

April 1, 2024

Industry leading growth to continue, portfolio play...

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

- FY23 segment mix – 4-W 54%, 2-W 46%; switches, lighting, castings, horns and seats comprised 29%, 23%, 19%, 7% and 9% of sales, respectively
- FY23 Sales Mix: 90% OEM's, 10% aftermarket; Geographical mix: India: 83%

Investment Rationale

- OEM centric ancillary, offering healthy premiumisation play:** Uno Minda has over the years evolved into one of the largest entities in domestic auto ancillary space (kit value >~10% of vehicle Asp's), providing solutions in areas of comfort & convenience (automotive switches, interior & exterior lighting, acoustics systems, seating), aesthetics (alloy wheels), safety (airbags, sensors & controllers), etc. It has a history of vast outperformance vs. user industries riding on growth in kit value, new client and product additions as well as inorganic acquisitions. It counts all major 2-W and PV OEMs as its clients. OEMs form ~90% of sales with aftermarket constituting the rest. It realizes ~83% of its sales domestically. MIL offers premiumisation play given its prominent presence in alloy wheel, airbag, sensors, seat belts & smart systems, etc. which are currently amongst the top selling proposition by domestic OEM's supported by safety enabling government regulations.
- Prominently gaining ground in EV space (2-W):** Uno Minda has a history of successful JVs with foreign partners & minimal EV risk in its existing portfolio. In fact, it has healthy order book and product portfolio in the EV space with prominent products being Battery Management System (BMS), On-board Charger, Off-board Charger, etc. and realized ~₹ 165 crore sales from this segment in Q3FY24. Encouragingly, its present annual peak order value from EV OEM's is pegged at ~₹ 3,300 crore (expected to be realized in about 2-3 years' timeframe) with EV specific annual order value of ~₹1,900 crore and engine agnostic order value of ~₹1,400 crore. It has an existing kit value of ~₹ 27k/vehicle as on date with potential kit value pegged at ~₹ 35k/vehicle. Prominent presence in EV space bodes well for long-term growth at MIL.
- High growth and healthy RoCE profile justify premium valuations:** With rising kit value, healthy capex spends & technology tie-up's, we expect sales at MIL to grow at ~20% CAGR over FY23-26E (one of the highest in our auto ancillary universe), with PAT CAGR placed at ~26% riding on o/p leverage gains. Consequent RoCE is expected at ~20% by FY26. This we believe justifies premium valuation at MIL and is expected to sustain going forward.

Rating and Target Price

- We like Uno Minda amid its track record of industry leading growth, penchant for content/vehicle increase, robust EV orderbook & regulatory enabled additions (i.e. airbags, rear seatbelts etc.). We assign **BUY rating** on the stock and value Uno Minda at **₹ 820 i.e. 36x P/E on FY26E EPS**

Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	5,908.1	6,222.0	6,373.7	8,313.0	11,236.5	20.2%	13,871.0	16,242.9	19,214.2	19.6%
EBITDA	725.2	671.8	725.0	885.4	1,242.0	18.4%	1,511.2	1,819.2	2,209.6	21.2%
EBITDA Margins (%)	12.3	10.8	11.4	10.7	11.1		10.9	11.2	11.5	
Net Profit	285.6	155.2	206.6	355.8	653.5	16.1%	812.9	1,022.9	1,307.4	26.0%
EPS (₹)	5.0	2.7	3.6	6.2	11.4		14.2	17.9	22.8	
P/E	137.4	252.9	190.0	110.3	60.1		48.3	38.4	30.0	
RoNW (%)	19.0	8.3	9.2	10.3	15.7		16.7	17.7	18.8	
RoCE (%)	15.7	9.3	9.1	10.2	13.7		14.7	16.4	19.0	

