

IPO Report

Choice

“SUBSCRIBE” to

Uniparts India Ltd.

Well positioned to benefit from increasing mechanization in agriculture and OHV sector



Salient features of the IPO:

- **Uniparts India Ltd.** (UIL), a global manufacturer of engineered systems and solutions is coming up with an IPO to raise Rs. 835cr, which opens on 30th Nov. and closes on 2nd Dec. 2022. The price band is Rs. 548 - 577 per share.
- The IPO consists only of OFS portion, thus the company will not receive any proceeds from the issue.
- Through this IPO, two investment firms, i.e. Ashoka Investment Holdings Ltd. and Ambadevi Mauritius Holding Ltd., with pre-IPO shareholding of 15.91% and 4.77%, respectively, are fully offloading their stake in the company.

Key competitive strengths:

- Leading market presence in global off-highway vehicle systems and components segment
- Engineering driven, vertically integrated precision solutions provider
- Global business model optimizing cost-competitiveness and customer supply chain risks
- Long-term relationships with key global customers, including major OEMs, resulting in a well-diversified revenue base
- Strategically located manufacturing and warehousing facilities that offer scale and flexibility
- Healthy financial position with robust financial performance metrics
- Experienced promoters and qualified senior management team

Risk and concerns:

- General global economic slowdown/recession
- Unfavorable government policies & regulations
- Lower demand of its products
- Revenue concentration risk
- Unfavorable forex movements
- Difficulty in maintaining current profitability
- Working capital intensive operations
- Competition

Below are the key highlights of the company:

- The 3-point linkage systems (3PL) consist of different assemblies that are attached to an agricultural tractor. It forms a group of assemblies allowing attaching an implement like a plough to the tractor at three coupling points. Thus one of the major demand drivers for 3PL is the sales of tractors. The global market for 3PL is estimated at USD 360-370mn in 2021. On the back of robust growth in tractor productions in North America, India and Europe, and steady growth in China and Japan, the global market of 3PL is expected to grow by 6-8% CAGR over 2021-26. Developed economies like the USA and the Europe represented 18% and 25%, respectively, to the global 3PL market in 2021, are likely to grow by 7.5% CAGR each during 2021-26. While key developing economies like the China and India contributing 27% and 14%, respectively, are anticipated to grow by 6.3% and 7.8% CAGR during the same period (Source: RHP).
- Precision machined parts (PMP) are components requiring stringent material, manufacturing specifications and controls. Precision machined components included pins, bushes and bosses used in articulated joints. The product varies in design and technical specification between different applications, thus the numbers of SKUs are high. With over 80% of the demand coming from China, Japan, Europe and North America, the global market for PMP for articulated joints was USD 648mn in 2021. Powered by strong growth in the construction equipment in key markets such as Japan and Europe, the global demand for PMP products is expected to grow by 6-8% CAGR over 2021-26 (Source: RHP).

Issue details

Price band	Rs. 548 - 577 per share
Face value	Rs. 10
Shares for fresh issue	Nil
Shares for OFS	1.448cr shares
Fresh issue size	N/a
OFS issue size	Rs. 793.6 - 835.6cr
Total issue size	1.448cr shares (Rs. 793.6 - 835.6cr)
Bidding date	30 th Nov. - 2 nd Dec. 2022
MCAP at higher price band	Rs. 2,604cr
Enterprise value at higher price band	Rs. 2,748cr
Book running lead manager	Axis Capital Ltd., DAM Capital Advisors Ltd. and JM Financial Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Auto ancillary/Industrials
Promoters	Mr. Gurdeep Soni and Mr. Paramjit Singh Soni

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.724cr shares
Non institutional portion	15%	0.217cr shares
Retail portion	35%	0.507cr shares

Indicative IPO process time line

Finalization of basis of allotment	7 th Dec. 2022
Unblocking of ASBA account	8 th Dec. 2022
Credit to demat accounts	9 th Dec. 2022
Commencement of trading	12 th Dec. 2022

