MINDA CORPORATION LIMITED
(Group Corporate Office)

December 24, 2024

The Officer-In-Charge (Listing) **Listing Department** **National Stock Exchange of India Ltd.,** **Exchange Plaza, Bandra Kurla Complex,** **Bandra (East),** **Mumbai - 400 051** **Symbol: MINDACORP**	**Head - Listing Operations,** **BSE Limited,** **P.J. Towers, Dalal Street, Fort,** **Mumbai – 400 001** **Scrip Code: 538962**

Sub: Information under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Upgradation of Long-Term Issuer Credit Rating of Minda Corporation Limited by India Rating & Research

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to inform that India Ratings and Research (Ind-Ra) has upgraded the Long-Term Credit Rating and Short-Term Rating has been Affirmed for Minda Corporation Limited as follows: -

Minda Corporation	**Revised (now)**	**Previous**
Long Term Issuer Rating/Term Loan (Upgraded)	IND AA/Stable	IND AA-/Positive
Fund Based working capital limits from Banks (Affirmed)	IND AA/Stable/IND A1+	IND AA-/Positive/IND A1+
Commercial Paper (Affirmed)	IND A1+	IND A1+

The rating letter received from India Ratings and Research (Ind-Ra) is attached. The above information will also be available on the website of the Company at https://sparkminda.com/.

You are requested to please take on record our above said information.

Thanking you,

For Minda Corporation Limited

PARDEEP MANN Digitally signed by PARDEEP MANN Date: 2024.12.24 15:15:07 +05'30'

Pardeep Mann
Company Secretary
Membership No. A13371

India Ratings & Research
A Fitch Group Company

India Ratings Upgrades Minda Corporation to 'IND AA'/Stable; Affirms CP at 'IND A1+'; Rates Additional Limits

Dec 24, 2024 | Auto Components & Equipments

India Ratings and Research (Ind-Ra) upgraded Minda Corporation Limited's (MCL) Long-Term Issuer Rating to 'IND AA' from 'IND AA-'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Details of Instruments

Instrument Type	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Long-term issuer rating	-	-	-	-	IND AA/Stable	Upgraded
Commercial paper	-	-	Up to 365 days	INR500	IND A1+	Affirmed
Commercial paper	-	-	Up to 365 days	INR2,500	IND A1+	Assigned
Term loan	-	-	23 July 2027	INR2,100	IND AA/Stable	Upgraded
Fund-based working capital limits	-	-	-	INR2,295	IND AA/Stable/IND A1+	Long-term rating upgraded; short-term rating affirmed
Fund-based working capital limits	-	-	-	INR2,700	IND AA/Stable/IND A1+	Assigned
Proposed working capital facility	-	-	-	INR61 (reduced from INR105)	IND AA/Stable/IND A1+	Long-term rating upgraded; short-term rating affirmed

*Proposed working capital facility has been reduced to INR61 million from INR105 million in this review. The same was not allocated

Analytical Approach

Ind-Ra continues to fully consolidate MCL and its wholly-owned subsidiaries to arrive at the ratings owing to the strong operational and strategic linkages among them. Ind-Ra has treated MCL's joint ventures (JV) and associates - Minda VAST Access Systems Ltd (50%), Minda Infac Pvt Ltd (51%), Furukawa Minda Electric Pvt Ltd (25%) and EVQ Point Solutions Pvt Ltd (29.5%) as per Ind-AS.

Detailed Rationale of the Rating Action

The upgrade reflects a consistent improvement in the consolidated revenue and EBITDA, improved contribution from all segments, continued premiumisation of products by entering into technological licensing agreements (TLAs), improved operating profitability owing to cost efficiencies and maintaining of strong credit metrics during FY24-1HFY25. Furthermore, Ind-Ra expects the company to maintain a strong credit profile and scale over the near-to-medium term.

