September 17, 2024

Uno Minda Limited: Ratings reaffirmed

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/ Short-term –Fund-based/non-fund-based limits	273.80	273.80	[ICRA]AA+ (Stable)/[ICRA]A1+; Reaffirmed
Short Term- Non-Fund based Facilities	260.00	260.00	[ICRA]A1+; Reaffirmed
Long term/ Short term-Unallocated Limits	16.20	16.20	[ICRA]AA+ (Stable)/[ICRA]A1+; Reaffirmed
Total BLR Limits	**700.00**	**700.00**	
Short Term- Commercial Paper Programme	**100.00**	**100.00**	[ICRA]A1+; Reaffirmed
Long-term – NCD Programme	**400.00**	**400.00**	[ICRA]AA+ (Stable); Reaffirmed

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Uno Minda Limited (UML) 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 FY2020-FY2022, UML has increased its revenues consistently (18% CAGR over FY2020-FY2024) 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 UML 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 comfortable 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 OPBITDA of ~1.1 times at the end of FY2024), with timely raising of funds through the equity route. The fund infusions have helped UML comfortably meet its cash outflow requirements for the Group's consolidation exercise, inorganic investments as well as capacity expansion, while keeping its dependence on external borrowings at comfortable levels.

UML continues to invest regularly in capacity expansion, both in existing product lines, and in new product segments, to strengthen its business prospects. In FY2024, the company announced a technical licence agreement (TLA) with StarCharge Energy Pte to set up a facility for the manufacturing and supply of electric vehicle (EV) AC wall mounted chargers. The company intends to target OEMs in the EV space as its customers will sell the same to the end-users along with vehicle. Further, the company also announced TLA with Suzhou Inovance Automotive (China), which is a provider of intelligent components and systems for electric and hybrid vehicles and supplies to many prominent Chinese and global passenger vehicle (PV) and commercial vehicle (CV) OEMs. The company has also recently announced TLA with the Aisin Group (Japan) for manufacturing sunroofs in India. Apart from EV specific projects, UML continues to have ongoing capacity expansion plans (across various product segments such as alloy wheels, lighting and switches), leading to elevated capex plans of ~Rs. 1,400 crore for FY2025 (excluding outlay towards procurement of land). Despite the substantial capex plans, likely healthy cash accruals are expected to keep its leverage at comfortable levels (Total Debt/OPBDITA is expected to be in the range of 1-1.2 times over the medium term) and help the company report strong debt coverage indicators. Additionally, ICRA takes comfort from the fact that 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.

The company has been purchasing land parcels in the recent past to set up new plants, amid expectation of healthy growth in demand across various automotive segments. The same has been funded through a mix of internal accruals and non-convertible debentures raised at competitive rates. ICRA notes that the company faces the risk of acceleration in debt repayment if there is a breach of financial and/or rating linked covenants and is not able to get waivers from the lenders/investors in a timely manner. In this regard, the company's established track record of healthy performance and maintaining financial discipline provide comfort.

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 from the newly commissioned plants ramp up further.

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. In FY2024, the company derived its revenues from various product segments, including switches (accounting for ~26% of revenues), lighting (~24%), casting (~20%), seatings (~8%), and acoustics (~6%). The rest of the revenues are driven by products like blow-moulded components, batteries, EV specific components (BMS, on board and off board chargers), controllers and sensors etc. through multiple JVs. In terms of the automotive segments, 2Ws and three-wheelers (3Ws) accounted for ~46% of revenues, while four-wheelers (4Ws; primarily PVs) accounted for the rest. The company's customer exposure is also diversified with its largest customer, Maruti Suzuki India Limited (MSIL), accounting for ~20% of its consolidated revenues in Q1 FY2025. Geographically, it derives 86% of its revenues 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, PV alloy wheel manufacturer, and the second largest player in automotive seating and lighting in the domestic market. Together these five product segments accounted for ~84% of the company's consolidated revenues in FY2024. In other product segments as well, UML enjoys a leadership position in the domestic market through its subsidiaries/ JVs. A 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 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, making the existing product line smarter. In FY2022, the company entered a TLA JV with FRIWO AG, a German company manufacturing digitally controllable power supply units and drive solutions, and Buehler Motor GmbH (Buehler) to develop, manufacture and market traction motors in India and other SAARC nations. Further in FY2024, the company entered a TLA with StarCharge Energy pte. ltd. (Singapore) for manufacturing EV supply equipment such as wall-mounted chargers and storage. In FY2025, the company announced a TLA with Suzhou Inovance Automotive Co., Ltd. (China) for production and distribution of specific high voltage category electric vehicle products for passenger and commercial vehicles in India. These JVs are expected to substantially increase UML's presence in the EV industry. Over the years, the company has filed 390 patents and has 344 registered designs, which underscore the company's R&D prowess.

