

## Minda Industries Limited

July 24, 2018

### Summary of Rated Instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Term Loan	9.60	[ICRA]AA (Stable)
Fund Based Limits – Cash Credit	98.50	[ICRA]AA (Stable)
Non-Fund Based Limits	37.00	[ICRA]A1+
Unallocated Limits	11.90	[ICRA]AA (Stable)
Total Bank Loan Facilities	157.00	
Commercial paper programme	30.00	[ICRA]A1+

### Material Event

On July 14, 2018, Minda Industries Limited ('MIL') announced to the stock exchanges regarding the proposed acquisition of 80% stake in iSYS RTH GmbH, Germany (iSYS). In addition, the company also announced plans of setting-up a new Joint Venture with Japan-based Kosei Group following receipt of board approval.

### Impact of the Material Event

According to recent press releases, MIL plans to acquire 80% stake in a Germany-based technology services provider iSYS RTH GmbH for a consideration of Euro 5 million. In addition to initial purchase consideration, MIL will also be infusing an additional Euro 1.5 million in the target entity to fund its business plans. iSYS, a Euro 5.9 million enterprise is engaged in the engineering and development of hardware and software related to Electronic Control Units (ECUs) or controllers, and the acquisition is expected to be completed by Q2 FY2018, subject to necessary approvals. The acquisition would enhance MIL's capabilities in its lighting and infotainment systems, and support its backward integration initiatives.

Apart from above acquisition, MIL also plans to set-up a JV with Kosei Group wherein MIL will hold 49.9% stake and Kosei International Trade & Investment Company Limited, Hong Kong will hold the rest. The JV would set up its manufacturing facility in Bawal, Haryana for manufacturing moulds for alloy wheels, at an initial investment of Rs. 25 crore, and the first phase of the plant is expected to be commissioned by April 2019.

ICRA takes note of these developments and is of the view that the proposed investments (estimated at ~Rs. 75 crore) and its funding mix (to be split equally between long-term debt and internal cash flows) are unlikely to have a material impact on the credit metrics or financial risk profile of MIL. With iSYS having established operations in the design and development of ECUs, the acquisition would strengthen MIL's capabilities in the lighting and infotainment system businesses. The JV with Kosei Group would also support the Group's backward integration initiatives in the passenger vehicle alloy wheel segment, where it is already present through another two JVs with Kosei (Minda Kosei Aluminium Wheel Private Limited (70% held by MIL) and Kosei Minda Aluminium Company Private Limited (30% held by MIL)).

ICRA currently has ratings outstanding of [ICRA]AA (Stable) and [ICRA]A1+ on the various bank facilities and market instruments of the company.

The previous detailed rating rationale is available on the following link: [Click here](#)

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## About ICRA Limited:

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