August 30, 2022

Uno Minda Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- Term Loan	75.00	150.00	[ICRA]AA+(Stable); Reaffirmed/Assigned
Long term- Cash Credit	240.50	273.80	[ICRA]AA+(Stable); Reaffirmed/Assigned
Short Term- Non Fund Based Limits	34.50	260.00	[ICRA]A1+; Reaffirmed/assigned
Long term/ Short term- Unallocated Limits	-	16.20	[ICRA]AA+(Stable)/ [ICRA]A1+ assigned
Total	**350.00**	**700.00**	
Short Term- Commercial Paper Programme	**100.00**	**100.00**	[ICRA]A1+ reaffirmed

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Uno Minda Limited (UML, formerly Minda Industries Limited) continues to factor in the company's established market position within the automotive component sector in India, its well-diversified business profile with presence across automotive and product segments, and strong technological collaborations which enhance its business prospects. Over the recent years, despite a sharp slowdown in the underlying domestic automotive industry and pandemic induced disruptions, UML has been able to grow its revenues consistently (13% CAGR over FY2018-FY2022) while maintaining steady profitability, aided by an expanding product portfolio, as well as new orders secured across product categories and Original Equipment Manufacturers (OEMs). Overall, the company's strategy of diversifying its presence across multiple products and automotive segments, and its endeavour to expand its product portfolio, both organically and inorganically, have helped it strengthen its business profile and outpace the industry growth.

The ratings continue to factor in favourable the company's strong financial risk profile as characterised by its consistently low leverage metrics, even as it continues to pursue growth opportunities. UML has maintained a comfortable capital structure and healthy credit metrics, with regular infusion of funds through the equity route; the same has helped UML comfortably meet its cash outflow requirements for the group consolidation exercise, inorganic investments as well as capacity expansion, while keeping its dependence on external borrowings low.

UML continues to invest regularly in capacity expansion, both in existing product lines, as well as expansion into new product segments, to strengthen its business prospects. In FY2022, UML completed the acquisition and amalgamation of Harita Seating Systems Limited (HSSL) and Harita Fehrer Limited (HFRL, rated [ICRA]A+(Stable)/A1), further strengthening its business profile by adding a a new product segment and enhancing supplies to segments such as commercial vehicles (CV) and tractors. To maintain a conservative financial risk profile, the company opted to raise funds of Rs. 700 crore through the Qualified Institutional Placement (QIP) route in August 2021; proceeds from the which were partially utilised towards the acquisitions, and the rest for deleveraging or general corporate purposes in addition to some equity infusion in subsidiaries. Further, in December 2021, UML entered a joint venture (JV) with the German technology company FRIWO AG to expand its offerings to the EV industry. This JV, currently in its construction phase, is expected to boost the company's revenue prospects over the medium term. UML expects to contribute Rs 70-80 crore towards capex of the entity over the next fiscal for its 50.1% stake in the JV.

UML continues to have ongoing capacity expansion plans, (across various product segments such as alloy wheels, lighting, and blow moulding, etc.) with a cumulative capex of upto ~Rs. 1000-1200 crore over FY2023-FY2024. Additionally, there are ongoing Despite the elevated capex plans, the company's track record of prudently raising equity capital to manage the overall leverage provides comfort. Additionally, a bulk of the capex initiatives are backed by confirmed orders from customers, which should enable a quick ramp up in capacity utilisation for these new facilities. Even as the company remains exposed to vagaries of demand in the automotive market, the company's strong market position across various automotive segments mitigates the risk to an extent.

The Stable outlook on the long-term rating reflects ICRA's expectation that UML's credit profile will remain healthy over the medium term. The company is expected to continue to maintain its leadership position in key product segments, and further strengthen its business profile going forward, as supplies of 2W alloy wheels and sensors ramp up further. The financial risk profile would also continue to remain comfortable, with leverage maintained at comfortable levels.

