June 22, 2021

Minda Industries Limited: Update on Material Event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Term Loans	185.00	185.00	[ICRA]AA(Stable)
Cash Credit Facilities	117.50	117.50	[ICRA]AA(Stable)
Non-fund Based Limits	37.00	37.00	[ICRA]A1+
Unallocated	10.50	10.50	[ICRA]AA(Stable)
Total Bank Lines	**350.00**	**350.00**	
Commercial Paper Programme	**100.00**	**100.00**	[ICRA]A1+

Rationale

Material Event

On June 13, 2021, Minda Industries Limited (MIL) announced an investment in Harita Fehrer Limited (HFRL, rated [ICRA]A-/A2+ &[1]) by acquiring 49% stake from the joint venture (JV) partner, F. S. Fehrer Automotive GmbH (Fehrer). The cash consideration for the stake purchase would be Rs. 115 crore, and the transaction is expected to be completed by November 30, 2021.

Following the merger of Harita Seating Systems Limited with MIL, which was approved by NCLT on 1st February 2021, with appointed date of April 1, 2019, HFRL became a 51% subsidiary of MIL, with Fehrer holding the balance stake. With the acquisition of the 49% stake from the JV partner, HFRL will become a wholly-owned subsidiary of MIL.

Impact of the Material Event

The aforementioned transaction is not expected to have a material impact on MIL's credit profile. Given that HFRL is already getting consolidated post approval of the merger on account of MIL's majority ownership in the entity, the impact of acquisition of the balance stake in HFRL on the consolidated credit metrics would not be material. Furthermore, given MIL's healthy cash flow generation, and comfortable leverage and liquidity position, ICRA expects that it would be able to comfortably fund the Rs. 115 crore cash consideration to be paid for the transaction, with minimal impact on credit metrics. There is also not expected to be any material impact on the business position of HFRL on account of the ownership change, as the technology from the JV partner has been fully imbibed by the company. Accordingly, the transaction is expected to be largely credit neutral for MIL.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position, rating sensitivities, and key financial indicators: [Click here]

[1] *&: On rating watch with developing implications*

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Suppliers
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on MIL's consolidated financial statements

About the company

Minda Industries Limited, the flagship company of the Uno Minda Group, is one of the most diversified auto component manufacturers in India with a presence across multiple product segments, such as automotive switches (28% of overall revenues), lighting systems (22%), acoustics (7%), alloy wheel and die-casting (14%), seatings (11%) and other segments, including safety systems such as airbags, infotainment systems, blow moulding-based components, intake manifolds, fuel cap, auto gas and automotive batteries. The company is a leading domestic player in automotive switches (across two-wheeler (2W), three-wheeler (3W) and passenger vehicle (PV) segments) and automotive horns, and the third-largest player in automotive lighting systems (for 2Ws, 3Ws and four-wheelers, or 4Ws). MIL's segment-wise exposure is also well diversified, deriving 53% of its revenues from the 2W and 3W segments, and the rest from 4Ws. MIL caters to most of the key automobile OEMs in the 2W and PV segments, including Maruti Suzuki India Limited, Bajaj Auto Limited, Hero Motocorp Limited, Mahindra & Mahindra Limited, Toyota Kirloskar Motors Limited and Tata Motors Limited. The various businesses are operated either directly under the standalone entity or through various JVs/subsidiaries of the company.

Over the last few years, MIL has scaled up substantially and diversified its business profile through acquisitions, scale-up in greenfield projects, and consolidation of Group companies (in the auto component business). In April 2013, MIL acquired Clarton Horn, a Spanish horn manufacturer, making it a global player in the horns market for PVs. In FY2017, to expand its automotive lighting business, MIL acquired 100% stake in Rinder India Private Limited, along with Rinder Riduco, S.A.S. Columbia (50%) and Light & Systems Technical Center (part of the Spanish Rinder Group). In FY2018, MIL acquired an 80% stake in iSYS RTS GmBH to expand its presence in the ECU and controller space; and in FY2020, it acquired 100% stake in Delvis GmBH, along with two of its wholly owned subsidiaries, Delvis Solutions and Delvis Products, to strengthen its presence in the automotive lightings segment. In FY2019, MIL announced the acquisition and amalgamation of HSSL and its 51% JV, HFRL, to enter the automotive seating space, which was completed in the current fiscal.

