

## RETAIL EQUITY RESEARCH

# Uniparts India Ltd.

Engineered systems &amp; Solutions

SENSEX: 62,682

NIFTY: 18,618

**SUBSCRIBE**

Price Range Rs. 548 - Rs. 577

## A global supplier for off- highway market....

Uniparts India Ltd (UIL), incorporated on September 26, 1994, is a global manufacturer of engineered systems and solutions and are one of the leading suppliers of systems and components for the off-highway market in the agriculture and construction, forestry and mining and aftermarket sectors with a presence across over 25 countries (Source: CRISIL Report). The major product portfolio includes, 3-point linkage systems for tractors and precision machined parts. Other product like Power take off (PTO), fabrications and hydraulic cylinders are at nascent stage. UIL has 6 manufacturing facilities (5 in India and 1 in U.S) with an average capacity utilisation of ~71% (as of June 2022) and 3 warehouses (2 in U.S and 1 in Europe) and one distribution facility in India.

- The global 3PL (three-point linkage) market and the demand for PMP (precision machined parts) are expected to grow at a CAGR of 6% - 8% between FY21-26E, led by strong growth in tractor production and construction equipments in the key markets. (Source: CRISIL)
- UIL has a leading position in the markets, globally with ~16.7% market share of the 3PL market, and ~5.9% market share of the PMP market in the CFM (Construction, forestry and mining) sector in FY22, in terms of value. (Source: CRISIL)
- Despite the pandemic and lockdown restrictions, UIL's revenue from operations clocked a CAGR of ~16% to Rs. 1,227cr and its PAT grew by ~63% CAGR from Rs.167cr over FY20-FY22, led by better volumes and margin expansion.
- The EBITDA margin expanded from ~10.6% in FY20 to 21.8% in FY22, led by favourable sales mix (more focus on margin accretive business) and more localisation.
- The sustainability of margins at current levels is key for long term growth. However, this is justifiable through localisation, leveraging existing customers, and a focus on a superior product mix.
- UIL has a healthy balance sheet position with a low D/E of 0.2x as of Q1FY23 and Avg. RoE stood at ~18.2% over FY20-22.
- At the upper price band of Rs.577, UIL is available at a P/E of 15.6x (on FY22 EPS), which appears reasonably priced compared to peers. Considering its strong earnings growth, improving margins and positive industry outlook, we assign a "Subscribe" rating on a short to medium term basis.

### Purpose of IPO

The IPO consists of only an offer for sale. The objects of the offer are to (i) achieve the benefits of listing the equity shares on the stock exchanges and (ii) carry out the offer for sale of up to 14,481,942 equity shares by the selling shareholders.

### Key Risks

- Dependent on limited number of customers. For 3PL business ~75.7% of the total business came from its top ten customers as of FY22.
- The issue is only OFS (offer for sale) and UIL will not receive any proceeds from the IPO.
- Sustainability of EBITDA margin above long term average.
- ~70% of revenue from operations as of June 2022 is from outside India. Hence, risk of recession in US, Europe markets and foreign currency risks may impact the business.

### Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	EV/EBITDA	P/BV	P/E(x)	CMP(₹)
Uniparts India Ltd	2,604	1,227	21.8	13.6	37.1	24.4	10.3	3.8	15.6	577
Balkrishna Industries Ltd	38,188	8,295	24.2	17.3	74.2	22.2	21.5	2.6	12.5	929
Bharat Forge Ltd	39,289	10,461	18.9	10.3	24.0	18.1	18.2	8.9	52.5	1260
Ramkrishna Forgings Ltd	3,513	2,320	22.3	8.5	12.4	20.2	7.8	13.8	75.3	932

Source: Geojit Research, Bloomberg; Valuations of UPI are based on upper end of the price band (post issue), Financials as per FY22 consolidated.

Issue Details	
Date of opening	Nov 30, 2022
Date of closing	Dec 02, 2022
Total No. of shares offered (cr.)	1.45
Post Issue No. of shares (cr)	4.5
Price Band	₹548 - ₹577
Face Value	₹10
Bid Lot	25 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,425
Maximum application for retail (upper price band for 13 lot)	₹ 1,87,525
Listing	BSE,NSE
Lead Managers	Axis Capital, DAM Capital Advisors, JM Financial
Registrar	Link Intime India Pvt. Ltd.

