

Robust EBITDA Margins in Q2FY25; Outperformance Likely to Continue

Est. Vs. Actual for Q2FY25: Revenue – **INLINE**; EBITDA – **BEAT**; PAT – **INLINE**
Change in Estimates post Q2FY25

FY25E/FY26E: Revenue: 0.0%/0.2%; EBITDA: -1.9%/0.2%; PAT: -11%/-2.6%.

Recommendation Rationale

- **Operational Highlights in Q2FY25:** (1) Expanded into ASEAN markets through PTMA for the manufacturing of long tail lamps for PVs. (2) TRMN and TG Minda's Neemrana plant commenced operations for producing seat belts and smart keys. (3) Minda Onkyo signed a TLA with Mobis for the manufacturing of speakers in India. (4) Began sub-part manufacturing at the new plant in Farrukhnagar.
- **Robust Growth Across All Verticals:** Uno Minda demonstrated strong performance across all segments, except for Acoustics, which saw an 11% YoY decline. The growth was led by the Lighting, Switches, Casting, and Other divisions (sensors, motors, controllers), which recorded YoY growth of 16%, 13%, 12%, and 15% respectively in Q2FY25.
- **EV Capabilities:** Sales to 2W EVs rose to Rs 228 Cr in Q2FY25, compared to Rs 143 Cr in Q2FY24, driven mainly by higher volumes of sensors and controllers. The potential EV kit value is estimated at Rs 35,300 Cr, with Rs 27,300 Cr currently in commercial production.

Company Outlook & Guidance: Post a subdued H1, growth momentum in the Indian auto industry is expected to persist in the medium term, fueled by strong rural demand for 2W vehicles and a gradual recovery in international business. The company's ongoing capacity expansion initiatives, coupled with a robust order book, position it to outperform industry growth rates in the near to medium term.

Current Valuation: 41x on FY27EPS (earlier 45x on FY26EPS)

Current TP: Rs 1,090/share (unchanged)

Recommendation: We maintain our BUY rating on the stock.

Financial Performance: Uno Minda's Q2FY25 revenue grew by 17.2% YoY and 11.2% QoQ (in line with estimates), driven by strong performances across lighting, alloy wheels, castings, and the sensor/motor controller division, along with the consolidation of Westport. The company's consolidated EBITDA grew by 20.1% YoY and 18.3% QoQ (a 6.2% beat), with EBITDA margins improving to 11.4%, up 28 bps YoY and 68 bps QoQ (a 36 bps beat), primarily due to higher capacity utilization and sustained cost reduction efforts. Adjusted PAT stood at Rs 266 Cr, up 12% YoY and 26.3% QoQ (in line with estimates). The EBITDA outperformance was partly offset by higher-than-expected interest, depreciation, tax expenses, and increased minority interest.

Outlook: We remain positive on Uno Minda as a play on the auto sector, driven by new product introductions, premiumization trends, ongoing capacity building to meet industry demand, and a strong EV order book. Capacity expansion projects, the benefits of which are expected to materialize in FY26 and beyond, further support growth. We forecast a Revenue/EBITDA/PAT CAGR of 15%/16%/24% over FY24-FY27E.

Valuation & Recommendation: Based on the company's continued outperformance and consistent execution capabilities, we value the stock at 41x on FY27EPS (down from 45x on FY26EPS) to arrive at our target price of Rs 1,090/share, which implies an upside of 11% from the current market price (CMP). Therefore, we maintain our BUY rating on the stock.

Key Financials (Consolidated)

	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,245	11.2%	17.2%	4,129	2.8%
EBITDA	482.4	18.3%	20.1%	454.2	6.2%
EBITDA Margin	11.4%	68 bps	28 bps	11.0%	36 bps
Adj Net Profit	266.2	26.3%	12.0%	258.7	2.9%
EPS (Rs)	4.38	26.3%	10.3%	4.08	7.3%

Source: Company, Axis Securities Research

(CMP as of 12th November 2024)

CMP (Rs)	984
Upside /Downside (%)	11%
High/Low (Rs)	1253/605
Market cap (Cr)	57,574
Avg. daily vol. (6m)Shrs.	11,48,536
No. of shares (Cr)	57.42

Shareholding (%)

