UNO MINDA
NK MINDA GROUP

From : 07-07-2014
To : 31-08-2017
Performance : 1150%
Recommendation : OPEN

Background & Business

Minda Industries Ltd. MIL is flagship entity of the N. K. Minda Group which recently rebranded itself as "UNO MINDA". With humble beginnings, way back in 1958 by Late Shri S.L. Minda, MIL over last 5 decades has evolved into a leading Tier-1 supplier of Proprietary Automotive Solutions to OEMs across range of automotive components. UNO Minda is widely present in almost all domains of vehicles production – electrical & electronics, body & structure, chassis & motor systems, engine & exhaust, interior controls and safety, clean-tech, distribution & institutional businesses. As a Tier-1 supplier, MIL designs, develops and manufactures a wide range of automotive components such as - switches – 2W/HBA & 4W/HVAC, sensor and body electronics, relay, actuators, accelerator pedal assembly, automotive lighting, automotive horns, alternate fuel systems, non-automotive LED lighting, solar renewable energy, automatic gear shifters, blow molding and fuel caps.

Investment Thesis

MIL is at the cusp of a strong '**new growth cycle**', led by powerful play of **twin factors** of **highly attractive opportunity at its end-user Indian automotive industry**, as well as by its **dominant Tier-I auto vendor status**, resulting in high entry barriers and market leadership across diversified product portfolio. In our opinion, the **next leg of growth** would be driven by–

a) **Synergies arising from ongoing consolidation exercise** (reduce inefficiencies, improve operating performance of subsidiary companies & eliminate overlapping activities) **which are expected to steadily improve margins by end-FY18.**
b) **Strong performance across key domestic market segments** (though pushed back by a quarter or two due to the current demonetization drive, domestic automobile market is expected to bounce back to double-digit volume growth rates. Lighting, switches and horns are expected to receive a boost led by continuous order inflows and expanded capacities).
c) **Reduction in debt and cost of debt** (while debt has gone up over past few quarters, we expect the same to go down post FY18 as consolidation exercise completes and no major capex has been outlined. Also, cost of debt is expected to go down for MIL due to lowering of interest rates by RBI; in the past and expected going ahead and MIL exploring new low-cost avenues such as commercial paper for raising funds).

Outlook

Over the years, MIL **management has shown tremendous foresight** in scaling up operations, led by **successful diversification of product portfolio** and **strong client additions**. Importantly, this successful ramp-up has been supported by **partnerships with global leaders**, which in turn has ensured high quality products and robust acceptance of the same amongst OEMs. Alongside, company has built **strong brand equity in the more profitable after-market**, which also helps to some extent smoothen business cycle volatilities. We have high levels of confidence in the business model, its product portfolio and sustainability of demand drivers in its end-markets across OEMs and aftermarket, as well as on the management's ability to deliver going forward. We estimate all of the above to culminate in net earnings growth of nearly 30% CaGR over the next 5 years.

EQUENTIS
THINKING FUTURE