Source: Company, ICICI Direct Research



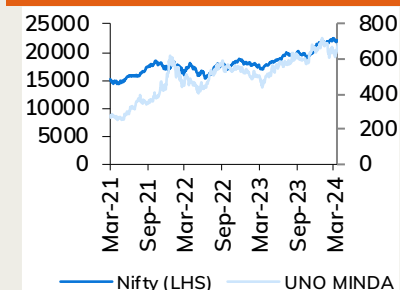
Particulars

Particulars	₹ crore
Market capitalisation	39,251
Total Debt (FY23)	1,251
Cash & Inv. (FY23)	180
EV (₹ crore)	40,322
52 week H/L (₹)	727 / 460
Equity capital (FY23)	114.6
Face value (₹)	2.0

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	70.1	70.1	68.7	68.7
FII	6.3	6.5	7.8	7.9
DII	17.0	17.5	17.0	16.9
Other	6.7	5.9	6.5	6.4

Price Chart



Recent Event & Key risks

- Reports steady performance in Q3FY24. Margins stood at 10.8%
- Key Risk: (i) Slower than anticipated underlying OEM volume growth in 2-W & 4-W space (ii) lower than anticipated margin gains amid limited operating leverage benefits

Research Analyst

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Key slides from recent PPT

Exhibit 1: Key product verticals at Uno Minda

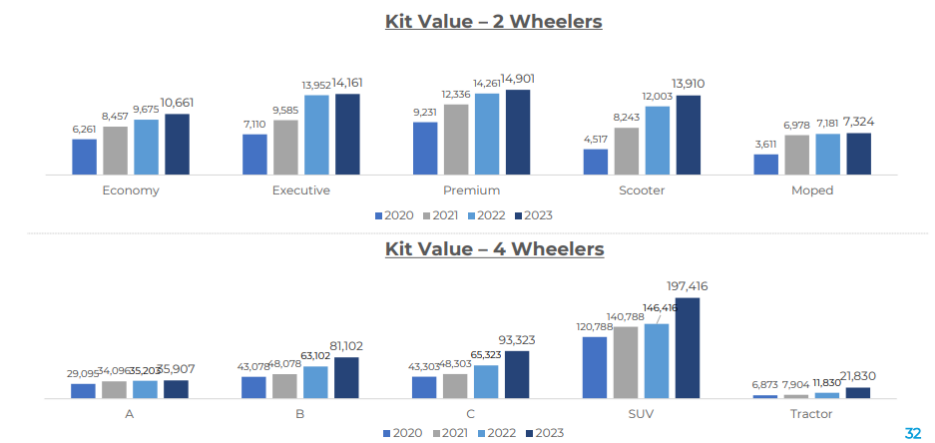


Source: Company, ICICI Direct Research

Uno Minda has a diverse presence across key auto component segments with primarily one's being Switches, Lighting Sols, Horns, Seats, Alloy Wheels, Airbags & Sensors among others

Exhibit 2: Uno Minda – Potential Kit Value across 2-W's & 4-W's

POTENTIAL KIT VALUE – UNO MINDA

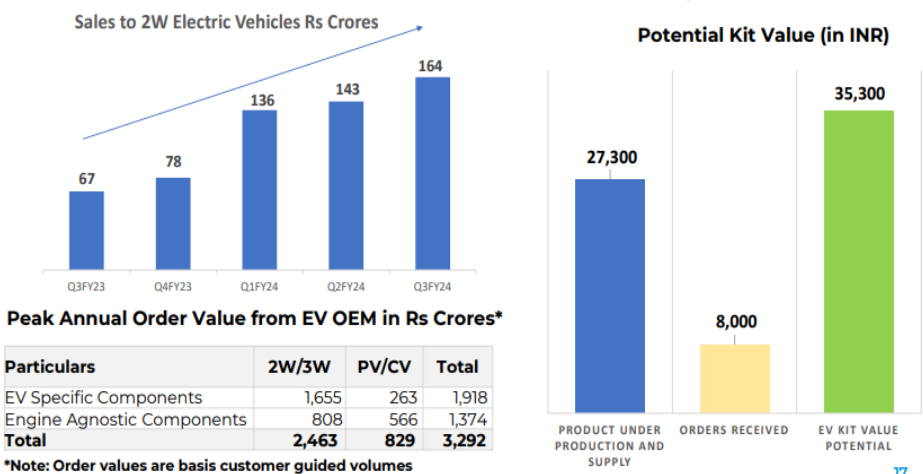


Source: Company, ICICI Direct Research

Kit value or content/vehicle is very healthy at Uno Minda across the 2-W and 4-W category and is >10% of vehicle ASP's; one of the highest in the industry for an auto ancillary player