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	75.54%	65.79%
Public	22.49%	32.24%
Non-promoter & non-public	1.98%	1.98%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	25
Application money	Rs. 14,425 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				Total operating revenue (Rs. cr)	EBITDA (Rs. cr)	PAT (Rs. cr)	Gross margin	EBITDA margin	PAT margin
					1 M	3 M	6 M	1 Y						
Uniparts India Ltd.	10	577	2,604	2,748					1,227.4	268.0	166.9	67.3%	21.8%	13.6%
Bharat Forge Ltd.	2	844	39,305	41,921	7.4%	15.0%	25.0%	14.1%	10,461.1	1,968.0	1,081.8	59.7%	18.8%	10.3%
Escorts Kubota Ltd.	10	2,187	28,853	23,993	10.3%	24.0%	36.8%	21.3%	7,238.4	950.9	736.5	31.2%	13.1%	10.2%
MM Forgings Ltd.	10	852	2,056	2,421	9.8%	-8.1%	-0.1%	-1.7%	1,139.6	208.6	91.0	55.7%	18.3%	8.0%
Nelcast Ltd.	2	86	746	935	1.7%	4.7%	38.9%	11.1%	927.3	58.1	13.3	51.1%	6.3%	1.4%
Precision Camshafts Ltd.	10	108	1,027	881	0.0%	-8.7%	2.3%	-19.6%	895.0	113.9	46.0	60.0%	12.7%	5.1%
Ramkrishna Forgings Ltd.	2	219	3,508	4,871	-5.3%	20.3%	37.1%	12.9%	2,320.2	518.3	198.0	50.0%	22.3%	8.5%
Shivam Autotech Ltd.	2	32	391	667	-16.7%	-22.8%	6.5%	26.8%	469.2	71.3	(16.1)	63.4%	15.2%	-3.4%
V.S.T. Tillers Tractors Ltd.	10	2,427	2,096	1,735	13.3%	-0.8%	-5.1%	-20.0%	853.9	124.7	99.3	32.3%	14.6%	11.6%
Average												50.4%	15.2%	6.5%

Company name	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average fixed asset turnover (x)	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Uniparts India Ltd.	5.0%	24.8%	33.8%	14.7%	9.3%	10.7%		349	3.0	1.1	17.7%	14.3%
Bharat Forge Ltd.	1.0%	-0.9%	1.6%	16.5%	5.7%	2.1%	-17.8%	55	1.7	0.7	10.0%	-9.3%
Escorts Kubota Ltd.	4.9%	10.5%	15.4%	13.0%	9.6%	10.5%		5	3.7	1.1	15.0%	13.7%
MM Forgings Ltd.	6.9%	5.1%	4.9%	18.0%	7.0%	1.1%	77.6%	43	1.3	0.7	13.3%	9.2%
Nelcast Ltd.	2.7%	-8.4%	-29.7%	7.8%	3.4%	5.6%		47	1.6	0.9	5.9%	5.2%
Precision Camshafts Ltd.	8.7%	-3.1%	58.7%	13.6%	3.0%	-6.9%	29.6%	45	1.7	0.7	3.7%	1.5%
Ramkrishna Forgings Ltd.	6.3%	10.4%	18.1%	19.2%	4.3%	11.9%	-45.6%	125	1.2	0.6	8.9%	8.7%
Shivam Autotech Ltd.	-9.6%	-4.7%	-4.0%	13.2%	-4.3%	-7.0%	-11.6%	(45)	1.2	0.8	-17.4%	8.1%
V.S.T. Tillers Tractors Ltd.	11.6%	40.6%	29.1%	9.3%	8.6%	-5.0%	42.2%	66	2.9	0.8	9.4%	5.9%
Average	4.1%	6.2%	11.8%	13.8%	4.7%	1.5%	12.4%	43	1.9	0.8	6.1%	5.4%

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P/E (x)	P/B (x)	EV/Sales (x)	MCAP/EBITDA (x)	MCAP/Sales (x)	Earning yield
Uniparts India Ltd.	37.0	151.8	9.2	0.2	3.8	1.2	24.4%	31.0%	15.6	3.8	2.2	10.3	2.1	6.4%
Bharat Forge Ltd.	23.2	141.1	3.5	0.8	1.7	0.7	16.5%	18.0%	36.3	6.0	4.0	21.3	3.8	2.8%
Escorts Kubota Ltd.	55.8	576.0	5.6	0.0	3.9	0.8	9.7%	28.3%	39.2	3.8	3.3	25.2	4.0	2.6%
MM Forgings Ltd.	37.7	231.8	5.0	1.1	1.5	0.8	16.3%	19.8%	22.6	3.7	2.1	11.6	1.8	4.4%
Nelcast Ltd.	1.5	50.8	0.2	0.6	1.9	1.0	3.0%	6.3%	56.1	1.7	1.0	16.1	0.8	1.8%
Precision Camshafts Ltd.	4.8	71.8	1.0	0.1	2.3	0.8	6.7%	4.4%	22.3	1.5	1.0	7.7	1.1	4.5%
Ramkrishna Forgings Ltd.	12.4	67.4	0.3	1.4	1.4	0.7	18.4%	17.8%	17.7	3.3	2.1	9.4	1.5	5.6%
Shivam Autotech Ltd.	(1.3)	11.3	0.0	2.0	1.2	0.8	-11.6%	10.7%		2.8	1.4	9.4	0.8	-4.1%
V.S.T. Tillers Tractors Ltd.	114.9	867.5	20.0	0.0	3.3	0.9	13.2%	23.1%	21.1	2.8	2.0	13.9	2.5	4.7%
Average				4.5	0.7	2.2	9.0%	16.1%	30.8	3.2	2.1	14.3	2.0	2.8%