Healthy financial risk profile characterised by a conservative capital structure and strong debt coverage indicators – Over the years, UML has focused 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 0.3-0.6 times over the past five years. The same has been supported to some extent by the prudent financial management over the years, with equity infusion in the form of qualified investor placement (QIP) and rights issuance 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 (~Rs. 240 crores of rights issue and ~Rs. 700 crore of QIP) to strengthen its balance sheet and financial risk profile. ICRA expects the company's debt levels to increase in the near term, driven by growth capex that may be partially debt funded. Nevertheless, the same will be offset by growth in revenues and cash flows. Consequently, the leverage indicators are expected to remain rangebound with Total Debt/OPBDITA of 1-1.2 times, resulting in strong debt coverage metrics.

Credit challenges

Susceptible to inherent cyclicality of automotive industry – As UML derives most of its revenues (86% in FY2024) from the domestic automotive market, its earnings remain susceptible to the inherent cyclicality of the market. Amid multiple headwinds that the automotive industry faced over the past few years (Covid-related lockdowns, inflationary pressure etc.), UML's performance mirrored the underlying trends of the automotive industry to an extent. However, aided by its continuous business development initiatives, UML was able to largely outperform the industry growth. The company's operating income grew by ~25% in FY2024 on a YoY basis against the automotive industry's growth of 10%.

Ongoing capex plans to constrain improvement in return indicators –Over the years, UML has undertaken sizeable debt-funded capex to enhance its capacities for various products. It continues to have capacity expansion plans for multiple segments with a total capex outlay of ~Rs. 1,400 crore announced for FY2025 (excluding outlay towards purchase of land parcels). On the EV segment, the company plans to spend Rs. 600-700 crore over the next five to six years. This is primarily towards the JV with Buehler Motors, Uno Minda EV Systems Limited (JV with FRIWO AG) and recently announced TLA/JV with StarCharge Energy Pte and Suzhou Inovance Automotive. The projects 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 –UML is not directly exposed to climate transition risks emanating from a likelihood of tightening emission control requirements, with the bulk of its products used across different fuel powertrains, but 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 control 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. Thus, retaining human capital, maintaining healthy relationships with employees as well as the supplier ecosystem remain essential for disruption free operations for the entity. Another social risk that UML faces pertain 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 stood at ~Rs. 840 crore in FY2024), consolidated cash balances of ~Rs. 251 crore (as on March 31, 2024) and unutilised working capital limits (~Rs. 163 crore as on June 30, 2024, on a standalone basis). This is likely to remain more than adequate to help service the Group's repayment obligations of ~Rs. 416 crore in relation to long-term external borrowings. The company's capex plans of ~Rs. 1,400 crore (excluding land purchases for future expansion) are expected to be met through a mix of term debt and internal accruals. In addition, the Group's strong financial flexibility and proven ability to access capital markets provide further comfort.