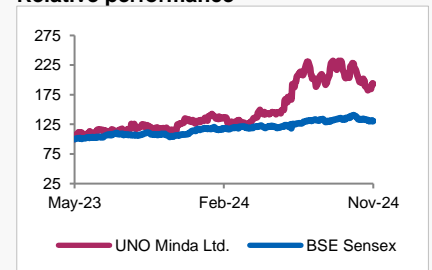
	Mar-24	Jun-24	Sep-24
Promoter	68.8	68.8	68.8
FIIs	7.6	8.7	9.7
MFs / UTI	15.0	14.1	13.1
Banks / FIIs	0.0	0.0	0.0
Others	8.7	8.5	8.5

Financial & Valuations

Y/E March (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	16,812	18,940	21,366
EBIDTA	1,896	2,210	2,493
Adj PAT	1,037	1,371	1,622
EPS (Rs)	17.0	22.5	26.6
PER (x)	57.8	43.7	37.0
EV/EBIDTA (x)	31.3	26.5	23.1
P/BV (x)	10.5	8.9	7.5
ROE (%)	19.9	22.5	22.5

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	0.0%	0.2%	-0.5%
EBITDA	-1.9%	0.2%	-0.5%
PAT	-11.0%	-2.6%	-4.6%

Relative performance


Source: Ace Equity, Axis Securities.

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Key Concall Highlights

- **Share of Profits from associates and JVs:** The share of profit in Q2FY25 stood at Rs 48 Cr vs Rs 53 Cr in Q2FY24 (and Rs 37 Cr in Q1FY25). The share of profits from associates/joint ventures was lower primarily on account of Minda Westport becoming a subsidiary, with their profits being consolidated (also led to higher minority shares).
- **Revenue mix:** Revenue from Switches (25% share of consolidated revenue) in Q2FY25 stood at Rs 1,057 Cr, up 13% YoY. Lighting (23% share) grew by 16% YoY to Rs 970 Cr. Castings (20% share) saw consolidated revenue growth of 12% YoY to Rs 842 Cr. The Seating (7% share) division's revenue was flat YoY, standing at Rs 286 Cr. Other business segments (21% share) grew by 51% YoY to Rs 906 Cr in FY24. However, the Acoustic segment (4% share) declined by 11% YoY to Rs 186 Cr. Exports contribute 11% of total revenue. Channel-wise contribution is 93% OEM and 7% Aftermarket. Segment-wise, 44% of revenues came from 2W, while 4W accounted for 46% in Q1FY25.
- **Capacity utilisation:** This quarter, UNO Minda has achieved high capacity utilization across key segments, with switches and castings at 80-95% and four-wheeler lighting exceeding 100% capacity. Additional lighting capacity is set to come into operation next quarter, providing crucial production flexibility to support growth.
- **Switches Division:** The company commenced manufacturing components at the new greenfield plant at Farrukhnagar. The existing Manesar plant is to be shifted by Q3 FY27.
- **Casting Division:** Additional capacity of 2 Mn for 2W alloy wheels to ramp up in the next few quarters. Out of the 60K expansion at Bawal, the company is to commission 30K in Q3 FY25 and has now secured land for the remaining 30K.
- **Seating Division:** The European Agricultural Vehicles business remains challenging, resulting in subdued export growth. The company is to supply 4 new models launched by the recently added 2W OEM.
- **Lighting:** Intents from OEMs for PV lighting have exceeded the company's initial estimates for the quarter. The greenfield 4W lighting plant project at Khed City in Pune is to start commercial production in Q3 FY25. PTMA is expanding to manufacture lighting for passenger cars in Indonesia.
- **Net Debt and capex plans:** Consolidated net debt for the company as of Q2FY25 stood at Rs ~1,735 Cr against Rs ~1,319 Cr as of FY24. The net debt to equity stood at 0.31x. The capex for H1FY25 was Rs 840 Cr, and for the full year, it is expected to be Rs 1,300-1,400 Cr in FY25.
- **Expansion in ASEAN Market:** PT Minda ASEAN automotive (PTMA) is to set up a new plant for manufacturing long tail lamps for PVs with a capex of Rs 210 Cr. The existing plant will also be relocated to the new site to consolidate operations for the company.
- **TLA with Mobis:** The company's arm Minda Onkyo signed a TLA for the manufacturing of speakers in India. This is going to strengthen the company's capabilities in automotive speakers and enable widening its offerings and customer base.
- **TRMN and TG Minda Plants commissions:** Multiple plants were commissioned by the company at Neemrana. The TRMN Greenfield plant was commissioned for the manufacturing of seat belts and smart keys, while TG Minda commissioned additional capacity. This is to add substantially to group revenues.