Exhibit 3: Uno Minda – EV Order book and Kit Value

EV Sales, Order and Potential Kit Value

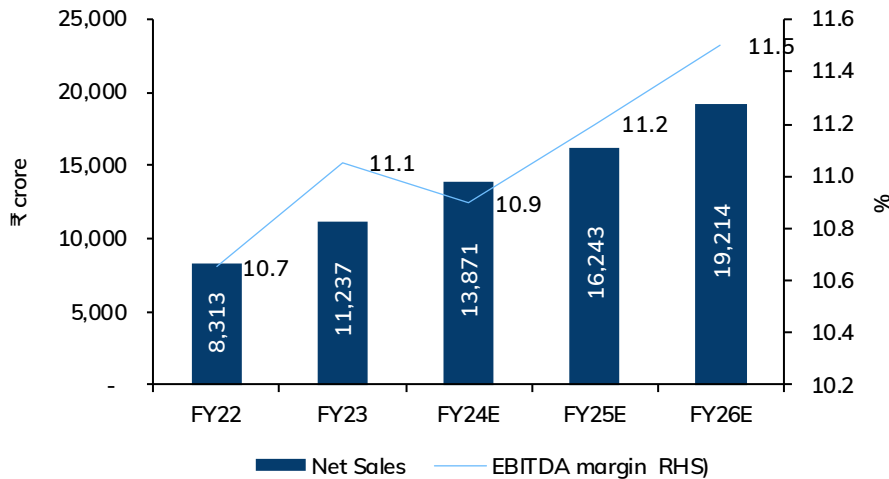


Source: Company, ICICI Direct Research

Uno Minda has developed exciting product profile in the EV space with its present annual peak order value pegged at ~ ₹ 3,300 crore (expected to be realized in about 2-3 years timeframe). It has an existing kit value of ~₹ 27k/vehicle in Electric-2W space with potential kit value pegged at ~₹ 35k/vehicle

Financial Story in Charts

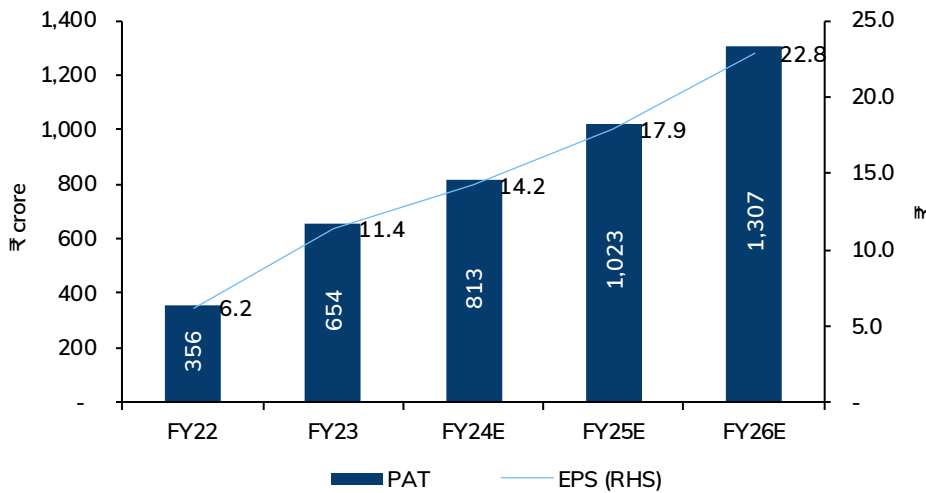
Exhibit 4: Trend in topline & EBITDA margins



Source: Company, ICICI Direct Research

Net sales at Uno Minda is expected to grow at ~20% CAGR over FY23-26E to ₹19,214 crore in FY26E whereas margins are expected to improve to 11.5% levels in FY26E, a gain of ~60 bps over FY24-26E