Rating sensitivities

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

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

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of UML. As on March 31, 2024, the company had 36 subsidiaries, 4 associates, and 12 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 and is the largest supplier of switches for PVs and 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 second 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, increase 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	FY2023	FY2024
Operating income	11,236.5	14,030.9
PAT	600.3	739.3
OPBDIT/OI	11.1%	11.3%
PAT/OI	5.3%	5.3%
Total outside liabilities/Tangible net worth (times)	0.9	0.9
Total debt/OPBDIT (times)	1.1	1.1
Interest coverage (times)	18.0	14.0

Source: Company, ICRA Research; 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	Current rating (FY2025)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	
				Sep 17, 2024	Apr 2, 2024	Sep 18, 2023	Aug 31, 2023	Aug 30, 2022	Aug 27, 2021	Jun 22, 2021
1	Term loans	Long term	150.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)
2	Cash Credit	Long term	--	-	-	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)
3	Fund/non-fund-based Limits	Long term and short term	273.8	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	--	--	--	--	--
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+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	--	--
5	Unallocated Limits	Long term	--	--	--	--	--	--	--	[ICRA]AA (Stable)
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	400.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	--	--	--

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term/ Short -term – Fund/Non-Fund Based Limits	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

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	Date of maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan-I	FY2023	NA	FY2028	50.00	[ICRA]AA+(Stable)
NA	Term Loan-II	FY2023	NA	FY2028	100.00	[ICRA]AA+(Stable)
NA	Fund/Non-Fund Based Limits	NA	NA	NA	273.80	[ICRA]AA+(Stable) / [ICRA]A1+
NA	Non- fund-based limits	NA	NA	NA	260.00	[ICRA]A1+
NA	Unallocated	NA	NA	NA	16.20	[ICRA]AA+(Stable)/ [ICRA]A1+
INE405E14158	Commercial paper	June 27, 2024	7.35%	September 23, 2024	100.00	[ICRA]A1+
INE405E08010	NCD programme	April 29, 2024	7.85%	April 29, 2027	100.00	[ICRA]AA+(Stable)
INE405E08036	NCD programme	August 06, 2024	7.85%	February 26, 2027	50.00	[ICRA]AA+(Stable)
INE405E08028	NCD programme	August 06, 2024	7.88%	August 06, 2027	100.00	[ICRA]AA+(Stable)
NA*	NCD programme	NA	NA	NA	150.00	[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	67.68%	Full Consolidation
Minda Kosei Aluminium Wheel Private Limited	100.00%	Full Consolidation
YA Auto Industries	87.50%	Full Consolidation
Auto Component	95.00%	Full Consolidation
Samaira Engineering	87.50%	Full Consolidation
SM Auto Industries	87.50%	Full Consolidation
Minda Storage Batteries Private Limited	100.00%	Full Consolidation
Yogendra Engineering	55.89%	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
MITIL Polymer Private Limited	60.00%	Full Consolidation
Uno Minda EV Systems Private Limited	50.10%	Full Consolidation
Uno Minda Auto Systems Private Limited	100.00%	Full Consolidation
Uno Minda Tachi-S Seating Private Limited	51.00%	Full Consolidation
Kosei Minda Mould Private Limited	49.90%	Full Consolidation
Uno Minda Buehler Motor Private Limited	50.10%	Full Consolidation
Kosei Minda Aluminium Company Pvt. Ltd.	18.31%	Full Consolidation

Uno Minda Auto Technologies Private Limited	100.00%	Full Consolidation
Uno Minda Auto Innovations Private Limited	100.00%	Full Consolidation
Global Mazinkert S. L. (Spain)	100.00%	Full Consolidation
Clarton Horn (Spain)	100.00%	Full Consolidation
Light & Systems Technical Centre, S.L. (Spain)	100.00%	Full Consolidation
Clarton Horn, Signalkoustic (Germany)	100.00%	Full Consolidation
Clarton Horn (Mexico)	100.00%	Full Consolidation
PT Minda Asean Automotive (Indonesia)	100.00%	Full Consolidation
PT Minda Trading (Indonesia)	100.00%	Full Consolidation
SAM Global Pte. Ltd (Singapore)	100.00%	Full Consolidation
Minda Industries Vietnam Company Limited (Vietnam)	100.00%	Full Consolidation
Minda Korea Co Ltd (Korea)	100.00%	Full Consolidation
Uno Minda Spare Parts and Components Trading LLC (Dubai)	100.00%	Full Consolidation
UNO Minda Europe GMBH (formerly Minda Delvis GmbH) (Germany)	100.00%	Full Consolidation
CREAT GmbH (Germany)	100.00%	Full Consolidation
Uno Minda Systems GmbH (formerly Delvis Products) (Germany)	200.00%	Full Consolidation
Minda Westport Technologies Limited	49.99%	Equity Method
Rinder Riduco, S.A.S. Colombia (USA)	50.00%	Equity Method
Roki Minda Co. Private Limited	49.00%	Equity Method
Minda TTE DAPS Private Limited	50.00%	Equity Method
Minda Onkyo India Private Limited	50.00%	Equity Method
Denso Ten Uno Minda India Private Limited	49.00%	Equity Method
Uno Minda D- Ten India Private Limited	51.00%	Equity Method
Toyoda Gosei Minda India Private Limited	47.93%	Equity Method
Tokai Rika Minda India Private Limited	30.00%	Equity Method
Strongsun Renewables Private Limited	28.10%	Equity Method
CSE Dakshina Solar Private Limited	27.71%	Equity Method

