

Healthy performance with strong future prospects...

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

- FY22 segment mix – 4-W 53%, 2-W 47%; switches, lighting, castings, horns and seats comprised 30%, 21%, 16%, 8% and 11% of sales, respectively
- History of vast outperformance vs. user industries riding on growth in kit value, new client and product additions & inorganic acquisitions

Q3FY23 Results: The company posted healthy Q3FY23 results.

- Consolidated revenues were at ₹ 2,916 crore, up 1.3% QoQ. This is encouraging amid domestic OEM volumes being down double digit QoQ
- EBITDA margins for the quarter came in at 11.6%, up 54 bps QoQ
- Consolidated PAT in Q3FY23 was at ₹ 162 crore, down 4.8% QoQ

What should investors do? MIL's stock price has grown ~22% CAGR over past five years (~₹ 183 in February 2018), thereby vastly outperforming Nifty Auto index.

- We retain **BUY** rating on MIL tracking upbeat management commentary and company's penchant to grow ahead of industry amid consistent focus on increase in content/vehicle and import substitution products in the EV space

Target Price and Valuation: Introducing FY25E and rolling over our valuations, we now value the company at ₹ 630 i.e. 34x P/E on FY25E EPS of ₹18.6/share

Key triggers for future price performance:

- Riding on new client addition in 2-W/4-W space, new product offerings, leveraging existing client base, focus on premiumisation, expanded capacity and penchant to grow ahead of industry we expect sales at the company to grow at 22.3% CAGR over FY22-25E (much ahead of industry)
- Largely EV immune product profile with EV order book established at peak yearly revenue run-rate of ₹ 1,000 crore+ with 50% EV specialised items
- Higher than expected rise in content per vehicle amid electrification and regulation led mandatory offerings (i.e. airbags & AVAS)
- Mix, operating leverage to push margins, RoCE to 12.2%, ~20%, respectively, by FY25E
- B/s strength, with FY22 debt: equity at 0.2x amid positive CFO generation

Alternate Stock Idea: Besides MIL, in our auto coverage we like M&M.

- Focused on prudent capital allocation, UV differentiation & EV proactiveness
- BUY with target price of ₹ 1,590

Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	FY25E	3 year CAGR (FY22-25E)
Net Sales	5,908.1	6,222.0	6,373.7	8,313.0	19.1%	11,407.1	13,379.3	15,219.9	22.3%
EBITDA	725.2	671.8	725.0	885.4	18.2%	1,289.4	1,605.5	1,849.2	27.8%
EBITDA Margins (%)	12.3	10.8	11.4	10.7		11.3	12.0	12.2	
Net Profit	285.6	155.2	206.6	355.8	16.2%	656.1	894.2	1,062.0	44.0%
EPS (₹)	5.0	2.7	3.6	6.2		11.5	15.6	18.6	
P/E	102.1	187.9	141.1	82.0		44.4	32.6	27.5	
RoNW (%)	19.0	8.3	9.2	10.3		16.3	18.4	18.2	
RoCE (%)	15.7	9.3	9.1	10.2		15.2	18.0	19.2	

Source: Company, ICICI Direct Research



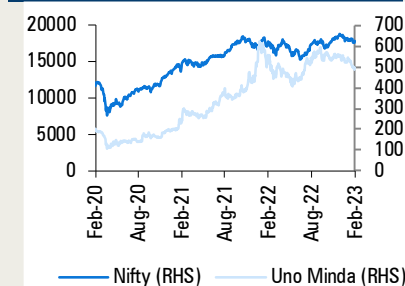
Particulars

Particulars	Amount
Market capitalisation (₹ crore)	29,159
Total Debt (FY22, ₹ crore)	816
Cash & Inv. (FY22, ₹ crore)	246
EV (₹ crore)	29,729
52 week H/L (₹)	605 / 384
Equity capital (₹ crore)	114.4
Face value (₹)	2.0

Shareholding pattern

	Jul-22	Sep-22	Sep-22	Dec-22
Promoter	67.5	67.4	70.1	70.1
FII	9.8	9.1	9.1	8.9
DII	13.2	13.8	14.0	14.3
Other	9.6	9.7	6.9	6.7

