

July 23, 2024

UNO Minda Buehler Motor Private Limited: [ICRA]BBB+(Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund Based-Term Loan	30.00	[ICRA]BBB+ (Stable); assigned
Long Term-Fund Based Working capital	10.00	[ICRA]BBB+ (Stable); assigned
Total	40.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned for Uno Minda Buehler Motor Private Limited's (UMBPL) bank facilities factors in its strong parentage as it is 50.1:49.9 joint venture (JV) between Uno Minda Limited (UML, rated [ICRA]AA+ (Stable)/A1+) and Buehler Motor GmbH (Buehler). Uno Minda Group has an established market position within the automotive component industry in India and has a diversified business profile with presence across automotive and product segments. The Group has entered multiple JVs over the years across the automotive components product portfolio for enhancing its product offerings. To enhance the Group's product offerings for the emerging electric two-wheeler (e2W) industry in India, UML entered a JV with Buehler and established UMBPL for assembly and supply of traction motors for e2Ws. Buehler is a supplier of customised mechatronic drive solutions based out of Germany and has a legacy of 168 years in the traction motor industry. The JV is expected to benefit from access to technological support from Buehler and the established market position of the Uno Minda Group in the automotive industry.

UML and Buehler have supported UMBPL through infusion of equity share capital in equal proportion (~Rs. 23.7 crore infused till date) and are expected to continue to support the entity in meeting its funding requirements, going forward. The company has established a traction motor assembly plant in Bawal, Haryana with a hub motor assembly line as on date. The company inaugurated its plant in August 2023 and has already executed research and development (R&D) projects with established two-wheeler manufacturers. However, UMBPL is yet to start commercial production, with supplies expected to commence over the next 6-9 months. ICRA notes that the company is in discussion with multiple established e2W players in India for the supply of hub motors and is also in discussion with legacy players entering the e2W market for the supply of mid drive motors. It has plans to set up a mid-drive motor line in the next few months, which is expected to be funded by term debt and existing cash reserves.

Even though the company is yet to commence production, favourable outlook for the EV industry, supported by Government policies, is likely to aid the growth prospects of UMBPL over the medium term. The company, however, is likely to remain exposed to competition from established players in the e2W traction motor industry, which could constrain its pricing power and delay ramp-up in scale of operations. Additionally, the company remains exposed to high product concentration risk as UMBPL's presence is limited to only traction motors at present.

The Stable outlook on UMBPL's rating reflects ICRA's opinion that the company will continue to benefit from its strong parentage, which will provide adequate operational and financial support to the company, and aid in stabilisation of operations.

Key rating drivers and their description

Credit strengths

Access to operational and funding support from parent entities – UMBPL is a 50.1:49.9 JV between UML and Buehler. The Uno Minda Group has an established market position within the automotive component industry in India and has a well-diversified business profile with presence across automotive and product segments. ICRA expects UMBPL to benefit from UML's strong presence in the Indian automotive sector with better access to potential clients in the industry and enhanced credibility. Buehler is a supplier of customised mechatronic drive solutions based out of Germany and has a legacy of 168 years in the traction motor industry. The JV is expected to benefit from access to technological support from Buehler, which has a strong legacy in the traction motor space. Further ICRA expects both the JV partners to support UMBPL with financial support as the company commences/ramps up production and supplies of traction motors.

Favourable outlook of the EV industry, aided by supportive Government policies – The ratings factor in the favourable outlook for the EV industry, supported by Government policies, which are likely to aid the growth prospects for the company over the medium-term. A strong push by both the Central and state governments for faster adoption of EVs has led to improved demand for the higher speed e2Ws and accelerated the electrification transition. Besides, significant investment plan announced under the Production Linked Incentive (PLI) scheme for the automobile segment and advanced chemistry cell batteries are expected to accelerate investments towards developing a local EV ecosystem. Even though a reduction in subsidy benefits has led to a temporary slowdown in the pace of EV adoption over the past few months, given the improving product features, policy support and enhanced pricing parity with conventional 2Ws, the e2W industry volumes are expected to grow at a robust pace over the medium term, leading to healthy revenue growth potential for UMBPL.

Credit challenges

Company yet to start commercial production – The company has established a traction motor assembly plant in Bawal, Haryana with a hub motor assembly line as on date. The company inaugurated its plant in August 2023 and has already executed R&D projects with established two-wheeler manufacturers. However, UMBPL is yet to start commercial production, with supplies expected to commence over the next 6-9 months. ICRA notes that the company is in discussion with multiple established e2W players in India for the supply of hub motors and is also in discussion with legacy players entering the e2W market for the supply of mid drive motors. It has plans to set up a mid-drive motor line in the next few months, which is expected to be funded by term debt and existing cash reserves. ICRA notes that ramp-up in production and supply of traction motors to OEMs will be monitored, going forward, along with the time taken to achieve breakeven at the operating level.