Issue size (upper price)	Rs.Cr
Fresh Issue	0.0
OFS	835.6
<b>Total Issue</b>	<b>835.6</b>

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group	76.0	66
Public	24	34
<b>Total</b>	<b>100</b>	<b>100</b>

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	292.5
Non-Institutional	15	125.3
QIB	50	417.8
Employee Reservation	-	-
<b>Total</b>	<b>100</b>	<b>835.6</b>

Y.E March (Rs cr) Consol.	FY20	FY21	FY22
<b>Sales</b>	<b>907.2</b>	<b>903.1</b>	<b>1,227.4</b>
Growth (%)	-	-0.4	35.9
<b>EBITDA</b>	<b>96.2</b>	<b>119.4</b>	<b>268.0</b>
Margin(%)	10.6	13.2	21.8
<b>PAT Adj.</b>	<b>62.6</b>	<b>93.1</b>	<b>166.9</b>
Growth (%)	-	48.7	79.2
<b>EPS</b>	<b>13.9</b>	<b>20.7</b>	<b>37.1</b>
P/E (x)	41.4	27.9	15.6
EV/EBITDA	30.1	23.1	10.3
RoE (%)	13.5	16.6	24.4

## Business Operation & Product Offerings

**Uniparts India Ltd (UIL)**, is a concept-to-supply player for precision products for off-highway vehicles. The product portfolio includes core product verticals of 3-point linkage systems and precision machined parts as well as adjacent product verticals of power take off, fabrications and hydraulic cylinders or components thereof.

**3PL**  
 The 3PL system(three point linkage system) forms a group of assemblies allowing an implement like a plough to be attached to the tractor at three coupling points, forming a triangle. Most tractors are equipped with a 3PL system and are classified according to International Organization for Standardization (ISO) 730 in four categories, based on the engine rating. The primary function of the 3PL is to transfer the weight and load of an implement to the wheels of a tractor and to allow the adjustment of different positions by lifting and lowering the implement.

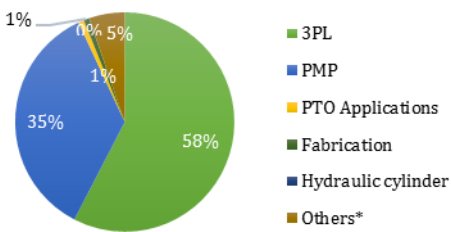
**PMP**  
 PMP (precision machined parts) is a group of components that require stringent material and manufacturing specifications and controls, used in applications across OHVs, ranging from engine parts and transmission components to particular parts for joints in agricultural and construction applications.

**Hydraulic Cylinders**  
 Hydraulic cylinders are used as actuators to move mechanized components, by generating linear motion along an axis.

**PTO**  
 PTO (Power take off) is a device used to drive implements such as rotary tillers, mowers and other equipment requiring a mechanical drive by the tractor.

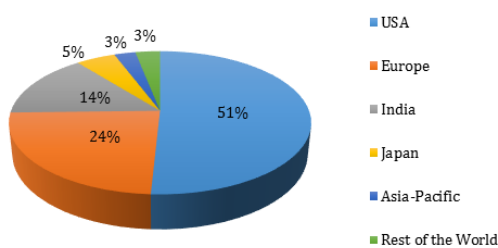
**Fabrications**  
 Agriculture as well as construction equipment use fabrications ranging from large structural parts and chassis to small and medium in size with no chassis parts. These parts vary in terms of size as well as design specifications and manufacturing process complexity. These parts can be high on metal content (primarily steel) and utilize processes such as bending, welding and surface finishing

Revenue Split across product vertical (%) as of June 2022



Particulars	Revenue Split On type Of Sales as of June 2022 (%)
International Sales	82.16%
Local Deliveries	24.91%
Direct Exports	30.31%
Warehouse Sales	41.06%

Revenue Split based Geographical presence(%) as of June 2022



Particulars	Revenue from Operations (%) - Product vertical
3PL	57.6
PMP	35.46
PTO Applications	0.85
Fabrication	0.79
Hydraulic cylinder	0.04
Others*	5.26
<b>Total</b>	<b>100</b>

Source: RHP, Geojit Research

## Installed Capacity and Capacity Utilization

Set forth below are details of the product-wise installed capacity of manufacturing facilities as of March 31, 2020, March 31, 2021, and March 31, 2022, and as of June 30, 2022, and production volumes and capacity utilization for the FY2020, 2021 and 2022, and in the three months ended June 30, 2022.