Note: Financial data is for FY22 with IPO related adjustments; Source: Choice Broking Research

- With presence across 25 countries, UIL is a global manufacturer of engineered systems & solutions and is one of the leading suppliers of systems & components to the off-highway market in the agriculture, and construction, forestry and mining (CFM) sectors and also in the aftermarket category. It is a concept-to-supply player for precision products for off-highway vehicles with presence across the value chain. UIL's core product portfolio includes 3PL and PMP. The company also has presence in adjacent product verticals of power take-off (PTO), fabrications and hydraulic cylinders or components. It mainly caters to the aftermarkets of 3PL products and provides replacement of 3PL parts to the organized aftermarket retailers and distributors in North America, Europe, South Africa and Australia.
- In terms of value, UIL is estimated to have a global market share of 16.7% and 5.9% in the 3PL and PMP market in FY22. For 3PL used in tractors under 70HP (horse power) category, it has a global market share of 25-27% and for tractors above 70HP, the market share stood at around 8%.
- Over the years, UIL has evolved from a component supplier to a provider of complete assemblies of precision engineered products and end-to-end solutions ranging from product conceptualization, design, prototyping, testing, development and assembly to customized packaging and delivery, thereby becoming an integral part in the global supply chains of certain of its customers. As part of transition from being solely a component manufacturer to solutions provider and further to a systems integrator, the company has over the years introduced several products like rear hitch, front hitch, hydraulic lift arms, PTOs and trailer hitch in its product portfolio.
- UIL deployed a large variety of engineering and manufacturing processes across its manufacturing facilities. Its in-house manufacturing and implementation competencies include forging, machining, fabrications, heat treatment, surface finish, logistics, quality and testing, design and validation. As on 30th Jun. 2022, UIL had six manufacturing facilities (five in India and one in the US) with an installed tonnage capacity of 67,320 tonnes per annum. It has three international warehouses (two in the US and one in Germany) and one distribution center in India. All these facilities are strategically located in proximity to several global original equipment manufacturers (OEM) in the off-highway vehicle (OHV) sector.

Key highlights of the company (Contd...):