Key rating drivers and their description

Credit strengths

Diversified business profile in terms of segments, customers and products – UML's business profile is well diversified, with presence across multiple automotive and product segments, catering to a wide portfolio of automotive OEMs. About 29% of the consolidated revenues were derived from automotive switches in FY2022, ~22% from lighting, ~12% from aluminium die-casting, ~10% from horns, and the rest from products like blow-moulded components, rubber hoses, batteries, etc. Additionally, the company is present in other products such as air bags, air filters, Driving Assistance Systems and Products DAPS), etc., through multiple JVs. The product diversification improved further with the acquisition of HSSL and HFRL, with automotive seating systems added to its product portfolio; driving ~11% of its consolidated revenues (FY2022).

In terms of the automotive segments, 2Ws and three-wheelers (3Ws) account for ~47% of the revenues, while four-wheelers (4Ws,primarily PVs) account for the rest. The company's customer exposure is also diversified with its largest customer, Maruti Suzuki India Limited (MSIL), accounting for ~18-20% its consolidated revenues. Geographically, it derives 85% of its revenues from the Indian market and the rest from international operations. The diversified business profile helps the company mitigate the impact of any downturn in demand from specific product segments/customers, while providing healthy revenue visibility.

Well-established market position in most product segments – UML is the largest automotive switch, automotive seating and PV alloy wheel manufacturer, the second largest player globally in automotive acoustics, and the third largest player in India for automotive lightings. Together these five product segments accounted for approximately 80% of the company's consolidated revenues in FY2022. In other product segments as well, like blow-moulded products, air bags, speakers and air filters, UML enjoys a leadership position in the domestic market through its subsidiaries/JVs.

Technological capabilities and business prospects supported by collaborations with global automotive component suppliers; product portfolio expanded to cater to transition towards e-mobility – UML has focussed on expanding into new product segments and improving its technological capabilities by entering into JVs and technical collaborations with foreign players. The most recent of its collaborations include a technical license agreement JV with FRIWO AG, a German company manufacturing digitally controllable power supply units and drive solutions. This JV is expected to substantially increase UML's presence in the EV industry. Thus, even as the company's product portfolio remains majorly powertrain agnostic, it has steadily diversified to cater to the EV industry. Other collaborations include Kosei Group for alloy wheels, Tokai Rika Company Limited for switches, seat belts and gear shifters, AMS Company Limited for lightings, Kyoraku Company Limited for blow-moulded components, Toyoda Gosei Company Limited for air bags, rubber hoses and sealings, Denso Ten Limited for infotainment systems, Katolec Corporation for printed circuit boards (PCBs), Onkyo Corporation for speakers, and Sensata Technologies for sensors, among others. These collaborations have helped UML expand its product portfolio and content per vehicle with OEMs.

Healthy financial risk profile characterised by a conservative capital structure and strong debt coverage indicators – Over the years, UML has focussed on maintaining a healthy financial risk profile, characterised by low leveraging and strong debt coverage indicators. Despite sizeable investments undertaken for organic and inorganic growth, as well as group consolidation, the company has maintained its consolidated gearing in the range of 0.4-0.6 times, supported to some extent by the prudent financial management over the years, with equity infusion in the form of QIP and rights issuance done during periods of large investments, as a conscious measure to limit the leveraging. Notably, during the pandemic in FY2021 and FY2022, the company raised ~Rs. 940 crore through equity issuance to strengthen its balance sheet and financial risk profile.

Credit challenges

Susceptible to inherent cyclicality of automotive industry – As UML derives most of its revenues (85% in FY2022) from the domestic automotive market, its earnings remain susceptible to the inherent cyclicality of the industry. During the pandemic, the industry underwent a sharp downturn due to multiple headwinds. Although UML's earnings were also impacted during the period, prudent capital management coupled with a sequential recovery thereafter offered comfort and demonstrated the company's strong market position across various automotive segments.

Ongoing capex plans to enhance capacities; recently set up JVs in nascent stages of operations might require funding support from UML – UML has over the years, undertaken sizeable debt-funded capex to enhance its capacities for various products. It also continues to have ongoing capacity expansion plans for alloy wheels, lighting and blow moulding, with total capex outlay of ~Rs. 600 crore announced for several projects (FY2023), including Rs. 200-250 crore annually for sustaining capex. Additionally, some of UML's JVs – entities like Tokai Rika Minda India Pvt Ltd. (TRMN), would require some funding support from UML over the medium term, for meeting its capex requirements and any shortfall in operational cash flows till the operations scale up to sustainable levels. Despite the substantial capex plans, the company's track record of prudently raising equity capital to manage its overall leverage provides comfort; additionally, the bulk of the capex initiatives are backed by tied up orders from customers, which should enable a quick ramp up in capacity utilisation for these new facilities.