Key Risks to Our Estimates and TP

- Any Black Swan events.

Change in Estimates

	New Estimates			Old Estimates			Change in estimates (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	16,812	18,940	21,366	16,807	18,905	21,472	0.0%	0.2%	-0.5%
EBIDTA	1,896	2,210	2,493	1,933	2,206	2,505	-1.9%	0.2%	-0.5%
PAT	1,037	1,371	1,622	1,165	1,408	1,699	-11.0%	-2.6%	-4.6%

Source: Company, Axis Securities Research

Q2FY25 Results Review

(Rs Cr)	Q2FY24	Q1FY25	Axis Estimates	Q2FY25	% Change (YoY)	% Change (QoQ)	% Variance
Total revenue	3,621	3,818	4,129	4,245	17.2%	11.2%	2.8%
Expenditure							
Net Raw Material	2377	2460	2684	2754	15.9%	11.9%	2.6%
Personnel	449	516	524	528	17.7%	2.3%	0.7%
Other Exp	394	433	467	481	21.8%	10.9%	3.0%
Total Expenditure	3220	3410	3675	3762	16.9%	10.3%	2.4%
EBIDTA	402	408	454	482	20.1%	18.3%	6.2%
EBITDA Margins	11.1%	10.7%	11.0%	11.4%	28 bps	68 bps	36 bps
Oth. Inc.	8.9	11.0	12.3	2.2	-75.8%	-80.4%	-82.4%
Interest	27.2	36.3	36.5	46.0	69.2%	27.0%	26.0%
Depreciation	125.4	141.7	146.3	150.9	20.3%	6.4%	3.1%
PBT	258	241	284	288	11.5%	19.5%	1.4%
Exceptional Item	0	0.0	0	9			
Tax	73.3	66.7	68.1	78.5	7.0%	17.7%	15.2%
PAT before MI	184.5	174.1	215.6	217.7	18.0%	25.1%	1.0%
Share of profit of associates	53.2	36.7	43.1	48.4	-8.9%	32.0%	12.3%
PAT	237.7	210.8	258.7	266.2	12.0%	26.3%	2.9%
Minority Interest	12.7	11.8	12.9	21.0	65.2%	78.5%	62.4%
Atrib PAT	225.0	199.0	245.8	245.2	9.0%	23.2%	-0.3%
EPS (Rs.)	3.97	3.47	4.10	4.27	7.5%	23.1%	4.1%
	Q2FY24	Q1FY25	Axis Estimates	Q2FY25	YoY Bps Change	QoQ Bps Change	Estimate Variance
Gross Profit (Rs cr.)	1,245	1,357	1,445	1,491	19.8%	9.9%	3.2%
Gross Profit (%)	34.4%	35.6%	35.0%	35.1%	76 bps	-42 bps	13 bps
RM as % of Sales	65.6%	64.4%	65.0%	64.9%	-76 bps	42 bps	-13 bps
Staff costs as % of Sales	12.4%	13.5%	12.7%	12.4%	5 bps	-108 bps	-26 bps
OthExp as % of Sales	10.9%	11.3%	11.3%	11.3%	43 bps	-3 bps	2 bps
Tax as a % of PBT	28.4%	27.7%	24.0%	27.3%	-117 bps	-42 bps	327 bps

Source: Company, Axis Securities Research

Exhibit 1: Capacity Expansion Plans
Project Expansion Update


Sr	Product Line	Entity	Total Cost (In Rs Crs)	Location	Capacity	Expected SOP	Update
1	4W Alloy Wheels	Uno Minda Ltd	542	Kharkhoda	120k Wheel p.m.	Q2 FY26 Phase 1	Project announced To be spend over 5 years
2	4W Alloy Wheels	Minda Kosei Aluminum (MKA)	190	Bawal	60k Wheels p.m.	Q3 FY25 Phase 1	Land Acquisition Delays 30K to start in Q3 FY25
3	2W Alloy Wheels	Uno Minda Ltd	300	Supa	2 Mn wheel pa	Q1 FY26	Project announced
4	4W Lighting	Uno Minda Ltd	400 (Phase I – 230 Cr)	Pune	New Lighting Facility	Q3 FY25 Phase 1	Phase 1 Commenced commercial production. To be spend over 5yrs
5	4W Lighting	PTMA	210	Indonesia	Expansion cum Shifting	Q4 FY26 Phase 1	Project announced
6	4W Switches	Uno Mindarika	110	Farrukhnagar	New Switch Facility	Q3 FY25	Subpart Manufacturing to Start from Q3 FY25
7	4W Switches	Uno Mindarika	120	Farrukhnagar	Shifting Cum Expansion	Q3 FY27	Project Announced
8	EV Specific	Uno Minda Buehler Motor	110	Bawal	Traction Motor Production Facility	Q4 FY 24	Phase 1 Commenced To be spend over 5 years
9	EV Specific	UnoMinda EV Systems	390	Farrukhnagar	New facility for EV specific products	Q2 FY24 Phase 1	Phase 1 Commenced To be spend over 6 years
10	Sunroof	Uno Minda Ltd	63	Bawal	New Facility	Q4 FY27	Project Announced