- With the help of its global footprint, UIL served customers across countries in North & South America, Europe, Asia (including India) and Australia. It primarily serves OHV players including OEMs and aftermarket retail store chains, through its global business model based on dual-shore integrated manufacturing, warehousing and supply chain management systems & solutions. Its global business model served multiple delivery locations with multiple delivery options, flexible lead times and costs thereby aiding in developing long term relationships with its key OEM customers in the agriculture and CFM sectors. The company has relationship of over 15 years with some of its key OEM customers. The business model also helps UIL in diversifying margins based on different delivery models for the same product.
- According to the management, aftermarket business has an EBITDA margin of around 28%, followed by manufacturing-in-India & sales-to-warehouse with margin of around 28%. Manufacturing-in-India & export-to-overseas market have an EBITDA margin of 21%, while manufacturing and sales in the US fetches a margin of 13%. Manufacturing and sales in the domestic market has a margin of 10%. Going forward, the company has indicated that it will focus on warehouse sales model to maximize the profitability margin.
- In FY22, UIL served 125 customers in over 25 countries. Top-10 global agricultural equipment manufacturers are its customers, while it is also serving top-5 global construction equipment providers (excluding the companies from the China region). Its clientele includes names like Tractors and Farm Equipment Ltd., Doosan Bobcat North America, Claas Agricultural Machinery Pvt. Ltd., Yanmar Global Expert Co., Ltd. and LS Mtron Ltd. UIL also provides services to several organized aftermarket players and large farm & fleet retail store chains like Kramp Groep B.V. and Tractor Supply Company in Europe and the US.
- Over FY19-22, UIL generated around 84% of the total business from the overseas market. The US, Europe and India region contributed around 50%, 20% and 15%, respectively, to the consolidated revenue during the period. OEM and aftermarket business stood at around 80% and 20%, respectively, during FY19-22. Category-wise, sales to the agriculture and CFM sector generated around 70% and 30% of the total business.
- Over FY19-22, UIL has reported a modest growth in the business, but favorable channel sales-mix has led to an expansion in the profitability margins. On the back of 5% CAGR rise in the business from the sales of products (which contributed around 96% of the revenue), the company reported a 5% growth in the consolidated revenue to Rs. 1,227.4cr. In terms of channel sales-mix, business via warehouse, direct export and international sales increased by 6.5%, 16.2% and 4.7% CAGR, respectively, while business via local deliveries mode declined by 6.5% CAGR. As a percent of top-line, net cost of production stood at 32.7% in FY22 as compared to 35.1% in FY19, which was mainly due to favorable channel sales-mix. Consequently, material margin expanded by 239bps during the period. Further employee expenses and other operating expenses increased relatively at lower rates, leading to an 883bps expansion in the EBITDA margin to 21.8% in FY22. Consolidated EBITDA increased by 24.8% CAGR to Rs. 268cr in FY22. Depreciation charge increased by 6.8% CAGR, while lower financial liabilities led to a 32.1% CAGR fall in finance costs. Higher effective tax incidence resulted in a 33.8% CAGR rise in reported PAT to Rs. 166.9cr in FY22. PAT margin expanded by 703bps to 13.6% in FY22.
- With an exception of FY19, UIL reported positive operating cash flow during FY19-22. Average operating cash flow stood at Rs. 122.7cr over FY20-22. Financial liabilities declined by 26.1% CAGR with debt-to-equity ratio improving from 0.9x in FY19 to 0.2x in FY22. Pre-issue average RoIC and RoE stood at 14.3% and 17.7%, respectively, during FY19-22. Except FY20, the company has paid dividend in rest of the period. For FY21-22, average dividend payout ratio was around 20%.
- The company reported a top-line of Rs. 346.8cr with an EBITDA and PAT margin of 21.7% and 14.6%, respectively. Based on our conservative estimate, we are forecasting a 6.3% rise in consolidated revenue over FY22-24E to Rs. 1,386.9cr. EBITDA and PAT margins are likely to contract by 158bps and 82bps, to 20.3% and 12.8%, respectively, in FY24E, compared to FY22 levels. Post-issue RoIC and RoE is expected to contract by 7ppts and 6ppts, respectively, to 15.7% and 18.3% in FY24E.

Peer comparison and valuation: There are no comparable peers having product profile and business model similar to UIL. The above peers are considered only for benchmarking the demanded valuations. At higher price band, the company is demanding an EV/sales multiple of 2.2x (to its FY22 sales), which seems to be in-line to the peer average. Nevertheless, UIL has better profitability and return ratios compared to the peer average.

However considering the global policy tailwinds like massive infrastructure capex planned by the major economies, improving mechanization in the agriculture and global biasness towards “China plus” strategy, we feel the company has adequate levers to expand its business at higher rates. Thus, we assign a “**SUBSCRIBE**” rating for the issue.