List of Key Rating Drivers

Strengths

- Continued revenue growth in FY24; healthy growth likely in FY25
- Strong EBITDA; likely to improve further over FY25-FY26
- Sustained healthy credit metrics
- Diversified operations
- Sustained market position
- Improvement in profitability of JVs and associates

Weaknesses

- Susceptibility to volatility in raw material prices

Detailed Description of Key Rating Drivers

Continued Revenue Growth in FY24; Healthy Growth Likely in FY25: During 1HFY25, the consolidated revenue increased yoy 9.3% to INR24,824 million (1HFY24: INR22,704 million, FY24: INR46,511 million, FY23: INR43,001 million). The revenue growth over FY24-1HFY25 was supported by growth across segments, partially offset by subdued demand for commercial vehicles (CVs), tractors and exports. The revenue growth has been supported by both higher volumes and improved realisation. The company expects exports to remain subdued at least during 2HFY25 before they start picking up from 1QFY26. Ind-Ra believes the lifetime order worth INR1,00,000 million that MCL won during FY24 and incremental INR47,500 million during 1HFY25 (of which more than 30% is towards electric vehicles) augurs well for revenue growth. Furthermore, the recently entered TLAs with HSIN Chong Machinery Works Co. Ltd. (Taiwan) and Sanco Connecting Technology (China) will also aid in revenue growth. Ind-Ra expects the revenue to increase to INR49,000 million-52,000 million during FY25 and further to INR54,000 million-57,000 million during FY26, backed by its strong order book position, the company's focus on aftermarket and exports, diversified product and segment profiles, and introduction of new tech-products. The revenue contribution from the new TLAs will remain a key rating monitorable.

Strong EBITDA; Likely to Improve Further over FY25-FY26: On a consolidated basis, the EBITDA increased on a year-on-year basis to INR2,784 million during 1HFY25 (1HFY24: INR2,460 million, FY24 INR5,156 million, FY23: INR4,631 million). The EBITDA generation over FY24-1HFY25 was primarily driven by a favourable product mix, continued product premiumisation, increased operational efficiencies and the company's ability to pass on a large part of commodity inflation to its customers. Furthermore, MCL's margins have remained consistently in double-digits since the last 10 quarters and above 11% during the last five quarters ending 2QFY25. The EBITDA margin for 1HFY25 was 11.2% (1HFY24: 10.8%, FY24: 11.1%, FY23: 10.8%). Ind-Ra expects the EBITDA to improve further over FY25-FY26 on account of component localisation, the launch of new tech-products, the company's ability to pass on fluctuations in raw material prices, and continued cost-reduction initiatives.

MCL's return on capital employed improved (ROCE) during FY23-FY24 (FY24: 16%, FY23: 17%, FY22: 12%) owing to a reduction in the debt levels coupled with improved EBITDA. Ind-Ra expects the ROCE to continue to improve in FY25 and beyond.

Sustained Healthy Credit Metrics: On a consolidated basis, the net adjusted leverage (net debt including lease liabilities/EBITDA) remained below 1.5x over FY19-1HFY25 (1HFY25: 0.1x, FY24: 0.2x, FY23: 1.3x). Furthermore, Ind-Ra expects the consolidated net adjusted leverage (net debt including lease liabilities/EBITDA) to remain below 1.0x during FY25-FY26, driven by significant cash balances owing to the sale of MCL's stake in Pricol Limited ('IND A+'/Stable) being parked as short-term investments. On a consolidated basis, the gross interest coverage (EBITDA/interest expense) remained healthy and improved to 13.4x in 1HFY25 (FY24: 9.0x, FY23: 10.9x), owing to improved operating profitability along with reduced interest cost as a result of low debt levels. Ind-Ra expects the interest coverage to remain above 9.0x during FY25-FY26.