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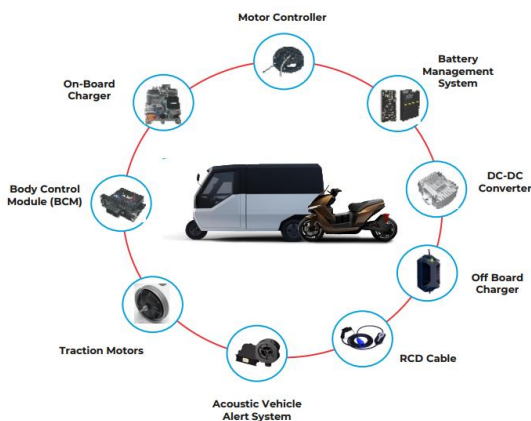
Project Expansion Update


Sr	Product Line	Entity	Total Cost (In Crs)	Location	Capacity	Expected SOP	Update
11	Airbags	TG Minda (JV)	175	Neemrana	1.2 Mn unit p.a.	Q3 FY25	Commenced commercial production
12	Airbags	TG Minda (JV)	283	Harohalli	Greenfield	Q1 FY27	Project Announced
13	Seat Belts & Smart Systems	Tokai Rika Minda (JV)	200	Neemrana	New facility	Q2 FY25	Commenced commercial production
Total			3,093				

Source: Company PPT.

Exhibit 2: EV Sales, Order and Potential Kit Value
UNO MINDA's EV PRODUCT PORTFOLIO (2W & 3W)

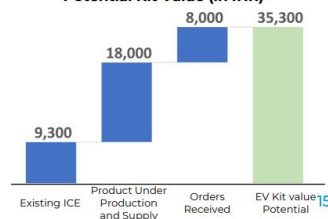

Low Voltage EV Products (48V to 96V)



Sales to 2W Electric Vehicles Rs Crores



Potential Kit Value (in INR)



Source: Company PPT

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net sales	14,031	16,812	18,940	21,366
Other operating income	-	-	-	-
Net Revenue	14,031	16,812	18,940	21,366
Cost of goods sold	11,965	14,342	16,082	18,142
Contribution (%)	0	0	0	0
Other operating costs	481	573	648	731
EBITDA	1,585	1,896	2,210	2,493
Other income	34	45	101	136
PBITD	1,619	1,941	2,311	2,629
Depreciation	526	610	707	750
Interest & Fin Chg.	113	138	100	90
E/o income / (Expense)	27	9	-	-
Pre-tax profit	1,006	1,203	1,504	1,790
Tax provision	267	312	376	465
(-) Minority Interests	45	64	64	64
Share of Associates/JV profits	185	210	307	361
Adjusted PAT	860	1,031	1,371	1,622

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Total assets	7,134	7,771	8,644	9,713
Net Block	3,932	4,022	4,016	3,966
CWIP	214	214	214	214
Investments	976	976	976	976
Wkg. cap. (excl cash)	1,758	1,595	1,794	2,016
Cash / Bank balance	254	963	1,644	2,541
Misc. Assets	-	-	-	-
Capital employed	7,134	7,771	8,644	9,713
Equity capital	115	115	115	115
Reserves	4,828	5,604	6,617	7,827
Pref. Share Capital	-	-	-	-
Minority Interests	322	322	322	322
Borrowings	1,850	1,710	1,570	1,430
Def Tax Liabilities	19	19	19	19