Liquidity position: Strong

UML's liquidity position is strong, supported by healthy cash flow generation (projected at ~Rs. 500-Rs 550 crore in FY2023), consolidated cash balances of Rs. 227 crore (as on March 31, 2022) and unutilised working capital limits (~Rs. 240 crore as on March 31, 2022). This is likely to remain more than adequate to help service the group's repayment obligations of ~Rs. 195 crore in relation to long-term external borrowings and capex plans of about Rs 600 crore. In addition, the group's strong financial flexibility and proven ability to access capital markets provides further comfort.

Rating sensitivities

Positive factors – Over the medium term, the company's ability to demonstrate significant improvement in scale of operations and return indicators on a sustained basis, while maintaining a healthy financial risk profile, would be factored in favourably for a rating improvement.

Negative factors – Higher-than-projected debt-funded capex or investments, including inorganic, which lead to a sustained weakening of key credit metrics, such as Net Debt/OPBDITA above 1.5x, could lead to a negative rating action.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Manufacturers
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of UML. As on March 31, 2022, the company had 11 subsidiaries, 6 associates, and 11 JVs, which are all enlisted in Annexure-2.

About the company

Uno Minda Limited (erstwhile Minda Industries Limited; changed w.e.f. July 14, 2022), 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, including automotive switches, lighting, acoustics, alloy wheel and die-casting, seatings, and others. The company enjoys market leadership across products, being the largest supplier of switches for PVs and 2Ws as well as for automotive horns in India. Furthermore, through its JV with Kosei, it is the largest manufacturer of PV alloy wheels by capacity. Additionally, UML is the third largest player for automotive lighting products and a leading player in the automotive seating space for commercial vehicles, tractors and 2Ws. It also enjoys a leading position in other product segments such as blow-moulded products, air filters, air bags, infotainment systems, etc, through its subsidiaries/JVs.

Over the last few years, UML 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, UML 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, UML acquired 100% stake in Rinder India Private Limited. In FY2018, UML 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, UML announced the acquisition and amalgamation of HSSL and its 51% JV, HFRL, to enter the automotive seating space, which was completed in FY2022.

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 (manufactures brake and fuel hoses), Roki Minda (manufactures air intake systems and carbon canisters), Minda D-Ten India (involved in infotainment systems), Minda Onkyo (speakers), Minda Kosei (alloy wheels) and Minda Katolec (driving assistance systems) among others. In FY 2022, the company entered into a JV with FRIWO AG for further expanding its offerings to the EV market.

Key financial indicators (audited)

UML Consolidated	FY2021	FY2022
Operating income	6,374.2	8,313.0
PAT	224.3	347.5
OPBDIT/OI	11.5%	10.7%
PAT/OI	3.5%	4.2%
Total outside liabilities/Tangible net worth (times)	1.3	0.8
Total debt/OPBDIT (times)	1.6	1.1
Interest coverage (times)	9.9	14.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2023)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as of Jun 30, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021		Date & rating in FY2020
					Aug 30, 2022	Aug 27, 2021	Jun 22, 2021	Aug 20, 2020	Jul 17, 2020 Apr 13, 2020	Oct 14, 2019 Sep 4, 2019 May 22, 2019
1	Term loans	Long term	150.0	71.2	[ICRA]AA+(Stable)	[ICRA]AA+(Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA @	[ICRA]AA(Stable)
2	Cash Credit	Long term	273.8	--	[ICRA]AA+(Stable)	[ICRA]AA+(Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA @	[ICRA]AA(Stable)
3	Non-fund Based Limits	Short term	260.0	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Unallocated Limits	Long term and short term	16.2	--	[ICRA]AA+ (Stable)/ [ICRA]A1+	--	--	--	--	--
5	Unallocated Limits	Long term	--	--	--	--	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA@	[ICRA]AA(Stable)
5	Commercial Paper	Short term	100.0	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

