

Stocks and Securities

Aditya Birla Money Ltd.



ADITYA BIRLA
CAPITAL

PROTECTING INVESTING FINANCING ADVISING

IPO Note- Uniparts India Limited

30 November 2022

Uniparts India (UPII) is a global manufacturer for 3-point linkage systems ("3PL") and Precision machine parts ("PMP") catering to the off-highway market in the agriculture and construction, forestry and mining and aftermarket sectors. It has 5 manufacturing plants in India and 1 in USA. The company is tapping the primary market to carry out offer for sale of 1.4cr equity shares worth ₹836cr.

Global Market Presence & Long-term relationships with key players

UPII has presence across 25 countries and is serving some of the largest global companies. In term of revenue mix – export/domestic stands at 82%/18% resp., further in which the majority share of revenue comes from USA and Europe. Its global business model enables it to diversify its margins based on different delivery models for the same product. It has an estimated 16.68% market share of the global 3PL market and an estimated 5.92% market share in the global PMP market in the CFM sector in fiscal 2022. It also maintains inventory in warehouses which helps mitigate supply chain risks for the customers and reduces long lead time involved in transit of cargo internationally. More than 70% of its revenue comes from its top 10 customers and four of its top five customers have been with UPII for >10 years. Its long-term relationships with their clients give an advantage to the company and helps to sustain the revenue.

Cost arbitrage & Flexible business model

The international sales are rising as it has a cost arbitrage advantage which enables the company to serve its global clients at competitive prices. It is manufacturing 87% of the total products in India which provides a cost advantage to the company. 55% and 36% of its revenue comes from 3PL & PMP resp. In addition to the cost advantage its flexible business model including warehouse sales facilitates smooth sales process. With its international warehouse and distribution facilities it provides an effective solution for customers seeking to rationalize their global sourcing and supply chain by providing them multiple choices in the form of Local Deliveries, Direct Exports and Warehouse Sales. UPII is also a beneficiary to the US bipartisan infrastructure bill and the China +1 strategy as the companies are shifting their sourcing needs from China to India.

Key Risk – 1) High client concentration; 2) Foreign currency fluctuation; 3) Slowdown in global economy will impact its performance.

Decent financials & valuation – SUBSCRIBE

The demand for 3PL & PMP is expected to grow at a CAGR of 6%- 8% between 2021 and 2026, powered by volume growth in tractor and in construction equipment products in key markets such as Japan and Europe. It has a global business model, with high return ratios. The reduction of debt from past years, with a low debt to equity ratio of 0.2x makes its balance sheet much stronger. During FY21-22, its sales/EBITDA/PAT reported healthy 3-year CAGR of 11%/29%/39% resp. At the upper price band & post issue, UPII will be available at attractive valuation (P/E of ~15x its FY22 EPS) and we have **SUBSCRIBE** recommendation on the issue.

Particulars () Cr	Mar-20	Mar-21	Mar-22
Revenue	907.2	903.1	1227.4
EBITDA	127.8	163.9	271.6
EBITDA Margin (%)	14.1	18.1	22.1
PAT	62.6	93.2	166.8
PAT Margin (%)	6.9	10.3	13.6
Net Worth	59.2	72.8	89.5
Debt	239.5	116.9	113.2
RoCE (%)	14.0	19.8	31.0
RoE (%)	14.1	18.2	26.8

Source: ABML Research, RHP, company presentation

Aditya Birla Money Ltd.

10th Floor, R - Tech Park, Nirlon Knowledge Park, Off Western Express Highway,
Goregaon (E), Mumbai - 400 063
+91 22 6225 7600

care.stocksandsecurities@adityabirlacapital.com | www.stocksandsecurities.adityabirlacapital.com

Rating	SUBSCRIBE
Issue Details	
Issue Opens	30-Nov-22
Issue Closes	2-Dec-22
Face Value (₹)	10
Price Band (₹)	548-577
Bid Lot	25
Issue Size at higher price band (₹ cr)	836
Implied Market cap at upper price band (₹)	2604
Listing	NSE/BSE
BRLMs	Axis Cap, DAM Cap, JM Financial
Registrar	Link Intime

Shareholding Pattern (%)

	Pre Issue	Post Issue
Promoter	75.5	65.8
Non Promoter	24.5	34.2

Issue Structure (In cr no. of shares)

Issue size	1.4
OFS	1.4
Break-up of net issue to public (%):	
QIB's portion	50.0
Non-institutional portion	15.0
Retail Portion	35.0

Source: ABML Research, RHP

Analyst Details

Vidrum Mehta

022-68190537

vidrum.mehta@adityabirlacapital.com

Registered Office:

Indian Rayon Compound, Veraval,
Gujarat - 362 266

CIN: L65993GJ1995PLC064810

Stocks and Securities

Aditya Birla Money Ltd.



PROTECTING INVESTING FINANCING ADVISING

IPO Note- Uniparts India Limited

30 November 2022

Disclaimer:

This document is not for public distribution and is meant solely for the personal information of the authorised recipient. No part of the information must be altered, transmitted, copied, distributed or reproduced in any form to any other person. Persons into whose possession this document may come are required to observe these restrictions. This document is for general information purposes only and does not constitute an investment advice or an offer to sell or solicitation of an offer to buy / sell any security and is not intended for distribution in countries where distribution of such material is subject to any licensing, registration or other legal requirements.

The information, opinion, views contained in this document are as per prevailing conditions and are of the date appearing on this material only and are subject to change. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. Neither Aditya Birla Money Limited (ABML), its group companies, its directors, associates, employees nor any person connected with it accepts any liability or loss arising from the use of this document. The views and opinions expressed herein by the author in the document are his own and do not reflect the views of Aditya Birla Money Limited or any of its associate or group companies. The information set out herein may be subject to updation, completion, revision, verification and amendment and such information may change materially. Past performance is no guarantee and does not indicate or guide to future performance.

Nothing in this document is intended to constitute legal, tax or investment advice, or an opinion regarding the appropriateness of any investment, or a solicitation of any type. The contents in this document are intended for general information purposes only. This document or information mentioned therefore should not form the basis of and should not be relied upon in connection with making any investment. The investment may not be suited to all the categories of investors. The recipients should therefore obtain their own professional, legal, tax and financial advice and assessment of their risk profile and financial condition before considering any decision.

Aditya Birla Money Limited, its associate and group companies, its directors, associates, employees from time to time may have various interests/ positions in any of the securities of the Company(ies) mentioned therein or be engaged in any other transactions involving such securities or otherwise in other securities of the companies / organization mentioned in the document or may have other interest with respect to any recommendation and / related information and opinions. The company follows Employee Trading Policy which regulates the trading activities of the research analysts. The compensation of the research analysts is governed as per the Board approved "Research Analyst" Policy.

Aditya Birla Money Limited is acting as a Research Analyst and is registered under SEBI (Research Analyst) Regulations, 2014. SEBI Registration No. INH000002145

Aditya Birla Money Ltd.

10th Floor, R - Tech Park, Nirlon Knowledge Park, Off Western Express Highway,
Goregaon (E), Mumbai - 400 063
+91 22 6225 7600

care.stocksandsecurities@adityabirlacapital.com | www.stocksandsecurities.adityabirlacapital.com

Registered Office:

Indian Rayon Compound, Veraval,
Gujarat - 362 266

CIN: L65993GJ1995PLC064810