

Jainam Broking Ltd



Uniparts India Ltd

By

Jainam Broking Ltd

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IPO Details:

IPO Details	
Opening date	30th Nov 2022
Closing date	2nd Dec 2022
Face Value	10 rupees per share
Price band	Rupees 548 to 577 per share
Lot size	25 shares
Listing on	BSE & NSE
Total issue size	INR 835.61 crores
Fresh issue	-
Offer for sale	INR 835.61 crores

Promoter's Holdings	
Pre-issue shareholdings	75.54%
Post-issue shareholdings	65.79%

About the company:

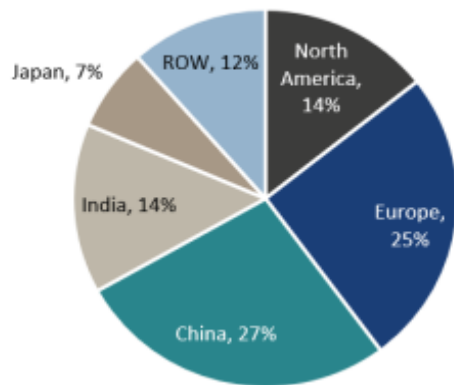
- **Incorporated in Sept-1994** as “Uniparts India Ltd”, currently manufactures global systems & solutions, and is one of the leading suppliers for an off-highway market in the agriculture, construction, & forestry, and mining (CFM) present across 25+ countries.
- It is present across the value chain of precision for the off-highway market.
- Its product portfolio comprises **3-point linkage systems (3PL)** applicable in agricultural tractors, **precision machine parts (PMP)** vertical of **power take-off (PTO)** applicable to heavy load bearing & tolerances equipment.
- As of 2022, in terms of value, the company has a **market share of more than 16% in 3PL** and **more than 5.50% market share in PMP** across the globe.
- It provides replacement parts of 3PL in North America, Europe, South Africa, and Australia into organized aftermarkets (spare parts, accessories & components).
- In India, it has **5-manufacturing facilities**, and a **set-up of 2 distributions**, too. In the US, it has manufacturing, distribution, and warehousing in Iowa, USA.

About the Industry:

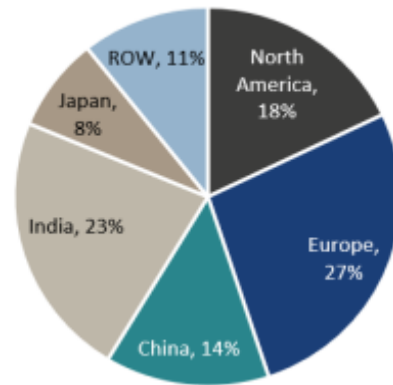
- 3PL market is expected grow at a CAGR of 6%-8% during 2021 to 2026. Where a majority of the demand is expected to come from construction, forestry, and mining (CFM).

- End-user industry is tractors. Higher food consumption with increasing population density will drive the demand.
- Increasing more adoption of organic foods along with aging populations.

World 3PL Market (275-295 million USD) in 2016

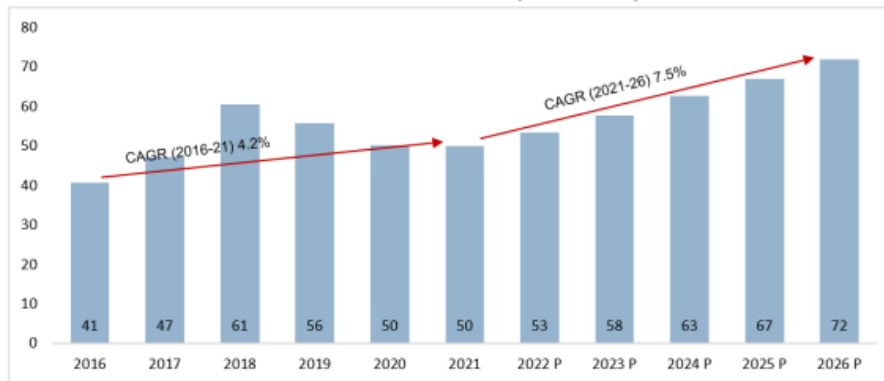


World 3PL Market (350-375 million USD) in 2021

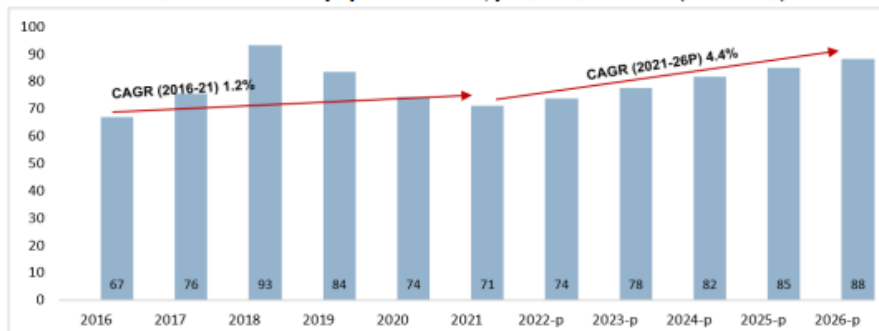


- **PMP market is expected to grow at a CAGR of 6%-8% between 2021 to 2026**, majorly powered by strong volume growth in construction equipment productions.

India PMP market value in (USD Million)



Indian construction equipment market, production volume ('000 units)



- Indian construction market equipment is expected to grow faster than our historical years.

Management of the company:

1. **Gurdeep soni:** chairman and MD:
 - Holds master's degree from BITS Pilani and associated with the company since inception and also a director of the company since 1994.
2. **Paramjit singh soni:** executive director and vice chairman:
 - Holds bachelor's degree from the University of Delhi and associated with the company since its inception.
 - He is responsible for the OEM business part of the whole Uniparts group.
3. **Herbert coenen:** Non-executive director:
 - He was appointed as a director in 2013 and holds a diploma from applied since from Germany.
 - He is also a managing director of one of the company's subsidiaries, "Uniparts India GmbH".

Objects of the offer:

- This IPO is purely OFS (offer for sale). Selling shareholders are:
 - Promoter groups- 29.69%
 - Large investors- 20.68%
 - Individual shareholders- 1.65%

Financial performance:

P&L console (INR cr.)	Mar-19	Mar-20	Mar-21	Mar-22
Sales	1,061	907	903	1,227
Expenses	923	811	783	959
Operating Profit	138	96	120	268
OPM %	13%	11%	13%	22%
Other Income	2	32	44	3
Interest	18	18	8	6
Depreciation	30	35	37	37
Profit before tax	92	74	119	229
Tax %	24%	16%	23%	26%
Net Profit	70	63	91	169
EPS in Rs	15.42	13.88	20.21	37.4
Dividend Payout %	8%	0%	16%	24%

Balance sheet console (INR cr.)	Mar-19	Mar-20	Mar-21	Mar-22	Jun-22
Share Capital	45	45	45	45	45
Reserves	377	420	514	641	669
Borrowings	392	298	162	158	145
Other Liabilities	147	141	181	205	205
Total Liabilities	961	904	901	1,048	1,064
Fixed Assets	356	340	322	325	321
CWIP	9	10	2	2	7
Investments	0	0	1	0	0
Other Assets	597	554	575	721	736
Total Assets	961	904	901	1,048	1,064

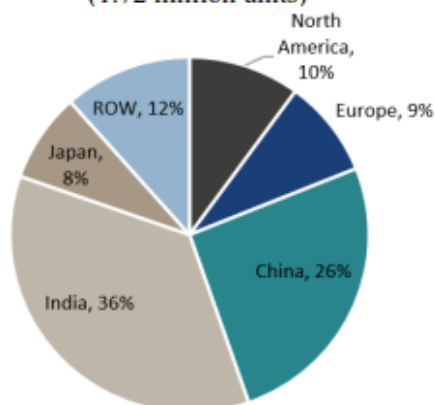
Cash flow console (INR cr.)	Mar-19	Mar-20	Mar-21	Mar-22
Cash from Operating Activity	-6	133	153	85
Cash from Investing Activity	-113	-8	-17	-32
Cash from Financing Activity	125	-123	-141	-49
Net Cash Flow	6	2	-6	3