@ Under watch with negative implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term– Cash Credit	Simple
Short -term – Non-fund Based Limits	Very Simple
Long-term/ Short -term – Unallocated limits	NA
Short -term – 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 analysing 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 are available on ICRA's website: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan-I	FY2019	Repo-rate linked	FY2024	50.0	[ICRA]AA+(Stable)
NA	Term Loan-II	FY2023	1% over T-Bill rate	FY2028	100.0	[ICRA]AA+(Stable)
NA	Cash Credit	NA	NA	NA	273.8	[ICRA]AA+(Stable)
NA	Non- fund based limits	NA	NA	NA	260.0	[ICRA]A1+
NA	Unallocated	NA	NA	NA	16.2	[ICRA]AA+(Stable)/ [ICRA]A1+
NA*	Commercial paper	NA	NA	NA	100.00	[ICRA]A1+

*Source: Company *Not placed*

[*Please click here to view details of lender-wise facilities rated by ICRA*]

Annexure II: List of entities considered for consolidated analysis

Company Name	UML Ownership	Consolidation Approach
Minda Kyoraku Limited	67.60%	Full Consolidation
MI Torica India Private Limited	60.00%	Full Consolidation
Minda Kosei Aluminum Wheel Private Limited	77.35%	Full Consolidation
Minda Storage Batteries Private Limited	100.00%	Full Consolidation
YA Auto Industries	87.50%	Full Consolidation
Auto Component	95.00%	Full Consolidation
Mindarika Private Limited	51.00%	Full Consolidation
Samaira Engineering	87.50%	Full Consolidation
SM Auto Industries	87.50%	Full Consolidation
Minda Katolec Electronics Services Private Limited	51.00%	Full Consolidation
Harita Fehrer Limited	100.00%	Full Consolidation
MITIL Polymer Private Limited	60.00%	Full Consolidation
UNOMINDA EV Systems Private Limited	100.00%	Full Consolidation
UNOMINDA Auto Systems Private Limited	100.00%	Full Consolidation
Global Mazinkert S. L.	100.00%	Full Consolidation
Clarton Horn, Spain	100.00%	Full Consolidation
Light & Systems Technical Centre, S.L. Spain	100.00%	Full Consolidation
Clarton Horn Mexico	100.00%	Full Consolidation
PT Minda Asean Automotive	100.00%	Full Consolidation
Sam Global Pte Limited	100.00%	Full Consolidation
PT Minda Trading	100.00%	Full Consolidation

Company Name	UML Ownership	Consolidation Approach
Minda Industries Vietnam Company Limited	100.00%	Full Consolidation
Minda Korea Co Limited	100.00%	Full Consolidation
UNO Minda Europe GMBH (formerly known as Minda Delvis GmbH)	96.19%	Full Consolidation
UNO Minda Europe GMBH (formerly known as Delvis Solutions GmbH)	100.00%	Full Consolidation
Uno Minda Systems GmbH (formerly known as Delvis Products GmbH)	100.00%	Full Consolidation
Minda Westport Technologies Limited (erstwhile Minda Emer Technologies Limited)	49.99%	Equity Method
Rinder Riduco, S.A.S. Colombia	50.00%	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
Minda TG Rubber Private Limited	49.90%	Equity Method
Minda D Ten Private Limited	51.00%	Equity Method
Densoten Minda Private Limited	49.00%	Equity Method
Toyoda Gosei Minda India Private Limited	47.80%	Equity Method
Kosei Minda Mould India Private Limited	49.90%	Equity Method
Tokai Rika Minda India Private Limited	30.00%	Equity Method
Minda NexGenTech Limited	26.00%	Equity Method
Kosei Minda Aluminium Company Private Limited	18.31%	Equity Method
Strongsun Renewables Private Limited	28.10%	Equity Method
CSE Dakshina Solar Private Limited	27.71%	Equity Method
Yogendra Engineering	48.90%	Equity Method

Source: UML annual report FY2022

Note: ICRA has taken a consolidated view of the parent (UML), its subsidiaries and associates while assigning the ratings.

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44-45964318
ksrikumar@icraindia.com

Rohan Kanwar Gupta
+91 124 4545 808
rohan.kanwar@icraindia.com

Debadrita Mukherjee
+91 124 4545 394
debadrita.mukherjee@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches