

January 19, 2024

## Uno Mindarika Private 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 – Fund based – Term loans	0.00	80.00	[ICRA]AA- (Stable); Assigned
Long-term – Fund based – Cash credit	7.00	0.00	-
Long-term/Short-term – Fund based/non-fund-based – Working capital	42.00	50.00	[ICRA]AA- (Stable)/[ICRA]A1+; Reaffirmed/Assigned
<b>Total</b>	<b>49.00</b>	<b>130.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmation of ratings of Uno Mindarika Private Limited (UMRPL; formerly Mindarika private Limited) continues to factor in the well-established position of the company as the market leader in the domestic automotive switch segment for passenger vehicles (PVs), its healthy financial risk profile and strong parentage as a joint venture (JV) between Uno Minda Limited (UML; rated [ICRA]AA+ (Stable)/[ICRA]A1+) and Tokai Rika Co. Ltd., Japan. The strong business profile provides comfort regarding the company's ability to generate healthy cash flows going forward, which would help it maintain a strong credit profile.

UMPL enjoys ~45-50% share in the PV industry for automotive switches (such as lever combination switches or LCS, power window switches and steering switches). It commands a strong share of business with major PV OEMs, such as Maruti Suzuki India Limited (MSIL), Toyota Kirloskar Motor Private Limited (TKML), Tata Motors Limited (TML; rated [ICRA]AA- (Stable)/[ICRA]A1+), Renault-Nissan (RN) and Mahindra & Mahindra Limited (M&M; rated [ICRA]AAA(Stable)/[ICRA]A1+), among others. As Tokai Rika holds a 37% stake in the company, UMPL receives technical support that supplements its in-house product development capabilities, helping UMPL to adapt to its OEM clients' changing technological requirements.

UMPL continues to maintain a healthy financial risk profile, characterised by robust capitalisation and coverage metrics (Total Debt/OPBDITA at 0.4 times and interest coverage at ~52 times in FY2023). The company recorded revenues of ~Rs. 1,248 crore in FY2023, a ~40% YoY growth; robust revenue growth has continued in the current year as well (~23% growth in H1 FY2024 over H1 FY2023). Cash and liquid investments of ~Rs. 15 crore and working capital limits (minimal utilisation) provide additional comfort.

UMPL's capex plans over the next two years remain elevated at approximately Rs. 300 crore over FY2024-FY2025. In FY2023, UMRPL completed the expansion at its Chennai plant with an expenditure of ~Rs 30-40 crore. Further expenditure is envisaged towards the company's new plant coming up in Farukhnagar (Haryana). While the financial metrics are expected to moderate over the next couple of years owing to this capex being partially funded by debt, the expected cash flows are likely to help it maintain a strong financial risk profile.

The ratings continue to be constrained by the company's high dependence on the domestic PV industry, given that more than 95% of its revenues are generated by domestic PV OEMs. UMPL has restricted presence in the commercial vehicle (CV) segment (especially in the goods carrier segment), which has lower content per vehicle and, accordingly, a smaller market size vis-à-vis PVs. In addition, more than 70% of UMPL's revenue emanates from MSIL, which results in customer concentration risk. However, a stable and healthy share of business with MSIL, which is a market leader in the PV segment, and strong demand outlook in the domestic PV market in the near term, moderate the risks to an extent. The JV agreement limits UMPL's scope of expansion, due to which its performance is likely to be highly correlated with the domestic PV industry in the near to medium term. Along with the company's sole focus on manufacturing automotive switches, this limits its scale of operations, thereby potentially constraining its top-line growth over the medium term.

The Stable outlook on the long-term rating reflects ICRA's opinion that UMPL will continue to benefit from its strong parentage, established relationships and stable share of business with PV OEMs, helping it maintain a healthy financial risk profile.

## Key rating drivers and their description

### Credit strengths

**Market leader for automotive switches in PV segment with presence across OEMs; healthy share of business with key customers** – MRPL is the leader for automotive switches in the PV segment, with an estimated market share of ~50%. Technical support from its JV partner, Tokai Rika, Japan, helped it in using the latest technology in automotive switches, as well as to maintain relationships with Japanese OEMs and, thus, stay ahead of competition. MRPL is the largest supplier of automotive switches to MSIL, the market leader in the PV segment in India; and it is present in virtually all the OEM's models. The company also enjoys a high share of business with TKML and has significant presence in most models of other key PV OEMs as well.

**Strong operational and financial support from parent entities – UML and Tokai Rika, Japan** – The company derives operational synergies and financial flexibility from its parent company, UML and receives technical support from Tokai Rika. Tokai Rika also has representatives on MRPL's board and aids in streamlining the company's production process. UML, a leader in the domestic auto component industry, ensures steady customer base and operational synergies.