Price Chart



Recent event & key risks

- Post healthy Q3FY23 results.
- Key Risk:** (i) Slower than anticipated topline growth amid lacklustre industry performance in 2-W space, (ii) Slower than pencilled in margin uptick

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Key takeaways of recent quarter & conference call highlights

Q3FY22 Results

- Consolidated revenues for the quarter came in at ₹ 2,916 crore (up 13% QoQ). Sequential topline growth was primarily led by other segment wherein revenues grew 20% QoQ to ₹ 427 crore (led by blow moulding sub-segment) & switches space wherein revenues grew 2% QoQ to ₹ 815 crore
- Consolidated EBITDA for Q3FY23 was at ₹ 338 crore with attendant margins at 11.6%, up 54 bps QoQ. Gross margin expanded by healthy 164 bps QoQ but was offset by higher other expense, which was up 105 bps QoQ at 12.4% of sales (on account of higher gas prices)
- Reported consolidated PAT for the quarter was at ₹ 162 crore, down 4.8% QoQ aided by higher topline and margin profile on a sequential basis
- Company has also declared the interim dividend of ₹ 0.50 per equity share

Q3FY23 Earnings Conference Call highlights

- During Q3FY23 MIL executed JV agreement with Buehler Motors and Tachi-S and already received orders from 2-W EV OEM for motors. Also, it won incremental order with annual peak value of ₹ 300 crore comprising off board charger, motor controllers, BMS and DC-DC converters
- During Q3FY23, the company outran underlying industry, which de-grew sequentially considering festival related growth that was captured in Q2FY23 itself and annual plant maintenance related shutdowns. The company expects 2-W demand to witness good traction tracking healthy monsoon and positive rural sentiments
- In switches division, during Q3FY23, the company received incremental export order from north American OEM for heated grips and switches and also won 4-W switched business with Korean car maker with approximate annual revenue of ~₹ 40 crore
- The management informed about margins in alloy wheel business to be impacted due to high gas prices, which are still at elevated levels
- The company informed about ramping up its lighting plant in Gujarat dominantly crating to Suzuki motor plant in Gujarat
- Casting division saw some minor setback during the quarter predominantly tracking muted wholesale production for the quarter
- Capex guidance for FY23E was in the range of ~₹ 600 crore excluding ₹ 175 crore of capex to be done in TG Minda for expanding airbag production equipment with slated commissioning expected in December 2024
- Net debt was at ₹ 683 crore as of December 2022 end vs. ~₹ 570 crore as at FY22 end. Rise is primarily due to rise in sales, working capital need, capex

MIL- ESG Disclosure Score*			
Score	FY20	FY21	FY22
Environmental	2.4	2.4	20.1
Social	4.4	5.1	19.5
Governance	78.6	78.6	78.6
Overall ESG Score	28.6	28.8	39.4

Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

Management informed about UV mix improving steadily & greater demand for luxury vehicles in India to aid content per vehicle increase.

During Auto Expo 2023 company showcased futuristic technologies in all domain which were well appreciated by OEMs as well as media.

During the quarter company out ran industry with ~34% YoY growth vs 5% volume growth at industry level.

Company is in process of setting up separate line for cameras with healthy order book in place.

Management informed about purchasing residual stake in Minda Kosei (22.64% stake for ₹115.5 crore) & incurring ~₹175 crores of capex in TG Minda for airbag manufacturing equipment with potential revenue generating capacity of ~₹350 crores (i.e., 2x asset turns). Further management informed about ~₹250 crore orders from OEMs for upcoming mandatory airbed regulation (October 2023).

Company maintains its endeavour to attain 11-12% EBITDA margin.

Exhibit 1: Uno Minda's EV portfolio

UNO MINDA's EV PRODUCT PORTFOLIO (2W & 3W)

