September 18, 2023

Uno Minda Limited: Ratings reaffirmed; rating assigned for Rs. 100 crore NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term Loan	150.00	150.00	[ICRA]AA+(Stable); Reaffirmed
Long-term – Cash Credit	273.80	273.80	[ICRA]AA+(Stable); Reaffirmed
Short-term – Non-fund Based Limits	260.00	260.00	[ICRA]A1+; Reaffirmed
Long-term/ Short-term – Unallocated Limits	16.20	16.20	[ICRA]AA+(Stable)/ [ICRA]A1+; Reaffirmed
Total Bank Facilities	**700.00**	**700.00**	
Short-term- Commercial Paper Programme	**100.00**	**100.00**	[ICRA]A1+; Reaffirmed
Long-term – NCD Programme	**300.00**	**300.00**	[ICRA]AA+(Stable); Reaffirmed
Long-term – NCD Programme	**0.0**	**100.00**	[ICRA]AA+(Stable); assigned

**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 in the Indian automotive component sector, its well-diversified business profile with presence across automotive and product segments, and strong technological collaborations that enhance its business prospects. Despite pandemic induced disruptions over the past few years, UML has grown its revenues consistently (14% CAGR over FY2019-FY2023) 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 same provides comfort regarding UML's ability to generate healthy cash flows, going forward, which should help it maintain strong return and debt coverage metrics.

The ratings continue to factor in favourably 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 (total debt to total net worth of 0.3 and total debt to OBITDA of ~1.1 times at the end of FY2023), with regular infusion of funds through the equity route. The infusions have 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 FY2023, UML entered a joint venture (JV) agreement with Buehler Motor GmbH (Buehler), a leading global supplier of customised mechatronic drive solutions, to set up Uno Minda Buehler Motor Private Limited (UMBM). The JV entity, whose first electric vehicle (EV) components plant was commissioned in August 2023 in Bawal, Haryana, will manufacture traction motors/Brushless Direct Current (BLDC) motors for EVs (two-wheelers and three-wheelers) with supplies expected to start by the third quarter of the current fiscal. Earlier in FY2022, UML had entered a JV with the German technology company, FRIWO AG, to expand its offerings in the EV industry. The first plant under this JV was also timely commissioned in August 2023 and will cater to a broad range of products for EVs. Apart from EV specific projects, UML continues to have ongoing capacity expansion plans (across various product segments such as alloy wheels, lighting and blow moulding) leading to elevated capex plans of ~Rs. 700 crore for FY2024 (excluding cost of land).

Despite the elevated capex plans, the company's track record of prudently raising equity capital to manage the overall leverage provides comfort. 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 which were partially utilised towards the acquisitions, and the rest for deleveraging or general corporate purposes in addition to some equity infusion in subsidiaries. Additionally, the 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, its 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 on newly commissioned plants ramp up further. The financial risk profile is expected to 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 FY2023, ~29% from switches, ~23% from lighting, ~19% from casting, 9% from seatings, and ~7% from acoustics. The rest of the revenues are driven by products like blow-moulded components, batteries, sensors, controllers, EV Products etc. through multiple JVs. In terms of automotive segments, two-wheelers (2Ws) and three-wheelers (3Ws) account for ~46% of revenues, while four-wheelers (4Ws; primarily passenger vehicles) account for the rest. The company's customer exposure is also diversified with its largest customer, Maruti Suzuki India Limited (MSIL), accounting for ~25% of its consolidated revenues. Geographically, it derives ~83% of its revenues (FY2023) from the domestic market and the rest from international operations. The diversified business profile helps UML 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 FY2023. In other product segments as well, UML enjoys a leadership position in the domestic market through its subsidiaries/ JVs. The strong market position of the company provides healthy revenue visibility, going forward.

Technological capabilities and business prospects supported by collaborations with global automotive component suppliers; product portfolio expanded for transition towards e-mobility – UML has focused on expanding into new product segments and improving its technological capabilities by entering JVs and technical collaborations with foreign players. These collaborations have helped UML expand its product portfolio and content per vehicle with OEMs. Over the years, Uno Minda has also built strong in-house research and development (R&D) capabilities with its more than 30 R&D and engineering centres across the globe. Its principal R&D centre called CREAT (Center for Research, Engineering and Advance Technologies) works on new technologies and making existing product line smarter. The most recent of its collaborations include a JV with FRIWO AG, a German company manufacturing innovative power supply units and e-drive solutions, and Buehler to develop, manufacture and market traction motors in India and other SAARC nations. These JVs are expected to substantially increase UML's presence in the EV industry. Even as the company's product portfolio remains majorly powertrain agnostic, thereby limiting risks arising from a transition towards e-mobility, it has steadily diversified to cater to the EV industry to enhance its content/vehicle and revenue growth prospects.

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 0.3–0.5 times, supported to some extent by prudent financial management over the years, with equity infusion in the form of QIP and rights issuance during periods of large investments, as a conscious measure to limit the leveraging. Notably, during the pandemic period 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 (83% in FY2023) from the domestic automotive market, its earnings remain susceptible to the inherent cyclicality of the market. Amid the multiple headwinds seen in the automotive industry over the past few years (Covid-19 related lockdowns, inflationary pressures, semiconductor issues, etc), UML's performance also mirrored the underlying industry trends during this period; however, aided by its continuous business development initiatives, UML was able to largely outperform the industry growth.

Ongoing capex plans to enhance capacities to constrain improvement in return indicators – 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 multiple segments with total capex outlay of ~Rs. 700 crore announced for FY2024, excluding the cost of purchase of land. Additionally, while the newly set up JVs (UnoMinda EV Systems Private Limited and UMBM) have tied up for their debt funding requirement, they may require funding support from UML over the medium term, towards capex requirements or 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. Further, 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.