**Financial risk profile characterised by comfortable capital structure and healthy debt protection metrics** – UMRPL has healthy coverage and capitalisation ratios supported by low debt and healthy operating profitability over the years (10.3% in FY2023). The company registered healthy revenue growth in FY2023 (Rs. 1,248 crore), and the credit metrics remain comfortable with Debt/OPBDITA at 0.4 times and interest coverage at 51.9 times in FY2023. Cash and liquid investments of ~Rs. 16 crore and adequate working capital buffer as on March 31, 2023, provide additional comfort despite the company's ongoing capex plans to enhance its manufacturing capacity.

### Credit challenges

**Limited business diversification** – UMRPL has limited business diversification in segment, customer and product profiles. The company derives more than 95% of its revenues from the PV segment, with MSIL accounting for nearly 70%. Moreover, almost its entire revenues are generated by automotive switches, exposing UMRPL to product concentration risk. Some of these risks are reduced to an extent by its healthy and stable share of business with its customers and by MSIL's position as the market leader in the PV segment.

**Limited scope of expansion in overseas markets owing to limitation under JV agreement** – As per the JV agreement between Tokai Rika and the Uno Minda Group, MRPL is required to obtain a written consent for exporting to countries where Tokai Rika has a direct presence. As Tokai Rika is a global auto-component manufacturer with presence across important markets, there is limited scope for MRPL to expand its international presence. At present, exports account for less than 5% of its total sales and are unlikely to scale-up significantly over the medium term.

### Liquidity position: Adequate

UMRPL has an adequate liquidity profile, supported by steady cash flow generation, undrawn working capital limits (Rs. 50 crore as on September 30, 2023) and cash and liquid investments (~Rs. 28 crore as on September 30, 2023). The company's debt is expected to increase (~Rs 67 crore at the end of September 2023, including leases), driven by capex of ~Rs. 300 crore over the next two years, funded through a mix of debt and internal accruals. The company continues to enjoy healthy financial flexibility as part of the Uno Minda Group.

## Rating sensitivities

**Positive factors** – Any material diversification of the segment mix or expansion of its product portfolio would be seen as a credit positive for the company. Also, any substantial improvement in revenue and profitability, while maintaining its healthy financial risk profile would be considered favourably for a rating upgrade.

**Negative factors** – A rating downgrade could be triggered if a prolonged slowdown in the PV industry or loss of the company’s market share results in a significant deterioration in cash accruals and credit metrics. A higher-than-expected dividend or capex outflow could impact the company’s credit metrics and, hence, result in a negative rating action. In terms of specific metrics, Total Debt/OPBITDA above 1.5 times on a sustained basis, may result in a rating downgrade. Moreover, a weakening in the credit metrics of its parent company, UML, or a deterioration in the linkages between the two entities, could also exert pressure on the ratings.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology – Auto Components</a>
Parent/Group support	Parent Companies: UMRPL is a 63:37 JV between the Uno Minda Group and Tokai Rika. The ratings factor in the business and technological support from its parent companies. The ratings assigned also factor in the very high likelihood of its parent entities extending financial support to UMRPL, out of the need to protect their reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	Standalone

## About the company

Uno Mindarika Private Limited was established as a 63:37 joint venture between the Uno Minda Group and Tokai Rika Co. Ltd. Japan in 1992. The company is a leading manufacturer of automotive switches such as lever combination switch (LCS), power window switch, oil presser switch, etc. and caters mostly to passenger vehicles (PV) OEMs in India. UMRPL has approximately 50% market share in its addressable product segment and caters to all major PV OEMs in India, including Maruti Suzuki India Limited (MSIL), Mahindra & Mahindra (M&M), Toyota Kirloskar Motors Private Limited (TKML), Honda Cars India Limited (HCIL) and Renault-Nissan (RN), among others. The company has four manufacturing units across Manesar, Chennai, Pune and Gujarat.

After the consolidation exercise undertaken by Uno Minda Limited (UML, formerly Minda Industries Limited, [ICRA]AA+(Stable)/[ICRA]A1+), UMPL became a 51% subsidiary of UML (from 27% as on March 31, 2017) which further strengthened the synergies between the two companies.

**Key financial indicators (audited)**

UMRPL	FY2022	FY2023	H1FY2024*
Operating income	889.0	1,248.3	729.6
PAT	54.0	71.7	45.8
OPBDIT/OI	10.9%	10.3%	10.3%
PAT/OI	6.1%	5.7%	6.3%
Total outside liabilities/Tangible net worth (times)	0.9	0.9	-
Total debt/OPBDIT (times)	0.4	0.4	-
Interest coverage (times)	41.0	51.9	-

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; \* Provisional

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for past three years**

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of Dec 30 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Jan 19, 2024	Jan 11, 2023	Nov 28, 2022	Sept 27, 2021	Jun 19, 2020
1	Fund based – Term loans	80.00	24.65	[ICRA]AA-(Stable)	-	-	-	[ICRA]AA-(Stable)
2	Fund based/non-fund-based – Working capital	50.00	-	[ICRA]AA-(Stable)/[ICRA]1+	[ICRA]AA-(Stable)/[ICRA]1+	[ICRA]AA-(Stable)/[ICRA]1+	[ICRA]AA-(Stable)/[ICRA]1+	-
3	Fund Based – Cash Credit	-	-	-	-	-	-	[ICRA]AA-(Stable)
4	Fund Based – Working Capital	-	-	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-
5	Fund Based – Working Capital	-	-	-	-	-	-	[ICRA]A1+
6	Non-Fund Based – Working Capital	-	-	-	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
7	Unallocated Limits	-	-	-	-	-	[ICRA]AA-(Stable)/[ICRA]1+	[ICRA]AA-(Stable)/[ICRA]1+