The company has also set up multiple JVs with global automotive majors, which have helped it expand its product portfolio besides strengthening its content per vehicle with OEMs as well as gain technological knowhow over the years. These include Minda Kosei (manufactures alloy wheels for PV OEMs), Minda TG Rubber Pvt. Ltd. (manufactures brake and fuel hoses), Roki Minda (manufactures air intake systems and carbon canisters), and Minda D-Ten India (involved in infotainment systems), among others. In FY2017, three new JVs were set up with Katolec, Tung Thi Electronic (Taiwan) and Onkyo (Japan), for the manufacturing of PCBs, driving assistance systems and speakers, respectively, and an additional JV with Kosei in FY2019 for backward integration into alloy wheels. Additionally, MIL has entered into collaborations with players like Sensata Technologies and KPIT Engineering Limited for acquiring knowhow and capabilities in specific product segments and areas.

Key financial indicators (audited)

MIL Consolidated (Abridged)	FY2020	FY2021
Operating Income (Rs. crore)	6,222.0	6,373.7
PAT (Rs. crore)	175.0	224.3
OPBDIT/OI (%)	10.8%	11.4%
PAT/OI (%)	2.8%	3.5%
Total Outside Liabilities/Tangible Net Worth (times)	1.6	1.3
Total Debt/OPBDIT (times)	2.0	1.6
Interest Coverage (times)	7.1	9.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation
Source: Company, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2020 (Rs. crore)	Date & Rating in	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019
					Jun 21, 2021	Aug 20, 2020	Jul 17, 2020 Apr 13, 2020	Oct 14, 2019 Sep 4, 2019 May 22, 2019	Feb 26, 2019 Nov 27, 2018 Oct 10, 2018 Jul 24, 2018 Apr 19, 2018
1	Term Loan	Long Term	185.0	180.75	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**	**[ICRA]AA @**	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**
2	Cash Credit	Long Term	117.50	53.44	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**	**[ICRA]AA @**	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**
3	Unallocated	Long Term	10.50	-	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**	**[ICRA]AA @**	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**
4	Non-fund Based Limits	Short Term	37.0	-	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**
5	Commercial Paper	Short Term	100.0	30.00	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**

@= Under watch with negative implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term Loan	Simple
Cash Credit	Simple
Unallocated	Not Applicable
Non-fund Based Limits	Simple
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: Click Here

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan I	FY2019	MCLR linked	FY2024	100.00	[ICRA]AA (Stable)
NA	Term Loan II	FY2019	MCLR linked	FY2024	85.00	[ICRA]AA (Stable)
NA	Cash Credit	NA	NA	NA	117.50	[ICRA]AA (Stable)
NA	Non-fund Based Limits	NA	NA	NA	37.00	[ICRA]A1+
NA	Unallocated	NA	NA	NA	10.50	[ICRA]AA (Stable)
NA	Commercial Paper	Yet to be placed			100.00	[ICRA]A1+

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Minda Kyoraku Limited	67.60%	Full Consolidation
MI Torica India Private Limited	60.00%	Full Consolidation
ISYS RTS, GmBH, Germany	80.00%	Full Consolidation
Global Mazinkert S. L.	100%	Full Consolidation
Minda Kosei Aluminum Wheel Private Limited	69.99%	Full Consolidation
PT Minda Asean Automotive	100.00%	Full Consolidation
Sam Global Pte Limited	100.00%	Full Consolidation
Minda Storage Batteries Private Limited	100.00%	Full Consolidation
YA Auto Industries	51.00%	Full Consolidation
Mindarika Private Limited	51.00%	Full Consolidation
Minda Katolec Electronics Services Private Limited	51.00%	Full Consolidation
Delvis GmBH	100.00%	Full Consolidation
Harita Fehrer Limited	51.00%	Full Consolidation
Minda Vespot Technologies Limited (erstwhile Minda Emer Technologies Limited)	49.10%	Equity Method
Roki Minda Co. Private Limited	49.00%	Equity Method
Minda TTE DAPS Private Limited	50.00%	Equity Method
Minda Onkyo Private Limited	50.00%	Equity Method
Densoten Minda Private Limited	49.00%	Equity Method
Minda D Ten Private Limited	51.00%	Equity Method
Toyoda Gosei Minda India Private Limited	47.80%	Equity Method
Minda TG Rubber Private Limited	49.90%	Equity Method
Kosei Minda Mould India Private Limited	49.90%	Equity Method
Minda NexGenTech Limited	26.00%	Equity Method
Yogendra Engineering	48.90%	Equity Method
Auto Components	48.90%	Equity Method
Kosei Minda Aluminum Company Private Limited	30.00%	Equity Method

Source: *Minda Industries Limited*
Note: *ICRA has taken a consolidated view of the parent (MIL), its subsidiaries and associates while assigning the ratings.*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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