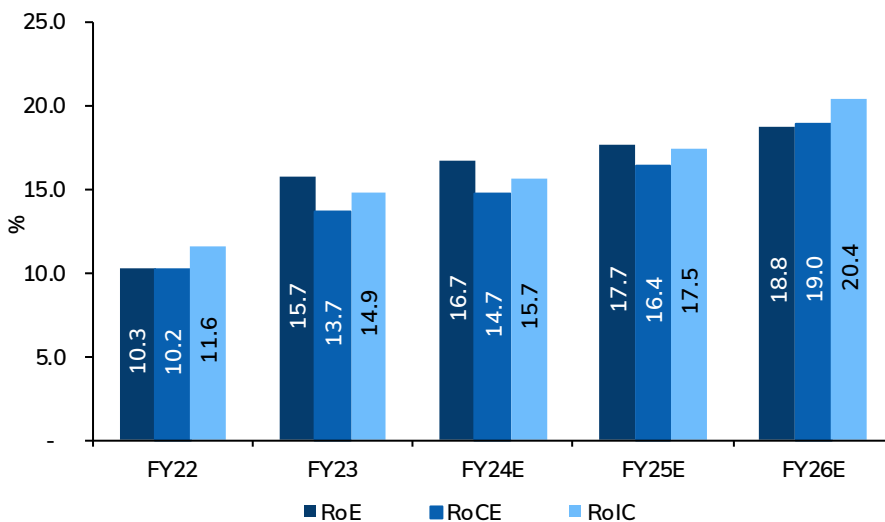
Exhibit 5: Trend in PAT & EPS



Source: Company, ICICI Direct Research

PAT at Uno Minda is expected to grow at 26% CAGR over FY23-26E with corresponding EPS expected at ₹ 22.8/share in FY26E

Exhibit 6: Trend in Return ratios



Source: Company, ICICI Direct Research

Uno Minda has a capital efficient business model with current return ratios at ~15%. Going forward with increase in scale of operations as well as anticipated improvement in margins, RoCE is seen approaching the 20% mark by FY26E

Financial Summary

Exhibit 7: Profit and loss statement					₹ crore
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Net Sales	11236.5	13871.0	16242.9	19214.2	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	11,236.5	13,871.0	16,242.9	19,214.2	
Growth (%)	35.2	23.4	17.1	18.3	
Raw Material Expenses	7,224.4	9,016.1	10,557.9	12,489.2	
Employee Expenses	1,460.5	1,799.3	2,079.1	2,401.8	
Other Operating Expense	1,309.6	1,544.4	1,786.7	2,113.6	
Total Operating Expenditure	9,994.5	12,359.7	14,423.7	17,004.5	
EBITDA	1,242.0	1,511.2	1,819.2	2,209.6	
Growth (%)	40.3	21.7	20.4	21.5	
Depreciation	430.0	520.2	568.5	634.1	
Interest	69.5	110.6	100.1	60.1	
Other Income	48.9	32.4	37.0	39.5	
PBT	791.4	912.8	1,187.7	1,555.0	
Others	-53.2	-129.1	-132.2	-141.2	
Total Tax	191.1	229.0	296.9	388.8	
PAT	653.5	812.9	1,022.9	1,307.4	
Growth (%)	83.7	24.4	25.8	27.8	
EPS (₹)	11.4	14.2	17.9	22.8	

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement					₹ crore
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Profit after Tax	653.5	812.9	1,022.9	1,307.4	
Add: Depreciation	430.0	520.2	568.5	634.1	
(Inc)/dec in Current Assets	-680.1	-1,020.2	-758.5	-950.2	
Inc/(dec) in CL and Provisions	387.4	698.6	484.3	605.4	
Others	69.5	110.6	100.1	60.1	
CF from operating activities	860.3	1,122.1	1,417.3	1,656.8	
(Inc)/dec in Investments	-306.3	-68.6	-55.0	-170.0	
(Inc)/dec in Fixed Assets	-849.6	-900.0	-1,100.0	-800.0	
Others	-194.9	34.0	41.4	3.5	
CF from investing activities	-1,350.8	-934.6	-1,113.6	-966.5	
Issue/(Buy back) of Equity	57.5	0.0	0.0	0.0	
Inc/(dec) in loan funds	435.2	50.0	-50.0	-500.0	
Interest and Dividend outgo	-155.5	-210.9	-214.7	-189.0	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	92.4	0.0	0.0	0.0	
CF from financing activities	429.6	-160.9	-264.7	-689.0	
Net Cash flow	-60.9	26.7	39.0	1.3	
Opening Cash	234.1	173.2	199.9	238.8	
Closing Cash	173.2	199.9	238.8	240.1	