UNO MINDA



Source: Company, ICICI Direct Research

Exhibit 2: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY%	Q2FY23	QoQ%	Comments
Total Operating Income	2,915.5	2,633.0	2,181.4	33.7	2,876.8	1.3	Topline for the quarter was a handsome beat to our estimates with company outperforming its target segments through content increase & new customer wins
Raw Material Expenses	1,842.9	1,685.1	1,402.0	31.5	1,865.9	-1.2	RM costs were contained at 63.2% of sales and was down 165 bps QoQ vs. our expectation of 64% of sales
Employee Expenses	371.2	348.9	295.4	25.7	364.8	1.8	
Other Expenses	363.0	302.8	248.8	45.9	327.8	10.7	Other expenses came in a tad higher at 12.4% of sales, up 105 bps QoQ primarily on the back of higher gas prices as well as increased travel expenses
EBITDA	338.4	296.2	235.3	43.8	318.4	6.3	
EBITDA Margin (%)	11.6	11.3	10.8	82 bps	11.1	54 bps	EBITDA margins came in ahead of our estimates a 11.6%, up 54 bps QoQ vs. our estimates of 11.3%
Depreciation	115.0	110.6	94.2	22.0	107.2	7.2	
Interest	12.6	23.1	12.7	-0.7	19.2	-34.3	
Other Income	4.0	9.6	12.5	-68.3	16.1	-75.3	Other income came in a tad lower
PBT (before exceptional)	214.8	172.0	141.0	52.4	208.1	3.2	
Total Tax	65.9	43.4	42.3	55.8	54.6	20.8	
Reported PAT	162.0	143.6	101.3	59.9	170.1	-4.8	PAT for the quarter stood at 162 crore and was a beat to our estimates tracking beat on topline as well as margins

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

(₹ Crore)	FY23E			FY24E			FY25E		Comments
	Old	New	% Change	Old	New	% Change	Introduced		
Revenue	10,583	11,407	7.8	12,399	13,379	7.9	15,220	Upgraded our estimates for FY23-24E tracking robust performance in Q3FY23 and upbeat management commentary. Introduced FY25E numbers.	
EBITDA	1,164	1,289	10.8	1,488	1,606	7.9	1,849		
EBITDA Margin (%)	11.0	11.3	31 bps	12.0	12.0	0 bps	12.2	Broadly retained margin estimates for FY23-24E. Introduced FY25E margins at 12.2%, up 150 bps over FY22-25E	
PAT	593	656	10.7	823	894	8.7	1,062		
EPS (₹)	10.4	11.5	10.7	14.4	15.6	8.7	18.6	Our earning estimates also get a healthy double digit upgrade. Introduced FY25E numbers. On consolidated basis, we expect earnings at the company to grow at a CAGR of 44% over FY22-25E	

Source: ICICI Direct Research

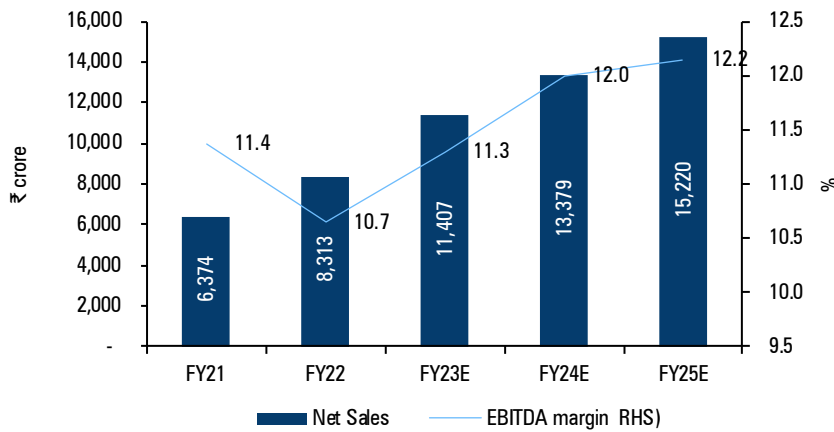
Exhibit 4: Assumptions

(₹ crore)	Current						Earlier		Comments
	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY23E	FY24E	
Switches	2,014	1,814	2,455	3,192	3,670	4,111	2,995	3,444	Upgraded our topline estimates for FY23-24E tracking management commentary on increased content/vehicle, increased wallet share with existing clients as well as new client wins across geographies. Over FY22-25E topline at the company is seen growing at a CAGR of 22.3%
Lighting	1,223	1,417	1,787	2,537	2,917	3,267	2,412	2,774	
Acoustics	653	607	647	744	833	900	725	812	
LMT	781	748	1,365	2,293	2,867	3,440	1,938	2,423	
Others	1,551	1,788	2,059	2,642	3,092	3,502	2,514	2,947	
Total Sales	6,222	6,374	8,313	11,407	13,379	15,220	10,583	12,399	