Source: Company results; Note: ICRA has factored in consolidated financials of UML while assigning the ratings.

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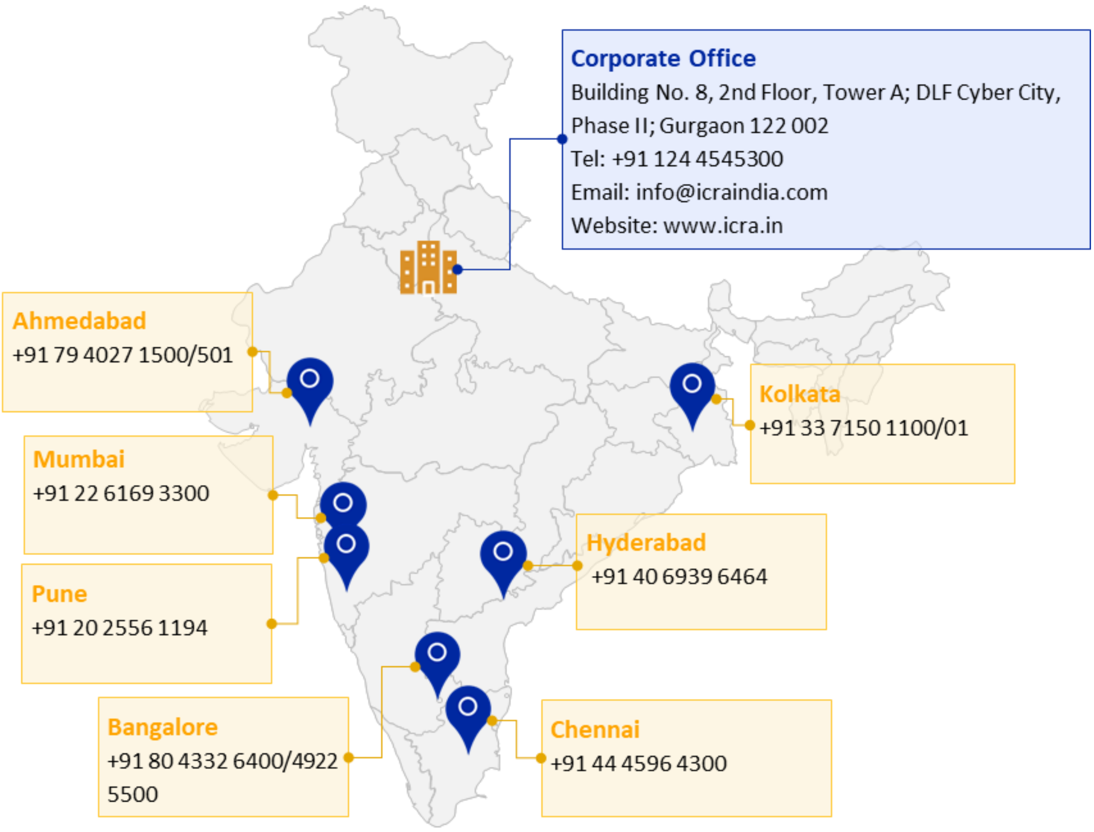

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