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet					₹ crore
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Liabilities					
Equity Capital	114.6	114.6	114.6	114.6	
Reserve and Surplus	4,041.3	4,753.9	5,662.2	6,840.7	
Total Shareholders funds	4,155.9	4,868.5	5,776.8	6,955.3	
Total Debt	1,251.0	1,301.0	1,251.0	751.0	
Deferred Tax Liability	48.7	48.7	48.7	48.7	
Minority Interest / Others	479.6	513.6	554.9	558.4	
Total Liabilities	5,935.1	6,731.8	7,631.5	8,313.5	
Assets					
Gross Block	5,054.2	6,047.0	7,147.0	7,947.0	
Less: Acc Depreciation	2,060.1	2,580.3	3,148.8	3,782.9	
Net Block	2,994.1	3,466.7	3,998.2	4,164.1	
Capital WIP	292.7	200.0	200.0	200.0	
Total Fixed Assets	3,286.8	3,666.7	4,198.2	4,364.1	
Investments & Goodwill	1,197.1	1,265.7	1,320.7	1,490.7	
Inventory	1,331.4	1,710.1	2,002.6	2,368.9	
Debtors	1,723.3	2,280.2	2,670.1	3,158.5	
Loans and Advances	29.5	36.5	42.7	50.5	
Other Current Assets	331.5	409.2	479.1	566.8	
Cash	173.2	199.9	238.8	240.1	
Total Current Assets	3,588.9	4,635.8	5,433.3	6,384.8	
Current Liabilities	2,203.0	2,843.5	3,288.7	3,845.1	
Provisions	170.6	228.7	267.8	316.8	
Current Liabilities & Prov	2,373.6	3,072.2	3,556.5	4,161.9	
Net Current Assets	1,215.4	1,563.6	1,876.8	2,222.8	
Others Assets	235.9	235.9	235.9	235.9	
Application of Funds	5,935.1	6,731.8	7,631.5	8,313.5	

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY23	FY24E	FY25E	FY26E
Per share data (₹)				
EPS	11.4	14.2	17.9	22.8
Cash EPS	18.9	23.3	27.8	33.9
BV	72.5	85.0	100.8	121.4
DPS	1.5	1.8	2.0	2.3
Cash Per Share (Incl Invst)	3.1	3.9	4.7	6.8
Operating Ratios (%)				
EBITDA Margin	11.1	10.9	11.2	11.5
PAT Margin	5.8	5.9	6.3	6.8
Inventory days	43.2	45.0	45.0	45.0
Debtor days	56.0	60.0	60.0	60.0
Creditor days	55.2	60.0	60.0	60.0
Return Ratios (%)				
RoE	15.7	16.7	17.7	18.8
RoCE	13.7	14.7	16.4	19.0
RoC	14.9	15.7	17.5	20.4
Valuation Ratios (x)				
P/E	60.1	48.3	38.4	30.0
EV / EBITDA	32.5	26.7	22.1	17.9
EV / Net Sales	3.6	2.9	2.5	2.1
Market Cap / Sales	3.5	2.8	2.4	2.0
Price to Book Value	9.4	8.1	6.8	5.6
Solvency Ratios				
Debt/EBITDA	1.0	0.9	0.7	0.3
Debt / Equity	0.3	0.3	0.2	0.1
Current Ratio	1.6	1.6	1.6	1.6
Quick Ratio	1.0	1.0	1.0	1.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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