Minda Industries Limited

Instrument	Amount	Rating Action
	(Rs. Crore)	August 2015
Term Loan Facilities	29.05 (Reduced from Rs. 33.74 crore)	Upgraded to [ICRA]A+ (stable) from [ICRA]A (stable)
Cash Credit Facilities	93.50	Upgraded to [ICRA]A+ (stable) from [ICRA]A (stable)
Short Term Non Fund Based Facilities	27.00 (Enhanced from Rs. 17.00 crore)	Upgraded to [ICRA]A1+ from [ICRA]A1
Short Term Fund Based Facilities	5.00	Upgraded to [ICRA]A1+ from [ICRA]A1
Unallocated	2.45 (Reduced from Rs. 7.76 Crore)	Upgraded to [ICRA]A+ (stable) from [ICRA]A (stable)
Total Rated Amount	**157.00**	

ICRA has upgraded the ratings for the Rs. 157.0 Crore Lines of Credit (LOC) facilities of Minda Industries Limited (MIL) from [ICRA]A/[ICRA]A1 (pronounced ICRA A/ICRA A one) to [ICRA]A+/[ICRA]A1+ (pronounced ICRA A plus/ICRA A one plus)[†]. The outlook on the long-term rating is 'Stable'.

The rating upgrade takes into account the robust growth in MIL's consolidated revenues through augmentation across key product segments like lighting, switches and horns and steady ramp-up of operations at newly set-up manufacturing units on account of recovery in the automotive sector, increased orders from existing clients and acquisition of new customers. The rating upgrade factors in the significant improvement in profitability ensuing from breakeven at standalone plants (Pune and Hosur, Tamil Nadu) and subsidiaries like Clarton Horns and MJ Casting, rise in operating margins across product segments, decrease in rejection rates and increased cost efficiencies across product segments and subsidiaries. The strengthening of profitability and cash flows has resulted in an improved credit profile in FY 2015. Accordingly, the company's debt indicators like Total Debt/Operating Profit reduced to 1.5 times (3.9 times in FY 2014) and gearing reduced to 0.6 times (0.9 times in FY 2014) along with increased coverage indicators like interest cover to 6.1 times (3.2 times in FY 2014) and Net cash accruals/Total Debt to 59.5% (19.4% in FY 2014). All the above factors support the entity's credit profile with steadily improving profitability and limited working capital requirements over the near term.

ICRA continues to draw comfort from MIL's diversified product portfolio, broad-based customer profile and strong in-house technical capabilities. MIL's standalone product portfolio is well diversified with the company engaged in the manufacture of switches, lighting systems, horns, batteries, CNG/LPG kits and fuel caps for automotive applications. The portfolio further expands into blow moulding, aluminum die-casting etc. at the consolidated level, thereby providing scope to grow while offering a comprehensive solution to the automotive OEM[*]s. MIL has an established market presence as a supplier of automotive switches to all major 2W manufacturers in the domestic market. The company also benefits from the strength of its in-house technical team in the switch, lighting and horn divisions. MIL's consolidated business currently has high concentration on the 2W segment (57% contribution to total sales in FY 2015); however, the company has progressed in its efforts to diversify its customer base to include Passenger vehicle (PV), commercial vehicle and off-highway segments with the acquisition of new clients in key segments and increased orders from existing 4W OEMs. This would help the company combat the current slowdown in the 2W segment. The acquisition of Clarton Horn (CH)[†] in April 2013, has supported the reduction in product concentration by increasing the Horn

---

[†] For complete rating scale and definitions, please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

[*] Original Equipment Manufactures

[†] CH is a Spain-based manufacturer of automotive horns for PV applications. CH's clients include global OEMs such as BMW, Daimler, Volkswagen etc.

segment's revenues and also added to geographical diversification by opening the European and American markets. With CH, the company has increased its global market share in horns, coming second to market leader Fiamm[‡] and has gained access to better technology and global clients.

MIL has regularly incurred capex towards establishing manufacturing facilities in close proximity to customers while committing fresh investments in new or existing JVs/subsidiaries. In FY 2016, the company increased stake in three group companies (MJ casting Limited, PT Minda Asean Automotive and Minda Vietnam Industries Limited) while investing in a Greenfield venture (Minda-Kosei) that would expand the product portfolio to the manufacturing of alloy wheels. Although ICRA factors in the strong technical support from JV partner-Kosei Group of Japan (30% share) and the assured business from major domestic OEMs; the profitability will be subject to the level of scalability in the gestation period, inherent project execution risk in the initial phase and any possibility of the upliftment of the Anti Dumping Duty on imported Chinese Wheels. However, even after venturing into new investments, MIL sustains its focus on bottom line and hived off the low-scale and less-profitable battery business to a new JV with Panasonic; the partner providing both financial and technological support to the endeavour. The JV is expected to begin operations in 2015 from MIL's battery facilities at its Pantnagar plant.