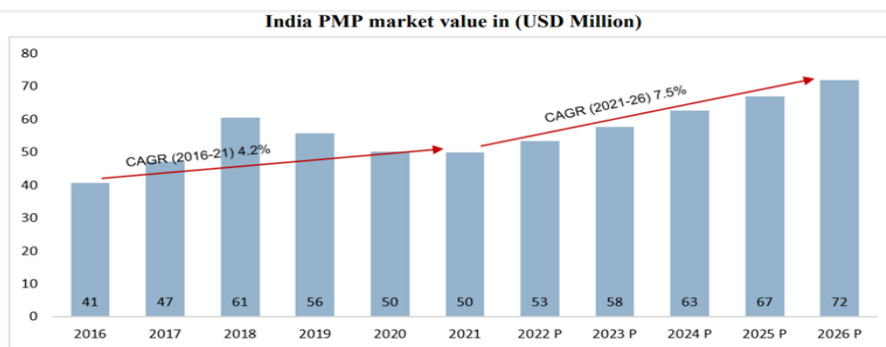
Manufacturing facility	Installed capacity as of March 31, 2020	Fiscal 2020		Installed capacity as of March 31, 2021	Fiscal 2021		Installed capacity as of March 31, 2022	Fiscal 2022		Installed capacity as of June 30, 2022	Three months ended June 30, 2022	
		Production (in tonnes)	Capacity utilization (%)		Production	Capacity utilization (%)		Production	Capacity utilization (%)		Production	Capacity utilization (%)
B-208, Uttar Pradesh, India	16,500	8,944	54.21	15,000	9,551	63.68	15,000	12,357	82.38%	3,750	2,538	67.69%
GFPL, Uttar Pradesh, India	6,600	4,629	70.13	7,200	5,045	70.07	8,400	7,028	83.67%	2,100	1,623	77.27%
Visakhapatnam, Andhra Pradesh, India	13,440	8,380	62.35	13,440	7,911	58.86	13,440	11,046	82.19%	3,360	2,456	73.08%
Farmparts, Ludhiana, Punjab, India	9,000	6,250	69.44	9,500	7,698	81.03	10,020	10,133	101.13%	2,595	2,338	90.11%
SKG, Ludhiana, Punjab, India	12,000	8,137	67.81	13,500	9,602	71.13	15,000	11,746	78.31%	3,750	2,808	74.87%
Elridge, Iowa, USA., UOI	7,200	3,959	54.99	5,100	2,397	47.00	5,100	2,486	48.75%	1,275	559	43.84%

### Key strategies:

- 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.

### Industry Outlook...

.The world market for 3-point linkages was estimated at USD 360 million – USD 370 million in 2021 and is expected to grow at nearly 6% - 8% between 2021 and 2026, buoyed by growth in tractor production volumes in North America, India and Europe, steady growth in China and Japan. The global market of PMP for articulated joints was an estimated USD 648 million in 2021. The demand for such products is expected to grow at a healthy 6% - 8% CAGR in the 5-year period between 2021 – 2026. (Source: CRISIL Report)



*Note: For calculating market size of PMP, construction equipment such as backhoe loader, excavator, wheeled loader, skid steer loader, and rigid dump trucks have been considered.*

*Source: Industry, CRISIL Research*

*Source: RHP, Geojit Research*

### Promoter and promoter group

Mr. Gurudeep Soni and Mr. Paramjit Singh Soni are the Promoters of the Company. As on the date of this Red Herring Prospectus, the Promoters hold 9,195,090 Equity Shares in aggregate, representing 20.37% of the issued, subscribed and paid up Equity Share capital of the company.

The Board comprises of eight Directors, including two Executive Directors, one Non-Executive Director, one Nominee Director and four Independent Directors (including one woman director).

### Brief Biographies of directors

- **Gurdeep Soni**, is the Chairman and Managing Director of the company and has been associated with the company since its incorporation.
- **Paramjit Singh Soni**, is an Executive Director and Vice Chairman of the company and has been associated with the company since its incorporation.
- **Herbert Coenen**, is a Non-Executive Director of the company.
- **Harjit Singh Bhatia**, is a Nominee Director of the company and a nominee of Ashoka Investment Holdings Limited and Ambadevi Mauritius Holding Limited on the Board.
- **Alok Nagory**, is an Independent Director of the company.
- **Sharat Krishan Mathur**, is an Independent Director of the company.
- **Shradha Suri**, is an Independent Director of the company.

## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY20	FY21	FY22
Sales	907.2	903.1	1,227.4
% change	-	-0.4	35.9
<b>EBITDA</b>	<b>96.2</b>	<b>119.4</b>	<b>268.0</b>
% change	-	24	125
Depreciation	35.4	37.3	36.6
<b>EBIT</b>	<b>60.8</b>	<b>82.1</b>	<b>231.4</b>
Interest	18	8.1	5.7
Other Income	31.6	44.5	3.6
Exceptional Items	-	-	-
<b>PBT</b>	<b>74.4</b>	<b>118.6</b>	<b>229.3</b>
% change	-	59	93.4
Tax	11.8	25.4	62.4
Tax Rate (%)	16	21	27
<b>Reported PAT</b>	<b>62.6</b>	<b>93.1</b>	<b>166.9</b>
Adj	-	-	-
<b>Adj. PAT</b>	<b>62.6</b>	<b>93.1</b>	<b>166.9</b>
% change	-	48.7	79.2
Post issue No. of shares (cr)	4.5	4.5	4.5
<b>Adj EPS (Rs)</b>	<b>13.9</b>	<b>20.7</b>	<b>37.1</b>
% change	-	48.7	79.2

### BALANCE SHEET

Y.E March (Rs cr)	FY20	FY21	FY22
Cash	17.0	10.8	14.0
Accounts Receivable	122.8	167.5	194.2
Inventories	352.9	339.1	441.9
Other Cur. Assets	39.5	38.4	28.2
Investments	5.1	9.3	8.3
Deff. Tax Assets	-	-	-
Net Fixed Assets	273.2	258.0	259.4
CWIP	9.3	2.3	2.2
Intangible Assets	67.2	64.4	65.3
Other Assets	11.7	13.5	17.5
<b>Total Assets</b>	<b>899</b>	<b>893</b>	<b>1,031</b>
Current Liabilities	84.8	117.2	123.2
Provisions	45.2	49.6	48.0
Debt Funds	298.4	162.2	157.9
Other Fin. Liabilities	5.4	-	-
Deferred Tax liability	0.8	4.2	16.8
<b>Equity Capital</b>	<b>44.6</b>	<b>44.6</b>	<b>44.6</b>
<b>Reserves &amp; Surplus</b>	<b>419.5</b>	<b>515.5</b>	<b>640.6</b>
Shareholder's Fund	464.2	560.1	685.2
<b>Total Liabilities</b>	<b>899</b>	<b>893</b>	<b>1,031</b>
<b>BVPS (Rs)</b>	<b>103.1</b>	<b>124</b>	<b>152</b>

### CASH FLOW

Y.E March (Rs cr)	FY20	FY21	FY22
PBT Adj.	74.4	118.6	229.3
Non-operating & non cash adj.	27.6	39.8	30.6
Changes in W.C	28.4	-5.6	-175.1
<b>C.F. Operating</b>	<b>130.5</b>	<b>152.8</b>	<b>84.9</b>
Capital expenditure	-55.1	-15.3	-34.7
Change in investment	-	-1.3	1.3
Sale of investment	-	-	-
Other invest.CF	1.2	0.8	0.9
<b>C.F - investing</b>	<b>-53.8</b>	<b>-15.7</b>	<b>-32.6</b>
Issue of equity	-	-	-
Issue/repay debt	-56.8	-136.1	-5.7
Dividends paid	-	-	-
Other finance.CF	-20.1	-5.4	-43.6
<b>C.F - Financing</b>	<b>-76.9</b>	<b>-141.4</b>	<b>-49.3</b>
Change. in cash	-0.3	-4.4	3.0
Closing cash	17.0	10.8	14.0

### RATIOS

Y.E March	FY20	FY21	FY22
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	10.6	13.2	21.8
EBIT margin (%)	6.7	9.1	18.9
Net profit mgn.(%)	6.9	10.3	13.6
ROE (%)	13.5	16.6	24.4
ROCE (%)	20.4	13.4	21.9
<b>W.C &amp; Liquidity</b>			
Receivables (days)	49	59	54
Inventory (days)	392	358	355
Payables (days)	21	36	27
Current ratio (x)	4.1	3.3	4.0
Quick ratio (x)	1.6	1.5	1.7
<b>Turnover &amp; Levq.</b>			
Net asset T.O (x)	3.3	3.4	4.7
Total asset T.O (x)	1.0	1.0	1.3
Int. covge. ratio (x)	0.3	0.1	0.0
Adj. debt/equity (x)	0.6	0.3	0.2
<b>Valuation ratios</b>			
EV/Sales (x)	3.2	3.1	2.2
EV/EBITDA (x)	30.1	23.1	10.3
P/E (x)	41.4	27.9	15.6
P/BV (x)	5.6	4.6	3.8

## General Disclosures and Disclaimers

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I, Rajeev T, author (s) of this Report, hereby certify that all the views expressed in this research report reflect my personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

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It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

*Further, the Analyst confirms that:*

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered

#### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:



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4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Rajeev T, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

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