

Background & Business

MIL is flagship entity of “UNO MINDA” group which is a leading Tier 1 supplier of Proprietary Automotive Solutions to Original Equipment Manufacturers (OEMs). 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. It is also into Sound Amplifier Systems, Driving Assistance Systems & Products (DAPS), Printed Circuit Boards & Box Build Assemblies. MIL has 49 manufacturing facilities across 14 locations in India. Presently, it is the 2nd largest manufacturer of horns globally and the 3rd largest manufacturer of automotive switches in India. It has nearly 180+ registered / filed patents, 192+ design registrations till date, 5 R&D centres and 14 design centres across the country.

From : 07-07-2014
 To : 31-05-2019
 Performance : 1422%
 Recommendation : OPEN

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. The company has carved a formidable presence for itself across its mainstay business of - switches, lighting and acoustics. Strong OEM relationship and after-market presence ensures its well-entrenched position with strong and sustainable competitive advantage. In addition, diversification into new product lines of – alloy wheels, aluminium dye castings, blow moulded parts, batteries which have already started adding to topline and profitability in a meaningful way and new investments in - driver assisted products, infotainment, air-bags, sensors, seat-belts etc. provide additional triggers to growth. Inline with this, company has recently announced acquisition of 80% stake in Germany based iSYS RTS GmbH which is a leading developer of embedded systems as well as hardware and software components for Global OEM’s which will help the company to expand its ECU offering and Technology Solutions in India and Global markets. In the ongoing consolidation exercise which is ~90% completed, MIL has increased its stake in various group companies which have synergies with the portfolio of the company. This entire exercise has been done at/close to the BV-strongly indicating promoter interest aligned with shareholders. We view this initiative as highly constructive and are of the opinion that it would give a huge fillip to the turnover and profits of MIL.

Outlook

Currently, auto sector is going through a rough patch due to temporary headwinds like liquidity issue of NBFC’s that has raised credit cost, increase in insurance cost, volatile crude and commodity prices, weak festive demand last year and implementation of BS-VI & other safety regulations which would increase the end user cost. However, management expects company to deliver higher growth than the industry and pickup in sales led by addition of new companies (recent HSSL acquisition) in the group and increase in content per vehicle. Also, considering the election results providing strong mandate for stable government and the overall reformist attitude of the government, we expect it to come out with policies that would boost the overall consumption story in India, thereby working as an antidote to the current sickness in the Auto Industry. 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 are of the opinion that above discussed factors puts MIL in a sweet spot, wherein it should see the twin benefits of sharp upward revision in earnings as well as multiple re-rating.