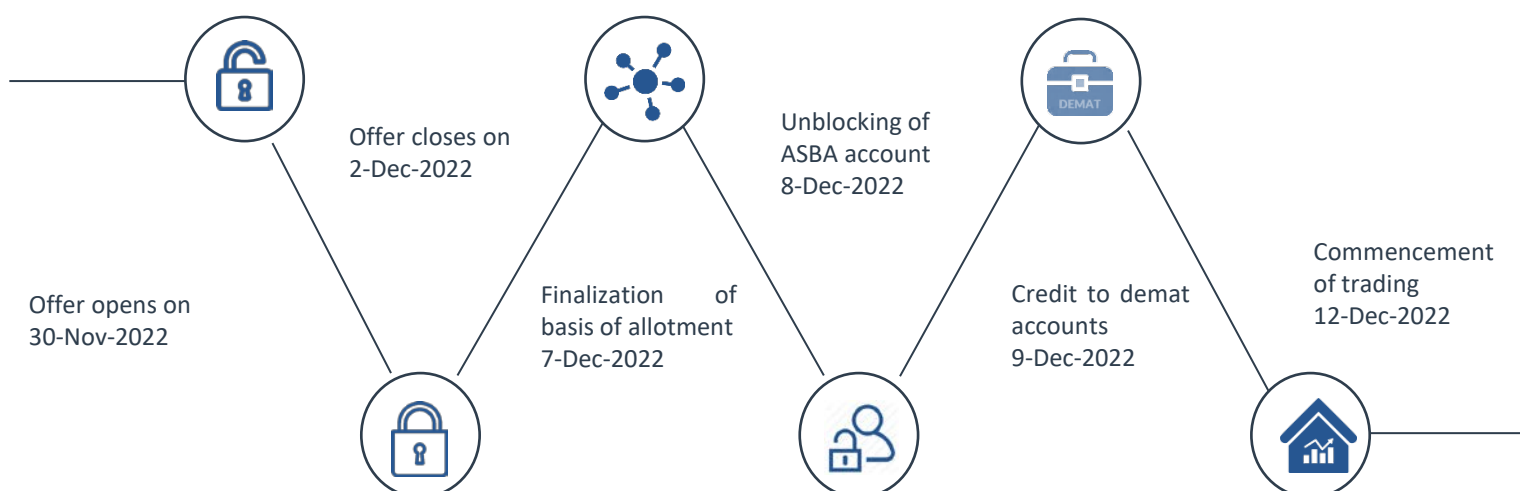
About the issue:

- UIL is coming up with an IPO with 1.448cr shares (fresh issue: nil; OFS shares: 1.448cr shares) in offering. This offer represents around 32.09% of the post issue paid-up equity shares of the company. Total IPO size is Rs. 793.6 - 835.6cr.
- The issue will open on 30th Nov. 2022 and close on 2nd Nov. 2022.
- The issue is through book building process with a price band of Rs. 548 - 577 per share. Lot size is 25 equity shares and in multiple of 25 shares thereafter.
- The issue size is Rs. 793.6 - 835.6cr.
- The IPO consists only of OFS portion, thus the company will not receive any proceeds from the issue.
- Through this IPO, two investment firms, i.e. Ashoka Investment Holdings Ltd. and Ambadevi Mauritius Holding Ltd., with pre-IPO shareholding of 15.91% and 4.77%, respectively, are fully offloading their stake in the company.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter currently holds 75.54% stake in the company and post-IPO this will come down to 65.79%. Public holding will increase from current 22.49% to 32.24%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	75.54%	65.79%
Public	22.49%	32.24%
Non-promoter & non-public	1.98%	1.98%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY19-22: Over FY19-22, UIL has reported a modest growth in the business, but favorable channel sales-mix has led to an expansion in the profitability margins.

On the back of 5% CAGR rise in the business from the sales of products (which contributed around 96% of the revenue) over FY19-22, the company reported a 5% growth in the consolidated revenue to Rs. 1,227.4cr. OEM and aftermarket sales increased by 2.6% and 17.6% CAGR, respectively. Business from the agriculture increased by 10.4% CAGR, while business from CFM segment declined by 6.3% CAGR. In terms of channel sales-mix, business via warehouse, direct export and international sales increased by 6.5%, 16.2% and 4.7% CAGR, respectively, while business via local deliveries mode declined by 6.5% CAGR.

As a percent of top-line, net cost of production stood at 32.7% in FY22 as compared to 35.1% in FY19, which was mainly due to favorable channel sales-mix. Consequently, material margin expanded by 239bps during the period. Further employee expenses and other operating expenses increased relatively at lower rates, leading to an 883bps expansion in the EBITDA margin to 21.8% in FY22. Consolidated EBITDA increased by 24.8% CAGR to Rs. 268cr in FY22.

Depreciation charge increased by 6.8% CAGR, while lower financial liabilities led to a 32.1% CAGR fall in finance costs. Higher effective tax incidence resulted in a 33.8% CAGR rise in reported PAT to Rs. 166.9cr in FY22. PAT margin expanded by 703bps to 13.6% in FY22.

With an exception of FY19, UIL reported positive operating cash flow during the period. Average operating cash flow stood at Rs. 122.7cr over FY20-22. Financial liabilities declined by 26.1% CAGR with debt-to-equity ratio improving from 0.9x in FY19 to 0.2x in FY22. Pre-issue average RoIC and RoE stood at 14.3% and 17.7%, respectively, during FY19-22. Except FY20, the company has paid dividend in rest of the period. For FY21-22, average dividend payout ratio was around 20%.