Source: ICICI Direct Research

Financial story in charts

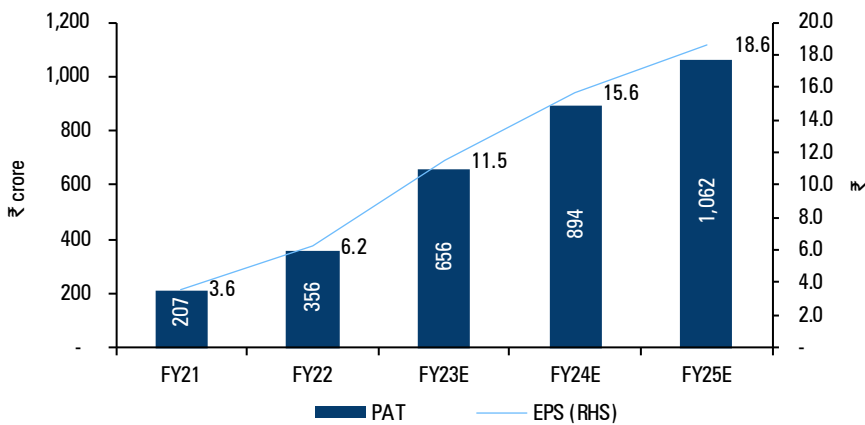
Exhibit 5: Topline and margin trend



We expect sales to grow at a CAGR of 22.2% over FY22-25E with EBITDA margins set to improve to 12.2% by FY25E

Source: Company, ICICI Direct Research

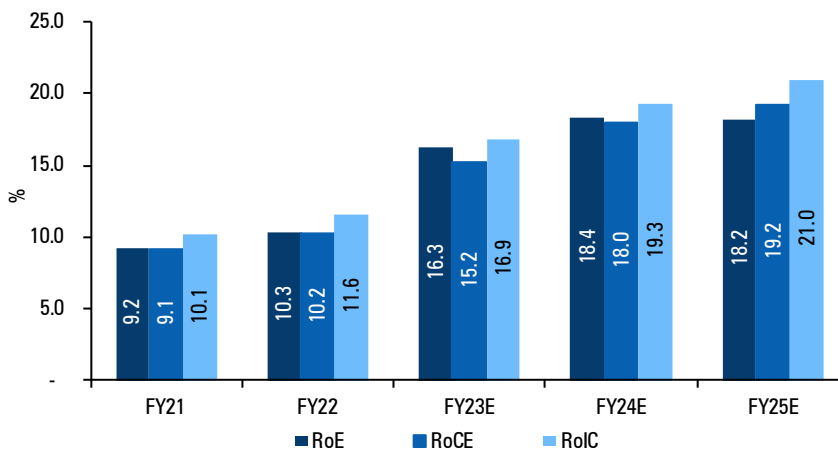
Exhibit 6: Trend in PAT and EPS



We expect MIL to report an EPS of ₹ 15.6 in FY24E and ₹ 18.6 in FY25E. With improving margin profile PAT growth is seen healthy at ~44% CAGR over FY22-25E

Source: Company, ICICI Direct Research.1

Exhibit 7: Trend in return ratios



The company is seen reporting healthy double-digit return ratio from FY23E and steadily inching towards ~20% mark by FY25E

Source: Company, ICICI Direct Research

Exhibit 8: Valuation Summary

	Sales (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY19	5,908	32.2	5.0	(57.8)	102.1	41.5	19.0	15.7
FY20	6,222	5.3	2.7	(45.7)	187.9	44.6	8.3	9.3
FY21	6,374	2.4	3.6	33.1	141.1	41.3	9.2	9.1
FY22	8,313	30.4	6.2	72.2	82.0	33.6	10.3	10.2
FY23E	11,407	37.2	11.5	84.4	44.4	23.1	16.3	15.2
FY24E	13,379	17.3	15.6	36.3	32.6	18.4	18.4	18.0
FY25E	15,220	13.8	18.6	18.8	27.5	15.7	18.2	19.2