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
EBIT	1006	1203	1504	1790
Other	33	0	0	0
Depreciation & Amortization	526	610	707	750
Interest paid(-)	113	138	100	90
Others	-4	-45	-101	-136
Operating Cash Flow	1675	1905	2210	2493
Tax paid(-)	-275	-312	-376	-465
Change in Working Capital	-420	176	-199	-222
Cash flow from Operations	979	1770	1635	1806
Capex	-1049	-700	-700	-700
Strategic Investment	0	0	0	0
Non-Strategic Investment	96	45	101	136
Cash flow from Investing	-953	-655	-599	-564
Change in borrowing	358	-100	-100	-100
Interest on borrowings	-104	-138	-100	-90
Other	-59	-40	-40	-40
Dividends paid(-)	-105	-115	-115	-115
Cash Flow from Financial Activities	90	-393	-355	-345
Net Increase/(Decrease in Cash	116	722	681	897
Opening cash	121	241	963	1644
Forex gain/ (loss)	3	0	0	0
Closing cash	241	963	1644	2541

Source: Company, Axis Securities Research

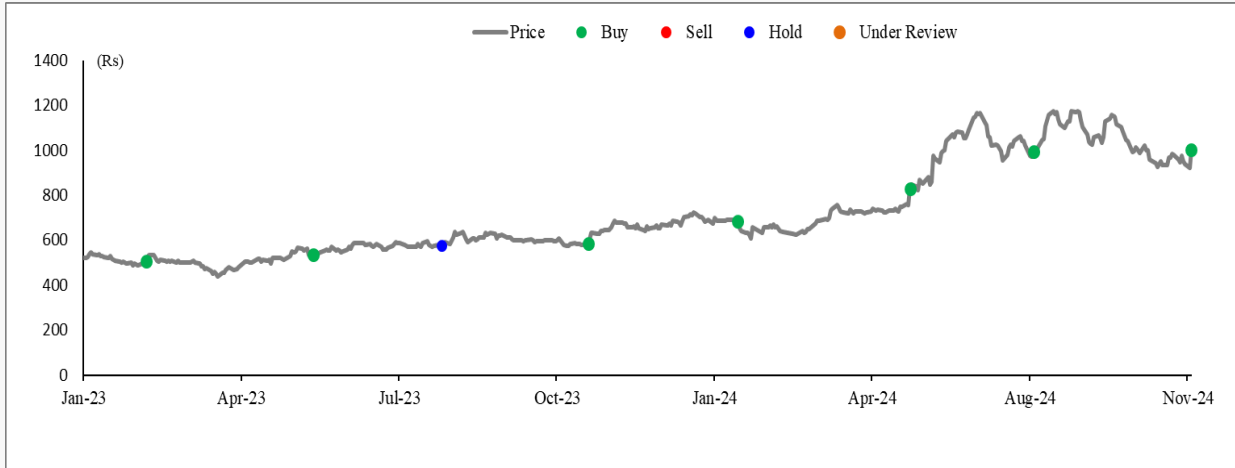
Ratio Analysis

(%)

Y/E March	FY24	FY25E	FY26E	FY27E
Sales growth	24.9	19.8	12.7	12.8
OPM	11.3	11.3	11.7	11.7
Operating profit growth	27.6	19.6	16.5	12.8
COGS / Net sales	85.3	85.3	84.9	84.9
Overheads/Net sales	3.4	3.4	3.4	3.4
Depreciation / G. block	8.6	9.0	9.4	9.1
Effective interest rate	7.9	9.0	7.2	7.2
Net kg.cap / Net sales	0.09	0.08	0.08	0.08
Net sales / Gr block (x)	2.3	2.5	2.5	2.6
RoCE	18.9	20.3	21.8	22.4
Debt/equity (x)	0.34	0.26	0.20	0.15
Effective tax rate	26.5	25.9	25.0	26.0
RoE	20.0	19.9	22.5	22.5
Payout ratio (Div/NP)	4.2	11.1	8.4	7.1
EPS (Rs.)	15.3	17.0	22.5	26.6
EPS Growth	34.7	11.1	32.2	18.3
CEPS (Rs.)	24.5	27.0	34.1	38.9

Source: Company, Axis Securities Research

UNO MINDA Price Chart and Recommendation History



Date	Reco	TP	Research
09-Feb-23	BUY	570	Result Update
22-May-23	BUY	600	Result Update
10-Aug-23	HOLD	620	Result Update
08-Nov-23	BUY	670	Result Update
08-Feb-24	BUY	750	Result Update
24-May-24	BUY	930	Result Update
08-Aug-24	BUY	1,090	Result Update
13-Nov-24	BUY	1,090	Result Update

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
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