As stated by the management, MIL is seeking to consolidate the business further and shall pursue in-organic growth opportunities through increasing stake in current JVs and subsidiaries or investing in other related group companies in the medium term. While ICRA expects MIL's future acquisitions to be funded in a manner that sustains the company's credit profile (company plans to undertake acquisitions in a cash and tax neutral way), the impact of such acquisitions would be evaluated on a case-to-case basis. MIL's consolidated profitability is expected to improve in the medium term on the back of management's focus on boosting capacity utilizations, ensuring cost reductions thereby striving to bring down overall break-even levels.

Recent Results

In FY 2015, MIL's (standalone) operating income at Rs. 1,371.0 crore reported growth of 23.7% over the corresponding previous period. The company's Profit before Depreciation, Interest and Tax at Rs. 114.5 crore reported growth of 49.0% in FY 2015 (Rs. 76.9 crore in FY14). MIL's (standalone) Profit after Tax (PAT) increased to Rs. 53.2 crore in FY 2015 from Rs. 27.1 crore in FY 2014, registering a growth of 96.2%.

At a consolidated level, MIL's operating income grew by 30.5% to stand at Rs. 2,226.6 Crore. The company's Profit before Depreciation, Interest and Tax at Rs. 154.6 crore reported a robust growth of 98.6% in FY 2015. MIL's (consolidated) Profit after Tax (PAT) increased to Rs. 65.3 crore in FY 2015 from Rs. 5.3 crore in FY 2014, registering a growth of 1124.5%. The PAT after Minority Interest stood at Rs. 67.97 crore in FY2015, posting a growth of 847% over FY 2014.

Company Profile

Minda Industries Limited (MIL) is the flagship company of the N.K. Minda Group, a group having diversified business interests in the automotive space. Set up in 1958 as a partnership firm, MIL was converted into a public limited company in 1992. The company is engaged in the manufacture of automotive switches (for two-wheelers, three-wheelers, and off-road vehicles) and automotive lighting systems (for two-wheelers, three-wheelers and four-wheelers). Besides, the company has also diversified into the manufacture of horns, automotive batteries, fuel caps, non-auto LED and CNG/LPG kits. The blow moulding division of the company was hived off to form Minda Kyoraku Limited, a JV with the Kyoraku (Japan) in FY12. MIL's customers for automotive switches include Bajaj Auto Limited (BAL), TVS Motors Company (TVS), Hero Moto Corp Limited (HMCL), Honda Motorcycles and Scooters India Limited (HMSI), Suzuki Motorcycles India Private Limited (SMIPL) etc. The company supplies automotive lighting systems mainly to Maruti Suzuki India Limited (MSIL), Tata Motors Limited (TML), Volkswagen India Private Limited (VWI) and General Motors India (GMI). The major customers of horns division include BAL, TVS, HMSI, HMCL and TML. MIL has manufacturing facilities located in India at Sonipat (Haryana), two in Pune (Maharashtra), two in Manesar (Haryana), Aurangabad (Maharashtra), Hosur and Chennai (Tamil Nadu), and Pantnagar (Uttaranchal). The company further

[‡] According to company data

acquired Clarton Horn, a Spanish horn manufacturer in April 2013, making it a global player in the horns market for 4W. In July 2015 MIL acquired a 51% stake in group company Minda Vietnam Industries Limited and also increased its stake in an Indonesia based subsidiary PT Minda Asean Automotive from 19% to 51%. While the former sells lights and switches the latter additionally also supplies horns to Asian OEMs. MIL is listed on the Bombay Stock Exchange, the National Stock Exchange and the Delhi Stock Exchange. The promoters own 70.9% stake in the company as on June 2015.

August 2015

For further details, please contact:

Analyst Contacts:
Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Relationship Contacts:
Mr. Vivek Mathur (Tel. No. +91-124-4545310)
vivek@icraindia.com

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: **9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: **9821086490** Email: shivakumar@icraindia.com 1802, 18th Floor, Tower 3, Indiabulls Finance Centre, Senapati Bapat Marg, Elphinstone, Mumbai 400013, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Bangalore** **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: **989986490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: **989986490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: **9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	