Environment and social risks

Environmental considerations– Even as UML is not directly exposed to climate transition risks emanating from a likelihood of tightening emission control requirements, with the bulk of its product portfolio being used across different fuel powertrains, its automotive manufacturing customers remain highly exposed to the same. Accordingly, UML's prospects remain linked to the ability of its customers to meet tightening emission requirements. The company may need to invest materially to develop products to cater to EVs, even as a transition towards the same is likely to be only gradual.

Social considerations– UML, like most automotive component suppliers, has a healthy dependence on human capital; as such retaining human capital, maintaining healthy employee relations as well as supplier ecosystem remain essential for disruption free operations for the entity. Another social risk that UML faces pertains to product safety and quality, wherein instances of product recalls and high warranty costs may not only lead to a financial implication but could also harm the reputation and create a more long-lasting adverse impact.

Liquidity position: Strong

The company's liquidity position remains strong, supported by expectation of healthy cash flow generation (cash flow from operations of ~Rs. 740 crore in FY2023), consolidated cash balances of ~Rs. 173 crore (as on March 31, 2023) and unutilised working capital limits (~Rs. 335 crore as on June 30, 2023). This is likely to remain more than adequate to help service the Group's repayment obligations of ~Rs. 300 crore in relation to long-term external borrowings and capex plans of ~Rs. 700 crore, excluding land purchases for future expansion. 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, 2023, the company had 20 subsidiaries, 4 associates, and 9 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, 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 years, UML 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). 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.

Key financial indicators (audited)

UML Consolidated	FY2022	FY2023
Operating income	8,313.0	11,236.5
PAT	347.5	600.3
OPBDIT/OI	10.7%	11.1%
PAT/OI	4.2%	5.3%
Total outside liabilities/Tangible net worth (times)	0.8	0.9
Total debt/OPBDIT (times)	1.1	1.1
Interest coverage (times)	14.3	17.9

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 (FY2024)			Chronology of rating history for the past 3 years						
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021	
					Sep 18, 2023	Aug 31, 2023	Aug 30, 2022	Aug 27, 2021	Jun 22, 2021	Aug 20, 2020	Jul 17, 2020 Apr 13, 2020
1	Term loans	Long term	150.0	121.2	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+(Stable)	[ICRA]AA+(Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA @
2	Cash Credit	Long term	273.8	--	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+(Stable)	[ICRA]AA+(Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA @
3	Non-fund Based Limits	Short term	260.0	--	[ICRA]A1+	[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+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	--	--	--	--
5	Unallocated Limits	Long term	--	--	--	--	--	--	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA @
6	Commercial Paper	Short term	100.0	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
7	NCD programme *	Long term	300.0	--	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	--	--	--	--	--
7	NCD programme *	Long term	100.0	--	[ICRA]AA+ (Stable)	--	--	--	--	--	--

*@ Under watch with negative implications; *Yet to be placed*

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
Long term -- NCD programme	Simple*

** Not placed/Issued yet; subject to change once the terms are finalized*

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: Click Here

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+
NA*	NCD programme	NA	NA	NA	400.00	[ICRA]AA+(Stable)

*Source: Company *Yet to be 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
Uno Minda Kyoraku Limited	67.60%	Full Consolidation
Minda Kosei Aluminium Wheel Private Limited	100.00%	Full Consolidation
SAM Global Pte. Ltd	100.00%	Full Consolidation
PT Minda Asean Automotive (Indonesia)	100.00%	Full Consolidation
Global Mazinkert S. L.	100.00%	Full Consolidation
Minda Storage Batteries Private Limited	100.00%	Full Consolidation
Uno Minda Katolec Electronics Services Private Limited	51.00%	Full Consolidation
Uno Mindarika Private Limited	51.00%	Full Consolidation
MI Torica India Private Limited	60.00%	Full Consolidation
UnoMinda EV Systems Private Limited	50.10%	Full Consolidation
UnoMinda Auto Systems Private Limited	100.00%	Full Consolidation
Uno Minda Tachi-S Seating Private Limited	51.00%	Full Consolidation
Uno Minda Buehler Motor Private Limited	100.00%	Full Consolidation
Uno Minda Auto Technologies Private Limited	100.00%	Full Consolidation
Minda D- Ten Private Limited	51.00%	Equity Method
Strongsun Renewables Private Limited	28.10%	Equity Method
CSE Dakshina Solar Private Limited	27.71%	Equity Method
Minda Westport Technologies Limited	49.99%	Equity Method
Minda TG Rubber Private Limited	49.90%	Equity Method
Rinder Riduco, S.A.S. Colombia	50.00%	Equity Method
Roki Uno 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
Denso Ten Minda Private Limited	49.00%	Equity Method

Company Name	UML Ownership	Consolidation Approach
Toyoda Gosei Minda India Private Limited	47.80%	Equity Method
Kosei Minda Mould India Private Limited	100.00%	Full Consolidation
Tokai Rika Minda India Private Limited	30.00%	Equity Method
Kosei Minda Aluminium Wheel Private Limited	100.00%	Full Consolidation
Samaira Engineering	87.50%	Full Consolidation
SM Auto Industries	87.50%	Full Consolidation
YA Auto Industries	87.50%	Full Consolidation
Auto Component	95.00%	Full Consolidation
Yogendra Engineering	48.90%	Equity Method

*Source: UML Q1FY2024 results; * Minda TTE DAPS Private Limited is currently under liquidation wef 31.03.2023*

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

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