Performance during Q1 FY23: The company reported a top-line of Rs. 346.8cr with an EBITDA and PAT margin of 21.7% and 14.6%, respectively.

Pre-issue consolidated financial snapshot (Rs. cr)	FY19	FY20	FY21	FY22	Q1 FY23	CAGR over FY19-22	Y-o-Y (Annual)
Sale of product	1,016.9	872.6	868.9	1,176.8	333.9	5.0%	35.4%
Sale of scrap	23.0	16.4	22.5	42.8	10.6	23.0%	90.4%
Sale of service		1.7					
Other operating revenue	20.6	16.5	11.8	7.9	2.3	-27.5%	-33.4%
Revenue from operations	1,060.6	907.2	903.1	1,227.4	346.8	5.0%	35.9%
Gross profit	688.2	578.4	550.3	825.9	223.5	6.3%	50.1%
EBITDA	137.9	96.2	119.4	268.0	75.2	24.8%	124.5%
Reported PAT	69.6	62.6	93.1	166.9	50.5	33.8%	79.2%
Restated reported EPS	15.4	13.9	20.6	37.0	11.2	33.8%	79.2%
Cash flow from operating activities	(5.7)	130.5	152.8	84.9	55.2		-44.4%
NOPLAT	82.0	51.1	64.5	168.4	50.8	27.1%	161.0%
FCF		(9.1)	(5.6)	60.9			
RoIC (%)	15.0%	9.1%	10.3%	22.8%	6.6%	775 bps	1,250 bps
Revenue growth rate (%)		-14.5%	-0.4%	35.9%			
Gross profit growth rate (%)		-16.0%	-4.9%	50.1%			
Gross profit margin (%)	64.9%	63.8%	60.9%	67.3%	64.4%	239 bps	636 bps
EBITDA growth rate (%)		-30.3%	24.1%	124.5%			
EBITDA margin (%)	13.0%	10.6%	13.2%	21.8%	21.7%	883 bps	862 bps
EBIT growth rate (%)		-43.7%	35.2%	181.8%			
EBIT margin (%)	10.2%	6.7%	9.1%	18.9%	18.9%	868 bps	976 bps
Restated reported PAT growth rate (%)		-10.0%	48.7%	79.2%			
Restated reported PAT margin (%)	6.6%	6.9%	10.3%	13.6%	14.6%	703 bps	328 bps
Inventory days	360.2	399.9	357.9	355.0	339.2	-0.5%	-0.8%
Debtor days	50.0	54.0	58.7	53.8	67.1	2.4%	-8.3%
Payable days	(68.5)	(68.0)	(73.8)	(81.7)	(100.8)	6.1%	10.6%
Cash conversion cycle	341.8	385.8	342.7	327.1	305.4	-1.5%	-4.6%
Fixed asset turnover ratio (x)	2.9	2.6	2.8	3.8	1.1	8.9%	35.0%
Total asset turnover ratio (x)	1.1	1.0	1.0	1.2	0.3	2.5%	17.7%
Current ratio (x)	1.5	1.7	2.2	2.5	2.6	20.0%	13.7%
Quick ratio (x)	0.5	0.6	0.9	0.9	0.9	19.2%	4.2%
Total debt (Rs.)	391.9	303.9	162.2	157.9	147.7	-26.1%	-2.6%
Net debt (Rs.)	376.8	286.9	150.1	143.9	116.1	-27.4%	-4.1%
Debt to equity (x)	0.9	0.7	0.3	0.2	0.2	-37.2%	-20.4%
Net debt to EBITDA (x)	2.7	3.0	1.3	0.5	1.5	-41.9%	-57.3%
RoE (%)	16.5%	13.5%	16.6%	24.4%	7.1%	786 bps	773 bps
RoA (%)	7.3%	7.0%	10.4%	16.2%	4.8%	892 bps	576 bps
RoCE (%)	19.6%	10.8%	13.0%	31.0%	8.7%	1,139 bps	1,800 bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking



Competitive strengths:

- Leading market presence in global off-highway vehicle systems and components segment
- Engineering driven, vertically integrated precision solutions provider
- Global business model optimizing cost-competitiveness and customer supply chain risks
- Long-term relationships with key global customers, including major original equipment manufacturers, resulting in a well-diversified revenue base
- Strategically located manufacturing and warehousing facilities that offer scale and flexibility
- Healthy financial position with robust financial performance metrics
- Experienced promoters and qualified senior management team