Particulars	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three months ended June 30, 2022	
	(₹ million)	Percentage of Revenue from Operations (%)	(₹ million)	Percentage of Revenue from Operations (%)	(₹ million)	Percentage of Revenue from Operations (%)	(₹ million)	Percentage of Revenue from Operations (%)
Revenue split across market segment								
Agriculture segment	5,441.55	59.98	6,303.80	69.80	8,654.79	70.51	2,447.42	70.56
CFM segment	3,244.63	35.76	2,372.66	26.27	3,048.77	24.84	852.00	24.56
Others	39.12	0.43	12.18	0.13	64.20	0.52	39.78	1.15
Revenue split across product vertical								
3PL	4,279.64	47.17	5,066.55	56.10	6,839.57	55.72	1,997.96	57.60
PMP	4,323.06	47.65	3,397.26	37.62	4,471.20	36.43	1,229.86	35.46
PTO applications	64.48	0.71	82.14	0.91	122.29	1.00	29.45	0.85
Fabrication	77.18	0.85	84.08	0.93	130.04	1.06	27.36	0.79
Hydraulic cylinders	6.66	0.07	7.87	0.09	7.16	0.06	1.28	0.04
Others*	321.19	3.54	393.51	4.36	703.98	5.74	182.50	5.26

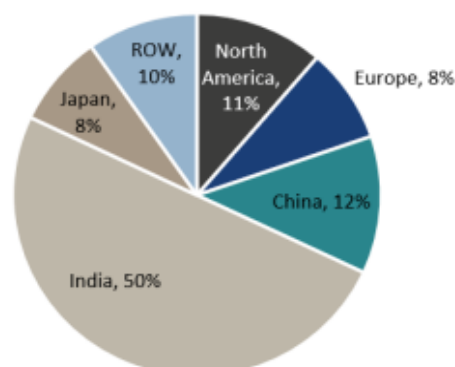
Positive triggers:

- **India is gaining market share in terms of the world's tractor production from 36% in 2016 to 50% in 2021.** India is also in a sweet spot for more market share in the upcoming future due to better seasonal monsoons, seasonal crop mix, and an increase in irrigation intensity.

World Tractor Production (2016) -Geography-wise split
(1.72 million units)



World Tractor Production (2021) – Geography-wise split
(2.13 million units)



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- The company has a leading market presence in global off-highway vehicles' systems and components segments.
- **Long-term relations with most of their customers** like doing business with more than 10-15 years with its customers across all geographies.
- **Top-level management are associated with the company since its inception** and they have allocated work based on management skills, expertise, and geographical know-how. So that, individual management personnel can focus on a specific task.

Anti-pointers:

- **The company is operating in a cyclical nature of the business.** Tractor sales and construction-related activities are purely cyclical in nature.
- **A currency fluctuation risk** plays a big role as revenue streams are from different countries.

Particulars	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three months ended June 30, 2022	
	(₹ million)	Percentage of Revenue from Operations (%)	(₹ million)	Percentage of Revenue from Operations (%)	(₹ million)	Percentage of Revenue from Operations (%)	(₹ million)	Percentage of Revenue from Operations (%)
USA	5,189.85	57.21	4,349.15	48.16	5,757.69	46.91	1,697.29	48.94
Europe	1,650.28	18.19	2,106.30	23.32	3,109.28	25.33	793.80	22.89
India	1,146.04	12.63	1,433.28	15.87	1,646.88	13.42	489.58	14.12
Japan	420.77	4.64	408.30	4.52	599.54	4.88	165.28	4.77
Asia-Pacific	166.78	1.84	169.28	1.87	272.44	2.22	89.47	2.58
Rest of the world	152.37	1.68	222.33	2.46	381.93	3.11	103.78	2.99
Total	8,726.09	96.18	8,688.64	96.20	11,767.75	95.87	3,339.20	96.27

- **It's the 3rd attempt at an IPO for the company**, earlier they came up in 2014 and 2018, and both the time did not sell shares via IPO.

- **The company is doing a continuous transaction with its subsidiaries** through related party transactions and **it is claiming to continue**. That should be a key-analyze area in the future.
- Steel is the major raw material required for the manufacturing of equipment. **Steel is a commodity in nature**, although the company is claiming that it is not dependent on a single vendor. Steel is 63.80%, 59.18%, 62.61%, and 62.65% of the total raw-material sourcing in fiscal 2020, 2021, 2022, and 3 months of 2022, respectively.

Our recommendations:

We are recommending for Medium-term hold, due to the following parameters:

- Increasing population density will drive food consumption and that will help the related industry to grow further.
- The government of India has started focusing more on the power & mining industry to become 'Atmanirbhar' which will give a tailwind for the heavy-equipment industry.
- Well-experienced management with a good track record.
- The company has a market-leading position in its segment, and there is no shoulder-to-shoulder competitor in India as of now.

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