Diversified Operations: MCL's consolidated revenue stream is diversified across geographies, industry segments, products and customers. The company's operations are diversified across industry segments such as two-/three-wheelers (2W/3W: 1HFY25: 47% of revenue), CVs (26%), passenger vehicles (PVs: 15%) and aftermarket (12%). On the products side, the company derives around 32% of its revenue from wiring harness, 23% from locksets, 18% from die-casting components, 17% from clusters, and 10% from others. Geographically, it derives 88% of its revenue from India and the remaining from exports to geographies that include South-East Asian, European and North American markets. MCL's top three customers, Bajaj Auto Ltd ('IND AAA'/Stable), Mahindra & Mahindra Limited ('IND AAA'/Stable) and Honda Motorcycle & Scooter India Pvt Ltd, together contributed about 33% to the total revenue in FY24 (FY23: 26%). MCL has also entered into new TLAs over the past few years. Ind-Ra believes entry into new JVs, organic and inorganic expansions, or tie-ups that could improve MCL's presence in emerging technologies and technologically-advanced products, will help the company further diversify its business profile. A sizeable contribution from these emerging areas will remain a key monitorable.

Sustained Market Position: MCL is among the market leaders and commands a strong market share of around 40% in 2W lock sets, and wiring harness for 2W, 3W, tractors and CVs. MCL's ability to forge technological tie-ups, continue product innovations in existing categories, enter into related product categories and maintain cost efficiency would determine the retention of the market share. The company has leveraged this market position, enabling it to grow at a much higher growth rate than the industry growth rate. The company has technology tie-ups with Sanco Connecting Technology, HSIN Chong Machinery Works Co. Ltd., INFAC Elecs, Ride Vision, EVQPOINT Solutions Private Limited, Stoneridge Inc. and Daesung Eltec Co. Ltd.

Improvement in Profitability in JVs and Associates: Minda VAST Access Systems' revenue (FY24: INR3,000 million, FY23: INR2,680 million) along with EBITDA margin (5.0%, 3.7%) improved in FY24, primarily due to easing raw material costs. Its contribution to the consolidated profits of the MCL remained low at 1.4% in FY24 (FY23: negative 0.2%). Furukawa Minda Electric reported revenue of INR3,588 million with an EBITDA margin of 5.8% in FY24 after reporting losses in FY23. The other recently setup JV, Minda Infac Pvt Limited, which was reporting losses until FY23 is ramping up its operations and has reported EBITDA margin of 1.4% in FY24. The JVs and associates are ramping up and moving towards better EBITDA margins. While MCL, on a standalone basis, accounts for the largest share of the consolidated profits (1HFY25: 85.8%; FY24: 83.7%), there has been an overall improvement in the operating performance of JVs and associates. The sustainability of the improvement at JVs and associates level remains a key monitorable for the agency.

Susceptibility to Volatility in Raw Material Prices: MCL's margin remains exposed to the volatility in raw material prices. Majority of the raw materials include metals such as copper, aluminium, zinc, which are highly volatile. Although frequent changes in input prices make it difficult for the company to pass on rise in cost immediately to the customers, however, MCL has strong bargaining power and hence, is able to pass on the price increase with a lag of a quarter or two. Also, Ind-Ra takes comfort from the longstanding relations of MCL with top original equipment manufacturers, which eases the passing on mechanism to OEMs.

Liquidity

Adequate: The month-end utilisation of the fund-based working capital facilities remained modest at about 33% for the 12 months ended October 2024. MCL has scheduled debt repayments of INR498 million in FY25 and INR567 million in FY26. The cash balances stood at INR4,991 million at 1HFYE25 (FYE24: INR4,578 million, FYE23: 1,321 million). Ind-Ra believes that MCL has ample liquidity to take care of the scheduled repayments.

MCL's free cash flow turned negative to INR277 million in FY24 (FY23: INR991 million; FY22: INR390 million) primarily as a result of higher working capital requirements. However, the free cash flow turned positive to INR477 million during 1HFY25 owing to favourable changes in working capital, resulting from increased payables. MCL's capex remained moderate at 3%-6% of the revenue over FY19-FY24. However, the capex is likely to remain between INR2,000 million and 2,500 million for FY25-FY26, mainly towards two new greenfield expansions in Pune and Hosur. The land has already been purchased in FY24 for the plants, however, the management expects the plants to become operational within the next three-to-six months. The capex is primarily towards the die casting, and instrument clusters and sensors divisions. Also, recently, MCL has acquired a land parcel in Uttar Pradesh worth INR400 million-450 million which is kept for long-term expansion. The free cash flow is likely to turn positive by the end of FY25 and is likely to remain positive in FY26 as well.