Business strategy:

- Leverage integrated precision engineering capabilities and established global business model, to tap additional business opportunities and expand addressable market
- Focus on higher value addition products and enhanced service offerings to improve the margin profile
- Target new customer accounts and expand existing customer accounts
- Enhance engineering, innovation and design competence
- Grow inorganically through strategic acquisitions and alliances



Risk and concerns:

- General global economic slowdown/recession
- Unfavorable government policies & regulations
- Lower demand of its products
- Revenue concentration risk
- Unfavorable forex movements
- Difficulty in maintaining current profitability
- Working capital intensive operations
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)							
	FY19	FY20	FY21	FY22	Q1 FY23	CAGR over FY19 - 22	Annual growth over FY21
Revenue from operations	1,060.6	907.2	903.1	1,227.4	346.8	5.0%	35.9%
Cost of materials consumed	(428.3)	(332.3)	(338.2)	(501.3)	(139.8)	5.4%	48.2%
Changes in inventories of finished goods, work-in-progress, stock-in-trade and scrap	56.0	3.5	(14.7)	99.7	16.5	21.2%	
Gross profit	688.2	578.4	550.3	825.9	223.5	6.3%	50.1%
Employee benefits expense	(221.7)	(211.8)	(185.4)	(219.7)	(58.7)	-0.3%	18.5%
Other expenses	(328.6)	(270.5)	(245.4)	(338.1)	(89.6)	1.0%	37.8%
EBITDA	137.9	96.2	119.4	268.0	75.2	24.8%	124.5%
Depreciation and amortization expenses	(30.1)	(35.4)	(37.3)	(36.6)	(9.6)	6.8%	-1.6%
EBIT	107.8	60.8	82.1	231.4	65.6	29.0%	181.8%
Finance costs	(18.2)	(18.0)	(8.1)	(5.7)	(1.3)	-32.1%	-29.7%
Other income	1.9	31.6	44.5	3.6	0.9	23.7%	-91.9%
PBT	91.6	74.4	118.6	229.3	65.2	35.8%	93.4%
Tax expenses	(22.0)	(11.8)	(25.4)	(62.4)	(14.7)	41.7%	145.6%
Reported PAT	69.6	62.6	93.1	166.9	50.5	33.8%	79.2%

Consolidated balance sheet statement (Rs. cr)							
	FY19	FY20	FY21	FY22	Q1 FY23	CAGR over FY19 - 22	Annual growth over FY21
Equity share capital	44.6	44.6	44.6	44.6	44.6	0.0%	0.0%
Other equity	377.4	419.5	515.5	640.6	669.3	19.3%	24.3%
Non current borrowings	64.0	40.6	13.6	10.3	8.9	-45.6%	-24.4%
Non current lease liabilities	39.0	34.7	27.9	23.4	22.8	-15.6%	-16.0%
Non current provisions	13.4	13.8	15.6	16.7	16.8	7.7%	7.1%
Net deferred tax liabilities	27.4	24.1	27.6	24.8	22.2	-3.2%	-10.0%
Other non current liabilities	0.6	0.9	0.9	1.0	1.0	22.1%	10.0%
Trade payables	69.8	52.7	90.1	89.6	103.7	8.7%	-0.6%
Current borrowings	281.7	215.9	114.1	117.0	105.7	-25.4%	2.5%
Current lease liabilities	7.3	7.2	6.5	7.2	7.2	-0.4%	10.9%
Current derivative instruments		5.4			2.8		
Other current financial liabilities					0.2		
Current provisions	6.5	6.3	5.5	5.5	6.4	-5.5%	0.0%
Current net tax liabilities/Current tax payable	0.6	0.8	4.2	16.8	15.3	195.6%	297.1%
Other current liabilities	26.3	32.1	27.1	33.7	36.4	8.6%	24.3%
Total liabilities	958.4	898.7	893.3	1,031.2	1,063.5	2.5%	15.4%
Property, plant and equipment	218.0	207.0	200.2	206.2	202.1	-1.8%	3.0%
Intangible assets	2.4	6.8	5.4	3.5	3.0	13.1%	-35.1%
Right of use assets	74.9	66.2	57.8	53.2	52.4	-10.8%	-8.0%
Capital work-in-progress	5.9	9.3	2.3	2.2	6.6	-28.0%	-3.9%
Intangible assets under development	3.0	0.6			0.0		
Goodwill	60.2	59.8	59.0	61.8	63.0	0.9%	4.7%
Other non current financial assets	5.1	5.0	4.4	4.7	4.9	-2.9%	5.8%
Non current net tax assets	12.7	11.2	11.3	14.8	5.9	5.5%	31.5%
Other non current assets	2.7	0.4	2.2	2.6	2.1	-1.7%	17.0%
Inventories	367.5	352.9	339.1	441.9	464.8	6.3%	30.3%
Trade receivables	145.4	122.8	167.5	194.2	194.0	10.1%	15.9%
Current investment			1.3				
Cash and cash equivalents	15.1	17.0	10.8	14.0	31.6	-2.5%	29.4%
Current derivative instruments	1.5		3.5	3.6		34.3%	0.7%
Current loans	0.5	0.2	0.3	0.3	0.3	-15.1%	-12.8%
Other current financial assets	0.0	0.0	0.0	0.1	0.0	24.9%	136.4%
Other current assets	43.6	39.3	28.0	28.0	32.8	-13.7%	0.0%
Total assets	958.4	898.7	893.3	1,031.2	1,063.5	2.5%	15.4%

