

From : 07-07-2014
 To : 30-11-2017
 Performance : 1740%
 Recommendation : OPEN

Background & Business

Minda Industries Ltd. 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) **Inclusion into MSCI Global Smallcap Index** (This addition will lead to increase in investor confidence and improved liquidity for the stock. The current level of institutional shareholding of 15.11% (as on 30th September 2017) could increase).

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. MIL has all the right ingredients to make it a “high-growth” value-creator over the long term – high management pedigree, technological advantage (Tie-ups with marquee Japanese companies), scale (2nd largest horn-maker in the world, 3rd largest Automotive Lighting Player in India), access to R&D (post acquisition of Clarton Horns for Electronic Horns and Rinder Group for LED lighting), improving product mix and expanding geographical presence (plans to increase international sales to 25% in 3 – 4 years). 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.** We’d like to draw attention to the fact that the entire exercise of consolidation of group cos into the fold of MIL has been done at/close to the BV-strongly indicating promoter interest aligned with shareholders.