The working capital cycle elongated slightly to 51 days in FY24 (FY23: 45 days, FY22: 64 days) primarily as a result of increased receivables due to slower exports which led to delay in payments. However, the cycle improved to 48 days in 1HFY25. The company is continuously taking measures to reduce its working capital requirements to manage its cash flows better.

Rating Sensitivities

Positive: A significant increase in the revenue and EBITDA, backed by a higher contribution from new technology products and emerging areas, sustained improvement in the ROCE, a significant improvement in the working capital cycle, while maintaining the credit metrics, all on a sustained basis and a consolidated basis, could result in a positive rating action.

Negative: A significant reduction in profitability, an elongation of the working capital cycle, and/or significant deterioration in ROCE; and/or any higher-than-expected debt-led capex or acquisition, resulting in the net leverage increasing above 1.0x, all on a sustained and consolidated basis, could result in a negative rating action.

Any Other Information

Update on Proceeds from Stake Sale in Pricol: MCL had acquired 15.7% stake in Pricol in February 2023, which was sold entirely in January 2024, resulting in gross inflow of INR6,312 million. As of now, MCL has no further plans of investing in any other entity or for any inorganic expansion, as per the management. Also, the stake sale proceeds have been parked in short-term investments on MCL's books. Ind-Ra would monitor the usage of cash generated towards business aligned organic/inorganic expansion rather than short-term investments.

Standalone Financials: MCL recorded revenue of INR20,246 million in 1HFY25 (1HFY24: INR18,709 million, FY24: INR38,445 million, FY23: INR34,924 million) with an EBITDA margin of 11.5% (10.8%, 11.4%, 10.3%). The net adjusted leverage stood at 0.3x as of 1HFY25 (1HFY24: 1.7x, FY24: 0.3x, FY23: 1.9x), and the interest coverage was 11.3x (7.0x, 7.9x, 8.9x).

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on MCL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

MCL, a part of Spark Minda Group, is a leading manufacturer of diversified auto components such as lock sets, wiring harness, plastics and interior products and supplies them to original equipment manufacturers in the 2W/3W, CV, PV and off-the-road segments, as well as in the aftermarket. It is spread across 36 facilities in India and abroad.

Key Financial Indicators

Particulars (Consolidated)	1HFY25	FY24	FY23
Revenue (INR million)	24,824	46,511	43,001
EBITDA (INR million)	2,784	5,156	4,631
EBITDA margin (%)	11.2	11.1	10.8
Interest coverage (x)	13.4	9.0	10.9
Net adjusted leverage (x)*	0.1	0.2	1.3

*includes capital leases Source: MCL, Ind-Ra

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook	Historical Rating/Outlook			
				21 March 2024	22 March 2023	25 March 2022	3 December 2021
Issuer rating	Long-term	-	IND AA/Stable	IND AA-/Positive	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable
Commercial paper	Short-term	INR3,000	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Fund-based working capital limit	Long-term/Short-term	INR4,995	IND AA/Stable/IND A1+	IND AA-/Positive/IND A1+	IND AA-/Stable/IND A1+	IND AA-/Stable /IND A1+	IND AA-/Stable/IND A1+
Non-fund-based working capital limits	Long-term/Short-term	INR500	-	WD	IND AA-/Stable/IND A1+	IND AA-/Stable/IND A1+	IND AA-/Stable/IND A1+
Proposed working capital limit	Long-term/Short-term	INR61	IND AA/Stable/IND A1+	IND AA-/Positive/IND A1+	-	-	-
Term loan	Long-term	INR2,100	IND AA/Stable	IND AA-/Positive	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Fund-based working capital limit	Low
Proposed working capital facility	Low
Term loans	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Solicitation Disclosures

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process