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)							
	FY19	FY20	FY21	FY22	Q1 FY23	CAGR over FY19 - 22	Annual growth over FY21
Cash flow before working capital changes	126.1	102.0	158.4	259.9	70.9	27.3%	64.1%
Working capital changes	(111.9)	40.1	19.8	(112.6)	(1.0)	0.2%	
Cash flow from operating activities	(5.7)	130.5	152.8	84.9	55.2		-44.4%
Purchase of fixed assets and CWIP	(108.0)	(65.2)	(16.1)	(34.8)	(7.7)	-31.5%	115.6%
Cash flow from investing activities	(108.2)	(53.8)	(15.7)	(32.6)	(6.6)	-33.0%	106.8%
Cash flow from financing activities	124.9	(76.9)	(141.4)	(49.3)	(32.5)	-173.4%	-65.1%
Net cash flow	11.0	(0.3)	(4.4)	3.0	16.2	-35.2%	-168.1%
Opening balance of cash	4.1	17.2	15.2	11.0	15.4	39.2%	-27.8%
Closing balance of cash	15.1	17.0	10.8	14.0	31.6	-2.5%	29.4%

Consolidated financial ratios					
Particulars	FY19	FY20	FY21	FY22	Q1 FY23
Profitability ratios					
Revenue growth rate (%)			-14.5%	-0.4%	35.9%
Gross profit growth rate (%)			-16.0%	-4.9%	50.1%
Gross profit margin (%)	64.9%	63.8%	60.9%	67.3%	64.4%
EBITDA growth rate (%)			-30.3%	24.1%	124.5%
EBITDA margin (%)	13.0%	10.6%	13.2%	21.8%	21.7%
EBIT growth rate (%)			-43.7%	35.2%	181.8%
EBIT margin (%)	10.2%	6.7%	9.1%	18.9%	18.9%
Restated reported PAT growth rate (%)			-10.0%	48.7%	79.2%
Restated reported PAT margin (%)	6.6%	6.9%	10.3%	13.6%	14.6%
Turnover ratios					
Inventories turnover ratio (x)	2.9	2.5	2.6	3.1	0.7
Trade receivable turnover ratio (x)	7.3	6.8	6.2	6.8	1.8
Accounts payable turnover ratio (x)	15.2	14.8	12.7	13.7	3.3
Fixed asset turnover ratio (x)	2.9	2.6	2.8	3.8	1.1
Total asset turnover ratio (x)	1.1	1.0	1.0	1.2	0.3
Return ratios					
RoIC (%)	15.0%	9.1%	10.3%	22.8%	6.6%
RoE (%)	16.5%	13.5%	16.6%	24.4%	7.1%
RoA (%)	7.3%	7.0%	10.4%	16.2%	4.8%
RoCE (%)	19.6%	10.8%	13.0%	31.0%	8.7%
Per share data					
Restated adjusted EPS (Rs.)	15.4	13.9	20.6	37.0	11.2
DPS (Rs.)	1.2	0.0	3.3	9.2	0.0
BVPS (Rs.)	93.5	102.8	124.1	151.8	158.2
Operating cash flow per share (Rs.)	(1.3)	28.9	33.8	18.8	12.2
Free cash flow per share (Rs.)		(2.0)	(1.2)	13.5	
Dividend payout ratio	7.8%	0.0%	16.0%	24.9%	0.0%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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