	27	19	42.1	21	29.8	36	48	33.9
Other Income	9	16	-44.5	8	14.3	17	26	-35.0
Exceptional Items	0	0	0.0	0	-	0	0	0.0
PBT	258	208	23.9	198	30.3	456	367	24.1
Tax	73	55	34.4	44	67.2	117	86	36.8
Share of profit from associates	53	29	84.7	30	75.2	84	51	65.4
Minority interest	-13	-12	0.0	-7	-	-20	-23	0.0
Reported PAT	225	170	32.3	177	27.1	402	309	30.1
Adjustments	0	0	0.0	0	-	0	0	0.0
Adj PAT	225	170	32.3	177	27.1	402	309	30.1
No. of Shares	57	57	-	57	-	57	57	-
Adj EPS (Rs)	8.6	6.5	32.3	6.8	27.1	15.4	11.8	30.1

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	13,178	15,713	13,980	17,128	6.1	9.0
EBITDA	1,450	1,838	1,587	2,141	9.4	16.5
Margins (%)	11.0	11.7	11.4	12.5	35bps	80bps
Adj. PAT	777	1,060	846	1,218	8.9	14.9
EPS	13.6	18.5	14.8	21.3	8.9	14.9

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	6,374	8,313	11,236	13,980	17,128	21,207
% change	16.6	30.4	35.2	24.4	22.5	23.8
EBITDA	725	885	1,242	1,587	2,141	2,651
% change	17.1	22.1	40.3	27.8	34.9	23.8
Depreciation	336	371	409	461	521	581
EBIT	350	494	812	1,107	1,601	2,051
Interest	74	62	70	68	39	27
Other Income	47	63	49	49	60	74
PBT	325	494	791	1,088	1,622	2,098
% change	28.8	52.2	60.1	37.5	49.1	29.3
Tax	101	147	191	297	459	594
Tax Rate (%)	31.0	29.7	24.2	27.3	28.3	28.3
Reported PAT	207	356	654	846	1,218	1,559
Adj*	1.7	0.0	0.0	0.0	0.0	0.0
Adj PAT	205	356	654	846	1,218	1,559
% change	21.2	73.7	83.7	29.4	44.0	28.0
No. of shares (cr)	27	57	57	57	57	57
Adj EPS (Rs.)	7.8	6.2	11.4	14.8	21.3	27.3
% change	22	-21	84	29	44	28
DPS (Rs.)	0.5	0.2	0.2	0.2	0.2	0.2
CEPS (Rs.)	21	13	19	23	31	38

CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Net inc. + Depn.	700	886	1,221	1,568	2,162	2,698
Non-cash adj.	-2	0	0	0	0	0
Changes in W.C	-404	-198	-205	-500	-481	-647
C.F. Operation	294	688	1,016	1,068	1,681	2,051
Capital exp.	-300	-618	-705	-755	-755	-755
Change in inv.	146	-288	-34	-250	-157	-204
Other invest.CF	17	65	100	100	100	100
C.F - Investment	-137	-841	-639	-905	-812	-859
Issue of equity	231	60	0	0	0	0
Issue/repay debt	-165	-85	-135	-135	-135	-135
Dividends paid	-13	-13	-13	-13	-13	-13
Other finance.CF	-18	-57	-47	-45	-45	-45
C.F - Finance	34	-95	-195	-193	-193	-193
Chg. in cash	191	-249	182	-30	675	999
Closing cash	360	112	294	264	939	1938

BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	360	112	294	264	939	1,938
Accounts Receivable	1,199	1,480	1,909	2,375	2,909	3,602
Inventories	751	939	1,227	1,539	1,862	2,305
Other Cur. Assets	241	367	496	617	756	935
Investments	127	416	449	699	856	1,060
Gross Fixed Assets	4,087	4,687	5,387	6,137	6,887	7,637
Net Fixed Assets	2,290	2,519	2,810	3,099	3,328	3,497
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
Total Assets	5,786	6,713	8,105	9,551	11,656	14,408
Current Liabilities	888	1,139	1,231	1,532	1,877	2,324
Provisions	174	228	308	383	469	581
Debt Funds	853	768	633	498	363	228
Other Liabilities	1,290	1,594	2,309	2,681	3,285	4,067
Equity Capital	54	114	114	114	114	114
Reserves & Surplus	2,221	2,563	3,204	4,036	5,241	6,787
Shareholder's Fund	2,275	2,678	3,318	4,151	5,355	6,901
Total Liabilities	5,786	6,713	8,105	9,551	11,656	14,408
BVPS (Rs.)	64	80	105	137	184	244

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Profitab. & Return						
EBITDA margin (%)	11.4	10.7	11.1	11.4	12.5	12.5
EBIT margin (%)	5.5	5.9	7.2	7.9	9.3	9.7
Net profit mgn.(%)	3.2	4.3	5.8	6.1	7.1	7.4
ROE (%)	9.9	14.4	21.8	22.7	25.6	25.4
ROCE (%)	5.2	7.7	14.1	15.1	17.0	17.3
W.C & Liquidity						
Receivables (days)	59.0	58.8	55.0	55.9	56.3	56.0
Inventory (days)	38.9	37.1	35.2	36.1	36.2	35.9
Payables (days)	69.0	63.3	63.4	65.1	63.6	63.3
Current ratio (x)	2.5	2.2	2.7	2.6	2.9	3.2
Quick ratio (x)	1.4	1.3	1.6	1.6	1.6	1.6
Turnover & Leverage						
Gross asset T.O (x)	1.7	1.9	2.2	2.4	2.6	2.9
Total asset T.O (x)	1.1	1.3	1.5	1.6	1.6	1.6
Int. coverage ratio (x)	4.7	7.9	11.7	16.3	41.3	77.1
Adj. debt/equity (x)	0.4	0.3	0.2	0.1	0.1	0.0
Valuation						
EV/Sales (x)	2.8	2.1	1.5	1.2	1.0	0.8
EV/EBITDA (x)	24.3	19.8	14.0	10.9	8.0	6.4
P/E (x)	81.8	103.1	56.1	43.4	30.1	23.5
P/BV (x)	7.4	6.3	5.1	4.0	3.1	2.4

Recommendation summary (Last 3 Years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
21 st April 2020	Buy	150
19 th November 2020	Accumulate	204
25 th February 2021	Accumulate	314
24 th June 2021	Accumulate	361
14 th December 2021	Buy	544
31 st May 2022	Buy	538
23 rd November 2022	Accumulate	634
17 th February 2023	Buy	586
25 th May 2023	Buy	601
4 th September 2023	Buy	704
21 st November 2023	Buy	745

Investment Criteria

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

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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