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 9: Profit and loss statement		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Net Sales	8313.0	11407.1	13379.3	15219.9	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	8,313.0	11,407.1	13,379.3	15,219.9	
Growth (%)	30.4	37.2	17.3	13.8	
Raw Material Expenses	5,272.0	7,292.8	8,495.9	9,664.6	
Employee Expenses	1,206.5	1,459.5	1,639.0	1,841.6	
Other Operating Expense	949.1	1,365.4	1,639.0	1,864.4	
Total Operating Expenditure	7,427.6	10,117.7	11,773.8	13,370.6	
EBITDA	885.4	1,289.4	1,605.5	1,849.2	
Growth (%)	22.1	45.6	24.5	15.2	
Depreciation	391.8	439.2	501.7	563.1	
Interest	62.3	70.6	51.3	15.3	
Other Income	62.9	32.0	29.6	28.1	
PBT	494.3	811.6	1,082.2	1,298.9	
Others	-8.3	-54.0	-84.7	-90.4	
Total Tax	146.8	209.6	272.7	327.3	
PAT	355.8	656.1	894.2	1,062.0	
Growth (%)	72.2	84.4	36.3	18.8	
EPS (₹)	6.2	11.5	15.7	18.6	

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Profit after Tax	355.8	656.1	894.2	1,062.0	
Add: Depreciation	391.8	439.2	501.7	563.1	
(Inc)/dec in Current Assets	-526.7	-917.7	-631.6	-589.5	
Inc/(dec) in CL and Provisions	34.2	536.1	401.9	375.4	
Others	62.3	70.6	51.3	15.3	
CF from operating activities	317.3	784.3	1,217.5	1,426.3	
(Inc)/dec in Investments	-78.8	-62.9	-50.0	-50.0	
(Inc)/dec in Fixed Assets	-609.5	-750.0	-700.0	-800.0	
Others	39.9	37.8	17.1	22.9	
CF from investing activities	-648.5	-775.1	-732.9	-827.1	
Issue/(Buy back) of Equity	2.7	57.2	0.0	0.0	
Inc/(dec) in loan funds	-236.5	125.0	-300.0	-450.0	
Interest and Dividend outgo	-105.2	-127.7	-122.7	-101.0	
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0	
Others	666.1	-57.2	0.0	0.0	
CF from financing activities	327.2	-2.7	-422.7	-551.0	
Net Cash flow	-4.0	6.5	61.8	48.2	
Opening Cash	238.1	234.1	240.6	302.4	
Closing Cash	234.1	240.6	302.4	350.5	

Source: Company, ICICI Direct Research

Exhibit 11: Balance Sheet		₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Liabilities					
Equity Capital	57.1	114.4	114.4	114.4	
Reserve and Surplus	3,381.3	3,922.9	4,745.7	5,721.9	
Total Shareholders funds	3,438.4	4,037.3	4,860.0	5,836.2	
Total Debt	815.9	940.9	640.9	190.9	
Deferred Tax Liability	62.4	62.4	62.4	62.4	
Minority Interest / Others	528.8	566.6	583.7	606.6	
Total Liabilities	4,845.5	5,607.2	6,147.0	6,696.1	
Assets					
Gross Block	4,150.8	4,947.3	5,847.3	6,547.3	
Less: Acc Depreciation	1,630.2	2,069.3	2,571.1	3,134.2	
Net Block	2,520.7	2,878.0	3,276.3	3,413.1	
Capital WIP	346.5	300.0	100.0	200.0	
Total Fixed Assets	2,867.2	3,178.0	3,376.3	3,613.1	
Investments & Goodwill	890.7	953.7	1,003.7	1,053.7	
Inventory	1,046.4	1,406.4	1,649.5	1,876.4	
Debtors	1,376.7	1,875.1	2,199.3	2,501.9	
Loans and Advances	26.0	35.6	41.8	47.5	
Other Current Assets	286.6	336.2	394.3	448.5	
Cash	234.1	240.6	302.4	350.5	
Total Current Assets	2,969.7	3,893.9	4,587.3	5,224.9	
Current Liabilities	1,836.6	2,323.6	2,691.1	3,034.4	
Provisions	149.6	198.7	233.1	265.1	
Current Liabilities & Prov	1,986.2	2,522.3	2,924.2	3,299.6	
Net Current Assets	983.6	1,371.6	1,663.1	1,925.4	
Others Assets	104.0	104.0	104.0	104.0	
Application of Funds	4,845.5	5,607.2	6,147.0	6,696.1	