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund Based – Term Loans	Simple
Long Term/Short Term – Fund Based/Non-Fund-Based – Working Capital	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: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based – Term Loans	June 2023	-	2028	80.00	[ICRA]AA- (Stable)
NA	Fund Based/Non-Fund-Based – Working Capital	NA	NA	NA	50.00	[ICRA]AA- (Stable)/[ICRA]1+

Source: Company

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

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

## ANALYST CONTACTS

**Shamsher Dewan**  
+91 124 4545 328  
[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Srikumar Krishnamurthy**  
+91 44 4596 4318  
[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Rohan Kanwar Gupta**  
+91 124 4545 808  
[rohan.kanwar@icraindia.com](mailto:rohan.kanwar@icraindia.com)

**Debadrita Mukherjee**  
+08 04 3326 4167  
[debadrita.mukherjee@icraindia.com](mailto:debadrita.mukherjee@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

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

[info@icraindia.com](mailto: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](http://www.icra.in)

## ICRA Limited



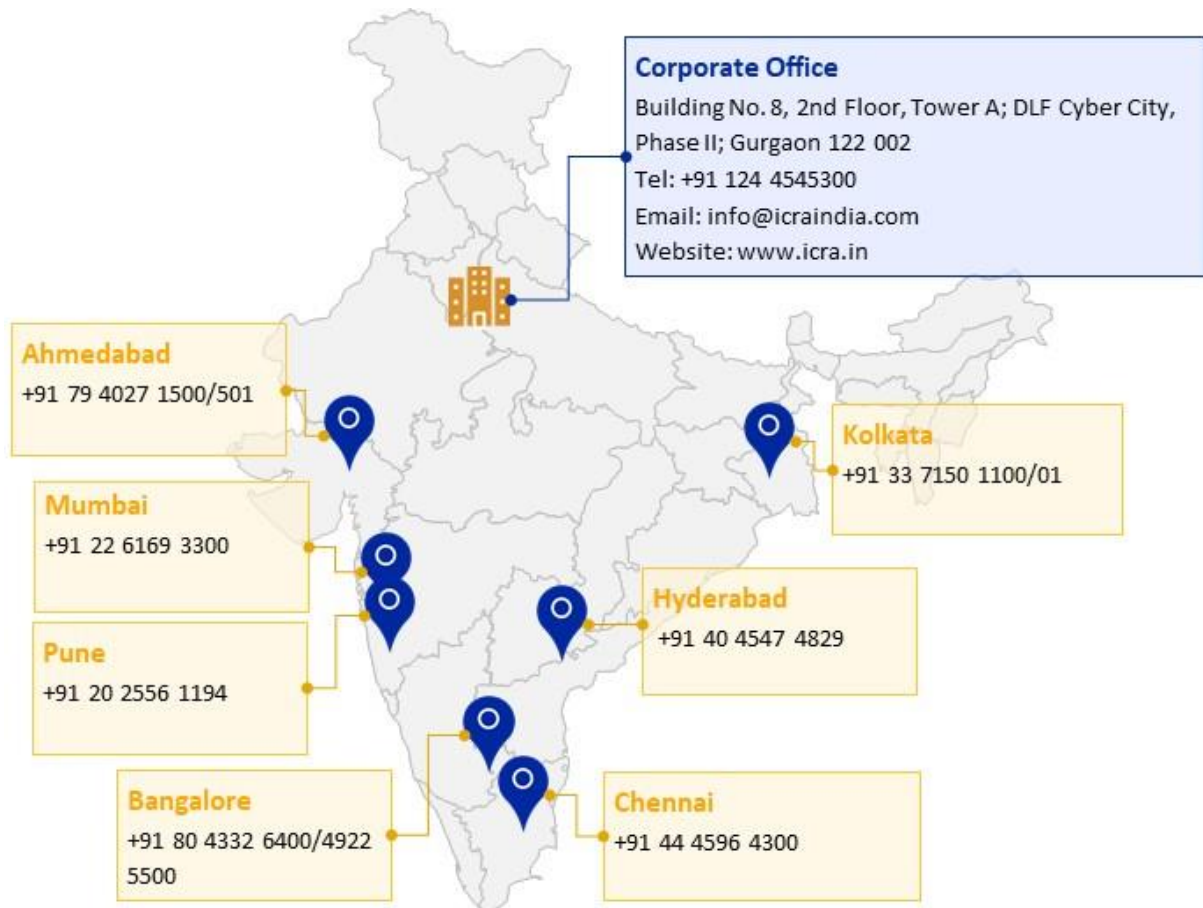
### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.