Exposed to competition from established players in the e2W traction motor segment – Indian e2W market is dynamic with new entrants such as startups and legacy brands entering the market. Local automotive component suppliers have already started manufacturing and supplies of traction motors to current market leaders and have some product validation in the market. Thus, UMBPL is expected to remain exposed to intense competition from the established players in the business, going forward.

High product concentration risk with presence limited to traction motors at present – The company is expected to initially focus on assembly and supply of traction motors for e2Ws. Thus, it remains exposed to product concentration risk, given that it will be supplying only traction motors for electric vehicles and its content per vehicle is expected to remain limited.

Liquidity position: Adequate

UMBPL's liquidity position remains **adequate**, supported by ~Rs. 15 crore of cash and liquid investments available on the company's books as of June 2024. The company has not commenced any commercial supplies, so its liquidity position remains supported through equity infusion by UMBPL's JV parents, UML and Buehler, in equal proportion (~Rs. 23.7 crore infused till date). Going forward, both the JV partners are expected to support the entity with necessary funding, as and when required. Further, the company has a sanction of Rs. 30-crore capex term loan from which it had drawn down ~Rs. 7.7 crore as of March

31, 2024. The management has incurred Rs. 7 crore of capex as on March 31, 2024, and is expecting to incur further capex of Rs. 16 crore in FY2025, which will be funded by debt and existing cash balances. The repayment is expected to commence from March 2025 with repayments of Rs. 0.13 crore due in FY2025 and Rs. 3.73 crore due in FY2026. The company is likely to incur cash losses over the near term and is expected to be supported by its JV parents for loss funding.

Rating sensitivities

Positive factors – The rating could be upgraded in case of a material increase in the company’s scale of operations along with sustained breakeven at the OPBDITA level, resulting in healthy credit metrics and liquidity position. The rating could also be upgraded if there is an improvement in the credit profile of the parent entity, UML.

Negative factors – The rating could be downgraded in case there is a deterioration in the credit profile of the parent entity, UML, or weakening in financial linkages/delay in financial support from UML. Further, a delayed scale-up in operations along with a deterioration in the credit profile and the liquidity position owing to higher-than expected cash losses or significant capex undertaken, could exert pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	The assigned rating of UMBPL factors in the very high likelihood of its promoter entity, UML, extending financial support to it because of its strategic importance and close business linkages. ICRA also expects UML to be willing to extend financial support to UMBPL out of its high reputation sensitivity.
Consolidation/Standalone	Standalone

About the company

Uno Minda Buehler Motor Private Limited (UMBPL), incorporated on December 12, 2022, is a joint venture between Uno Minda Ltd. and Buehler Motor GmbH. It is involved in developing, manufacturing and marketing of traction motors in India and other SAARC nations. The JV has set up capabilities to assemble traction motors for electric two wheelers and three wheelers. Uno Minda holds a 50.1% stake in the JV, while the remaining stake is held by Buehler.

UMBPL has set up a manufacturing plant in Bawal, Haryana, where the company has currently set up an assembly line for hub drive motors. The plant is yet to start commercial production as letters of intent (LOIs) are pending with various potential clients. The company has plans to set up assembly line for mid drive motors as well by FY2025.

About JV Partners

Uno Minda Limited

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 and is the largest supplier of switches for passenger vehicles (PVs) and two wheelers (2Ws) as well as for automotive horns in India. Besides, 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 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). 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.

Buehler Motor GmbH

Buehler is a supplier of customised mechatronic drive solutions, headquartered in Nuremberg, Germany with manufacturing facilities in Germany, Czech Republic, the US, Mexico, and China. The company's expertise lies in direct current (DC) and brush less direct current (BLDC) motors, gear motors & pumps, among others. It specialises in the automotive industry, aviation, and other industrial applications. Buehler has worked with major European automotive players like Volvo, BMW, etc. UMBPL is Buehler's attempt to capture the Indian market.

Key financial indicators

	FY2023	FY2024*
Operating income	0.0	1.2
PAT	(0.8)	(9.2)
OPBDIT/OI	0.0%	-672.2%
PAT/OI	0.0%	-757.3%
Total outside liabilities/Tangible net worth (times)	0.3	1.4
Total debt/OPBDIT (times)	0.0	(1.4)
Interest coverage (times)	0.0	(17.7)

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			July 23, 2024	-	-	-
1 Term loans	Long term	30.00	[ICRA]BBB+ (Stable)	-	-	-
2 Fund Based Working capital	Long term	10.00	[ICRA]BBB+ (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Fund Based-Term Loan	Simple
Long Term-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	Term Loan	December 2023	NA	December 2028	30.00	[ICRA]BBB+ (Stable)
NA	Fund Based Working capital	NA	NA	NA	10.00	[ICRA]BBB+ (Stable)

Source: Company

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

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