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios					
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Per share data (₹)					
EPS	6.2	11.5	15.7	18.6	
Cash EPS	13.1	19.2	24.4	28.4	
BV	60.1	70.6	85.0	102.1	
DPS	0.7	1.0	1.3	1.5	
Cash Per Share (Incl Invst)	4.3	4.6	5.7	6.6	
Operating Ratios (%)					
EBITDA Margin	10.7	11.3	12.0	12.2	
PAT Margin	4.3	5.8	6.7	7.0	
Inventory days	45.9	45.0	45.0	45.0	
Debtor days	60.4	60.0	60.0	60.0	
Creditor days	62.0	60.0	60.0	60.0	
Return Ratios (%)					
RoE	10.3	16.3	18.4	18.2	
RoCE	10.2	15.2	18.0	19.2	
RoIC	11.6	16.9	19.3	21.0	
Valuation Ratios (x)					
P/E	82.0	44.4	32.6	27.5	
EV / EBITDA	33.6	23.1	18.4	15.7	
EV / Net Sales	3.6	2.6	2.2	1.9	
Market Cap / Sales	3.5	2.6	2.2	1.9	
Price to Book Value	8.5	7.2	6.0	5.0	
Solvency Ratios					
Debt/EBITDA	0.9	0.7	0.4	0.1	
Debt / Equity	0.2	0.2	0.1	0.0	
Current Ratio	1.5	1.6	1.6	1.6	
Quick Ratio	0.9	1.0	1.0	1.0	

Source: Company, ICICI Direct Research

Exhibit 13: ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)		(₹ Cr)	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Apollo Tyre (APOTYR)	330	390	Buy	20,956	10.1	15.9	25.2	32.8	20.7	13.1	9.9	7.6	5.9	6.3	10.0	13.8	5.4	8.1	11.8
Ashok Leyland (ASHLEY)	149	185	Buy	43,614	1.8	3.9	6.8	80.7	38.4	22.0	45.0	17.0	12.0	2.1	15.9	23.3	0.2	14.1	22.0
Bajaj Auto (BAAUTO)	3,876	4,100	Hold	1,12,160	173.4	197.5	240.9	22.3	19.6	16.1	17.3	14.5	11.6	18.4	24.2	29.0	17.6	22.3	26.1
Balkrishna Ind. (BALIND)	2,330	2,200	Buy	45,043	73.0	72.4	100.1	31.9	32.2	23.3	23.7	25.0	16.4	15.9	12.5	19.9	20.4	17.6	20.7
Bharat Forge (BHAFOR)	863	1,050	Buy	40,179	23.1	17.5	28.2	37.3	49.2	30.6	21.5	22.9	16.6	9.6	8.4	12.6	15.2	11.4	16.4
Eicher Motors (EICMOT)	3,236	4,310	Buy	88,440	61.3	101.4	124.6	52.8	31.9	26.0	36.8	22.2	17.9	13.3	20.5	21.6	13.3	19.2	20.4
Escorts Kubota (ESCORT)	1,980	2,365	Buy	26,124	58.0	47.8	73.7	34.1	41.4	26.9	22.4	25.6	18.1	10.4	7.8	10.4	9.7	8.4	10.5
Hero Moto (HERHON)	2,600	2,770	Hold	51,922	123.8	137.2	169.7	21.0	18.9	15.3	12.9	11.5	9.2	16.3	18.4	22.2	15.7	16.6	19.5
M&M (MAHMAH)	1,370	1,590	Buy	1,70,318	41.4	54.7	72.0	33.1	25.0	19.0	23.5	16.5	12.6	9.3	13.0	16.2	13.1	15.4	17.1
Maruti Suzuki (MARUTI)	8,835	11,200	Buy	2,66,888	124.7	261.9	369.0	70.9	33.7	23.9	39.5	20.6	14.7	5.1	12.9	16.9	7.0	13.3	16.7
Uno Minda (MININD)	510	630	Buy	29,159	6.2	11.5	15.6	82.0	44.4	32.6	33.6	23.1	18.4	10.2	15.2	18.0	10.3	16.3	18.4
Tata Motors (TATMOT)	437	530	Buy	1,67,327	-29.9	-3.1	24.3	-14.6	-142.7	18.0	7.2	6.4	4.3	4.8	7.9	15.1	-23.5	-2.5	16.3

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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